



Deloitte Financial
Reporting Conference
Rising to the challenge

Tuesday 22 September 2015
Convention Centre Dublin



Companies Act 2014

Nessagh Quinn

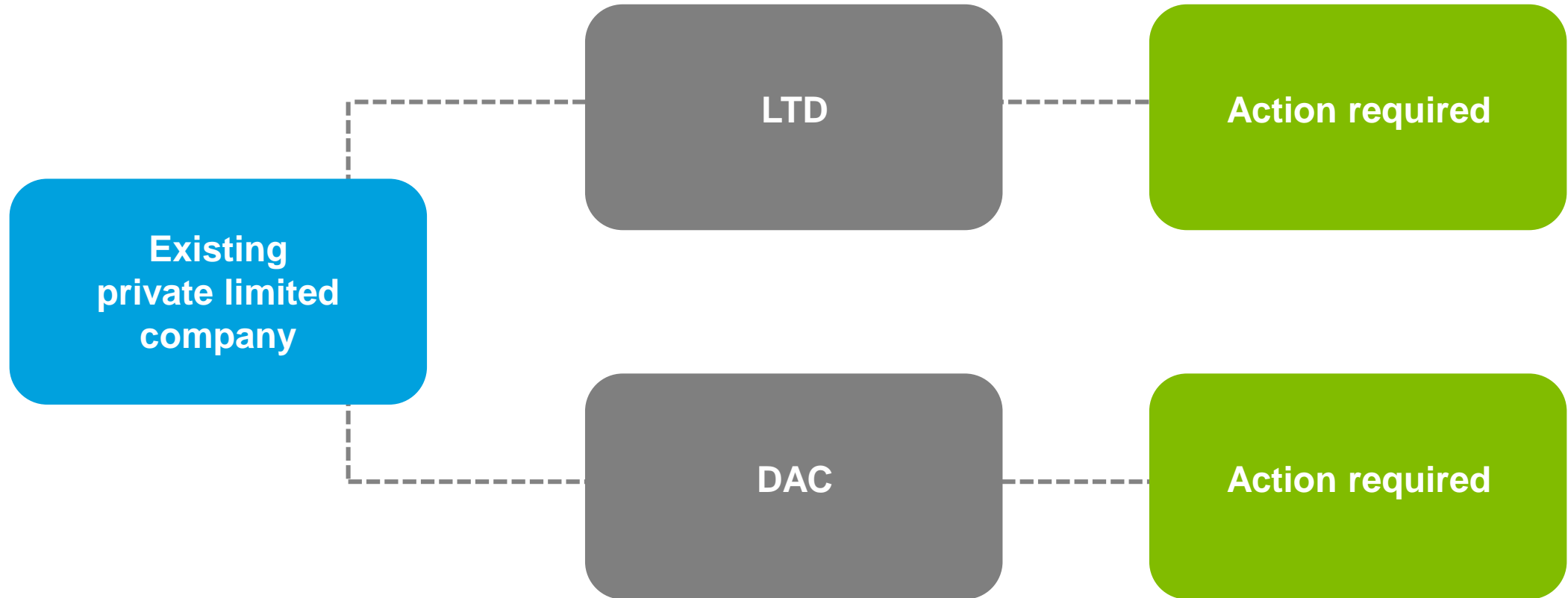


What's new?

- ✓ Companies Act 2014 commenced on 1 June 2015 (some exceptions)
- ✓ Act is divided into 2 volumes
 - Parts 1 - 15
 - Parts 16 - 25
- ✓ Introduced two forms of private company limited by shares
 - Private company limited by shares LTD
 - Designated Activity Company DAC
- ✓ Conversion process for all existing private companies
- ✓ Transition period 1 June 2015 – 30 November 2016



What do shareholders and directors need to consider?

