

What contractors should know about the new companies act

Companies Act Basics

- o Company information must be present on the website
- o Responsibilities of Company Directors
- o End of Company Secretary
- o Articles of Association and other documents
- o End of Shareholder Meetings

In 2005, Parliament passed the [Companies Act of 2006](#) which changes in some material ways the way we have to run our [limited companies](#).

Most of the changes are for the good, and make it easier for us to do our work with less hassle-- isn't it nice to have something helpful arrive from our lawmakers instead of the continual attacks on what we do? But there are a few additional responsibilities.

Company Information On The Website

You may not know this, but you are supposed to have your Company name in full legal form, registered address, and your registration number on all formal documents that come out of your company. It is now obligatory for you to have all of this info on your website as well. Don't neglect this, because the watchdogs like to surf...and there's a nasty fine if you don't have it.

Directors Must Exercise Care

You are probably a director of your limited company. If you are the only shareholder, you don't have much to worry about. But if there are other shareholders, it is important to exercise your role as director according to the law. If you decide to spend the company's money on something frivolous, or if you put the company at risk, someone could call you to account for it.

"Under the new Act, the director must exercise reasonable care, skill and diligence. This is explained as the care, skill and diligence that a reasonably diligent person would exercise if they had both the knowledge, skill and experience reasonably expected of a person in the director's position and also any additional knowledge, skill or experience that that director actually has," explains Peter Bateman, a lawyer with [CMS Cameron McKenna](#) in London.

End of the Company Secretary

There is no longer any obligation, under the new Act, to appoint a Company Secretary. Many of those with limited companies will be grateful for this, as they've had their mother or their sister-in-law in this position. It's one less hassle for us. There must now be at least one company director and that must be a "natural person," meaning a human being as opposed to another company. But the director does not have to reside in the UK.

Articles of Association

Companies are no longer obliged to create a Memorandum of Association, nor must it be updated annually. Instead an Articles of Association must be filed with Companies House, and it may be accompanied by other documents which are relevant to how you intend to run the company. A [template](#) for how these articles should look can be found on the BERR website.

But be prepared: it is 75 pages long. You don't have to have anything of that length; you just need a few pages which address the same questions as are indicated in the template. Who runs the company; how are shares divided up; what kinds of shares; how do you pay dividends, etc. "Be aware that you must obey these rules or a shareholder could hold you responsible," Bateman warns.

End of Shareholder Meeting

It is also no longer obligatory to hold a shareholders' meeting. Changes to the articles of association, so long as they are agreed to by a majority of shareholders, can be made in writing. If you intend to [declare dividends](#), however, you must make a special declaration of that distribution and how it is broken down.

Published: Thursday, April 03, 2008

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“ Under the new Act, the director must exercise reasonable care, skill and diligence in the way that can reasonably be expected of a person in the director position ”

Peter Bateman - CMS Cameron McKenna

“ You must obey the rules laid out in the Articles of Association ”

Peter Bateman - CMS Cameron McKenna



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