

Office of the Director
of Corporate Enforcement

*Oifig an Stiúirthóra um
Fhorfheidhmiú Corparáideach*

Foreword



Pursuant to section 16(1) of the Company Law Enforcement Act 2001, I am pleased to present Mr Micheál Martin, T.D., the Minister for Enterprise Trade and Employment, with my Office's Annual Report for 2006.

Highlights for the ODCE in 2006 by primary activity included:

Compliance

- the development for public consultation of Draft Guidance on the Governance of Property Management Companies;
- the publication of Guidance on Audit Committees and the finalisation of revised Guidance on the duty of auditors to report to the ODCE;
- the substantial completion of a new ODCE Communications Strategy;

Detection

- the closure of some 1,000 cases denoting possible corporate misconduct, the vast majority on an administrative basis;
- the repayment of over €160 million by directors and connected persons to their companies and the referral of 86 large cases involving some €48 million to the Revenue Commissioners because of possible tax liability concerns;

Enforcement

- the conviction of 48 companies, directors and others for breaches of company law obligations (49 convictions in 2005). In all, 103 charges were determined in 27 cases, a similar result to last year's outturn of 112 charges in 19 cases;

- two new offences were successfully prosecuted for the first time:

- one involved a director who was disqualified from so acting because he failed to disclose his continuing UK disqualification to the Companies Registration Office on his appointment as a director of two companies here;
- the second involved the use by a director of financial statements which were falsely represented to the company's bank as having been audited;

- the disqualification of 14 persons and the restriction of two directors (21 disqualifications and no restrictions in 2005). One disqualification was based on adverse findings in the Ansbacher High Court Inspectors' Report;

- the commencement, following a lengthy ODCE inquiry, of disqualification proceedings against two company directors who were criticised by the Tribunal of Inquiry into Certain Planning Matters and Payments;

Insolvency

- the targeting of phoenix-type activity. Disqualification actions were launched against a further nine individuals in this area;
- the restriction by the High Court of some 100 directors of insolvent companies. This followed liquidator applications made with the ODCE's assent;

Customer Services

- the 244,000 visitors to the ODCE's website in 2006, a 36% increase on 2005.

Office expenditure amounted to some €3.355 million, a 16% increase on the outturn of €2.899 million in 2005, most of which was due to higher legal and professional costs.

These good results are primarily due to the commitment and hard work of my staff who have made a major contribution to improving the quality of the environment for enterprise development over the last five years.

Others have also helped along the way. Auditors, liquidators and their professional bodies continued to assist by fulfilling their statutory reporting duties to the Office. The State, economic and social enterprise and the general public have become more aware of our work, and this is serving to extend the compliance and enforcement message to a wider constituency.

I also wish to acknowledge the Oireachtas, the Government, the Courts and the Ministers and staff in the Department of Enterprise Trade and Employment who have supported our remit and ongoing work. I want in particular to thank the Department for its recent decision to assign a further eight staff to the Office during 2007 in response to our submission for 20 extra staff overall.

We are anxious to do more in the future to improve further the standards of legal compliance with the Companies Acts in the overall public interest.

Paul Appleby

Director of Corporate Enforcement

30 March 2007

Introduction

The present Strategy Statement of the Director of Corporate Enforcement identifies the following primary ODCE goals and related sub-goals:

Goal 1: Encouraging Compliance with the Companies Acts

- Sub-Goal 1.1: Publishing Accessible Company Law Information
- Sub-Goal 1.2: Promoting Compliance
- Sub-Goal 1.3: Improving Company Law and Associated Corporate Practices

Goal 2: Uncovering Suspected Breaches of Company Law

- Sub-Goal 2.1: Developing Detection and Reporting Arrangements for Suspected Breaches of the Companies Acts
- Sub-Goal 2.2: Identifying Suspected Breaches of the Companies Acts
- Sub-Goal 2.3: Commissioning/Supporting Formal Company Investigations

