



MEMORANDUM TO THE BUSINESS, INNOVATION AND SKILLS  
SELECT COMMITTEE

Post-Legislative Assessment of the Companies Act 2006

Presented to Parliament  
by the Secretary of State for Business, Innovation & Skills  
by Command of Her Majesty

January 2012



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# MEMORANDUM TO THE BUSINESS, INNOVATION AND SKILLS SELECT COMMITTEE

## Post-Legislative Assessment of the Companies Act 2006

### Introduction

1. This memorandum provides a preliminary assessment of the Companies Act 2006 and has been prepared by the Department for Business, Innovation and Skills for submission to the Business Select Committee. It will be published as part of the process set out in the document *Post Legislative Scrutiny – The Government’s Approach* (Cm 7320). The paragraphs below follow the order of the provisions in the Act.

### Background and Objectives of the Companies Act 2006 (“the Act”)

2. The Companies Act 2006 received Royal Assent on 8th November 2006. The main purpose of the Act was to update and modernise the company law legal framework to meet the needs of business today – in particular the needs of smaller private businesses – and provide the flexibility needed by companies to operate in an evolving business environment. It introduced a number of changes to simplify and improve the law, including a variety of deregulatory measures which have been widely welcomed by business. It also codified elements of common law and implemented a number of EU Directives. It was the largest piece of new primary legislation on the statute book, with 1,300 sections covering a wide range of provisions. Phased implementation of the Act was completed in October 2009.
3. The implementation of the Act followed a long process of review and consultation. In March 1998, the DTI launched a long-term fundamental review of company law. An independent Steering Group led the Company Law Review (CLR); its aim was to develop a simple, efficient and cost effective framework for UK business in the twenty-first century. The CLR presented its Final Report to the Secretary of State on 26<sup>th</sup> July 2001.
4. The Government published its response to the CLR's major recommendations in the White Paper “Modernising Company Law” (Cm 5553) published on 16 July 2002. Documents relating to the CLR can be found at <http://www.dti.gov.uk/bbf/co-act-2006/clr-review/page22794.html>.
5. The final phase of stakeholder consultation began in March 2005 with the publication of the White Paper “Company Law Reform.” This set out the policy intention for the Bill and included 300 draft clauses. The website for this consultation is at: [www.dti.gov.uk/bbf/co-act-2006/white-paper/page22800.html](http://www.dti.gov.uk/bbf/co-act-2006/white-paper/page22800.html). Additional draft clauses were also published on this website in July 2005 and September 2005.

## Objectives

6. The aim of the Act as set out in the Regulatory Impact Assessment (RIA) ([www.berr.gov.uk/files/file29937.pdf](http://www.berr.gov.uk/files/file29937.pdf)) was to seek to ensure that UK business operates within a legal and regulatory framework that promotes enterprise, growth, investment and employment. In order to deliver this, the Act had four key objectives:
  - To enhance shareholder engagement and a long-term investment culture;
  - To ensure better regulation and a “Think Small First” approach;
  - To make it easier to set up and run a company;
  - To provide flexibility for the future
7. The law was also substantially rewritten to make it easier to understand and more flexible especially for small businesses. Many of the changes implemented were designed to be deregulatory and as a result the RIA estimated that the Act would deliver benefits to business of nearly £400 million per year.
8. There was also an emphasis on using simpler language within the Act and making it more focused on the needs of smaller companies.

## Implementation

### Summary of implementation schedule

9. The Act was implemented over three years (2007 – 2009) so that the deregulatory benefits came into force as quickly as possible and to ensure a smooth transition. The changes to company law could broadly be split into three areas, restatement, modernisation and simplification including some major changes. Examples of the major changes are noted below:-
  - Directors’ duties’ – codification of existing duties. The Act includes a statutory statement of directors’ general duties both to make the law in this area more accessible and to update the law to correspond to modern business practice;
  - Shareholder communications – changes were made to reflect the increased use of IT therefore the Act sets the default for communications as electronic;
  - Resolutions and meetings – for private companies, provisions to encourage greater use of written resolutions including that resolutions may be carried with a simple or 75% majority of eligible voters rather than requiring unanimity. The requirement to hold annual general meetings was also abolished;
  - Company constitutions – New model articles have been introduced to reflect the changes in the Companies Act;

