

SCHEDULE 6

Regulations 8(1) and 10

GROUP ACCOUNTS

PART 1

FORM AND CONTENT OF COMPANIES ACT GROUP ACCOUNTS

**General rules**

1.—(1) Subject to sub-paragraphs (1) and (2), group accounts must comply so far as practicable with the provisions of Schedule 1 to these Regulations (Companies Act individual accounts) as if the undertakings included in the consolidation (“the group”) were a single company.

(2) For item B.III in each balance sheet format set out in that Schedule substitute—

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“B. III. Investments

1. Shares in group undertakings
  2. Interests in associated undertakings
  3. Other participating interests
  4. Loans to group undertakings and undertakings in which a participating interest is held
  5. Other investments other than loans
  6. Others”.
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(3) In the profit and loss account formats replace the items headed “Income from participating interests”, that is—

- (a) in Format 1, item 8,
- (b) in Format 2, item 10,
- (c) in Format 3, item B.4, and
- (d) in Format 4, item B.6,

by two items: “Income from interests in associated undertakings” and “Income from other participating interests”.

2.—(1) 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.

(2) If the financial year of a subsidiary undertaking included in the consolidation does not end with that of the parent company, the group accounts must be made up—

- (a) from the accounts of the subsidiary undertaking for its financial year last ending before the end of the parent company’s financial year, provided that year ended no more than three months before that of the parent company, or
- (b) from interim accounts prepared by the subsidiary undertaking as at the end of the parent company’s financial year.

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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 for the purpose of giving a true and fair view.

4. Any differences of accounting rules as between a parent company's individual accounts for a financial year and its group accounts must be disclosed in a note to the latter accounts and the reasons for the difference given.

5. 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**

6.—(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 for the purpose of giving a true and fair view.

#### **Acquisition and merger accounting**

7.—(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.

8. An acquisition must be accounted for by the acquisition method of accounting unless the conditions for accounting for it as a merger are met and the merger method of accounting is adopted.

9.—(1) The acquisition method of accounting is as follows.

(2) The identifiable assets and liabilities of the undertaking acquired must be included in the consolidated balance sheet at their fair values as at the date of acquisition.

(3) The income and expenditure of the undertaking acquired must be brought into the group accounts only as from the date of the acquisition.

(4) There must be set off against the acquisition cost of the interest in the shares of the undertaking held by the parent company and its subsidiary undertakings the interest of the parent company and its subsidiary undertakings in the adjusted capital and reserves of the undertaking acquired.

(5) The resulting amount if positive must be treated as goodwill, and if negative as a negative consolidation difference.

**10.—**(1) The conditions for accounting for an acquisition as a merger are—

- (a) that at least 90% of the nominal value of the relevant shares in the undertaking acquired (excluding any shares in the undertaking held as treasury shares) is held by or on behalf of the parent company and its subsidiary undertakings,
- (b) that the proportion referred to in paragraph (a) was attained pursuant to an arrangement providing for the issue of equity shares by the parent company or one or more of its subsidiary undertakings,
- (c) that the fair value of any consideration other than the issue of equity shares given pursuant to the arrangement by the parent company and its subsidiary undertakings did not exceed 10% of the nominal value of the equity shares issued, and
- (d) that adoption of the merger method of accounting accords with generally accepted accounting principles or practice.

(2) The reference in sub-paragraph (1)(a) to the “relevant shares” in an undertaking acquired is to those carrying unrestricted rights to participate both in distributions and in the assets of the undertaking upon liquidation.

**11.—**(1) The merger method of accounting is as follows.

(2) The assets and liabilities of the undertaking acquired must be brought into the group accounts at the figures at which they stand in the undertaking’s accounts, subject to any adjustment authorised or required by this Schedule.

(3) The income and expenditure of the undertaking acquired must be included in the group accounts for the entire financial year, including the period before the acquisition.

(4) The group accounts must show corresponding amounts relating to the previous financial year as if the undertaking acquired had been included in the consolidation throughout that year.

(5) There must be set off against the aggregate of—

- (a) the appropriate amount in respect of qualifying shares issued by the parent company or its subsidiary undertakings in consideration for the acquisition of shares in the undertaking acquired, and
- (b) the fair value of any other consideration for the acquisition of shares in the undertaking acquired, determined as at the date when those shares were acquired,

the nominal value of the issued share capital of the undertaking acquired held by the parent company and its subsidiary undertakings.

(6) The resulting amount must be shown as an adjustment to the consolidated reserves.

