

Register

Issue No 56
October 2003

essential corporate knowledge

Limited Liability Partnerships
e - services
Treasury Shares

dti

A DTI SERVICE



Companies House
— for the record —

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Companies House

Companies House has the public records of over one and a half million companies. Our three main statutory functions are: to incorporate and dissolve companies; to examine and hold documents under the Companies Act and related legislation; to make this information available to the public.

Every limited company has the legal obligation to provide Companies House with an up to date annual return (which includes the registered office address and directors' and shareholders' details) and, in most cases annual accounts.

Only by ensuring that companies meet their filing obligations can we provide the public with the company information which increases the confidence of the markets and protects the consumer, creditor and shareholder.

If you would like further details of Companies House please ring:

General Inquiries - 0870 33 33 636

Companies House Website:
www.companieshouse.gov.uk

*For training and quality purposes,
your call may be monitored.*

The Editor welcomes articles, letters and other contributions for publication in Register and reserves the right to amend them. Any such contribution is, however, accepted on the understanding that its author is responsible for the opinions expressed in it and that its publication in Register does not imply that it represents the view of Companies House or the DTI.

I am delighted to introduce this issue of the Register, which is a very full and varied one.

The article on e-services milestones looks at development projects in our electronic services delivery programme. A fully electronic operation is one of the key objectives in our current strategy, and one which supports government policy of making transactions with government easier and clearer for business. Our aim is to encourage greater take-up of electronic filing and, together with our review of processing systems, this will contribute towards our objective of an efficient and up-to-date registry. We see this as key to improving customer satisfaction and providing readily and freely accessible information, another of our strategic objectives. We hope that the introduction of the electronic shuttle annual return, towards the end of this year, will encourage more customers to file information with us electronically.

A key feature of company law is the legal responsibility placed on company directors to file documents with the Registrar of Companies within defined time limits. It is an aspect of corporate governance which seems to cause some of our customers great difficulty. We invest a lot of effort in the filing of accounts by their due date - explaining to directors their responsibilities and advertising the need for timely delivery. Our target is to achieve a high level of compliance. We are not interested in maximising the amount we collect in penalties when accounts are filed late. We would far rather have all accounts filed on time and collect no penalties. Disputes around the filing of accounts often centre on the interpretation of the date that accounts are due to be filed. When calculating periods of time, it is difficult to devise simple rules as months have anything from 28 to 31 days. In order to be fair and consistent, our interpretation is

talking point

based upon a general rule, which is more than 180 years old and is accepted by leading legal authorities as well as being established in the High Court. Companies House applies the principle of the 1981 House of Lords decision in *Dodds v Walker*, which said "the general rule is that the period ends upon the corresponding date in the appropriate subsequent month". The outcome of the Registrar of Companies v Radio-Tech Engineering Ltd High Court case in June 2003 confirmed that we are correct to apply this principle. This judgement should prove very useful to directors and their professional advisers because it makes it quite clear when their obligations must be discharged.

In response to customer queries on Limited Liability Partnership (LLP) member responsibilities, we have asked Brenda Hannigan in this edition to explain the legislation governing LLPs, their structure and

the obligations placed upon their members.

Many customers will have been affected by problems of accessibility of CH Direct and WebCheck services recently. I apologise for these problems and do fully appreciate that our customers need and deserve a reliable, robust service. We are working very hard to make sure we deliver this for you.

Finally, you will see that we have included a summary of our Annual Report and Accounts 2002-2003. The full version can be seen on our website www.companieshouse.gov.uk.

Claire Clancy
Chief Executive & Registrar

limited liability partnerships

by Brenda Hannigan, Professor of Corporate Law, University of Southampton

Background

It is now more than two years since the Limited Liability Partnership Act 2000 (LLPA 2000, in effect 6 April 2001) made limited liability partnerships (LLPs) available to any 'two or more persons associated for carrying on a lawful business with a view to profit' by simple registration with the registrar of companies (LLPA 2000, s 2(1)). This new form of legal entity, though now available to all, was introduced followed years of intensive lobbying by accountancy firms for a business vehicle which protected their partners' personal assets against ever-increasing liabilities with respect to negligent audits.

The governing legislation is the LLPA 2000 together with the LLP Regulations 2001 (and their Scottish equivalent). The LLPA 2000 is brief and supplemented by the Regulations which in turn apply to LLPs certain provisions of the Companies Act 1985 (especially on accounts and audit), the Insolvency Act 1986 (provisions relating to corporate insolvency) and the Financial Services and Markets Act 2000 (provisions on insolvency).

Legislation by cross-referencing is unsatisfactory as it means that there is no single statute which contains the legislation applicable to LLPs. However, the Government thought this option preferable to an LLP statute of several hundred sections. The Company Directors Disqualification Act 1986 is also applied by the Regulations to LLPs so a member of an LLP may face disqualification proceedings in the same manner as a director of a company. Also, a disqualified director cannot be a member of an

LLP and a member of an LLP who is disqualified cannot be a company director.

Current position

The latest DTI Report, *Companies in 2002-2003* (for the year ended 31 March 2003) showed that there were approximately 4,500 LLPs on the register. These numbers are modest, especially when contrasted with the number of limited companies on the register (approximately 1.6m: *Companies in 2002-2003*) and partnerships (approximately 568,000: DTI, *SME Statistics for UK 2002*). Of course, at this early stage in the development of LLPs, possible users may still be adopting a 'wait and see' approach.

We consider below the key features of an LLP which will help us assess the advantages and disadvantages of this new business vehicle. As a preliminary point, it should be stressed that the decisive consideration in deciding whether to adopt an LLP structure may be the taxation position (an LLP is taxed as a partnership rather than a company which may be more advantageous for all concerned). However, this article is concerned solely with the legal rather than the taxation position.

Key features

The key features of an LLP include:

- It is a body corporate, i.e. a separate legal entity distinct from its members. The LLP can own and hold property, employ people and enter into contractual obligations. Debts incurred are the debts of the LLP.

- An LLP has unlimited capacity which means that third parties need not be concerned about any restrictions on its activities.
- An LLP has members but no directors or shareholders. An LLP has no share capital and is not subject to the company law rules governing the maintenance of capital.
- The members of an LLP have limited liability (a point discussed further below). The LLP is liable for all its debts to the full extent of its assets.
- An LLP has complete flexibility as to the internal structure which it wishes to adopt: there are no requirements for board or general meetings or decision-making by resolution. An LLP does not have a memorandum or articles of association.
- As the members have limited liability, the protection of those dealing with an LLP requires that the LLP maintains accounting records, prepares and delivers audited annual accounts to the registrar of companies, and submits an annual return in a similar manner to companies. However, the exemptions available to companies, for example with respect to the delivery of abbreviated accounts and exemption from audit also apply to LLPs.

