Draft Regulations laid before Parliament under section 17(4) and (5)(b) of the Limited Liability Partnerships Act 2000, for approval by resolution of each House of Parliament.

DRAFT STATUTORY INSTRUMENTS

2008 No. 0000

LIMITED LIABILITY PARTNERSHIPS

The Large and Medium-sized Limited Liability Partnerships (Accounts) Regulations 2008

Made - - - - -	**** 2008*
Coming into force - -	*1st October 2008*



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The Secretary of State makes the following Regulations in exercise of the powers conferred by sections 15 and 17 of the Limited Liability Partnerships Act 2000(**a**).

In accordance with section 17(4) and (5)(b) of the Limited Liability Partnerships Act 2000 a draft of this instrument was laid before Parliament and approved by a resolution of each House of Parliament.

PART 1

INTRODUCTION

Citation and interpretation

1.—(1) These Regulations may be cited as the Large and Medium-sized Limited Liability Partnerships (Accounts) Regulations 2008.

(2) In these Regulations—

"the 2006 Act" means the Companies Act 2006(**b**);

"the Large and Medium-sized Companies Accounts Regulations" means the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008(**c**);

"LLP" means a limited liability partnership formed under the Limited Liability Partnerships Act 2000 or the Limited Liability Partnerships Act (N.I.) 2002(**d**).

(3) Any reference in these Regulations to a numbered Part or section of the 2006 Act is a reference to that Part or section as applied to LLPs by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008(**e**).

Commencement and application

2.—(1) These Regulations come into force on 1st October 2008.

(2) They apply in relation to financial years beginning on or after 1st October 2008.

(3) They apply to LLPs, with modifications, provisions of the Large and Medium-sized Companies Accounts Regulations.

(4) They do not apply to LLPs which are subject to the small LLPs regime under Part 15 of the 2006 Act.

(**a**) 2000 c.12.
(**b**) 2006 c.46.
(**c**) S.I. 2008/410.
(**d**) 2002 (N.I.) (c.12).
(**e**) S.I. 2008/[ ].

PART 2

FORM AND CONTENT OF ACCOUNTS

Non-IAS individual accounts

3.—(1) Regulation 3 of the Large and Medium-sized Companies Accounts Regulations applies to LLPs, modified so that it reads as follows—

"**Non-IAS individual accounts**

3.—(1) Subject to regulation 4, non-IAS individual accounts under section 396 of the 2006 Act (non-IAS individual accounts) must comply with the provisions of Schedule 1 to the Large and Medium-sized Limited Liability Partnerships (Accounts) Regulations 2008(**a**) as to the form and content of the balance sheet and profit and loss account, and additional information to be provided by way of notes to the accounts.

(2) The profit and loss account of an LLP that falls within section 408 of the 2006 Act (individual profit and loss account where group accounts prepared)(**b**) need not contain the information specified in paragraphs 62 to 67 of Schedule 1 to the Large and Medium-sized Limited Liability Partnerships (Accounts) Regulations 2008 (information supplementing the profit and loss account)."

(2) The provisions of Schedule 1 to the Large and Medium-sized Companies Accounts Regulations apply to LLPs, modified so that they are the provisions set out in Schedule 1 to these Regulations.

Medium-sized LLPs: exemptions for non-IAS individual accounts

4. Regulation 4 of the Large and Medium-sized Companies Accounts Regulations applies to LLPs, modified so that it reads as follows—

"**Medium-sized LLPs: exemptions for non-IAS individual accounts**

4.—(1) This regulation applies to an LLP—

(a) which qualifies as medium-sized in relation to a financial year under section 465 of the 2006 Act(**c**), and

(b) the members of which are preparing non-IAS individual accounts under section 396 of that Act for that year.

(2) The individual accounts for the year need not comply with the following provisions of Schedule 1 to the Large and Medium-sized Limited Liability Partnerships (Accounts) Regulations 2008—

(a) paragraph 45 (disclosure with respect to compliance with accounting standards), and

(b) paragraph 70 (related party transactions).

(3) The members of the LLP may deliver to the registrar of companies a copy of the accounts for the year—

(a) which includes a profit and loss account in which the following items listed in the profit and loss account formats set out in Schedule 1 to the Large and Medium-sized Limited Liability Partnerships (Accounts) Regulations 2008 are combined as one item—

items 2, 3 and 6 in format 1;

(**a**) S.I. 2008/[ ].
(**b**) Section 408 is amended by regulation 10 of S.I. 2008/393.
(**c**) Section 465 is amended by regulation 4(1) of S.I. 2008/393.

items 2 to 5 in format 2;

(b) which does not contain the information required by paragraph 65 of Schedule 1 to those Regulations (particulars of turnover)."

Information about related undertakings (non-IAS or IAS individual or group accounts)

5.—(1) Regulation 7 of the Large and Medium-sized Companies Accounts Regulations applies to LLPs, modified so that it reads as follows—

"**Information about related undertakings (non-IAS or IAS individual or group accounts**

7.—(1) Non-IAS or IAS individual or group accounts must comply with the provisions of Schedule 2 to the Large and Medium-sized Limited Liability Partnerships (Accounts) Regulations 2008 as to information about related undertakings to be given in notes to the LLP's accounts.

(2) In Schedule 2 to the Large and Medium-sized Limited Liability Partnerships (Accounts) Regulations 2008—

Part 1 contains provisions applying to all LLPs

Part 2 contains provisions applying only to LLPs not required to prepare group accounts

Part 3 contains provisions applying only to LLPs required to prepare group accounts.

(3) Information otherwise required to be given by Schedule 2 need not be disclosed with respect to an undertaking that—

(a) is established under the law of a country outside the United Kingdom, or

(b) carries on business outside the United Kingdom,

if the conditions specified in section 409(4) of the 2006 Act are met (see section 409(5) of the 2006 Act for disclosure required where advantage taken of this exemption)."

(2) The provisions of Schedule 4 to the Large and Medium-sized Companies Accounts Regulations apply to LLPs, modified so that they are the provisions set out in Schedule 2 to these Regulations.

Non-IAS group accounts

6.—(1) Regulation 9 of the Large and Medium-sized Companies Accounts Regulations applies to LLPs, modified so that it reads as follows—

"**Non-IAS group accounts**

9. Where the members of a parent LLP prepare non-IAS group accounts under section 403 of the 2006 Act (group accounts: applicable accounting framework), those accounts must comply with the provisions of Schedule 3 to the Large and Medium-sized Limited Liability Partnerships (Accounts) Regulations 2008 as to the form and content of the consolidated balance sheet and consolidated profit and loss account, and additional information to be provided by way of notes to the accounts."

(2) The provisions of Part 1 of Schedule 6 to the Large and Medium-sized Companies Accounts Regulations apply to LLPs, modified so that they are the provisions set out in Schedule 3 to these Regulations.

PART 3

INTERPRETATION

General interpretation

7.—(1) Regulation 13 of the Large and Medium-sized Companies Accounts Regulations applies to LLPs, modified so that it reads as follows—

"**General interpretation**

13. Schedule 4 to the Large and Medium-sized Limited Liability Partnerships (Accounts) Regulations 2008 contains general definitions for the purposes of these Regulations as applied to LLPs."

(2) The provisions of Schedule 10 to the Large and Medium-sized Companies Accounts Regulations apply to LLPs, modified so that they are the provisions set out in Schedule 4 to these Regulations.

Name
Parliamentary Under Secretary of State for Trade and Consumer Affairs,
Department for Business, Enterprise and Regulatory Reform

Date

SCHEDULE 1

Regulation 3

NON-IAS INDIVIDUAL ACCOUNTS

PART 1

GENERAL RULES AND FORMATS

SECTION A

GENERAL RULES

1.—(1) Subject to the following provisions of this Schedule—

(a) every balance sheet of an LLP must show the items listed in either of the balance sheet formats in Section B of this Part, and

(b) every profit and loss account must show the items listed in either of the profit and loss account formats in Section B.

(2) References in this Schedule to the items listed in any of the formats in Section B are to those items read together with any of the notes following the formats which apply to those items.

(3) The items must be shown in the order and under the headings and sub-headings given in the particular format used, but—

(a) the notes to the formats may permit alternative positions for any particular items, and

(b) the heading or sub-heading for any item does not have to be distinguished by any letter or number assigned to that item in the format used.

2.—(1) Where in accordance with paragraph 1 an LLP's balance sheet or profit and loss account for any financial year has been prepared by reference to one of the formats in Section B, the members of the LLP must use the same format in preparing non-IAS individual accounts for subsequent financial years, unless in their opinion there are special reasons for a change.

(2) Particulars of any such change must be given in a note to the accounts in which the new format is first used, and the reasons for the change must be explained.

3.—(1) Any item required to be shown in an LLP's balance sheet or profit and loss account may be shown in greater detail than required by the particular format used.

(2) The balance sheet or profit and loss account may include an item representing or covering the amount of any asset or liability, income or expenditure not otherwise covered by any of the items listed in the format used, save that none of the following may be treated as assets in any balance sheet—

(a) preliminary expenses,

(b) expenses of, and commission on, any issue of debentures, and

(c) costs of research.

