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STATUTORY INSTRUMENTS

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**1996 No. 189**

**COMPANIES**

**The Companies Act 1985 (Miscellaneous  
Accounting Amendments) Regulations 1996**

*Made - - - - 1st February 1996*

*Coming into force*

*Regulations 2 and 3 1st April 1996*

*Remainder 2nd February 1996*

The Secretary of State, in exercise of the powers conferred on him by section 257 of the Companies Act 1985(1) and of all other powers enabling him in that behalf, hereby makes the following Regulations of which a draft has been laid before Parliament in accordance with section 257(2) of that Act and approved by resolution of each House of Parliament:

**Citation, interpretation and commencement**

1.—(1) These Regulations may be cited as the Companies Act 1985 (Miscellaneous Accounting Amendments) Regulations 1996 and, subject to paragraph (2) below, shall come into force on the day after the day on which they are made.

(2) Regulations 2 and 3 shall come into force on 1st April 1996.

(3) In these Regulations, “the 1985 Act” means the Companies Act 1985.

**Amendment of section 224**

2.—(1) Section 224 of the 1985 Act (accounting reference periods and accounting reference date)(2) is amended as follows.

(2) In subsection (2), after “company” insert “incorporated before 1st April 1996”.

(3) In subsection (3), for “a company’s accounting reference date” substitute “the accounting reference date of such a company”.

(4) After that subsection insert—

“(3A) The accounting reference date of a company incorporated on or after 1st April 1996 is the last day of the month in which the anniversary of its incorporation falls.”

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(1) 1985 c. 6; section 257 was substituted by section 20 of the Companies Act 1989 (c. 40).

(2) Section 224 was substituted by section 3 of the Companies Act 1989.

### **Amendment of section 225**

**3.**—(1) Section 225 of the 1985 Act (alteration of accounting reference date)(**3**) is amended as follows.

(2) In subsection (1), for the words from “having effect” to the end substitute—

“having effect in relation to—

- (a) the company’s current accounting reference period and subsequent periods; or
- (b) the company’s previous accounting reference period and subsequent periods.

A company’s “previous accounting reference period” means that immediately preceding its current accounting reference period.”

(3) Subsection (2) is hereby repealed.

(4) In subsection (4)—

- (a) after “current” insert “or previous”, and
- (b) for paragraph (a) substitute—

“(a) to a notice given by a company which is a subsidiary undertaking or parent undertaking of another EEA undertaking if the new accounting reference date coincides with that of the other EEA undertaking or, where that undertaking is not a company, with the last day of its financial year, or”.

(5) In subsection (5)—

- (a) for “subsection (2)(a)” substitute “subsection (1)”,
- (b) after “given” insert “in respect of a previous accounting reference period”, and
- (c) for “the previous accounting reference period” substitute “that period”.

(6) After subsection (6) insert—

“(7) In this section “EEA undertaking” means an undertaking established under the law of any part of the United Kingdom or the law of any other EEA State.”

### **Amendment of section 228**

**4.** Section 228(2)(d)(ii) of the 1985 Act (statement in accounts of company claiming exemption from preparation of group accounts of whether GB parent undertaking registered in England and Wales or in Scotland)(**4**) is hereby repealed.

### **Amendment of section 234**

**5.**—(1) Section 234 of the 1985 Act (duty to prepare directors' report)(**5**) is amended as follows.

(2) In subsection (1)(b), the words from “and the” to the end are hereby repealed.

(3) In subsection (4)—

- (a) omit the words from “Part IV” to “employees, and”, and
- (b) at the end insert—

“Part VI relates to the company’s policy on the payment of creditors.”

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(3) Section 225 was substituted by section 3 of the Companies Act 1989.

(4) Section 228 was substituted by section 5(3) of the Companies Act 1989 and amended by regulation 4 of S.I.1992/3178, regulation 5(1) of, and paragraph 1 of Schedule 2 to, S.I. 1993/3246 and by section 30 of the Welsh Language Act 1993 (c. 38).

(5) Section 234 was substituted by section 8(1) of the Companies Act 1989.

### **Amendment of section 237**

6. In section 237 of the 1985 Act (duties of auditors)(6) after subsection (4) insert—
- “(4A) If the directors of the company have taken advantage of the exemption conferred by section 248 (exemption for small and medium-sized groups from the need to prepare group accounts) and in the auditors' opinion they were not entitled so to do, the auditors shall state that fact in their report.”

### **Amendment of section 246**

- 7.—(1) Section 246 of the 1985 Act (exemptions for small and medium-sized companies)(7) is amended as follows.
- (2) In subsections (1A) and (1B)—
- (a) for “immediately above the signature” substitute “above the signature”, and
- (b) for “that advantage has been taken” substitute “to the effect that advantage has been taken”.

### **Amendment of section 247**

8. In section 247(6) of the 1985 Act (calculation of number of employees to determine whether company small or medium-sized)(8) for “weekly” substitute “monthly”.

### **Amendment of section 248**

9. Subsections (3) and (4) of section 248 of the 1985 Act (auditors' report on entitlement to claim exemption from preparation of group accounts)(9) are hereby repealed.