Goal 3: Prosecuting Detected Breaches of the Companies Acts

- Sub-Goal 3.1: Developing a Balanced Enforcement Policy
- Sub-Goal 3.2: Upholding the Disclosure Requirements of the Companies Acts
- Sub-Goal 3.3: Sanctioning Parties Disregarding Company or Other Interests
- Sub-Goal 3.4: Acting against Parties Denying Accountability under the Law

Goal 4: Sanctioning Improper Conduct relating to Insolvent Companies

- Sub-Goal 4.1: Supervising Liquidators in the Proper Discharge of their Duties
- Sub-Goal 4.2: Assessing Directors' Conduct in Insolvent Liquidation Situations
- Sub-Goal 4.3: Sanctioning Fraudulent or Abusive Behaviour

Goal 5: Providing Quality Services to Internal and External Customers

- Sub-Goal 5.1: Securing and Managing ODCE Resources
- Sub-Goal 5.2: Developing Staff
- Sub-Goal 5.3: Developing and Maintaining Quality Customer Services

This Report reviews progress in 2006 by reference to each of these goals and sub-goals.

Goal 1: Encouraging Compliance with the Companies Acts

Introduction

In 2006, the ODCE continued its work of improving standards of compliance with the Companies Acts and with corporate governance requirements in general. Arising from the results of market research commissioned in 2005, the Office began to increase its focus on small and medium sized enterprises (SMEs) and other discrete sectors of company stakeholders, while continuing to offer useful information on company law generally for all interested parties.

Sub-Goal 1.1: Publishing Accessible Company Law Information

The ODCE published eight separate documents and reports in 2006, including its Interim Review of Activity for 2005 in January and its 2005 Annual Report in May. The Consultation Papers, Decision Notices and Information Notices are detailed in **Appendix 1.1.1**.

Consultation Papers and Decision Notices

Two important Consultation Papers were issued.

Audit Committees

The first of these explained in detail Section 42 of the Companies (Auditing and Accounting) Act 2003 which makes provision for Audit Committees for the first time in Irish company law. When commenced, Section 42 will apply to certain public limited companies and large private companies¹. The document was publicised and made available on the ODCE's website and was also circulated to interested parties with an invitation to comment on its content and on its manner of implementation. In all, some 18 separate submissions were received, and these made useful and valuable suggestions as to how the Draft Guidance could be improved. Having taken account of these submissions, the Guidance was finalised and issued in November 2006².

In issuing the final Guidance, the Director also wrote to Mr Michael Ahern T.D., the Minister for Trade and Commerce, with a number of recommendations in relation to the commencement of Section 42. These recommendations took into account Article 41 of Directive 2006/43/EC of 17 May 2006 which requires the adoption of audit committee provisions in Ireland by 29 June 2008. The Director's proposals were as follows:

- *the qualifying turnover and balance sheet thresholds:* The Section be commenced without altering the existing thresholds;
- *the companies affected by the provision:* An immediate exemption be given for:
 - every Irish-registered public limited company which is a wholly owned subsidiary undertaking of a public limited company registered outside the State and which has a duly constituted audit committee and
 - every unlisted public limited company that does not meet the specified balance sheet total and turnover thresholds contained in Section 205B(1);
- *the composition and operation of audit committees and the qualification of their members:* The Section be commenced having transposed the following requirements from Article 41 of the Directive:
 - the requirement that at least one member of the audit committee shall have competence in accounting and/or auditing, and
 - the requirement that the audit committee shall monitor the effectiveness of the company's internal control, internal audit where applicable, and risk management systems;
- *the date and form of commencement of Section 205B:* The Section be commenced for all financial reporting periods commencing on or after 1 April 2007 having also transposed the related requirements of the Directive.

1 Consultation Paper C/2006/1 – Draft ODCE Guidance on Audit Committees (April 2006).

2 Decision Notice D/2006/1 – ODCE Guidance on Audit Committees (November 2006).



ODCE Guidance on Audit Committees (November 2006)

At year-end, the Minister was considering these recommendations³. The Minister will also wish to consider, in consultation the Financial Regulator and the Revenue Commissioners (where appropriate), if additional classes of regulated financial service company or undertaking within the meaning of Article 41(6) of the Directive should be exempted.

