

WRITTEN STATEMENT 26 JUNE 2007

Companies Act 2006

The Minister for Industry and the Regions (Margaret Hodge):

The Companies Act 2006, which received Royal Assent on 8 November 2006, will bring major benefits to business by modernising and simplifying company law.

I set out the full commencement timetable for the 2006 Act in my Written Statement of 28 February. I published, at the same time, a consultative document on questions related to secondary legislation which will need to be made under the Act, and on transitional and savings provisions.

We received 65 responses to the consultation. These broadly supported the Government's approach, while making a number of helpful suggestions on points of detail. This Statement outlines the Government's position on the main areas covered by the consultative document in the light of the responses. We intend to publish draft regulations and orders on the Departmental website (www.dti.gov.uk/bbf/co-act-2006/) before the summer recess in respect of most areas where regulations or orders will be required, to enable interested parties to comment on the details of the Government's approach to implementation in these areas. Draft regulations and orders on further areas will be published in the autumn.

The responses confirmed that there continues to be strong support for the Government's "Think Small First" approach to company law reform. In particular, most respondents agreed that the model articles for private companies limited by shares should be designed with the needs of small, owner-managed businesses in mind. There was unanimous support for the proposal to have a single set of accounting and reporting regulations for small companies, so that small companies will have to look in only one place to establish what they are required to include in their accounts and reports. We intend to include in the small company regulations the requirements for small companies that choose to prepare group accounts so that all the requirements are in a single set of regulations, but with the group requirements clearly and separately identified.

We consulted on a number of other accounting and reporting issues. Having now considered the responses, we intend:

- to draft a single set of accounting and reporting regulations for all companies other than small companies;
- to require medium sized, but not small companies, to disclose turnover in their abbreviated accounts;
- to retain the disclosure requirements in Schedule 7 of the Companies Act 1985 in respect of employment of disabled persons and in respect of employee involvement in company matters;

- to require quoted companies to report more effectively on how pay across the company is taken into account in setting directors' remuneration .

The 2006 Act makes important changes to the law in relation to directors' residential addresses, so that for every director the address on the public record will be a service address (whether it is his residential address or not). We intend to make supporting regulations in this area which will:

- restrict the extent to which credit reference agencies have access to directors' residential addresses;
- extend the procedures for removal of residential addresses from the existing record to those of former directors and company secretaries.

The 2006 Act retained the requirements in the Companies Act 1985 Act for the Annual Return of companies with a share capital to include the addresses of all their shareholders. In the light of the responses, we have decided that this requirement should apply only to public companies that are traded on EU regulated markets in respect of shareholders who hold 5 per cent or more of any class of shares at any time during the year in question. For other companies, the requirement will be changed so they no longer have to provide the addresses of any shareholders.

There was broad support for our proposals in the area of share capital, including that of share capital reduction by limited and unlimited companies. We published draft regulations in this area in May, and will publish revised draft regulations in July in the light of the responses to the consultation.

There was broad support for a single regulatory regime approach for overseas companies with a presence in the UK. We are currently considering the detail of such a regime and will make a further policy statement on this issue at a later stage.

The consultative document also sought views on two areas closely related to our implementation of the 2006 Act: limited liability partnerships and implementation of Directive 2006/68/EC amending the Second Company Law Directive on capital maintenance and share capital.

We are considering the responses in relation to limited liability partnerships carefully with a view to further consultation on specific proposals in autumn 2007 and consultation on draft regulations in early 2008.

We intend to amend the Companies Act 1985 (for the period April to September 2008) and the 2006 Act (from October 2008) in respect of the safeguards for creditors in the case of a reduction in subscribed capital in Directive 2006/68/EC. We also intend to consult further in respect of the option to extend the facility for companies to hold "treasury shares".

The consultation confirmed our general approach to transitional and saving provisions. In particular, we continue to believe that implementation should generally preserve existing decisions taken by the members and directors and agreements entered into by the company. In the light of the responses to the consultation, we intend to make a saving provision in respect of the repeal of sections 151 to 158 of the Companies Act 1985 (financial assistance by companies for acquisition of their own shares). We also intend to provide a grace period until October 2010 for any company which did not have at least one director who was a natural person at the time when the 2006 Act received Royal Assent.

We also consulted specifically on transitionals in respect of the provisions on derivative claims and proceedings in Part 11 of the 2006 Act. In the light of the consultation responses, we have concluded that the new, clearer procedures should be used for all claims started on or after 1 October 2007; but the courts should ensure that the outcome of any claim based on acts or omissions by a director before 1 October 2007 will be what it would have been under the old, common law that applied at the time.

The Companies Act 2006 (Commencement No. 3, Consequential Amendments, Transitional Provisions and Savings) Order 2007 was laid before Parliament in draft on 25 June. The draft Order will commence some key parts of the 2006 Act, including provisions relating to part of the statutory statement of directors' general duties, derivative claims and proceedings, the business review, and resolutions and meetings.