### **Amendment of section 249B**

- 10.—(1) Section 249B of the 1985 Act (cases where exemptions from audit not available)(10) is amended as follows.
- (2) In subsection (1), at the beginning insert “Subject to subsection (1A),”.
- (3) Insert the following subsection after subsection (1)—
- “(1A) A company which, apart from this subsection, would fall within subsection (1)(f) by virtue of its being a subsidiary undertaking for any period within a financial year shall not be treated as so falling if it is dormant (within the meaning of section 250) throughout that period.”
- (4) In subsection (4), at the beginning of each of paragraphs (a) to (c) insert “to the effect”.
- (5) In subsection (5), for the words from “immediately above the signature” to the end substitute “above the signature required by section 233”.

### **Amendment of section 250**

- 11.—(1) Section 250 of the 1985 Act (resolution not to appoint auditors)(11) is amended as follows.

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(6) Section 237 was substituted by section 9 of the Companies Act 1989.

(7) Section 246 was substituted by section 13(1) of the Companies Act 1989 and amended by regulation 4 of S.I. 1992/2452.

(8) Section 247 was substituted by section 13(1) of the Companies Act 1989 and amended by regulation 5 of S.I. 1992/2452.

(9) Section 248 was substituted by section 13(3) of the Companies Act 1989.

(10) Section 249B was inserted by regulation 2 of S.I. 1994/1935. S.I. 1994/1935 was amended by S.I.s 1994/2879 and 1995/589 in a manner not relevant to these Regulations.

(11) Section 250 was substituted by section 14 of the Companies Act 1989 and amended by regulation 2 of S.I. 1992/3003.

- (2) Paragraph (a) of subsection (2) is hereby repealed.
- (3) In paragraph (c) of subsection (4)—
  - (a) for “immediately above the signature” substitute “above the signature”, and
  - (b) for “that the company” substitute “to the effect that the company”.

#### **Amendment of sections 262 and 262A**

**12.**—(1) The following definition shall be inserted at the appropriate place in section 262(1) of the 1985 Act (minor definitions)(**12**)—

““EEA State” means a State which is a Contracting Party to the Agreement on the European Economic Area signed at Oporto on 2nd May 1992, as adjusted by the Protocol signed at Brussels on 17th March 1993 and by Council Decision Number 1/95 of 10th March 1995.”

(2) The following entry shall be inserted at the appropriate place in the index of defined expressions set out in section 262A(**13**)—

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““EEA State”	section 262(1)”.
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#### **Amendment of section 268**

**13.**—(1) Section 268 (realised profits of insurance company with long term business)(**14**) is amended as follows.

- (2) In subsection (1), for paragraph (a) substitute—
  - “(a) any amount included in the relevant part of the balance sheet of the company which represents a surplus in the fund or funds maintained by it in respect of that business and which has not been allocated to policy holders in accordance with section 30(1) of that Act or carried forward unappropriated as mentioned in section 30(7) of that Act, and”.
- (3) In subsection (2), before paragraph (a) insert—
  - “(aa) the reference to the relevant part of the balance sheet is to that part of the balance sheet which represents Liabilities item A.V (profit and loss account) in the balance sheet format set out in section B of Chapter I of Part I of Schedule 9A,”.

#### **Amendment of Schedules**

**14.**—(1) Schedule 4 to the 1985 Act (form and content of company accounts)(**15**) is amended in accordance with Schedule 1 to these Regulations.

(2) Schedule 4A to the 1985 Act (form and content of group accounts)(**16**) is amended in accordance with Schedule 2 to these Regulations.

(3) Schedule 5 to the 1985 Act (disclosure of information: related undertakings)(**17**) is amended in accordance with Schedule 3 to these Regulations.

(4) The following provisions of Schedule 7 to the 1985 Act (matters to be dealt with in the directors' report) are hereby repealed—

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(12) Section 262 was substituted by section 22 of the Companies Act 1989 and was amended by regulation 7 of S.I. 1992/3178.  
 (13) Section 262A was inserted by section 22 of the Companies Act 1989 and was amended by regulation 6 of, and paragraph 3 of Schedule 2 to, S.I. 1991/2705, by regulation 5 of, and paragraph 5 of Schedule 2 to, S.I. 1993/3246, by regulation 4(2) of S.I. 1994/233 and by regulation 4 of, and paragraph 3 of Schedule 1 to, S.I. 1994/1935.  
 (14) Section 268(1)(a) was amended by regulation 5 of, and paragraph 6 in Schedule 2 to, S.I. 1993/3246.  
 (15) Schedule 4 was amended by section 4(2) of, and Schedule 1 to, the Companies Act 1989.  
 (16) Schedule 4A was inserted by section 5(2) of, and Schedule 2 to, the Companies Act 1989.  
 (17) Schedule 5 was substituted by section 6 of, and Schedule 4 to, the Companies Act 1989.

- (a) paragraph 1(1) (significant changes in fixed assets)(18),
  - (b) paragraph 5A (insurance effected for officers or auditors)(19), and
  - (c) Part IV (health, safety and welfare at work of company's employees).
- (5) At the end of that Schedule insert the following Part—

## “PART VI

### POLICY ON THE PAYMENT OF CREDITORS

**12.—**(1) This Part of this Schedule applies to a report by the directors of a company for a financial year if—

- (a) the company was at any time within the financial year a public company, or
- (b) the company did not qualify as small or medium-sized in relation to the financial year by virtue of section 247 and was at any time within the year a member of a group of which the parent company was a public company.

