

Audit Exemption For Limited Companies

Generally

There have been a number of changes over the years in the audit thresholds, although they have remained the same for a number of years now. The audit thresholds principally relate to turnover and Balance Sheet total. Some companies who meet the threshold criteria will still have an audit. Examples of circumstances of this include:

- A company may opt to voluntarily have an audit.
- 10% or more of a company's shareholders may require an audit.
- Some companies may be required by their Memorandum and Articles of Association to have an audit. Such companies would need to change their Memorandum and Articles of Association before electing not to have an audit.

Which small companies qualify for an audit exemption?

To qualify for total audit exemption, a company must qualify as small and:

Year Ends after	30th March 2004	26th July 2000
Have a turnover of not be more than	£5.6 million	£1 million
And have a balance sheet total of not more than	£2.8 million	£1.4 million

Charitable Companies

For a charitable company to qualify for total audit exemption it must qualify as small, its gross income must not be more than £90,000 and its balance sheet total must not be more than £2.8 million (£1.4 million for financial years ended on or before 30 March 2004).

Charitable companies which qualify as small and have a gross income between £90,000 and £250,000 and a balance sheet total of no more than £1.4 million qualify for partial exemption.

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Companies not eligible for the exemption

Audited accounts must be delivered to Companies House if the company falls into any of the following categories:

1. A parent company or subsidiary undertaking (unless dormant for the period during which it was a subsidiary) except where:
 - the group qualifies as a small group or would qualify if all the bodies corporate in the group were companies; and
 - the turnover for the whole group is not more than £5.6 million net or £6.72 million gross; and
 - the group's combined balance sheet total is not more than £2.8 million net (£3.36 million gross).

Please note:

The above audit exemption thresholds apply to financial years ending after 30 March 2004. For earlier financial years, a parent company or subsidiary undertaking (unless dormant for the period during which it was a subsidiary) cannot qualify except where the group:

- qualifies as a small group or would qualify if all the bodies corporate in the group were companies ; and
 - the turnover for the whole group is not more than £1 million net (or £1.2 million gross); and
 - the group's combined balance sheet total is not more than £1.4 million net (or £1.68 million gross).
2. A member of a group of companies in which any member is:
 - a public company or body corporate which (not being a company) has power under its constitution to offer shares or debentures to the public;
 - a person who has permission under Part 4 of the Financial Services and Markets Act 2000 to carry on a regulated activity;
 - a person who carries on insurance market activity.
 3. A person who has permission under Part 4 of the Financial Services and Markets Act 2000 to carry on a regulated activity.
 4. A person who carries on insurance market activity.
 5. An appointed representative within the meaning of s.39 of the Financial Services and Markets Act 2000.
 6. A public limited company unless the company is dormant.
 7. A special register body or employers association under the Trade Union and Labour Relations (Consolidation) Act 1992.
 8. A company where an audit is required by a member or members holding at least 10% of the nominal value of issued share capital or holding 10% of any class of shares; or - in the case of a company limited by guarantee - 10% of its members in number. The demand for the accounts to be audited

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should be in the form of written notice to the company, deposited at the registered office at least one month before the end of the financial year in question.

Please note

Some flat management companies may have to prepare audited accounts to comply with the terms of their lease. If in doubt, you should seek professional advice.

Previous Thresholds

Company Year Ends after	Turnover
30th March 2004	£ 5.6 million
26th July 2000	£ 1 million
Previously	£ 350,000

Dormant Companies

New regulations also remove the requirement for dormant companies to pass a resolution to claim exemption from appointing auditors.

This brings dormant companies into line with other companies with turnovers below the threshold and removes what was an obviously silly anomaly whereby companies with no turnover needed to pass a resolution but companies with minimal turnover did not have to bother doing so.

The regulations now allow for the following transactions to be ignored in determining whether a company is dormant:-

- Taking of subscriber shares (the same as previously)
- Payment of change of name fee
- Payment of Annual Return fee
- Payment of re-registration fee
- Payment of a late filing penalty

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Further Details

Further details can be obtained from the Registrar of Companies at:

Companies House
Crown Way
Cardiff
CF14 3UZ

Ty Cwmnioedd
Ffordd Y Goron
Caerdydd
CF14 3UZ

Tel/Ffôn: 029 20278 0801

Fax/Ffacs: 029 2038 0517

Handley Evans & Co have opted out of audit work and will not accept any appointment as auditors.

Birkenhead Office

50 Oxtan Road
Birkenhead
Wirral
CH41 2TW

Telephone: 0151 652 9499

Facsimile: 0151 652 9260

email: birkenhead@handleyevans.co.uk

Buckley Office

Lloyds Bank Chambers
2a Mold Road
Buckley, Flintshire
CH7 2JB

Telephone: 01244 54 8080 / 01244 54 9368

Facsimile: 01244 54 4359

email: buckley@handleyevans.co.uk

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