

## Companies Act 2006 and charitable companies

The Companies Act 2006 has brought in important changes to how companies are constituted and administered. This client information sheet aims to help you understand the latest legislative requirements for charitable companies and provides important information about the duties of directors now in force on 1 October 2007.

New rules in the Companies Act 2006 make important changes to how companies are constituted and administered. The purpose of the Act is to assist businesses by cutting red tape. It is the longest Act ever to be passed, having 1,300 sections, 47 parts and 16 schedules.

This client information sheet summarises:

- the new rules which are already in force affecting all existing charities set up as companies limited by guarantee (see section one);
- the key changes affecting all existing charities set up as companies limited by guarantee brought in on 1 October 2007 (see section two); and
- the new statement of the duties of directors in force on 1 October 2007 (see section three).

All charitable companies should be aware of the changes brought in to date and will be able to take advantage of new rules affecting members to ease company administration. A number of the new rules apply irrespective of provisions in your charity's current articles of association.

We have focused on charitable companies in this note but the new rules will also affect all non-charitable trading companies owned by charities and additional rules affecting companies limited by shares are likely to apply.

Further changes to the rules will be brought in on 6 April 2008 and 1 October 2008. We will keep you informed of these.

## Recommendations

### A review of your memorandum and articles of association

We recommend that the memorandum and articles of the following are reviewed to identify those areas that need changing to take advantage of or to reflect all of the new rules:

- all charities set up as companies
- all not-for-profit companies
- all Community Interest Companies (CiCs), and
- all trading companies owned by your charity.

We also recommend a review of the memorandum and articles of association of any companies limited by shares.

## **When to start?**

Unless your charity has a particular need to make changes at this stage, we recommend that this takes place when the full extent of the new rules is clear and model articles of association for companies have been finalised by the Department for Business, Enterprise and Regulatory Reform (previously the DTI).

Please let us know if you are interested in receiving updates on when to start and how to carry out a review.

## **Put directors' duties in your trustees' packs**

In addition, we recommend that all directors of charitable companies are provided with a note of their duties both as company directors and charity trustees as part of their trustees' pack.

## **Contact**

For further information or advice, please contact:

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