// legislation also requires that two or more of the members be identified as the designated members //

Limited liability

As noted above, the liabilities incurred by the LLP, as it is a separate legal entity, must be met from the assets of the LLP. To the extent that the members have contributed to those assets, a member risks losing that amount should the creditors claim those assets.

A broader issue is whether a member has any liability to make a contribution to the assets in the event of the liquidation of the LLP. In the case of a company limited by shares, it is well understood that a member's liability is limited to the amount due (if any) on his shares. In the absence of share capital in an LLP, the matter is less clear but it is governed by the Regulations which modify the application of Insolvency Act 1986, s 74.

The modified section provides that a member's liability to contribute on winding up is limited to such amount as the member has agreed with the other members or with the LLP that he will contribute. However, there is no requirement for any contribution. In the interests of clarity, therefore, the LLP agreement (discussed below) should specifically state the required contribution on liquidation or state that no contribution is required on liquidation.

Members are exposed to potential liability for wrongful or fraudulent trading, just as directors and others are under the Insolvency Act. Also, there is a potential liability under the claw back provision (IA 1986, s 214A) which provides that, in certain specified circumstances, any amounts withdrawn by members in

the two years before the commencement of winding up can be clawed back). A member may also be exposed to liability under the general law, as where he gives negligent advice; where he does so in the course of the business of the LLP, the LLP is liable to the same extent as the member, see LLPA 2000, s 6(4).

Members and designated members

As noted above, there are no shareholders in an LLP. Instead there are members and they are identified in the initial incorporation document with subsequent changes to the membership being notified within 14 days of the event occurring.

Any person, meaning any natural or legal person, may be a member of an LLP and the registrar of companies is not concerned with whether an individual member is acting in a personal or representative capacity (although the LLP agreement, discussed below, may address such issues). For entities other than individuals, the key issue is whether they have legal personality. If they have, they may be a member of an LLP, so any body corporate, such as a company registered under the Companies Act 1985, whether limited by shares or limited by guarantee, and whether acting on its own behalf or as a trustee, may be a member.

The legislation also requires that two or more of the members be identified as the designated members. The designated members have statutory responsibility for certain tasks and are subject personally to sanctions (typically a

fine) in the event of default. The designated members are not the management team of the LLP (management is discussed below) but are responsible for these defined statutory tasks which include:

- signing the accounts;
- delivering the accounts to the registrar of companies;
- appointment and removal of the auditors (if required);
- notification of membership changes (and changes to the registered office) to the registrar of companies;
- preparing, signing and delivering the annual return;
- applying for the LLP to be struck off the register.

In default of notification to the registrar of companies of the designated members, all members are designated members. Given this default position and the tasks imposed on designated members, anyone who is a member of an LLP should check that there are designated members.

Members' obligations

All members, not just the designated members, are agents of the LLP, and as such owe the duties of an agent to the LLP, although the precise content of those duties (given the novel nature of the LLP) will need to be developed by the courts. The typical obligations of agents include obligations to act in the interests of the principal (i.e. the LLP), to avoid conflicts of interests and a prohibition on the making of secret

limited liability partnerships

continued

profits, and some elements of these requirements are reflected in the default provisions (Regulations, reg 7)

While members are the agents of the LLP, they are not agents of one another and the legislation does not regulate the relationship between the members. The reason for the omission was the potential for conflict between the duty which the members owe to the LLP (as agents) and any duty which they owe one another. The solution adopted was to impose the former duty as a matter of statutory obligation and to leave it to the members to address their internal relationship in a separate LLP agreement.

An LLP agreement

As noted above, the statute makes no provision for directors or a board structure or any of the management structures familiar from company law. The management structure (and other matters) should therefore be addressed by the members in a separate LLP agreement. Any such LLP agreement is not registered at Companies House and it remains a private document.

The legislation envisages that an LLP agreement will be the norm (LLPA 2000, s 5). There are two main reasons for this:

(i) the default provisions provided by the Regulations are unlikely to be appropriate in many instances. For example, the default position in the absence of an LLP agreement is that every member may take part in the management of the LLP; all the members are entitled to share equally in the capital and profits of the LLP and no member is entitled to remuneration for acting in the business or management of the LLP;

(ii) the default provisions are limited in scope and there are many issues which they do not address, such as the nature and extent of the capital

contributions to be made by the members and how disputes between the members are to be resolved.

A comprehensive LLP agreement governing the duties and responsibilities of the members is a necessity, therefore, and it will need to make provision for:

- the management of the LLP;
- the decision-making process;
- the capital contributions required of the members, both while a going concern and (if any) on liquidation;
- the division of profits;
- changes to the membership;
- dispute resolution;
- termination of the LLP; and
- provision for the amendment of the LLP agreement;

The internal flexibility conferred on members of an LLP by leaving it to them to devise their own management structure must be weighed, therefore, against the need to draw up an LLP agreement. An additional difficulty will be that few advisers will have much experience of LLPs and the 'novelty' factor will have cost implications for those seeking advice.

To sum up, a member of an LLP will be subject to obligations under the statute (as an agent of the LLP) *and* under the LLP agreement or, in the absence of any agreement, under the default provisions contained in the Regulations. A member who is a designated member will have the *additional* responsibility of compliance with the statutory obligations imposed on designated members which were noted above.

Making a choice

The advantages of an LLP include:

- Limited liability: reduced risk to personal wealth from creditors' claims;
- Internal flexibility: facilitates participation in management and maintenance of ethos of partnership.

The disadvantages include:

- Lack of privacy - financial information must be disclosed (subject to exceptions);
- Requirement for an LLP agreement: needed to avoid default provisions applying and to cover situations not addressed by default provisions;
- Legal uncertainty - novel structure - uncertainty is undesirable in commercial entities.