(2) The report shall, with respect to the financial year immediately following that covered by the report, state—

- (a) whether in respect of some or all of its suppliers it is the company's policy to follow any code or standard on payment practice and, if so, the name of the code or standard and the place where information about, and copies of, the code or standard can be obtained,
- (b) whether in respect of some or all of its suppliers it is the company's policy—
  - (i) to settle the terms of payment with those suppliers when agreeing the terms of each transaction,
  - (ii) to ensure that those suppliers are made aware of the terms of payment, and
  - (iii) to abide by the terms of payment,
- (c) where the company's policy is not as mentioned in paragraph (a) or (b) in respect of some or all of its suppliers, what its policy is with respect to the payment of those suppliers.

(3) If the company's policy is different for different suppliers or classes of suppliers, the report shall identify the suppliers or classes of suppliers to which the different policies apply.

(4) For the purposes of this Part of this Schedule a supplier is any person whose claim on the reporting company in respect of goods or services supplied would be included under “trade creditors” within “Creditors; amounts falling due within one year” in a balance sheet drawn up in accordance with balance sheet format 1 in Schedule 4.”

(6) Schedule 9 to the 1985 Act (form and content of accounts of banking companies and groups)(20) is amended in accordance with Schedule 4 to these Regulations.

(7) Schedule 9A to the 1985 Act (form and content of accounts of insurance companies and groups)(21) is amended in accordance with Schedule 5 to these Regulations.

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(18) Paragraph 1 of Schedule 7 was amended by section 8(2) of, and paragraph 2 of Schedule 5 to, the Companies Act 1989.

(19) Paragraph 5A of Schedule 7 was inserted by section 137(2) of the Companies Act 1989.

(20) Parts I to III of Schedule 9 were inserted before a re-numbered Schedule 9A by regulation 5 of, and Schedule 1 to, S.I. 1991/2705. Part IV of Schedule 9 was substituted by section 18(3) and (4) of, and Part IV of Schedule 7 to, the Companies Act 1989.

(21) Parts I and II of Schedule 9 to the Companies Act 1985 were formed into a new Schedule 9A by regulation 5(1) of S.I. 1991/2705. A new Schedule 9A was substituted by regulation 4 of, and Schedule 1 to, S.I. 1993/3246.

(8) Schedule 11 to the 1985 Act (modifications of Part VIII where company's accounts prepared in accordance with special provisions for banking or insurance companies)(22) is amended in accordance with Schedule 6 to these Regulations.

### Minor and consequential amendments

15.—(1) In section 231 of the 1985 Act (disclosure required in notes to accounts: related undertakings)(23) the words “5(2)” in subsection (3), and the words from “This subsection” to the end in subsection (5), are hereby repealed.

(2) In section 255A(6) (b) (modifications of references in section 230(2) to Schedule 4 where Schedule 9 or 9A apply)(24) for “paragraphs 74 to 77” substitute “75 to 77”.

(3) In paragraph 1(2) of Schedule 7 to the 1985 Act (statement of market value of fixed assets where substantially different from balance sheet amount) for “such of those assets” substitute “such of the fixed assets of the company or of any of its subsidiary undertakings”.

(4) In Schedule 8 to the 1985 Act (exemptions for small and medium-sized companies)(25)—

(a) in paragraph 15—

(i) for sub-paragraph (b) substitute—

“(b) paragraph 1(2) of Schedule 7 (statement of market value of fixed assets where substantially different from balance sheet amount)”, and

(ii) omit sub-paragraphs (c) and (e);

(b) in paragraph 23(2) for the words from “immediately above the signature” to the end substitute “above the signature required by section 233”; and

(c) in paragraph 26(3) for “paragraph 8” substitute “paragraph 24”.

### Application and transitional provisions

16.—(1) Subject to the following provisions of this regulation, these Regulations apply to the annual accounts and annual report of any company (including any body corporate to which Part VII of the 1985 Act is applied by any enactment) for any financial year ending on or after the date of coming into force of the Regulations in accordance with regulation 1(1).

(2) Subject to paragraphs (3) to (6) below, a company may, with respect to a financial year of the company ending on or before 24th March 1996, prepare and deliver to the registrar of companies such annual accounts and annual report as it would have been required to prepare and deliver had the amendments to the 1985 Act effected by these Regulations not been made.

(3) The amendments effected by regulations 2 and 3 come into force in accordance with regulation 1(2).

(4) A public company may pass a special resolution in accordance with section 250 of the 1985 Act as amended by regulation 11(2) at any time after the coming into force of these Regulations.

(5) The amendments to the 1985 Act effected by regulations 6, 8 and 10(1) to (3), and by paragraphs 3, 4, 6, 10 and 18 of Schedule 5 to these Regulations apply to any annual accounts of a company which are approved by the board of directors on or after the day on which these Regulations come into force.

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(22) Schedule 11 was amended by regulation 7 of, and paragraph 1 of Schedule 3 to, S.I. 1991/2705, and by regulation 5 of, and paragraph 8 of Schedule 2 to, S.I. 1993/3246.

