The City of London Law Society

The Law Society

Corporate Transparency and Register Reform

Consultation on improving the quality and value of financial information on the UK companies register

Joint Response of the Company Law Committees of the City of London Law Society and the Law Society

2 February 2021

BEIS CONSULTATION: CORPORATE TRANSPARENCY AND REGISTER REFORM

IMPROVING THE QUALITY AND VALUE OF FINANCIAL INFORMATION ON THE UK COMPANIES REGISTER

JOINT RESPONSE OF THE COMPANY LAW COMMITTEE OF THE CITY OF LONDON LAW SOCIETY AND THE LAW SOCIETY COMPANY LAW COMMITTEE

The views set out in this paper in relation to the proposed corporate transparency and register reform set out in the consultation paper titled "Consultation on improving the quality and value of financial information on the UK companies register"[1] published in December 2020 (the **Consultation**) have been prepared by a Joint Working Party (the **Committee**) of the Company Law Committees of the City of London Law Society (**CLLS**) and the Law Society of England and Wales (the **Law Society**). See the Annex to this paper for further information relating to the CLLS and the Law Society.

Introductory remarks

We welcome the Government's aims of reducing criminal activities and fraud and increasing the accuracy of, and confidence in, the public register maintained by Companies House (the **Register**). We also welcome this opportunity to contribute to any improvements to the quality and value of the financial information available on the Register.

We draw your attention to our response to the 2019 consultation on Corporate Transparency and Register reform[2] (the **2019 Response**), including our comments in that response to Chapter 7 of that consultation on the reform of company accounts. Those comments remain and, when considering which proposals to bring forward, we feel the Government should bear the following overarching principles in mind:

- company information is a valuable resource to persons dealing with a company and, to this extent, in general terms the more relevant information that is available to third parties, the better;

- however, the preparation of annual accounts and reports, and the procurement of an audit, can be an expensive and time-consuming task for companies, particularly larger ones, and the value to the public needs to be weighed against the administrative burden and expense;

- the UK's accounting regime is complex, and appropriate movements towards genuine simplification will reduce the burden on and cost to companies. However, this needs to be balanced against the need for users of financial information to benefit from increased detail and granularity as the size and systemic importance of a company increases; and

- any method for preparing, tagging and filing accounts electronically needs to be accessible to as many companies as possible, recognising the fact that many smaller companies will have fewer resources to dedicate to these activities.

We have set out below our responses to those questions in the Consultation in relation to which we believe we are in a position to comment. In many cases, we feel that the

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1 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/942160/Consultation_on_improving_the_quality_and_value_of_financial_information_on_the_register.pdf

2 http://prototypes.transputec.net/wp-citysolicitors.co.uk/wp-content/uploads/2019/09/CLLS-response-to-BEIS-consultation-on-Companies-House-31-07-19-1.pdf

comments of organisations involved in preparing and approving financial statements will be of more value to the Government than ours. Consequently, where we have not provided a response to a specific question, please assume that we have no comments in relation to that question.

Section 2: Requiring financial information to be delivered in a digital format

Q7: What can government do to assist these companies to transition to digital filing?

We have no comments on the digital filing of accounts specifically. However, we would draw attention to our comments in the Committee's response to question 22 of the Government's parallel consultation on the "Powers of the Registrar"[3], in which we note that electronic filing can suggest two separate delivery mechanisms:

- the ability to file an electronic copy (for example, a scanned copy in PDF format) of a paper document by an electronic delivery method (for example, by sending to an email address or by submitting through an online portal); and

- the ability to submit information in purely electronic form through a Companies House WebFiling or dedicated filing software (which Companies House terms "software filing"), rather than by creating an electronic replica of a paper document.

We reiterate our comment that some companies (particularly smaller companies) may lack the resources to take advantage of software filing and may, therefore, need to be entitled to default to submitting their accounts in paper format, at least for a transitional period.

We also note that, in certain cases, the mechanism for delivering accounts to Companies House depends on the type of accounts being filed. We are aware of multiple delivery methods at present.

We would encourage the Registrar to implement electronic submission systems that are open to as many organisations, at as low a cost and with as few administrative burdens as possible in order to maximise the take-up of digital filing. In particular, we would suggest that the Government's ultimate goal should be to create a single method of electronic delivery that can be used by all companies for all types of submission.