Property Management Companies

The second ODCE Consultation Paper issued in 2006 included Draft Guidance on the Governance of Apartment Owners' Management Companies (AOMCs)⁴. The preparation of this Guidance responded to an increasing number of queries and reports which the Office had received on this subject. It was clear that there was a knowledge deficit of the company law requirements on the part of the directors and members of such companies (i.e., the apartment owners). The Consultation Paper and associated Draft Guidance sought to inform those associated with management companies of best governance practices with a view to improving company performance over time. The Consultation Paper attracted significant media interest on its launch in December 2006, and having taken account of the comments received, the Office intends to publish final Guidance later in 2007.



Consultation Paper on Apartment Owners' Management Companies (December 2006)

Auditor Reporting to the ODCE

Also in December, the Office finalised its work on amending the Guidance to auditors on their reporting obligations to the Office. The new Guidance⁵ was prepared to take account of certain revisions to the law contained in Section 37 of the Companies (Auditing and Accounting) Act 2003 and in Section 73 of the Investment Funds, Companies and Miscellaneous Provisions Act 2005. The Guidance also updated a number of other matters including recent changes to auditing and accounting standards, and it referenced interested parties to the latest schedule of indictable offences under the Companies Acts, a copy of which is on the ODCE's website at www.odce.ie/en/media_decision_notices.aspx. The Guidance was drafted in association with the Consultative Committee of Accountancy Bodies – Ireland and was adopted by the Auditing Practices Board⁶ prior to publication. A request by the Director to commence Section 37 in early 2007 is under consideration by Mr Michael Ahern T.D., the Minister for Trade and Commerce, at year-end.

³ A copy of the Director's submission to the Minister is available at www.odce.ie/en/media_decision_notices.aspx in association with the Guidance on Audit Committees.

⁴ Consultation Paper C/2006/2 – Draft ODCE Guidance on the Governance of Apartment Owners' Management Companies (December 2006).

⁵ Decision Notice D/2006/2 – Revised Guidance on the Duty of Auditors to Report Suspected Indictable Offences to the Director of Corporate Enforcement (December 2006).

⁶ An Auditing Practices Board Bulletin containing this Guidance is being issued to individual auditors.



*Revised Guidance on Auditor Reporting to the ODCE
(December 2006)*

Information Notices

The ODCE issued two Information Notices in 2006. The first of these listed the companies in insolvent liquidation and the reporting liquidators in respect of whom the Office had identified the requirement for a 'Section 56 Report' in 2005⁷. The purpose of this Notice is to enable interested parties to bring any matters of concern in relation to each named insolvent company to the attention of the relevant liquidator and the ODCE.

The Office's second Information Notice summarised the company law aspects of the Investment Funds, Companies and Miscellaneous Provisions Act 2006⁸. Parts 2 and 3 of the Act are part of the Companies Acts. Part 2 deals with various amendments of the Companies Acts, one of which raised the balance sheet and turnover thresholds under which companies can qualify for audit exemption. Part 3 gives effect to the EU Transparency Directive (2004/109/EC) on the harmonisation of the disclosure requirements in respect of issuers whose securities are admitted to trading on a regulated market.

Website Development

All of these documents were made available on the ODCE website, as well as links to relevant legislative provisions, ODCE articles and presentations.

Sub-Goal 1.2: Promoting Compliance

Advocacy Work

As indicated above, the ODCE's compliance work in 2006 placed greater emphasis on informing the SME sector of the requirements of company law. The Office's primary

method of achieving this goal was in partnership with business entities and professional representative bodies.

For example, the Office placed information stands at Chambers of Commerce and other events during the year, as well as at the National and World Ploughing Championships in Tullow, Co. Carlow. Many attendees took advantage of the opportunity to question ODCE staff on company law issues and obtain copies of the Office's Information Books and other relevant material.

