



## Companies Act 2006 Update

### Appointment and removal of directors

New provisions come into force on 1 October 2007 governing the appointment and removal of directors. Further provisions come into force on 1 October 2008.

#### 1 October 2007 changes

- There are no changes to the process of appointing a director. In other words, the appointment of directors continues to be governed by the company's Articles and in the absence of any such provision, continues to be a matter for the company's shareholders.
- The current provision in section 303 Companies Act 1985, providing that an ordinary resolution is sufficient to remove a director, notwithstanding anything his service contract, is carried forward.

Special notice of the resolution continues to be required and, as now, the director remains entitled to any compensation or damages payable to him in respect of the termination of his appointment.

One slight change is that the new provision makes it clear that the resolution must be passed at a shareholders' meeting and not by way of written resolution. This is to safeguard the director's right to protest against his removal by speaking at the meeting.

- Companies continue to be able to remove directors by other means (e.g. under a procedure set out in the company's Articles).

#### 1 October 2008 changes

- All companies will be required have at least one director who is a natural person (in other words, an individual).

Currently, it is possible for all of a company's directors to be other companies. The new requirement is intended to ensure that every company will have at least one individual who can, if necessary, be held to account for the company's actions. It is also consistent with the increased thrust in the Act on the importance of directors understanding their statutory duties. There is no requirement, however, that the natural person need be domiciled in the UK.

- There will be a new minimum age for appointment as a director of 16 years.

It should be noted that the Act has already removed the 70-year age limit for directors of PLCs and subsidiaries of PLCs. This change took effect on 6 April 2007.

## Contact us

For further information or if you have not received our previous updates on the Companies Act 2006, please contact:

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