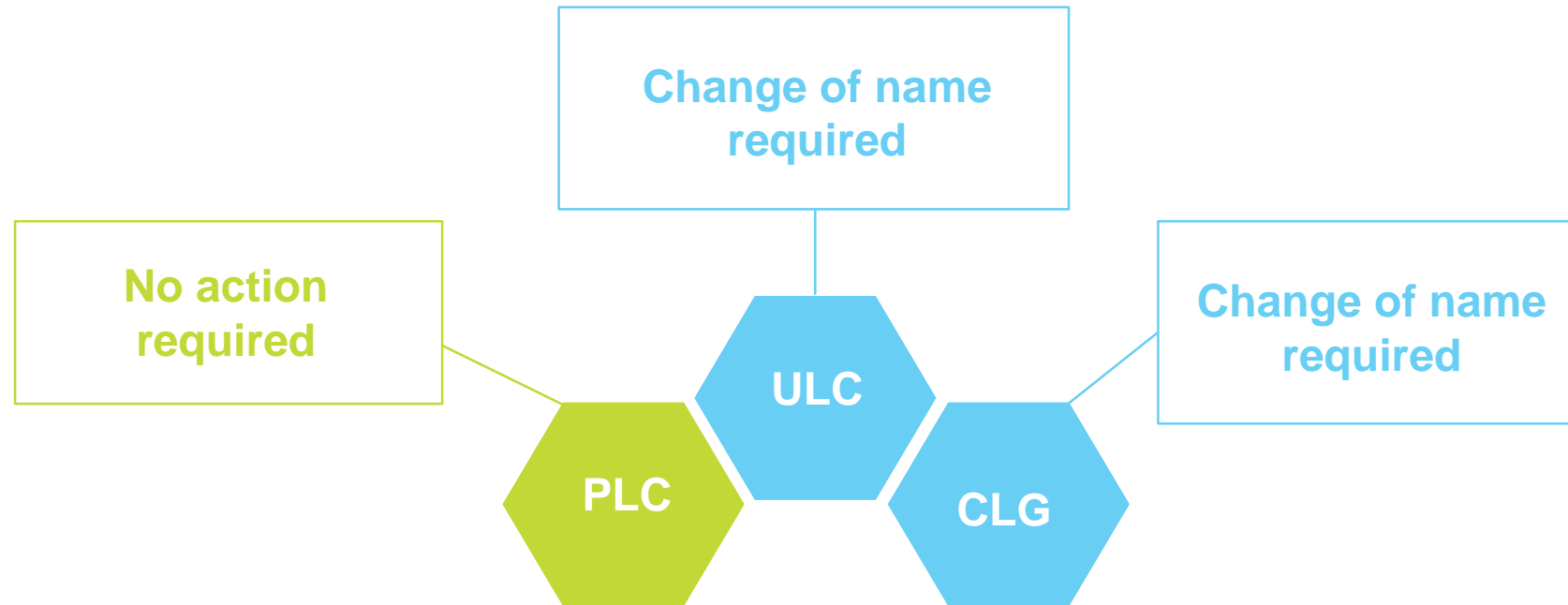


The Decision

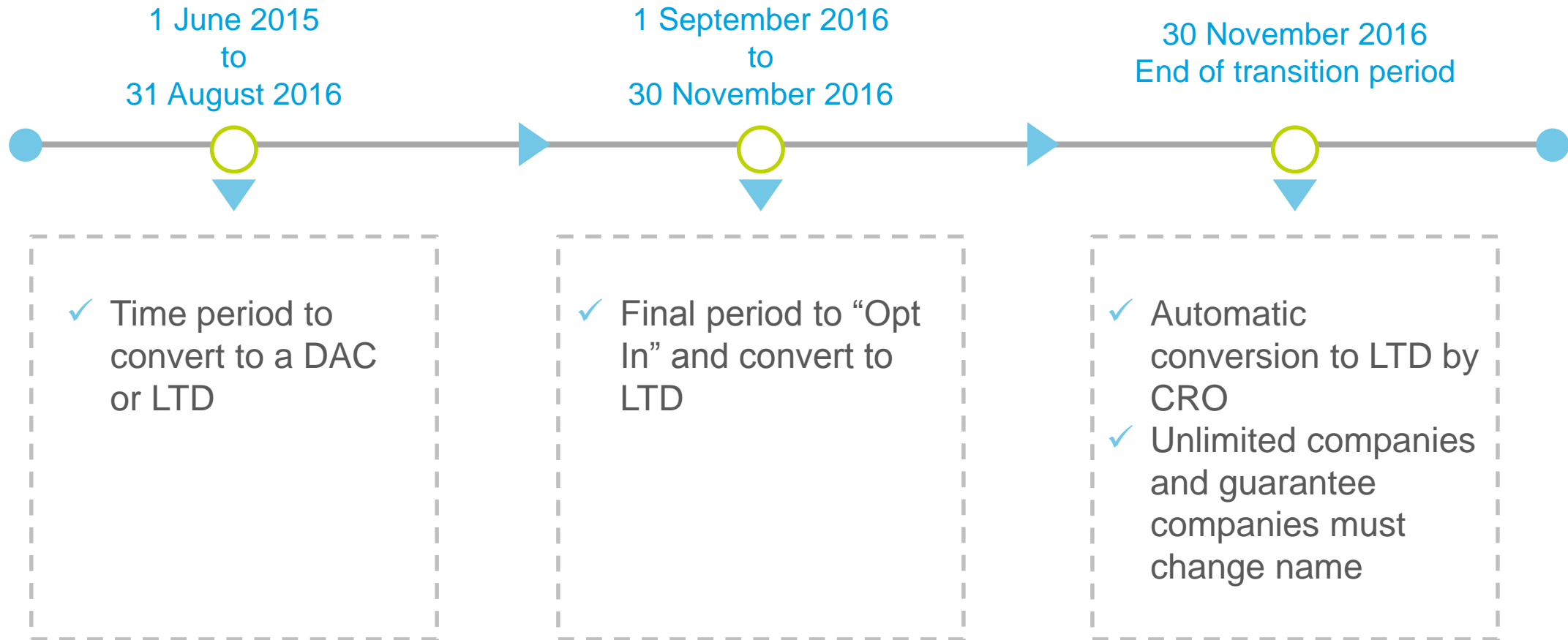
Key features of the LTD v DAC

LTD	DAC
<ul style="list-style-type: none">• No objects clause - full and unlimited capacity	<ul style="list-style-type: none">• Will have an objects clause
<ul style="list-style-type: none">• Can eliminate authorised share capital	<ul style="list-style-type: none">• Must state authorised share capital
<ul style="list-style-type: none">• Can have one director	<ul style="list-style-type: none">• Must have a minimum of two directors
<ul style="list-style-type: none">• Can dispense with holding the AGM – both single and multi-member company	<ul style="list-style-type: none">• May dispense with the AGM only if it is a single member company.
<ul style="list-style-type: none">• Credit institutions and insurance companies cannot be LTDs	<ul style="list-style-type: none">• Credit institutions and insurance companies may be DACs
<ul style="list-style-type: none">• Cannot offer shares to the public or list debt securities	<ul style="list-style-type: none">• Cannot offer shares to the public but able to list debt securities

Other company types



Timeline



Drafting new constitution

Matters for consideration

Act contains mandatory and optional provisions

- ✓ Optional provisions - adopt all or some?
- ✓ consider if fit for purpose
- ✓ ability to modify to suit company needs
 - deemed location of directors meetings when held via conference
 - authorise directors to use company property

Some optional provisions must be specifically stated in constitution to apply

Example:

- ✓ use of company seal abroad
- ✓ issue of notices by electronic means
- ✓ approval of directors' remuneration at AGM

Drafting constitutions - group situation

