STATUTORY RULES OF NORTHERN IRELAND

1995 No. 128

COMPANIES

Companies (1986 Order) (Audit Exemption) Regulations (Northern Ireland) 1995

Made - - - -	*27th March 1995*
Coming into operation	*1st May 1995*

The Department of Economic Development, in exercise of the powers conferred on it by Article 265(1) and (3) of the Companies (Northern Ireland) Order 1986(**1**) and of every other power enabling it in that behalf, hereby makes the following Regulations:

Citation, commencement and interpretation

1.—(1) These Regulations may be cited as the Companies (1986 Order) (Audit Exemption) Regulations (Northern Ireland) 1995 and shall come into operation on 1st May 1995.

(2) In these Regulations "the 1986 Order" means the Companies (Northern Ireland) Order 1986.

Audit exemption for certain categories of small companies

2. After Article 257(**2**) of the 1986 Order there shall be inserted the following Articles—

"**Exemptions from audit for certain categories of small company Exemptions from audit**

257A.—(1) Subject to Article 257B, a company which meets the total exemption conditions set out below in respect of a financial year is exempt from the provisions of this Part relating to the audit of accounts in respect of that year.

(2) Subject to Article 257B, a company which meets the report conditions set out below in respect of a financial year is exempt from the provisions of this Part relating to the audit of accounts in respect of that year if the directors cause a report in respect of the company's individual accounts for that year to be prepared in accordance with Article 257C and made to the company's members.

(**1**) S.I.1986/1032 (N.I. 6); Article 265 was inserted into the 1986 Order by Article 22 of the Companies (Northern Ireland) Order 1990 (S.I. 1990/593 (N.I. 5)) in place of an existing Article of that number

(**2**) Article 257 was inserted into the 1986 Order by Article 15 of the Companies (Northern Ireland) Order 1990 in place of an existing Article of that number

(3) The total exemption conditions are met by a company in respect of a financial year if—

(a) it qualifies as a small company in relation to that year for the purposes of Article 254,

(b) its turnover in that year is not more than £90,000, and

(c) its balance sheet total for that year is not more than £1.4 million.

(4) The report conditions are met by a company in respect of a financial year if—

(a) it qualifies as a small company in relation to that year for the purposes of Article 254,

(b) its turnover in that year is more than £90,000 but not more than £350,000, and

(c) its balance sheet total for that year is not more than £1.4 million.

(5) In relation to any company which is a charity—

(a) paragraph (3)(*b*) shall have effect with the substitution for the reference to turnover of a reference to gross income, and

(b) paragraph (4)(*b*) shall have effect with the substitution—

(i) for the reference to turnover of a reference to gross income, and

(ii) for the reference to £350,000 of a reference to £250,000.

(6) For a period which is a company's financial year but not in fact a year the maximum figures for turnover or gross income shall be proportionately adjusted.

(7) In this Article—

"balance sheet total" has the meaning given by Article 255(5), and

"gross income" means the company's income from all sources, as shown in the company's income and expenditure account.

Cases where exemptions not available

257B.—(1) A company is not entitled to the exemption conferred by paragraph (1) or (2) of Article 257A in respect of a financial year if at any time within that year—

(a) it was a public company,

(b) it was a banking or insurance company,

(c) it was enrolled in the list maintained by the Insurance Brokers Registration Council under section 4 of the Insurance Brokers (Registration) Act 1977,

(d) it was an authorised person or an appointed representative under the Financial Services Act 1986,

(e) it was an employers' association as defined in Article 4 of the Industrial Relations (Northern Ireland) Order 1992,

(f) it was a parent company or a subsidiary undertaking.

(2) Any member or members holding not less in the aggregate than 10 per cent in nominal value of the company's issued share capital or any class of it or, if the company does not have a share capital, not less than 10 per cent in number of the members of the company, may, by notice in writing deposited at the registered office of the company during a financial year but not later than one month before the end of that year, require the company to obtain an audit of its accounts for that year.

(3) Where a notice has been deposited under paragraph (2), the company is not entitled to the exemption conferred by paragraph (1) or (2) of Article 257A in respect of the financial year to which the notice relates.

