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STATUTORY INSTRUMENTS

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**2016 No. 575**

**The Limited Liability Partnerships, Partnerships  
and Groups (Accounts and Audit) Regulations 2016**

**PART 4**

**Amendments to the Large and Medium-sized Limited  
Liability Partnerships (Accounts) Regulations 2008**

**Amendments to the Large and Medium-sized Limited Liability Partnerships (Accounts)  
Regulations 2008**

**47.** The Large and Medium-sized Limited Liability Partnerships (Accounts) Regulations 2008(1) are amended in accordance with this Part.

**Amendment to Part 1 (introduction)**

**48.** In regulation 1(2) (interpretation), for the definition of “LLP” substitute—

““LLP” means a limited liability partnership registered under the Limited Liability Partnerships Act 2000(2).”

**Amendments to Part 2 (form and content of accounts)**

**49.** In regulation 4 (medium-sized LLPs: exemptions for non-IAS individual accounts), in the modified regulation 4 of the Large and Medium-sized Companies Accounts Regulations which is applied to LLPs—

(a) for paragraph (2) substitute—

“(2A) The individual accounts for the year need not comply with paragraph 45 (disclosure with respect to compliance with accounting standards) of Schedule 1 to these Regulations.

(2B) Paragraph 70 (related party transactions) applies with the modification that only particulars of transactions which have not been concluded under normal market conditions with the following must be disclosed—

(a) members of the LLP that are related parties; and

(b) undertakings in which the LLP itself has a participating interest.”; and

(b) omit paragraph (3).

**Amendments to Section A of Part 1 of Schedule 1 (general rules: non-IAS individual accounts)**

- 50.** In Section A of Part 1 of Schedule 1 (general rules: non-IAS individual accounts)—
- (a) at the beginning of paragraph 1(3) (general requirements for format of balance sheets and profit and loss accounts) insert “Subject to paragraph 1A,”;
  - (b) after paragraph 1 insert—
    - “1A.—(1) The members of the LLP may adapt one of the balance sheet formats in Section B so as to distinguish between current and non-current items in a different way, provided that—
      - (a) the information given is at least equivalent to that which would have been required by the use of such format had it not been thus adapted, and
      - (b) the presentation of those items is in accordance with generally accepted accounting principles or practice.
    - (2) The members of the LLP may adapt one of the profit and loss account formats in Section B, provided that—
      - (a) the information given is at least equivalent to that which would have been required by the use of such format had it not been thus adapted, and
      - (b) the presentation is in accordance with generally accepted accounting principles or practice.
    - (3) So far as is practicable, the following provisions of this Section apply to the balance sheet or profit or loss account of an LLP notwithstanding any such adaptation pursuant to this paragraph.”;
  - (c) in paragraph 6 (profit and loss account must show the amount of profit or loss before taxation), omit “on ordinary activities”; and
  - (d) after paragraph 9 (requirement to have regard to the substance of a reported transaction or arrangement) insert—
    - “9A. Where an asset or liability relates to more than one item in the balance sheet, the relationship of such asset or liability to the relevant items must be disclosed either under those items or in the notes to the accounts.”.

**Amendments to Section B of Part 1 of Schedule 1 (required formats for accounts: non-IAS individual accounts)**

- 51.** In Section B of Part 1 of Schedule 1 (required formats for accounts: non-IAS individual accounts)—
- (a) in balance sheet Format 1, in item K III, after “Other reserves” insert “, including the fair value reserve”;
  - (b) in balance sheet Format 2—
    - (i) for the heading “LIABILITIES” substitute “CAPITAL, RESERVES AND LIABILITIES”; and
    - (ii) in item B III, after “Other reserves” insert “, including the fair value reserve”;
  - (c) in profit and loss account Format 1—
    - (i) in item 12, for “charges” substitute “expenses”;
    - (ii) in items 13 and 14, omit “on ordinary activities”; and
    - (iii) omit items 15 to 18;

- (d) in profit and loss account Format 2—
  - (i) in items 5(b), 8 and 14, for “charges” substitute “expenses”;
  - (ii) for item 7(b) substitute—
    - “(b) Amounts written off current assets, to the extent that they exceed write-offs which are normal in the undertaking concerned”;
  - (iii) in items 15 and 16, omit “on ordinary activities”; and
  - (iv) omit items 17 to 20; and
- (e) in notes on the profit and loss account formats, in the title to note (14), for “charges” substitute “expenses”.