4.—(1) Where the special nature of the LLP's business requires it, the members of the LLP must adapt the arrangement, headings and sub-headings otherwise required in respect of items given an Arabic number in the balance sheet or profit and loss account format used.

(2) The members may combine items to which Arabic numbers are given in any of the formats in Section B if—

(a) their individual amounts are not material to assessing the state of affairs or profit or loss of the LLP for the financial year in question, or

(b) the combination facilitates that assessment.

(3) Where sub-paragraph (2)(b) applies, the individual amounts of any items which have been combined must be disclosed in a note to the accounts.

5.—(1) Subject to sub-paragraph (2), the members must not include a heading or sub-heading corresponding to an item in the balance sheet or profit and loss account format used if there is no amount to be shown for that item for the financial year to which the balance sheet or profit and loss account relates.

(2) Where an amount can be shown for the item in question for the immediately preceding financial year that amount must be shown under the heading or sub-heading required by the format for that item.

6. Every profit and loss account must show the amount of an LLP's profit or loss on ordinary activities before taxation.

7.—(1) For every item shown in the balance sheet or profit and loss account the corresponding amount for the immediately preceding financial year must also be shown.

(2) Where that corresponding amount is not comparable with the amount to be shown for the item in question in respect of the financial year to which the balance sheet or profit and loss account relates, the former amount may be adjusted, and particulars of the non-comparability and of any adjustment must be disclosed in a note to the accounts.

8. Amounts in respect of items representing assets or income may not be set off against amounts in respect of items representing liabilities or expenditure (as the case may be), or vice versa.

9. The members of the LLP must, in determining how amounts are presented within items in the profit and loss account and balance sheet, have regard to the substance of the reported transaction or arrangement, in accordance with generally accepted accounting principles or practice.

SECTION B

*THE REQUIRED FORMATS FOR ACCOUNTS**(a)***

Balance sheet formats

Format 1

A. Fixed assets
   - I. Intangible assets
     1. Development costs
     2. Concessions, patents, licences, trade marks and similar rights and assets *(1)*
     3. Goodwill *(2)*
     4. Payments on account
   - II. Tangible assets
     1. Land and buildings
     2. Plant and machinery
     3. Fixtures, fittings, tools and equipment
     4. Payments on account and assets in course of construction
   - III. Investments
     1. Shares in group undertakings
     2. Loans to group undertakings
     3. Participating interests
     4. Loans to undertakings in which the LLP has a participating interest
     5. Other investments other than loans
     6. Other loans

(**a**) A number in brackets following any item is a reference to the note of that number in the notes following the formats.

B. Current assets
    I. Stocks
        1. Raw materials and consumables
        2. Work in progress
        3. Finished goods and goods for resale
        4. Payments on account
    II. Debtors *(3)*
        1. Trade debtors
        2. Amounts owed by group undertakings
        3. Amounts owed by undertakings in which the LLP has a participating interest
        4. Other debtors
        5. Prepayments and accrued income *(4)*
    III. Investments
        1. Shares in group undertakings
        2. Other investments
    IV. Cash at bank and in hand

C. Prepayments and accrued income *(4)*

D. Creditors: amounts falling due within one year
        1. Debenture loans *(5)*
        2. Bank loans and overdrafts
        3. Payments received on account *(6)*
        4. Trade creditors
        5. Bills of exchange payable
        6. Amounts owed to group undertakings
        7. Amounts owed to undertakings in which the LLP has a participating interest
        8. Other creditors including taxation and social security *(7)*
        9. Accruals and deferred income *(8)*

E. Net current assets (liabilities) *(9)*

F. Total assets less current liabilities

G. Creditors: amounts falling due after more than one year
        1. Debenture loans *(5)*
        2. Bank loans and overdrafts
        3. Payments received on account *(6)*
        4. Trade creditors
        5. Bills of exchange payable
        6. Amounts owed to group undertakings
        7. Amounts owed to undertakings in which the LLP has a participating interest
        8. Other creditors including taxation and social security *(7)*
        9. Accruals and deferred income *(8)*

H. Provisions for liabilities
        1. Pensions and similar obligations
        2. Taxation, including deferred taxation
        3. Other provisions

I. Accruals and deferred income *(8)*

J. Loans and other debts due to members (*10*)

K. Members' other interests
   I. Members' capital
   II. Revaluation reserve
   III. Other reserves

Balance sheet formats

Format 2

ASSETS

A. Fixed assets
   I. Intangible assets
      1. Development costs
      2. Concessions, patents, licences, trade marks and similar rights and assets *(1)*
      3. Goodwill *(2)*
      4. Payments on account
   II. Tangible assets
      1. Land and buildings
      2. Plant and machinery
      3. Fixtures, fittings, tools and equipment
      4. Payments on account and assets in course of construction
   III. Investments
      1. Shares in group undertakings
      2. Loans to group undertakings
      3. Participating interests
      4. Loans to undertakings in which the LLP has a participating interest
      5. Other investments other than loans
      6. Other loans

B. Current assets
   I. Stocks
      1. Raw materials and consumables
      2. Work in progress
      3. Finished goods and goods for resale
      4. Payments on account
   II. Debtors *(3)*
      1. Trade debtors
      2. Amounts owed by group undertakings
      3. Amounts owed by undertakings in which the LLP has a participating interest
      4. Other debtors
      5. Prepayments and accrued income *(4)*
   III. Investments
      1. Shares in group undertakings
      2. Other investments
   IV. Cash at bank and in hand

C. Prepayments and accrued income *(4)*

LIABILITIES

A. Loans and other debts due to members (*10*)

B. Members' other interests
   I. Members' capital
   II. Revaluation reserve
   III. Other reserves

C. Provisions for liabilities
   1. Pensions and similar obligations
   2. Taxation, including deferred taxation
   3. Other provisions

D. Creditors *(11)*
   1. Debenture loans *(5)*
   2. Bank loans and overdrafts
   3. Payments received on account *(6)*
   4. Trade creditors
   5. Bills of exchange payable
   6. Amounts owed to group undertakings
   7. Amounts owed to undertakings in which the LLP has a participating interest
   8. Other creditors including taxation and social security *(7)*
   9. Accruals and deferred income *(8)*

E. Accruals and deferred income *(8)*

Notes on the balance sheet formats

(1) Concessions, patents, licences, trade marks and similar rights and assets

(Formats 1 and 2, item A.I.2.)

Amounts in respect of assets are only to be included in an LLP's balance sheet under this item if either—

(a) the assets were acquired for valuable consideration and are not required to be shown under goodwill, or

(b) the assets in question were created by the LLP itself.

(2) Goodwill

(Formats 1 and 2, item A.I.3.)

Amounts representing goodwill are only to be included to the extent that the goodwill was acquired for valuable consideration.

(3) Debtors

(Formats 1 and 2, items B.II.1 to 5.)

The amount falling due after more than one year must be shown separately for each item included under debtors.

(4) Prepayments and accrued income

(Formats 1 and 2, items B.II.5 and C.)

This item may be shown in either of the two positions given in Formats 1 and 2.

(5) Debenture loans

(Format 1, items D.1 and G.1 and Format 2, item D.1.)

The amount of any convertible loans must be shown separately.

(6) Payments received on account

(Format 1, items D.3 and G.3 and Format 2, item D.3.)

Payments received on account of orders must be shown for each of these items in so far as they are not shown as deductions from stocks.

(7) Other creditors including taxation and social security

(Format 1, items D.8 and G.8 and Format 2, item D.8.)

The amount for creditors in respect of taxation and social security must be shown separately from the amount for other creditors.

(8) Accruals and deferred income

(Format 1, items D.9, G.9 and I and Format 2, items D.9 and E.)

The two positions given for this item in Format 1 at D.9 and G.9 are an alternative to the position at I, but if the item is not shown in a position corresponding to that at I it may be shown in either or both of the other two positions (as the case may require).

The two positions given for this item in Format 2 are alternatives.

(9) Net current assets (liabilities)

(Format 1, item E.)

In determining the amount to be shown for this item any amounts shown under "prepayments and accrued income" must be taken into account wherever shown.

(10) Loans and other debts due to members

(Format 1, item J and Format 2, Liabilities item A.)

The following amounts must be shown separately under this item—

(a) the aggregate amount of money advanced to the LLP by the members by way of loan,

(b) the aggregate amount of money owed to members by the LLP in respect of profits,

(c) any other amounts.

(11) Creditors

(Format 2, items D.1 to 9.)

Amounts falling due within one year and after one year must be shown separately for each of these items and for the aggregate of all of these items.