In this regard, we note that, during the on-going coronavirus (SARS-CoV-2)/Covid-19 pandemic, Companies House has provided the facility for companies and other applicants to file certain documents with Companies House by uploading them through the emergency filing service[4]. This might provide a platform for the future digital delivery of company accounts.

Section 3: Full i-XBRL tagging of financial information

Q8: What challenges do you foresee with filing fully tagged accounts with Companies House?

In our 2019 Response, we:

- agreed that minimum tagging standards in iXBRL would make key financial information more easily identifiable both to Companies House (when checking minimum reporting requirements) and to users of the Register;

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3 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/942167/Registrar_s_Powers_Consultation.pdf

4 https://find-and-update.company-information.service.gov.uk/efs-submission/start.

- agreed that Companies House should explore the introduction of minimum digital tagging standards; and

- suggested that the introduction of any minimum tagging standards be considered and introduced in conjunction with HM Revenue & Customs (**HMRC**).

We reiterate those comments here. Given that iXBRL tagging is already mandatory when submitting accounts to HMRC, and that accounts submitted via WebFiling, together with a proportion of accounts submitted using software filing, are already tagged using iXBRL, we believe that the extension of mandatory iXBRL tagging to accounts submitted to the Registrar is logical, sensible and proportionate.

We agree in particular with paragraphs 38 and 39 of the Consultation and note that iXBRL tagging should be able to allow the Registrar not only to validate and (where required) reject accounts submitted to it, but also (depending on which tags are mandated and which additional information required within a company's accounts) to validate whether a company qualifies for the particular category of accounting regime (that is, micro, small, medium-sized or large) according to which it has prepared its accounts.

We would encourage the Government to investigate and understand the reasons why a proportion of companies submit accounts to Companies House that are not tagged to iXBRL, particularly given that iXBRL tagging is mandatory when submitting accounts to HMRC. In this regard, we would encourage the Government to assess whether this discrepancy is generated or exacerbated by any differences in the mechanisms for submitting accounts electronically to HMRC and Companies House.

We also note that any proposal to mandate iXBRL tagging will need to take into account the methods by which companies are able to deliver their accounts to Companies House for filing and, in particular, the Government's suggestion of mandating electronic filing of accounts.

We would also encourage the Government to balance the value of iXBRL tagging to Companies House and the general public with the administrative burden and technical expertise that will be required of companies (particularly smaller companies) in applying tagging. Where iXBRL tagging is applied automatically, we do not foresee any significant issues. However, if mandatory tagging were to extend beyond basic taxonomy, companies will need the benefit of greater technical expertise, which may in turn have a cost impact. Consideration should also be given to the liability regime for incorrect iXBRL tagging, given that the tagging process is likely to carried out entirely by software on which companies will have little choice but to rely.

Section 4: Reducing the timescales for delivering financial information

Q10: With continual advancements in digital technology, what are your views on shortening the time allowed to submit accounts to Companies House?

Q11: What would be the impact if filing deadlines were shortened to three months for public and six months for private companies from the end of the reporting year?

We believe that commercial organisations and their accountants and auditors will be in a better position to comment on the feasibility of shorter timescales for delivering financial information. In this regard, we would suggest that the possibility of financial information being out of date at the point of receipt by Companies House will need to be balanced with the practicality and cost to companies of preparing accounts according to an accelerated timetable. That said, we believe that there would be a material benefit to users of financial information for at least the filing deadline for private companies to be shortened, so we

consider it worthwhile exploring the feasibility of this.

We would also make the following specific comments:

- Public companies are required by s. 437 of the Companies Act 2006 (the **CA 2006**) to lay their accounts before their members in a general meeting (an "accounts meeting") before the end of the period for filing the accounts with the Registrar.

  For a "traded company"[5], this will invariably be done at the company's next annual general meeting (AGM).[6] Under s. 307A CA 2006, the minimum period of notice which a traded company must give when convening an AGM is 21 clear days. In addition, many quoted companies may still be following the old requirement in Provision E.2.4 of the 2016 version of the Financial Reporting Council's UK Corporate Governance Code to call an AGM on the longer notice period of not less than 20 working days (which is now embodied as non-binding guidance in paragraph 36 of the 2018 version of the FRC's Guidance on Board Effectiveness)[7].

  In practice, therefore, the period within which a traded company must finalise its accounts is, in reality, at least one month shorter than the deadline by which it is required to file its accounts with Companies House.