- ✓ Adopt standard across subsidiary companies
- ✓ detailed examination of parent company existing Articles of Association
- ✓ look at optional provisions, modify and adopt as relevant

Investment companies

Key features

- ✓ Part 24 read together with parts 1-14 save to the extent they are dis-applied by Part 17 (PLCs)
- ✓ Legislation is largely a reinstatement of the Companies Act 1990 provisions
- ✓ Must hold AGM, minimum of 2 directors, can have one member
- ✓ Must be authorised by the Central Bank to carry on an activity
- ✓ Directors' compliance statement – does not apply
- ✓ Corporate governance statement required - securities traded or listed on regulated market in the EEA
- ✓ Irish Collective Asset Management Vehicle (ICAV) – favoured structure for the funds industry



Top 10 changes

1 >

Existing duties of directors are now codified into eight principle duties

- ✓ will apply to **all** directors
- ✓ shadow directors and de facto directors now defined
- ✓ **acknowledge** they know the law
- ✓ must be satisfied financial statements give a true and fair view and otherwise comply with the Act

2 >

Financial statements

- ✓ restriction on changes to year end
- ✓ additional disclosures
- ✓ voluntary revision
- ✓ audit exemption regime expanded

3 >

Company secretary

- ✓ directors' duty to ensure company secretary has necessary skills
- ✓ new requirements for a PLC

Top 10 changes – contd.

4 >

New process for registering charges with the CRO

5 >

Relief in certain circumstances from the recognition of share premium

6 >

Mergers and divisions

7 >

Categorisation of offences

8 >

New provisions relating to general meetings

9 >

Summary approval procedure (SAP)

10 >

Directors' compliance statement

Summary approval procedure (SAP)

What is it?