**Amendments to Section A of Part 2 of Schedule 1 (accounting principles: non-IAS individual accounts)**

- 52.** In Section A of Part 2 of Schedule 1 (accounting principles: individual accounts)—
- (a) in paragraph 12 (consistent application of accounting policies), after “Accounting policies” insert “and measurement bases”;
  - (b) in paragraph 13 (determination of amount of an item on a prudent basis)—
    - (i) omit “and” at the end of sub-paragraph (a); and
    - (ii) after sub-paragraph (b) insert—
      - “(c) all provisions for diminution of value must be recognised, whether the result of the financial year is a profit or a loss,
      - (d) at the balance sheet date, a provision must represent the best estimate of the expenses likely to be incurred or, in the case of a liability, of the amount required to meet that liability, and
      - (e) provisions must not be used to adjust the value of assets.”; and
  - (c) after paragraph 15 (individual assets or liabilities must be determined separately in determining aggregate amount) insert—

“**15A.** The opening balance sheet for each financial year must correspond to the closing balance sheet for the preceding financial year.”.

**Amendments to Section B of Part 2 of Schedule 1 (historical cost accounting rules: non-IAS individual accounts)**

- 53.** In Section B of Part 2 of Schedule 1 (historical cost accounting rules: non-IAS individual accounts)—
- (a) for paragraph 19(3) (provision for diminution in value of a fixed asset) substitute—

“(3) Provisions made under sub-paragraph (1) or (2) must be charged to the profit and loss account and disclosed separately in a note to the accounts if not shown separately in the profit and loss account.”;
  - (b) in paragraph 20 (cessation of reasons for inclusion of provision about diminution in value)
    - (i) after sub-paragraph (1) insert—

“(1A) But provision made in accordance with paragraph 19(2) in respect of goodwill must not be written back to any extent.”; and
    - (ii) for sub-paragraph (2) substitute—

“(2) Any amounts written back under sub-paragraph (1) must be recognised in the profit and loss account and disclosed separately in a note to the accounts if not shown separately in the profit and loss account.”;

- (c) for paragraphs 21 (development costs) and 22 (goodwill) substitute—

**“Intangible Assets**

**21.—**(1) Where this is in accordance with generally accepted accounting principles or practice, development costs may be included in “other intangible assets” under “fixed assets” in the balance sheet formats set out in Section B of Part 1 of this Schedule.

(2) If any amount is included in an LLP’s balance sheet in respect of development costs, the note on accounting policies (see paragraph 44 of this Schedule) must include the following information—

- (a) the period over which the amount of those costs originally capitalised is being or is to be written off, and
- (b) the reasons for capitalising the development costs in question.

**22.—**(1) Intangible assets must be written off over the useful economic life of the intangible asset.

(2) Where in exceptional cases the useful life of intangible assets cannot be reliably estimated, such assets must be written off over a period chosen by the members of the LLP.

(3) The period referred to in sub-paragraph (2) must not exceed ten years.

(4) There must be disclosed in a note to the accounts the period referred to in sub-paragraph (2) and the reasons for choosing that period.”;

- (d) at the end of paragraph 27(1) (determination of purchase price or production cost) insert “and then subtracting any incidental reductions in the cost of acquisition”;
- (e) in paragraph 28(2)(d) (methods for determination of purchase price or production cost of stocks and fungible assets), for “similar to any of the methods mentioned above” substitute “reflecting generally accepted best practice”; and
- (f) after paragraph 29 (substitution of original stated amount where price or cost unknown) insert—