  To reduce the period within which a public company must file its accounts to three months would, therefore, effectively require traded companies to finalise their accounts within two months of their financial year-end. This task becomes more significant still, given that traded companies are subject to the full extent of mandatory and expected corporate reporting (including not only individual and (most likely) consolidated financial statements, but also a strategic report, directors' remuneration report, non-financial information statement, corporate governance statement (including, for many, a specific requirement to "comply or explain" against the UK Corporate Governance Code), audit, remuneration and nomination committee reports, streamlined energy and carbon reporting, and now (for listed companies) comply or explain reporting against the Taskforce on Climate-related Financial Disclosures' Final Recommendations).

  This is in addition to the requirement for the company's auditor to provide an opinion on the auditable parts of those financial statements and reports, and the Home Office's recommendation that companies publish their slavery and human trafficking statements alongside their annual financial statements[8].

  We would note that this is a significant task for which two months may, in many if not most cases, simply not be sufficient time.

- Under DTR 4.1.3R, a company whose transferable securities are admitted to a UK regulated market must publish its annual report within four months of its financial year-

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5 This means a company any shares of which carry rights to vote at general meetings and are admitted to trading on a UK regulated market or an EU regulated market by or with the consent of the company.

6 Practice among non-publicly traded public companies may well vary.

7 https://www.frc.org.uk/getattachment/61232f60-a338-471b-ba5a-bfed25219147/2018-Guidance-on-Board-Effectiveness-FINAL.PDF

8 See para. 7.4 of the Home Office's "Transparency in Supply Chains etc., A practical guide", https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/649906/Transparency_in_Supply_Chains_A_Practical_Guide_2017.pdf, although we note the Government's proposal to change this to an annual reporting requirement based on a fixed period of 1 April to 31 March each year, with a reporting deadline of 30 September in that year (https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/919937/Government_response_to_transparency_in_supply_chains_consultation_21_09_20.pdf).

end. Shortening the deadline for public companies to file their accounts at Companies House to three months would have the effect of requiring a company that is subject to DTR 4.1.3R (which includes all companies listed on the London Stock Exchange Main Market and the AQSE Main Market) to file their accounts with the Registrar before they are required to publish them to the market.

We would urge the Government to work closely with the Financial Conduct Authority to ensure that the deadline for traded companies to file their accounts at Companies House coincides with, or is at least longer than, the deadline set out in DTR 4.1.3R, so as to avoid potential confusion.

- We would note that not all public companies are the same. They range from the largest UK companies, such as those in the FTSE 100, through to specialist and growth companies on markets such as AIM and the AQSE Growth Market, to non-publicly traded companies, ranging from significant non-traded public companies through to so-called "vanity PLCs" and companies which, by quirk of their past, have remained public companies rather than re-registering as private limited companies.

  Whilst the largest companies may be adequately resourced to meet significantly shortened filing requirements (although noting our comments above in relation to this), smaller public companies are unlikely to be. The Companies Act 2006, as well as the FCA Handbook, make distinctions in several respects between "traded" public companies and "non-traded" public companies. The Companies Act 2006 further distinguishes between "quoted" public companies and non-quoted public companies.

  We would encourage the Government to consider whether there is a case for distinguishing between these categories of public company when deciding what shortened timescales (if any) to introduce for filing accounts with Companies House and, in particular, whether there is any need for non-traded public companies to be subject to a shorter filing deadline than that applicable to private companies.

  We also believe that any reform to the rules applicable to quoted companies is best considered in the context of the entirety of the reporting cycle to which listed/traded companies are subject, on the markets on which they are listed.

- Finally, we would note that numerous bodies, particularly the Financial Reporting Council, continue to encourage companies to improve the quality of their corporate reporting. We are concerned that reducing the timescales companies have to file their accounts may lead to the more hurried preparation of accounts and hence, conversely, to a deterioration in the quality of corporate reporting.

Section 5: Maximising the value and integrity of accounts information

Q13: What will be the challenges for companies submitting a declaration of filing eligibility with accounts?

As a general rule, we do not envisage significant difficulties for company directors to submit a declaration of filing eligibility with the company's accounts. In all cases, a company's directors must be satisfied that the company falls within the size category (micro, small, medium-sized or large) for which it has prepared accounts, or (if applicable) that it is dormant. In most cases, this determination will be reached on professional advice from the company's accountants. It should therefore be a straightforward matter for the directors to confirm that determination.