(23) Section 231 was substituted by section 6(1) of the Companies Act 1989 and amended by regulation 11(1) of S.I. 1993/1820.

(24) Section 255A was inserted into the 1985 Act (in place of the section of the same number inserted by section 18 of the Companies Act 1989) by regulation 3 of S.I. 1991/2705, and amended by regulation 5 of S.I. 1992/3178 and by regulation 3 of S.I. 1993/3246.

(25) Schedule 8 was substituted by section 13(2) of, and Schedule 6 to, the Companies Act 1989 and amended by regulation 4(3) of, and the Schedule to, S.I. 1992/2452 and by regulation 4 of, and paragraph 5 of Schedule 1 to, S.I. 1994/1935.

(6) The amendments to the 1985 Act effected by regulations 13 and 14(8) apply in respect of any distribution made on or after the day on which these Regulations come into force.

1st February 1996

*Phillip Oppenheim*  
Minister for Company Affairs  
Department of Trade and Industry

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## SCHEDULES

### SCHEDULE 1

Regulation 14 (1)

#### FORM AND CONTENT OF COMPANY ACCOUNTS

1. Schedule 4 to the 1985 Act (form and content of company accounts) is amended as follows.
2. In paragraph 3(7) (aggregate amount of dividends to be shown separately in profit and loss account etc.)—
  - (a) omit “and” at the end of paragraph (a), and
  - (b) after paragraph (b) insert—
    - “(c) if it is not shown in the notes to the accounts, the aggregate amount of any dividends proposed.”
3. In note (13) of the notes on the balance sheet formats set out in Section B of Part I, for the words from “and their aggregate” to the end substitute “and for the aggregate of all of these items”.
- 4.—(1) Paragraph 34 (revaluation reserve)(**26**) is amended as follows.
  - (2) In sub-paragraph (3), for “from the revaluation reserve” to “on capitalisation;” substitute—
    - “(a) from the revaluation reserve—
      - (i) to the profit and loss account, if the amount was previously charged to that account or represents realised profit, or
      - (ii) on capitalisation,
    - (b) to or from the revaluation reserve in respect of the taxation relating to any profit or loss credited or debited to the reserve;”.
  - (3) In sub-paragraph (3A)(**27**), for “sub-paragraph (3)(b)” substitute “sub-paragraph (3)(a)(ii)”.
5. Sub-paragraph (a) of paragraph 39 (statement in notes to accounts of reason for allotting shares) is hereby repealed.
6. In paragraph 41 (information in notes to accounts about debentures issued during the financial year), sub-paragraphs (1)(a) and (2) are hereby repealed.
7. In paragraph 45(1) (information in notes to accounts about investments)(**28**), paragraph (b) and the word “and” immediately preceding it are hereby repealed.
8. For sub-paragraph (1) of paragraph 48 (statement in notes to accounts of details of indebtedness) substitute the following —
  - “(1) In respect of each item shown under “creditors” in the company’s balance sheet there shall be stated the aggregate of the following amounts, that is to say—
    - (a) the amount of any debts included under that item which are payable or repayable otherwise than by instalments and fall due for payment or repayment after the end

(26) Paragraph 34 was amended by section 4(2) of, and paragraph 6 of Schedule 1 to, the Companies Act 1989.

(27) Sub-paragraph (3A) was inserted by section 4(2) of, and paragraph 6 of Schedule 1 to, the Companies Act 1989.

(28) Paragraph 45 was amended by section 212 of, and paragraph 23(a) of Schedule 16 to, the Financial Services Act 1986 (c. 60).



of the period of five years beginning with the day next following the end of the financial year; and

(b) the amount of any debts so included which are payable or repayable by instalments any of which fall due for payment after the end of that period.”

**9.** In paragraph 50(3) (statement in notes to accounts of amounts of capital expenditure)(**29**), paragraph (b) and the word “and” immediately preceding it are hereby repealed.

**10.** Paragraph 51(3) (statement in notes to accounts of aggregate amount of recommended dividend)(**30**) is hereby repealed.

**11.**—(1) Paragraph 53 (separate statement of certain items of income and expenditure)(**31**) is amended as follows.

(2) In sub-paragraph (2)(a) the words from “and loans” to “that period” are hereby repealed.

(3) Sub-paragraphs (3) to (6) are hereby repealed.

**12.** Paragraph 54(1) (statement in notes to accounts of basis on which charge for tax computed) is hereby repealed.

**13.**—(1) Paragraph 55 (particulars of turnover) is amended as follows.

(2) In sub-paragraph (1), paragraph (b) and the word “and” immediately preceding it are hereby repealed.

(3) In sub-paragraph (3) omit the words “or (as the case may be) of profit or loss”.

**14.**—(1) Paragraph 56 (particulars of staff) is amended as follows.

(2) In sub-paragraph (2) for “weeks” substitute “months”.

(3) In sub-paragraph (3) for “week” wherever it occurs substitute “month” and for “weekly” substitute “monthly”.