(7) In sub-paragraph (5)(a) “qualifying shares” means—

- (a) shares in relation to which any of the following provisions applies (merger relief), and in respect of which the appropriate amount is the nominal value—
  - (i) section 131 of the Companies Act 1985<sup>(1)</sup>,
  - (ii) Article 141 of the Companies (Northern Ireland) Order 1986<sup>(2)</sup>, or
  - (iii) section 612 of the 2006 Act, or
- (b) shares in relation to which any of the following provisions applies (group reconstruction relief), and in respect of which the appropriate amount is the nominal value together with any minimum premium value within the meaning of that section—
  - (i) section 132 of the Companies Act 1985<sup>(3)</sup>,

<sup>(1)</sup> Section 131 is prospectively repealed by the 2006 Act.

<sup>(2)</sup> Article 141 is prospectively repealed by the 2006 Act.

<sup>(3)</sup> Section 132 is prospectively repealed by the 2006 Act.

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- (ii) Article 142 of the Companies (Northern Ireland) Order 1986(4), or
- (iii) section 611 of the 2006 Act.

**12.**—(1) Where a group is acquired, paragraphs 9 to 11 apply with the following adaptations.

(2) References to shares of the undertaking acquired are to be construed as references to shares of the parent undertaking of the group.

(3) Other references to the undertaking acquired are to be construed as references to the group; and references to the assets and liabilities, income and expenditure and capital and reserves of the undertaking acquired must be construed as references to the assets and liabilities, income and expenditure and capital and reserves of the group after making the set-offs and other adjustments required by this Schedule in the case of group accounts.

**13.**—(1) The following information with respect to acquisitions taking place in the financial year must be given in a note to the accounts.

(2) There must be stated—

- (a) the name of the undertaking acquired or, where a group was acquired, the name of the parent undertaking of that group, and
- (b) whether the acquisition has been accounted for by the acquisition or the merger method of accounting;

and in relation to an acquisition which significantly affects the figures shown in the group accounts, the following further information must be given.

(3) The composition and fair value of the consideration for the acquisition given by the parent company and its subsidiary undertakings must be stated.

(4) Where the acquisition method of accounting has been adopted, the book values immediately prior to the acquisition, and the fair values at the date of acquisition, of each class of assets and liabilities of the undertaking or group acquired must be stated in tabular form, including a statement of the amount of any goodwill or negative consolidation difference arising on the acquisition, together with an explanation of any significant adjustments made.

(5) In ascertaining for the purposes of sub-paragraph (4) the profit or loss of a group, the book values and fair values of assets and liabilities of a group or the amount of the assets and liabilities of a group, the set-offs and other adjustments required by this Schedule in the case of group accounts must be made.

**14.**—(1) There must also be stated in a note to the accounts the cumulative amount of goodwill resulting from acquisitions in that and earlier financial years which has been written off otherwise than in the consolidated profit and loss account for that or any earlier financial year.

(2) That figure must be shown net of any goodwill attributable to subsidiary undertakings or businesses disposed of prior to the balance sheet date.

**15.** Where during the financial year there has been a disposal of an undertaking or group which significantly affects the figure shown in the group accounts, there must be stated in a note to the accounts—

- (a) the name of that undertaking or, as the case may be, of the parent undertaking of that group, and
- (b) the extent to which the profit or loss shown in the group accounts is attributable to profit or loss of that undertaking or group.

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(4) Article 142 is prospectively repealed by the 2006 Act.

16. The information required by paragraph 13, 14 or 15 need not be disclosed with respect to an undertaking which—

- (a) is established under the law of a country outside the United Kingdom, or
- (b) carries on business outside the United Kingdom,

if in the opinion of the directors of the parent company the disclosure would be seriously prejudicial to the business of that undertaking or to the business of the parent company or any of its subsidiary undertakings and the Secretary of State agrees that the information should not be disclosed.

### **Minority interests**

17.—(1) The formats set out in Schedule 1 to these Regulations have effect in relation to group accounts with the following additions.

(2) In the Balance Sheet Formats there must be shown, as a separate item and under an appropriate heading, 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.

(3) In the Profit and Loss Account Formats there must be shown, as a separate item and under an appropriate heading—

- (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.

(4) For the purposes of paragraph 4 of Schedule 1 (power to adapt or combine items)—

- (a) the additional item required by sub-paragraph (2) is treated as one to which a letter is assigned, and
- (b) the additional items required by sub-paragraph (3)(a) and (b) are treated as ones to which an Arabic number is assigned.

### **Joint ventures**

18.—(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**

19.—(1) 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 18.