We would, however, query the value of an additional declaration. If the directors of a company mis-classify the company, then the accounts will not show a true and fair view of

the company's financial affairs and will not, therefore, comply with the specific content requirements of the Companies Act 2006 and regulations made under it. Under s. 414(4) CA 2006, every director of the company who:

- knew that they did not comply, or was reckless as to whether they complied; and
- failed to take reasonable steps to secure compliance or to prevent the accounts from being approved,

will commit an offence. That offence is already punishable by an unlimited fine (for conviction on indictment) or a fine not exceeding the statutory maximum (on summary conviction). In addition, conviction under s. 414(4) is already a ground for disqualification under the Company Directors Disqualification Act 1986.

We do not disagree that introducing a requirement for the directors of a company to make an eligibility declaration may help to focus the directors' minds on the determination they have reached as to the accounting regime applicable to the company. However, unless the consequences of making a false declaration differ from those arising from contravention of s. 414(4) CA 2006, the declaration may have little practical effect; we believe that the Boards of most companies are already aware (in broad terms) of the collective responsibility they have for the company's accounts. In addition, a declaration of eligibility is in our view likely to provide little in the way of deterrent to a person who is intent on deliberately misclassifying a company.

We note the proposal in the Consultation that, where one director makes a false eligibility declaration, all of the company's directors would automatically be liable. This differs from liability under s. 414(4) CA 2006, which attaches only to those directors who have knowledge of, or are reckless as to, non-compliance. However, it appears to us that, if this is the Government's intention, the same effect could be achieved by amending s. 414(4) to impose joint strict liability.

We would not, however, be in favour of this. There is a risk that, without savings provisions similar to those in s. 414(4)(a) and (b) CA 2006, a director who opposes or is oblivious to a false eligibility statement, or who, acting reasonably and in good faith, supports a false eligibility statement, would nonetheless incur criminal liability and potential disqualification. This is clearly a severe consequence which the Government should consider carefully before introducing. For the same reasons, we consider that the existing savings provisions in s. 414(a) and (b) CA 2006 should be retained for the wider compliance requirements of s. 414(4) CA 2006.

Q14: Under what circumstances, if any, should the eligibility information collected with the declaration not be published on the public register?

The Consultation suggests that the eligibility information associated with an eligibility declaration are:

- for a dormant company, a declaration that the company is dormant; and
- for any other company, the company's turnover, its balance sheet total, the average number of persons it employed during the year, and the category into which it falls.

In this regard, we would note that companies of all sizes are required to disclose their turnover and balance sheet total in their accounts, and (under s. 411 CA 2006) the average number of persons they employed during the year in the notes to their accounts.

The only exception to this rule is that small companies may choose to file abridged accounts, in which they disclose gross profit or loss, rather than turnover. Furthermore, we

note the Government's comments in paragraphs 60 to 62 (inclusive) of the Consultation in relation to abridged accounts and note that, depending on the outcome of that discussion, this exception might be eliminated.

Moreover, if, as the Government proposes, it became mandatory for companies to tag these items using iXBRL tagging, it would be possible to validate a company's determination as to the accounting category into which it falls quickly and efficiently.

It is therefore not clear what other information would be provided alongside an eligibility declaration that might not be disclosed to the public through the company's accounts themselves.

We do note, however, that the definitions of "turnover" and "number of employees" are defined by reference to other concepts or line items that may or may not need to be disclosed in the company's accounts. For example, section 474(1) CA 2006 defines "turnover" as amounts derived from the provision of goods and services, after deduction of trade discounts, value added tax and any other taxes based on the amounts so derived. Whilst legislation requires companies to disclose their turnover, companies are not (to our knowledge) required specifically to disclose the amount of any trade discounts or taxes based on those amounts.

To the extent that the Government is proposing to require companies, as part of their eligibility information, to disclose constituent elements of the threshold values that determine the company's size category for accounting purposes, we believe this is likely to merit a more comprehensive and technical consultation with specific proposals for line item disclosure.

Q16: As the directors' declaration will need to include information in respect of turnover, balance sheet total and number of employees, what changes, if any, would you make to these definitions in Part 15 of the Companies Act to make the definitions clearer?

See our comments on Q15.

Q17: What would be an appropriate sanction for making a false declaration of eligibility?

See our comments on Q13. We note paragraph 50 of the Consultation, in which the Government proposes civil penalties such as fines, and criminal sanctions and director disqualification as possible sanctions for making a false eligibility declaration.