ODCE staff also delivered a number of the "Corporate Health Check" presentations to City and County Enterprise Boards and their business clientele. This particular presentation has proven to be popular due to its accessibility for non-professionals.

In total, ODCE staff made some 38 presentations in 2006 to over 2,700 people. **Appendix 1.2.1** contains details of those presentations.



Kevin Prendergast, Corporate Compliance Manager, delivering a Corporate Healthcheck presentation in association with Carlow County Enterprise Board, December 2006

Public Enquiries

In responding to public enquiries, the ODCE distributed in 2006 over 15,000 copies of its various publications to improve people's understanding of corporate governance matters. This was a substantial increase on the 12,000 publications issued in 2005. The Office also dealt with a large number of individual queries on company law issues such as property management companies and the rights and obligations of company directors.

While the ODCE does not dispense legal advice on an individual basis, it does direct its clients to relevant information, including the Office's Information Books as well as relevant legislation where appropriate. Where

⁷ I/2006/1 – Section 56 Reports. Section 56 of the Company Law Enforcement Act 2001 requires the liquidator of an insolvent company to report to the ODCE on the state of affairs of the company and to apply to the High Court to restrict all of the directors unless relieved by the ODCE.

⁸ I/2006/2 – Investment Funds, Companies and Miscellaneous Provisions Act 2006.

persons have particular issues or are considering taking legal or other action, the Office advises callers to secure independent professional advice first.

Press Statements, Briefings and Queries

The Director released eight statements to the press in 2006, the details of which are at **Appendix 1.2.2**. These publicised new ODCE guidance materials, highlighted Court decisions which were noteworthy and discussed progress with respect to the Office's compliance and enforcement work. Office staff also contributed to five supplements on corporate governance issues in various business publications during the year. In addition, the Director and other Office staff participated in media interviews and promoted the content of ODCE publications. They also dealt with some 100 press queries during the year on various aspects of Office activity.

ODCE Communications Strategy for 2007/2008

In late 2006, the ODCE engaged a media consultant to offer advice in improving the impact of the Office's advocacy activity. A draft Communications Strategy for the years 2007 and 2008 was under examination at year-end.

Sub-Goal 1.3: Improving Company Law and Associated Practices

Policy Submissions

With Departmental encouragement, the ODCE prepared and submitted a detailed justification for five priority company law changes for consideration in the context of the planned Investment Funds, Companies and Miscellaneous Provisions Bill 2006. The following Office proposals were intended either to address investigation or enforcement shortcomings or to reduce regulatory costs, viz:

- a requirement that a company claiming audit exemption comply with an ODCE request to provide sufficient information to enable it establish that the exemption had been properly claimed;
- a facility which would allow the ODCE to prosecute multiple persons within the same set of summary proceedings where the same facts applied. In certain instances at present, proceedings have to be duplicated in different District Court areas with associated time and cost expenditures;

- a clarification of the law in relation to excessive directors' transactions which would provide that the high evidential burden for the offence (e.g., wilful default) could be satisfied by evidence that the director had been previously made aware of the relevant legal provisions;
- the introduction of 'consent' procedures for disqualification and restriction in recognition of the fact that many such Court proceedings were not contested. These consent undertakings would have a similar legal status to the present Court orders and would therefore save the associated legal costs of proceeding to Court. In relevant cases, this would benefit the liquidation and make more funds available for distribution to the company's creditors;
- an amendment of the law in relation to the recovery of legal costs in disqualification or restriction proceedings so that it permitted not just the legal costs of the proceedings to be recovered but also the associated costs of investigation from the disqualified or restricted person. This was intended to bring the law into line with the original intention of the Oireachtas for this provision.

Having received the proposals and engaged in subsequent bilateral discussions with the ODCE, the Department subsequently forwarded them to the Company Law Review Group (CLRG). Only the last proposal on costs recovery was ultimately included in the Investment Funds, Companies and Miscellaneous Provisions Act 2006 following acceptance by the Department of the CLRG view that the remaining proposals merited further consideration. The Director is disappointed that more of these priority proposals are not now enacted. However, he is committed to working with the CLRG on their further evaluation in the coming year.

