
STATUTORY INSTRUMENTS

1997 No. 571

COMPANIES

**The Companies Act 1985 (Directors' Report)
(Statement of Payment Practice) Regulations 1997**

Made - - - - *3rd March 1997*
Coming into force - - *4th March 1997*

The Secretary of State, in exercise of the powers conferred on him by section 257 of the Companies Act 1985(1), 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 a resolution of each House of Parliament:

Citation, commencement and interpretation

- 1.—(1) These Regulations may be cited as the Companies Act 1985 (Directors' Report) (Statement of Payment Practice) Regulations 1997.
- (2) These Regulations shall come into force on the day after the day on which they are made.
- (3) In these Regulations “the 1985 Act” means the Companies Act 1985.

Inclusion of payment practice in report

- 2.—(1) In subsection (4) of section 234 of the 1985 Act(2) (duty to prepare directors' report) in the entry relating to Part VI of Schedule 7 (company's policy on the payment of creditors), after the word “policy” insert the words “and practice”.
- (2) For Part VI of Schedule 7 to the 1985 Act substitute the following Part—

“PART VI

POLICY AND PRACTICE ON PAYMENT OF CREDITORS

- 12.—(1) This Part of this Schedule applies to the directors' report for a financial year if—
- (a) the company was at any time within the year a public company, or

(1) 1985 c. 6; section 257 was substituted by section 20 of the Companies Act 1989 (c. 40).
(2) Section 234 was amended by regulation 5 of S.I.1996/189.

- (b) the company did not qualify as small or medium-sized in relation to the 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 state, with respect to the next following financial year—
 - (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;

and if the company's policy is different for different suppliers or classes of suppliers, the report shall identify the suppliers to which the different policies apply.

In this sub-paragraph references to the company's suppliers are references to persons who are or may become its suppliers.

- (3) The report shall also state the number of days which bears to the number of days in the financial year the same proportion as

X bears to Y

where—

- X = the aggregate of the amounts which were owed to trade creditors at the end of the year; and
- Y = the aggregate of the amounts in which the company was invoiced by suppliers during the year.

- (4) For the purposes of sub-paragraphs (2) and (3) a person is a supplier of the company at any time if—
 - (a) at that time, he is owed an amount in respect of goods or services supplied, and
 - (b) that amount would be included under the heading corresponding to item E.4 (trade creditors) in Format 1 if—
 - (i) the company's accounts fell to be prepared as at that time,
 - (ii) those accounts were prepared in accordance with Schedule 4, and
 - (iii) that Format were adopted.
- (5) For the purpose of sub-paragraph (3), the aggregate of the amounts which at the end of the financial year were owed to trade creditors shall be taken to be—
 - (a) where in the company's accounts Format 1 of the balance sheet formats set out in Part I of Schedule 4 is adopted, the amount shown under the heading corresponding to item E.4 (trade creditors) in that Format,
 - (b) where Format 2 is adopted, the amount which, under the heading corresponding to item C.4 (trade creditors) in that Format, is shown as falling due within one year, and
 - (c) where the company's accounts are prepared in accordance with Schedule 9 or 9A, the amount which would be shown under the heading corresponding to item E.4 (trade

creditors) in Format 1 if the company's accounts were prepared in accordance with Schedule 4 and that Format were adopted.”

Transitional provision

3. A company may, with respect to a financial year ending on or before 24th March 1997, 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 these Regulations not been made.

3rd March 1997

Richard Page,
Parliamentary Under-Secretary of State for
Small Business, Industry and Energy,
Department of Trade and Industry

Status: This is the original version (as it was originally made). This item of legislation is currently only available in its original format.

EXPLANATORY NOTE

(This note does not form part of the Regulations)

These Regulations amend section 234 of the Companies Act 1985 (c. 6) (“the 1985 Act”) and Part VI of Schedule 7 to the 1985 Act.

The Regulations substitute for Part VI of Schedule 7 to the 1985 Act, with consequential amendments to section 234, a new Part set out in regulation 2(2). The new 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 and practice on payment of its suppliers.

The new Part VI restates the existing provisions of Part VI (statement of the company's policy on payment of its suppliers) and adds a new requirement to state the company's practice on payment of its suppliers. The directors' report must state the figure, expressed in days, which bears the same proportion to the number of days in the year as the amount owed to trade creditors at the year end bears to the amounts invoiced by suppliers during the year.

The Regulations will not apply to annual accounts and annual reports prepared and delivered to the registrar of companies in respect of financial years ending on or before 24th March 1997.