Profit and loss account formats(a)

Format 1
(see note (15) below)

1. Turnover
2. Cost of sales *(12)*
3. Gross profit or loss
4. Distribution costs *(12)*
5. Administrative expenses *(12)*
6. Other operating income
7. Income from shares in group undertakings
8. Income from participating interests
9. Income from other fixed asset investments *(13)*
10. Other interest receivable and similar income *(13)*
11. Amounts written off investments
12. Interest payable and similar charges *(14)*
13. Tax on profit or loss on ordinary activities
14. Profit or loss on ordinary activities after taxation
15. Extraordinary income
16. Extraordinary charges
17. Extraordinary profit or loss
18. Tax on extraordinary profit or loss
19. Other taxes not shown under the above items
20. Profit or loss for the financial year before members' remuneration and profit shares

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(**a**) See regulation 4(3)(a) for exemption for medium-sized LLP in accounts delivered to registrar of companies.

Profit and loss account formats(a)

Format 2

1. Turnover

2. Change in stocks of finished goods and in work in progress

3. Own work capitalised

4. Other operating income

5. (a) Raw materials and consumables
   (b) Other external charges

6. Staff costs
   (a) wages and salaries
   (b) social security costs
   (c) other pension costs

7. (a) Depreciation and other amounts written off tangible and intangible fixed assets
   (b) Exceptional amounts written off current assets

8. Other operating charges

9. Income from shares in group undertakings

10. Income from participating interests

11. Income from other fixed asset investments *(13)*

12. Other interest receivable and similar income (*13)*

13. Amounts written off investments

14. Interest payable and similar charges *(14)*

15. Tax on profit or loss on ordinary activities

16. Profit or loss on ordinary activities after taxation

17. Extraordinary income

18. Extraordinary charges

19. Extraordinary profit or loss

20. Tax on extraordinary profit or loss

21. Other taxes not shown under the above items

(**a**) See regulation 4(3)(a) for exemption for medium-sized LLP in accounts delivered to registrar of companies.

22. Profit or loss for the financial year before members' remuneration and profit shares

Notes on the profit and loss account formats

(12) Cost of sales: distribution costs: administrative expenses

(Format 1, items 2, 4 and 5.)

These items must be stated after taking into account any necessary provisions for depreciation or diminution in value of assets.

(13) Income from other fixed asset investments: other interest receivable and similar income

(Format 1, items 9 and 10; Format 2, items 11 and 12.)

Income and interest derived from group undertakings must be shown separately from income and interest derived from other sources. Interest receivable from members must not be included under this item.

(14) Interest payable and similar charges

(Format 1, item 12; Format 2, item 14.)

The amount payable to group undertakings must be shown separately. Interest payable to members must not be included under this item.

(15) Format 1

The amount of any provisions for depreciation and diminution in value of tangible and intangible fixed assets falling to be shown under item 7(a) in Format 2 must be disclosed in a note to the accounts in any case where the profit and loss account is prepared using Format 1.

PART 2

ACCOUNTING PRINCIPLES AND RULES

SECTION A

ACCOUNTING PRINCIPLES

Preliminary

10.—(1) The amounts to be included in respect of all items shown in an LLP's accounts must be determined in accordance with the principles set out in this Section.

(2) But if it appears to the LLP's members that there are special reasons for departing from any of those principles in preparing the LLP's accounts in respect of any financial year they may do so, in which case particulars of the departure, the reasons for it and its effect must be given in a note to the accounts.

Accounting principles

11. The LLP is presumed to be carrying on business as a going concern.

12. Accounting policies must be applied consistently within the same accounts and from one financial year to the next.

13. The amount of any item must be determined on a prudent basis, and in particular—

(a) only profits realised at the balance sheet date are to be included in the profit and loss account, and

(b) all liabilities which have arisen in respect of the financial year to which the accounts relate or a previous financial year must be taken into account, including those which only become apparent between the balance sheet date and the date on which it is signed on behalf of the members in accordance with section 414 of the 2006 Act (approval and signing of accounts).

14. All income and charges relating to the financial year to which the accounts relate must be taken into account, without regard to the date of receipt or payment.

15. In determining the aggregate amount of any item, the amount of each individual asset or liability that falls to be taken into account must be determined separately.

SECTION B

HISTORICAL COST ACCOUNTING RULES

Preliminary

16. Subject to Sections C and D of this Part of this Schedule, the amounts to be included in respect of all items shown in an LLP's accounts must be determined in accordance with the rules set out in this Section.

Fixed assets

General rules

17.—(1) The amount to be included in respect of any fixed asset must be its purchase price or production cost.

(2) This is subject to any provision for depreciation or diminution in value made in accordance with paragraphs 18 to 20.

Rules for depreciation and diminution in value

18. In the case of any fixed asset which has a limited useful economic life, the amount of—

(a) its purchase price or production cost, or

(b) where it is estimated that any such asset will have a residual value at the end of the period of its useful economic life, its purchase price or production cost less that estimated residual value,

must be reduced by provisions for depreciation calculated to write off that amount systematically over the period of the asset's useful economic life.

19.—(1) Where a fixed asset investment falling to be included under item A.III of either of the balance sheet formats set out in Part 1 of this Schedule has diminished in value, provisions for diminution in value may be made in respect of it and the amount to be included in respect of it may be reduced accordingly.

(2) Provisions for diminution in value must be made in respect of any fixed asset which has diminished in value if the reduction in its value is expected to be permanent (whether its useful economic life is limited or not), and the amount to be included in respect of it must be reduced accordingly.

(3) Any provisions made under sub-paragraph (1) or (2) which are not shown in the profit and loss account must be disclosed (either separately or in aggregate) in a note to the accounts.

20.—(1) Where the reasons for which any provision was made in accordance with paragraph 19 have ceased to apply to any extent, that provision must be written back to the extent that it is no longer necessary.

(2) Any amounts written back in accordance with sub-paragraph (1) which are not shown in the profit and loss account must be disclosed (either separately or in aggregate) in a note to the accounts.

Development costs

21.—(1) Notwithstanding that an item in respect of "development costs" is included under "fixed assets" in the balance sheet formats set out in Part 1 of this Schedule, an amount may only be included in an LLP's balance sheet in respect of development costs in special circumstances.

(2) If any amount is included in an LLP's balance sheet in respect of development costs the following information must be given in a note to the accounts—

(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.

Goodwill

22.—(1) The application of paragraphs 17 to 20 in relation to goodwill (in any case where goodwill is treated as an asset) is subject to the following.

(2) Subject to sub-paragraph (3), the amount of the consideration for any goodwill acquired by an LLP must be reduced by provisions for depreciation calculated to write off that amount systematically over a period chosen by the members of the LLP.

(3) The period chosen must not exceed the useful economic life of the goodwill in question.

(4) In any case where any goodwill acquired by an LLP is shown or included as an asset in the LLP's balance sheet there must be disclosed in a note to the accounts—

(a) the period chosen for writing off the consideration for that goodwill, and

(b) the reasons for choosing that period.

Current assets

23. Subject to paragraph 24, the amount to be included in respect of any current asset must be its purchase price or production cost.

24.—(1) If the net realisable value of any current asset is lower than its purchase price or production cost, the amount to be included in respect of that asset must be the net realisable value.

(2) Where the reasons for which any provision for diminution in value was made in accordance with sub-paragraph (1) have ceased to apply to any extent, that provision must be written back to the extent that it is no longer necessary.

Miscellaneous and supplementary provisions

Excess of money owed over value received as an asset item

25.—(1) Where the amount repayable on any debt owed by an LLP is greater than the value of the consideration received in the transaction giving rise to the debt, the amount of the difference may be treated as an asset.

(2) Where any such amount is so treated—

(a) it must be written off by reasonable amounts each year and must be completely written off before repayment of the debt, and

(b) if the current amount is not shown as a separate item in the LLP's balance sheet, it must be disclosed in a note to the accounts.

Assets included at a fixed amount

26.—(1) Subject to sub-paragraph (2), assets which fall to be included—

(a) amongst the fixed assets of an LLP under the item "tangible assets", or

(b) amongst the current assets of an LLP under the item "raw materials and consumables",

may be included at a fixed quantity and value.

(2) Sub-paragraph (1) applies to assets of a kind which are constantly being replaced where—

(a) their overall value is not material to assessing the LLP's state of affairs, and

(b) their quantity, value and composition are not subject to material variation.

Determination of purchase price or production cost

27.—(1) The purchase price of an asset is to be determined by adding to the actual price paid any expenses incidental to its acquisition.

(2) The production cost of an asset is to be determined by adding to the purchase price of the raw materials and consumables used the amount of the costs incurred by the LLP which are directly attributable to the production of that asset.

(3) In addition, there may be included in the production cost of an asset—

(a) a reasonable proportion of the costs incurred by the LLP which are only indirectly attributable to the production of that asset, but only to the extent that they relate to the period of production, and

(b) interest on capital borrowed to finance the production of that asset, to the extent that it accrues in respect of the period of production,

provided, however, in a case within paragraph (b), that the inclusion of the interest in determining the cost of that asset and the amount of the interest so included is disclosed in a note to the accounts.

(4) In the case of current assets distribution costs may not be included in production costs.

