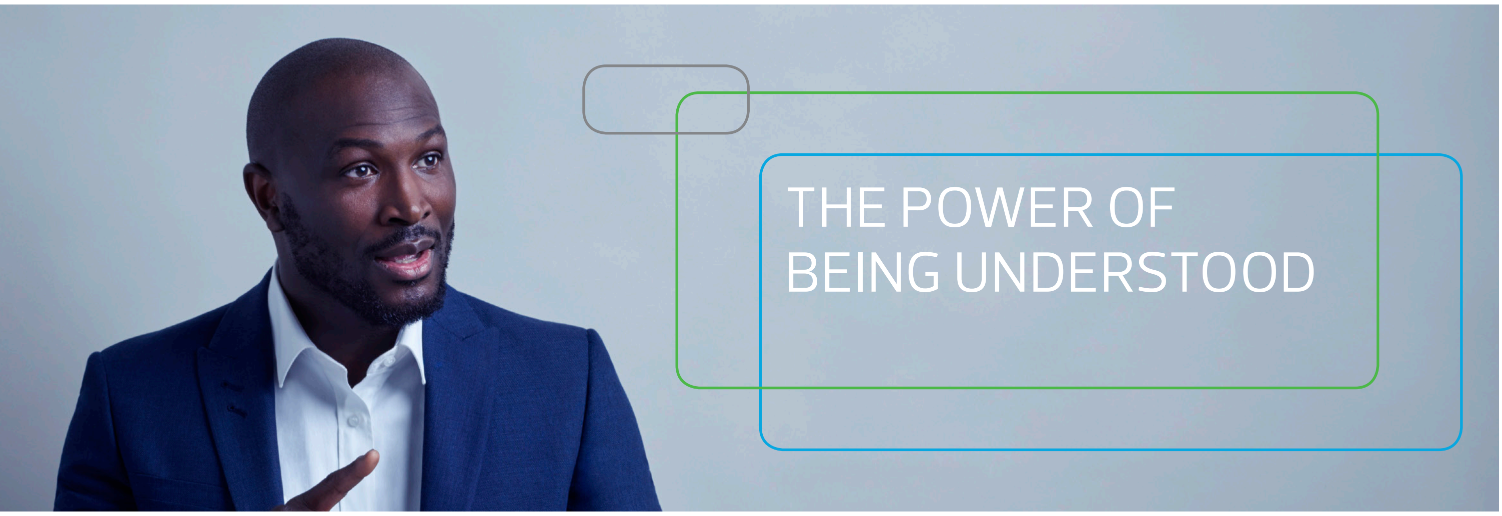

Changes to company law for medium/large entities applying UK GAAP

From periods starting on or after 1 January 2016, in addition to the amendments made to the Accounting Standard, medium and large entities who apply UK GAAP must also observe the following changes to ensure their accounts comply with 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.
s396	Companies act individual accounts	Must disclose: • 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; and • where appropriate, the fact that company is being wound up.
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: • 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 for section 400.
s408	Individual profit and loss account where group accounts are prepared	The profit for the year must be shown on the company's individual balance 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.

COMPANIES ACT 06 REFERENCE	TOPIC	SUMMARY OF AMENDMENT
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 whilst large and medium sized companies will also have to disclose the financial impact of those arrangements.
s413	Information about directors' benefits: advances, credit and guarantees	Any amounts waivered and/or written off shall be disclosed.
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.
s445	Filing obligations of medium-sized companies	The option to file abbreviated accounts has been removed.
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. Trade companies are defined in s474 as a company any of whose transferable securities are admitted to trading on a regulated market.
449/450	Special auditor's report where abbreviated accounts are delivered / approval and signing of abbreviated accounts	Removed as abbreviated accounts have been eliminated.
s465	Companies qualifying as medium sized	Updated to include increased size limits.
s474	Minor definitions	Traded company – a company whose transferable securities are admitted to trading on a regulated market. 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/ 410	Large and medium sized companies accounts regulations	Individual accounts need not comply with para 72 (related party transactions) except where transactions with parties holding a participating interest, companies in which the company itself has a participating interest and the company's directors have not been concluded under normal market conditions. Will only impact qualifying entities that have chosen to take advantage of reduced disclosures and apply the disclosure exemption in FRS 102.1.12 from disclosing key management personnel compensation which is otherwise required by section 33 Related Parties paragraph 33.7. The profit and loss account must now show the amount of the company's profit or loss before taxation and omits the words 'on ordinary activities'. Where an asset or liability relates to more than one item in the balance sheet, the relationship of such an asset or liability to the relevant items must be disclosed either under those items or in the notes to the accounts. Balance sheet should refer to 'Other reserves including the fair value reserve' rather than just 'other reserves'. Balance sheet format 2 should state 'capital reserves and liabilities' rather than 'liabilities'. Profit and loss formats refer to 'expenses' rather than 'charges' and eliminates any reference to 'ordinary activities'. Profit and loss should refer 'amounts written off current assets, to the extent that they exceed write-offs which are normal in the undertaking concerned' rather than 'exceptional amounts written off current assets' Provisions for diminutions in value and amounts written back must be charged/credited to the profit and loss and disclosed separately in the notes if not disclosed separately in the profit and loss account.

