

SUBSIDIARY COMPANY LAW CHANGE-COULD YOU BE AFFECTED?!

A recent Court of Appeal case (Enviroco Ltd v Farstad Supply A/S [2009] EWCA Civ 1399) has raised questions as to whether or not a company that is a subsidiary of another company (i.e. the holding company) will remain its subsidiary if the holding company charges its shares in the subsidiary company by way of a legal mortgage.

The Court of Appeal held that, as a result of the holding company's pledge of shares in the subsidiary company and the registration of these shares in the name of the bank's nominee, the subsidiary company was no longer a subsidiary of the holding company.

This decision could potentially have far reaching consequences in many areas, including the following:-

1. Contract provisions that typically turn on definitions of "Subsidiary Company" and "Holding Company": These provisions often extend to rights to assign the benefit of contracts, indemnity provisions and limitations and exclusions of liability clauses.
2. Group Company Structure: There is a risk that the subsidiary company will be deemed to be detached from the group of companies that it originally formed part of. This will have implications from a Company Law point of view and an accounting point of view.
3. VAT and other tax implications: The VAT Group rules make reference to the Companies Act's definition of subsidiary. Therefore, a subsidiary company may cease to be classified as a member of a VAT group. Other tax implications relating to a company ceasing to be a member of a group may also arise.

If you are at all concerned, please do not hesitate to contact a member of our Business Services team, who will be happy to advise you further.

ALL CHANGE!

Bill Winckworth, a Consultant Solicitor based at our Lincoln office, has decided that the time has come to hang-up his legal gown and embark upon a new adventure in the form of his retirement! Bill will be greatly missed by all of the staff at Chattertons and we would like to take this opportunity of wishing him all the best in his retirement.

Stephen Fielding has been appointed as Bill's replacement. Stephen is a very experienced commercial property solicitor who qualified in 1998. Stephen has expertise in property development, regeneration, corporate support, landlord and tenant and freehold and leasehold sales and purchases.

CONGRATULATIONS!

We are very pleased to announce that Emma Clayden has been promoted to Partner! Emma is a company commercial solicitor based at our Grantham office. Emma has over ten years experience in all areas of corporate and commercial law and specialises in particular in mergers and acquisitions, shareholders agreements, company re-organisations, company set-ups, commercial contracts and general commercial advice.

WELCOME BACK!

Chattertons are very pleased to welcome Emma Clement back into the fold after her maternity leave. Emma has resumed her position as company commercial solicitor at our Lincoln office and is looking forward to catching-up with her old clients and meeting some new ones.

Chattertons Solicitors will be holding employment seminars throughout the Spring to help keep you up to date with this fast moving area of law. For more information visit www.chattertons.com or email laura.forsyth@chattertons.com

Peter Cropley, Stuart Cox, Roly Freeman, Emma Clement, Emma Clayden, Caroline Cropley and Jonathan Blythe

- Boston - Grantham - Horncastle - Lincoln - Newark - Spalding - Sleaford - Stamford -