



**Parker Randall**

Member firm of Parker Randall International

Eastern Africa



KENYA NATIONAL CHAMBER OF  
COMMERCE & INDUSTRY

# **“UNPACKING” COMPANIES ACT 2015**

# About PREA and KNCCI

**Parker Randall Eastern Africa (PREA)** is an audit, tax and advisory firm that was founded in August 2014. It is a fully licensed member firm of Parker Randall International, a top-ranked, international association of independent audit and accounting firms that provide assurance, tax and advisory services, headquartered in London, United Kingdom. Parker Randall International is represented in over 50 countries by over 100 offices and over 2,000 partners and staff. We offer advisory services in Corporate Finance, Enterprise Risk Management, Management Consulting, Business Advisory, Projects Management, and Trade and Investment Advisory. Last year we won a global award as the “Rising Firm of the Year” within the Parker Randall International network of firms across the world.

**Kenya National Chamber of Commerce & Industry (KNCCI)** is a membership organization that promotes, protects and develops commercial, industrial and investment interests of its members, in particular and those of the entire business community in general. It aims at influencing development policies, strategies and support measures so as to achieve the best economic climate in the business community. It plays a key role in facilitating economic growth and entrepreneurial development that is geared towards creation of wealth and employment.





# Why “unpack” the Companies Act 2015 ?

The purpose of this breakfast meeting, whose theme is Unpacking the Companies Act 2015, is to offer a platform for local and foreign investors to engage in discussions on the implications of the Companies Act 2015. There has been minimal flow of information and lack of informative debates on the implication of the Companies Act 2015 to the existing business establishments, which would be useful in helping businesses realign their operations according to the new changes. It is this existing gap that prompted Parker Randall Eastern Africa to partner with Kenya National Chamber of Commerce and Industry to ‘breakdown’ the Companies Act 2015 by disseminating information on the amendments that were done to the old Companies Act so that businesses can acclimatize to the new laws and in effect realign their business operations accordingly.



Parker Randall  
Member firm of Parker Randall International

Eastern Africa



# Introduction

## Companies Act 2015

### **The Old Companies Act Cap 486**

Was enacted on  
1st January 1962

### **The New Companies Act 2015**

Was enacted on the 11th of September 2015. Following the enactment Kenya has embarked on a transition from the old law to the new legislation.

The Act is being implemented in two phases:

Phase I: This Phase came into operation on 6th November 2015.

Phase II: The commencement date for this phase will be by notice.

# Key Highlights

## Companies Act 2015

### Company Formation

#### Old Act

Formerly it was necessary to have atleast;

- Two (2) members for a private company and

- Seven (7) for a public company.

#### New Act

Now possible for a single person to form a private and a public company. A private company is still restricted to 50 members.

Existing private limited companies are now allowed to reduce their shareholding to one (1) member.

# Key Highlights

## Companies Act 2015

### Old Act

Formerly allowed only conversion from Private to Public company.

### New Act

New Act has allowed conversion between  
Public to Private  
Private to Public  
Limited to Unlimited  
Unlimited to Limited not allowed to convert back to Limited  
Public to Unlimited company.

# Key Highlights

## Companies Act 2015

### Old Act

Formerly all limited companies name ended with “limited” or the abbreviation “Ltd.”

### New Act

New Act requires;

Public limited companies to be registered with a name that ends with the words “Public Limited Company” or the abbreviation “PLC”

Private limited company must end with the word “limited” or the abbreviation “Ltd.”

Changes of name must be filed within 14 days and become effective only upon issuance of a new certificate by the Registrar.

The Act and Regulations silent on deadline for change by current PLCs.

# Key Highlights

## Companies Act 2015

### Company Governance

#### Old Act

##### Company Secretary

Mandatory requirement for all companies to have a company secretary.

“limited” or the abbreviation “Ltd.”

#### New Act

##### Company Secretary

The New Act requires;

A private company is required to have a secretary only if it has a paid up capital of Kshs. 5 Million (five million shillings) or more.

This function can be carried out by a director of the company or person authorized by the directors.

Public companies will however still require Company secretaries.

# Key Highlights

## Companies Act 2015

### Old Act

#### **Annual General Meetings (AGMs)**

Mandatory requirement for all companies to hold their AGM a company secretary.

Not more than 18 months after formation Annually thereafter.

### New Act

#### **Annual General Meetings (AGMs)**

A Private companies will not need to hold physical annual meetings.

They can elect to provide for them in their articles if they wish.

# Key Highlights

## Companies Act 2015

### Company Statutory Requirements

#### Old Act

##### Annual Returns

Unlike Cap 486 required that Companies file returns within 42 days of the Annual General Meeting.

#### New Act

##### Annual Returns

Annual return date for a company shall either be the anniversary of the Company's incorporation or the anniversary of the date of the last filing.



# Key Highlights

## Companies Act 2015

### Old Act

#### **Directors / Secretary Appointment**

Appointment written consent not required.

### New Act

#### **Directors / Secretary Appointment.**

At the time of registration of a company, and at any time a new director (or secretary) is appointed.

All directors / secretaries must consent to the appointment in writing.

# Key Highlights

## Companies Act 2015

### Old Act

#### Execution of Documents

Mandatory for a company to have a common seal.

Light Sanctions.

Lax application and lenient penalties.

### New Act

#### Execution of Documents

A single director can execute a document as a deed on behalf of the company by a simple signature in the presence of a witness.

Heavier Sanctions

The fines range from Kshs. 100,000 to Kshs. 15 million. Many fines are in the Kshs. 500,000 to Kshs. 1 million range.

Imprisonment terms for indictable offences run from between one and five years, and in exceptional cases (e.g. fraud) 10 years.

# Key Highlights

## Companies Act 2015

### Old Act

#### The Two Regimes

No Small & Large Company.

One regime for all companies.

### New Act

#### The Two Regimes

The New Companies Act 2015 defines a small company as one that satisfies two or more of the following requirements:

#### Small Company Definition

The value of its net assets  
is not more than  
Kshs 20 million

It does not have more  
than 50 employees.

It has a turnover of not  
more than Kshs 50 million

Value of net assets  
as shown in its balance  
sheet as at the end of the year



Parker Randall

Member firm of PwC Global International

Eastern Africa

**KNCCI**  
KENYA NATIONAL CHAMBER OF  
COMMERCE & INDUSTRY

# Key Highlights

## Companies Act 2015

### Company Financial Requirements

#### Old Act

##### **Audit Report.**

Mandatory for all company to be audited.

#### New Act

##### **Audited Financial Statement.**

A small company does not need an audit report or to prepare group financial statements.

Small companies are exempted from having to include details of directors benefits other than remuneration.





Cara House, Karen Road, Karen  
P.O. Box 25426 - 00100 Nairobi, Kenya  
Tel: +254 20 2399 149 | +254 771 007 125  
Email: [info@parkerrandall-ea.com](mailto:info@parkerrandall-ea.com)  
Website: [www.parkerrandall-ea.com](http://www.parkerrandall-ea.com)



Heritan House, Off Argwings Kodhek, Hurlingham  
P.O. Box 47024 - 00200 Nairobi, Kenya.  
Tel: + 254 020 2402 833  
Email: [info@kenyachamber.or.ke](mailto:info@kenyachamber.or.ke)  
Website: [www.kenyachamber.or.ke](http://www.kenyachamber.or.ke)