28.—(1) The purchase price or production cost of—

(a) any assets which fall to be included under any item shown in an LLP's balance sheet under the general item "stocks", and

(b) any assets which are fungible assets (including investments),

may be determined by the application of any of the methods mentioned in sub-paragraph (2) in relation to any such assets of the same class, provided that the method chosen is one which appears to the members to be appropriate in the circumstances of the LLP.

(2) Those methods are—

(a) the method known as "first in, first out" (FIFO),

(b) the method known as "last in, first out" (LIFO),

(c) a weighted average price, and

(d) any other method similar to any of the methods mentioned above.

(3) Where in the case of any LLP—

(a) the purchase price or production cost of assets falling to be included under any item shown in the LLP's balance sheet has been determined by the application of any method permitted by this paragraph, and

(b) the amount shown in respect of that item differs materially from the relevant alternative amount given below in this paragraph,

the amount of that difference must be disclosed in a note to the accounts.

(4) Subject to sub-paragraph (5), for the purposes of sub-paragraph (3)(b), the relevant alternative amount, in relation to any item shown in an LLP's balance sheet, is the amount which would have been shown in respect of that item if assets of any class included under that item at an

amount determined by any method permitted by this paragraph had instead been included at their replacement cost as at the balance sheet date.

(5) The relevant alternative amount may be determined by reference to the most recent actual purchase price or production cost before the balance sheet date of assets of any class included under the item in question instead of by reference to their replacement cost as at that date, but only if the former appears to the members of the LLP to constitute the more appropriate standard of comparison in the case of assets of that class.

(6) "Fungible assets" means assets of any description which are substantially indistinguishable one from another.

Substitution of original stated amount where price or cost unknown

29.—(1) This paragraph applies where—

(a) there is no record of the purchase price or production cost of any asset of an LLP or of any price, expenses or costs relevant for determining its purchase price or production cost in accordance with paragraph 27, or

(b) any such record cannot be obtained without unreasonable expense or delay.

(2) In such a case, the purchase price or production cost of the asset must be taken, for the purposes of paragraphs 17 to 24, to be the value ascribed to it in the earliest available record of its value made on or after its acquisition or production by the LLP.

SECTION C

ALTERNATIVE ACCOUNTING RULES

Preliminary

30.—(1) The rules set out in Section B are referred to below in this Schedule as the historical cost accounting rules.

(2) Those rules, with the omission of paragraphs 16, 22 and 26 to 29, are referred to below in this Part of this Schedule as the depreciation rules; and references below in this Schedule to the historical cost accounting rules do not include the depreciation rules as they apply by virtue of paragraph 33.

31. Subject to paragraphs 33 to 35, the amounts to be included in respect of assets of any description mentioned in paragraph 32 may be determined on any basis so mentioned.

Alternative accounting rules

32.—(1) Intangible fixed assets, other than goodwill, may be included at their current cost.

(2) Tangible fixed assets may be included at a market value determined as at the date of their last valuation or at their current cost.

(3) Investments of any description falling to be included under item A III of either of the balance sheet formats set out in Part 1 of this Schedule may be included either—

(a) at a market value determined as at the date of their last valuation, or

(b) at a value determined on any basis which appears to the members to be appropriate in the circumstances of the LLP.

But in the latter case particulars of the method of valuation adopted and of the reasons for adopting it must be disclosed in a note to the accounts.

(4) Investments of any description falling to be included under item B III of either of the balance sheet formats set out in Part 1 of this Schedule may be included at their current cost.

(5) Stocks may be included at their current cost.

Application of the depreciation rules

33.—(1) Where the value of any asset of an LLP is determined on any basis mentioned in paragraph 32, that value must be, or (as the case may require) be the starting point for determining, the amount to be included in respect of that asset in the LLP's accounts, instead of its purchase price or production cost or any value previously so determined for that asset.

The depreciation rules apply accordingly in relation to any such asset with the substitution for any reference to its purchase price or production cost of a reference to the value most recently determined for that asset on any basis mentioned in paragraph 32.

(2) The amount of any provision for depreciation required in the case of any fixed asset by paragraphs 18 to 20 as they apply by virtue of sub-paragraph (1) is referred to below in this paragraph as the adjusted amount, and the amount of any provision which would be required by any of those paragraphs in the case of that asset according to the historical cost accounting rules is referred to as the historical cost amount.

(3) Where sub-paragraph (1) applies in the case of any fixed asset the amount of any provision for depreciation in respect of that asset—

(a) included in any item shown in the profit and loss account in respect of amounts written off assets of the description in question, or

(b) taken into account in stating any item so shown which is required by note (12) of the notes on the profit and loss account formats set out in Part 1 of this Schedule to be stated after taking into account any necessary provision for depreciation or diminution in value of assets included under it,

may be the historical cost amount instead of the adjusted amount, provided that the amount of any difference between the two is shown separately in the profit and loss account or in a note to the accounts.

Additional information to be provided in case of departure from historical cost accounting rules

34.—(1) This paragraph applies where the amounts to be included in respect of assets covered by any items shown in an LLP's accounts have been determined on any basis mentioned in paragraph 32.

(2) The items affected and the basis of valuation adopted in determining the amounts of the assets in question in the case of each such item must be disclosed in a note to the accounts.

(3) In the case of each balance sheet item affected (except stocks) either—

(a) the comparable amounts determined according to the historical cost accounting rules, or

(b) the differences between those amounts and the corresponding amounts actually shown in the balance sheet in respect of that item,

must be shown separately in the balance sheet or in a note to the accounts.

(4) In sub-paragraph (3), references in relation to any item to the comparable amounts determined as there mentioned are references to—

(a) the aggregate amount which would be required to be shown in respect of that item if the amounts to be included in respect of all the assets covered by that item were determined according to the historical cost accounting rules, and

(b) the aggregate amount of the cumulative provisions for depreciation or diminution in value which would be permitted or required in determining those amounts according to those rules.

Revaluation reserve

35.—(1) With respect to any determination of the value of an asset of an LLP on any basis mentioned in paragraph 32, the amount of any profit or loss arising from that determination (after allowing, where appropriate, for any provisions for depreciation or diminution in value made

otherwise than by reference to the value so determined and any adjustments of any such provisions made in the light of that determination) must be credited or (as the case may be) debited to a separate reserve ("the revaluation reserve").

(2) The amount of the revaluation reserve must be shown in the LLP's balance sheet under a separate sub-heading in the position given for the item "revaluation reserve" in Format 1 or 2 of the balance sheet formats set out in Part 1 of this Schedule, but need not be shown under that name.

(3) The treatment for taxation purposes of amounts credited or debited to the revaluation reserve must be disclosed in a note to the accounts.

SECTION D

FAIR VALUE ACCOUNTING

Inclusion of financial instruments at fair value

36.—(1) Subject to sub-paragraphs (2) to (5), financial instruments (including derivatives) may be included at fair value.

(2) Sub-paragraph (1) does not apply to financial instruments that constitute liabilities unless—

(a) they are held as part of a trading portfolio,

(b) they are derivatives, or

(c) they are financial instruments falling within sub-paragraph (4).

(3) Unless they are financial instruments falling within sub-paragraph (4), sub-paragraph (1) does not apply to—

(a) financial instruments (other than derivatives) held to maturity,

(b) loans and receivables originated by the LLP and not held for trading purposes,

(c) interests in subsidiary undertakings, associated undertakings and joint ventures,

(d) equity instruments issued by the LLP,

(e) contracts for contingent consideration in a business combination, or

(f) other financial instruments with such special characteristics that the instruments, according to generally accepted accounting principles or practice, should be accounted for differently from other financial instruments.

(4) Financial instruments that, under international accounting standards adopted by the European Commission on or before 5th September 2006 in accordance with the IAS Regulation, may be included in accounts at fair value, may be so included, provided that the disclosures required by such accounting standards are made.

(5) If the fair value of a financial instrument cannot be determined reliably in accordance with paragraph 37, sub-paragraph (1) does not apply to that financial instrument.

(6) In this paragraph—

"associated undertaking" has the meaning given by paragraph 19 of Schedule 3 to these Regulations;

"joint venture" has the meaning given by paragraph 18 of that Schedule.

Determination of fair value

37.—(1) The fair value of a financial instrument is its value determined in accordance with this paragraph.

(2) If a reliable market can readily be identified for the financial instrument, its fair value is determined by reference to its market value.

(3) If a reliable market cannot readily be identified for the financial instrument but can be identified for its components or for a similar instrument, its fair value is determined by reference to the market value of its components or of the similar instrument.

(4) If neither sub-paragraph (2) nor (3) applies, the fair value of the financial instrument is a value resulting from generally accepted valuation models and techniques.

(5) Any valuation models and techniques used for the purposes of sub-paragraph (4) must ensure a reasonable approximation of the market value.

Hedged items

38. An LLP may include any assets and liabilities, or identified portions of such assets or liabilities, that qualify as hedged items under a fair value hedge accounting system at the amount required under that system.

Other assets that may be included at fair value

39.—(1) This paragraph applies to—

(a) investment property, and

(b) living animals and plants,

that, under international accounting standards, may be included in accounts at fair value.

