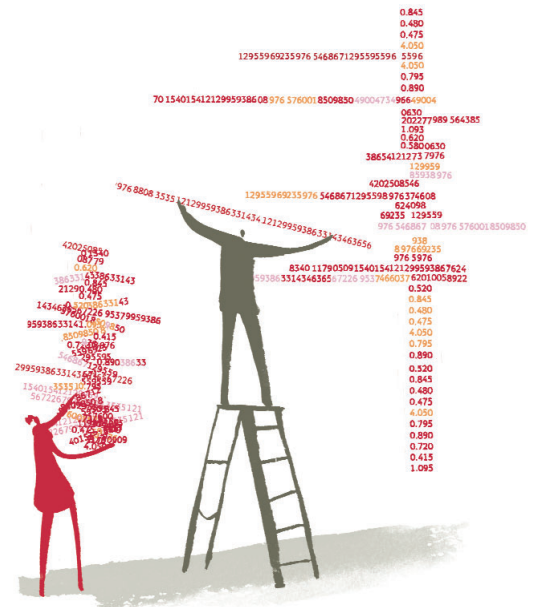


# Technical Update



## Get in on the Act

### Companies Act 2006: What does it mean to you?

The most significant changes to Northern Ireland Company law for twenty years received Royal Assent in November 2006. The Companies Act 2006 provides for a single law regime applicable to the whole of the UK. It replaces the company law provisions of Companies Act 1985, 1989 and 2004 and their equivalent Northern Ireland Orders. It is however important to note that company law is a transferred matter so the NI Assembly can amend or repeal the Act if desired. The new Act affects all companies whether small, medium or large and therefore there is a need to start planning for the key dates when the majority of the Act's provisions will be brought into force. The key dates are 1 October 2007, 6 April 2008 and 1 October 2008.

### What are the main changes?

The Companies Act 2006 has a 'think small first' agenda, with a lot of the changes being made to make things simpler for small companies

#### Companies House

From 1 October 2008 the Northern Ireland Companies Registry will be integrated with Companies House (currently located in Cardiff). The Belfast office will remain however from 1 October 2008 all forms filed with the Registry must be the UK forms rather than the current Northern Ireland equivalents. All NI company information filed since 2000 will be available immediately online from Companies House with all other historical data available with a slightly longer delivery time (as it will be scanned before delivery). Also from 1 October 2008 Northern Ireland companies will have access to the WebFiling service currently available for the filing of accounts for GB companies who are audit exempt or dormant as well as for a range of standard forms including the Annual Return and Appointment of a Director/Secretary.

#### Filing Deadlines

The company accounts filing deadlines are being reduced for

private companies from the current ten months after the year end to nine months and for public companies from seven to six months. It is likely that this will impact most significantly on companies with 31 March year ends. Currently accounts for these companies have to be filed with the Registrar by 31 January to avoid a fine. This deadline will now become 31 December. As a large number of companies and indeed professional advisors close for the Christmas/New Year period it is likely that financial statements will need to be finalised and filed before the Christmas break, 6-8 weeks earlier than currently required. The new filing deadlines are likely to come in to effect for periods commencing on or after 6 April 2008.

#### Consolidated accounts for medium-sized groups

The exemption from producing consolidated accounts will be removed for all medium sized groups. Therefore groups who exceed two out of three of the following limits after consolidation adjustments will now be required to produce consolidated accounts:

Turnover	£5.6m
Total assets	£2.8m
Number of employees	50

It is likely this will apply to periods beginning on or after 6 April 2008.

#### Capital Maintenance

Private companies will no longer be prohibited from giving financial assistance for the acquisition of their own shares. This means that the 'whitewash' procedure will be repealed but can be retained as a voluntary measure.

Private companies will also be able to reduce their share capital without going to court. This will require a special resolution and a directors' solvency statement, subject to any provisions in the articles.

Companies will not have to specify an authorised share capital on incorporation. Instead an initial statement of capital will be required and updated as appropriate. However authorised share capital will continue to act as a ceiling on the number of shares that can be allotted for existing companies unless they amend their articles to remove any

reference to the authorised share capital. Further shares will still be required to have a nominal value.

### Directors

From October 2007, duties will be included in statute rather than being established by case law. Directors will be required to act in good faith in such a way as to promote the success of the company for the benefit of the members as a whole, to exercise reasonable care, skill and diligence and in doing so directors are required to have regard to various factors including employee interests and likely long-term consequences.

Private companies will no longer need to maintain a register of dealings in their shares by directors, spouses, partners or children and disclosure of such details are no longer required in the Directors' Report (from 6 April 2007).

Due to abuse of the service that made directors' home addresses publicly available, from October 2008 directors can keep their residential addresses confidential (to be held by Companies House as protected information) and file a service address, which may be the registered office of the company.

Private companies will no longer be obliged to have a Company Secretary from April 2008 although they may continue to have one if they wish. However many of the functions remain which means that the Directors will need to take over some of these duties.

### Shareholder Engagement

Private companies no longer have to hold an AGM although shareholders can demand one if at least 10% require it. From October 2007 the default for private companies will be not to have an AGM unless the articles 'opt in' to having one. Public Companies are still required to hold an AGM each year.

There will also be greater rights for indirect shareholders including the right to receive information electronically or hard copy if they so wish.

### What is the effect on you?

Given the size of Companies Act 2006, the effect will be wide ranging and should not be underestimated. The points above highlight only a small number of the many changes under the new legislation. Companies should consider what impact this will have and whether there are any benefits to be gained in adopting new procedures. Remember though that company law is a transferred matter so the NI Assembly can amend or repeal the Act if desired. Companies should be obtaining the necessary advice from registrars, legal advisers, accountants and other advisers to assess whether changes are required to their Articles to take advantage of new exemptions.

## Accounting Standards Update

### FRED 41 'Related Party Disclosures'

In July the Accounting Standards Board (ASB) issued Financial Reporting Exposure Draft (FRED) 41 'Related Party Disclosures' which contains proposals to replace the existing UK standard (FRS 8) with a standard based on International Accounting Standard (IAS) 24.

The proposals are designed to ensure consistency between accounting standards and company law following moves by the government in March 2007 to align the related party definition in UK company law with that in IAS 24.

The main differences between IAS 24 and FRS 8 include a requirement to disclose key management compensation in aggregate, split into various categories. Unlike in FRS 8, key management can extend to senior employees as well as directors if they have a responsible role in planning and directing company activities.

There is no requirement under IAS 24 to disclose the name of the related party although this may be required to give an understanding of the nature of the relationship and the potential effect on the financial statements.

IAS 24 does not give any guidance on materiality of transactions for disclosure purposes however FRED 41 is proposing that guidance would be included in a new UK standard.

The ASB is currently seeking views on the proposed changes as it is anticipated that the company law changes referred to above will come into effect in 2009 and the ASB would plan any change to UK FRSs to happen simultaneously.

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