If the position of an LLP is compared with a private limited company, such companies have:

- Limited liability - same as LLP.
- Internal flexibility - the impact of the company law requirements for formal board and management structures on small companies can be overstated. In fact, the law facilitates informal and flexible decision-making in such companies, for example, allowing meetings to be called on short notice, use of written resolutions and acceptance of informal unanimous assent.
- Privacy - same as LLP - disclosure subject to exemptions.
- No need for LLP agreement - the memorandum and articles of association act as default standard provisions.
- No legal uncertainty - tried and trusted business mechanism with

limited liability partnerships

continued

high degree of legal certainty - structure familiar to advisers and well-developed and sophisticated body of law applicable.

capital maintenance rules and the advantageous tax position. Outside of those groups, in the short term at least, it is difficult to see the LLP becoming a mainstream business vehicle.

Conclusion

For the moment, going by the numbers of LLPs registered, most business seeking limited liability are continuing to opt for a limited company registered under the CA 1985. The LLP structure will appeal to some, most notably the professions, in that it meets their need for limited liability while offering the possibility of retaining internally the ethos of partnerships. The LLP structure is also attractive for some venture capitalists because of the ability of members to participate in management without the risk of losing limited liability, the absence of

Even in the long term, it may be that there will only ever be modest uptake of LLPs. The Law Commission is expected to report shortly on a revamp of general partnership law which may make that vehicle more attractive for many businesses; and, in the fullness of time, a new Companies Bill may emerge to reduce further the formalities associated with the limited liability company.

Brenda Hannigan writes in a personal capacity

customer satisfaction survey results

Thank you to all of those who took part in the latest quarterly Companies House Customer Satisfaction Survey.

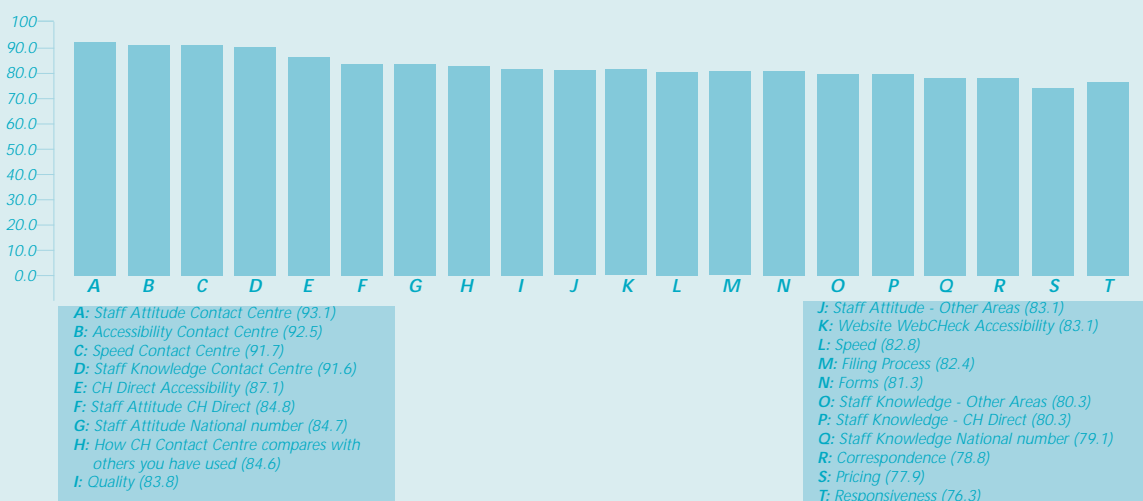
detailed breakdown of individual scores making up the result appears in the Chart opposite.

Paul Donovan, Customer Services
On 029 20380249 or email
pdonovan@companieshouse.gov.uk

You may be interested to know that Companies House achieved an overall score of 87.5 in the last survey (Quarter 2 2003). A more

If you would like to be added to our mailing list to take part in future surveys please contact.

Overall scores on scale of 100



or call Companies House on 0870 33 33 636

"corresponding date rule" late filing penalties

HIGH COURT CONFIRMS THAT "THE CORRESPONDING DATE RULE" APPLIES TO ACCOUNTS FILING PERIODS

Introduction

The recent High Court case of **Registrar of Companies v Radio-Tech Engineering Limited** confirms that we are right to apply the "corresponding date rule" when calculating periods for filing accounts with us.

This is a helpful ruling as it removes any doubt about how to calculate the period for filing companies' accounts. When a company is late filing its accounts it incurs a late filing penalty and its directors may also be prosecuted. Therefore it is important for the law to be as clear as possible.

What is "the corresponding date rule"?

Where something has to be done within a specified period of "months" from or after a particular date ("X") the Courts have consistently held that the period expires at Midnight on the date corresponding to X in the last month of the period - hence "the corresponding date rule".

The only exception to this is where there is no date corresponding to X in the final month of the period, in which case the period ends on the final day of that month.

For example, a period of one month from 29 March ends at Midnight on 29 April, but a period of one month from 31 August ends at Midnight on 30 September.

In Dodds v Walker [1981] 1 WLR 1027 the House of Lords approved the use of the corresponding date rule. That case concerned service of notices under landlord and tenant legislation but the House of Lords made it clear that the same principles should apply when calculating periods of months under other legislation.

What are the filing periods?

The periods for filing companies' accounts and reports are set out in section 244(1) of the Companies Act 1985. For private companies, the period is "10 months after the end of the relevant accounting period", while for public companies it is "7 months after the end of that period".

The expression "month" is not defined in the Act but in view of Dodds v Walker, our understanding was that the corresponding date rule should be used when calculating filing periods under section 244(1). Our guidance booklets on accounts explained that and provided worked examples of how the rule would apply in relation to various accounting reference dates.

Extracts from Report and Accounts 2002-2003



Laying foundations, driving the future

The following are extracts from our annual report which was presented to parliament on 17th July 2003. The full text of the Report and Accounts are available on our website at: www.companieshouse.gov.uk

The printed report is available from the Stationary Office
£15.45

dti

A DTI SERVICE



Companies House
— for the record —



Laying foundations

Working closely with our 'online' supplier of stationery, Guilbert UK, we have reduced our annual consumption of desktop stationery products and introduced an environmentally friendly range of products, including printer cartridges, throughout the office.

Driving the future

The likely increase in demand for our electronic services called for an upgrade of the Companies House Image Server to give customers more resilience and better accessibility. We worked closely with IBM to procure the necessary equipment to achieve this.

KEY ACHIEVEMENTS

In the last year, we:

- > successfully migrated from microfiche to electronic services
- > introduced the Directors' Secure Register
- > moved into the development phase of the Companies House Information Processing System (CHIPS)
- > improved the resilience and capacity of IT systems
- > achieved nine public targets
- > were cleared by the Office of Fair Trading following a complaint of unfair competition
- > received an award at the CIPFA/PricewaterhouseCoopers Public Reporting and Accountability Awards 2002
- > received the award for public sector annual report of the year at the Accountancy Age Awards for Excellence 2002
- > strengthened our approach to risk management
- > published our Strategic Direction for 2003/6.

