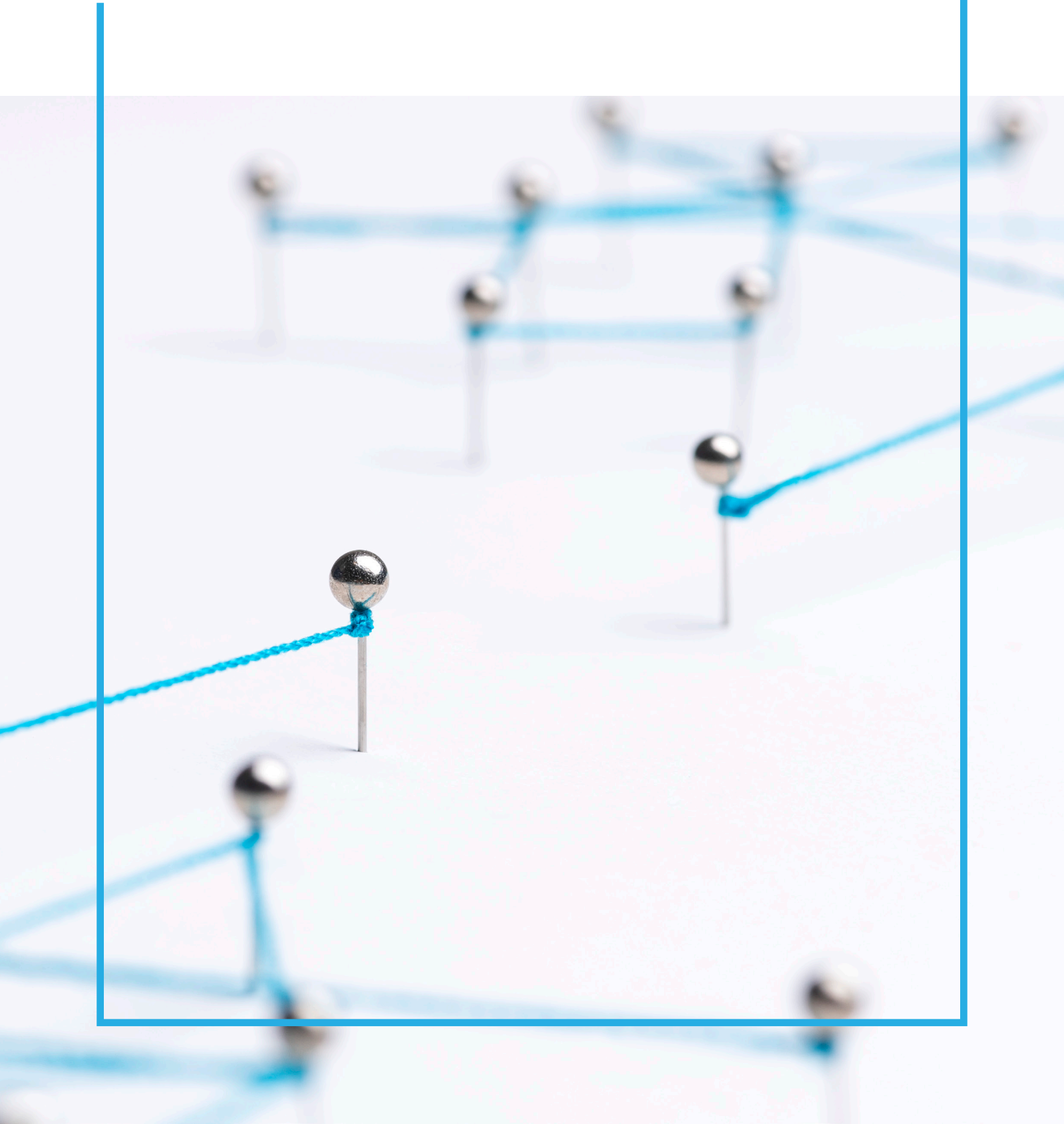


Entity Rationalisation:

# SAVING £400,000 IN AUDIT FEES



## Entity Rationalisation:

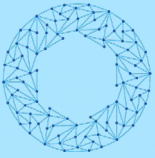
# SAVING £400,000 IN AUDIT FEES

### The Issue

Group structures can often become overly complicated and onerous, particularly where an organisation has undertaken a number of acquisitions. This can make the group structure chart difficult to understand and time consuming to maintain, require the use of external entity

