
STATUTORY INSTRUMENTS

2012 No. 2301

COMPANIES

LIMITED LIABILITY PARTNERSHIPS

The Companies and Limited Liability Partnerships
(Accounts and Audit Exemptions and Change
of Accounting Framework) Regulations 2012

<i>Made</i>	- - - -	<i>6th September 2012</i>
<i>Laid before Parliament</i>		<i>7th September 2012</i>
<i>Coming into force</i>	- -	<i>1st October 2012</i>

The Secretary of State is designated⁽¹⁾ for the purposes of section 2(2) of the European Communities Act 1972⁽²⁾ in relation to the creation, operation, regulation or dissolution of companies and other forms of business organisation, and in relation to auditors and the audit of accounts.

In exercise of the powers conferred by that section and sections 468, 473, 484, 1043, 1104(2)(a), 1105(2)(d), 1108(2)(b) and 1292(1)(c) of the Companies Act 2006⁽³⁾ and sections 15 and 17 of the Limited Liability Partnerships Act 2000⁽⁴⁾, the Secretary of State makes the following Regulations.

Citation and commencement

1. These Regulations may be cited as the Companies and Limited Liability Partnerships (Accounts and Audit Exemptions and Change of Accounting Framework) Regulations 2012 and come into force on 1st October 2012.

Application

2. These Regulations apply to accounts for financial years ending on or after 1st October 2012.

Interpretation

3. In these Regulations—

(1) [S.I. 2007/193](#) and [S.I. 2007/1679](#).
(2) [1972 c.68](#). Section 2(2) was amended by the Legislative and Regulatory Reform Act [2006 \(c.51\)](#), section 27(1)(a), and the European Union (Amendment) Act [2008 \(c.7\)](#), Part 1 of the Schedule.
(3) [2006 c.46](#).
(4) [2000 c.12](#); section 17(5)(b) was substituted by [S.I. 2009/1804](#), Schedule 3, para. 7(1) and (3).

“the 2006 Act” means the Companies Act 2006,
 “LLP” means limited liability partnership, and
 “the 2008 Regulations” means the Limited Liability Partnerships (Accounts and Audit) (Application of the Companies Act 2006) Regulations 2008⁽⁵⁾.

Small companies: conditions for exemption from audit

4. In section 477(6) of the 2006 Act (small companies: conditions for exemption from audit)—
 - (a) in subsection (1), for “meets the following conditions in respect of” substitute “qualifies as a small company in relation to”;
 - (b) omit subsections (2) and (3); and
 - (c) in subsection (4), omit paragraph (b) and the preceding “and”.
5. In section 479(7) of the 2006 Act (availability of small companies exemption in case of group company)—
 - (a) in subsection (1), for paragraph (a) substitute—
 - “(a) the group—
 - (i) qualifies as a small group in relation to that financial year, and
 - (ii) was not at any time in that year an ineligible group, or”;
 - (b) omit subsection (2); and
 - (c) in subsection (5), omit paragraphs (c), (d) and (e).

Subsidiary companies: conditions for exemption from audit

6. In section 475(1)(a) of the 2006 Act (requirement for audited accounts), after the entry for section 477 (but before the following “or”) insert—
 “section 479A (subsidiary companies)”.
7. After section 479 of the 2006 Act, insert—

“Exemption from audit: qualifying subsidiaries

479A Subsidiary companies: conditions for exemption from audit

- (1) A company is exempt from the requirements of this Act relating to the audit of individual accounts for a financial year if—
 - (a) it is itself a subsidiary undertaking, and
 - (b) its parent undertaking is established under the law of an EEA State.
- (2) Exemption is conditional upon compliance with all of the following conditions—
 - (a) all members of the company must agree to the exemption in respect of the financial year in question,
 - (b) the parent undertaking must give a guarantee under section 479C in respect of that year,

(5) S.I. 2008/1911, to which there are amendments not relevant to these Regulations.

(6) Section 477 was amended by S.I. 2008/393, regulation 5(1).

(7) Section 479 was amended by S.I. 2008/393, regulation 5(2).

- (c) the company must be included in the consolidated accounts drawn up for that year or to an earlier date in that year by the parent undertaking in accordance with—
 - (i) the provisions of the Seventh Directive (83/349/EEC)(8), or
 - (ii) international accounting standards,
 - (d) the parent undertaking must disclose in the notes to the consolidated accounts that the company is exempt from the requirements of this Act relating to the audit of individual accounts by virtue of this section, and
 - (e) the directors of the company must deliver to the registrar on or before the date that they file the accounts for that year—
 - (i) a written notice of the agreement referred to in subsection (2)(a),
 - (ii) the statement referred to in section 479C(1),
 - (iii) a copy of the consolidated accounts referred to in subsection (2)(c),
 - (iv) a copy of the auditor’s report on those accounts, and
 - (v) a copy of the consolidated annual report drawn up by the parent undertaking.
- (3) This section has effect subject to—
section 475(2) and (3) (requirements as to statements contained in balance sheet), and
section 476 (right of members to require audit).