Public targets

Our 12 targets, set in agreement with Ministers, are designed to improve performance and service to customers while reducing unit costs. We achieved or exceeded 9 of the 12 targets in a year when our workload increased by 9%. We missed the targets for the processing of documents within 5 days of receipt, image quality, and payment of bills within 30 days. Although we have missed these 3 targets, we have taken steps to meet the needs of our increased workload and feel confident that we will maintain the targets at the same level.

Efficiency

We have met the target to ensure that 95% of companies submit their accounts to us.

We have continued to respond to 100% of Chief Executive's cases within 10 days.

We achieved 98% against a target of 90% for resolving complaints within 5 days.

Throughput

This year saw an increase of 9% in the number of documents passing through the organisation. The demanding target of making 99% of statutory documents available within 5 working days was introduced in 1999/2000 but was not achieved this year. However, we did move 211,240 kilos (211 tonnes) of paper.

Quality

We have met the target to capture 96% of forms error free, but failed to meet the image quality target (95%).



Charter Standard Statement and Enforcement Concordat

The standards of service that customers can expect from us, include:

Being accountable for what we do

Setting standards and publishing how well we do against them.

Providing an efficient service

- > Providing up-to-date information promptly and accurately.
- > Keeping to a minimum the costs of complying with the law.
- > Keeping down our costs and therefore our charges.
- > Examining new ways of doing those things that make it easier for our customers to send and receive information.

Helping customers

- > Providing guidance and forms that are easy to understand.
- > Providing a telephone enquiry service.
- > Consulting with our customers.
- > Being courteous and treating everyone fairly and impartially.
- > Working with other providers of public services such as the Insolvency Service.

Providing an effective complaints system, which:

- > is easily accessible and well publicised
- > is simple to understand and use
- > is speedy and keeps complainants informed
- > is fair, with full and objective investigation procedures
- > effectively addresses all the points at issue and provides appropriate redress
- > provides information to management so that services can be improved
- > provides and publicises alternative avenues if customers remain dissatisfied.

Complaints Adjudicator

If customers are unhappy with the way we have dealt with a problem, they can contact our Complaints Adjudicator, who acts as an impartial referee between Companies House and our customers. He will keep customers fully informed about progress and try to settle the complaint as quickly as possible.

However, he cannot comment on:

- > questions about company law
- > complaints that have been or are being investigated by the Ombudsman
- > any cases involving criminal proceedings
- > cases involving the exercise of discretion by the Secretary of State.

His address is:

The Companies House Complaints Adjudicator
PO Box 2
Fakenham
Norfolk
NR21 0RJ

Customer Satisfaction Index

To help us maintain standards and highlight areas for improvement, we use an Index of Customer Satisfaction. We measure performance against the following criteria, selected by customers as most important to them:

- > quality and accuracy of information supplied
- > quality and accuracy of information on the register
- > speed of turnaround
- > responsiveness to problems
- > filing of documents
- > cost/prices
- > staff knowledge
- > staff attitude
- > accessibility.

Our questionnaire has been redesigned and we have expanded on the number and type of customers taking part. The results of quarterly

surveys are published in our customer magazine, Register, and are also available on our website.

Public Targets

These are the targets recommended by the Steering Board for 2002-2003 and approved by Ministers as the formal, public, targets for the year.

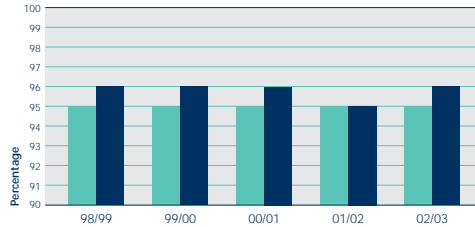
Target

Historical Performance

Out-turn 2002/2003

Efficiency

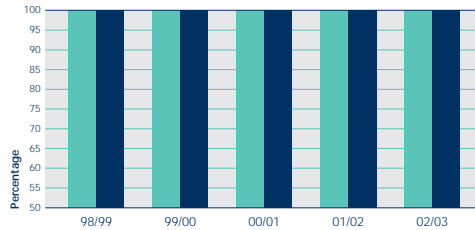
To achieve, on average, a monthly compliance rate for Accounts submitted of 95%



96%

Efficiency

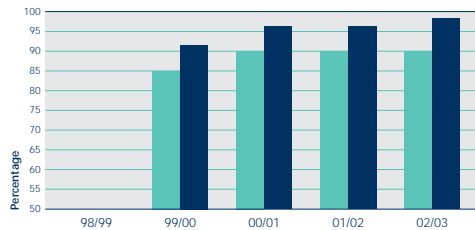
The Chief Executive to reply to all letters from Members of Parliament delegated to her for reply within 10 working days



100%

Efficiency

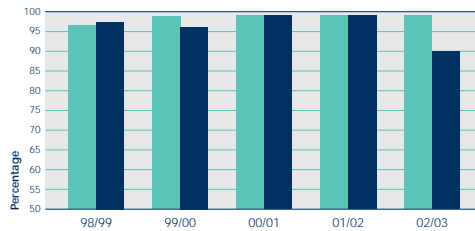
To clear 90% of complaints within 5 working days



98%

Efficiency

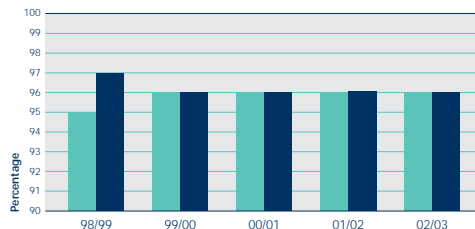
To process 99% of public documents within a maximum of five working days of receipt at Companies House



95%

Quality

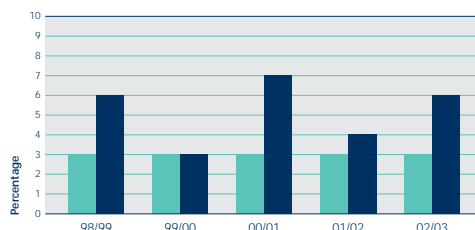
To ensure that 96% of forms are captured error-free



96%

Financial

To reduce the real unit costs of registration activity by 3% compared to the out-turn in 2001/2002



