

Companies Act 2006 Provisions being implemented on 1 October 2008 in relation to limited liability partnerships

The Companies Act 2006 provisions in relation to Limited Liability Partnerships (LLPs) come into effect on 1 October 2008. These provisions relate to accounting, audits and auditors. Further provisions are introduced from 1 October 2009.

The aim of this briefing is to highlight the key areas; however, we strongly recommended that you discuss any provisions which you think affect your partnership with your legal or accounting advisors.

Small and Medium Sized LLPs

There have been changes to the criteria which must be met in order for a partnership to qualify as either small or medium sized. You should contact your advisors for more detail on the exemptions available for a small or medium size LLP

The thresholds for qualification as small and medium sized have been increased. To qualify for the exemptions the LLP must not exceed more than one of the thresholds.

Individual LLPs	Accounting periods beginning before 1 October 2008	Accounting periods beginning on or after 1 October 2008
Small LLPs		
Turnover must not exceed	£5.6 million	£6.5 million
Balance sheet total assets must not exceed	£2.8 million	£3.26 million
Average number of employees must not exceed	50	50
Medium sized LLPs		
Turnover must not exceed	£22.8 million	£25.9 million
Balance sheet total assets must not exceed	£11.4 million	£12.9 million
Average number of employees must not exceed	250	250
LLP Groups	Accounting periods beginning before 1 October 2008	Accounting periods beginning on or after 1 October 2008
Small LLP groups		
Turnover must not exceed	£5.6 million (net) £7.72 million (gross)	£6.5 million (net) £7.8 million (gross)
Balance sheet total assets must not exceed	£2.8 million (net) £3.36 million (gross)	£3.26 million (net) £3.9 million (gross)
Average number of employees must not exceed	50	50
Medium sized LLP groups		
Turnover must not exceed	£22.8 million (net) £27.36 million (gross)	£25.9 million (net) £31.1 million (gross)
Balance sheet total assets must not exceed	£11.4 million (net) £13.68 million (gross)	£12.9 million (net) £15.5 million (gross)
Average number of employees must not exceed	250	250

Medium sized LLPs and groups

The exemptions available to medium sized LLPs or groups have been significantly reduced:

- Medium sized LLPs must disclose turnover in the abbreviated profit and loss account but are still exempt from disclosing detailed particulars of turnover in the notes.
- Parent LLPs of medium sized groups will no longer be exempt from preparing consolidated financial statements by virtue of their size but are still entitled to other exemptions from consolidation permitted by the Companies Act 2006.

These provisions come into effect for financial periods beginning on or after 1 October 2008.

Action points

- Assess whether the LLP is affected by these changes
- Discuss with your advisors or auditors necessary actions
- For LLPs or groups becoming small – consider whether you wish to take advantage of the exemptions available
- For medium sized LLPs – consider whether it will continue to be worthwhile to take advantage of the limited exemptions
- For medium sized groups now required to prepare group accounts – prepare comparative figures now and plan to ensure all information is available in time for the year end

Audit exemption

The audit exemption limits for small LLPs have also been increased for accounting periods starting on or after 1 October 2008. For the exemption to apply LLPs must satisfy both of these tests:

	Accounting periods beginning before 1 October 2008	Accounting periods beginning on or after 1 October 2008
Turnover must not exceed	£5.6 million	£6.5 million
Balance sheet total assets must not exceed	£2.8 million	£3.26 million

Action points

- Consider if the LLP falls to be exempt from audit
- Consider if third parties (e.g. lenders) require audited accounts
- If exempt, discuss alternatives to statutory audit with your auditors
- Decide if you wish to take advantage of audit exemption

Auditor's Cessation of Appointment

Whenever an auditor office leaves before the end of their tenure, the LLP has a new duty to notify this fact:

For a "major" audit, this notification is to the Professional Oversight Board (part of the Financial Reporting Council). For other audits, the appropriate body is the outgoing auditor's supervisory body. A major audit is a partnership in which there is a major public interest in its financial condition.

Accounts Filing Deadlines

For financial periods commencing on or after 6 April 2008, the filing deadlines for accounts have been reduced to 9 months from the end of the financial period. So, for an accounting year end of 5 April the filing deadline is now 5 January, rather than 5 February as previously.

However, there is an exception where an LLP's period end is the end of the month and in these cases, the filling period is the 9 month anniversary of the end of the financial year. For example, a partnership with financial year end of 30 November will need to file accounts by 31 August, rather than 30 August.

Action points

- Ensure that your year end timetable gives enough time to meet the new deadlines comfortably
- Ensure that you have sufficient resources to meet the timetable
- Confirm the timetable with your auditors
- Communicate the timetable to budget holders and finance staff
- Consider changing the accounting reference date if the accounts preparation or audit falls within a busy commercial period

Penalties for Late Filing of Accounts

The penalties for late filing of accounts have been increased:

Accounts before 1 February 2009	Penalty
Length of period	£
Not more than three months	100
Between three and six months	250
Between six and 12 months	500
After more than 1 year	1,000
Accounts after 1 February 2009	
Length of period	
Not more than one months	150
Between one and three months	375
Between three and six months	750
After more than six months	1,500

In addition where there was a failure to comply with filing requirements in relation to the previous financial year (and that the previous financial year had begun on or after 1 October 2008), the penalty will be double that shown in the table.

As can be seen, penalties apply after just one month's delay and the other time periods at which the penalties apply have been reduced. Combined with the increases in amounts due, this can significantly increase penalties payable – for example, a LLP filing accounts 4 months late faces a penalty of £750 (previously £250).

Account Disclosures

The LLPs Act 2006 also imposes some new accounts disclosure requirements on LLPs, which may require additional information to be included in the notes to the accounts, for example medium and large LLPs are required to disclose off-balance sheet arrangements.

Circulation of accounts

LLPs will no longer be required to send copies of the accounts to members within a month of the accounts being signed.

For financial periods commencing on or after 1 October 2008 the accounts must be sent to members within the period for filing the accounts at Companies House, or if earlier, no later than the date on which they are actually delivered to Companies House.

Remaining provisions

The provisions currently applying to LLPs through the Limited Liability Partnership Regulations 2001 will be applied by Companies Act 2006 from 1 October 2009, these included:

- LLP Names
- Members addresses
- Annual Returns
- The Registrar
- Striking-off
- Charges

A draft consultation is to be issued later this year to decide whether the remaining provisions of the Companies Act 2006 will apply to LLPs. The implementation date would be 1 October 2009.

For further information, please contact: **Kim Sanders** - Baker Tilly Revas Limited, The Clock House, 140 London Road, Guildford GU1 1UW Tel: 01483 307138 Email: kim.sanders@bakertilly.co.uk

This technical briefing is designed for the information of readers. Whilst every effort has been made to ensure accuracy, information contained in this briefing may not be comprehensive and recipients should not act upon it without seeking professional advice from their usual professional adviser.