

Stanley Davis

An update from Stanley Davis Group Limited

Company formations, company searches, property searches, Home Information Packs, Energy Performance Certificates, offshore companies, company support services

No. 5 Company formations, company searches, company support services, trade marks

MORE DETAIL ON 1 OCTOBER 2008 IMPLEMENTATIONS REDUCTION OF ISSUED SHARE CAPITAL WITHOUT THE NEED FOR COURT APPROVAL

Our last update gave a brief overview on the important changes taking place on 1 October that will affect all company directors, secretaries and shareholders. This update takes a closer look at a new feature which could considerably cut costs for companies that need to restructure:

Reduction of share capital

Until now, all reductions of capital by limited companies required Court approval to ensure that the company's creditors were not adversely affected. As with any Court procedure this increased the costs considerably. Under the new provisions private companies (public companies will still have to continue with Court approved capital reductions until 1st October 2009) can reduce the costs by means of a relatively simple procedure involving a solvency statement.

The procedure in brief is that a solvency statement is made and then a special resolution to approve the reduction must be passed within 15 days of the statement. These are then filed at Companies House with a statement of capital and a further statement by the directors that the requirements of the Act have been dealt with. For solvency statements made between 1st October 2008 and 30th September 2009, a memorandum of capital (as defined in The Companies Act 2006 (Commencement No. 7, Transitional Provisions and Savings) Order 2008 replaces the statement of capital.

The solvency statement has to be made by each of the directors and they must have formed the opinion that the company is currently solvent and will remain so and be able to pay debts as they fall due for the next twelve months. Directors need to take great care over the statement as if it is later found that they did so without reasonable grounds then they face a criminal offence with possible fines and imprisonment. It would be sensible to have the statement backed by professional advice from the company's auditors or accountants.

If you need help we will be pleased to assist and offer support and advice backed by Chartered Secretaries. Please contact shital.mehta@stanleydavis.co.uk.

Stanley Davis has specialised in company and property services for over 40 years. Details of our full range of services can be viewed at www.stanleydavis.co.uk or email info@stanleydavis.co.uk

To subscribe to future editions of this email newsletter please email marketing@stanleydavis.co.uk with the word 'Subscribe' in the subject line.