Matheson

Audit Exemptions and Irish Companies

IS AN AUDIT ALWAYS REQUIRED FOR IRISH COMPANIES?

Directors of Irish companies are required, pursuant to the Companies Act 2014 (the "**Act**"), to ensure that financial statements for a company are prepared on an annual basis (the "**Financial Statements**"). The Financial Statements for each financial year must give a true and fair view of the assets, liabilities and financial position of the company as at the end of each financial year.

As a general rule, Irish companies are required to appoint a statutory auditor to audit the company's Financial Statements on an annual basis. That said, certain private limited and unlimited companies which meet a number of specific conditions may be entitled to avail of an exemption from the requirement to have their Financial Statements audited in a given financial year (the "**Audit Exemption**").

An Audit Exemption is available for both dormant companies and small companies under the Act subject to certain requirements being met. In addition, a small 'group' of companies may also avail of an Audit Exemption. We look at how those companies can potentially avail of an Audit Exemption.

The Dormant Company Exemption

A dormant company (including a dormant company that is part of a group), may qualify for an Audit Exemption where the company satisfies the following conditions during the relevant financial year:

(a) it has no significant accounting transactions in respect of the financial year concerned (ie, transactions that are required under the Act to be entered in the company's accounting records); and

(b) its assets and liabilities comprise only permitted assets (ie, those being investments in shares of, and / or amounts due to or from, other group undertakings).

In addition to satisfying the above criteria, the board of directors of the company is required to pass a resolution at a meeting, confirming that the exemption is to be relied upon during the course of the financial year in which the company seeks the exemption.

Where a dormant company avails of an Audit Exemption, the company will not be required to prepare or file audited Financial Statements in respect of the financial year for which the exemption is claimed. However, the company concerned will still be required to prepare and file unaudited Financial Statements in the usual manner.

Small Company Exemption

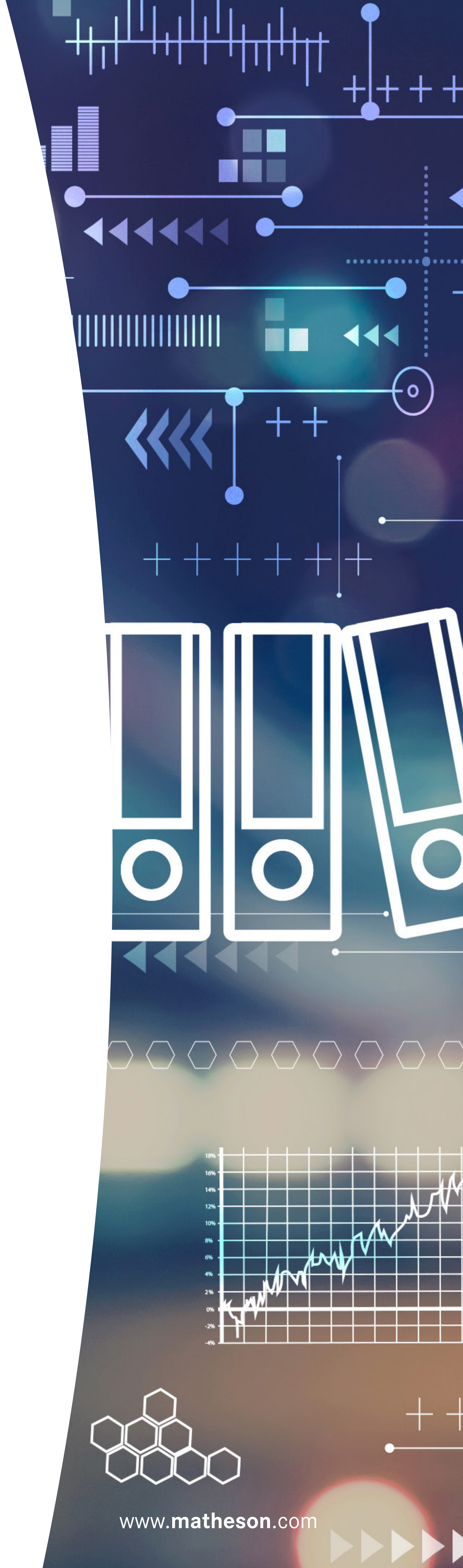
A company that is not a member of a group may be able to avail of an Audit Exemption provided that the company in question qualifies as a small company under the Act. For a company to be considered a "small company", it must satisfy **two or more** of the following requirements in relation to the relevant financial year and the immediately preceding financial year (unless it is a company's first financial year):

(a) the turnover of the company must not exceed €12 million;

(b) the balance sheet total of the company must not exceed €6 million; or

(c) the number of employees in the company must not exceed 50.

A company cannot be considered a small company if it is either: (i) a holding company; or (ii) an ineligible company. Where a company meets the requirements, and qualifies as a small company, the company will not be required to prepare or file audited Financial Statements in respect of the financial year for which the exemption is claimed. The small company will still be required to prepare and file unaudited Financial Statements in the usual manner.



Small Group Exemption

A company within a group of companies may qualify for an Audit Exemption if the group as a whole qualifies as a "small group".

Where an Irish company has a holding / subsidiary company, it is considered to be part of a group and the Irish company and its "associated undertakings" (including any non-Irish holding companies and subsidiary undertakings) must meet the specified criteria under the Act to be considered a small group. In that respect, the group (taken as a whole) would need to satisfy **two or more** of the following requirements in the financial year concerned and in the immediately preceding financial year (unless it is a holding company's first financial year) :

(a) the aggregate turnover of the group must not exceed €12 million net (or €14.4 million gross);

(b) the aggregate balance sheet total of the group must not exceed €6 million net (or €7.2 million gross); or

(c) the aggregate average number of employees of the group must not exceed 50.

Where a company as part of a group qualifies for this Audit Exemption, the company will not be required to prepare or file audited Financial Statements in respect of the financial year for which the exemption is claimed. However, the group company concerned will still be required to prepare and file unaudited Financial Statements.

CONCLUSION

Given the financial and administrative burden of having to prepare audited Financial Statements, it can be a worthwhile exercise for companies, in conjunction with their advisors, to consider if an Audit Exemption applies as part of the planning phase for the annual Financial Statements. In circumstances where companies are already availing of Audit Exemptions, it is important to ensure that the relevant company's annual filing is made on time each year to avoid the scenario where a company may lose any Audit Exemption it may be entitled to as failure to file on time in the current year will result in the company losing the exemption for the two years following any such late filing.

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