479B Companies excluded from the subsidiary companies audit exemption

479B A company is not entitled to the exemption conferred by section 479A (subsidiary companies) if it was at any time within the financial year in question—

- (a) a quoted company as defined in section 385(2) of this Act,
- (b) a company that—
 - (i) is an authorised insurance company, a banking company, an e-money issuer, a MiFID investment firm or a UCITS management company, or
 - (ii) carries on insurance market activity, or
- (c) a special register body as defined in section 117(1) of the Trade Union and Labour Relations (Consolidation) Act 1992 (c 52)(9) or an employers’ association as defined in section 122 of that Act or Article 4 of the Industrial Relations (Northern Ireland) Order 1992 (S.I. 1992/807) (NI 5).

479C Subsidiary companies audit exemption: parent undertaking declaration of guarantee

(1) A guarantee is given by a parent undertaking under this section when the directors of the subsidiary company deliver to the registrar a statement by the parent undertaking that it guarantees the subsidiary company under this section.

(8) OJ L 193, 18.7.1983 p.1, amended by Council Directive 89/666/EEC (OJ L 395, 30.12.1989, p.36), Council Directive 90/604/EEC (OJ L 317, 16.11.1990, pp. 57 and 60), Directive 2001/65/EC of the European Parliament and of the Council (OJ L 283, 27.10.2001, p.28), Directive 2003/51/EC of the European Parliament and of the Council (OJ L 178, 17.7.2003, p.16), Directive 2006/43/EC of the European Parliament and of the Council, (OJ L 157, 9.6.2006, p.87) Directive 2006/46/EC of the European Parliament and of the Council, (OJ L 224, 16.8.2006, p.1) and Council Directive 2006/99/EC (OJ L 363, 20.12.2006, p. 137) and the following Acts of Accession, L 302, 15.11.1985, p.23, C 241, 29.8.1994, p.21 adapted by L1, 1.1.1995, p.1, and L236, 23.9.2003, p.137.

(9) Section 117(1) of the Trade Union and Labour Relations (Consolidation) Act 1992 (c. 52) was amended by S.I. 2009/1941, Schedule 1, para. 134(3)(a).

- (2) The statement under subsection (1) must be authenticated by the parent undertaking and must specify—
- (a) the name of the parent undertaking,
 - (b) if the parent undertaking is incorporated in the United Kingdom, its registered number (if any),
 - (c) if the parent undertaking is incorporated outside the United Kingdom and registered in the country in which it is incorporated, the identity of the register on which it is registered and the number with which it is so registered,
 - (d) the name and registered number of the subsidiary company in respect of which the guarantee is being given,
 - (e) the date of the statement, and
 - (f) the financial year to which the guarantee relates.
- (3) A guarantee given under this section has the effect that—
- (a) the parent undertaking guarantees all outstanding liabilities to which the subsidiary company is subject at the end of the financial year to which the guarantee relates, until they are satisfied in full, and
 - (b) the guarantee is enforceable against the parent undertaking by any person to whom the subsidiary company is liable in respect of those liabilities.”.

Dormant subsidiaries: conditions for exemption from preparation of individual accounts

8. In section 394 of the 2006 Act (duty to prepare individual accounts) after “financial years” insert “unless the company is exempt from that requirement under section 394A”.

9. After section 394 of the 2006 Act, insert—

“394A Individual accounts: exemption for dormant subsidiaries

- (1) A company is exempt from the requirement to prepare individual accounts for a financial year if—
- (a) it is itself a subsidiary undertaking,
 - (b) it has been dormant throughout the whole of that year, and
 - (c) its parent undertaking is established under the law of an EEA State.
- (2) Exemption is conditional upon compliance with all of the following conditions—
- (a) all members of the company must agree to the exemption in respect of the financial year in question,
 - (b) the parent undertaking must give a guarantee under section 394C in respect of that year,
 - (c) the company must be included in the consolidated accounts drawn up for that year or to an earlier date in that year by the parent undertaking in accordance with—
 - (i) the provisions of the Seventh Directive (83/349/EEC), or
 - (ii) international accounting standards,
 - (d) the parent undertaking must disclose in the notes to the consolidated accounts that the company is exempt from the requirement to prepare individual accounts by virtue of this section, and
 - (e) the directors of the company must deliver to the registrar within the period for filing the company’s accounts and reports for that year—

- (i) a written notice of the agreement referred to in subsection (2)(a),
- (ii) the statement referred to in section 394C(1),
- (iii) a copy of the consolidated accounts referred to in subsection (2)(c),
- (iv) a copy of the auditor's report on those accounts, and
- (v) a copy of the consolidated annual report drawn up by the parent undertaking.