- Company secretaries – requirement removed for all private companies;
  - Introduction of a solvency statement procedure for private companies wanting to reduce their share capital without a court order;
  - Changes to the audit framework including introducing a framework for companies to agree liability limitation agreements with their auditors and beginning the implementation of the Audit Directive (which has since been completed via regulations which amended Parts 16 and 42 of the Act prior to their commencement);
  - Accounts and Reports – The deadline for companies to file their annual reporting documents was reduced from ten months to nine, reflecting increased use of technology and the rate at which information becomes out-of-date;
  - Abolition of the concept of “authorised share capital”;
  - Enabling new public companies to satisfy the “authorised minimum” share capital requirement by reference to shares denominated in Euros;
  - Abolition of the prohibition on private companies giving financial assistance for a purchase of their shares by another person.
- 10.** The provisions were brought into force by means of eight Commencement Orders and we also took the opportunity to transpose any new EU requirements as part of the Act, including the Takeovers Directive and Audit Directive and the Shareholder Rights Directive.
- 11.** Details of the commencement timetable can be found on the BIS website and are annexed to this document. <http://www.bis.gov.uk/files/file53065.pdf>
- 12.** The Government set out the original timetable for the Act by written Statement on 28<sup>th</sup> February 2007. This statement explained that the registrar of companies needed sufficient time to implement important changes to Companies House systems and processes particularly in the areas of company formation and give appropriate notice to users of new procedures and forms.
- 13.** It became clear in November 2007 that some of the systems changes might not be completed on time, therefore to ensure certainty for business the government made a further statement on 7<sup>th</sup> November 2007 explaining that most of the provisions due to be commenced on 1<sup>st</sup> October 2008 would be put back to 1<sup>st</sup> October 2009. This included provisions relating to company formation, share capital, company and business names and directors' residential addresses. However business was asking for some provisions as early as possible and we were able to bring forward (for example) the provisions on reduction of share capital by solvency statement a year earlier to support business requirements.

14. On the whole this approach was welcomed by business, as we were able to give certainty to the final implementation date.

### **Provisions not commenced**

15. The only sections of the Act that have **not** been brought into force are:
- Section 22(2), which would have limited when a company's articles may include entrenched provisions;
  - Section 327(2)(c) and section 330(6)(c) which would have made void certain provisions in a company's articles relating to the notices required for the appointment and termination of appointment of proxies in certain circumstances;
  - Section 1175 so far as it relates to Northern Ireland and the associated Part 2 of Schedule 9 amending the previous framework for auditing small charitable companies in Northern Ireland. As that framework was repealed with the commencement of the relevant parts of the 2006 Act before these amendments were needed, they will be repealed when a suitable opportunity is available;
  - Section 1277 which could create a power that would require institutional investors to provide information about how they exercise voting rights.
16. Section 22(1) of the Companies Act 2006 defines "provision for entrenchment" and section 22(2) provides that such provisions can only be introduced in one of two ways: on formation, or by unanimous agreement of the members.
17. The Eighth Commencement Order would have commenced section 22. After that Order was made, it was pointed out to us that there was some uncertainty as to whether the definition of "provision for entrenchment" in section 22(1) could catch provisions sometimes included in articles in connection with rights attached to classes of shares. This was a cause for concern because provisions that were caught could only be introduced by unanimous consent of all members, which might make it difficult to introduce or amend such provisions.
18. We therefore included an amendment to the Eighth Commencement Order in the Companies Act 2006 and Limited Liability Partnerships (Transitional Provisions and Savings) (Amendment) Regulations 2009 (SI 2009/2476) so that section 22(2) would not be commenced on 1<sup>st</sup> October 2009. BIS will consider and consult further about what to do about section 22(2), and will make an announcement in due course.

