

Articles of Association

These are the rules which govern the operation of your company.

They generally work in conjunction with the statutory regulations known of old as Table A, and now known as the Model Articles. It is normal for your Articles to adopt Table A or the Model Articles and apply amendments or additions.

The Articles deal with mundane matters, such as director and shareholder meetings, but also the more important matters, such as appointment and removal of directors.

The procedure for appointing and removing directors can be vital in the event of a dispute between shareholders. The right rules might ensure the survival of a company. The wrong rules may mean court action.

Another key area is control of share movements. The statutory provisions do not contain any restrictions on share transfers. A shareholder can give or sell his/her shares to anyone they wish. This could be a family member or a competitor! Whilst you may not object to a family member, what if it is the spouse, and they then divorce? The company is caught up in the middle of a court action.

What happens if a shareholder becomes less committed to the business? There is no statutory right to recover shares.

Where will the shares go if a shareholder dies?

Getting the share transfer provisions right is absolutely key to the proper operation of the company and its survival for the future.

Talk to us about your articles and we can explain how to deal with the appointment and removal of directors, and what you should be considering in relation to the transfer of shares. We can explain the other provisions that normally appear in your articles.