6%

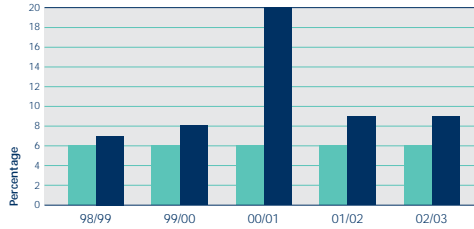
■ Target
■ Out-turn

Target

Financial

To achieve, taking one year with another, a 6% cumulative average annual rate of return based on the operating surplus expressed as a percentage of average net assets

Historical Performance

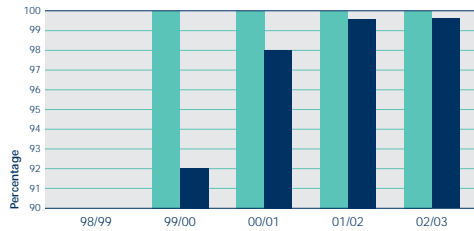


Out-turn 2002/2003

9%
(cumulative since Trading Fund)

Financial

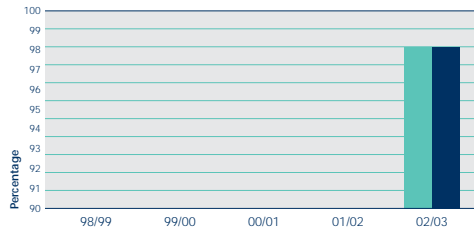
To pay all invoices within 30 days or other agreed terms



99.6%

Web Service availability

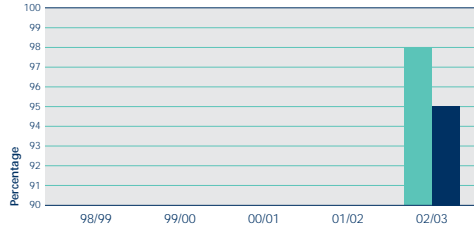
98% product and service availability on website (7am to 8pm Monday to Friday)



98%

Image quality

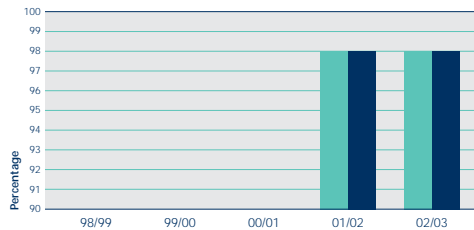
98% image quality of all images placed on the image system



95%

Service availability on CH Direct

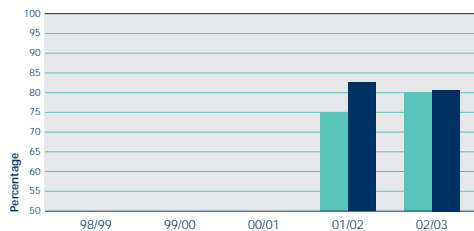
98% of all products and services to be made available on CH Direct



98%

Customer Satisfaction

Customer satisfaction survey results to exceed 80%



81%

Key statistics

Companies House's efficiency is measured by a series of workload indicators. These compare the amount of work performed with the resources used to carry it out.

Registration Activity	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03
Workload index	110	119	124	132	136	148
Active Register (annual average, '000)	1141	1233	1319	1406	1464	1555
Incorporations ('000)	205	218	225	236	225	322
Changes of name ('000)	51	55	61	64	59	60
Removals from the Register (net of restorations, '000)	127	119	134	155	163	180
Statutory documents filed ('000) (Excludes incorporations and changes of name)	4660	5015	5262	5638	5778	6179

Company Searches

Image ('000s) – Company equivalent

Posted	–	–	4	3	2	3
Fax	–	–	8	8	8	8
Online view	–	–	69	97	113	132
E-mail	–	–	397	677	864	1098
Monitor	–	–	23	25	27	28
CHD Packages	–	–	7	23	52	87
CHIC docs	–	–	59	61	49	56
CHIC packages	–	–	1	1	1	1
WebCheck	–	–	–	96	299	411
Scan on Demand	–	–	–	5	61	127
Total	–	–	569	995	1475	1952
Image ('000) – Individual images	–	–	847	1556	2179	2863.8

Fiche – Public search ('000)

Counter	1485	716	313	153	95	26
Certs & Copies	16	21	20	13	11	20
CH Direct	–	583	457	339	210	91
Postal	145	148	114	90	66	28
Fax	49	70	57	47	32	12
Total	1695	1538	962	641	413	177

Manpower

Average full-time equivalents (permanent / fixed term)	824	845	832	860	1000	996
Casual & agency staff	80	89	143	117	36	50
Total staff	904	934	975	977	1036	1046

Performance Statistics

	Targets		Out-turn		Targets		Out-turn		Targets		Out-turn		Targets		Out-turn		Targets		Out-turn	
Compliance rate – Accounts	95%	96%	95%	96%	95%	96%	95%	96%	95%	95%	95%	96%	95%	96%	95%	96%	95%	96%	95%	96%
Document processing time (average days)	5	4	5	4	5	4	5	4	5	4	5	4	5	4	5	4	5	4	5	4
Incorporation of new companies (average days)	5	4	5	5	5	4	5	4	5	4	5	4	5	4	5	4	5	4	5	4
Image quality	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	98%	95%	98%	95%
Data capture quality	–	–	95%	97%	96%	96%	96%	96%	96%	96%	96%	96%	96%	96%	96%	96%	96%	96%	96%	96%
Real unit cost index	100	97	94	91	88	88	85	82	80	78	76	73	76	73	76	73	76	73	76	73