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(2) Where an undertaking holds 20% or more of the voting rights in another undertaking, it is presumed to exercise such an influence over it unless the contrary is shown.

(3) The voting rights in an undertaking means the rights conferred on shareholders in respect of their shares or, in the case of an undertaking not having a share capital, on members, to vote at general meetings of the undertaking on all, or substantially all, matters.

(4) The provisions of paragraphs 5 to 11 of Schedule 7 to the 2006 Act (parent and subsidiary undertakings: rights to be taken into account and attribution of rights) apply in determining for the purposes of this paragraph whether an undertaking holds 20% or more of the voting rights in another undertaking.

**20.**—(1) The interest of an undertaking in an associated undertaking, and the amount of profit or loss attributable to such an interest, must be shown by the equity method of accounting (including dealing with any goodwill arising in accordance with paragraphs 17 to 20 and 22 of Schedule 1 to these Regulations).

(2) 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).

(3) The equity method of accounting need not be applied if the amounts in question are not material for the purpose of giving a true and fair view.

## PART 2

### INFORMATION ABOUT RELATED UNDERTAKINGS WHERE COMPANY PREPARING GROUP ACCOUNTS (COMPANIES ACT OR IAS GROUP ACCOUNTS)

#### **Introduction and interpretation**

**21.** In this Part of this Schedule “the group” means the group consisting of the parent company and its subsidiary undertakings.

#### **Subsidiary undertakings**

**22.**—(1) The following information must be given with respect to the undertakings that are subsidiary undertakings of the parent company at the end of the financial year.

(2) The name of each undertaking must be stated.

(3) There must be stated—

(a) if the undertaking is incorporated outside the United Kingdom, the country in which it is incorporated,

(b) if it is unincorporated, the address of its principal place of business.

(4) It must also be stated whether the subsidiary undertaking is included in the consolidation and, if it is not, the reasons for excluding it from consolidation must be given.

(5) It must be stated with respect to each subsidiary undertaking by virtue of which of the conditions specified in section 1162(2) or (4) of the 2006 Act it is a subsidiary undertaking of its immediate parent undertaking.

That information need not be given if the relevant condition is that specified in subsection (2)(a) of that section (holding of a majority of the voting rights) and the immediate parent undertaking holds the same proportion of the shares in the undertaking as it holds voting rights.

### **Holdings in subsidiary undertakings**

**23.**—(1) The following information must be given with respect to the shares of a subsidiary undertaking held—

- (a) by the parent company, and
- (b) by the group,

and the information under paragraphs (a) and (b) must (if different) be shown separately.

(2) There must be stated—

- (a) the identity of each class of shares held, and
- (b) the proportion of the nominal value of the shares of that class represented by those shares.

### **Financial information about subsidiary undertakings not included in the consolidation**

**24.**—(1) There must be shown with respect to each subsidiary undertaking not included in the consolidation—

- (a) the aggregate amount of its capital and reserves as at the end of its relevant financial year, and
- (b) its profit or loss for that year.

(2) That information need not be given if the group's investment in the undertaking is included in the accounts by way of the equity method of valuation or if—

- (a) the undertaking is not required by any provision of the 2006 Act to deliver a copy of its balance sheet for its relevant financial year and does not otherwise publish that balance sheet in the United Kingdom or elsewhere, and
- (b) the holding of the group is less than 50% of the nominal value of the shares in the undertaking.

(3) Information otherwise required by this paragraph need not be given if it is not material.

(4) For the purposes of this paragraph the “relevant financial year” of a subsidiary undertaking is—

- (a) if its financial year ends with that of the company, that year, and
- (b) if not, its financial year ending last before the end of the company's financial year.

### **Shares of company held by subsidiary undertakings**

**25.**—(1) The number, description and amount of the shares in the company held by or on behalf of its subsidiary undertakings must be disclosed.

(2) Sub-paragraph (1) does not apply in relation to shares in the case of which the subsidiary undertaking is concerned as personal representative or, subject as follows, as trustee.

(3) The exception for shares in relation to which the subsidiary undertaking is concerned as trustee does not apply if the company or any of its subsidiary undertakings is beneficially interested under the trust, otherwise than by way of security only for the purposes of a transaction entered into by it in the ordinary course of a business which includes the lending of money.

(4) Part 2 of Schedule 2 to these Regulations has effect for the interpretation of the reference in sub-paragraph (3) to a beneficial interest under a trust.

