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Companies Act 2006 – Changes to Implementation Timetable

The DTI have announced that:

- The new business review requirements in Section 417 of the Companies Act 2006 will be implemented for financial years beginning on or after 1 October 2007.

This section was previously due to come into force for accounting periods commencing on or after 6 April 2008 with the remainder of Part 15 of the Act dealing with the content of accounts and reports.

For unlisted companies S417 is broadly similar to the previous requirements although the only exemption now available to medium-sized companies is from reporting non-financial KPI's.

There are now specific requirements for quoted companies which effectively reintroduce the OFR.

- There are exemptions from disclosing information about impending developments or matters in the course of negotiation that could be seriously prejudicial to the company's or group's interests. Also information about contractual or other arrangements that would be seriously prejudicial to that third party and contrary to the public interest can be omitted.
- Where there is nothing to report on environmental, employee, social and community matters or essential contractual or other arrangements that fact must be stated.

As before, small companies are exempt from preparing a business review.

- For Directors Reports relating to financial years beginning on or after 6 April 2008, disclosure of donations to independent election candidates will have to be made in the same way as donations to political parties or their candidates.
- Implementation of Part 20 of the Act dealing with the prohibition on private companies offering shares to the public and minimum share requirements for public companies will be delayed until 1 October 2008 (from 6 April 2008) to bring it into line with the implementation of the other capital provisions of the Act.
- The following sections relating to directors' conflicts of interests will be implemented on 1 October 2008 (as opposed to 1 October 2007) when the other provisions on directors duties in Part 10 of the Act will be implemented:
 - Section 175: Duty to avoid conflicts of interest
 - Section 176: Duty to not accept benefits from 3rd parties
 - Section 177: Duty to declare interest in proposed transactions or arrangements
 - Sections 182-187: Declaration of interest in existing transaction or arrangement

This will necessitate some adaptations to sections in Part 10 that refer to conflict of interests (including Sections 170, 180 and 181).

- The implementation of those sections in Part 8 (principally sections 116 – 119) that deal with the rights of members and the public to inspect a company's Register of Members will be brought forward to 1 October 2007 from 1 October 2008.

New EC Company Law Directives

There are two new EC directives that will affect statutory Audits and Accounting that will be brought into force during 2008.

Proposed Statutory Audit Changes

The key statutory audit changes (that will need to be implemented from 6 April 2008) are:

- Audit fees must not be influenced by the provision of other services and cannot contain any contingency element.
- Auditors can only be dismissed where there are proper grounds.
- Outgoing auditors must provide all relevant information to their successors.
- Auditors of public interest entities will have to publish an annual transparency report about the firm.
- Public interest entities will have to have an audit committee.
- Key audit partners cannot join client companies for 2 years after they ceased to be partners.
- Medium-sized companies will be required to supply additional information on non-audit services when requested by the Professional Oversight Board.

Proposed Accounting Changes

The key changes to the EC Accounting Directives (that must be implemented before 5 September 2008) include:

- Option to increase small and medium-sized company thresholds to:-

	<u>Turnover</u>	<u>Total Assets</u>
Small company	£6.5m	£3.26m
Small group	£6.5m net or £7.8m gross	£3.26m net or £3.9m gross
Medium sized company	£25.9m	£12.9m
Medium sized group	£25.9m net or £31.1m gross	£12.9m net or £15.5m gross

- Legal requirement to disclose information on off-balance sheet financing arrangements. Small companies and groups will be exempt and the disclosures for medium-sized companies and groups will be limited to information about the nature and business purposes of arrangements. Examples of such arrangements include Special Purpose Entities, risk and benefit sharing arrangements and obligations arising from contracts such as debt factoring, sale and repurchase agreements, consignment stocks, take or pay arrangement and operating leases that are not included in the company's or group's balance sheet. This effectively brings FRS 5 into statute.
 - The Directive also covers fair value accounting, related party transactions and corporate governance statement (for companies whose shares are publicly traded), although current accounting standards and Listing Rules requirements largely comply with the new requirements
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Money Laundering – Cash Declarations

From 15 June 2007 anyone who enters or leaves the UK travelling to or from a non-EU country will be required to declare any sums of cash of Euros 10,000 or more, or equivalent in other currencies.

Cash for this purpose includes cheques, travellers cheques and banker's drafts.

The declaration will be made to HMRC on forms available at ports and airports. The forms require details of amounts of cash, ownership, origins of cash and how obtained (e.g. proceeds of sale of an asset, business takings, savings), details of intended use of cash and main intended recipient.

Penalties can be charged for failing to declare the money or providing incomplete or incorrect information. HMRC can seize cash of £1,000 or more if they have reasonable grounds to suspect it is the proceeds of, or is intended for use in, unlawful conduct. There is a right of appeal against the seizure and seized cash cannot be kept for more than 48 hours without a Court Order.

There is no requirement to declare cash if you are travelling to or from another EU country. For the purposes of this requirement the EU includes Gibraltar and the Canary Islands, but not the Isle of Man and the Channel Islands.

HMRC have issued a leaflet containing the new rules which can be found on the HMRC website by searching for 'Declaring Cash'.

As a result of these new rules it is probably safer not to travel with more than £1,000 in cash and travellers cheques.

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