STATUTORY INSTRUMENTS

2016 No. 1245

COMPANIES
PARTNERSHIP

The Companies, Partnerships and Groups (Accounts and Non-Financial Reporting) Regulations 2016

Made - - - - 19th December 2016

Coming into force in accordance with regulation 1(1)

The Secretary of State makes the following Regulations in exercise of the powers conferred by sections 468(1)(a) to (c) and (2) and 1292(1) of the Companies Act 2006(**1**).

In accordance with sections 473(3)(b) and 1290 of the Companies Act 2006, a draft of this instrument was laid before Parliament and approved by a resolution of each House of Parliament.

Citation, commencement, interpretation and application

1.—(1) These Regulations may be cited as the Companies, Partnerships and Groups (Accounts and Non-Financial Reporting) Regulations 2016, and come into force on the seventh day after the day on which the Regulations are made.

(2) The amendments made by regulations 2 to 4 of these Regulations apply—

(a) in relation to the financial years of companies and qualifying partnerships beginning on or after 1st January 2017; and

(b) only in relation to—

(i) companies; and

(ii) qualifying partnerships.

(3) In this section, "qualifying partnership" has the meaning given by regulation 3 of the Partnerships (Accounts) Regulations 2008(**2**).

(**1**) 2006 c. 46.

(**2**) S.I. 2008/569, amended by S.I. 2013/2005, 2015/980 and 2016/649. S.I. 2008/569 requires the persons who are members of a qualifying partnership at the end of any financial year of the partnership to, in respect of that year, prepare the like annual accounts and reports, and cause to be prepared such an auditor's report, as would be required, if the partnership were a company, under Part 15 (accounts and reports) and Chapter 1 of Part 16 (requirement for audited accounts) of the Companies Act 2006, and under the Small Companies and Groups (Accounts and Directors' Report) Regulations 2008 (S.I. 2008/409) or the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (S.I. 2008/410) (as the case may be).

Amendment of the Companies Act 2006

2. The Companies Act 2006 is amended by regulations 3 and 4.

Group accounts

3.—(1) In section 384B (companies excluded from being treated as micro-entities)(**3**), in subsection (2)(a), for "398" substitute "399(4)".

(2) Omit—

(a) section 398 (option to prepare group accounts), and

(b) the heading preceding section 398.

(3) In the heading preceding section 399 (duty to prepare group accounts)(**4**), omit ": other companies".

(4) In section 399—

(a) omit subsection (1);

(b) in subsection (2), for the first occurrence of "the company" substitute "a company";

(c) for subsection (2A), substitute—

"(2A) A company is exempt from the requirement to prepare group accounts if—

(a) at the end of the financial year, the company—

(i) is subject to the small companies regime, or

(ii) would be subject to the small companies regime but for being a public company, and

(b) is not a member of a group which, at any time during the financial year, has an undertaking falling within subsection (2B) as a member.

(2B) An undertaking falls within this subsection if—

(a) it is established under the law of an EEA State,

(b) it has to prepare accounts in accordance with Directive 2013/34/EU of the European Parliament and of the Council on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings(**5**), and

(c) it is—

(i) an undertaking which has been designated by an EEA State as a public-interest entity under that Directive,

(ii) an undertaking whose transferable securities are admitted to trading on a regulated market in an EEA State,

(iii) a credit institution within the meaning given by Article 4(1)(1) of Regulation (EU) No. 575/2013 of the European Parliament and of the Council(**6**), other than one listed in Article 2 of Directive 2013/36/EU

(**3**) Section 384B was inserted by S.I. 2013/3008.
(**4**) Section 399 was amended by S.I. 2015/980.
(**5**) OJ No L 182, 29.06.13, p19, amended by Directive 2014/95/EU of the European Parliament and of the Council amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups (OJ No L 330, 15.11.14, p1) and Council Directive 2014/102/EU adapting Directive 2013/34/EU by reason of the accession of the Republic of Croatia (OJ No L 334, 21.11.14, p86).
(**6**) OJ No L 176, 27.06.13, p1, last amended by Regulation (EU) 2016/1014 of the European Parliament and of the Council (OJ No L 171, 29.06.16, p153).

of the European Parliament and of the Council on access to the activity of credit institutions and investment firms(**7**), or

(iv) an insurance undertaking within the meaning given by Article 2(1) of Council Directive 91/674/EEC of the European Parliament and of the Council on the annual accounts of insurance undertakings(**8**).”; and

(d) in subsection (4), omit “to which this section applies but”.

(5) In section 471 (meaning of “annual accounts” and related expressions)(**9**), in subsection (1)(b), for “sections 398 and” substitute “section”.