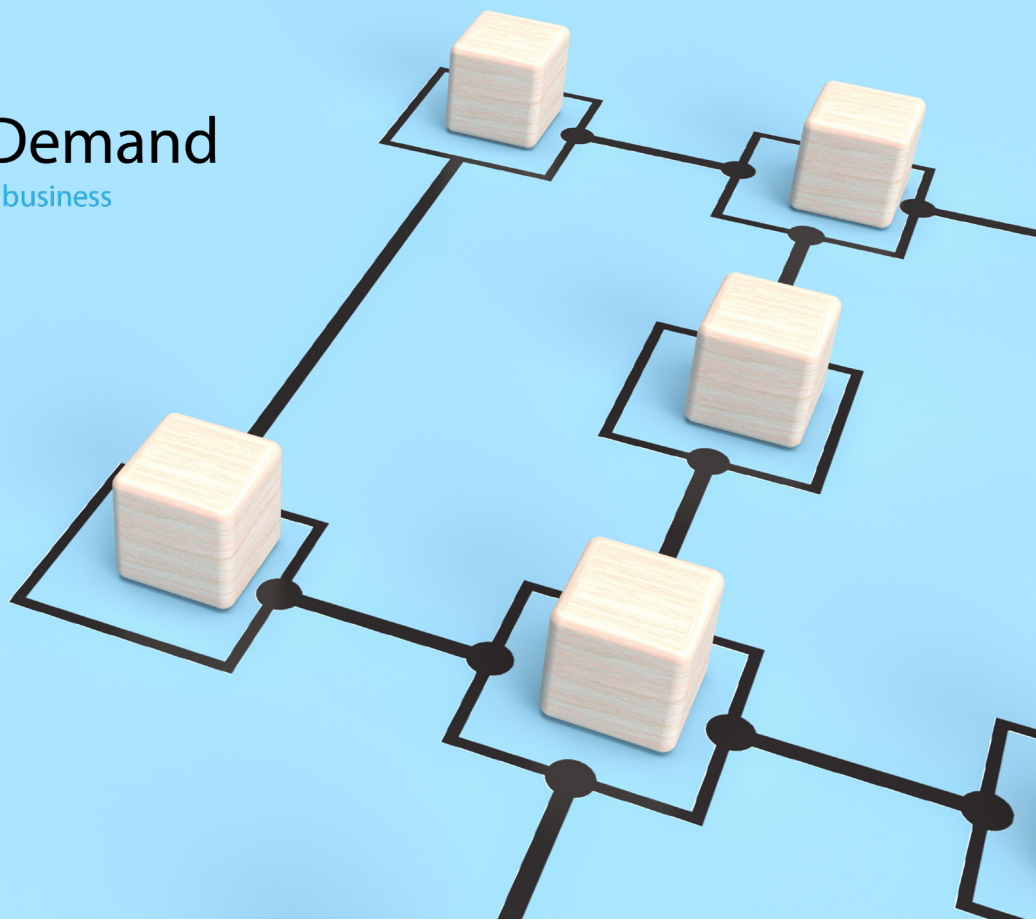
management software to maintain the entities and put unnecessary additional burdens on the Company's directors. It is therefore important to regularly evaluate the group structure to consider whether each group company still serves a purpose.





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## The Process

Our entity rationalisation programme required us to analyse the company's existing group structure, which contained circa 300 entities, to identify any entities which may be surplus to requirements and highlight candidates for voluntary strike off/liquidation.

We then needed to undertake an in-depth review of the individual entities identified to establish whether there were any potential barriers to the strike off process such as: contracts in the name of the company, assets owned by the company or any outstanding current or historic tax or pension liabilities. This involved working closely with various teams across the business including legal, finance, pensions and tax.

Various tasks were then undertaken to seek to remove these barriers such as novating contracts, transferring assets etc. It was then necessary to decide whether the appropriate method of dissolution for the entity would be strike off or liquidation.

The dissolution process could then begin with the return of capital to shareholders (where applicable)

through the process of a capital reduction, appointing a liquidator (where required), drafting the various board resolutions and Companies House forms, and holding the relevant Board/shareholder meetings to approve the documents. The documents were then filed at Companies House and the group structure updated following confirmation that the companies had been dissolved.

## The Outcome

The process of entity rationalisation reduced the number of legal entities from circa 300 to approximately 40. This resulted in a significant reduction in costs associated with maintaining a large corporate structure, such as preparing and filing accounts, confirmation statements and keeping statutory registers. Over the period of the rationalisation process, total external audit fees for subsidiary company audits decreased from £500,000 to £100,000. It also freed up valuable time across the business to focus on more important matters and relieved the directors of the statutory duties related to those entities.



# Beyond Governance

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[www.beyondgovernance.com](http://www.beyondgovernance.com)



[enquiries@beyondgovernance.com](mailto:enquiries@beyondgovernance.com)



+44 203 745 1916