The ODCE also made a number of other policy submissions on company law related issues to various State organisations. These included submissions to:

- the Business Regulation Forum on improving market transparency and regulation. The ODCE referred to the positive impact which the improved compliance and enforcement of company law provisions has had on the business market. The Office recommended that the Forum adopt a number of measures to improve market transparency with respect to corporate information and ease access to legal remedies by company stakeholders who have been disadvantaged as a result of a failure to comply with legal duties. The work of the Forum was ongoing at year-end;

- the Department of Enterprise Trade and Employment on proposals by the Small Business Forum to increase the turnover and balance sheet thresholds for audit exemption to the maximum levels permitted by EU law. These involved a possible rise in the turnover and balance sheet figures from €1.5 million to €7.3 million and from €1.905 million to €3.65 million respectively⁹. While the ODCE had no difficulty with an increase in the thresholds, the Office urged caution in relation to the proposed size of increase on various grounds. These included the valuable role of audit in upholding good standards of corporate governance and the decline in market transparency which would flow from a large number of Irish companies availing of audit exemption at the indicated levels. Mr Michael Ahern T.D., the Minister for Trade and Commerce, subsequently decided to increase the thresholds to the EU maxima subject to certain qualifying conditions in the interests of easing business burdens;
- the Employment Rights Compliance Group on the phenomenon of 'phoenix companies' and the legal measures in place in Irish company law to combat the practice. The ODCE's comments on the phoenix company phenomenon were exhibited in full as an appendix to their Report;
- the European Commission on future priorities for enhancing EU corporate governance. The ODCE urged the introduction of legal information-sharing arrangements among EU Member States in the company law field and supported the Commission's proposal for an EU-wide disqualification regime;
- the Financial Regulator in response to their Consultation Paper on Fitness and Probity. The ODCE made a number of technical suggestions with respect to the proposed Individual Questionnaire for the directors of financial service entities, some of which were taken on board in the finalised documents issued by the Financial Regulator;
- the Irish Auditing and Accounting Supervisory Authority on protecting the title 'accountant'. The ODCE considered on balance that there was insufficient justification at this time for protecting the title 'accountant', and it opposed the notion that only recognised accountants should be permitted to

provide accountancy services because this would constitute an undue restraint on trade and competition. Mr Michael Ahern T.D., the Minister for Trade and Commerce, subsequently accepted IAASA's recommendation that the term should be legally protected.

Company Law Review Group (CLRG)

The ODCE supports the development of a simplified and modern code of company law which should facilitate improved compliance with its obligations in the long run. In consequence, the ODCE contributed in 2006 to the CLRG's ongoing project to prepare a draft Consolidated Companies Bill. The Office provided substantial technical assistance in drafting the relevant Parts of the Bill dealing with enforcement and insolvency matters and was involved in particular in developing a simplified offences regime. The draft Bill was made available on an informal basis in December 2006¹⁰, and it will be formally published in early 2007.

Irish Auditing and Accounting Supervisory Authority (IAASA)

IAASA formally commenced operations in January 2006. As a member of the Board, the Director contributed to the Authority's deliberations during the year. In May, the Authority also agreed a Memorandum of Understanding with the ODCE on the exchange of confidential information between the two regulatory authorities as permitted by law.

International Association of Insolvency Regulators (IAIR)

The ODCE was one of about 20 national delegations which participated at the IAIR's Annual Conference in Mexico City in April 2006¹¹. The Conference serves as a valuable forum for sharing information and experience in relation to ongoing insolvency matters and for discussing the results of research projects.

In addition to updating delegates on the progress of company law compliance and enforcement in Ireland, the ODCE made two presentations to the 2006 Conference. Delegates expressed interest in the presentations on the Irish legal provisions:

- which enable foreign disqualifications to be recognised in Ireland and

⁹ These provisions commenced with effect from the date of signing into law of the Act in late 2006 and did not require a subsequent Statutory Instrument.