### **Additional Amendments to the Act**

19. There have been a number of amendments made to the Act including:-

- Section 120 so that it does not apply to a company which is a participating issuer as it would not be possible for a company with uncertificated securities to comply with it;
- Sections 854-859 relating to Annual Returns;
- Section 1201 so that a UK service address is required only if there is a place of business in the UK;
- Part 13 of the Act was amended in the Companies (Shareholders' Rights) Regulations 2009 to implement the Shareholder Rights Directive 2007/36/EC on the exercise of certain rights of shareholders in listed companies;
- Part 27 - The Companies (Reporting Requirements in Mergers and Divisions) Regulations 2011 implemented the provisions of Directive 2009/109/EC. These amendments allow use of electronic communications for Mergers and Divisions.

### **Related Secondary Legislation**

- 20.** Much of the detailed implementation was introduced through secondary legislation, in particular:
- Technical provisions not suited to primary legislation;
  - Rules relating to delivering and filing documents at Companies House;
  - Where there is a need for flexibility in responding to changing circumstances, especially technological advances and greater international mobility;
  - Where previous Companies Acts had set the precedent;
  - To enable further consideration of the options for revising the schemes for registration of company charges.
- 21.** Over 80 SIs were made including eight Commencement Orders, seven Consequential Amendments Orders Further detail can be seen at <http://www.legislation.gov.uk/all?title=The%20Companies%20Act%20Consequential%20amendments>

### **Guidance**

- 22.** Throughout the Implementation process it was important to issue information on what the changes would mean for business. A number of routes were used. The departmental website was used to host a list of FAQ's which updated information on the implementation timetable and the impact of the new legislation. This information remains on the BIS website.
- 23.** Companies House has produced detailed guidance on many aspects of the Act and the requirements to file documents with Companies House. This guidance



was agreed with BIS policy officials and is updated when changes are made to the regulations.

24. Throughout the implementation period BIS and Companies House worked closely together to provide guidance for business. A number of guidance booklets were produced, these included Company Law Reform: Small Business Summary and more detailed guide for business. A leaflet was produced and sent to the accountancy and legal professions. This approach aimed to use the multiplier effect of informing interlocutors who would pass on information to their clients.
25. BIS and Companies House officials undertook a number of speaking events around the country and also attended specific 'roadshows' on the Companies Act which were organised in conjunction with the ICAEW.

### **Legal Issues**

26. During the implementation process BIS worked closely with stakeholders including the Law Society to try and limit problems following implementation. We set up an Implementation Advisory Group which encompassed key intermediaries and representative bodies. Although this group was disbanded, following final implementation, members of the group do keep in touch and they have in some cases highlighted areas where improvements can be made.
27. We have been alerted to some legal problems and possible legal problems, including those which are described below:
  - The requirements relating to statement of capital have caused some problems as we discovered that some companies were unable to provide some of the information required. We have consulted on possible amendments to the Act to rectify this situation and plan to do this when a suitable legislative vehicle is identified;
  - There were some technical defects which were discovered in relation to the pre-emption rights in Part 17. These were corrected by regulations under section 2(2) of the European Communities Act 1972 before the provisions in question came into force;
  - The Law Society has also submitted a list of technical amendments which they believe need to be addressed. We are in the process of determining what action (if any) is necessary;
  - We have also amended the Act to give the Secretary of State the power to provide for the notional conversion into sterling and Euros of share capital denominated in a single currency other than sterling or Euros, for the purpose of the "authorised minimum" share capital requirement for public companies. This change was made via the last Consequential Amendment Order.