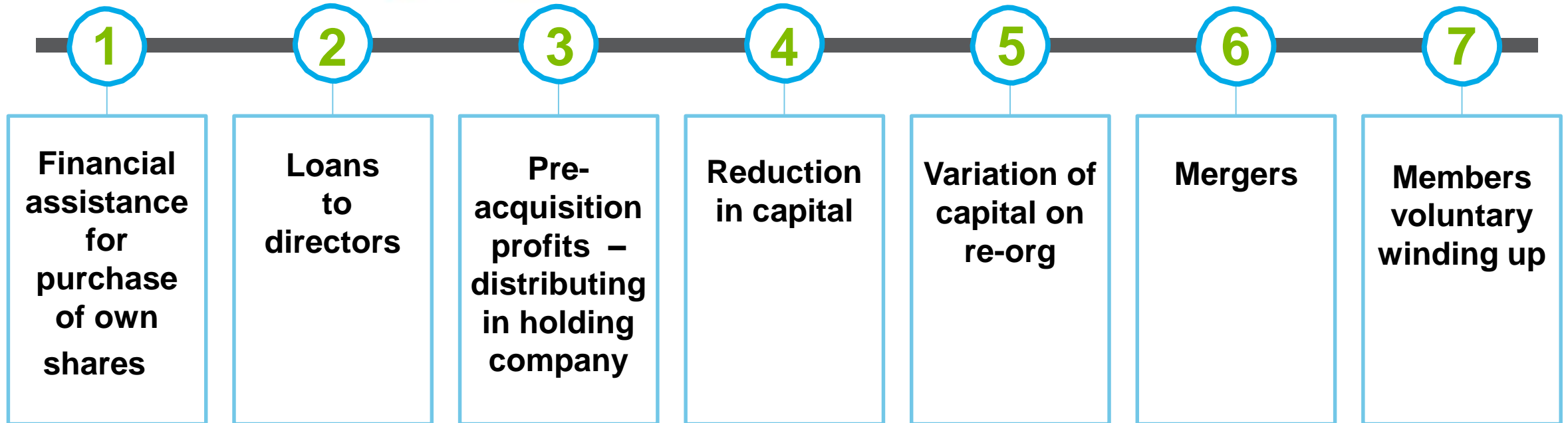
- Streamlined procedure to authorise seven activities
 - otherwise restricted/prohibited/needed court approval
- Modelled on the old “whitewash” procedure
- Directors’ declaration of solvency – not to be undertaken lightly as may cause the directors to be personally liable for the company’s debts

Who is SAP available to?

- Restricted use for PLCs



When is a SAP required?



Audit report that directors' declaration not unreasonable required for 3; 4; 5; and 7

Directors' compliance statement

Ailbhe Moynihan



Directors' compliance statement

What you need to know

S225 CA14: sets out the areas to be included with regard to the directors' compliance statement

Applies to: PLCs and companies with a balance sheet total (not net assets!) of €12.5m and turnover of €25m for the year in question

Applies from: Financial periods beginning on or after 1 June 2015

Requirement to comply or explain

Exempt from requirement: Investment Companies, Section 110 Companies and Unlimited Companies



Directors' compliance statement

What you need to know

The requirement:

- ✓ Acknowledgement of directors' responsibility with regard to compliance
- ✓ Comply or explain:
 - Drawing up a “compliance policy statement”
 - Putting in place appropriate arrangements or structures
 - Conducting a review during the financial year



Directors' compliance statement

What you need to know

Relevant Obligations:

If listed in the EEA:

- ✓ Serious Market Abuse offences
- ✓ Serious Prospectus offences

And for everybody within scope...



Directors' compliance statement

What you need to know – Relevant Obligations

Category 1 and 2 Offences – Examples

Failing to keep adequate accounting records

Failure to retain accounting records for 6 years

Offences in relation to directors' loans and other transaction

Failure to provide information required to the auditors

Fraudulently altering/omitting book or document relating to affairs of the company

Approving financial statements not giving a true and fair view

Directors' compliance statement

What you need to know – Relevant Obligations (Tax)

 Income Tax	 PAYE	 PRSI	 Benefits in Kind	 USC	 Corporation Tax
 Tax credits, e.g. R&D Tax Credit	 Customs Duty	 Excise Duty	 Capital Gains Tax	 Capital Acquisitions Tax	 Withholding Tax Dividends; Interest; Royalties; and Capital Gains
 Stamp Duty e.g., on cheques; cash cards; & other relevant assets	 VAT e.g., on property; place of supply/ reverse charge services; & filing obligations	 Tax obligations arising from mortgagee in possession	 Deposit Interest Retention Tax (DIRT)	 Tax Relief at Source (TRS) e.g. mortgage interest relief	 Encashment Tax
 Professional Services Withholding Tax (PSWT)	 Double taxation relief/credits	 Transfer pricing	 Relevant Contracts Tax (RCT)	 Local Property Tax (LPT)	 Reporting obligations under the EU Savings Directive