### **Joint ventures**

**26.**—(1) The following information must be given where an undertaking is dealt with in the consolidated accounts by the method of proportional consolidation in accordance with paragraph 18 of this Schedule (joint ventures)—

- (a) the name of the undertaking,
- (b) the address of the principal place of business of the undertaking,
- (c) the factors on which joint management of the undertaking is based, and
- (d) the proportion of the capital of the undertaking held by undertakings included in the consolidation.

(2) Where the financial year of the undertaking did not end with that of the company, there must be stated the date on which a financial year of the undertaking last ended before that date.

### **Associated undertakings**

**27.**—(1) The following information must be given where an undertaking included in the consolidation has an interest in an associated undertaking.

- (2) The name of the associated undertaking must be stated.
- (3) There must be stated—
  - (a) if the undertaking is incorporated outside the United Kingdom, the country in which it is incorporated,
  - (b) if it is unincorporated, the address of its principal place of business.
- (4) The following information must be given with respect to the shares of the undertaking held—
  - (a) by the parent company, and
  - (b) by the group,

and the information under paragraphs (a) and (b) must be shown separately.

- (5) There must be stated—
  - (a) the identity of each class of shares held, and
  - (b) the proportion of the nominal value of the shares of that class represented by those shares.

(6) In this paragraph “associated undertaking” has the meaning given by paragraph 19 of this Schedule; and the information required by this paragraph must be given notwithstanding that paragraph 20(3) of this Schedule (materiality) applies in relation to the accounts themselves.

### **Other significant holdings of parent company or group**

**28.**—(1) The information required by paragraphs 29 and 30 must be given where at the end of the financial year the parent company has a significant holding in an undertaking which is not one of its subsidiary undertakings and does not fall within paragraph 26 (joint ventures) or paragraph 27 (associated undertakings).

- (2) A holding is significant for this purpose if—
  - (a) it amounts to 20% or more of the nominal value of any class of shares in the undertaking, or
  - (b) the amount of the holding (as stated or included in the company’s individual accounts) exceeds 20% of the amount of its assets (as so stated).

**29.**—(1) The name of the undertaking must be stated.

- (2) There must be stated—



- (a) if the undertaking is incorporated outside the United Kingdom, the country in which it is incorporated,
  - (b) if it is unincorporated, the address of its principal place of business.
- (3) The following information must be given with respect to the shares of the undertaking held by the parent company.
- (4) There must be stated—
- (a) the identity of each class of shares held, and
  - (b) the proportion of the nominal value of the shares of that class represented by those shares.

**30.**—(1) There must also be stated—

- (a) the aggregate amount of the capital and reserves of the undertaking as at the end of its relevant financial year, and
  - (b) its profit or loss for that year.
- (2) That information need not be given in respect of an undertaking if—
- (a) the undertaking is not required by any provision of the 2006 Act to deliver a copy of its balance sheet for its relevant financial year and does not otherwise publish that balance sheet in the United Kingdom or elsewhere, and
  - (b) the company's holding is less than 50% of the nominal value of the shares in the undertaking.
- (3) Information otherwise required by this paragraph need not be given if it is not material.
- (4) For the purposes of this paragraph the “relevant financial year” of an undertaking is—
- (a) if its financial year ends with that of the company, that year, and
  - (b) if not, its financial year ending last before the end of the company's financial year.

**31.**—(1) The information required by paragraphs 32 and 33 must be given where at the end of the financial year the group has a significant holding in an undertaking which is not a subsidiary undertaking of the parent company and does not fall within paragraph 26 (joint ventures) or paragraph 27 (associated undertakings).

- (2) A holding is significant for this purpose if—
- (a) it amounts to 20% or more of the nominal value of any class of shares in the undertaking, or
  - (b) the amount of the holding (as stated or included in the group accounts) exceeds 20% of the amount of the group's assets (as so stated).

**32.**—(1) The name of the undertaking must be stated.

- (2) There must be stated—
- (a) if the undertaking is incorporated outside the United Kingdom, the country in which it is incorporated,
  - (b) if it is unincorporated, the address of its principal place of business.
- (3) The following information must be given with respect to the shares of the undertaking held by the group.
- (4) There must be stated—
- (a) the identity of each class of shares held, and
  - (b) the proportion of the nominal value of the shares of that class represented by those shares.