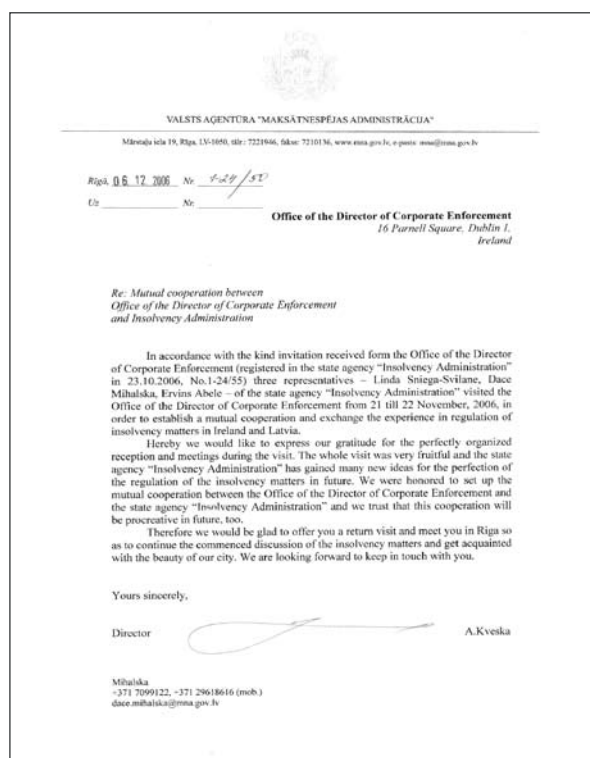
¹⁰ A copy of the General Scheme of the New Companies Bill is available at <http://www.clrg.org/>.

¹¹ Further information on the work of the IAIR is available on its website at www.insolvencyreg.org.

- which provide for the sharing of confidential information between regulatory bodies, including comparable bodies in other jurisdictions.

Visit from Latvian Insolvency Delegation

Arising from discussions that originally took place within the IAIR, the Office was pleased to host a two day visit of a three person delegation from the Latvian Insolvency Administration in November 2006. During their visit, the delegation met with officials from the ODCE, the Courts Service, the Department of Enterprise Trade and Employment and the Consultative Committee of Accountancy Bodies - Ireland to gain an understanding of how the liquidation and bankruptcy systems operated in the State.



Letter of acknowledgement from Latvian Insolvency Administration following their visit to Ireland in November 2006

NSAI - ISO 26000 on Social Responsibility

The ODCE accepted an invitation from the National Standards Authority of Ireland (NSAI) in 2006 to join the local 'Mirror Committee' which is examining ongoing international work developing an international standard on corporate social responsibility¹². Each jurisdiction with membership of the International Standards Organisation has a Mirror Committee comprising relevant interested parties from its jurisdiction. Each Committee gives

feedback on the proposed Standard as it moves through the various drafting stages. The work in developing an International Standard on Social Responsibility is currently at a very early stage, and the Standard is not expected to be finalised until late 2008 at the earliest.

Participation in OECD Peer Review of Bribery Convention

As a party to the Convention on Combating the Bribery of Foreign Public Officials in International Business Transactions (1997), Ireland is subject to a programme of systematic monitoring of compliance with the Convention by the Organisation for Economic Cooperation and Development (OECD)¹³. Although the ODCE does not have any primary statutory role in this area, the Office was invited by the Department of Justice Equality and Law Reform to contribute to a planned OECD review in Autumn 2006 because of our general role with respect to corporate governance. In advance of the OECD visit to Dublin, the Office prepared a lengthy response to an OECD questionnaire in relation to accounting and auditing issues and the Office's performance in enforcing these company law provisions.

During the visit by the OECD Evaluation Team which was led by evaluators from Estonia and New Zealand, ODCE representatives participated in four of the discussion panels which were convened to assist the Team in better understanding the roles and contributions of the relevant Irish agencies. The OECD evaluation report on Ireland's implementation of the Convention is expected to be published in March 2007.