(2) Such investment property and such living animals and plants may be included at fair value, provided that all such investment property or, as the case may be, all such 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 relevant international accounting standards.

Accounting for changes in value

40.—(1) This paragraph applies where a financial instrument is valued in accordance with paragraph 36 or 38 or an asset is valued in accordance with paragraph 39.

(2) Notwithstanding paragraph 13 in this Part of this Schedule, and subject to sub-paragraphs (3) and (4), a change in the value of the financial instrument or of the investment property or living animal or plant must be included in the profit and loss account.

(3) Where—

(a) the financial instrument accounted for is a hedging instrument under a hedge accounting system that allows some or all of the change in value not to be shown in the profit and loss account, or

(b) the change in value relates to an exchange difference arising on a monetary item that forms part of an LLP's net investment in a foreign entity,

the amount of the change in value must be credited to or (as the case may be) debited from a separate reserve ("the fair value reserve").

(4) Where the instrument accounted for—

(a) is an available for sale financial asset, and

(b) is not a derivative,

the change in value may be credited to or (as the case may be) debited from the fair value reserve.

The fair value reserve

41.—(1) The fair value reserve must be adjusted to the extent that the amounts shown in it are no longer necessary for the purposes of paragraph 40(3) or (4).

(2) The treatment for taxation purposes of amounts credited or debited to the fair value reserve must be disclosed in a note to the accounts.

PART 3

NOTES TO THE ACCOUNTS

Preliminary

42. Any information required in the case of any LLP by the following provisions of this Part of this Schedule must (if not given in the LLP's accounts) be given by way of a note to the accounts.

General

Reserves

43. Any amount set aside or proposed to be set aside to, or withdrawn or proposed to be withdrawn from, reserves must be stated.

Disclosure of accounting policies

44. The accounting policies adopted by the LLP in determining the amounts to be included in respect of items shown in the balance sheet and in determining the profit or loss of the LLP must be stated (including such policies with respect to the depreciation and diminution in value of assets).

45. It must be stated whether the accounts have been prepared in accordance with applicable accounting standards and particulars of any material departure from those standards and the reasons for it must be given (see regulation 4 for exemption for medium-sized LLPs).

Information supplementing the balance sheet

46. Paragraphs 47 to 61 require information which either supplements the information given with respect to any particular items shown in the balance sheet or is otherwise relevant to assessing the LLP's state of affairs in the light of the information so given.

Loans and other debts due to members

47. The following information must be given—

(a) the aggregate amount of loans and other debts due to members as at the date of the beginning of the financial year,

(b) the aggregate amounts contributed by members during the financial year,

(c) the aggregate amounts transferred to or from the profit and loss account during that year,

(d) the aggregate amounts withdrawn by members or applied on behalf of members during that year,

(e) the aggregate amount of loans and other debts due to members as at the balance sheet date, and

(f) the aggregate amount of loans and other debts due to members that fall due after one year.

Debentures

48.—(1) If the LLP has issued any debentures during the financial year to which the accounts relate, the following information must be given—

(a) the classes of debentures issued, and

(b) as respects each class of debentures, the amount issued and the consideration received by the LLP for the issue.

(2) Where any of the LLP's debentures are held by a nominee of or trustee for the LLP, the nominal amount of the debentures and the amount at which they are stated in the accounting records kept by the LLP in accordance with section 386 of the 2006 Act (duty to keep accounting records) must be stated.

Fixed assets

49.—(1) In respect of each item which is or would but for paragraph 4(2)(b) be shown under the general item "fixed assets" in the LLP's balance sheet the following information must be given—

(a) the appropriate amounts in respect of that item as at the date of the beginning of the financial year and as at the balance sheet date respectively,

(b) the effect on any amount shown in the balance sheet in respect of that item of—

(i) any revision of the amount in respect of any assets included under that item made during that year on any basis mentioned in paragraph 32,

(ii) acquisitions during that year of any assets,

(iii) disposals during that year of any assets, and

(iv) any transfers of assets of the LLP to and from that item during that year.

(2) The reference in sub-paragraph (1)(a) to the appropriate amounts in respect of any item as at any date there mentioned is a reference to amounts representing the aggregate amounts determined, as at that date, in respect of assets falling to be included under that item on either of the following bases, that is to say—

(a) on the basis of purchase price or production cost (determined in accordance with paragraphs 27 and 28), or

(b) on any basis mentioned in paragraph 32,

(leaving out of account in either case any provisions for depreciation or diminution in value).

(3) In respect of each item within sub-paragraph (1) there must also be stated—

(a) the cumulative amount of provisions for depreciation or diminution in value of assets included under that item as at each date mentioned in sub-paragraph (1)(a),

(b) the amount of any such provisions made in respect of the financial year,

(c) the amount of any adjustments made in respect of any such provisions during that year in consequence of the disposal of any assets, and

(d) the amount of any other adjustments made in respect of any such provisions during that year.

50. Where any fixed assets of the LLP (other than listed investments) are included under any item shown in the LLP's balance sheet at an amount determined on any basis mentioned in paragraph 32, the following information must be given—

(a) the years (so far as they are known to the members) in which the assets were severally valued and the several values, and

(b) in the case of assets that have been valued during the financial year, the names of the persons who valued them or particulars of their qualifications for doing so and (whichever is stated) the bases of valuation used by them.

51.—(1) In relation to any amount which is or would but for paragraph 4(2)(b) be shown in respect of the item "land and buildings" in the LLP's balance sheet there must be stated—

(a) how much of that amount is ascribable to land of freehold tenure and how much to land of leasehold tenure, and

(b) how much of the amount ascribable to land of leasehold tenure is ascribable to land held on long lease and how much to land held on short lease.

(2) In this paragraph—

(a) "long lease" means a lease in the case of which the portion of the term for which it was granted remaining unexpired at the end of the financial year is not less than 50 years,

(b) "short lease" means a lease which is not a long lease, and

(c) "lease" includes an agreement for a lease.

(3) In the application of this regulation to Scotland, "land of freehold tenure" means land in respect of which the LLP is the owner; "land of leasehold tenure" means land of which the company is the tenant under a lease.

Investments

52.—(1) In respect of the amount of each item which is or would but for paragraph 4(2)(b) be shown in the LLP's balance sheet under the general item "investments" (whether as fixed assets or as current assets) there must be stated how much of that amount is ascribable to listed investments.

(2) Where the amount of any listed investments is stated for any item in accordance with sub-paragraph (1), the following amounts must also be stated—

(a) the aggregate market value of those investments where it differs from the amount so stated, and

(b) both the market value and the stock exchange value of any investments of which the former value is, for the purposes of the accounts, taken as being higher than the latter.

Information about fair value of assets and liabilities

53.—(1) This paragraph applies where financial instruments have been valued in accordance with paragraph 36 or 38.

(2) There must be stated—

(a) the significant assumptions underlying the valuation models and techniques used where the fair value of the instruments has been determined in accordance with paragraph 37(4),

(b) for each category of financial instrument, the fair value of the instruments in that category and the changes in value—

(i) included 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 instruments, 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 that year, and

(c) the source and application respectively of the amounts so transferred.

54. Where the LLP has derivatives that it has not included at fair value, there must be stated for each class of such derivatives—

(a) the fair value of the derivatives in that class, if such a value can be determined in accordance with paragraph 37, and

(b) the extent and nature of the derivatives.

55.—(1) This paragraph applies if—

(a) the LLP has financial fixed assets that could be included at fair value by virtue of paragraph 36,

(b) the amount at which those items are included under any item in the LLP's accounts is in excess of their fair value, and

(c) the LLP has not made provision for diminution in value of those assets in accordance with paragraph 19(1) of this Schedule.

(2) There must be stated—

(a) the amount at which either the individual assets or appropriate groupings of those individual assets are included in the LLP's accounts,

(b) the fair value of those assets or groupings, and

(c) the reasons for not making a provision for diminution in value of those assets, including the nature of the evidence that provides the basis for the belief that the amount at which they are stated in the accounts will be recovered.

Information where investment property and living animals and plants included at fair value

56.—(1) This paragraph applies where the amounts to be included in an LLP's accounts in respect of investment property or living animals and plants have been determined in accordance with paragraph 39.

(2) The balance sheet items affected and the basis of valuation adopted in determining the amounts of the assets in question in the case of each such item must be disclosed in a note to the accounts.

(3) In the case of investment property, for each balance sheet item affected there must be shown, either separately in the balance sheet or in a note to the accounts—

(a) the comparable amounts determined according to the historical cost accounting rules, or

(b) the differences between those amounts and the corresponding amounts actually shown in the balance sheet in respect of that item.

(4) In sub-paragraph (3), references in relation to any item to the comparable amounts determined in accordance with that sub-paragraph are to—

(a) the aggregate amount which would be required to be shown in respect of that item if the amounts to be included in respect of all the assets covered by that item were determined according to the historical cost accounting rules, and

(b) the aggregate amount of the cumulative provisions for depreciation or diminution in value which would be permitted or required in determining those amounts according to those rules.