Should the Government decide to proceed with its proposal to require directors to make an eligibility declaration, we agree that these would appear to be appropriate sanctions that are consistent with sanctions for other breaches of the accounts provisions of companies legislation.

We would reiterate our comments in response to Q13, namely that the Government should consider including appropriate protections for directors who act in good faith and are both unaware and have no reason to suspect that an eligibility declaration is false.

Section 6: Review of Small Company Accounts Filing Options

Q18: What is the minimum level of financial information that a micro-company should disclose on the public register?

Q19: Are there any existing filing requirements under the small or micro-entity regimes that could be discarded?

We believe that more regular users of company financial information are better placed than us to provide detailed comments to these questions. We would simply make the following comments:

- The degree of information currently required to be disclosed under the micro-entities regime is minimal. Whilst we appreciate that the objective of the regime is to minimise the administrative burden on very small companies, we query whether the information is useful for persons who wish to inspect a micro-entity's financial information.

  However, we also note that the micro-entity reporting regime is optional (in the sense that a small company must elect to prepare micro-entity accounts rather than small company accounts) and that, according to Companies House data[9], in the period 1 April 2019 to 31 March 2020, 39.2% of UK companies filed (and so elected to prepare) micro-entity accounts, compared with 2% that prepared small company accounts and 38.9% that declared themselves exempt from audit[10].

  We recognise the Government's concern that some companies may be incorrectly, or even deliberately, misclassifying themselves as micro-entities rather than small companies. However, the statistics might also indicate that the micro-entity accounting regime is popular among small companies. Any changes to the micro-entity accounting regime are therefore likely to have an impact on a significant proportion of companies on the Register.

  On balance, and in the interests of promoting the simplification of the company accounts regime, we believe it is worth exploring the merit in abolishing the micro-entity accounts regime. However, in doing so, we would encourage the Government to weigh up any additional burden on micro-entities that may arise from mandating additional information in micro-entity accounts against the benefit to the public of providing that further information.

- We note the comments in paragraph 60 of the Consultation in relation to abridged accounts. We agree that the option for small companies to prepare up to three sets of accounts ("full" small company accounts, abridged accounts or, for very small companies, micro-entity accounts) may be confusing. We also agree that there seems to be little purpose in a company preparing different sets of accounts containing differing extents of financial information for submission to their members and to different Government agencies.

  Again, in the interests of simplification, we believe it is worth exploring the merit in abolishing the abridged accounts regime. As part of this, the Government could also explore whether to relax any elements of the "standard" small companies accounts regime in order to bridge the gap between (and effectively merge) the two.

  Unfortunately, the Companies House data referred to above do not provide a breakdown showing how many small companies accounts were prepared and filed under the abridged accounts regime.[11] We would encourage Companies House to generate a breakdown of small companies that produce abridged accounts versus "full" small company accounts so as to understand the extent to which the abridged accounts election is being taken up, as this will no doubt inform any decision as to whether to

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9 https://www.gov.uk/government/statistical-data-sets/companies-house-management-information-tables-2019-20.

10 As exemption from audit is available only to certain small companies, micro-entities and dormant companies, we assume that the majority of this figure is likely to comprise small companies.

11 The data show that 0.1% of UK companies filed audited abridged accounts, but we suspect that this represents a small proportion of companies that prepared and filed abridged accounts.

modify or abolish that regime.

Section 8: Greater checks on financial information

Q24: What are your views about the general premise that checks should be conducted on all accounts prior to them being accepted as fit for filing on the public register?

We agree that there is value in the Registrar being able to conduct checks on accounts before they are accepted for filing on the Register. This should reduce the number of instances in which companies need to file revised accounts at Companies House. We also agree that, if mandatory iXBRL tagging is introduced, the process of checking accounts prior to filing would be made easier and more efficient.

We agree that, to the extent the Registrar is given power to conduct checks, they should be limited to ensuring that the accounts contain all of the elements they are required to contain for a company of the relevant size.

We also agree that, beyond checking the completeness of the information in a company's accounts, the power of the Registrar to conduct checks on accounts should not extend to validating the integrity of the financial information within them. This is a matter for the company itself, working with its accountants and its auditor, and the CA 2006 already provides for the consequences of preparing inaccurate or misleading accounts.

In relation to the comment in paragraph 73 of the Consultation regarding eligibility statements, we would note that, provided that the relevant elements for the company's size category are appropriately tagged using iXBRL, it should be possible to validate a company's categorisation based on the information in the accounts without the need for an eligibility statement.