## **Other Reviews of the Companies Act 2006**

28. We are only aware of the BIS evaluation of the Act.

## **BIS Evaluation of the Companies Act 2006**

29. The Regulatory Impact Assessment for the Act committed to undertaking a post-implementation review. In September 2009, the department started a project to evaluate the initial impact of major provisions of the Act, to assess the extent to which the original policy objectives have been achieved, to validate the expected costs and benefits, and to help identify any areas where the provisions are not working effectively. As the core of this evaluation, the department engaged a specialist research company to undertake a survey of 1000 companies of all sizes and interview several interested parties, such as business representative groups.
30. Due to the scale of the Act, the evaluation did not cover all its provisions. Rather, provisions for evaluation were selected on the following criteria:
- Provisions that were estimated in the Regulatory Impact Assessment to bring the biggest costs or savings;
  - Provisions that proved most contentious at the time of Parliamentary passage; and
  - Provisions that have been highlighted by business as being of particular interest/importance.
31. The provisions evaluated included the business review, electronic communications, directors' duties, annual general meetings and directors' addresses.
32. The ORC International evaluation report presents the first primary research amongst companies and stakeholders into the awareness and impacts of the Companies Act 2006. It provides a number of positive findings in relation to levels of awareness of the key changes implemented and higher than anticipated adoption levels for some measures such as auditor liability limitation agreements and solvency statements.
33. Overall, the report finds that 85% of companies (weighted by company size) are aware of changes brought in by the 2006 Act. Even amongst small companies, where awareness was anticipated to be lower because of their reliance on advisers, 40% of companies know that changes have been made. Although the report makes clear that it is probably too soon to say categorically that the Act's objectives have been met, it notes positive progress in terms of the three objectives evaluated.
34. The report finds that on the whole the changes are not seen as overly burdensome by companies. In particular key deregulatory measures such as the

removal of the requirement for private companies to hold AGMs and the greater use of written resolutions have been welcomed by companies and stakeholders, and seen as increasing flexibility.

35. The report recognises that the Act was enabling in nature and that awareness and adoption levels are likely to rise over time as familiarisation with the new Act increases. Benefits will also increase with the flow of new companies formed under the Act able to take advantage of many of the new flexibilities, such as new model articles.
36. Although it is disappointing that respondents to the company survey were unable in many cases to quantify savings from the various changes introduced by the Act, the report makes clear that it is still quite early after final implementation.
37. Furthermore, adoption levels are generally in line with those expected at the time of the RIA. Evidence from other sources suggests that significant savings have been achieved by companies in areas such as electronic communications and financial assistance.
38. It is clear from the report that stakeholders and those companies with a better understanding of company law had a greater recognition of the deregulatory benefits that the Act had brought about.
39. Stakeholders in particular noted a number of positives resulting from the Act including:
  - a reduction in bureaucracy;
  - greater privacy for directors and shareholders;
  - greater clarity on directors' duties;
  - greater engagement with shareholders.
40. The report also highlights the importance of advisers and sources of information in influencing companies' behaviour. Those companies whose main source of information was advisers (usually accountants or solicitors), their own professional institute, or BIS/Companies House publications were more likely to implement changes. Companies House information and website were positively rated. There do however remain issues about how best to communicate with the smallest companies who might prefer more direct and more tailored communications.
41. A number of the suggested areas for improvement concern the nature of guidance on changes in the Act. The department and Companies House periodically review guidance to ensure that it remains fit for purpose, and this feedback is therefore useful in this context. The Government has taken the other suggestions on board, but does not consider further reform in these areas to be a current priority.
42. Further information including the full evaluation report can be found at: [www.bis.gov.uk/policies/business-law/company-and-partnership-](http://www.bis.gov.uk/policies/business-law/company-and-partnership-)

[law/evaluation%20of%20companies%20act%202006](#) . A summary of the evaluation findings and other relevant evidence relating to the anticipated costs and benefits in the impact assessment is set out in the table at the end of this memorandum.

### **Preliminary Assessment of the Companies Act 2006**

43. As set out above it is still very early to come to a conclusion about the impact of the Act given that final implementation was only in October 2009. However, the findings of the evaluation work show broad support for the measures in the Act, and are largely positive in relation to levels of awareness of the key changes implemented and adoption levels for a number of measures. Stakeholders, in particular, noted a number of positives resulting from the Act.
44. The government has launched the '*Red Tape Challenge*' – this is a process where the public are asked to comment on regulations and make suggestions for improvements and amendments. Company Law is one of the themes under the *Red Tape Challenge* and over the coming months officials will be working closely with stakeholders to determine whether company law can be further amended to reduce administrative burdens on business.
45. We also expect the European Commission to undertake a review of company law and governance in the coming year. The Government will actively engage with this project with a view to simplifying the framework and making any amendments which will lead to growth for companies.

