
DRAFT STATUTORY INSTRUMENTS

2009 No.

The Overseas Companies Regulations 2009

PART 5

DELIVERY OF ACCOUNTING DOCUMENTS: GENERAL

CHAPTER 3

Companies not required to prepare and disclose accounts under parent law

Duty to prepare accounts

38. Sections 394 to 397, 399, and 402 to 406 of the Companies Act 2006 apply in relation to a company to which this Chapter applies, modified so that they read as follows—

“394 Duty to prepare individual accounts

Subject to section 399 (duty to prepare group accounts), the directors of a company must prepare accounts for the company for each of its financial years.

Those accounts are referred to as the company’s “individual accounts”.

395 Individual accounts: applicable accounting framework

(1) A company’s annual accounts may be prepared in accordance with—

- (a) its parent law (“parent law individual accounts”),
- (b) international accounting standards (“IAS individual accounts”), or
- (c) section 396 (“overseas companies individual accounts”).

(2) A company may only prepare parent law individual accounts if the content of such accounts includes that required by section 396.

396 Overseas companies individual accounts

- (1) Overseas companies individual accounts must comprise—
 - (a) a balance sheet as at the last day of the financial year, and
 - (b) a profit and loss account.
- (2) The accounts must comply with the provisions in Schedule 4 to the Overseas Companies Regulations as to—
 - (a) the content of the balance sheet and the profit and loss account, and
 - (b) additional information to be provided by way of notes to the accounts.

397 IAS individual accounts, parent law individual accounts and overseas company individual accounts

- (1) Where the directors of a company prepare IAS individual accounts they must state in the notes—
 - (a) that the accounts have been prepared in accordance with international accounting standards,
 - (b) whether the accounts have been audited, and
 - (c) if they have been audited—
 - (i) whether they have been audited in accordance with a set of generally accepted auditing standards, and
 - (ii) if so, the name of the organisation or other body which issued those standards.
- (2) Where the directors of a company prepare parent law individual accounts they must state in the notes—
 - (a) that the accounts have been prepared in accordance with the company's parent law,

- (b) the legislation under which the accounts have been prepared,
 - (c) whether the accounts have been prepared in accordance with a set of generally accepted accounting principles, and if so, the name of the organisation or other body which issued those principles,
 - (d) whether the accounts have been audited, and
 - (e) if they have been audited—
 - (i) whether they have been audited in accordance with a set of generally accepted auditing standards, and
 - (ii) if so, the name of the organisation or other body which issued those standards.
- (3) Where the directors of a company prepare overseas company individual accounts they must state in the notes—
- (a) that the accounts have been prepared in accordance with section 396,
 - (b) whether the accounts have been prepared in accordance with a set of generally accepted accounting principles, and if so, the name of the organisation or other body which issued those principles,
 - (c) whether the accounts have been audited, and
 - (d) if they have been audited—
 - (i) whether they have been audited in accordance with a set of generally accepted auditing standards, and
 - (ii) if so, the name of the organisation or other body which issued those standards.

399 Duty to prepare group accounts

If at the end of a financial year a company is a parent company the directors must, instead of preparing individual accounts for the year, prepare group accounts for the year.

402 Exemption from duty to prepare group accounts

A parent company is exempt from the requirement to prepare group accounts where—

- (a) it has prepared accounts under section 395(1)(a) and its parent law does not require consolidated accounts;
- (b) it has prepared accounts under section 395(1)(b) and in accordance with the international accounting standards it is not required to prepare consolidated accounts;
- (c) it has prepared accounts under section 395(1)(c) and if under section 405 all of the company's subsidiary undertakings could be excluded from the consolidation.

402A Holding company accounts to be regarded as group accounts

Where a company, being a parent company, is required by section 399 to prepare group accounts, and that company is itself the subsidiary of another company ("the holding company"), the group accounts of the holding company are deemed to satisfy the requirements of section 399 to prepare group accounts.

403 Group accounts: applicable accounting framework

- (1) The group accounts of an overseas company may be prepared in accordance with—
 - (a) its parent law ("parent law group accounts"),
 - (b) international accounting standards ("IAS group accounts"), or
 - (c) section 404 ("overseas companies group accounts").
- (2) A company may only prepare parent law group accounts if the content of such accounts includes that required by section 404.

404 Overseas companies group accounts

- (1) Overseas companies group accounts must comprise—
 - (a) a consolidated balance sheet dealing with the state of affairs of the parent company and its subsidiary undertakings, and
 - (b) a consolidated profit and loss account dealing with the profit or loss of the parent company and its subsidiary undertakings.

- (2) The accounts must comply with the provisions of Schedule 5 to the Overseas Companies Regulations as to—
 - (a) the content of the consolidated balance sheet and consolidated profit and loss account, and
 - (b) additional information to be provided by way of notes to the accounts.

405 Overseas companies group accounts: subsidiary undertakings included in the consolidation

- (1) Where a parent company prepares overseas companies group accounts, all the subsidiary undertakings of the company must be included in the consolidation, subject to the following exceptions.

- (2) A subsidiary undertaking may be excluded from the consolidation if its inclusion is not material (but two or more undertakings may be excluded only if they are not material taken together).

- (3) A subsidiary undertaking may be excluded from consolidation where—
 - (a) severe long-term restrictions substantially hinder the exercise of the rights of the parent company over the assets or management of that undertaking, or
 - (b) the information necessary for the preparation of group accounts cannot be obtained without disproportionate expense or undue delay, or
 - (c) the interest of the parent company is held exclusively with a view to subsequent resale.

- (4) The reference in subsection (3)(a) to the rights of the parent company and the reference in subsection (3)(c) to the interest of the parent company are, respectively, to rights and interests held by or attributed to the company for the purposes of the definition of “parent undertaking” (see section 1162) in the absence of which it would not be the parent company.

406 IAS group accounts, parent law group accounts and overseas company group accounts

- (1) Where the directors of a company prepare IAS group accounts they must state in the notes—
- (a) that the accounts have been prepared in accordance with international accounting standards,
 - (b) whether the accounts have been audited, and
 - (c) if they have been audited—
 - (i) whether they have been audited in accordance with a set of generally accepted auditing standards, and
 - (ii) if so, the name of the organisation or other body which issued those standards.
- (2) Where the directors of a company prepare parent law group accounts they must state in the notes—
- (a) that the accounts have been prepared in accordance with the company’s parent law,
 - (b) the legislation under which the accounts have been prepared,
 - (c) whether the accounts have been prepared in accordance with a set of generally accepted accounting principles, and if so, the name of the organisation or other body which issued those principles,
 - (d) whether the accounts have been audited, and

- (e) if they have been audited—
 - (i) whether they have been audited in accordance with a set of generally accepted auditing standards, and
 - (ii) if so, the name of the organisation or other body which issued those standards.

 - (3) Where the directors of a company prepare overseas company group accounts they must state in the notes—
 - (a) that the accounts have been prepared in accordance with section 404,
 - (b) whether the accounts have been prepared in accordance with a set of generally accepted accounting principles, and if so, the name of the organisation or other body which issued those principles,
 - (c) whether the accounts have been audited, and
 - (d) if they have been audited—
 - (i) whether they have been audited in accordance with a set of generally accepted auditing standards, and
 - (ii) if so, the name of the organisation or other body which issued those standards.”
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