



ATTENTION ALL PRIVATES!

THE COMPANY LAW REFORM BILL COULD AFFECT YOU!

Are you a director or shareholder of a small business?

If so, your company could benefit from the proposals under the Company Law Reform Bill. The Bill is currently proceeding towards its reading in the House of Commons and is predicted to be made law later this year or early next year.

Should the bill become law, how might it benefit your business?

The Bill aims to facilitate the setting up and running of small, privately owned companies in a number of ways. The overriding objective is to reduce the current time and expense involved in the administration of operating private companies.

How will the new laws impact on your company?

The new law will affect the administrative workings of your company, the role of the officers of the company, the company's auditors/accountants and the purchase of shares in the company. In particular:

Administration:

- Under the new legislation there will be minimum rules on the internal workings of your company. Such rules will be set out in a new internal working document of the company (its articles of association), which will be shorter and clearer.
- Your company will only be required to hold an Annual General Meeting (AGM) if it positively opts to do so.
- Resolutions of shareholders in writing (as opposed to them attending a meeting of shareholders) will be able to be passed if only 75% of the shareholders are in agreement; currently all of the shareholders need to be in agreement to pass a resolution in writing.

- Your company will be able to make greater use of modern-day electronic communications in order to communicate with its shareholders.

Company Officers:

- The directors of the company will be able to easily identify the duties they owe the company. The new legislation will contain a statement on the duties which directors owe to their company. Guidance relating to those duties will be available from the Department of Trade and Industry.
- The directors will no longer be required to have their private residential address on the public record. They will be able to nominate a different address e.g. the company's registered office address.
- There will no longer be a requirement to have a company secretary, whose role it is to keep various records of the company at the company's registered office and to file information with the Registrar of Companies.

Auditors/Accountants:

- The legislative provisions relating to accounts and audit reports have been clarified to make them more understandable.
- Your company will continue to have the option of filing abbreviated accounts with the Registrar of Companies.
- The filing of accounts with the Registrar of Companies will in future have to be done within 9 months of the Accounting Year End of the company. This change takes into account the capabilities of modern technology and the speed with which accounts become out of date.

Shares:

- The current complex rules prohibiting companies from providing financial assistance to potential or actual shareholders for the purchase or acquisition of shares in the company will be abolished for private companies. There will therefore be a simpler process for outside investors to invest in your company when they need financial assistance to do so.

Do you need to take action to benefit?

In order to benefit from the changes existing companies will need to review, and may need to amend, their Articles of Association.

Need for specific advice

This note is intended as a general guide, and specific legal advice should be sought before entering into any commitment or transaction. If you require any further information, please contact Simon Dakin on 0115 9100 200 or email: enquiries@actons.co.uk.