## Summary of Evaluation and Other Evidence:

Provision	Cost (per annum)	Benefit (per annum)	ORC findings <sup>1</sup>	Additional Results including Companies House data
Access to company information including filing times	£0 – £4m	Difficult to quantify corporate governance benefits	(Public and Quoted only) <u>Filing times:</u> <ul style="list-style-type: none"> <li>• 84% <u>aware</u> of changes;</li> <li>• 73% had made <u>changes</u> in this area (although not all had yet filed accounts under the new regime);</li> <li>• Limited impact was reported from reduced filing times;</li> <li>• Limited evidence of impact from additional information made available by quoted companies.</li> </ul>	<b><u>Companies House admin data:</u></b> Late filing penalties: 2008/09 – 263,457 2009/10 – 229,008  <b><u>Companies House SME survey<sup>2</sup>:</u></b> - 73% aware of changes to filing times; - 75% aware of increase in penalties.
Facilitating e-communications	Small administrative cost	RIA <sup>3</sup> : Approximately £47m for FTSE companies, further cost-savings for rest of market for Annual reports;. AB <sup>4</sup> : £183m (all IOs) including £104m for quoted companies annual reports.	(Large private, public and quoted) <ul style="list-style-type: none"> <li>• 69% <u>awareness</u> of changes, 39% made <u>changes</u>;</li> <li>• 60% those making a <u>change</u> had sought s/holder approval;</li> <li>• o/w 13% had seen cost savings and 8% increased speed of communication;</li> <li>• <u>Case studies</u>: print run of annual report and review reduced by 75% but for public company initial savings invested in improving web design. Savings of £5m pa. recorded for FTSE 100 but hard copy requests increasing.</li> </ul>	<b><u>Registrars data:</u></b> Data from three main registrars for annual reports of FTSE companies: - hard copy 10%; - e-comms 12%; - defaulted e-comms 77% With figures rising over time. <b><u>Black Sun “Rethinking Reporting 100 2009”</u></b> - many FTSE 100 companies now undertaking shorter print runs and extending on-line information available for defaulted shareholders. - increased number of companies providing links to e-comms sign-up page.
Business Review			(Large private, public and quoted) <ul style="list-style-type: none"> <li>• Limited evidence of costs or benefits following changes but seen as one of the least helpful areas of the</li> </ul>	<b><u>Black Sun “Rethinking Reporting 100 2009”</u></b> - general improvement in FTSE 100 business reviews but still some

<sup>1</sup> BIS survey of awareness and impact of Companies Act 2006 undertaken by ORC International March-June 2010. (Sample used varies by question and in some cases base sizes are relatively small. Percentages of those making changes are in most cases based on sub-sample of those aware of measure.)

<sup>2</sup> Companies House customer survey of SMEs May 2009

<sup>3</sup> Regulatory Impact Assessment January 2007- <http://www.bis.gov.uk/files/file29937.pdf>

<sup>4</sup> Admin Burden calculation undertaken by PWC 2005

			<p>Act;</p> <ul style="list-style-type: none"> <li>• 46% of those preparing business review are directors.</li> <li>• <u>Case studies</u>: focused on difficulties of large multinational company.</li> </ul>	<p>weaknesses;</p> <ul style="list-style-type: none"> <li>- 76% reporting on environmental and 65% on social and community issues;</li> <li>- improved forward looking reporting information (55% giving a good indication)</li> </ul>
<b>Directors' addresses</b>	Minimal costs but concerns about loss of information.	RIA: £400k p.a. assuming cost of £500 for 4000 directors no longer having to seek order to preserve confidentiality.	<p>(All companies)</p> <ul style="list-style-type: none"> <li>• 85% of <u>awareness</u> of changes</li> <li>• 54% of respondents had/likely to <u>change</u> service address on public record (approx. 37% had already done so) and 30% of those who had not made a change were likely to do so in future;</li> <li>• <u>Concerns</u> registered that old records were not removed and 2 sets of records now needed;</li> <li>• Older companies more likely to provide new service address and small companies less likely.</li> </ul>	<p><b><u>Companies House admin data: July 2010</u></b></p> <ul style="list-style-type: none"> <li>- 9% of directors with service address different from residential address;</li> <li>- 27% for those resigning appointments.</li> </ul> <p><b><u>Companies House SME survey:</u></b></p> <ul style="list-style-type: none"> <li>- 50% aware of service address.</li> <li>- 21% likely to change service address.</li> </ul>
<b>Enfranchising indirect investors</b>	£3m - £8m	Enhanced shareholder engagement (difficult to monetise)	<p>(Public and Quoted companies only)</p> <ul style="list-style-type: none"> <li>• Stakeholder concerns that this measure would not be adopted;</li> <li>• 63% <u>awareness</u> of changes;</li> <li>• 45% had implemented changes and all 8 companies interviewed in detail had amended their companies articles to facilitate this.</li> </ul>	
<b>Directors' duties</b>	No obvious costs	RIA: £30m – £105m from 8-12% of companies saving £300 - £700 p.a. on legal advice	<p>(All companies)</p> <ul style="list-style-type: none"> <li>• 79% <u>awareness</u> of changes including relatively high levels of prompted awareness of specific changes;</li> <li>• 52% indicated <u>change</u> of behaviour in some respect including over 20% in relation to <u>statutory statement</u> (32% for small companies and 29% for quoted).</li> <li>• <u>s172 duty</u> – high awareness but minimal changes in behaviour;</li> <li>• <u>Derivative claims</u> – high awareness</li> </ul>	