394B Companies excluded from the dormant subsidiaries exemption

394B A company is not entitled to the exemption conferred by section 394A (dormant subsidiaries) if it was at any time within the financial year in question—

- (a) a quoted company as defined in section 385(2) of this Act,
- (b) a company that—
 - (i) is an authorised insurance company, a banking company, an e-money issuer, a MiFID investment firm or a UCITS management company, or
 - (ii) carries on insurance market activity, or
- (c) a special register body as defined in section 117(1) of the Trade Union and Labour Relations (Consolidation) Act 1992 (c 52) or an employers' association as defined in section 122 of that Act or Article 4 of the Industrial Relations (Northern Ireland) Order 1992 (S.I. 1992/807) (NI 5).

394C Dormant subsidiaries exemption: parent undertaking declaration of guarantee

(1) A guarantee is given by a parent undertaking under this section when the directors of the subsidiary company deliver to the registrar a statement by the parent undertaking that it guarantees the subsidiary company under this section.

(2) The statement under subsection (1) must be authenticated by the parent undertaking and must specify—

- (a) the name of the parent undertaking,
 - (b) if the parent undertaking is incorporated in the United Kingdom, its registered number (if any),
 - (c) if the parent undertaking is incorporated outside the United Kingdom and registered in the country in which it is incorporated, the identity of the register on which it is registered and the number with which it is so registered,
 - (d) the name and registered number of the subsidiary company in respect of which the guarantee is being given,
 - (e) the date of the statement, and
 - (f) the financial year to which the guarantee relates.
- (3) A guarantee given under this section has the effect that—
- (a) the parent undertaking guarantees all outstanding liabilities to which the subsidiary company is subject at the end of the financial year to which the guarantee relates, until they are satisfied in full, and
 - (b) the guarantee is enforceable against the parent undertaking by any person to whom the subsidiary company is liable in respect of those liabilities.”.

Dormant subsidiaries: conditions for exemption from obligation to file accounts

10. For section 441(2) of the 2006 Act substitute—

“(2) This is subject to—
 section 448 (unlimited companies exempt from filing obligations), and
 section 448A (dormant subsidiaries exempt from filing obligations).”.

11. After section 448 of the 2006 Act insert—

“448A Dormant subsidiaries exempt from obligation to file accounts

(1) The directors of a company are not required to deliver a copy of the company’s individual accounts to the registrar in respect of a financial year if—

- (a) the company is a subsidiary undertaking,
- (b) it has been dormant throughout the whole of that year, and
- (c) its parent undertaking is established under the law of an EEA State.

(2) Exemption is conditional upon compliance with all of the following conditions—

- (a) all members of the company must agree to the exemption in respect of the financial year in question,
- (b) the parent undertaking must give a guarantee under section 448C in respect of that year,
- (c) the company must be included in the consolidated accounts drawn up for that year or to an earlier date in that year by the parent undertaking in accordance with—
 - (i) the provisions of the Seventh Directive (83/349/EEC), or
 - (ii) international accounting standards,
- (d) the parent undertaking must disclose in the notes to the consolidated accounts that the directors of the company are exempt from the requirement to deliver a copy of the company’s individual accounts to the registrar by virtue of this section, and
- (e) the directors of the company must deliver to the registrar within the period for filing the company’s accounts and reports for that year—
 - (i) a written notice of the agreement referred to in subsection (2)(a),
 - (ii) the statement referred to in section 448C(1),
 - (iii) a copy of the consolidated accounts referred to in subsection (2)(c),
 - (iv) a copy of the auditor’s report on those accounts, and
 - (v) a copy of the consolidated annual report drawn up by the parent undertaking.

448B Companies excluded from the dormant subsidiaries exemption

448B The directors of a company are not entitled to the exemption conferred by section 448A (dormant subsidiaries) if the company was at any time within the financial year in question—

- (a) a quoted company as defined in section 385(2) of this Act,
- (b) a company that—
 - (i) is an authorised insurance company, a banking company, an e-Money issuer, a MiFID investment firm or a UCITS management company, or
 - (ii) carries on insurance market activity, or
- (c) a special register body as defined in section 117(1) of the Trade Union and Labour Relations (Consolidation) Act 1992 (c 52) or an employers’ association as defined

in section 122 of that Act or Article 4 of the Industrial Relations (Northern Ireland) Order 1992 (S.I. 1992/807) (NI 5).

448C Dormant subsidiaries filing exemption: parent undertaking declaration of guarantee

(1) A guarantee is given by a parent undertaking under this section when the directors of the subsidiary company deliver to the registrar a statement by the parent undertaking that it guarantees the subsidiary company under this section.