Government Agency Performance Grid

Key ministerial targets for 2002/2003	Targets out-turns & achievements						Targets for 2003/2004		
	1999/00		2000/01		2001/02		2002/03		
Quality and Speed									
Documents processed within five days	Targets 99%	Out-turn 97%	Targets 99%	Out-turn 99%	Targets 99%	Out-turn 100%	Targets 99%	Out-turn 95%	internal target next year
Accounts Compliance	Targets 95%	Out-turn 96%	Targets 95%	Out-turn 96%	Targets 95%	Out-turn 95%	Targets 95%	Out-turn 96%	95%
Data Capture Accuracy	Targets 96%	Out-turn 96%	Targets 96%	Out-turn 96%	Targets 96%	Out-turn 96%	Targets 96%	Out-turn 96%	96.5%
CHD Availability	Targets	Out-turn	Targets	Out-turn	Targets 98%	Out-turn 98%	Targets 98%	Out-turn 98%	98%
Web Service Availability	Targets	Out-turn	Targets	Out-turn	Targets	Out-turn	Targets 98%	Out-turn 98%	98%
Image Quality Targets	Targets	Out-turn	Targets	Out-turn	Targets	Out-turn	Targets 98%	Out-turn 95%	98%
Customer Service									
Reply to Chief Executive's Cases within 10 days	Targets 100%	Out-turn 100%	Targets 100%	Out-turn 100%	Targets 100%	Out-turn 100%	Targets 100%	Out-turn 100%	100%
Respond to complaints within 5 days	Targets 85%	Out-turn 91%	Targets 90%	Out-turn 96%	Targets 90%	Out-turn 96%	Targets 90%	Out-turn 98%	97%
Customer Satisfaction	Targets	Out-turn	Targets	Out-turn	Targets 75%	Out-turn 82%	Targets >80%	Out-turn 81%	more than 80%
Value For Money									
Unit cost reduction on document registration	Targets 3%	Out-turn 3%	Targets 3%	Out-turn 7%	Targets 3%	Out-turn 4.0%	Targets 3%	Out-turn 6%	3%
Rate of return as percentage of net assets employed, expressed as an average taking one year with another	Annual			Out-turn 11%		Out-turn 22%		Out-turn 2%	
	Cumulative	Targets 6%	Out-turn 8%	Targets 6%	Out-turn 9%	Targets 6%	Out-turn 9%	Targets 6%av.	Out-turn 9%
Payment of Bills	Targets 100%	Out-turn 92%	Targets 100%	Out-turn 98.0%	Targets 100%	Out-turn 99.6%	Targets 100%	Out-turn 99.6%	100%

Abbreviated Accounts (for the year ending 31 March 2003)

This summary is unaudited. These figures have been extracted from the audited accounts, which appear in the full Annual Report and Accounts.

Operating Account

	2003 £'000	2002 £'000
Income	48,365	44,879
Expenditure	<u>43,153</u>	<u>44,204</u>
Operating Surplus	5,212	675
Interest Received	767	983
Interest Paid	<u>(186)</u>	<u>(251)</u>
Surplus on Ordinary Activities	5,793	1,407
Dividend	(1,000)	(1,000)
Retained Surplus for the Year	<u><u>4,793</u></u>	<u><u>407</u></u>

Balance Sheet

	<u>2003</u> £'000	<u>2002</u> £'000
Fixed Assets	27,632	18,361
Current Assets	19,325	23,275
Current Liabilities	<u>(5,394)</u>	<u>(4,389)</u>
Net Current Assets	13,931	18,886
Total Assets less Current Liabilities	<u><u>41,563</u></u>	<u><u>37,247</u></u>
Financed by:		
Public Dividend Capital	15,889	15,889
Long term loans & liabilities	1,342	1,819
Reserves	24,332	19,539
	<u><u>41,563</u></u>	<u><u>37,247</u></u>



Leading textbooks supported our position. However, as there was no case law specifically on the interpretation of section 244(1), it was always open to someone to argue that different principles should apply in the case of that section.

What happened in the Radio-Tech case?

In the Radio-Tech case, the company's accounting period ended on 30 September 2001. As it was a private company, it had 10 months to file its accounts with us. Using the corresponding date rule, we calculated that the filing period ended on 30 July 2002.

The accounts were filed on 31 July 2002, thereby automatically incurring a £100 statutory late filing penalty. The company refused to pay on the grounds that we had miscalculated the period for filing the accounts. They accepted that the corresponding date rule should apply, but argued that the period should not start until the day after the accounting reference period expired.

The case came before His Honour Judge Moseley QC sitting as an additional judge of the High Court in Cardiff on 26 June 2003. After hearing both sides, including passages quoted from "Halsburys Laws of England" and "Tolley on Company Law" the judge ruled that we had had been right to apply the corresponding date rule and that the filing period for the accounts in question ended on 30 July 2003.

The judge also noted that liability to late filing penalties is strict. By law, the fact that accounts are "only a day late" cannot excuse payment. All statutory periods have cut off points. As soon as a company's accounts are late, it incurs a penalty.

On 18 December 2002, following an application for Judicial Review, the High Court decided that the penalty regime under the Companies Act 1985 complied with the European Convention on Human Rights. You can find the judgment in the case of POW Trust v Registrar of Companies (Case No: CO2179/2002) on the Court Service website www.courtservice.gov.uk

The judgement was also reported in The Times Law Report of 2 January 2003.

e-services

milestones

Our Electronic Services Delivery Programme will cover a range of development projects over the next 4 years focussing on the delivery and take-up of electronic services.

In Issue 55 of The Register we covered the background to this new programme of work. In this issue we outline two of the major milestones that lie ahead of us in our development of electronic services.

From this autumn the Annual Return will sit among a growing range of company 'filings' that can be made via our website, without ordering a form, lifting a pen, opening an envelope or buying a postage stamp.

The document types that you can file online will then cover about 70% of the volume of documents we receive. These include registering the following information:

- Changes of registered office address
- Appointment of a director or secretary
- Termination of an appointment of a director or secretary
- Changes to directors' or secretaries' details
- Allotment of shares (excluding non-cash)
- Increase in nominal capital (with resolution)
- Location of register of members
- Location of register of debenture holders
- The Annual Return

To register to use the Web Filing service go to www.companieshouse.gov.uk and select Web-Filing from the home page.

e-Accounts

The next major challenge for our e-Services Delivery programme is **online filing of company accounts**.

We are currently researching requirements and options for this service and it will be our top development priority for the next three years.

We acknowledge strong customer demand for this service and the Office of the e-Envoy has earmarked it as one of the 30 key government services that are top priority for electronic enablement. It is also important for us because accounts make up nearly 20% of all the documents we handle. This makes filing of accounts the biggest current omission from our range of online products and services.

