

NJORD Estonia: Agenda items for a company's general meeting

During the first half of every year, all companies are working hard to submit their annual reports. Annual reports must be submitted within six months after the fiscal year has ended. The submission deadline is usually June 30. Since the management board of a company must assemble all shareholders or stockholders at least once a year to approve the annual report, the following topics should be considered under the Estonian law.

Extending authorisations

As well as approving the annual report, companies should review the authorisations of board members, council members and auditors and extend them if necessary. The law does not provide automatic extension after the end of the authorisation term and without extending the term, the person cannot continue fulfilling their job obligations. As an alternative to extending the authorizations, the board member of a private limited company can be appointed for an unspecified term. Public limited companies do not have this option, but for them the council extends the board members' authorisations and the council members' authorisations must anyways be renewed often.

Minimum requirement for net assets

Company's net assets must be positive, which means that a legal entity must have more assets than obligations. Net assets fall under the minimum requirement level if the legal entity has accumulated too much loss and doesn't have any reserves or profits from past years to cover the loss.

If the private limited company's net assets make up less than half of the share capital or less than 2500 euros, the shareholders must decide to either decrease or increase the share capital on the condition that the size of net assets would therefor make up at least half of the share capital. The share capital of a public limited company must be at least 25 000 euros.

The Estonian Commercial Code requires the owners to either recover the net assets or terminate the company if the net assets fall to negative or they just aren't sufficiently positive, so these topics should definitely be included in the agenda of the shareholders' meeting or general meeting. There are several ways to recover net assets, including forming a voluntary reserve and converting the equity loans.

Paying dividends

Nothing makes the shareholders and stockholders happier than meetings where they receive dividends. Keep in mind that a company can pay dividends only when:

- share capital has been paid
- the annual report has been approved
- the share capital of the company does not fall below the permitted level after the dividends are paid
- paying the dividends doesn't worsen the company's solvency.

In addition, keep in mind that if shares or stocks have been registered in the securities register, then the register must be informed about whether the dividends were paid or not.

(Author: Anne Veerpalu)



ERIK SALUR

ATTORNEY AT LAW,
MANAGING PARTNER

(+372) 66 76 440

ERIK.SALUR@NJORDLAW.EE