**“Equity method in respect of participating interests**

**29A.** Participating interests may be accounted for using the equity method.”

**Amendments to Section C of Part 2 of Schedule 1 (alternative accounting rules: non-IAS individual accounts)**

**54.** In Section C of Part 2 of Schedule 1 (alternative accounting rules: non-IAS individual accounts)—

- (a) in paragraph 32 (alternative accounting rules), omit sub-paragraphs (4) and (5);
- (b) in paragraph 34 (additional information to be provided in case of departure from historical cost accounting rule)—
  - (i) in sub-paragraph (2), for “a note to the accounts” substitute “the note on accounting policies (see paragraph 44 of this Schedule)”;
  - (ii) for sub-paragraph (3) substitute—

“(3) In the case of each balance sheet item affected, the comparable amounts determined according to the historical cost accounting rules must be shown in a note to the accounts.”; and

- (c) in paragraph 35(2) (revaluation reserve)—
- (i) after “revaluation reserve” insert “under “Members’ other interests””; and
  - (ii) omit “, but need not be shown under that name”.

**Amendments to Section D of Part 2 of Schedule 1 (fair value accounting: non-IAS individual accounts)**

**55.** In Section D of Part 2 of Schedule 1 (fair value accounting: non-IAS individual accounts)—

- (a) for paragraph 36(4) (inclusion of financial instruments at fair value) substitute—
- “(4) Financial instruments which under international accounting standards may be included in accounts at fair value, may be so included, provided that the disclosures required by such accounting standards are made.”; and
- (b) for paragraph 39 (other assets that may be included at fair value) substitute—

**“Other assets that may be included at fair value**

**39.—**(1) This paragraph applies to—

- (a) stocks,
- (b) investment property, and
- (c) living animals and plants.

(2) Stocks, investment property, and living animals and plants may be included at fair value, provided that, as the case may be, all such stocks, investment property, and living animals and plants are so included where their fair value can reliably be determined.

(3) In this paragraph, “fair value” means fair value determined in accordance with generally accepted accounting principles or practice.”.

**Amendments to Part 3 of Schedule 1 (notes to the accounts: non-IAS individual accounts)**

**56.** In Part 3 of Schedule 1 (notes to the accounts: non-IAS individual accounts)—

- (a) for paragraph 42 (preliminary) substitute—

**“Preliminary**

**42.—**(1) Any information required in the case of an LLP by the following provisions of this Part of this Schedule must be given by way of a note to the accounts.

(2) These notes must be presented in the order in which, where relevant, the items to which they relate are presented in the balance sheet and in the profit and loss account.”;

- (b) for paragraph 53 (information about fair value of assets and liabilities) substitute—

**“Information about fair value of assets and liabilities**

**53.—**(1) This paragraph applies where financial instruments or other assets have been valued in accordance with, as appropriate, paragraph 36, 38, or 39.

- (2) There must be stated—

- (a) the significant assumptions underlying the valuation models and techniques used to determine the fair value of the instruments or other assets,
  - (b) for each category of financial instrument or other asset, the fair value of the assets in that category and the changes in value—
    - (i) included directly in the profit and loss account, or
    - (ii) credited to or (as the case may be) debited from the fair value reserve, in respect of those assets, and
  - (c) for each class of derivatives, the extent and nature of the instruments, including significant terms and conditions that may affect the amount, timing and certainty of future cash flows.
- (3) Where any amount is transferred to or from the fair value reserve during the financial year, there must be stated in tabular form—
- (a) the amount of the reserve as at the date of the beginning of the financial year and as at the balance sheet date respectively,
  - (b) the amount transferred to or from the reserve during the year, and
  - (c) the source and application respectively of the amounts so transferred.”;
- (c) in paragraph 56(1) (information where investment property and living animals and plants included at fair value), after “in respect of” insert “stocks,”;
  - (d) in paragraph 57(2) (reserves and provisions), after “same item” insert “in tabular form”;
  - (e) in paragraph 59(4)(b) (details of indebtedness), after “nature” insert “and form”;
  - (f) for paragraph 60 (guarantees and other financial commitments) substitute—

**“Guarantees and other financial commitments**

**60.**—(1) Particulars must be given of any charge on the assets of the LLP to secure the liabilities of any other person including the amount secured.

(2) Particulars and the total amount of any financial commitments, guarantees and contingencies that are not included in the balance sheet must be disclosed.

