



THE POWER OF BEING UNDERSTOOD

Changes to company law for small entities applying IFRS

From periods starting on or after 1 January 2016, to align with the revisions in Company Law small entities who apply IFRS need to observe the following changes to the Companies Act.

COMPANIES ACT 06 REFERENCE	TOPIC	SUMMARY OF AMENDMENT
s394B	Companies excluded from the dormant subsidiary exemption	Traded companies replace quoted companies in the list of those entities that are excluded from exemption. Traded companies defined in s474 as a company any of whose transferable securities are admitted to trading on a regulated market.
s397	IAS Individual accounts	Must disclose: <ul style="list-style-type: none"> the part of the UK in which the company is registered; the company's registered number; whether the company is public or private and whether limited by shares or guarantee; address of the company's registered office; where appropriate, the fact that company is being wound up; and in the notes to the accounts, that the accounts have been prepared in accordance with International Accounting Standards.
s399	Duty to prepare group accounts	A company is exempt from the requirement to prepare group accounts if it would be subject to the small companies regime but for being a public company and it is not a traded company.
s400	Exemption for a company included in EEA group accounts of a larger group	Criteria for claiming exemption has changed. The main changes are as follows: <ul style="list-style-type: none"> CA 06 now requires unanimous agreement by the minority shareholders when the immediate parent owns 90 per cent or more but not all of the intermediate parent; where the intermediate parent is more than 50 per cent but less than 90 per cent owned by its immediate parent, the minority shareholders have to serve any objection to the exemption not later than six months before the end of the financial year to which it relates; and address of the registered office of the parent that draws up group accounts must now be disclosed.
s401	Exemption for a company included in non EEA group accounts of a larger group	Criteria for claiming exemption has changed – as per section 400.
s406	IAS group accounts	Additional disclosures consistent with section 397.

COMPANIES ACT 06 REFERENCE	TOPIC	SUMMARY OF AMENDMENT
s408	Individual profit and loss account where group accounts are prepared	The profit for the year must be shown on the company's annual accounts sheet for the exemption to omit the company profit and loss account from the annual account to be taken. The exemption not to disclose the information specified in s411 related to employee numbers and costs has been removed.
s410	Information about related undertakings (alternative compliance)	Removed meaning that information about related undertakings set out in s409 and the regulations must be provided for all related undertakings.
s410A	Information about off-balance sheet arrangements	Where a company has been party to off balance sheet arrangements and, at the balance sheet date, the risks or benefits arising from those arrangements are material, all companies will need to disclose the nature and business purpose of the arrangements.
s411	Information about employee numbers and costs	In the case of companies subject to the small company regime, the notes to the annual accounts must disclose the average number of persons employed by the company in the financial year.
s413	Information about directors' benefits: advances, credit and guarantees	Any amounts waived and/or written off shall be disclosed
s415	Duty to prepare directors' report	Not required for a company that qualifies as a micro-entities in accordance with s384A and 384B.
s442	Period allowed for filing accounts	Any extension granted by the Secretary of State must not have the effect of extending the period for filing to more than 12 months after the end of the of the relevant accounting reference period.
s444	Filing obligations of companies subject to small companies regime	An audit report need only be delivered to the registrar if the entity opts to file the profit and loss account and it is not subject to audit exemption. Where the directors do not deliver a copy of the company's profit and loss account, the balance sheet must disclose that fact and if applicable, the notes to the balance sheet state: <ul style="list-style-type: none"> • whether the auditor's report was qualified or unqualified; • where the report is qualified, the basis of the qualification; • where the report is unqualified, whether an emphasis of matter was included; and • the name of the auditor.
s448B	Companies excluded from the dormant subsidiaries exemption	Traded companies have been added to the list of those entities that are excluded from the exemption. A traded company is defined in s474 as a company any of whose transferable securities are admitted to trading on a regulated market.
s474	Minor definitions	<ul style="list-style-type: none"> • Traded company – a company whose transferable securities are admitted to trading on a regulated market; and • Turnover – in relation to a company, means the amounts derived from the provision of goods, after deduction of trade discounts, VAT and any other taxes based on the amounts so derived. It no longer refers to 'falling within the company's ordinary activities'.
Statutory Instrument 2008/409	Small Company Accounts Regulations	Section applicable to group accounts – Schedule 6 <ul style="list-style-type: none"> • The registered office address must be disclosed (irrespective of where the undertaking is incorporated) for subsidiary undertakings, associated undertakings and other significant holdings.

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