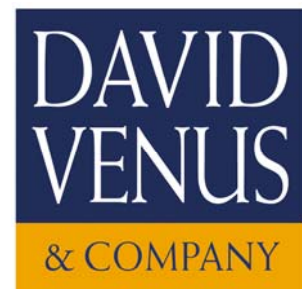


David Venus & Company

Practice Note

Dissolution and Restoration

The costs of retaining dormant subsidiary companies are often hidden or not calculated and, whilst each cost element will be relatively small, when added together they can soon mount up. As well as time needed to administer the companies' records and ensure compliance, every year there will be filing fees to pay the Registrar for the annual return as well as costs for preparing dormant company accounts.



Recognising this, and the need to reduce costs generally, many groups of companies have been carrying out an audit of their dormant companies to determine whether any benefit is derived from their retention.

Where it is decided a dormant company is not required and can be dissolved, rather than requiring formal liquidation, an application can be made to the Registrar for dissolution. This dissolution process is simple and very cost-effective, involving submission of form DS01 to the Registrar applying for the company to be struck off accompanied by a £10.00 filing fee. The form must be signed by either the company's sole director, both directors if there are two, or a majority of directors if there are more than two.

Before making the application it is very important to establish whether there are any rights or assets held by the dormant company that need to be transferred prior to dissolution. Great care should be taken here as it is not uncommon for assets to be transferred between associated companies by internal accounting entries, but for the legal formalities to record such transfers of assets to be overlooked. In addition, if there are any inter-company loans, these will need to be addressed as will any credit balances on bank accounts. All this is important as, from the date of dissolution, the company's assets belong to the Crown.

It has been possible to dissolve a dormant company using this simple dissolution process for some time but it has not always been the preferred route. This has been due in part to the fact that, where a company was voluntarily struck off the register, there was a 20 year period in which a member, creditor, or the company itself, could apply to court for the company to be restored.

However, on 1 October 2009 the Companies Act 2006 brought in new provisions reducing the period during which an application could be made for restoration to 6 years, making the simple dissolution process much more attractive.

In addition, provisions in the Companies Act 2006 now also permit voluntary application for striking off to be made by a public company; in the past voluntary application was restricted to private limited companies.

If you would like further information about the simple dissolution process for dormant companies, please contact Chloe Kerr Peterson by email (chloe.kerrpeterson@davidvenus.com) or by telephone on 01372 465330.

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