Reserves and provisions

57.—(1) This paragraph applies where any amount is transferred—

(a) to or from any reserves, or

(b) to any provision for liabilities, or

(c) from any provision for liabilities otherwise than for the purpose for which the provision was established,

and the reserves or provisions are or would but for paragraph 4(2)(b) be shown as separate items in the LLP's balance sheet.

(2) The following information must be given in respect of the aggregate of reserves or provisions included in the same item—

(a) the amount of the reserves or provisions as at the date of the beginning of the financial year and as at the balance sheet date respectively,

(b) any amounts transferred to or from the reserves or provisions during that year, and

(c) the source and application respectively of any amounts so transferred.

(3) Particulars must be given of each provision included in the item "other provisions" in the LLP's balance sheet in any case where the amount of that provision is material.

Provision for taxation

58. The amount of any provision for deferred taxation must be stated separately from the amount of any provision for other taxation.

Details of indebtedness

59.—(1) For the aggregate of all items shown under "creditors" in the LLP's balance sheet there must be stated the aggregate of the following amounts—

(a) the amount of any debts included under "creditors" which are payable or repayable otherwise than by instalments and fall due for payment or repayment after the end of the period of five years beginning with the day next following the end of the financial year, and

(b) in the case of any debts so included which are payable or repayable by instalments, the amount of any instalments which fall due for payment after the end of that period.

(2) Subject to sub-paragraph (3), in relation to each debt falling to be taken into account under sub-paragraph (1), the terms of payment or repayment and the rate of any interest payable on the debt must be stated.

(3) If the number of debts is such that, in the opinion of the members, compliance with sub-paragraph (2) would result in a statement of excessive length, it is sufficient to give a general indication of the terms of payment or repayment and the rates of any interest payable on the debts.

(4) In respect of each item shown under "creditors" in the LLP's balance sheet there must be stated—

(a) the aggregate amount of any debts included under that item in respect of which any security has been given by the LLP, and

(b) an indication of the nature of the securities so given.

(5) References above in this paragraph to an item shown under "creditors" in the LLP's balance sheet include references, where amounts falling due to creditors within one year and after more than one year are distinguished in the balance sheet—

(a) in a case within sub-paragraph (1), to an item shown under the latter of those categories, and

(b) in a case within sub-paragraph (4), to an item shown under either of those categories.

References to items shown under "creditors" include references to items which would but for paragraph 4(2)(b) be shown under that heading.

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, where practicable, the amount secured.

(2) The following information must be given with respect to any other contingent liability not provided for—

(a) the amount or estimated amount of that liability,

(b) its legal nature, and

(c) whether any valuable security has been provided by the LLP in connection with that liability and if so, what.

(3) There must be stated, where practicable, the aggregate amount or estimated amount of contracts for capital expenditure, so far as not provided for.

(4) Particulars must be given of—

(a) any pension commitments included under any provision shown in the LLP's balance sheet, and

(b) any such commitments for which no provision has been made,

and where any such commitment relates wholly or partly to pensions payable to past members of the LLP separate particulars must be given of that commitment so far as it relates to such pensions.

(5) Particulars must also be given of any other financial commitments that—

(a) have not been provided for, and

(b) are relevant to assessing the LLP's state of affairs.

Miscellaneous matters

61. Particulars must be given of any case where the purchase price or production cost of any asset is for the first time determined under paragraph 29.

Information supplementing the profit and loss account

62. Paragraphs 63 to 67 require information which either supplements the information given with respect to any particular items shown in the profit and loss account or otherwise provides particulars of income or expenditure of the LLP or of circumstances affecting the items shown in the profit and loss account (see regulation 3 for exemption for LLP falling within section 408 of the 2006 Act (individual profit and loss account where group accounts prepared)).

Separate statement of certain items of income and expenditure

63.—(1) Subject to sub-paragraph (2), there must be stated the amount of the interest on or any similar charges in respect of bank loans and overdrafts, and loans of any other kind made to the LLP.

(2) Sub-paragraph (1) does not apply to interest or charges on loans to the LLP from group undertakings, but, with that exception, it applies to interest or charges on all loans, whether made on the security of debentures or not.

Particulars of tax

64.—(1) Particulars must be given of any special circumstances which affect liability in respect of taxation of profits, income or capital gains for the financial year or liability in respect of taxation of profits, income or capital gains for succeeding financial years.

(2) The following amounts must be stated—

(a) the amount of the charge for United Kingdom corporation tax,

(b) if that amount would have been greater but for relief from double taxation, the amount which it would have been but for such relief,

(c) the amount of the charge for United Kingdom income tax, and

(d) the amount of the charge for taxation imposed outside the United Kingdom of profits, income and (so far as charged to revenue) capital gains.

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 items "tax on profit or loss on ordinary activities" and "tax on extraordinary profit or loss" in the profit and loss account.

Particulars of turnover

65.—(1) If in the course of the financial year the LLP has carried on business of two or more classes that, in the opinion of the members, differ substantially from each other, the amount of the

turnover attributable to each class must be stated and the class described (see regulation 4(3)(b) for exemption for medium-sized LLP in accounts delivered to registrar).

(2) If in the course of the financial year the LLP has supplied markets that, in the opinion of the members, differ substantially from each other, the amount of the turnover attributable to each such market must also be stated.

In this paragraph "market" means a market delimited by geographical bounds.

(3) In analysing for the purposes of this paragraph the source (in terms of business or in terms of market) of turnover, the members of the LLP must have regard to the manner in which the LLP's activities are organised.

(4) For the purposes of this paragraph—

(a) classes of business which, in the opinion of the members, do not differ substantially from each other must be treated as one class, and

(b) markets which, in the opinion of the members, do not differ substantially from each other must be treated as one market,

and any amounts properly attributable to one class of business or (as the case may be) to one market which are not material may be included in the amount stated in respect of another.

(5) Where in the opinion of the members the disclosure of any information required by this paragraph would be seriously prejudicial to the interests of the LLP, that information need not be disclosed, but the fact that any such information has not been disclosed must be stated.

Particulars of members

66.—(1) Particulars must be given of the average number of members of the LLP in the financial year, which number is to be determined by dividing the relevant annual number by the number of months in the financial year.

(2) The relevant annual number is to be determined by ascertaining for each month in the financial year the number of members of the LLP for all or part of that month, and adding together all the monthly numbers.

(3) Where the amount of the profit of the LLP for the financial year before members' remuneration and profit shares exceeds £200,000, there must be disclosed the amount of profit (including remuneration) which is attributable to the member with the largest entitlement to profit (including remuneration).

(4) For the purpose of determining the amount to be disclosed under sub-paragraph (3), "remuneration" includes any emoluments specified in paragraph 1(1)(a), (c) or (d) of Schedule 5 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008(**a**) receivable from—

(a) the LLP,

(b) the LLP's subsidiary undertakings, and

(c) any other person.

Miscellaneous matters

67.—(1) Where any amount relating to any preceding financial year is included in any item in the profit and loss account, the effect must be stated.

(2) Particulars must be given of any extraordinary income or charges arising in the financial year.

(3) The effect must be stated of any transactions that are exceptional by virtue of size or incidence though they fall within the ordinary activities of the LLP.

(**a**) S.I. 2008/410.

Sums denominated in foreign currencies

68. Where any sums originally denominated in foreign currencies have been brought into account under any items shown in the balance sheet format or profit and loss account formats, the basis on which those sums have been translated into sterling (or the currency in which the accounts are drawn up) must be stated.

Dormant LLPs acting as agents

69. Where the members of an LLP take advantage of the exemption conferred by section 480 of the 2006 Act (dormant LLPs: exemption from audit), and the LLP has during the financial year in question acted as an agent for any person, the fact that it has so acted must be stated.

Related party transactions

70.—(1) Particulars may be given of transactions which the LLP has entered into with related parties, and must be given if such transactions are material and have not been concluded under normal market conditions (see regulation 4 for exemption for medium-sized LLPs).

(2) The particulars of transactions required to be disclosed by sub-paragraph (1) must include—

(a) the amount of such transactions,

(b) the nature of the related party relationship, and

(c) other information about the transactions necessary for an understanding of the financial position of the LLP.

(3) Information about individual transactions may be aggregated according to their nature, except where separate information is necessary for an understanding of the effects of related party transactions on the financial position of the LLP.

(4) Particulars need not be given of transactions entered into between two or more members of a group, provided that any subsidiary undertaking which is a party to the transaction is wholly-owned by such a member.

(5) In this paragraph, "related party" has the same meaning as in international accounting standards.

PART 4

SPECIAL PROVISION WHERE LLP IS A PARENT LLP OR SUBSIDIARY UNDERTAKING

LLP's own accounts: guarantees and other financial commitments in favour of group undertakings

71. Commitments within any of sub-paragraphs (1) to (5) of paragraph 60 (guarantees and other financial commitments) which are undertaken on behalf of or for the benefit of—

(a) any parent undertaking or fellow subsidiary undertaking, or

(b) any subsidiary undertaking of the LLP,

must be stated separately from the other commitments within that paragraph, and commitments within paragraph (a) must also be stated separately from those within paragraph (b).