We would note that any power of the Registrar to conduct checks on accounts would need to interlace properly with any new powers of the Registrar to query filings more generally, as proposed in the Government's parallel consultation on the "Powers of the Registrar"[12]. Under those proposed powers, the Registrar would (we assume) be able to raise a query in relation to accounts that have been submitted for filing where there is a suspicion of fraud or criminal activity, an obvious or manifest error, or a risk to the integrity of the register or the UK's business environment. The Committee has responded separately to that consultation, and we would direct you to our comments in relation to the proposed powers generally for the Registrar to raise queries on filings. In particular, we would reiterate the view set out in that response that, except where the Registrar determines that there is a clear indication of fraud, the relevant legislation should provide for the querying power to be exercisable only post-registration. Notwithstanding this position, we have highlighted below concerns we have identified with there being a wider ability to raise queries pre-registration.

There would need to be clarity over the process where the Registrar raises a query in relation to a company's accounts. Although, as with other filings, there is a deadline by which a company must file its accounts and penalties for failing to do so, the consequences for a company of not filing its accounts are more severe than for other filings[13], potentially resulting in ultimately in the company being struck off the register and dissolved.

It is possible to envisage a scenario where a company files its accounts at or close to the

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12 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/942167/Registrar_s_Powers_Consultation.pdf

13 With the exception of the company's confirmation statement.

end of the period for doing so, the Registrar raising a query on the accounts and, as a result of time spent dealing with the query, the company is not able to file its accounts until after the period for doing so has elapsed. The legislation should make it clear whether the company and its officers commit an offence or are otherwise liable in those circumstances.

There should also be clarity as to the timeline during which the Registrar is able to raise queries so as to allow the company to be confident that its accounts will not be subject to further queries after a certain time. In this regard, the Government may wish to consider the need for any increased resourcing of Companies House at times of year when volumes of accounts filings are likely to be particularly high, reflecting the seasonal nature of corporate reporting.

There may be instances where the error is attributable wholly to the company and a penalty is justified, such as where there is an egregious error in the accounts (for example, a missing line item) or the company has misclassified itself as (say) small, rather than medium-sized. Equally, there may be cases where the company is able to satisfy the Registrar's query without necessitating any amendments to the accounts, in which case the company should either be deemed to have met its filing deadline or be protected from any penalty by virtue of failing to do so. There may be instances that lie between these two extremes where it is appropriate for the Registrar to exercise its discretion.

Q25: Additional checks will be limited. Bearing in mind resource and expertise constraints, can you provide examples of what information Companies House should check as a priority and how it can be checked?

We believe that more regular users of company financial information are better placed than us to provide detailed comments to these questions. However, we would suggest that, with the benefit of iXBRL tagging, the following items could be checked quickly, with minimal resource required:

- the company's size classification (micro, small, medium-sized or large);
- whether the company has included all of the constituent elements of its accounts and reports (for example, balance sheet, profit and loss account, notes to the accounts, directors' report and, for medium-sized and large companies, strategic report);

  In this regard, we would note that there may be value, if mandating iXBRL tagging, in requiring a company to indicate in its accounts whether it is a quoted or traded company, as this may enable automated cross-checks to ensure that elements of the company's accounts and reports that are required for such a company (such as a directors' remuneration report) are also included;
- whether the accounts have been signed in the required places; and
- whether the accounts have been audited and, if so, an auditor's opinion included.

Section 9: Displaying key information on the register

Q27: Which elements of financial information would be most useful to see on the company overview page?

Again, we believe that more regular users of company financial information are better placed than us to provide detailed comments to these questions. However, key pieces of financial information that are likely to be useful to see on the company overview page include:

- the amount of the company's net fixed and current assets or liabilities and its balance sheet total;

- the amount of the company's share capital and statutory and non-statutory reserves;
- if included (see our comments below), the amount of the company's net realised profits or losses;
- the amount of the company's turnover (or, for small companies that file abridged accounts, its gross profit or loss); and
- the average number of the company's employees during the financial year.

We assume that this information would be displayed for the most recent financial year for which the company has prepared and filed accounts.

In addition, we note that in recent years several proposals have been mooted to require companies to disclose their level of "distributable reserves", or realised profits, in their annual accounts.[14] We agree that it would be useful for this information to be included in a company's accounts and, if it is, on the company's overview page at Companies House.