**33.**—(1) There must also be stated—

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- (a) the aggregate amount of the capital and reserves of the undertaking as at the end of its relevant financial year, and
- (b) its profit or loss for that year.
- (2) That information need not be given if—
  - (a) the undertaking is not required by any provision of the 2006 Act to deliver a copy of its balance sheet for its relevant financial year and does not otherwise publish that balance sheet in the United Kingdom or elsewhere, and
  - (b) the holding of the group is less than 50% of the nominal value of the shares in the undertaking.
- (3) Information otherwise required by this paragraph need not be given if it is not material.
- (4) For the purposes of this paragraph the “relevant financial year” of an outside undertaking is—
  - (a) if its financial year ends with that of the parent company, that year, and
  - (b) if not, its financial year ending last before the end of the parent company’s financial year.

#### **Parent company’s or group’s membership of certain undertakings**

**34.**—(1) The information required by this paragraph must be given where at the end of the financial year the parent company or group is a member of a qualifying undertaking.

- (2) There must be stated—
  - (a) the name and legal form of the undertaking, and
  - (b) the address of the undertaking’s registered office (whether in or outside the United Kingdom) or, if it does not have such an office, its head office (whether in or outside the United Kingdom).
- (3) Where the undertaking is a qualifying partnership there must also be stated either—
  - (a) that a copy of the latest accounts of the undertaking has been or is to be appended to the copy of the company’s accounts sent to the registrar under section 444 of the 2006 Act, or
  - (b) the name of at least one body corporate (which may be the company) in whose group accounts the undertaking has been or is to be dealt with on a consolidated basis.
- (4) Information otherwise required by sub-paragraph (2) need not be given if it is not material.
- (5) Information otherwise required by sub-paragraph (3)(b) need not be given if the notes to the company’s accounts disclose that advantage has been taken of the exemption conferred by regulation 7 of the Partnerships and Unlimited Companies (Accounts) Regulations 1993<sup>(5)</sup>.
- (6) In this paragraph—
 

“dealt with on a consolidated basis”, “member” and “qualifying partnership” have the same meanings as in the Partnerships and Unlimited Companies (Accounts) Regulations 1993;

“qualifying undertaking” means—

  - (a) a qualifying partnership, or
  - (b) an unlimited company each of whose members is—
    - (i) a limited company,
    - (ii) another unlimited company each of whose members is a limited company, or
    - (iii) a Scottish partnership each of whose members is a limited company,

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(5) [S.I. 1993/1820](#).

and references in this paragraph to a limited company, another unlimited company or a Scottish partnership include a comparable undertaking incorporated in or formed under the law of a country or territory outside the United Kingdom.

#### **Parent undertaking drawing up accounts for larger group**

**35.**—(1) Where the parent company is itself a subsidiary undertaking, the following information must be given with respect to that parent undertaking of the company which heads—

- (a) the largest group of undertakings for which group accounts are drawn up and of which that company is a member, and
  - (b) the smallest such group of undertakings.
- (2) The name of the parent undertaking must be stated.
- (3) There must be stated—
- (a) if the undertaking is incorporated outside the United Kingdom, the country in which it is incorporated,
  - (b) if it is unincorporated, the address of its principal place of business.

(4) If copies of the group accounts referred to in sub-paragraph (1) are available to the public, there must also be stated the addresses from which copies of the accounts can be obtained.

#### **Identification of ultimate parent company**

**36.**—(1) Where the parent company is itself a subsidiary undertaking, the following information must be given with respect to the company (if any) regarded by the directors as being that company's ultimate parent company.

- (2) The name of that company must be stated.
- (3) If that company is incorporated outside the United Kingdom, the country in which it is incorporated must be stated (if known to the directors).
- (4) In this paragraph "company" includes any body corporate.

#### **Construction of references to shares held by parent company or group**

**37.**—(1) References in this Part of this Schedule to shares held by the parent company or the group are to be construed as follows.

(2) For the purposes of paragraphs 23, 27(4) and (5) and 28 to 30 (information about holdings in subsidiary and other undertakings)—

- (a) there must be attributed to the parent company shares held on its behalf by any person; but
- (b) there must be treated as not held by the parent company shares held on behalf of a person other than the company.

(3) References to shares held by the group are to any shares held by or on behalf of the parent company or any of its subsidiary undertakings; but any shares held on behalf of a person other than the parent company or any of its subsidiary undertakings are not to be treated as held by the group.

- (4) Shares held by way of security must be treated as held by the person providing the security—
- (a) where apart from the right to exercise them for the purpose of preserving the value of the security, or of realising it, the rights attached to the shares are exercisable only in accordance with his instructions, and
  - (b) where the shares are held in connection with the granting of loans as part of normal business activities and apart from the right to exercise them for the purpose of preserving

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the value of the security, or of realising it, the rights attached to the shares are exercisable only in his interests.