Directors' compliance statement

What you need to do

- ✓ Identify the structures in scope
- ✓ Initial review of relevant structures
- ✓ Assessment and improvement where appropriate
- ✓ Communicate with directors
- ✓ Apply continuous monitoring and improvement

Timeline (100 days to go): 31 December year-end, all needs to be in place before 1 January 2016 if a clean compliance statement is to be given in the directors' report for 2016



Impact on the annual report and financial statements

Oliver Holt



Directors' Report


Changes from 1 June 2015 include

Directors no longer required to disclose interests <1% or non-voting interests

Single director companies only: provision made for single director sign off of directors' report.

Directors' Report

Changes for accounting periods beginning on or after 1 June 2015 include



Must list the names of all persons who were directors at any time during the year

Directors' Report

Changes for accounting periods beginning on or after 1 June 2015 include

Audit Committees

Comply or explain already an obligation for Public Interest Entities [reg. 91 SI no. 220 of 2010] now extended to large companies / groups for accounting periods beginning on or after 1 June 2015

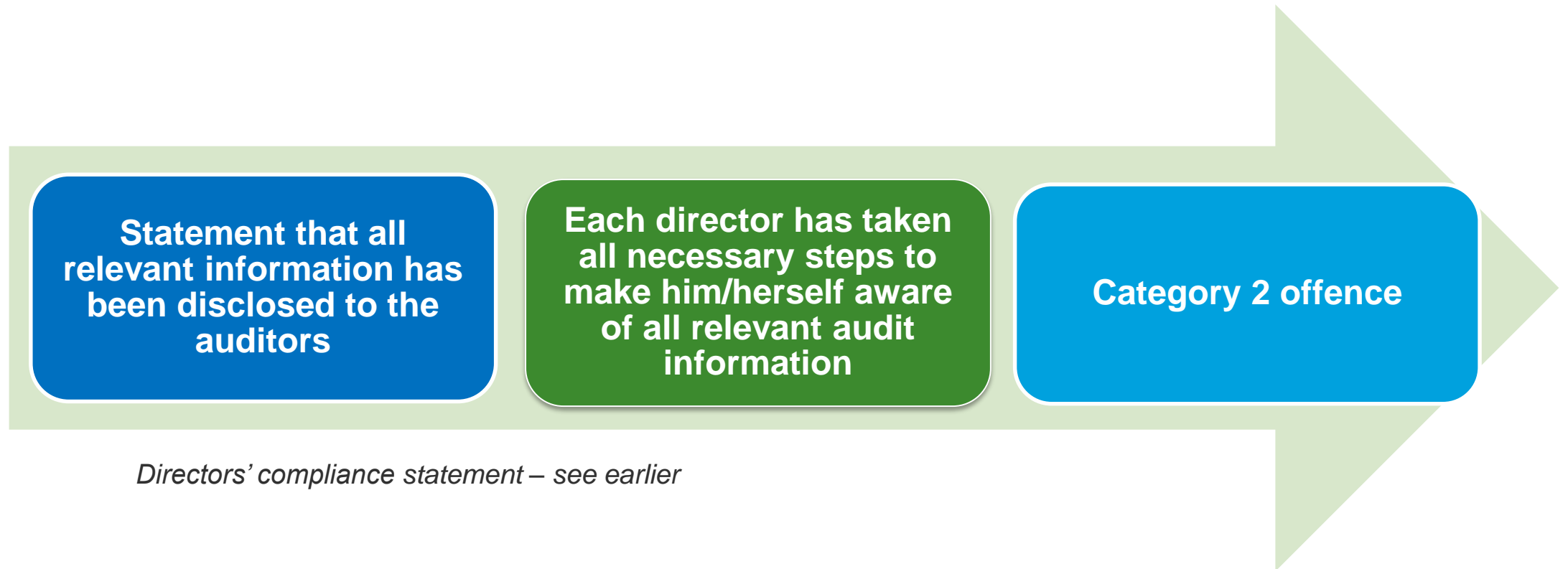
Obligatory for large companies / groups where
- Balance Sheet Total >€25m
AND
- Turnover >€50m

Must confirm in Directors' Report that Audit Committee has been appointed or provide reasons why not

Must have at least one independent director with competence in accounting or auditing on the committee

Directors' Report

New auditor statement required from directors for accounting periods beginning on or after 1 June 2015



Directors' compliance statement – see earlier

Approval of financial statements

Changes from 1 June 2015 include



Category 2 offence if directors approve the statutory financial statements and have not satisfied themselves that they give a true and fair view and otherwise comply with the Act.