(2) The statement under subsection (1) must be authenticated by the parent undertaking and must specify—

- (a) the name of the parent undertaking,
- (b) if the parent undertaking is incorporated in the United Kingdom, its registered number (if any),
- (c) if the parent undertaking is incorporated outside the United Kingdom and registered in the country in which it is incorporated, the identity of the register on which it is registered and the number with which it is so registered,
- (d) the name and registered number of the subsidiary company in respect of which the guarantee is being given,
- (e) the date of the statement, and
- (f) the financial year to which the guarantee relates.

(3) A guarantee given under this section has the effect that—

- (a) the parent undertaking guarantees all outstanding liabilities to which the subsidiary company is subject at the end of the financial year to which the guarantee relates, until they are satisfied in full, and
- (b) the guarantee is enforceable against the parent undertaking by any person to whom the subsidiary company is liable in respect of those liabilities.”.

Individual accounts: applicable accounting framework

12. In section 395(10) of the 2006 Act (individual accounts: applicable accounting framework), at the end of subsection (3) insert—

“This is subject to subsection (4A).”.

13. After section 395(4) insert—

“(4A) After a financial year in which the directors of a company prepare IAS individual accounts for the company, the directors may change to preparing Companies Act individual accounts for a reason other than a relevant change of circumstance provided they have not changed to Companies Act individual accounts in the period of five years preceding the first day of that financial year.

(4B) In calculating the five year period for the purpose of subsection (4A), no account should be taken of a change due to a relevant change of circumstance.”.

14. In section 395(5) omit “following a relevant change of circumstance”.

Group accounts: applicable accounting framework

15. In section 403 of the 2006 Act (group accounts: applicable accounting framework), at the end of subsection (4) insert—

“This is subject to subsection (5A).”.

16. After section 403(5) insert—

“(5A) After a financial year in which the directors of a parent company prepare IAS group accounts for the company, the directors may change to preparing Companies Act group accounts for a reason other than a relevant change of circumstance provided they have not changed to Companies Act group accounts in the period of five years preceding the first day of that financial year.

(5B) In calculating the five year period for the purpose of subsection (5A), no account should be taken of a change due to a relevant change of circumstance.”.

17. In section 403(6) omit “following a relevant change of circumstance”.

Meaning of “annual accounts”

18. In section 471(1) of the 2006 Act (meaning of “annual accounts” and related expressions), for paragraph (a) substitute—

“(a) any individual accounts prepared by the company for that year (see section 394), and”.

Subsidiary companies: conditions for exemption from audit, preparation and filing of accounts

19. In section 1078(2) of the 2006 Act, under the heading “Accounts reports and returns”, after paragraph 1 insert—

“1A. All documents delivered to the registrar under sections 394A(2)(e), 448A(2)(e) and 479A(2)(e) (qualifying subsidiary companies: conditions for exemption from the audit, preparation and filing of individual accounts).”.

Amendments to the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008

20.—(1) The 2008 Regulations are amended as follows.

(2) In regulation 33 (requirement for audited accounts), in the text of section 475(1) of 2006 Act as applied to LLPs, after paragraph (a) (but before the following “or”), insert—

“(aa) section 479A (subsidiary LLPs).”.

(3) In regulation 34 (exemption from audit: small LLPs)—

(a) in the text of section 477 of the 2006 Act as applied to LLPs (small LLPs: conditions for exemption from audit)—

(i) in subsection (1) for “meets the following conditions in respect of” substitute “qualifies as a small LLP in relation to”;

(ii) omit subsections (2) and (3);

(iii) in subsection (4), omit paragraph (b) and the preceding “and”; and

(b) in the text of section 479 of the 2006 Act as applied to LLPs (availability of small LLPs exemption in case of group LLP)—

- (i) for paragraph (a) of subsection (1) substitute—
 - “(a) the group—
 - (i) qualifies as a small group in relation to that financial year, and
 - (ii) was not at any time in that year an ineligible group, or”;
 - (ii) omit subsection (2); and
 - (iii) in subsection (5), omit paragraphs (c), (d) and (e).
- (4) After regulation 34 insert—

“Exemption from audit: qualifying subsidiaries

34A. Sections 479A, 479B and 479C apply to LLPs, modified so that they read as follows—

“479A Subsidiary LLPs: conditions for exemption from audit

- (1) An LLP is exempt from the requirements of this Act relating to the audit of individual accounts for a financial year if—
 - (a) it is itself a subsidiary undertaking, and
 - (b) its parent undertaking is established under the law of an EEA State.
- (2) Exemption is conditional upon compliance with all of the following conditions—
 - (a) all members of the LLP must agree to the exemption in respect of the financial year in question,
 - (b) the parent undertaking must give a guarantee under section 479C in respect of that year,
 - (c) the LLP must be included in the consolidated accounts drawn up for that year or to an earlier date in that year by the parent undertaking in accordance with—
 - (i) the provisions of the Seventh Directive (83/349/EEC), or
 - (ii) international accounting standards,
 - (d) the parent undertaking must disclose in the notes to the consolidated accounts that the LLP is exempt from the requirements of this Act relating to the audit of individual accounts by virtue of this section,
 - (e) the designated members of the LLP must deliver to the registrar on or before the date that they file the LLP’s accounts for that year—
 - (i) a written notice of the agreement referred to in subsection (2)(a),
 - (ii) the statement referred to in section 479C(1),
 - (iii) a copy of the consolidated accounts referred to in subsection 2(c),
 - (iv) a copy of the consolidated annual report drawn up by the parent undertaking, and
 - (v) a copy of the auditor’s report on those accounts.
- (3) This section has effect subject to—
 - section 475(2) and (3) (requirements as to statements contained in balance sheet).