COMPANIES ACT 06 REFERENCE	TOPIC	SUMMARY OF AMENDMENT
Statutory Instrument 2008/ 410	Large and medium sized companies accounts regulations	Increased flexibility about the presentation of development costs as the SI now refers to the fact that development costs 'may' be included in 'other intangible assets' under fixed assets. To clarify that any incidental reductions shall be deducted from the cost of acquisition of an asset. Participating interests may now be accounted for using the equity method of accounting. Regulations set out how this can be achieved. (This is not permitted by FRS 102 so will only be relevant to those applying FRS 101). The option to refer to the revaluation reserve under an alternative name has been removed. Provides the option to hold stocks at fair value under section D and the relevant disclosure paragraphs updated. Notes must be presented in the order in which, where relevant, the items to which they relate are presented in the balance sheet and in the profit and loss account. Guarantees and other financial commitments – disclosures amended so that particulars and the total amount of any financial commitment, guarantees and contingencies are given when they are not included in the balance sheet and to disclose separately those undertaken on behalf of any parent or fellow subsidiary undertaking, any subsidiary undertaking or any undertaking in which the company has a participating interest and those in relation to pensions. There is no longer a requirement to give the amount or estimated amount or legal nature for contingent liabilities or the aggregate amount of contracts for capital expenditure. PBSEs - the nature and financial effect of material events arising after the balance sheet date which are not reflected in the profit and loss account or balance sheet must now be stated. Appropriations – particulars must be given of the proposed appropriation of profit or treatment of loss or where application, particulars of the actual appropriate of the profits or treatment of the losses. For each subsidiary undertaking and significant holdings in undertakings other than subsidiary undertakings, the registered office address must be disclosed (whether in or outside the UK). Disclosures that were previously applicable to qualifying undertakings are now only relevant to undertakings having unlimited liability. Where the company is a subsidiary undertaking the parent's registered office must also be disclosed (whether in or outside of the UK). For associates and joint ventures, the registered office the address must be disclosed (whether in or outside the UK). Disclosures that were previously applicable to qualifying undertakings are now only relevant to undertakings having unlimited liability. Group accounts must be drawn up to the same date as the accounts of the parent Clarification of how negative goodwill should be accounted for (ie consistent with the accounting principles of intangible assets included elsewhere in the provisions). Simplification of the criteria for merger accounting – no reference to 90 per cent or more of the equity shares being acquired or reference to cash consideration not exceeding 10 per cent of the nominal value of the equity shares issued. Criteria now based on ultimate control being the same before and after acquisition and the fact that control is not transitory. This will impact PBEs that are subject to company law, prohibiting the application of merger accounting to combinations between unrelated entities. Additional disclosures when merger method of accounting is used. Amendment to the accounting for minority interest making reference to non-controlling interest.

COMPANIES ACT 06 REFERENCE	TOPIC	SUMMARY OF AMENDMENT
Statutory Instrument 2008/ 410	Large and medium sized companies accounts regulations	Clarification that directors remuneration disclosed in the group accounts relates to the amounts received or receivable by the directors of the parent company from the parent company and any of its subsidiary undertakings. Clarification that deferred tax balances in the consolidated accounts must be recognised where it is probable that a charge to tax will arise within the foreseeable future for one of the undertakings included in the consolidation. Inclusion of a new definition at the balance sheet date, a provision must represent the best estimate of the expenses likely to be incurred or, in the case of a liability, of the amount required to meet that liability. Provisions must not be used to adjust the value of assets. All other requirements have been incorporated into FRS 102.