

Helping our clients to achieve

Article

Small limited companies can now save time, trees and money.

New Rights under the Companies Act 2006 come into force from 20th January 2007, explains Lynda Lawson from Phillips Solicitors

Date: 18 January 2007

by Lynda Lawson, solicitor specialising in corporate law

Direct line 01256 854627 email llawson@phillips-law.co.uk

New provisions of the Companies Act 2006 could be good news for limited companies, allowing early delivery of the benefits of e-communication. The provisions come into effect from 20th January 2007, ahead of most other parts of the Act. Benefits could include significant cost savings to business, improved accessibility to information and enhanced immediacy of dialogue between companies and their shareholders.

Electronic Communication

Under current legislation, companies have to communicate with their shareholders by hard copy document which inevitably takes time to distribute, not forgetting the associated costs. From January 20th, providing each shareholder agrees and the company has the requisite authority in its articles of association, companies can communicate with their shareholders either by e-mail or by posting information on a company's website and advising its shareholders. A Regulatory Impact Assessment, carried out by the DTI in June 2006, estimated that total direct benefits to companies could be in the region of £160-340m annually, against direct cost increases in the region of £2-11m, based on input from stakeholder companies.

Shareholders who have not joined the electronic age will, of course, still be entitled to receive hard copy documents.

Helping our clients to achieve

Directors' statutory responsibility for false or misleading statements in reports

Directors have an ongoing duty to prepare an annual report and directors' remuneration report however new legislation does make some slight changes :

Currently:

- A director will be liable if he knows that he was making a false statement or is reckless as to whether the statement is false and fails to take reasonable steps to prevent the statement being approved on the basis of such knowledge;

As from 20th January:

- A director will be liable for false or misleading statements (or omissions) if he makes them deliberately or recklessly or the omission amounts to dishonest concealment of a material fact.

The shift is subtle and it's not yet clear how Courts will interpret the difference but it seems to me that the potential liability is somehow more obvious with the new wording.

Lynda Lawson, corporate lawyer at Phillips Solicitors, comments: 'This is good news for small companies because these new provisions will allow them to benefit from the potential time and cost savings and transparency that these changes bring.'

Call Lynda on 01256 854627 and visit the website at www.phillips-law.co.uk