479B LLPs excluded from the subsidiary LLPs audit exemption

479B An LLP is not entitled to the exemption conferred by section 479A (subsidiary LLPs) if it was at any time within the financial year in question—

- (a) an LLP that—
 - (i) is an authorised insurance company, a banking LLP, an e-money issuer, a MiFID investment firm or a UCITS management company, or
 - (ii) carries on insurance market activity, or
- (b) an employers' association as defined in section 122 of the Trade Union and Labour Relations (Consolidation) Act 1992 (c 52) or Article 4 of the Industrial Relations (Northern Ireland) Order 1992 (S.I. 1992/807) (NI 5).

479C Parent undertaking declaration of guarantee of subsidiary's liabilities

(1) A guarantee is given by a parent undertaking under this section when the designated members of the subsidiary LLP deliver to the registrar a statement by the parent undertaking that it guarantees the subsidiary LLP under this section.

(2) The statement under subsection (1) must be authenticated by the parent undertaking and must specify—

- (a) the name of the parent undertaking,
- (b) if the parent undertaking is incorporated in the United Kingdom, its registered number (if any),
- (c) if the parent undertaking is incorporated outside the United Kingdom and registered in the country in which it is incorporated, the identity of the register on which it is registered and the number with which it is so registered,
- (d) the name and registered number of the subsidiary LLP in respect of which the guarantee is being given,
- (e) the date of the statement, and
- (f) the financial year to which the guarantee relates.

(3) A guarantee given under this section has the effect that—

- (a) the parent undertaking guarantees all outstanding liabilities to which the subsidiary LLP is subject at the end of the financial year to which the guarantee relates, until they are satisfied in full, and
- (b) the guarantee is enforceable against the parent undertaking by any person to whom the subsidiary LLP is liable in respect of those liabilities".

(5) In regulation 9 (individual accounts)—

- (a) in the text of section 394 of the 2006 Act as applied to LLPs (duty to prepare individual accounts), after "financial years", insert "unless the LLP is exempt from that requirement under section 394A", and
- (b) after the text of section 394 of the 2006 Act as applied to LLPs, insert—

"Individual accounts: exemption for dormant subsidiaries

394A.—(1) An LLP is exempt from the requirement to prepare individual accounts in a financial year if—

- (a) it is itself a subsidiary undertaking,

- (b) it has been dormant throughout the whole of that year, and
 - (c) its parent undertaking is established under the law of an EEA State.
- (2) Exemption is conditional upon compliance with all of the following conditions—
- (a) all members of the LLP must agree to the exemption in respect of the financial year in question,
 - (b) the parent undertaking must give a guarantee under section 394C in respect of that year,
 - (c) the LLP must be included in the consolidated accounts drawn up for that year or to an earlier date in that year by the parent undertaking in accordance with—
 - (i) the provisions of the Seventh Directive (83/349/EEC), or
 - (ii) international accounting standards,
 - (d) the parent undertaking must disclose in the notes to the consolidated accounts that the LLP is exempt from the requirement to prepare individual accounts by virtue of this section,
 - (e) the designated members of the LLP must deliver to the registrar, within the period for filing the LLP’s account and auditor’s report for that year—
 - (i) a written notice of the agreement referred to in subsection (2)(a),
 - (ii) the statement referred to in section 394C(1),
 - (iii) a copy of the consolidated accounts referred to in subsection (2)(c),
 - (iv) a copy of the auditor’s report on those accounts, and
 - (v) a copy of the consolidated annual report drawn up by the parent undertaking.

LLPs excluded from the dormant subsidiaries exemption

394B. An LLP is not entitled to the exemption conferred by section 394A (dormant subsidiaries) if it was at any time within the financial year in question—

- (a) an LLP that—
 - (i) is an authorised insurance company, a banking LLP, an e-money issuer, a MiFID investment firm or a UCITS management company, or
 - (ii) carries on insurance market activity, or
- (b) an employers’ association as defined in section 122 of the Trade Union and Labour Relations (Consolidation) Act 1992 (c.52) or Article 4 of the Industrial Relations (Northern Ireland) Order 1992 (S.I. 1992/807) (NI 5).

