

The Companies Act 2006

From October 2008

- All companies will have to have at least one actual person as a director and cannot have solely companies acting as directors.
- A minimum age of 16 will apply for directors and any existing child directors will cease to hold office.
- Directors will be required to file a service address on the public record at Companies House but this need not now be their private home address. The director's private address will be held as protected information at Companies House.
- The statutory rule that companies cannot give financial assistance for the purchase of their own shares is abolished for private companies.
- The procedure for reducing share capital is much simplified and no longer requires court approval.
- Directors have always had a duty to avoid a situation in which they have an interest which conflicts, or may conflict, with the company's interests. Previously only the shareholders could authorise such a conflict of interest but under the Companies Act 2006 it is possible for those directors who do not have an interest in the matter to authorise it if this is specifically permitted by the company's articles, or, if the company is formed after 1 October 2008, unless it is specifically prohibited in the Articles.
- For new companies formed:

The Articles of Association rather than the Memorandum will set out the principles covering the way a company conducts its business. The Memorandum becomes simply an historic document recording certain facts at the time of incorporation.

Companies will be able to take advantage of new default model Articles which are shorter, in clearer language and reflect the way many smaller companies operate.

A company's powers will be unrestricted unless its Articles specifically restrict it.

Authorised share capital is abolished – a statement of capital and shareholdings is issued to Companies House on formation.

Directors' Duties

Directors' duties have been developed up to now through case law. For the first time this Act introduces a statutory statement of directors' duties by stating that the duty of the directors is to act in a way which they consider most likely to promote the success of the company for the benefit of its shareholders as a whole and that, in doing so, they will need to have regard where appropriate to long term factors, the interests of other stakeholders and the community, and the company's reputation.

Our leaflet on directors' duties explains this in more detail.

For more information or advice on the Companies Act 2006 please contact Lyn Carroll by calling 01228 591000 or e: corporate@armstrongwatson.co.uk

***Please note: Some provisions have been delayed with until October 2009.**