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## **The Companies Act 2006 – Client Briefing No. 7**

### **The Companies Act 2006**

#### **Introduction**

As our corporate clients will be aware, the Companies Act 2006 (the Act) is being introduced over a period of time by statutory instrument, with the Government having set a target date of October 2009 to have the complete Act in force, this date having been extended from the original target date of October 2008.

This Client Briefing gives information concerning Regulations made at the end of February concerning the detailed content and format of a company's statutory accounts.

#### **Regulations made in February 2008**

As many of our corporate clients will be aware, unlike the 1985 Companies Act, the 2006 Act allows the government to set out the detail of the legislation contained in the Act by means of Regulations, usually in the form of Statutory Instruments. This means that a great deal of the detailed rules and regulations are not contained in the Act itself but in a number of separate documents which are being introduced over a period of time and which will, from time to time, be amended by further Regulations.

To take a practical example of this approach. In order to ascertain the form and content of a company's accounts under the 1985 Companies Act, we were able to look at the Act itself and, in particular, a number of Schedules contained within Part 7 of that Act which set out the detailed content of the accounts and the permitted format of these accounts.

However, under the 2006 Act section 396(3) states as follows:

"The accounts must comply with provision made by the Secretary of State by regulations as to—  
(a) the form and content of the balance sheet and profit and loss account, and  
(b) additional information to be provided by way of notes to the accounts."

From the above it can be seen that in order to ascertain the form and content of a company's accounts we must now look at the current Regulations and not the Act itself.

The above approach facilitates amendments to matters contained in the original Regulations without having to amend the Act itself. However, in practice this approach can prove more difficult for those wishing to ensure that they are fully up to date with the latest Regulations.

## **The Regulations**

The following Regulations were made on 19<sup>th</sup> February 2008:

- The Small Companies and Groups (Accounts and Directors' Report) Regulations 2008;
- The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008;
- The Companies Act 2006 (Amendment) (Accounts and Reports) Regulations 2008;
- The Companies (Revision of Defective Accounts and Reports) Regulations 2008;
- The Companies (Summary Financial Statement) Regulations 2008.

### **The Small Companies and Groups (Accounts and Directors' Report) Regulations 2008**

These Regulations specify the form and content of the accounts and directors' report of companies subject to the small companies regime under Part 15 of the Companies Act 2006.

Section 381 of the 2006 Act defines what is meant by "small companies regime".

The Regulations replace provisions previously contained in the Schedules to Part 7 of the Companies Act 1985.

The Regulations come into force on 6<sup>th</sup> April 2008, and apply in relation to financial years beginning on or after that date.

The corresponding provisions of the 1985 Act continue to apply to accounts and directors' reports for financial years beginning before that date.

#### ***Our advice:***

***These Regulations are important and contain details of the content and format of the accounts and directors' reports of small companies and groups. Note the date when the regulations come into force.***

### **The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008**

These Regulations specify the form and content of the accounts and reports of companies under Part 15 of the Companies Act 2006, other than those subject to the small companies regime.

The Regulations replace provisions previously contained in the Schedules to Part 7 of the Companies Act 1985.

The Regulations come into force on 6<sup>th</sup> April 2008 and, with one exception, apply to financial years beginning on or after that date.

The corresponding provisions of the 1985 Act continue to apply to accounts and reports for financial years beginning before that date.

#### ***Our advice:***

***These Regulations are important and contain details of the content and format of the accounts and directors' reports of large and medium-sized companies and groups. Note the date when the regulations come into force.***

## **The Companies Act 2006 (Amendment) (Accounts and Reports) Regulations 2008**

These Regulations implement in part Directive 2006/46 of the European Parliament and the Council of 14<sup>th</sup> June 2006 amending Council Directives 78/660/EEC on the annual accounts of certain types of companies, 83/349/EEC on consolidated accounts, 86/635/EEC on the annual accounts and consolidated accounts of banks and other financial institutions and 91/674/EEC on the annual accounts and consolidated accounts of insurance undertakings (OJ L 224, 16.8.2006, pages 1 to 7). The Directive is also to be implemented by the Small Companies and Groups (Accounts and Directors' Report) Regulations 2008, the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, and by the Financial Services Authority using powers under the Financial Services and Markets Act 2000 (c.8).

### ***Our advice:***

***These Regulations are specialised in nature and only relate to certain types of companies, including banks and other financial institutions. We shall advise all clients that are subject to these Regulations of any changes from the requirements of previous legislation.***

## **The Companies (Revision of Defective Accounts and Reports) Regulations 2008**

These Regulations set out how the provisions of the Companies Act 2006 are to apply to revised annual accounts, directors' reports, directors' remuneration reports and summary financial statements prepared under section 454 of the 2006 Act.

The Regulations come into force on 6<sup>th</sup> April 2008, and apply in relation to companies' financial years beginning on or after that date.

### ***Our advice:***

***The occasions when a company will have to prepare and file revised accounts are rare. We shall advise clients on the requirements of the Regulations should such occasions occur.***

## **The Companies (Summary Financial Statement) Regulations 2008**

These Regulations concern the summary financial statements which companies may send out in place of their full accounts and reports under sections 426 to 428 in Part 15 of the Companies Act 2006.

The Regulations come into force on 6<sup>th</sup> April 2008, and apply in relation to companies' financial years beginning on or after that date.

***It will be noted from the above that the various Regulations will affect those companies whose financial years begin on or after 6<sup>th</sup> April 2008. In most circumstances the new Regulations will apply first to accounting periods commencing 1<sup>st</sup> May 2008 and which will end on 30<sup>th</sup> April 2009. This will mean that our corporate clients will have some time to familiarise themselves with the content of the Regulations.***

***We shall, of course, be advising all our corporate clients in detail as to the changes that have been made to existing legislation by the Regulations.***

***We would advise any of our corporate clients who use software that generates accounts from data input by the company to ensure that the publishers of any such software have brought this software fully up to date with the Regulations.***

***You can download all of the above Regulations, free of charge, from the Office of Public Sector Information website at [www.opsi.gov.uk](http://www.opsi.gov.uk).***

***Should you have any queries relating to the content of this document, please do not hesitate to contact us.***

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