Dormant subsidiaries exemption: parent undertaking declaration of guarantee

394C.—(1) A guarantee is given by a parent undertaking under this section when the designated members of the subsidiary LLP deliver to the registrar a statement by the parent undertaking that it guarantees the subsidiary LLP under this section.

(2) The statement under subsection (1) must be authenticated by the parent undertaking and must specify—

- (a) the name of the parent undertaking,
- (b) if the parent undertaking is incorporated in the United Kingdom, its registered number (if any),

- (c) if the parent undertaking is incorporated outside the United Kingdom and registered in the country in which it is incorporated, the identity of the register on which it is registered and the number with which it is so registered,
 - (d) the name and registered number of the subsidiary LLP in respect of which the guarantee is being given,
 - (e) the date of the statement, and
 - (f) the financial year to which the guarantee relates.
- (3) A guarantee given under this section has the effect that—
- (a) the parent undertaking guarantees all outstanding liabilities to which the subsidiary LLP is subject at the end of the financial year to which the guarantee relates, until they are satisfied in full, and
 - (b) the guarantee is enforceable against the parent undertaking by any person to whom the subsidiary LLP is liable in respect of those liabilities.”.
- (6) In regulation 17 (duty to file accounts and reports), for section 441 of the 2006 Act as applied to LLPs, substitute—

“**441.**—(1) The designated members of an LLP must deliver to the registrar for each financial year the accounts and auditor’s report required by—

- section 444 (filing obligations of LLPs subject to small LLPs regime),
- section 445 (filing obligations of medium-sized LLPs), or
- section 446 (filing obligations of large LLPs).

(2) This is subject to section 448A (dormant subsidiary LLPs exempt from obligation to file accounts).”.

- (7) After regulation 19 (filing obligations of large LLPs), insert—

“Exemption for dormant subsidiary LLPs

19A. Section 448A applies to LLPs, modified so as to read as follows—

“Dormant subsidiary LLPs exempt from obligation to file accounts

448A.—(1) The designated members of an LLP are not required to deliver a copy of the LLP’s individual accounts to the registrar in respect of a financial year if—

- (a) the LLP is a subsidiary undertaking,
- (b) it has been dormant throughout the whole of that year, and
- (c) its parent undertaking is established under laws of an EEA State.

(2) Exemption is conditional upon compliance with all of the following conditions—

- (a) all members of the LLP must agree to the exemption in respect of the financial year in question,
- (b) the parent undertaking must give a guarantee under section 448C in respect of that year,
- (c) the LLP must be included in the consolidated accounts drawn up for that year or to an earlier date in that year by the parent undertaking in accordance with—

- (i) the provisions of the Seventh Directive (83/349/EEC), or

- (ii) international accounting standards,
- (d) the parent undertaking must disclose in the notes to the consolidated accounts that the designated members of the LLP are exempt from the requirement to deliver a copy of the LLP's individual accounts to the registrar by virtue of this section,
- (e) the designated members of the LLP must deliver to the registrar, within the period for filing the LLP's accounts and auditor's report for that year —
 - (i) a written notice of the agreement referred to in subsection (2)(a),
 - (ii) the statement referred to in section 448C(1),
 - (iii) a copy of the consolidated accounts referred to in subsection 2(c),
 - (iv) a copy of the auditor's report on those accounts, and
 - (v) a copy of the consolidated annual report drawn up by the parent undertaking.

LLPs excluded from the dormant subsidiaries exemption

448B. The designated members of an LLP are not entitled to the exemption conferred by section 448A (dormant subsidiaries) if the LLP was at any time within the financial year in question—

- (a) an LLP that—
 - (i) is an authorised insurance company, a banking LLP, an e-money issuer, a MiFID investment firm or a UCITS management company, or
 - (ii) carries on insurance market activity, or
- (b) an employers' association as defined in section 122 of the Trade Union and Labour Relations (Consolidation) Act 1992 (c 52) or Article 4 of the Industrial Relations (Northern Ireland) Order 1992 (S.I. 1992/807) (NI 5).

Dormant subsidiaries exemption: parent undertaking declaration of guarantee

448C.—(1) A guarantee is given by a parent undertaking under this section when the designated members of the subsidiary LLP deliver to the registrar a statement by the parent undertaking that it guarantees the subsidiary LLP under this section.

(2) The statement under subsection (1) must be authenticated by the parent undertaking and must specify—

- (a) the name of the parent undertaking,
 - (b) if the parent undertaking is incorporated in the United Kingdom, its registered number (if any),
 - (c) if the parent undertaking is incorporated outside the United Kingdom and registered in the country in which it is incorporated, the identity of the register on which it is registered and the number with which it is so registered,
 - (d) the name and registered number of the subsidiary LLP in respect of which the guarantee is being given,
 - (e) the date of the statement, and
 - (f) the financial year to which the guarantee relates.
- (3) A guarantee given under this section has the effect that—

- (a) the parent undertaking guarantees all outstanding liabilities to which the subsidiary LLP is subject at the end of the financial year to which the guarantee relates, until they are satisfied in full, and
- (b) the guarantee is enforceable against the parent undertaking by any person to whom the subsidiary LLP is liable in respect of those liabilities.”.”.

