



LEGISLATION IN BRIEF

Company Reform Bill

The Company Law Reform Bill, which has been in the offing for nearly 8 years, finally receives its committal to Standing Committee for final approval on 13 July 2006. The Bill contains just under 900 clauses with additional schedules and supplements, rather than replaces, the existing companies legislation. It is expected that the majority of the provisions will come into force in April 2007. The key proposals for private companies are:

Directors and Company Secretaries

- General duties of directors are placed on a statutory footing. The essential goal of directors is the success of the company for the benefit of the members as a whole (and the duty imposed is to take a balanced view of the long-term implications, having regard to interests of those in the company and the wider community).
- Loans and credit transactions can be made to directors with shareholder approval.
- In certain circumstances, conflicts of interest may be resolved by the board.
- It is no longer a requirement for a company to have a company secretary.
- Provisions on offences for breaches of company law are to target directors and officers in more cases, rather than the company as a separate entity.

Share Capital

- Private companies are no longer prevented from providing financial assistance for a purchase of their own shares.
- Companies are able to re-denominate share capital and the reduction of share capital process is made simpler (companies no longer need apply to the Courts).
- The Bill removes the requirement for an authorised share capital.
- Companies may transfer assets intra-group at book value (provided they have distributable profits).

Resolutions and Meetings

- Written resolutions may be passed with 50% (ordinary) or 75% (special) majority. Extraordinary and elective resolutions are abolished. The minimum notice period for calling a general meeting is 14 days in all cases; consent to short notice may be achieved by a majority in number holding 90% of shares.
- Private companies are no longer required to hold an AGM.

Useful URLs

DTI Guidance – www.dti.gov.uk/cld/guidancekey.doc

To learn more about compliance and how you can protect your business, email Andy Moseby at Kemp Little LLP at andy.moseby@kemplittle.com