# SCHEDULE 5

Regulation 38

## OVERSEAS COMPANIES GROUP ACCOUNTS

### General rules

**1.**—(1) Overseas companies group accounts must comply so far as practicable with the provisions of Schedule 4 as if the undertakings included in the consolidation ("the group") were a single company.

(2) In the case of overseas companies group accounts the minimum information listed in paragraph 19(2) of Schedule 4 must also relate to—

(a) investments accounted for using the equity method;

(b) minority interests, presented within equity.

**2.** The consolidated balance sheet and profit and loss account must incorporate in full the information contained in the individual accounts of the undertakings included in the consolidation, subject to the adjustments authorised or required by the following provisions of this Schedule and to such other adjustments (if any) as may be appropriate in accordance with generally accepted accounting principles or practice.

**3.**—(1) Where assets and liabilities to be included in the group accounts have been valued or otherwise determined by undertakings according to accounting rules differing from those used for the group accounts, the values or amounts must be adjusted so as to accord with the rules used for the group accounts.

(2) If it appears to the directors of the parent company that there are special reasons for departing from sub-paragraph (1) they may do so, but particulars of any such departure, the reasons for it and its effect must be given in a note to the accounts.

(3) The adjustments referred to in this paragraph need not be made if they are not material.

**4.** Amounts that in the particular context of any provision of this Schedule are not material may be disregarded for the purposes of that provision.

### Elimination of group transactions

**5.**—(1) Debts and claims between undertakings included in the consolidation, and income and expenditure relating to transactions between such undertakings, must be eliminated in preparing the group accounts.

(2) Where profits and losses resulting from transactions between undertakings included in the consolidation are included in the book value of assets, they must be eliminated in preparing the group accounts.

(3) The elimination required by sub-paragraph (2) may be effected in proportion to the group's interest in the shares of the undertakings.

(4) Sub-paragraphs (1) and (2) need not be complied with if the amounts concerned are not material.

**6.**—(1) The following provisions apply where an undertaking becomes a subsidiary undertaking of the parent company.

(2) That event is referred to in those provisions as an "acquisition", and references to the "undertaking acquired" are to be construed accordingly.

**7.**—(1) An acquisition must be accounted for—

(a) by the acquisition method of accounting, or

(b) if the generally accepted accounting principles under which the accounts have been prepared allow it to be accounted for by another method, by that method.

(2) If an acquisition is accounted for in accordance with sub-paragraph (1)(b), the method used must be disclosed in the notes to the accounts.

### Minority interests

**8.**—(1) In the balance sheet there must be shown, as a separate item and under an appropriate line item, the amount of capital and reserves attributable to shares in subsidiary undertakings included in the consolidation held by or on behalf of persons other than the parent company and its subsidiary undertakings.

(2) In the profit and loss account formats there must be shown, as a separate item and under an appropriate line item—

(a) the amount of any profit or loss on ordinary activities, and

(b) the amount of any profit or loss on extraordinary activities,

attributable to shares in subsidiary undertakings included in the consolidation held by or on behalf of persons other than the parent company and its subsidiary undertakings.

### Joint ventures

**9.**—(1) Where an undertaking included in the consolidation manages another undertaking jointly with one or more undertakings not included in the consolidation, that other undertaking ("the joint venture") may, if it is not—

(a) a body corporate, or

(b) a subsidiary undertaking of the parent company,

be dealt with in the group accounts by the method of proportional consolidation.

(2) The provisions of this Schedule relating to the preparation of consolidated accounts apply, with any necessary modifications, to proportional consolidation under this paragraph.

### Associated undertakings

**10.** An "associated undertaking" means an undertaking in which an undertaking included in the consolidation has a participating interest and over whose operating and financial policy it exercises a significant influence, and which is not—

(a) a subsidiary undertaking of the parent company, or

(b) a joint venture dealt with in accordance with paragraph 9.

**11.**—(1) The interest of an undertaking in an associated undertaking, and the amount of profit or loss attributable to such an interest, shall be shown—

(a) by the equity method of accounting, or

(b) if the generally accepted accounting principles under which the accounts have been prepared allow it to be accounted for by another method, by that method.

(2) If an interest is accounted for in accordance with sub-paragraph (1)(b), the method used must be disclosed in the notes to the accounts.

(3) Where the associated undertaking is itself a parent undertaking, the net assets and profits or losses to be taken into account are those of the parent and its subsidiary undertakings (after making any consolidation adjustments).