**15.** Paragraph 59 (dealings with or interests in group undertakings)(**32**) is hereby repealed.

**16.**—(1) Paragraph 94 (staff costs) is amended as follows.

(2) For sub-paragraph (2) substitute—

“(2) “Pension costs” includes any costs incurred by the company in respect of any pension scheme established for the purpose of providing pensions for persons currently or formerly employed by the company, any sums set aside for the future payment of pensions directly by the company to current or former employees and any pensions paid directly to such persons without having first been set aside.”

(3) In sub-paragraph (3), for “either of the above items” substitute “the item “social security costs””.

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(29) Paragraph 50 was amended by section 212 of, and Schedule 24 to, the Companies Act 1989.

(30) Paragraph 51 was amended by section 4(2) of, and paragraph 9 of Schedule 1 to, the Companies Act 1989.

(31) Paragraph 53 was amended by sections 4(2) and 212 of, and paragraph 2 of Schedule 1 and Schedule 24 to, the Companies Act 1989.

(32) Paragraph 59 was substituted by section 4(2) of, and paragraph 11(2) of Schedule 1 to, the Companies Act 1989.

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## SCHEDULE 2

Regulation 14(2)

### FORM AND CONTENT OF GROUP ACCOUNTS

1. Schedule 4A(33) to the 1985 Act (form and content of group accounts) is amended as follows.
2. In paragraph 1(1) (group accounts to comply with provisions of Schedule 4) for “provisions of Schedule 4” substitute “provisions of section 390A(3) (amount of auditors' remuneration) and Schedule 4 (form and content of company accounts)”.
3. In paragraph 2(2) (composition of group accounts where financial year of subsidiary undertaking different from that of parent) for “differs from that of the parent company” substitute “does not end with that of the parent company”.
- 4.—(1) Paragraph 13 (information about acquisitions in notes to group accounts) is amended as follows.
  - (2) Sub-paragraph (4) is hereby repealed.
  - (3) In sub-paragraph (7) omit “(4)”.
5. At the end of paragraph 14(1) (statement in notes to accounts of cumulative amount of goodwill written off) insert “otherwise than in the consolidated profit and loss account for that or any earlier financial year”.

## SCHEDULE 3

Regulation 14(3)

### DISCLOSURE OF INFORMATION: RELATED UNDERTAKINGS

1. Schedule 5 to the 1985 Act (disclosure of information: related undertakings)(34) is amended as follows.
2. Paragraph 1(3)(b) (information in notes to accounts of company not required to prepare group accounts about whether GB subsidiary undertaking registered in England and Wales or in Scotland) is hereby repealed.
3. In paragraph 3 (financial information about subsidiary undertakings) after sub-paragraph (2) insert—
  - “(2A) That information need not be given if the company’s investment in the subsidiary undertaking is included in the company’s accounts by way of the equity method of valuation.”.
4. For paragraph 4 (financial years of subsidiary undertakings) substitute—
  - “4. Where—
    - (a) disclosure is made under paragraph 3(1) with respect to a subsidiary undertaking, and
    - (b) that undertaking’s financial year does not end with that of the company,there shall be stated in relation to that undertaking the date on which its last financial year ended (last before the end of the company’s financial year).”
5. Paragraph 5 (further information about subsidiary undertakings) is hereby repealed.

(33) Schedule 4A was inserted by section 5(2) of, and Schedule 2 to, the Companies Act 1989.

(34) Schedule 5 was substituted by section 6 of, and Schedule 4 to, the Companies Act 1989.

**6.—(1)** Paragraph 6 (shares and debentures of company held by subsidiary undertakings) is amended as follows.

(2) In sub-paragraph (1), omit the words “and debentures of”.

(3) In sub-paragraphs (2) and (3) omit “or debentures”.

**7.** In paragraph 7(2) (definition of when a holding is significant for purposes of paragraphs 8 and 9) for “10 per cent.” substitute “20 per cent.” and for “one-tenth” substitute “one-fifth”.

**8.** Paragraph 8(2)(b) (information in notes to accounts of company not required to prepare group accounts about whether GB undertaking in which company has significant holding is registered in England and Wales or in Scotland) is hereby repealed.

**9.** In paragraph 9(1) omit from the beginning to “shares in the undertaking,”.

**10.** Paragraph 10 (arrangements attracting merger relief) is hereby repealed.

**11.** Paragraph 11(3)(b) (information in notes to accounts of company not required to prepare group accounts about whether GB parent undertaking is registered in England and Wales or in Scotland) is hereby repealed.

**12.** Paragraph 12(3)(b) (information in notes to accounts of company not required to prepare group accounts about whether GB ultimate parent company is registered in England and Wales or in Scotland) is hereby repealed.

**13.** In paragraph 13(2) (constructions of references to shares held by company), for “paragraphs 2 to 5” substitute “paragraphs 2 to 4”.

**14.** Paragraph 15(3)(b) (information in notes to accounts of company required to prepare group accounts about whether GB subsidiary undertaking registered in England and Wales or in Scotland) is hereby repealed.

**15.** Paragraph 18 (further information about subsidiary undertakings excluded from consolidation) is hereby repealed.

**16.** Paragraph 19 (financial years of subsidiary undertakings) is hereby repealed.

**17.—(1)** Paragraph 20 (shares and debentures of company held by subsidiary undertakings) is amended as follows.

(2) In sub-paragraph (1), omit the words “and debentures of”.