			<p>but few concerns yet;</p> <ul style="list-style-type: none"> <li>• Of those who had not yet made a change 25% likely to take legal advice;</li> <li>• Limited cost savings to date and still early to assess impacts.</li> </ul>	
<b>Register of members/Annual Return</b>	No obvious costs	RIA: £2m p.a. AB: £17m p.a. Reduced period for keeping old entries No long supply addresses on AR	<p>(All companies)</p> <ul style="list-style-type: none"> <li>• 42% <u>awareness</u> that period for keeping former s/holder details reduced;</li> <li>• 60%+ <u>awareness</u> could apply to courts to deny access to register and a minority thought this was a future possibility;</li> <li>• 52% made <u>changes</u> (though changes mandatory on AR);</li> <li>• &lt;20% thought changes to AR brought benefits;</li> <li>• Some concerns about lack of addresses for credit checks.</li> </ul>	<p><b><u>Companies House admin data:</u></b></p> <ul style="list-style-type: none"> <li>- Northern Ireland electronic filing of annual returns 62%.</li> <li>- Notification of single alternative inspection location (SAIL) ; Oct '09 - June '10: 97,000.</li> <li>- change of location for company records to SAIL; Oct '09 – June '10: 68,500</li> </ul> <p><b><u>Companies House SME survey:</u></b></p> <ul style="list-style-type: none"> <li>- 41% aware of changes to disclosure of shareholder addresses.</li> </ul>
<b>Simpler Law including CH guidance and model articles</b>	Small costs	RIA: Approximately £30m	<p>(All except quoted)</p> <ul style="list-style-type: none"> <li>• 62% <u>awareness</u> overall</li> <li>• <u>Changes</u> greatest for reduced <u>AGMs</u> (30-50%) and execution of documents by <u>sole director</u> (43%);</li> <li>• 6% amended <u>articles</u> and 4% adopted <u>model articles</u> (all amended);</li> <li>• 6% used <u>solvency statement</u> and 4% removed <u>company secretary</u>;</li> <li>• Nearly 10% noted cost savings (unquantified) and 36% thought it was too early to tell.</li> <li>• 87% <u>aware</u> that memorandum now forms part of articles.</li> <li>• <u>Satisfaction</u> with CH website around 60% and helpfulness around 40-50% (lower for small and quoted)</li> </ul>	<p><b><u>Companies House data:</u></b></p> <p><u>Solvency Statements:</u> Previously 520 per year Oct '08 – Mar '09: 1115 April '09 – Mar '10: 3403 April '10 – June '10: 950</p> <p><u>Company Secretaries:</u> - see below.</p> <p><b><u>ASBS Survey 2007</u></b> <u>Company Secretaries</u> - see below</p> <p><u>AGMs</u> - see below. <u>Model Articles</u> - 25% aware of change and 45% expected change to bring benefits.</p>
<b>Resolutions and meetings</b>	No obvious costs	RIA: £25m–£112m assumes 40-60% stop AGMS	<p>(Private companies only)</p> <ul style="list-style-type: none"> <li>• 77% <u>awareness</u> of changes</li> </ul>	<p><b><u>ASBS Survey 2007</u></b> <u>Written Resolutions</u></p>