Approval of financial statements

Changes from 1 June 2015 include



“otherwise comply with the Act” – there are a number of disclosures which are captured by this requirement: need to avoid any disclosure deficiencies in these areas to avoid reporting implications

Approval of financial statements

Changes from 1 June 2015 include

- **Only required to sign balance sheet(s)**
- **Must also state name**
- **Category 2 offence to lay or file without signing**

More disclosures in financial statements – some examples!

Directors' emoluments

- Pension contributions: analyse between defined benefit and defined contribution schemes
- Long term incentive schemes
- For accounting periods beginning on or after 1 June 2015:
 - Gains on exercise of share options;
 - Connected person remuneration.

Wages and salaries disclosure

- Separately disclose “other compensation”
- Number of employees – previously 52 week average: now monthly average

Directors' loans

Changes from 1 June 2015 include

Loans by a company to a director, S.236 CA 2014

If not in writing or is ambiguous, then deemed to be:

- Repayable on demand
- Bears interest – at appropriate rate- currently 5%
- Covers quasi loans also

Loans by director/connected persons to company or holding company, S.237 CA 2014

If not in writing or is ambiguous:

- Arrangement constitutes neither a loan or quasi loan
- Bears no interest
- Not secured
- Subordinate to all other debts

Reminder: filing regime

Changes from 1 June 2015 include

Small company must make public disclosures

May file full shareholders' financial statements

But at a minimum must file an abridged balance sheet

While do not have to file a profit and loss account, section 353 is clear that notes to the abridged balance sheet includes s. 305 to s. 321 disclosures including:-

- Directors' remuneration
- Staff costs and numbers

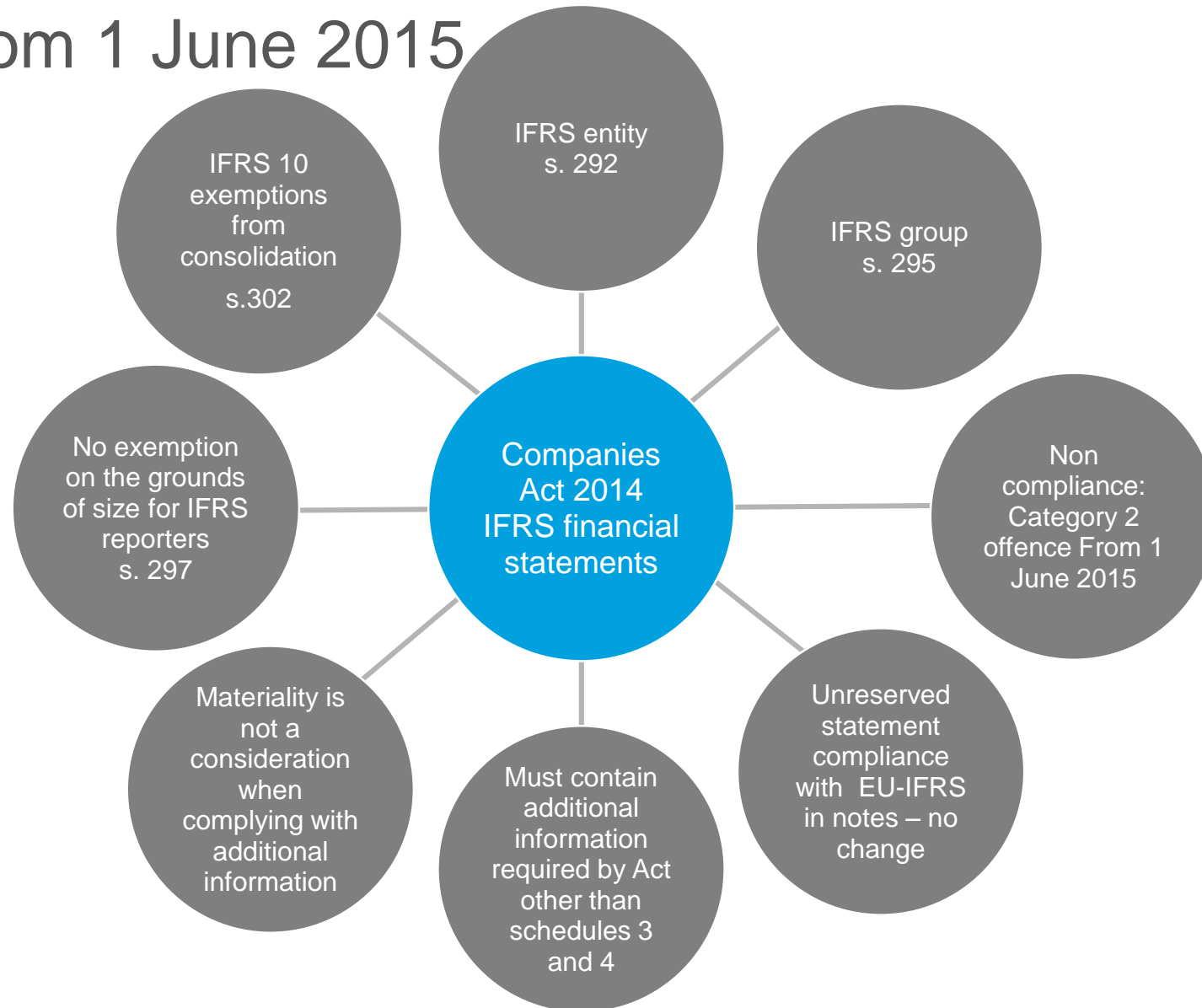
as well as disclosures from five paragraphs of Schedule 3 (para: 52, 53, 57, 58 and 68)

