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EURO-AMERICAN LAWYERS GROUP

UK: "THINK SMALL" ***THE NEW APPROACH TO COMPANY LAW***

AN EURO-AMERICAN LAWYERS GROUP BRIEFING ARTICLE
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The Company Law Reform Bill (the "Bill") has just entered the House of Lords for its first reading. It aims to make it easier to set up and run a company, to enhance shareholder rights and to provide flexibility for the future.

The Bill is a lengthy and complex piece of legislation which will transform the regulations that will apply to the vast majority of companies in the UK. Some of the key proposals are as follows:-

1. Incorporation

- one person would be able to form a private company;
- there will no longer be restrictions on a company's capacity and on Directors' authority to act on behalf of the Company unless the Company imposes such restrictions;
- the Company will be able to entrench certain elements of its articles so that approval of all shareholders is required for any change.

2. Company Constitution

- new simplified model articles have been provided for private limited companies.

3. Company Officers

- there will no longer be any requirement for private companies to have a company secretary;
- the Bill contains a codified statement of Directors duties to currently update these and make them easily accessible. These are contained in case law making it difficult to access and understand;



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- at least one Director will require to be an individual rather than a corporate body.

4. Meetings

- there will be no requirement for a private company to hold an AGM;
- there will be no requirement for a private company to appoint auditors at an AGM or to table accounts;
- only 14 days' notice will be required for AGMs/EGMs;
- 75% of those eligible to vote on any matter will be able to pass a written resolution rather than 10090 as is currently required.

5. Capital Issues

- the prohibition on private companies granting financial assistance will be removed allowing companies to provide assistance for the purchase of their own shares;
- the requirement for authorised share capital will be removed and there will no longer be any requirement for shareholder approval of allotments of shares save where the company will have more than one class of shares as a result of such allotment.

6. Report and Accounts

- companies will only have 7 months from the year end rather than the current 10 to file their accounts.

The above matters are only edited highlights of a few of the matters covered by the Bill. The Government hopes that having a new company law better suited to today's business needs will increase the UK's competitiveness as a place to do business and improve economic performance. Only time will tell whether this turns out to be the case.

The Bill is expected to become law later next year.

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