ECJ Case on the Transfer of a Company's Registered Office

During 2006, the Office contributed¹⁴ to the preparation by the Offices of the Attorney General and the Chief State Solicitor of Ireland's Written Observations to the European Court of Justice (ECJ) in Case C-210/06 Cartesio Oktató és Szolgáltató Betéti Társaság. The Cartesio proceedings take the form of questions referred to the ECJ for preliminary ruling (pursuant to Article 234 of the EC Treaty) by a Hungarian court¹⁵. The questions in relation to which the ODCE has concerns essentially raise issues as to whether and/or subject to what conditions existing EU law permits a company incorporated and formed under the laws of one EU Member State to transfer its registered office to another Member State. It is expected that the ECJ will hear the case in 2007.

¹² More information about ISO 26000 - Social Responsibility is available from <http://www.iso.org/sr>.

¹³ Information on the Convention is available at www.oecd.org.

¹⁴ In collaboration with the Department of Enterprise Trade and Employment, the Department of Justice Equality and Law Reform, the Companies Registration Office and the Revenue Commissioners.

¹⁵ Full details of the reference, as published in the Official Journal of the European Union, are outlined at http://eur-lex.europa.eu/LexUriServ/site/en/oj/2006/c_165/c_16520060715en00170018.pdf.

Conclusion

The ODCE's work in promoting compliance continues to play a significant role in informing company stakeholders of their rights and obligations with respect to the Companies Acts. The Office attempted in 2006 to broaden its compliance activity and intends to continue targeting areas which are known to suffer from corporate governance deficiencies. Standards have improved in recent years, and further improvement depends not only on compliance initiatives but also on a credible programme of ongoing investigation and enforcement. The following sections of this Report outline ODCE progress in these areas in 2006.



Latvian Insolvency Delegation Meeting November 2006.

*Pictured are **Adrian Brennan** (ODCE); **Linda Sneiga-Svilane**, Insolvency Administration of Latvia, Vice Director for Finances; **Paul Appleby**, Director; **Dace Mihalska**, Insolvency Administration of Latvia, Director, Department of Strategic Planning and Regulatory Enactments Development; **Billy O'Riordan**, PWC, Insolvency Practitioner and **Kevin Prendergast** (ODCE)*

Goal 2 – Uncovering Suspected Breaches of Company Law

Introduction

Fraud, non-compliance and other unlawful or irresponsible activity serve to distort business markets by conferring unfair and unwarranted advantages on some companies and their stakeholders to the detriment of others. Legal obligations should not be ignored for reasons of convenience in order to minimise costs and improve a company's commercial prospects when those costs are often transferred to other company stakeholders and adversely affect their commercial interests and their potential ability to compete in the marketplace.

The motivation for ODCE efforts in uncovering potential company law breaches is therefore to improve corporate conduct and to support and sustain fair competition in the marketplace.

Sub-Goal 2.1: Developing Detection and Reporting Arrangements for Suspected Breaches of the Companies Acts

Number/Sources of Suspected Breaches

Auditor reports and public complaints continued to be the primary sources of potential detected misconduct in 2006. However, there was a marked change in the number of reports of suspected misconduct received by the Office this year. This was primarily due to a recent exemption given to auditors under which they were no longer required to report annual return defaults¹⁶ which had amounted to about 60% of all of the reports and complaints made to the ODCE. As these defaults were proper to the work of the Companies Registration Office (CRO), the exemption naturally led to a welcome substantial reduction in overall numbers in 2006. For comparability reasons therefore, the 2005 and 2006 figures for reports and complaints in this section of the Annual Report and in the associated Appendices exclude annual return defaults. The revised figures now give a more representative picture of the volume of cases which are potentially appropriate for ODCE examination.

¹⁶ This exemption was contained in section 73(2)(d) of the Investment Funds, Companies and Miscellaneous Provisions Act 2005. Section 73(2)(d) was commenced on 1 September 2005. ODCE Information Notice I/2005/3 explains the effect of the provision.