(3) In sub-paragraphs (2) and (3) omit “or debentures”.

**18.** Paragraph 22(3)(b) (information in notes to accounts of company required to prepare group accounts about whether GB associated undertaking is registered in England and Wales or in Scotland) is hereby repealed.

**19.** In paragraphs 23(2) and 26(2) (definition of when a holding is significant for the purposes of paragraphs 24, 25, 27 and 28) for “10 per cent.” substitute “20 per cent.” and for “one-tenth” substitute “one-fifth”.

**20.** Paragraph 24(2)(b) (information in notes to accounts of company required to prepare group accounts about whether GB incorporated undertaking in which parent company has significant holding is registered in England and Wales or in Scotland) is hereby repealed.

**21.** In paragraphs 25(1) and 28(1) omit from the beginning to “shares in the undertaking,”.

**22.** Paragraph 27(2)(b) (information in notes to accounts of company required to prepare group accounts about whether GB incorporated undertaking in which the group has significant holding is registered in England and Wales or in Scotland) is hereby repealed.

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23. Paragraph 29 (arrangements attracting merger relief) is hereby repealed.

24. Paragraph 30(3)(b) (information in notes to accounts of company required to prepare group accounts about whether GB parent undertaking is registered in England and Wales or in Scotland) is hereby repealed.

25. Paragraph 31(3)(b) (information in notes to accounts of company required to prepare group accounts about whether GB ultimate parent company is registered in England and Wales or in Scotland) is hereby repealed.

#### SCHEDULE 4

Regulation 14(6)

#### FORM AND CONTENT OF ACCOUNTS OF BANKING COMPANIES AND GROUPS

1. Part I of Schedule 9 to the 1985 Act<sup>(35)</sup> (form and content of accounts of banking companies and groups) is amended as follows.

2. In paragraph 8 (aggregate amount of dividends to be shown separately in profit and loss account etc.)—

(a) omit “and” at the end of sub-paragraph (a), and

(b) after sub-paragraph (b) insert—

“(c) if it is not shown in the notes to the accounts, the aggregate amount of any dividends proposed.”

3.—(1) Paragraph 44 (revaluation reserve) is amended as follows.

(2) In sub-paragraph (3), for “from the revaluation reserve” to “on capitalisation;” substitute—

“(a) from the revaluation reserve—

(i) to the profit and loss account, if the amount was previously charged to that account or represents realised profit, or

(ii) on capitalisation,

(b) to or from the revaluation reserve in respect of the taxation relating to any profit or loss credited or debited to the reserve;”.

(3) In sub-paragraph (4), for “sub-paragraph (3)(b)” substitute “sub-paragraph (3)(a)(ii)”.

4. In paragraph 47(1) (information to be given by way of notes to accounts), after “shall” insert “(if not given in the company’s accounts)”, and omit “, unless otherwise provided”.

5. Sub-paragraph (a) of paragraph 52 (statement in notes to accounts of reason for allotting shares) is hereby repealed.

6. In paragraph 54 (information in notes to accounts about debentures issued during the financial year), sub-paragraphs (1)(a) and (2) are hereby repealed.

7. In paragraph 66(1) (statement in notes to accounts of amounts of capital expenditure), paragraph (b) and the word “and” immediately preceding it are hereby repealed.

8. In paragraph 68(1) (information in notes to accounts about transferable securities), paragraph (b) and the word “and” immediately preceding it are hereby repealed.

<sup>(35)</sup> Parts I to III of Schedule 9 were inserted before a re-numbered Schedule 9A by regulation 5 of, and Schedule 1 to, S.I. 1991/2705. Part IV of Schedule 9 was substituted by section 18(3) and (4) of, and Part IV of Schedule 7 to, the Companies Act 1989.

9. Paragraph 73(3) (statement in notes to accounts of aggregate amount of recommended dividend) is hereby repealed.

10. Paragraph 74 (separate statement of certain items of income and expenditure) is hereby repealed.

11. Paragraph 75(1) (statement in notes to accounts of basis on which charge for tax computed) is hereby repealed.

12.—(1) Paragraph 77 (particulars of staff) is amended as follows.

(2) In sub-paragraph (2) for “weeks” substitute “months”.

(3) In sub-paragraph (3) for “week” wherever it occurs substitute “month” and for “weekly” substitute “monthly”.

13.—(1) Paragraph 87 (staff costs) is amended as follows.

(2) For sub-paragraph (b) substitute—

“(b) “Pension costs” includes any costs incurred by the company in respect of any pension scheme established for the purpose of providing pensions for persons currently or formerly employed by the company, any sums set aside for the future payment of pensions directly by the company to current or former employees and any pensions paid directly to such persons without having first been set aside; and”.

(3) In sub-paragraph (c), for “either of the above items” substitute “the item “social security costs””.

## SCHEDULE 5

Regulation 14(7)

### FORM AND CONTENT OF ACCOUNTS OF INSURANCE COMPANIES AND GROUPS

1. Part I of Schedule 9A to the 1985 Act (form and content of accounts of insurance companies and groups)(36) is amended as follows.

