

News round-up

Corporate finance

Introduction

Welcome to the latest in our series of regular alerts containing a round-up of news from our capital markets practice. Among other things, we bring you news of the latest developments regarding women on corporate boards, as well as news of the reform of the regime relating to audit exemptions and the accounting framework.

Corporate governance: women on boards: new UK inquiry into 'Women in the Workplace'

On 4 September 2012, the Business, Innovation and Skills Committee launched a new inquiry into women in the workplace. It will consider among other things:

- how far the recommendations made by Lord Davies in his review of February 2011, 'Women on Boards', have been adopted;
- the extent to which investors should take into account the percentage of women on a company's board when they consider company reporting and appointments to the board;
- why there are still so few women in senior positions on boards; and
- the benefits of having a greater number of women in these positions.

It will also consider other, general, issues relating to the position of women in the workplace, including the following:

- whether existing legislation goes far enough in tackling inequalities between men and women in the workplace;
- the steps to be taken to ensure enhanced transparency on certain issues such as pay and workforce composition;
- the question of gender stereotyping in particular business sectors (including banking, engineering and construction); and
- the effect of the current economic situation on female employment and pay levels.

Comments are requested by 5 October 2012.

Business, Innovation and Skills Committee News Release: Women in the Workplace available at: <http://www.parliament.uk/business/committees/committees-a-z/commons-select/business-innovation-and-skills/news/women-in-the-workplace/>

Corporate governance: women on boards: EU initiative: legislative quotas seem likely

Various recent press reports have suggested that the European Commission is preparing to propose the introduction of legislation which would impose a 40% quota for women on boards by 2020. According to the reports, companies with 250 employees or more, or with more than €50 million in revenue, would be required to report annually on the gender composition of their boards. Those that failed to meet the mandatory quota would, it has been reported, be subject to administrative fines or would be barred from state aid contracts. The Commission is expected to publish its proposals in October this year and we will up-date you once the position becomes clearer.



Financial reporting: reform of the regime relating to audit exemptions and the accounting framework

Following its recent consultation, the Government published regulations on 11 September 2012¹ for the reform of the regime relating to audit exemption and the accounting framework. The key changes made by the new regime are as follows:

Exemption from mandatory audit: small companies and groups

Mandatory audit thresholds will be aligned with accounting thresholds for small companies (including those that form part of a larger group), allowing 36,000 more companies the opportunity to be audit exempt.

Exemption from mandatory audit: qualifying subsidiaries

The new regime will also exempt from mandatory audit a further 83,000 subsidiary companies provided that the subsidiary meets all the following criteria:

- that it is not quoted;
- that it is not, among other things, an authorised insurance company or banking company;
- that its parent undertaking is established in an EEA state;
- that its shareholders unanimously agree to the exemption from audit;
- that its parent gives a statutory guarantee of the subsidiary's outstanding liabilities;
- that the subsidiary is included in the consolidated group accounts and its exemption from audit noted in the accounts; and
- that the guarantee, written confirmation of shareholder approval and consolidated report and accounts are all filed at Companies House.

Exemption from preparing and filing individual accounts: dormant subsidiaries

Dormant subsidiaries will be exempt from the requirement to prepare and file accounts, provided they meet the same criteria, and make the same filings, as set out above in respect of 'qualifying subsidiaries'. They will, however, still need to file an annual return.

Reporting standards

The current system will be relaxed to allow companies which currently prepare IAS accounts to transfer to UK GAAP in cases other than 'a relevant change of circumstance' (which is the current stipulation), provided they have not moved to UK GAAP at any time in the previous five years. This will allow companies to take advantage of reduced disclosures under UK GAAP.

Timing

The new regime (which will apply also to limited liability partnerships) will come into force for financial years ending on or after 1 October 2012.

The Companies and Limited Liability Partnerships (Accounts and Audit Exemptions and Change of Accounting Framework) Regulations 2012 (SI 2012/2301) available at: <http://www.legislation.gov.uk/uksi/2012/2301/contents/made>

UKLA helpdesk: guidance on the new arrangements effective 1 October 2012

As previously reported², the United Kingdom Listing Authority ('UKLA') will, as from 30 September 2012, only accept requests for guidance by telephone in cases of exceptional urgency or from a sponsor in connection with sponsor services. The UKLA has now announced that, as from 1 October 2012, there will be three separate telephone lines³:

- Line 1: for general administrative queries and questions of a non-technical nature;
- Line 2: for listing applications (to deal with questions such as the amount of listing fees and the documents to be submitted on a listing application); and
- Line 3: an emergency helpline for urgent live market situations (including suspensions), as well as for urgent queries regarding the disclosure of inside information.

There will, in addition, be a separate telephone service for sponsor enquiries, accessible via the general administrative queries line.

Details are contained in the third edition of the FSA's Primary Markets Bulletin issue no. 3 available at: <http://www.fsa.gov.uk/pubs/ukla/ukla-bulletin-no3.pdf>

¹ The Companies and Limited Liability Partnerships (Accounts and Audit Exemptions and Change of Accounting Framework) Regulations 2012 (SI 2012/2301).

² Please see the August 2012 edition of this publication: issue no. 8/2012.

³ Contact numbers will be available on the UKLA website as from 1 October 2012.

How Squire Sanders can help

We would be pleased to discuss with you in more detail any of the matters raised in this article.

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