Q28: What non-financial information would you like to see on the company overview page?

Key pieces of non-financial information that are likely to be useful for our members to see on the company overview page include:

- the size classification of the company (micro, small, medium-sized or large, based on the nature of accounts filed) or confirmation that the company was dormant during the financial year;
- whether the company was a traded company, a quoted company and/or a public interest entity during the financial year;
- whether the company was "very large", such that it is or would (but for any exemption under para. 22 Sch. 7 Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (2008/410)) be required to publish a statement of corporate governance arrangements;
- the constituent elements of the company's accounts and reports that have been filed (for example, accounts, directors' report, strategic report, directors' remuneration report);
- if the company was small, whether it prepared abridged accounts;
- whether the company exempted itself from audit;

[14] See, for example, the Government's response to the Department for Business, Energy and Industrial Strategy's consultation on Insolvency and Corporate Governance (26 August 2018) (https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/736163/ICG_-_Government_response_doc_-_24_Aug_clean_version__with_Minister_s_photo_and_signature__AC.pdf), the House of Commons Business, Energy and Industrial Strategy Committee's paper "The Future of Audit: Government Response to the Committee's Nineteenth Report of Session 2017–19" (7 June 2019) (https://publications.parliament.uk/pa/cm201719/cmselect/cmbeis/2296/2296.pdf) and the Report of the Independent Review into the Quality and Effectiveness of Audit (the "Brydon Review") (Dec. 2019) (https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/852960/brydon-review-final-report.pdf).

- whether the company was required to prepare group accounts, was exempt from the requirement to prepare group accounts, or was not subject to the group accounts regime;

- whether the company prepared Companies Act accounts or IAS accounts;

- whether the company's accounts and reports have been tagged using iXBRL (should mandatory iXBRL tagging not be introduced); and

- details of any other undertakings in which the company has an interest (to the extent these are identified in the accounts and the information readily extractable); and

- the result of the auditor's opinion on the accounts (for example, whether it is "clean" or qualified), and any constituent elements of that opinion that are readily extractable.

Again, we assume that this information would be displayed for the most recent financial year for which the company has prepared and filed accounts.

Q29: Do you have any additional comments about this proposal?

We note that companies are currently required to publish other metrics and related information under other separate legislation. Examples include:

- gender pay-gap information under the Equality Act 2010 (Gender Pay Gap Information) Regulations 2017 (SI 2017/172);

- payment practice and performance information under the Reporting on Payment Practices and Performance Regulations 2017 (SI 2017/395); and

- information on payments to governments under the Reports on Payments to Governments Regulations 2004 (SI 2004/3209).

We also note the Government's previous proposals to introduce mandatory ethnicity pay-gap reporting and the separate Equal Pay Bill 2019-2021 introduced by Baroness Prosser in the House of Lords in January 2020.

This information is currently published through different portals, rather than by Companies House. For example, gender pay-gap information is published through the Government's gender pay-gap service.[15]

We note that Companies House has, over the years, increasingly become a centralised repository of information – a "one stop shop" – for people who wish to access important information on commercial entities. We therefore believe there is value in centralising these different pieces of financial information in a single location, with Companies House being the most logical choice.

We note that these other financial metrics are not always prepared for the same period of time as that covered by a company's annual accounts. If this information were ported to Companies House, therefore, it would likely be necessary to set it out in a separate section of a company's overview so as to avoid confusion.

For further information, please contact Robert Boyle (robert.boyle@macfarlanes.com).

[15] https://gender-pay-gap.service.gov.uk/

ANNEX

1. The views set out in this paper have been prepared by a Joint Working Party of the Company Law Committees of the City of London Law Society (**CLLS**) and the Law Society of England and Wales (the **Law Society**).

2. The CLLS represents approximately 17,000 City lawyers through individual and corporate membership, including some of the largest international law firms in the world. These law firms advise a variety of clients from multinational companies and financial institutions to Government departments, often in relation to complex, multijurisdictional legal issues. The CLLS responds to a variety of consultations on issues of importance to its members through its 19 specialist committees.

3. The Law Society is the professional body for solicitors in England and Wales, representing over 170,000 registered legal practitioners. It represents the profession to Parliament, Government and regulatory bodies in both the domestic and European arena and has a public interest in the reform of the law.

4. The Joint Working Party is made up of senior and specialist corporate lawyers from both the CLLS and the Law Society.