

## **The Companies Act 2006**

The Companies Act 2006 has been fully in force for a little over a year now. In this article we set out some of the potential benefits of the new Act.

### **Electronic Communication**

It is now possible to put notices of shareholders meetings and proposed resolutions up on a website instead of sending hard copies by post. This could be very helpful when you have a large number of shareholders (e.g. a residential management company) or shareholders living abroad. Each shareholder needs to give consent before you can use this method of communicating with him but you can use it for any shareholders who do consent, whilst continuing to use traditional methods of communication for other shareholders. Please ask us for more information about the format of the consent form.

### **Written Resolutions**

Before the Companies Act 2006, it was necessary to get 100% agreement in order to have a written resolution (i.e. one which is signed on paper, without the need to call a shareholders meeting). Now the position is that the same number of votes is needed to pass a written resolution as a regular resolution. If your shareholders are spread out geographically, this can be particularly useful, saving the company the need to arrange a general meeting. You need to be careful about the format of your notice of written resolution right so please contact us if you would like to discuss this. If your existing Articles specifically say that a written resolution needs 100% approval, they would need to be amended to take advantage of this change.

### **AGMs**

Unless your existing Articles specifically require you to hold an AGM, you're no longer required to do so (although, if you haven't had a general meeting for over 15 months shareholders can call on you to hold one).

### **Notice of Shareholders Meetings**

Unless your Articles specifically state that longer notice has to be given, the notice period for all general meetings is now 14 days. Your articles may well say that 21 days notice must be given if a special resolution is being considered so it is worth thinking about making a change to take advantage of this change.

### **Company Secretary**

Unless your existing Articles specifically require you to have a company secretary, your company is no longer required to have one. However, this doesn't change the fact that all of the duties of a company secretary must still be carried out by someone so it might be simpler to continue to have the post so that there is a clear allocation of these duties.



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### **Directors Addresses**

Under the Companies Act 1985 ('the 1985 Act'), all directors had to give their home address to Companies House and these addresses would be public information. Under the 2006 Act, directors can give another address as their address for service e.g. the registered office of the Company. Although Companies House would still know your directors' private addresses, they wouldn't be available on the public record.

### **Executing documents**

It's now possible for one director to execute a document on his own, as long as his signature is witnessed. This can be far more convenient than arranging for two directors or a director and company secretary to sign, particularly if you're a sole director with a professional corporate secretary or your directors are based in different locations.

### **Directors as natural persons**

If your company has a holding company, you may need to make a change. It's no longer possible for a company's only directors to be other companies. An actual person has to be one of the directors.

### **Authorised Share Capital**

If you haven't made any changes within your company this is probably something you haven't thought very much about in the past. Under the 1985 Act, companies were required to have an authorised share capital i.e. a maximum number of shares which are available to be issued. Under the Companies Act 2006, there is no maximum unless your Articles say there is. The Articles of companies formed before 2006 will include a statement of the authorised share capital of the company so they would need to be revised if you wanted to take advantage of this.

### **Reduction of Share Capital**

If you've never needed to make a reduction in your company's share capital, you can think yourself lucky! Under the old regime this was a complicated process involving a court order. Now, private companies can reduce their share capital by making a declaration of solvency, which is much simpler.

There is no obligation to amend your company's Articles of Association if your company was formed before the Companies Act 2006 came into force. However, if you're revising your Articles for another reason (e.g. creating a new class of shares), it is worth thinking about carrying out a general review at the same time to take advantage of some of the benefits of the 2006 Act.

For more information, please contact Gillian Harding or David Howard.