(8) In regulation 9, in the text of section 395 of the 2006 Act as applied to LLPs (individual accounts: applicable accounting framework)—

- (a) at the end of subsection (2) insert—
“This is subject to subsection (3A).”, and
- (b) after subsection (3) insert—

“(3A) After a financial year in which the members of an LLP prepare IAS individual accounts, the members may change to preparing non-IAS individual accounts for a reason other than a relevant change of circumstance provided they have not changed to non-IAS individual accounts in the period of five years preceding the first day of that financial year.

(3B) In calculating the five year period for the purpose of subsection (3A), no account should be taken of a change due to a relevant change of circumstance.”, and

- (c) in subsection (4) omit “following a relevant change of circumstance”.

(9) In regulation 10 of the 2008 Regulations, in the text of section 403 of the 2006 Act as applied to LLPs (group accounts: applicable accounting framework)—

- (a) at the end of subsection (2) insert—
“This is subject to subsection (3A).”.
- (b) after subsection (3) insert—

“(3A) After a financial year in which the members of a parent LLP prepare IAS group accounts, the members may change to preparing non-IAS group accounts for a reason other than a relevant change of circumstance provided they have not changed to non-IAS group accounts in the period of five years preceding the first day of that financial year.

(3B) In calculating the five year period for the purpose of subsection (3A), no account should be taken of a change due to a relevant change of circumstance.”, and

- (c) in subsection (4) omit “following a relevant change of circumstance”.

(10) In regulation 29 of the 2008 Regulations, in the text of section 471 of the 2006 Act as applied to LLPs (Meaning of “annual accounts” and related expressions) for subsection (1)(a) substitute—

- “(a) any individual accounts prepared by the LLP for that year (see section 394), and”.

Amendment to the Registrar of Companies and Application for Striking Off Regulations 2009

21.—(1) The Registrar of Companies and Application for Striking Off Regulations 2009(**11**) are amended as follows.

- (2) In regulation 6(2) after sub-paragraph (h) add—

“(i) all documents to be delivered to the registrar by a non-traded company under sections 394A(2)(e), 448A(2)(e) and 479A(2)(e) of the Companies Act 2006 (qualifying subsidiaries: conditions for exemption from the audit, preparation and filing of individual accounts).”.

- (3) In regulation 7(2) after sub-paragraph (d) add—

(11) S.I. 2009/1803, amended by S.I. 2009/2399 and S.I. 2009/2400.

- “(e) copies of the consolidated accounts, the auditor’s report and the consolidated annual report to be delivered to the registrar under sections 394A(2)(e), 448A(2)(e) or 479A(2)(e) of the Companies Act 2006 (qualifying subsidiaries: conditions for exemption from the audit, preparation and filing of individual accounts).”.
- (4) In regulation 8(2) after sub-paragraph (r) add—
- “(s) copies of the consolidated accounts, the auditor’s report and the consolidated annual report to be delivered to the registrar under sections 394A(2)(e), 448A(2)(e) or 479A(2)(e) of the Companies Act 2006 (qualifying subsidiaries: conditions for exemption from the audit, preparation and filing of individual accounts).”.

Amendment to the Limited Liability Partnerships (Application of Companies Act 2006) Regulations 2009

22.—(1) The Limited Liability Partnerships (Application of Companies Act 2006) Regulations 2009(12) are amended as follows.

(2) In regulation 63, in the text of section 1078 as applied to LLPs under the heading “Accounts and returns” after paragraph 1 insert—

“1A. All documents delivered to the registrar under sections 394A(2)(e), 448A(2)(e) and 479A(2)(e) (qualifying subsidiaries: conditions for exemptions from the audit, preparation and filing of individual accounts).”.

- (3) In regulation 68—
- (a) in the text of section 1104(2) as applied to LLPs after paragraph (c) insert—
- “(d) documents to be delivered to the registrar under sections 394A(2)(e), 448A(2)(e) and 479A(2)(e) (qualifying subsidiaries: conditions for exemptions from the audit, preparation and filing of individual accounts).”, and
- (b) in the text of section 1105(2) as applied to LLPs after paragraph (c) insert—
- “(d) copies of the consolidated accounts, the auditor’s report and the consolidated annual report to be delivered to the registrar under sections 394A(2)(e), 448A(2)(e) and 479A(2)(e) (qualifying subsidiaries: conditions for exemption from the audit, preparation and filing of individual accounts).”.

