



## FACTSHEET 2b

### What is an Audit Exempt Limited Company ?

In the past limited companies were required, by law, to appoint auditors to perform an audit of the company's annual financial accounts. The audit was a rigorous series of tests and checks on the annual accounts and on the reliability of the underlying records of the company. Asset title, values and recoverability had to be verified by seeking confirmation from banks, solicitors, customers, etc

In an attempt to ease the administrative burden of 'small' companies the requirement to appoint auditors was abolished for companies with an annual turnover of less than £5.6 million.

'Small' companies are still required to prepare their annual accounts in the full statutory format as prescribed by the Companies Act 1985. However, the removal of the audit requirement does represent a cost saving for those companies.

### Small Companies That Cannot Be Exempted

Certain 'small' companies cannot take advantage of the audit exemption. These include companies whose balance sheet total exceeds £2.8 million and companies carrying on the trade of insurance broking and financial services. Also even for 'small' companies not affected by these restrictions the shareholders can still request that auditors be appointed and a full audit performed. This may be the case where there are minority shareholders in the business who require assurance that the annual accounts of the company show a true and fair view.

**For further explanation or advice please give me a call.**

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