(3) An indication of the nature and form of any valuable security given by the LLP in respect of commitments, guarantees and contingencies within sub-paragraph (2) must be given.

(4) The total amount of any commitments within sub-paragraph (2) concerning pensions must be separately disclosed.

(5) Particulars must be given of pension commitments which are included in the balance sheet.

(6) Where any commitment within sub-paragraph (4) or (5) relates wholly or partly to pensions payable to past members of the LLP separate particulars must be given of that commitment.

(7) The total amount of any commitments, guarantees and contingencies within sub-paragraph (2) which are undertaken on behalf of or for the benefit of—

- (a) any parent undertaking or fellow subsidiary undertaking of the LLP,
- (b) any subsidiary undertaking of the LLP, or
- (c) any undertaking in which the LLP has a participating interest,

must be separately stated and those within each of paragraphs (a), (b) and (c) must also be stated separately from those within any other of those paragraphs.”;

- (g) for the closing words in paragraph 64(2) (particulars of tax) substitute—  
“These amounts must be stated separately in respect of each of the amounts which is or would but for paragraph 4(2)(b) be shown under the item “tax on profit or loss” in the profit and loss account.”;
- (h) for paragraph 67(2) and (3) (miscellaneous matters) substitute—  
“(2) The amount, nature and effect of any individual items of income or expenditure which are of exceptional size or incidence must be stated.”;
- (i) in paragraph 70(1) (related party transactions), for “regulation 4 for exemption” substitute “regulation 4(2B) for a modification”; and
- (j) after paragraph 70 insert—

**“Post balance sheet events**

**70A.** The nature and financial effect of material events arising after the balance sheet date which are not reflected in the profit and loss account or balance sheet must be stated.

**Appropriations**

**70B.** Particulars must be given of the proposed appropriation of profit or treatment of loss or, where applicable, particulars of the actual appropriation of the profits or treatment of the losses.”.

**Amendment to Part 4 of Schedule 1 (special provision where LLP is a parent LLP or subsidiary undertaking: non-IAS individual accounts)**

**57.** In Part 4 of Schedule 1 (special provision where LLP is a parent LLP or subsidiary undertaking: non-IAS individual accounts), omit paragraph 71 (LLP’s own accounts: guarantees and other financial commitments in favour of group undertakings).

**Amendments to Part 1 of Schedule 2 (provisions applying to all LLPs: information on related undertakings required whether preparing non-IAS or IAS accounts)**

**58.** In Part 1 of Schedule 2 (provisions applying to all LLPs: information on related undertakings required whether preparing non-IAS or IAS accounts)—

- (a) for paragraph 1(3)(a) (subsidiary undertakings) substitute—
  - “(a) the address of the undertaking’s registered office (whether in or outside the United Kingdom),”;
- (b) for paragraph 4(2)(a) (significant holdings in undertakings other than subsidiary undertakings) substitute—
  - “(a) the address of the undertaking’s registered office (whether in or outside the United Kingdom),”;
  - and
- (c) for paragraph 6(3)(a) (parent undertaking drawing up accounts for larger group) substitute—
  - “(a) the address of the undertaking’s registered office (whether in or outside the United Kingdom),”.

**Amendments to Part 3 of Schedule 2 (LLP required to prepare group accounts: information on related undertakings required whether preparing non-IAS or IAS accounts)**

**59.** In Part 3 of Schedule 2 (LLP required to prepare group accounts: information on related undertakings required whether preparing non-IAS or IAS accounts)—

- (a) for paragraph 16(1)(b) (joint ventures) substitute—
  - “(b) the address of the undertaking’s registered office (whether in or outside the United Kingdom),”; and
- (b) for paragraph 17(3)(b) (associated undertakings) substitute—
  - “(b) the address of the undertaking’s registered office (whether in or outside the United Kingdom).”.