Strategic report

4. After section 414C (contents of strategic report)(**10**) insert—

“**Non-financial information statement**

414CA.—(1) A strategic report of a company must include a non-financial information statement if the company was at any time within the financial year to which the report relates —

(a) a traded company(**11**),

(b) a banking company(**12**),

(c) an authorised insurance company(**13**), or

(d) a company carrying on insurance market activity(**14**).

(2) If the company’s strategic report is a group strategic report(**15**), the non-financial information statement to be included in the report under subsection (1) must be a consolidated statement (a “group non-financial information statement”) relating to the undertakings included in the consolidation.

(3) Subsection (1) does not apply if—

(a) the company is subject to the small companies regime in relation to that financial year (see sections 382 to 384), or

(b) the company qualifies as medium-sized in relation to that financial year (see sections 465 to 467).

(4) Subsection (1) does not apply if—

(a) where the company was not a parent company in that financial year, the company had no more than 500 employees in that financial year, or

(b) where the company was a parent company(**16**) at any time within that financial year, the aggregate number of employees for a group headed by that company in that financial year was no more than 500.

(**7**) OJ No L 176, 27.06.13, p338, last amended by Directive 2014/59/EU of the European Parliament and of the Council (OJ No L 173, 12.06.14, p190).
(**8**) OJ No L 374, 31.12.91, p7, last amended by Directive 2006/46/EC of the European Parliament and of the Council (OJ No L224, 16.08.06, p1.
(**9**) There are amendments to section 471 but none is relevant to these Regulations.
(**10**) Section 414C was inserted by S.I. 2013/1970.
(**11**) The definition of “traded company” was inserted by S.I. 2015/980 into section 474(1) of the Companies Act 2006.
(**12**) “Banking company” is defined in section 1164(2) and (3) of the Companies Act 2006.
(**13**) “Authorised insurance company” is defined in section 1165(2) of the Companies Act 2006.
(**14**) “Insurance market activity” is defined in section 1165(7) of the Companies Act 2006, which refers to the definition in section 316(3) of the Financial Services and Markets Act 2000 (c. 8).
(**15**) “Group strategic report” is defined in section 414A(3) of the Companies Act 2006.
(**16**) “Parent company” is defined in section 1173(1) of the Companies Act 2006 (see also section 1162 of, together with Schedule 7 to, that Act).

(5) The number of employees means the average number of persons employed by the company in the year, determined as follows—

(a) find for each month in the financial year the number of persons employed under contracts of service by the company in that month (whether throughout the month or not),

(b) add together the monthly totals, and

(c) divide by the number of months in the financial year.

(6) The aggregate number of employees for a group is ascertained by aggregating the relevant figures determined in accordance with subsection (5) for each member of the group.

(7) Subsection (1) does not apply if the company is a subsidiary undertaking(**17**) at the end of that financial year and is included in—

(a) a group strategic report of a parent undertaking of the company that satisfies the requirements in subsection (8), or

(b) a report that satisfies the requirements in subsection (9).

(8) The requirements in this subsection are that—

(a) the group strategic report relates to undertakings that include the company and its subsidiary undertakings (if any),

(b) the report is prepared for a financial year of the parent undertaking that ends at the same time as, or before the end of, the company's financial year, and

(c) the report includes a group non-financial information statement in respect of all the undertakings included in the consolidation.

(9) The requirements in this subsection are that—

(a) the report is—

(i) a consolidated management report under Article 29 of Directive 2013/34/EU of the European Parliament and of the Council on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings(**18**), or

(ii) such separate report as is referred to in Article 19a(3) or 29a(3) of that Directive,

(b) the report is the report of a parent undertaking of the company established under the law of an EEA State,

(c) the report relates to undertakings that include the company and its subsidiary undertakings (if any), and

(d) the report includes such information as is required by Article 19a (non-financial statement) or Article 29a (consolidated non-financial statement), as the case may be.

(10) A company to which subsection (1) does not apply may include a non-financial information statement in its strategic report or, as the case may be, a group non-financial information statement in its group strategic report.

(**17**) "Subsidiary undertaking" is defined in section 1162 of, together with Schedule 7 to, the Companies Act 2006.

(**18**) OJ No L 182, 29.06.13, p19, amended by Directive 2014/95/EU of the European Parliament and of the Council amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups (OJ No L 330, 15.11.14, p1) and Council Directive 2014/102/EU adapting Directive 2013/34/EU by reason of the accession of the Republic of Croatia (OJ No L 334, 21.11.14, p86).