2. In paragraph 5 (aggregate amount of dividends to be shown separately in profit and loss account etc.)—

(a) omit “and” at the end of sub-paragraph (a), and

(b) after sub-paragraph (b) insert—

“(c) if it is not shown in the notes to the accounts, the aggregate amount of any dividends proposed.”

3. In the profit and loss account format set out in section B of Chapter I of Part I, under the heading “III Non-technical account”, after item 2 insert—

“2a. Tax credit attributable to balance on the long term business technical account”.

4. Paragraph 21 (valuation method to be applied to investments) is hereby repealed.

5.—(1) Paragraph 29 (revaluation reserve) is amended as follows.

(2) In sub-paragraph (3), for “from the revaluation reserve” to “on capitalisation;” substitute—

“(a) from the revaluation reserve—

(36) Parts I and II of Schedule 9 to the Companies Act 1985 were formed into a new Schedule 9A by regulation 5(1) of S.I. 1991/2705. A new Schedule 9A was substituted by regulation 4 of, and Schedule I to, S.I. 1993/3246.

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- (i) to the profit and loss account, if the amount was previously charged to that account or represents realised profit, or
  - (ii) on capitalisation,
- (b) to or from the revaluation reserve in respect of the taxation relating to any profit or loss credited or debited to the reserve;”.
- (3) In sub-paragraph (4), for “sub-paragraph (3)(b)” substitute “sub-paragraph (3)(a)(ii)”.
- 6. For paragraph 54 (preliminary matters concerning notes to accounts) substitute—

“54.—(1) Any information required in the case of any company by the following provisions of this Part of this Schedule shall (if not given in the company’s accounts) be given by way of a note to those accounts.

  - (2) Subject to sub-paragraph (3) below, in respect of every item stated in a note to the accounts—
    - (a) the corresponding amount for the financial year immediately preceding that to which the accounts relate shall also be stated, and
    - (b) where the corresponding amount is not comparable, that amount shall be adjusted and particulars of the adjustment and the reasons for it shall be given.
  - (3) Sub-paragraph (2) above does not apply to—
    - (a) paragraphs 62 and 66 of this Part of this Schedule (assets and reserves and provisions),
    - (b) paragraph 13 of Schedule 4A (details of accounting treatment of acquisitions),
    - (c) paragraphs 2, 8(3), 16, 21(1)(d), 22(4) and (5), 24(3) and (4) and 27(3) and (4) of Schedule 5 (shareholdings in other undertakings), and
    - (d) Parts II and III of Schedule 6 (loans and other dealings in favour of directors and others).”
- 7. Sub-paragraph (a) of paragraph 59 (statement in notes to accounts of reason for allotting shares) is hereby repealed.
- 8. In paragraph 61 (information in notes to accounts about debentures issued during the financial year), sub-paragraphs (1)(a) and (2) are hereby repealed.
- 9. In paragraph 65 (information in notes to accounts about investments), paragraph (b) and the word “and” immediately preceding it are hereby repealed.
- 10. In sub-paragraph (1) of paragraph 66 (reserves and provisions) for the words “provisions for liabilities and charges” in both places where they occur substitute “provisions for other risks and charges”.
- 11. For sub-paragraph (1) of paragraph 68 (statement in notes to accounts of details of indebtedness) substitute the following —

“(1) In respect of each item shown under “creditors” in the company’s balance sheet there shall be stated the aggregate of the following amounts, that is to say—

  - (a) the amount of any debts included under that item which are payable or repayable otherwise than by instalments and fall due for payment or repayment after the end of the period of five years beginning with the day next following the end of the financial year; and
  - (b) the amount of any debts so included which are payable or repayable by instalments any of which fall due for payment after the end of that period.”

12. In paragraph 70(3) (statement in notes to accounts of amounts of capital expenditure), paragraph (b) and the word “and” immediately preceding it are hereby repealed.

13. Paragraph 71 (dealings with or interests in group undertakings) is hereby repealed.

14. Paragraph 72(3) (statement in notes to accounts of aggregate amount of recommended dividend) is hereby repealed.

15.—(1) Paragraph 73 (separate statement of certain items of income and expenditure) is amended as follows.

(2) In sub-paragraph (2)(a) the words from “and loans” to “that period” are hereby repealed.

(3) Sub-paragraphs (3) to (5) are hereby repealed.

16. Paragraph 74(1) (statement in notes to accounts of basis on which charge for tax computed) is hereby repealed.

17.—(1) Paragraph 79 (particulars of staff) is amended as follows.

(2) In sub-paragraph (2) for “weeks” substitute “months”.

(3) In sub-paragraph (3) for “week” wherever it occurs substitute “month” and for “weekly” substitute “monthly”.

18. In sub-paragraph (c) of paragraph 84 (provisions) for “provisions for liabilities or charges” substitute “provisions for other risks and charges” and omit the words in parentheses.

19.—(1) Paragraph 86 (staff costs) is amended as follows.

(2) For sub-paragraph (b) substitute—

“(b) “Pension costs” includes any costs incurred by the company in respect of any pension scheme established for the purpose of providing pensions for persons currently or formerly employed by the company, any sums set aside for the future payment of pensions directly by the company to current or former employees and any pensions paid directly to such persons without having first been set aside; and”.

