

The Companies Act 2014

Accounting miscellaneous

April 2015

In this Companies Act 2014 (the ‘Act’) publication, we outline some changes relating to your financial statements contained in the Act which, whilst not representing dramatic change or innovation, may nonetheless have a significant impact on some Irish companies.

Revision of defective financial statements

Where an error is discovered subsequent to a set of financial statements having been filed with the Companies Registration Office (CRO) there is currently no facility for rectifying the accounts on public record other than a High Court application to have the accounts removed. The Act introduces a new regime whereby directors are allowed revise financial statements (including the director’s report). Where any changes do not impact the presentation of the profit and loss account, the balance sheet or other primary statements, the revision may be completed by way of a supplemental note. In instances where the primary statements are impacted, revised financial statements must be filed. Where the original filed financial statements included a report by the auditors, the revised set must also include an updated auditor’s report. Approval of the revised financial statements must be sought at the next scheduled AGM in circumstances where the originals had previously been approved by the members at an AGM. Revised financial statements must be submitted to the CRO within 28 days of the date of the revision.

Financial period

The Act clarifies and sets out in one location (Part 6, section 288) the minimum and maximum duration for a financial period. It outlines that the first financial year of a company may be no longer than 18 months from the date of incorporation. Thereafter, the financial period must be for a period of 12 months plus or minus seven days. A company may request a change in its financial period but it can only do so once every five years. The Act also confirms that the financial period of a holding company must be concurrent with its subsidiaries unless there are substantial reasons for it not to be. These reasons must be set out in the accounts.

Accounting records

The Act has introduced some new terminology in respect of the requirement to keep accounting information. The Act states that a company keeps “adequate accounting records”. This replaces the previous reference to “proper books of account”. The Act also refers to “financial statements” in place of what was before referred to as “accounts”. It is hoped this will reduce any confusion as to the accounting records of a company and what is the financial statements of a company.

Disclosure requirements in financial statements

The Act requires that directors of LTDs, DACs and CLGs which are obliged to prepare a directors’ compliance statement (i.e. companies that have a balance sheet total exceeding €12.5m and turnover exceeding €25m and all PLCs with the exception of investment companies) must include this statement in the directors’ report in their financial statements. The directors’ compliance statement must:

- a acknowledge that the directors are responsible for securing compliance with its relevant obligations (compliance with both company and tax law); and
- b with respect to each of the following three items, confirm that it has been done, or explain why it has not been done if that is the case:
 - that there is a compliance policy statement;
 - that there are appropriate arrangements or structures in place to secure material compliance with its relevant obligations; and
 - that a review of such arrangements and structures has taken place during the year.

Disclosure of directors' and connected persons' remuneration

The Act requires that a company discloses in the notes to its statutory financial statements, remuneration amounts for persons who were at any time a director of the company in respect of the financial year concerned. This must be given for both the current and preceding financial year. While this is not a new requirement the Act provides for broader disclosure as it now also includes payments to connected persons and an obligation to disclose the aggregate amount of the gains by directors on the exercise of share options during the financial year. Children, spouses and other family members may now find information on their remuneration also made public.

Additionally, whilst once again not a new requirement, the directors and secretary must disclose their interests in the company or other group companies either in the directors' report or in a note to the financial statements. There has however been an exemption introduced from disclosing this information that applies where said interest is less than 1% of the nominal value of shares of the company or shares of any other company in the group.

Summary financial statements for PLCs

Section 1119 is a new provision in the Act which allows directors of PLCs to provide summary financial statements to members in lieu of the full financial statements. Copies of the full financial statements must still be available on request to all shareholders. The summary financial statements must give a fair and accurate summary of the financial affairs of the PLC during the financial year and of its financial position at the year end. There must also be a statement of the auditors as to the consistency with the statutory financial statements.

Directors' Statement on Relevant Audit Information

Under the Act, all companies publishing a directors' report as part of the financial statements will now have to include a statement by the directors known as the 'Statement on Relevant Audit Information'.

The statement requires the directors to confirm the following:

Statement on Relevant Audit Information (s330)

There is no relevant audit information* of which the statutory auditors are unaware.

The directors have taken all steps** that they ought to have taken to make themselves aware of any relevant audit information and they have established that the statutory auditors are aware of that information.

It is evident that the directors have increased responsibilities in terms of making themselves aware of the relevant audit information and appropriate communication of same. Whilst this is something that would have, to date, formed part of their fiduciary duties as directors, their specific requirement in the Act puts them on a statutory footing.

Where a directors' report contains the 'Statement on Relevant Audit Information' and it is knowingly or recklessly false, the directors may be guilty of a category 2 offence under the Act.

Contact

If you require assistance or want to learn more about the Companies Act 2014, please refer to our other publications at www.grantthornton.ie or contact our Companies Act 2014 team at companiesact2014@ie.gt.com.

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*'relevant audit information' refers to any information needed by the company's statutory auditors in connection with their audit report.

**A director is considered to have taken all the steps they ought to have taken if they have made enquiries of their fellow directors and of the auditors and have taken any other reasonable steps as required such as discussions with management, review of pertinent financial information etc.