SCHEDULE 2

Regulation 5

INFORMATION ON RELATED UNDERTAKINGS REQUIRED WHETHER PREPARING NON-IAS OR IAS ACCOUNTS

PART 1

PROVISIONS APPLYING TO ALL LLPs

Subsidiary undertakings

1.—(1) The following information must be given where at the end of the financial year the LLP has subsidiary undertakings.

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

(3) There must be stated with respect to each subsidiary undertaking—

(a) if it 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.

Financial information about subsidiary undertakings

2.—(1) There must be disclosed with respect to each subsidiary undertaking not included in consolidated accounts by the LLP—

(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 LLP is exempt by virtue of section 400 or 401 of the 2006 Act from the requirement to prepare group accounts (parent LLP included in accounts of larger group).

(3) That information need not be given if the LLP's investment in the subsidiary undertaking is included in the LLP's accounts by way of the equity method of valuation.

(4) That information need not be given if—

(a) the subsidiary 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 LLP's holding is less than 50% of the nominal value of the shares in the undertaking.

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

(6) 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 LLP, that year, and

(b) if not, its financial year ending last before the end of the LLP's financial year.

Significant holdings in undertakings other than subsidiary undertakings

3.—(1) The information required by paragraphs 4 and 5 must be given where at the end of the financial year the LLP has a significant holding in an undertaking which is not a subsidiary undertaking of the LLP, and which does not fall within paragraph 16 (joint ventures) or 17 (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 LLP's individual accounts) exceeds one-fifth of the amount (as so stated) of the LLP's assets.

4.—(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) There must also be stated—

(a) the identity of each class of shares in the undertaking held by the LLP, and

(b) the proportion of the nominal value of the shares of that class represented by those shares.

5.—(1) Subject to paragraph 12, 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 LLP'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 LLP, that year, and

(b) if not, its financial year ending last before the end of the LLP's financial year.

Parent undertaking drawing up accounts for larger group

6.—(1) Where the LLP is a subsidiary undertaking, the following information must be given with respect to the parent undertaking of—

(a) the largest group of undertakings for which group accounts are drawn up and of which the LLP 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

7.—(1) Where the LLP is a subsidiary undertaking, the following information must be given with respect to the body corporate (if any) regarded by the members as being the LLP's ultimate parent.

(2) The name of that body corporate must be stated.

(3) If that body corporate is incorporated outside the United Kingdom, the country in which it is incorporated must be stated (if known to the members).

PART 2

LLP NOT REQUIRED TO PREPARE GROUP ACCOUNTS

Reason for not preparing group accounts

8.—(1) The reason why the LLP is not required to prepare group accounts must be stated.

(2) If the reason is that all the subsidiary undertakings of the LLP fall within the exclusions provided for in section 405 of the 2006 Act (non-IAS group accounts: subsidiary undertakings included in the consolidation), it must be stated with respect to each subsidiary undertaking which of those exclusions applies.

Holdings in subsidiary undertakings

9.—(1) There must be stated in relation to shares of each class held by the LLP in a subsidiary undertaking—

(a) the identity of the class, and

(b) the proportion of the nominal value of the shares of that class represented by those shares.

(2) The shares held by or on behalf of the LLP itself must be distinguished from those attributed to the LLP which are held by or on behalf of a subsidiary undertaking.

Financial years of subsidiary undertakings

10. Where—

(a) disclosure is made under paragraph 2(1) with respect to a subsidiary undertaking, and

(b) that undertaking's financial year does not end with that of the LLP,

there must be stated in relation to that undertaking the date on which its last financial year ended (last before the end of the LLP's financial year).

Exemption from giving information about significant holdings in non-subsidiary undertakings

11. The information otherwise required by paragraph 3 (significant holdings in undertakings other than subsidiary undertaking) need not be given if—

(a) the LLP is exempt by virtue of section 400 or 401 of the 2006 Act from the requirement to prepare group accounts (parent LLP included in accounts of larger group), and

(b) the investment of the LLP in all undertakings in which it has such a holding as is mentioned in sub-paragraph (1) is shown, in aggregate, in the notes to the accounts by way of the equity method of valuation.

Construction of references to shares held by LLP

12.—(1) References in Parts 1 and 2 of this Schedule to shares held by an LLP are to be construed as follows.

(2) For the purposes of paragraphs 2, 9 and 10 (information about subsidiary undertakings)—

(a) there must be attributed to the LLP any shares held by a subsidiary undertaking, or by a person acting on behalf of the LLP or a subsidiary undertaking; but

(b) there must be treated as not held by the LLP any shares held on behalf of a person other than the LLP or a subsidiary undertaking.

(3) For the purposes of paragraphs 3 to 5 (information about undertakings other than subsidiary undertakings)—

(a) there must be attributed to the LLP shares held on its behalf by any person; but

(b) there must be treated as not held by an LLP shares held on behalf of a person other than the LLP.

(4) For the purposes of any of those provisions, 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 that person's 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 the value of the security, or of realising it, the rights attached to the shares are exercisable only in that person's interests.

PART 3

LLP REQUIRED TO PREPARE GROUP ACCOUNTS

Introductory

13. In this Part of this Schedule "the group" means the group consisting of the parent LLP and its subsidiary undertakings.

Subsidiary undertakings

14.—(1) In addition to the information required by paragraph 2, the following information must also be given with respect to the undertakings which are subsidiary undertakings of the parent LLP at the end of the financial year.

(2) It must 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.

(3) 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

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

(a) by the parent LLP, 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.

Joint ventures

16.—(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 Schedule 3 to these Regulations (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 LLP, there must be stated the date on which a financial year of the undertaking last ended before that date.

Associated undertakings

17.—(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 LLP, 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 Schedule 3 to these Regulations; and the information required by this paragraph must be given notwithstanding that paragraph 21(3) of that Schedule (materiality) applies in relation to the accounts themselves.

Requirement to give information about other significant holdings of parent LLP or group

18.—(1) The information required by paragraphs 4 and 5 must also 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 LLP and does not fall within paragraph 16 (joint ventures) or 17 (associated undertakings), as though the references to the LLP in those paragraphs were a reference to the group.

(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 one-fifth of the amount of the group's assets (as so stated).

(3) For the purposes of those paragraphs as applied to a group the "relevant financial year" of an outside undertaking is—

(a) if its financial year ends with that of the parent LLP, that year, and

(b) if not, its financial year ending last before the end of the parent LLP's financial year.

Construction of references to shares held by parent LLP or group

19.—(1) References in Parts 1 and 3 of this Schedule to shares held by that parent LLP or group are to be construed as follows.

(2) For the purposes of paragraphs 3 to 5, 15 and 17(4) and (5) (information about holdings in subsidiary and other undertakings)—

(a) there must be attributed to the parent LLP shares held on its behalf by any person; but

(b) there must be treated as not held by the parent LLP shares held on behalf of a person other than the LLP.

(3) References to shares held by the group are to any shares held by or on behalf of the parent LLP or any of its subsidiary undertakings; but any shares held on behalf of a person other than the parent LLP 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 the value of the security, or of realising it, the rights attached to the shares are exercisable only in his interests.

SCHEDULE 3

Regulation 6

NON-IAS GROUP ACCOUNTS

General rules

1. Group accounts must comply so far as practicable with the provisions of Schedule 1 to these Regulations as if the undertakings included in the consolidation ("the group") were a single LLP.

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 LLP, 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 LLP's financial year, provided that year ended no more than three months before that of the parent LLP, or

(b) from interim accounts prepared by the subsidiary undertaking as at the end of the parent LLP's financial year.

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 members of the parent LLP 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 LLP'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 LLP.

(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 LLP and its subsidiary undertakings the interest of the parent LLP 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. The conditions for accounting for an acquisition as a merger are that adoption of the merger method of accounting accords with generally accepted accounting principles or practice.

11.—(1) Where an LLP adopts the merger method of accounting it must comply with this paragraph, and with generally accepted accounting principles or practice.

(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.

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 LLP 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.

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 members of the parent LLP the disclosure would be seriously prejudicial to the business of that undertaking or to the business of the parent LLP 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 LLP 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 LLP 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) above is treated as one to which a letter is assigned, and

(b) the additional items required by sub-paragraph (3)(a) and (b) above 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 LLP,

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 LLP, or

(b) a joint venture dealt with in accordance with paragraph 18.

(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 formats set out in Schedule 1 to these Regulations have effect in relation to group accounts with the following modifications.

(2) In the balance sheet formats replace the items headed "Participating interests", that is—

(a) in format 1, item A.III.3, and

(b) in format 2, item A.III.3 under the heading "ASSETS",

by two items: "Interests in associated undertakings" and "Other participating interests".

(3) In the profit and loss account formats replace the items headed "Income from participating interests", that is—

(a) in format 1, item 8, and

(b) in format 2, item 10,

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

21.—(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.

Related party transactions

22. Paragraph 70 of Schedule 1 to these Regulations applies to transactions which the parent LLP, or other undertakings included in the consolidation, have entered into with related parties, unless they are intra group transactions.