**Amendments to Schedule 3 (non-IAS group accounts)**

**60.** In Schedule 3 (non-IAS group accounts)—

- (a) after paragraph 2(1) (concerning the consolidated balance sheet and profit and loss account) insert—
  - “(1A) Group accounts must be drawn up as at the same date as the accounts of the parent LLP.”;
- (b) after paragraph 9(5) (concerning the acquisition method of accounting) insert—
  - “(6) Negative goodwill may be transferred to the consolidated profit and loss account where such a treatment is in accordance with the principles and rules of Part 2 of Schedule 1 to these Regulations.”;
- (c) after paragraph 16 (certain information need not be disclosed if an undertaking is established under the law of a country, or carries on business, outside of the UK) insert—
  - “**16A.** Where an acquisition has taken place in the financial year and the merger method of accounting has been adopted, the notes to the accounts must also disclose the names and the addresses of the registered offices of the undertakings concerned (whether in or outside the United Kingdom).”;
- (d) for paragraph 17 (minority interests) substitute—

**“Non-controlling 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 the heading “non-controlling interests”, 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 LLP and its subsidiary undertakings.

(3) In the profit and loss account formats there must be shown, as a separate item and under the heading “non-controlling interests”, the amount of any profit or loss attributable to shares in subsidiary undertakings included in the consolidation held by or on behalf of persons other than the parent LLP and its subsidiary undertakings.

(4) For the purpose of paragraph 4(1) and (2) of Schedule 1 (power to adapt or combine items)—

- (a) the additional item required by sub-paragraph (2) above is treated as one to which a letter is assigned, and



- (b) the additional item required by sub-paragraph (3) above is treated as one to which an Arabic number is assigned.”;
- (e) in paragraph 18 (joint ventures)—
  - (i) in sub-paragraph (2), after “consolidated accounts” insert “and sections 402 and 405 of the 2006 Act”; and
  - (ii) after sub-paragraph (2) insert—
    - “(3) In addition to the disclosure of the average number of employees employed during the financial year (see section 411(7) of the 2006 Act), there must be a separate disclosure in the notes to the accounts of the average number of employees employed by undertakings that are proportionately consolidated.”; and
- (f) after paragraph 22 (related party transactions) insert—

#### **“Deferred tax balances**

**22A.** Deferred tax balances must be recognised on consolidation where it is probable that a charge to tax will arise within the foreseeable future for one of the undertakings included in the consolidation.”.

#### **Amendments to Schedule 4 (general interpretation)**

**61.** In paragraph 2(1) of Schedule 4 (definitions of financial instruments), for the words from “Council [Directive 78/660/EEC](#)” to the end, substitute “[Directive 2013/34/EU](#) of 26 June 2013 on the annual financial statements etc. of certain types of undertakings<sup>(3)</sup> and Council [Directive 91/674/EEC](#) of 19 December 1991 on the annual accounts and consolidated accounts of insurance undertakings<sup>(4)</sup>.”.

#### **Review**

**62.** After regulation 7 (general interpretation) insert—

### **“PART 4 REVIEW**

#### **Review**

- 8.—**(1) The Secretary of State must from time to time—
  - (a) carry out a review of the provisions of these Regulations to which amendments have been made by Part 4 of the Limited Liability Partnerships, Partnerships and Groups (Accounts and Audit) Regulations 2016 (“the 2016 Regulations”),
  - (b) set out the conclusions of the review in a report, and
  - (c) publish the report.
- (2) The report must, in particular—
  - (a) set out the objectives intended to be achieved by those provisions,
  - (b) assess the extent to which those objectives are achieved,

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<sup>(3)</sup> OJ No L 182, 29.6.13, p. 19, as last amended by Council [Directive 2014/102/EU](#).

<sup>(4)</sup> OJ No L 374, 31.12.91, p.7, as last amended by [Directive 2006/46/EC](#).

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- (c) assess whether those objectives remain appropriate, and
  - (d) if those objectives remain appropriate, assess the extent to which they could be achieved in another way which involves less onerous regulatory provision.
- (3) The first report under this regulation must be published before the end of the period of 5 years beginning with the date on which the 2016 Regulations come into force.
- (4) Subsequent reports under this regulation must be published at intervals not exceeding 5 years.
- (5) In this regulation, “regulatory provision” has the meaning given by section 32(4) of the Small Business, Enterprise and Employment Act 2015(5).”.