Ultimately we envisage a future in which accounts can be filed with Companies House as a paper-free submission using XBRL (eXtensible Business Reporting Language). This is an emerging international open standard for the preparation, publication and exchange of financial information. For more details visit the website of the XBRL (UK) Consortium at www.xbrl-uk.org

For more information on our Electronic Service Delivery programme or to be involved in the customer research that will underpin the projects included in the programme, please contact Arthur West email: awest@companieshouse.gov.uk

treasury shares

The Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003. Statutory Instrument 2003 No 1116

This article is to tell customers of new regulations that will come into force on the 1st December 2003. These regulations amend the Companies Act 1985 by inserting new sections 162A to G to allow certain companies to hold shares in treasury following a purchase of own shares as an alternative to cancelling such shares on purchase. This provides a facility that is not currently available to companies. Copies of the new regulations can be obtained free of charge from the HMSO web site at www.legislation.hmso.gov.uk/si/si20031116.htm. Printed copies can be purchased from TSO by ringing 0870 600 5522 or e-mailing customer.services@tso.co.uk

Background


The regulations relax the requirement for listed public companies to cancel shares that they purchase by allowing the option of either holding the shares "in treasury" for resale/transfer or of cancelling them at a later date. This will be subject to the requirement that the aggregate nominal value of shares held in treasury must not exceed 10% of the nominal value of the issued share capital of the company (or, where the company's share capital is divided into shares of different classes, 10% of each class). Certain other provisions will apply to shares held in treasury - for example, the voting rights applying to the shares will be suspended.

Issues

The vast majority of the 12,800 public companies on the register at Companies House will be unaffected by the changes to the law. The change will apply to the public companies with shares quoted on the London Stock Exchange's main market or the Alternative Investment Market. They will also apply to the small number of public companies with shares that are not quoted on either of these two markets but are quoted an equivalent stock market in another EEA State. The one exception to the new rules applies to investment companies (within the meaning of section 266 of the Companies Act 1985) who are not allowed to take advantage of the new regulations.

Benefits

The consultation document entitled "Share Buybacks" published in May 1998 sought views on the costs and benefits of changing the law. Respondents commented that costs of raising capital would be reduced. One consultee commented that the cost of raising capital would be lower because a company selling shares from treasury would not have to signal to the market that it was selling ahead of a money raising exercise. Another respondent said that the proposals would enable UK companies to adjust their equity/debt mix in a cost effective manner in order to keep their weighted average



cost of capital as low as possible. Currently, the cost and complexity of raising capital meant that companies did not adjust their debt/equity as frequently as they should.

New Forms

There will be two new forms to allow Companies House to process the information required by the new regulations. The first form will be the 169(1B), which will place the shares into treasury. The second form will be the 169A(2) that will either cancel the shares held in treasury or disclose that they have been sold/or transferred to a third party. These forms will be prescribed to come into force on 1 December at the same time as the new regulations.

Any queries on this matter please contact:

Andy Goddard
029 2038 0270
E-mail
agoddard@companieshouse.gov.uk

The DTI consultation document, Treasury Shares, is available on-line at www.dti.gov.uk/cld/

or call Companies House on 0870 33 33 636

Companies House Information Processing Systems (CHIPS) Progress Update

In Register Issue number 55 we told you that the first visible signs of change for our customers would be evident during July.

We are pleased to tell you that we have successfully completed the planned changes in the Cardiff, London and Edinburgh Information Centres. We installed new touch screen tills and amended the customer ordering system and the process customers use to pay for products. We discontinued the prepayment process and introduced post payment for orders/information requests

Positive feedback has been received from staff and customers who in the main have welcomed the changes.

A customer of the London Information Centre wrote to us saying "The new system is most enjoyable to work with, doing away with constantly renewing funds on card is now obsolete. Much appreciated."

Customers who hold pre-paid accounts should apply for a refund by calling at one of the Information Centre's or writing to the Chris Clark, Refunds Section, Finance Dept, Companies House, Cardiff, CF14 3UZ.



focus groups



Focus groups have been running since May 2000 and they have been expanded to include meetings in regional centres. These meetings provide customers with the opportunity to raise issues or concerns they have regarding the quality of information and service provided by Companies House and provides valuable feedback in taking the quality initiatives and development projects forward.

There are thirteen groups who meet in London, Leeds, Manchester, Birmingham, Liverpool, Preston, Southampton, Portsmouth, Edinburgh, Dundee, Glasgow, Cardiff and Newcastle. These groups are proving very successful and we will continue to work to broaden the groups in each area and in other locations.

The Electronic Focus Group holds meetings approximately every six months but more often if there are any significant changes or services issues to discuss. There have been two meetings of this new group so far and the main issues discussed have surrounded the Electronic Incorporation Service, which currently makes up over 60% of daily incorporations.

If you are interested in joining one of the groups or would like more information please contact:

Lynda Brown
Customer Care
Room G90
Email lbrown@companieshouse.gov.uk

or call Companies House on 0870 33 33 636

information

Application Form Register

essential corporate knowledge

If you wish to receive the Register, please complete and send this form to:
Companies House, 1st Floor, Communications Team, FREEPOST CF4008, Cardiff CF14 1ZZ

Mr Mrs Miss MS (please tick)

Other _____

Initials _____ Surname _____

Job title (in full) _____

Company name (in full) _____

Address _____

Town _____

Country _____

Postcode _____

Telephone No. _____

Email: _____

Amend Details

If you wish to notify us of a change of mailing address or name, please fill in **your new details in the section above**, and **your old details in this section**, and send the entire form to:
Companies House, 1st Floor, Communications Team, FREEPOST CF4008, Cardiff CF14 1ZZ

Mr Mrs Miss MS (please tick)

Other _____

Initials _____ Surname _____

Company name (in full) _____

Address _____

Town _____

Country _____

Postcode _____

Companies House Services

Companies House has a range of services covering the filing and searching for documents.

Electronic incorporations This service is designed for high volume users such as company formation agents who incorporate companies on a regular basis using approved software. Over 50% of incorporations are now done electronically. A list of approved software and providers for all of the electronic filing services can be found on our website.

Anyone requiring further information on this service should check the website or alternatively call the Companies House contact centre on 0870 33 33 636.

Web Filing Electronic (Web) filing was introduced in May 2001 to allow filing of 287 and 288 form information i.e. changes in registered office address, appointment and termination of, and changes to director and secretary details. Prior to its introduction the only choice was to download forms from the website for completion, but these then had to be printed-out, signed and posted to Companies House. Further details of this secure system for the quick and easy on - line submission of company information is given on our website.

Other Services For details of other services including Companies House Direct, our on - line subscription-based information search service and WebCheck, our on - line search service aimed at the less frequent user using a credit card are given on our website.

Same day incorporation, change of name and re-registration services are available in all the offices.

Inter-registry searches are available between Scotland and the English offices. All offices are open Monday to Friday.

Please note: Companies House does not accept accounts or any other statutory document by fax.