Requirement to include directors' interest in shares in a note to the balance sheet for filing purposes remains

Definition of Turnover includes "gross revenue" derived from the making or holding investments as part of the "ordinary activities"

Particular impacts on IFRS financial statements

Changes from 1 June 2015



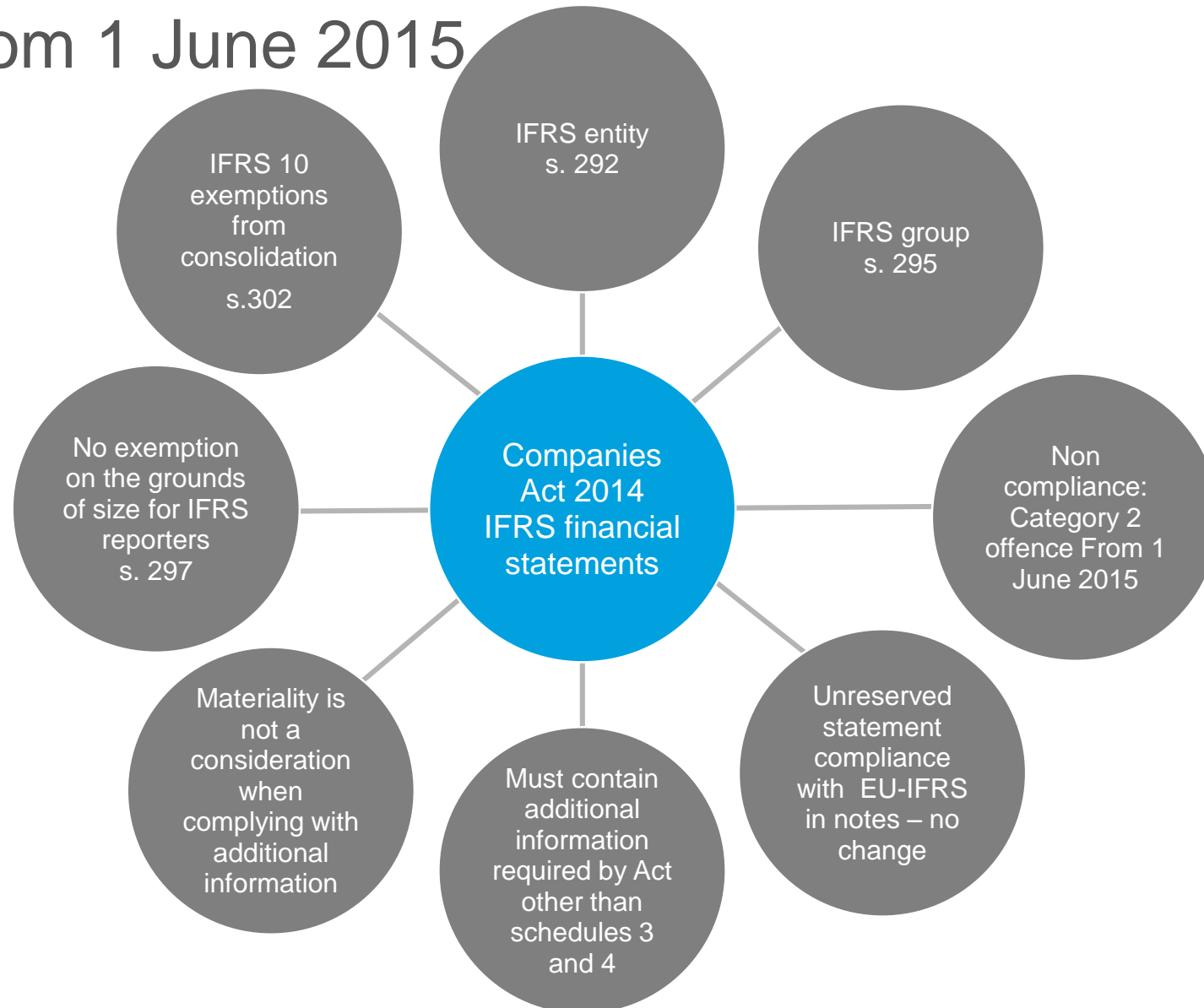
Additional information required by CA 14 not in Schedules 3 & 4