(4) A company is not entitled to the exemption conferred by paragraph (1) or (2) of Article 257A unless its balance sheet contains a statement by the directors—

(a) that for the year in question the company was entitled to exemption under paragraph (1) or (2) (as the case may be) of Article 257A,

(b) that no notice has been deposited under paragraph (2) of this Article in relation to its accounts for the financial year, and

(c) that the directors acknowledge their responsibilities for—

(i) ensuring that the company keeps accounting records which comply with Article 229, and

(ii) preparing accounts which give a true and fair view of the state of affairs of the company as at the end of the financial year and of its profit or loss for the financial year in accordance with the requirements of Article 234, and which otherwise comply with the requirements of this Order relating to accounts, so far as applicable to the company.

(5) The statement required by paragraph (4) shall appear in the balance sheet immediately above the signature required by Article 241 or, as the case may be, above any statement required by Article 254(1 A) or by paragraph 23 of Schedule 8.

The report required for the purposes of Article 257A(2)

257C.—(1) The report required for the purposes of Article 257A(2) shall be prepared by a person (referred to in this Part as "the reporting accountant") who is eligible under Article 257D.

(2) The report shall state whether in the opinion of the reporting accountant making it—

(a) the accounts of the company for the financial year in question are in agreement with the accounting records kept by the company under Article 229, and

(b) having regard only to, and on the basis of, the information contained in those accounting records, those accounts have been drawn up in a manner consistent with the provisions of this Order specified in paragraph (6), so far as applicable to the company.

(3) The report shall also state that in the opinion of the reporting accountant, having regard only to, and on the basis of, the information contained in the accounting records kept by the company under Article 229, the company satisfied the requirements of paragraph (4) of Article 257A (or, where the company is a charity, of that paragraph as modified by paragraph (5) of that Article) for the financial year in question, and did not fall within Article 257B(1)(*a*) to (*f*) at any time within that financial year.

(4) The report shall state the name of the reporting accountant and be signed by him.

(5) Where the reporting accountant is a body corporate or partnership, any reference to signature of the report, or any copy of the report, by the reporting accountant is a reference to signature in the name of the body corporate or partnership by a person authorised to sign on its behalf.

(6) The provisions referred to in paragraph (2)(*b*) are—

(a) Article 234(3) and Schedule 4,

(b) Article 239 and paragraphs 7 to 9A and 13(1), (3) and (4) of Schedule 5, and

(c) Article 240 and Schedule 6,

where appropriate as modified by Article 254(1)(*a*) and (IA) and Section A of Part I of Schedule 8.

The reporting accountant

257D.—(1) The reporting accountant shall be either—

(a) any member of a body listed in paragraph (4) who, under the rules of the body—

(i) is entitled to engage in public practice, and

(ii) is not ineligible for appointment as a reporting accountant, or

(b) any person (whether or not a member of any such body) who—

(i) is subject to the rules of any such body in seeking appointment or acting as auditor under Chapter V of Part XII, and

(ii) under those rules, is eligible for appointment as auditor under that Chapter.

(2) In paragraph (1), references to the rules of a body listed in paragraph (4) are to the rules (whether or not laid down by the body itself) which the body has power to enforce and which are relevant for the purposes of Part III of the Companies (Northern Ireland) Order 1990 or this Article.

This includes rules relating to the admission and expulsion of members of the body , so far as relevant for the purposes of that Part or this Article.

(3) An individual, a body corporate or a partnership may be appointed as a reporting accountant, and Article 29 of the Companies (Northern Ireland) Order 1990 (effect of appointment of partnership) shall apply to the appointment as reporting accountant of a partnership constituted under the law of England and Wales or Northern Ireland, or under the law of any other country or territory in which a partnership is not a legal person.

(4) The bodies referred to in paragraphs (1) and (2) are—

(a) the Institute of Chartered Accountants in England and Wales,

(b) the Institute of Chartered Accountants of Scotland,

(c) the Institute of Chartered Accountants in Ireland,

(d) the Chartered Association of Certified Accountants, and

(e) the Association of Authorised Public Accountants.

(5) A person is ineligible for appointment by a company as a reporting accountant if he would be ineligible for appointment as an auditor of that company under Article 30 of the Companies (Northern Ireland) Order 1990 (ineligibility on ground of lack of independence).

Effect of exemptions

257E.—(1) Where the directors of a company have taken advantage of the exemption conferred by Article 257A(1)—

(a) Articles 246 and 247 (right to receive or demand copies of accounts and reports) shall have effect with the omission of references to the auditors' report;

(b) no copy of an auditors' report need be delivered to the registrar or laid before the company in general meeting;

(c) paragraphs (3) to (5) of Article 279 (accounts by reference to which distribution to be justified) shall not apply.