

Dissolution of Company Factsheet

<p>What is Dissolution?</p>	<p>This is not in itself an insolvency procedure. A company can request to be closed/dissolved under Section 1003 of the Company Act 2006.</p>	
<p>Who can benefit from it?</p>	<p>In order to benefit from dissolution, the company must meet certain requirements. Please note that dissolution should not be utilised as a 'cheap' liquidation as, despite the company being dissolved, creditors remain entitled to seek its restoration and liquidation with a view to the conduct of the directors being investigated and appropriate actions brought.</p>	<p>In order to be eligible for dissolution the company must not have:</p> <ul style="list-style-type: none"> • Traded for three months; • Changed its name during that period; • Be subject to any legal proceedings (current or proposed); • Made a disposal of its assets within three months.
<p>The Procedure in Brief</p>	<p>The application for striking off pursuant to S1003 of the Companies Act 2006 is made by the directors of the company or a majority of them.</p> <p>The directors making the application must, within seven days of serving it to the registrar, send a copy to:-</p> <ul style="list-style-type: none"> • Shareholders; • Creditors; • Employees; • Managers/directors of any employee pension fund; and • Any directors not party to the application. 	<p>The Registrar of Companies also advertises notice of the application for striking off in the London Gazette. The company will not be struck off until three months after the advertisement appears.</p> <p>If no rejection to the proposed dissolution is received from an interested party within the three month period, the company is dissolved automatically.</p>

London
T 0207 317 9160
F 0207 317 9169
E London@harrisons.uk.com

Manchester
T 0161 876 4567
F 0161 876 4554
E Manchester@harrisons.uk.com

Reading
T 0118 951 0798
F 0118 939 4409
E Reading@harrisons.uk.com

<p>Advantages of Dissolution</p>	<p><i>The Company</i></p> <p>It avoids the costs of liquidation. It provides a quick clean removal of a dormant company, avoiding the penalties and fines that can be imposed on directors and company secretaries for late or non filing of accounts and returns.</p>	
<p>Disadvantages of Dissolution</p>	<p><i>The Company</i></p> <p>Does not preclude interested parties, such as shareholders and creditors, from seeking to revive the company for a period of up to 20 years following dissolution.</p> <p><i>Directors</i></p> <p>From a directors' perspective it may seem an attractive alternative, as it avoids formal investigation into the director's conduct.</p>	<p>However, dissolution does not terminate existing contractual arrangements and if the directors are aware of potential actions against the company, dissolution will not avoid them. Dissolution does not preclude the company from being restored to the Registrar of Companies, liquidated and actions brought against the directors if appropriate.</p>

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