SCHEDULE 4

Regulation 7

GENERAL INTERPRETATION

Financial instruments

1. References to "derivatives" include commodity-based contracts that give either contracting party the right to settle in cash or in some other financial instrument, except where such contracts—

(a) were entered into for the purpose of, and continue to meet, the LLP's expected purchase, sale or usage requirements,

(b) were designated for such purpose at their inception, and

(c) are expected to be settled by delivery of the commodity.

2.—(1) The expressions listed in sub-paragraph (2) have the same meaning as they have in Council Directive 78/660/EEC on the annual accounts of certain types of companies(**a**).

(2) Those expressions are "available for sale financial asset", "business combination", "commodity-based contracts", "derivative", "equity instrument", "exchange difference", "fair value hedge accounting system", "financial fixed asset", "financial instrument", "foreign entity", "hedge accounting", "hedge accounting system", "hedged items", "hedging instrument", "held for trading purposes", "held to maturity", "monetary item", "receivables", "reliable market" and "trading portfolio".

Fixed and current assets

3. "Fixed assets" means assets of an LLP which are intended for use on a continuing basis in the LLP's activities, and "current assets" means assets not intended for such use.

Historical cost accounting rules

4. References to the historical cost accounting rules are to be read in accordance with paragraph 30 of Schedule 1 to these Regulations.

Listed investments

5.—(1) "Listed investment" means an investment as respects which there has been granted a listing on—

(a) a recognised investment exchange other than an overseas investment exchange, or

(b) a stock exchange of repute outside the United Kingdom.

(2) "Recognised investment exchange" and "overseas investment exchange" have the meaning given in Part 18 of the Financial Services and Markets Act 2000(**b**).

Loans

6. A loan or advance (including a liability comprising a loan or advance) is treated as falling due for repayment, and an instalment of a loan or advance is treated as falling due for payment, on the

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(**a**) O.J. L222 of 14.8.1978, page 11, as amended in particular by Directives 2001/65/EEC, 2003/51/EEC and 2006/46/EEC of the European Parliament and of the Council (O.J. L238 of 27.12.2001, page 28, O.J. L178 of 17.7.2003, page 16 and O.J. L224 of 16.8.2006, page 1).

(**b**) 2000 c.8.

earliest date on which the lender could require repayment or (as the case may be) payment, if he exercised all options and rights available to him.

Materiality

7. Amounts which in the particular context of any provision of Schedule 1 to these Regulations are not material may be disregarded for the purposes of that provision.

Participating interests

8.—(1) A "participating interest" means an interest held by an undertaking in the shares of another undertaking which it holds on a long-term basis for the purpose of securing a contribution to its activities by the exercise of control or influence arising from or related to that interest.

(2) A holding of 20% or more of the shares of the undertaking is to be presumed to be a participating interest unless the contrary is shown.

(3) The reference in sub-paragraph (1) to an interest in shares includes—

(a) an interest which is convertible into an interest in shares, and

(b) an option to acquire shares or any such interest,

and an interest or option falls within paragraph (a) or (b) notwithstanding that the shares to which it relates are, until the conversion or the exercise of the option, unissued.

(4) For the purposes of this paragraph an interest held on behalf of an undertaking is to be treated as held by it.

(5) In the balance sheet and profit and loss formats set out in Schedule 1 to these Regulations, "participating interest" does not include an interest in a group undertaking.

(6) For the purpose of this paragraph as it applies in relation to the expression "participating interest"—

(a) in those formats as they apply in relation to group accounts, and

(b) in paragraph 19 of Schedule 3 (group accounts: undertakings to be accounted for as associated undertakings),

the references in sub-paragraphs (1) to (4) to the interest held by, and the purposes and activities of, the undertaking concerned are to be construed as references to the interest held by, and the purposes and activities of, the group (within the meaning of paragraph 1 of that Schedule).

Provisions

9.—(1) References to provisions for depreciation or diminution in value of assets are to any amount written off by way of providing for depreciation or diminution in value of assets.

(2) Any reference in the profit and loss account formats set out in Schedule 1 to these Regulations to the depreciation of, or amounts written off, assets of any description is to any provision for depreciation or diminution in value of assets of that description.

10. References to provisions for liabilities are to any amount retained as reasonably necessary for the purpose of providing for any liability the nature of which is clearly defined and which is either likely to be incurred, or certain to be incurred but uncertain as to amount or as to the date on which it will arise.

Purchase price

11. "Purchase price", in relation to an asset of an LLP or any raw materials or consumables used in the production of such an asset, includes any consideration (whether in cash or otherwise) given by the LLP in respect of that asset or those materials or consumables, as the case may be.

Staff costs

12.—(1) "Social security costs" means any contributions by the LLP to any state social security or pension scheme, fund or arrangement.

(2) "Pension costs" includes—

(a) any costs incurred by the LLP in respect of any pension scheme established for the purpose of providing pensions for persons currently or formerly employed by the LLP,

(b) any sums set aside for the future payment of pensions directly by the LLP to current or former employees, and

(c) any pensions paid directly to such persons without having first been set aside.

(3) Any amount stated in respect of the item "social security costs" or in respect of the item "wages and salaries" in the LLP's profit and loss account must be determined by reference to payments made or costs incurred in respect of all persons employed by the LLP during the financial year under contracts of service.

EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations specify the form and content of the accounts of limited liability partnerships (LLPs), other than those subject to the small LLPs regime, under Part 15 of the Companies Act 2006 (c.46) ("the 2006 Act"), as applied to LLPs with modifications by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 (S.I. 2008/[ ]). They do so by applying to LLPs, with modifications, provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (S.I. 2008/410).

The accounts of small LLPs are dealt with separately in the Small Limited Liability Partnerships (Accounts) Regulations 2008 (S.I. 2008/[ ]).

The Regulations replace provisions previously contained in the Schedules to Part 7 of the Companies Act 1985 (c.6) ("the 1985 Act") and in the Schedules to Part 8 of the Companies (Northern Ireland) Order 1986 (S.I. 1986/1032 (N.I. 6)) ("the 1986 Order") as applied to LLPs with modifications by the Limited Liability Partnerships Regulations 2001 (S.I. 2001/1090) and the Limited Liability Partnerships Regulations (Northern Ireland) 2004 (SR (NI) 2004/307). The Regulations extend to the whole of the United Kingdom, reflecting the extent of the 2006 Act.

The Regulations come into force on 1st October 2008 and apply to financial years beginning on or after that date (regulation 2). The corresponding provisions of the 1985 Act or the 1986 Order as applied to LLPs with modifications continue to apply to accounts for financial years beginning before that date.

Regulation 3 of, and Schedule 1 to, the Regulations specify the form and content of the individual accounts of an LLP the members of which are preparing non-IAS individual accounts (as defined in section 395 of the 2006 Act as applied to LLPs). Schedule 1 re-enacts Schedule 4 to the 1985 Act and Schedule 4 to the 1986 Order as applied to LLPs, with two substantive modifications. Paragraph 36(4) of Schedule 1 gives LLPs the option of including financial instruments in the accounts at a fair value provided that they may be so included under international accounting standards adopted under the IAS Regulation (as defined in section 474(1) of the 2006 Act as applied to LLPs) on or before 5th September 2006, and provided that the disclosures required by such standards are made. Paragraph 70 requires LLPs to make certain disclosures about transactions with related parties.

Regulation 4 specifies certain exemptions for medium-sized LLPs the members of which are preparing non-IAS individual accounts. It re-enacts the exemptions in section 246A of the 1985 Act and in Article 254A of the 1986 Order as applied to LLPs, save that medium-sized LLPs are required to disclose their turnover in the accounts delivered to the registrar of companies. Medium-sized LLPs are exempted from making the disclosures about related party transactions required by paragraph 70 of Schedule 1 to the Regulations.

Regulation 5 of, and Schedule 2 to, the Regulations specify information about related undertakings which the members of an LLP must include in the notes to the individual or group accounts, whether they are non-IAS or IAS individual accounts. The Schedule re-enacts Schedule 5 to the 1985 Act and Schedule 5 to the 1986 Order as applied to LLPs.

Regulation 6 of, and Schedule 3 to, the Regulations specify the form and content of non-IAS group accounts (as defined in section 403 of the 2006 Act as applied to LLPs). The Schedule re-enacts Schedule 4A to the 1985 Act and Schedule 4A to the 1986 Order as applied to LLPs, save that paragraphs 9, 13 and 17 have been simplified to facilitate convergence with international accounting standards.

Regulation 7 of, and Schedule 4 to, the Regulations contain general interpretation provisions.

An Impact Assessment of the effect that these Regulations will have on the costs of business, charities or voluntary bodies has been prepared and is available from the Department for Business, Enterprise and Regulatory Reform, Corporate Law and Governance Directorate, 1 Victoria Street, London SW1H 0ET. It is also available electronically at

http://www.berr.gov.uk/bbf/llp/page39897.html. Copies have also been placed in the libraries of both Houses of Parliament.

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