Examples from Part 6*

Section	Matter
304	Treatment of entity profit and loss account where group financial statements prepared
305/306	Directors' remuneration
307/308	Directors' benefits: loans, quasi-loans, credit transactions and guarantees
309	Other transactions in which directors etc have a material interest
310-313	Credit institutions
314 -316	Information on related undertakings
317	Disclosure of particulars of staff
318	Details of authorised share capital, allotted share capital and movements
319	Financial assistance for purchase of own shares
320	Holding of own shares or shares in holding undertaking
321	Disclosure of accounting policies
322	Disclosure of remuneration for audit, audit-related and non-audit work
323	Information on arrangements not included in balance sheet

Particular impacts on IFRS financial statements

Changes from 1 June 2015



Further information

Visit the information stand!



Collateral on www.deloitte.com/ie

Deloitte. Companies Act 2014 It has arrived...

Minister Richard Bruton signed the order which commences the Companies Act 2014 (subject to certain exceptions) on 1 June 2014.

Financial reporting

- Approved financial statements:** Companies are required to submit financial statements that are audited and approved by the auditors. The auditors must also issue a report on the financial statements. The auditors must also issue a report on the financial statements. The auditors must also issue a report on the financial statements.
- Financial year end:** The financial year end for most companies is 31 December. However, companies can choose a different financial year end. The financial year end must be a day in the year.
- Directors:** It is possible to have private companies with directors who are not natural persons. It applies to all.
- Audit exemption:** Small companies, medium-sized companies, and large companies can be exempt from audit. The exemption is based on the company's size. The exemption is based on the company's size.
- Statutory financial reporting periods:** Companies must submit financial statements to the Registrar of Companies. The financial statements must be submitted to the Registrar of Companies.
- Single entry:** The law states that a company can use single entry bookkeeping. The law states that a company can use single entry bookkeeping.

Deloitte. Companies Act Compliance

The Companies Act was enacted in December 2013 and has introduced the requirement for a number of companies to be made public. It is important for these companies to be aware of the Act and a number of key provisions that will be required to be implemented to comply with the Act.

The Companies Act is divided into categories 1 and 2. Companies that are exempt from the Act are those that are exempt from the Act. Companies that are exempt from the Act are those that are exempt from the Act.

Understanding the Companies Act

The Act is divided into categories 1 and 2. Companies that are exempt from the Act are those that are exempt from the Act. Companies that are exempt from the Act are those that are exempt from the Act.

Company Type	2013	2014	2015	2016	2017	2018	2019	2020
Companies	42%	44%	47%	53%	57%	61%	65%	69%
Private	64%	70%	76%	82%	88%	94%	98%	100%
Public	53%	60%	66%	72%	78%	84%	90%	96%
Date & System	54%	58%	62%	66%	70%	74%	78%	82%

Risk Rating

- High priority
- Medium priority
- Low priority

Overall Score: 55%

Deloitte. Corporate & Legal Your guide to the Companies Act 2014 Commenced on 1 June 2015 (subject to certain exceptions)

The Companies Act 2014 requires certain companies to be made public. The Act is divided into categories 1 and 2. Companies that are exempt from the Act are those that are exempt from the Act.

- Public Limited Company:** No action needed to change the company name.
- Private Limited Company:** Must submit financial statements to the Registrar of Companies.
- Company Limited by Guarantee (CLG):** Large CLGs (CLGs with more than 100 members) must submit financial statements to the Registrar of Companies.
- Unlimited Company:** Where to register is shown on page 11 of the guide.

CLG & Unlimited

The CLG will have a new Certificate which reflects the company's new status. The CLG will have a new Certificate which reflects the company's new status. The CLG will have a new Certificate which reflects the company's new status.

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