		AB: £45m assumes 50% stop holding AGMs at cost of £50-£150 p.a.	<ul style="list-style-type: none"> <li>• <u>AGMs</u> reduced by 30-50% on average but high level of current non-compliance amongst small companies and over 75% of those stopping AGMs had 1 shareholder.</li> <li>• 40% still holding AGMs to consider stopping in future.</li> <li>• <u>Written resolution</u> now used by 57% of companies with time saving seen as main benefit (further 8% to consider using in future).</li> <li>• Those not holding AGMs and not using written resolutions rely on verbal communication/mutual agreement to reach decisions.</li> <li>• <u>Case studies</u>: time savings and flexibility seen as main benefit of changes. AGMs previously added on to other meetings so limited cost savings.</li> </ul>	<p>- 36% aware of change and 43% expected change to bring benefits.</p> <p><u>AGMs</u></p> <p>- 46% aware of change and 35% expected change to bring benefits.</p>
<b>Company Secretaries</b>	Negligible	RIA: £3m – £6m Assumes 5% make change saving £50-100/year	(Private companies only) <ul style="list-style-type: none"> <li>• 81% <u>awareness</u> of change</li> <li>• 3-4% had removed Company Secretary and approx. further 15% likely to do so.</li> </ul>	<p><b><u>Companies House data:</u></b></p> <p>- New incorporations without a secretary 72% (end June 2010).</p> <p>- in existing companies secretary resignations increased in 2010 to around 350k a year (net loss of 70k a year).</p> <p>- private companies with a company secretary as at July 2010 77%.</p> <p><b><u>ASBS Survey 2007</u></b></p> <p><u>Company Secretaries</u></p> <p>- 26% aware of change and 35% expected change to bring benefits.</p>
<b>Capital maintenance and share provisions</b>	No obvious costs	RIA: Approximately £20m abolishing prohibition on financial assistance. Difficult to monetise other benefits. AB: £68m for financial assistance Introduction of solvency statement	(Large private companies only) <ul style="list-style-type: none"> <li>• 57% large private companies <u>aware</u> of changes</li> <li>• 12% large private companies had made a <u>change</u> in this area;</li> <li>• Of 8 companies asked more detailed questions 6 agreed there had been cost savings from</li> </ul>	<p><b><u>Companies House data:</u></b></p> <p><u>Solvency Statements:</u></p> <p>Previously 520 per year</p> <p>Oct '08 – Mar '09: 1115</p> <p>April '09 – Mar '10: 3403</p> <p>April '10 – June '10: 950</p>



			<p>relaxation on <u>financial assistance</u> and 4 had used the <u>solvency statement</u> and found this an improvement on the court route;</p> <ul style="list-style-type: none"> <li>• <u>Case studies</u>: Confirmed solvency statement as much easier and less costly route to tidy up affairs of multiple property companies.</li> </ul>	
<b>Auditor Liability Limitation Agreements</b>	No net costs anticipated	Reduced audit fees for those signing agreements. Stronger audit market.	<p>(Medium and large private, public and quoted)</p> <ul style="list-style-type: none"> <li>• 66% <u>awareness</u> of this measure.</li> <li>• 19% had <u>entered into an agreement</u> or taken steps towards one (slightly higher for public companies).</li> <li>• No real cost savings identified to date though potential to avoid higher audit fees noted. Report suggests this conflicts with s.172 duty;</li> <li>• <u>Case study</u>: Limited debate at board level before introduction. Avoided increase in audit fees.</li> </ul>	Independent research has found 17% of accountants have entered into LLAs <sup>5</sup>
<b>Trading disclosures</b>	No obvious costs	£4m – £12m assumes savings of £15/company for 800k companies. Main beneficiary new companies	<p>(All companies)</p> <ul style="list-style-type: none"> <li>• Relatively high levels of <u>awareness</u> of the law in this area (70%)</li> <li>• 50% of respondents had made <u>changes</u>.</li> </ul>	
<b>Total</b>	~ of the order £10m–£20m	~ of the order £160m – £340m		

<sup>5</sup> <http://www.accountancyage.com/accountancyage/analysis/2243081/auditors-struggle-agree-4682540>



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