

Company directors

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What is a director?

Directors are responsible for managing the company's day-to-day business and may or may not be shareholders. Directors owe duties to the company, to its shareholders, and to others dealing with the company.

Directors must act honestly in what they believe to be the best interests of the company and with such care as may reasonably be expected of them in all the circumstances.

Directors must not carry on the business in a manner likely to create a substantial risk of serious loss to the company's creditors (also called "reckless trading").



Frequently asked questions

Who can not be a director?

A person can not be a director of a company if he/she is:

- under 21 years of age
- an undischarged bankrupt
- prohibited from being a director or promoter of or being concerned or taking part in the management of a company under the Act
- a person in respect of whom a trustee order is in force under section 501 of the Niue Act 1966, or in respect of whom an order of medical custody is in force under section 602 of that Act
- not eligible because of requirements contained in the company's rules.

Notifying director changes

Any changes in the director(s) of a company or information relating to the director(s) must be notified to the Registrar.

A new director must consent to act as a director and certify that he or she is not disqualified from being appointed or holding office as a director. A director must provide a physical and postal address.

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How many directors should a company have?

A company must have at least one director. However, when you form a company you can choose to appoint as many directors as you like. It is worth bearing in mind that people who accept directorships should be aware of the responsibilities that go with directorships. They need to know in particular what is meant by reckless trading.

The solvency test

The Companies Act requires directors to abide by a two-step test at all times:

1. The company must own more assets than liabilities.
2. The company must be able to pay all its accounts as they fall due.

Case study: directorships

These comments from an experienced business coach may be of help:

"Company directors are much more accountable now than in the past. I see many people that make their life partners directors of a company, even when that person will have little to do with the running of the business. Many people associate some prestige with being a company director, or think that it looks good on a business card!

However, by inviting a person to become a director of your company you are also potentially exposing him or her to the risks of the business and especially to the responsibilities that go with a directorship.

I advise the businesses I work with to avoid inviting people to become directors unless they are clearly capable of adding value to the business and know what they are in for. Similarly, I would never personally accept a directorship of a company unless I felt fully confident in the values and integrity of the other directors."