(3) In sub-paragraph (c), for “either of the above items” substitute “the item “social security costs””.

## SCHEDULE 6

Regulation 14(8)

### MODIFICATIONS OF PART VIII OF THE 1985 ACT WHERE COMPANY'S ACCOUNTS PREPARED IN ACCORDANCE WITH SPECIAL PROVISIONS FOR INSURANCE COMPANIES

1. Schedule 11 (modifications of Part VIII where company's accounts prepared in accordance with special provisions for banking or insurance companies)(37) is amended as follows.

2. For paragraph 7 (modification of section 264(2)) substitute —

“7. Section 264(2) shall apply as if for the words in parentheses there were substituted “(“liabilities””to include any provision for other risks and charges within paragraph 84(c) of Part I of Schedule 9A and any amount included under Liabilities items Ba (fund for future appropriations), C (technical provisions) and D (technical provisions for linked liabilities)

(37) Schedule 11 was amended by regulation 7 of, and paragraph 1 of Schedule 3 to, S.I. 1991/2705, and by regulation 5 of, and paragraph 8 of Schedule 2 to, S.I. 1993/3246.

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in a balance sheet drawn up in accordance with the balance sheet format set out in section B of Part I of Schedule 9A).”

3. For paragraph 9 (modification of sections 270(2) and 275) substitute—

“9. Sections 270(2) and 275 shall apply as if the reference to provisions of any of the kinds mentioned in paragraphs 88 and 89 of Schedule 4 were a reference to provisions of any of the kinds mentioned in paragraph 84 of Part I of Schedule 9A and to any amount included under Liabilities items Ba (fund for future appropriations), C (technical provisions) and D (technical provisions for linked liabilities) in a balance sheet drawn up in accordance with the balance sheet format set out in section B of Part I of Schedule 9A.”

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## EXPLANATORY NOTE

*(This note does not form part of the Regulations)*

These Regulations make a number of miscellaneous amendments to the provisions of the Companies Act 1985(c. 6) (“the 1985 Act”) concerning accounts and audit. The principal changes are as follows:

- (a) Regulation 2 amends section 224 of the 1985 Act (accounting reference periods and accounting reference date) to alter the method by which the accounting reference date of companies incorporated on or after 1st April 1996 is calculated.
- (b) Regulation 3 amends section 225 of the 1985 Act (alteration of accounting reference date) to widen the circumstances in which the accounting reference date of a company may be changed.
- (c) Regulation 5(3) amends section 234 of the 1985 Act (duty to prepare directors' report) by inserting in subsection (4) a reference to new Part VI of Schedule 7 to the 1985 Act. Regulation 14(5) amends Schedule 7 to the 1985 Act by the insertion of a new Part VI. Part VI provides that the directors' report of public companies and large private companies which are subsidiaries of a public company must contain a statement of the company's policy on payment of its suppliers. Companies which follow any code or standard on payment practice must state what code or standard is followed and where information about it can be found; companies which do not follow such codes or standards must give a fuller statement on their payment practices.
- (d) Regulation 10 amends section 249B of the 1985 Act (cases where exemption from audit not available). The amendment enables a company which would otherwise be disqualified from claiming exemption from audit under section 249A of the 1985 Act for a financial year because it was a subsidiary undertaking for any period in that year, to claim that exemption provided it was dormant throughout that period.
- (e) Regulation 13 and paragraphs 3, 4, 6, 10 and 18 of Schedule 5 to the Regulations make certain amendments to the provisions of the 1985 Act concerning the accounts of insurance companies and groups so as to align those provisions more closely with the provisions of the Insurance Accounts Directive (Council Directive 91/674/EEC Official Journal No. L374 of 31.12.91, pages 7 to 31). Regulation 14(8) and Schedule 6 to the Regulations contain amendments to Schedule 11 to the 1985 Act (modifications of Part VIII where company's accounts prepared in accordance with special provisions for banking or insurance companies) consequential on those amendments.



- (f) Regulation 14(1) and Schedule 1 to the Regulations contain amendments to Schedule 4 to the 1985 Act (form and content of company accounts).
- (g) Regulation 14(2) and Schedule 2 to the Regulations contain amendments to Schedule 4A to the 1985 Act (form and content of group accounts).
- (h) Regulation 14(3) and Schedule 3 to the Regulations contain amendments to Schedule 5 to the 1985 Act (disclosure of information : related undertakings).
- (i) Regulation 14(4) repeals certain provisions in Schedule 7 to the 1985 Act concerning the matters to be dealt with in the directors' report.
- (j) Regulation 14(6) and Schedule 4 to the Regulations contain amendments to Schedule 9 to the 1985 Act (form and content of accounts of banking companies and groups).
- (k) Regulation 14(7) and Schedule 5 to the Regulations contain amendments to Schedule 9A to the 1985 Act (form and content of accounts of insurance companies and groups) in addition to those mentioned in paragraph e) above.
- (l) Regulation 15 makes certain minor and consequential amendments to sections 231 and 255A of, and Schedules 7 and 8 to, the 1985 Act, and regulation 16 makes provision concerning the application of the Regulations and contains transitional provisions.