Amendments to the Unregistered Companies Regulations 2009

23. In paragraph 19 of Schedule 1 to the Unregistered Companies Regulations 2009(13), in the text of section 1078 of the 2006 Act as it applies to unregistered companies under the heading “Accounts and returns” after paragraph 1 insert—

“1A All documents delivered to the registrar under sections 394A(2)(e), 448A(2)(e) and 479A(2)(e) (qualifying subsidiaries: conditions for exemption from the audit, preparation and filing of individual accounts).”.

(12) S.I. 2009/1804, to which there are amendments not relevant to these Regulations.

(13) S.I. 2009/2436, to which there are amendments not relevant to these Regulations.

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6th September 2012

Jo Swinson
Parliamentary Under Secretary of State for
Employment Relations, Consumer and Postal
Affairs
Department for Business, Innovation and Skills

EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations amend provisions in and under the Companies Act 2006, relating to exemption from audit, the requirements to prepare individual accounts and to deliver individual accounts to the registrar of companies and the applicable accounting framework for individual and group company accounts.

The Regulations come into force on 1st October 2012 and apply to financial years ending on or after that date. The Regulations give effect to optional derogations not previously applied in Council Directive [78/660/EEC](#) on the annual accounts of certain types of companies (O.J. L222, 14.8.1978, p.11).

Regulation 4 widens the exemption from audit for small companies to provide that a company must only meet the general small company criteria for accounts and reports to qualify for the exemption. Regulation 5 widens in the same way the conditions for qualification for audit exemption of a small company which is in a small group.

Regulations 6 and 7 introduce an exemption from the audit of individual accounts for subsidiary companies whose parent undertaking is established under the law of an EEA state. Various conditions must be satisfied in order for the subsidiary company to qualify for the exemption, principally the parent undertaking must give a statutory guarantee of the debts and liabilities to which the subsidiary company is subject as at the last day of the financial year in which the subsidiary company is seeking an audit exemption. Various categories of company are excluded from the exemption including quoted companies, some financial services companies and trade unions and employers' associations.

Regulations 8, 9, 10 and 11 introduce exemptions for dormant subsidiaries from the requirement to prepare individual accounts and to deliver individual accounts to the registrar. To qualify for the exemption the dormant subsidiary must have satisfied the same conditions which subsidiaries must satisfy to qualify for the audit exemption established by regulations 6 and 7. Companies excluded from the exemption include quoted companies, some financial services companies and trade unions and employers' associations.

Regulations 12, 13 and 14 provide that company directors who prepare a company's individual accounts in accordance with international accounting standards may switch to Companies Act accounts for a reason other than a relevant change of circumstances provided they have not switched to Companies Act accounts in the period of five years preceding the first day of the financial year in which they wish to implement the change of accounting framework. Regulations 15, 16 and 17 do the same in relation to a parent company's group accounts provided the parent company's accounts are not required by Article 4 of the IAS Regulation [\(EC\) No 1606/2002](#) to be prepared in accordance with international accounting standards.

Regulation 18 amends the meaning of annual accounts so that any reference to annual accounts in Part 15 of the Companies Act 2006 only includes a reference to individual accounts where a company has prepared them.

Regulation 19 adds to the list of documents subject to Directive disclosure requirements, the documents which a subsidiary company must deliver to the registrar in order to qualify for the exemptions established by regulations 6 to 11. The Registrar must publish notice of having received those documents in the London Gazette.

Regulation 20 amends the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 to apply to limited liability partnerships the same

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exemptions from audit and requirements to prepare individual accounts and to deliver individual accounts to the registrar, and the same change in the provisions governing the applicable accounting framework for individual and group accounts, as those introduced by these Regulations in relation to companies.

Regulations 21 and 22 respectively amend the Registrar of Companies and Application for Striking Off Regulations 2009 and the Limited Liability Partnerships (Application of Companies Act 2006) Regulations 2009 to provide that copies of documents which must be filed with the registrar of companies in order for subsidiary companies and LLPs to take advantage of the exemptions from the audit, preparation and filing of individual accounts introduced by these Regulations can be drawn up and delivered to the registrar in Welsh or in a language other than English, accompanied by a certified translation into English.

Regulation 22 also amends the Limited Liability Partnerships (Application of Companies Act 2006) Regulations 2009 to require the Registrar to publish in the London Gazette, notice of having received the documents which a subsidiary LLP must file in order to qualify for the exemptions from audit, preparation or filing of individual accounts established by these Regulations. Regulation 23 amends the Unregistered Companies Regulations 2009 to require the Registrar to do the same with regard to unregistered companies.

A transposition note has been prepared as have impact assessments of the effect that these Regulations will have on the costs of business. The transposition note and the impact assessments are available from the Department for Business Innovation and Skills, Business Environment Directorate, 1 Victoria Street, London, SW1H 0ET. They are also available electronically at www.bis.gov.uk. Copies have also been placed in the libraries of both Houses of Parliament.