Cardiff

Crown Way, Cardiff CF14 3UZ
Central Enquiries - Tel: 0870 33 33 636
Switchboard: (029) 2038 8588
Opening times: 8.30am to 5.00pm

London

21 Bloomsbury Street London WC1B 3XD
Tel: 0870 33 33 636
Opening times 9.00am to 5.00pm

Edinburgh

37 Castle Terrace, Edinburgh EH1 2EB
Tel: 0870 33 33 636
Opening times: 9.00am to 5.00pm

Filing of Documents

Anyone filing documents at Companies House should send documents for English and Welsh companies to the Registrar in Cardiff and for Scottish Companies the Registrar in Edinburgh.

Postal Deliveries-Saturday

There are no postal deliveries to Companies House on Saturday other than Cardiff or Edinburgh.

Delivery by hand of documents outside office hours

All offices, except for can accept documents delivered by hand 24 hrs a day, either at a manned reception desk at Cardiff or letterboxes at the other offices.

Register

essential corporate knowledge

First Floor, Companies House,
Crown Way, Cardiff CF14 3UZ

General Enquiries

Tel: 0870 33 33 636
Fax: 029 2038 0517

Editor

Robert Dugon

Email: rdugon@companieshouse.gov.uk

Editorial Board

Paul Reynolds
Helen Thewlis

Photography

Paul Donovan
Mark Sherlock

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Companies House statistics

April 2003 to September 2003

Note: Definitive figures are published yearly in the Department of Trade and Industry Companies Report* (presented pursuant to the Companies Act 1985 Section 729)

Documents	England & Wales			Scotland			Great Britain		
	Year to Date 2003/2004	% change on 2003/200	Year to Date 2003/2004	% change on 2003/2003	Year to Date 2003/2004	% change on 2003/2004			
Annual Returns	660,579	10.0	38,660	9.9	669,293	10.0			
Accounts	545,255	6.6	31,771	6.8	577,026	6.6			
Mortgage	95,533	12.2	7,364	13.6	102,897	12.3			
Liquidation & Receivership	63,602	0.5	1,650	-20.4	65,252	-0.1			
Other Statutory Documents	1,568,155	12.8	83,751	12.7	1,651,906	12.8			
Number of:									
New Companies Incorporated	196,268	41.7	9,858	29.1	206,126	41.0			
Change of Name Registered	29,244	6.6	1,963	5.1	31,207	6.5			

Output											Image Based Company Searches	
Searches (image based) Email	Online View	Fax	Posted	CHD Packages *	CHIC* Docs	CHIC* Packages	Monitor	WebCheck\$	Scan on Demand**	Total		
Year to date 2003/2004	539,745	67,406	3,813	1,366	45,860	30,134	352	15,039	200,737	60,331	964,783	

* Documents ordered from Information Centres (Search rooms) all other docs ordered via Companies House Direct except Monitor and WebCheck
 \$ New service since October 2000 ** New service since February 2001

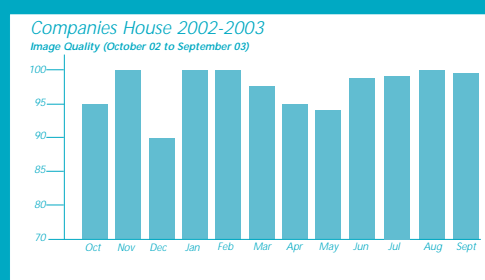
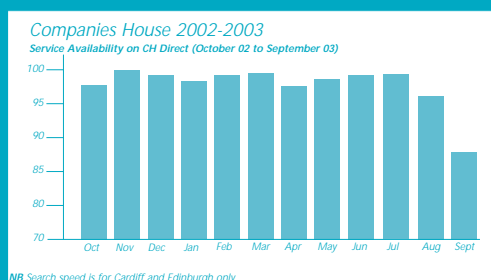
Searches (fiche based company searches)	London		Cardiff		Edinburgh		Great Britain	
	Year to Date 2003/2004	% change on 2003/200	Year to Date 2003/2004	% change on 2003/2003	Year to Date 2003/2004	% change on 2003/2004	Year to Date 2003/2004	% change on 2003/2004
Standard	-	-	-	-	-	-	18,907	-72.4
Posta	-	-	-	-	-	-	5,551	-65.4
Fax	-	-	-	-	-	-	1,900	-76.5

All fiche searches are processed from our Archive Library as fiche ceased to be updated at the end of 2002
 NB From 31 August 1999 all London searches have been processed at Cardiff
 From 10 February 03 all Scottish searches are processed from Cardiff and are included in Cardiff's figures.

Register: September 2003			
	England & Wales	Scotland	Great Britain
Active Register as at Month End	1,659,911	94,564	1,754,475
Active Register (Av. Year to Date)	1,606,030	92,014	1,698,044
Soft Compliance - % filed based on Average Year to Date	% compliant	% compliant	% compliant
Accounts	95.9	96.5	95.9
Annual Returns	94.8	96.3	94.9
Both	91.7	93.9	91.8
Hard Compliance - % filed on time based on company sample of 100,000 year to date	% compliant	% compliant	% compliant
Accounts	84.5	85.3	84.7
Annual Returns	66.4	67.9	66.6
Both	60.1	62.1	60.4

Document Processing Performance: September 2003	
Service Availability	89%
Web Service Availability	89%
Image Quality	98%
Data Capture Accuracy	94%

Disputes and Queries received: September 2003			
Late Filing Penalties Disputes	1,355	All complaints (excluding LFP) received	3,085
Late Filing Penalties Dispute cleared	1,472		
Replied within 10 days	679 (46%)	Replied within 5 days	(96%)



or call Companies House on 0870 33 33 636

Companies House products and services

In today's market company information is essential to both the business community and the consumer to use for a variety of reasons ranging from quick address checks to detailed analysis of business and financial performance supporting effective decision making. Companies House now offers a range of products designed to meet these needs.



Companies House Direct

The "on-line" service that provides a fast and cost-effective way of obtaining up to date information direct from your own PC. The Windows based Internet service allows customers to use a web browser to access a wide range of company information, view images of documents, company reports and document packages and place orders for or Archive Microfiche.

**For further information contact the Companies House
Direct Help Desk on 0845 7573991**



Information Centres

Information Centres can be found in Cardiff, London and Edinburgh. They provide "on-line" access to company information and customers using the Information Centres may submit documents and use the same day incorporation facilities. A full range of general information is available.

www.companieshouse.gov.uk



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Companies House
— for the record —