

# Ch 13

# Articles of Association

## Introduction

- Brief Name: Articles
- 2<sup>nd</sup> most essential documents of company and
- Like memorandum of association, it has to be prepared before registration and it is also get registered just like memorandum of association.
- This document is prepared to carry out the objects of the company as stated in memorandum of association.
- Article of association as stated above is the 2<sup>nd</sup> most essential document and the first most essential document is memorandum, so Articles is subordinate to memorandum.
- As we have learned that memorandum of association defines the objects and powers of the company but how to achieve these objects is defined by the articles of association.
- So articles of association, is simply a collection of rules and regulation a company make for its internal management to carry out the objects of the company.
- Care must be taken that rules defined in the articles of association neither conflict with the memorandum nor with the companies' ordinance.

Importance of Table A of Section 26[5]

It is a table which defines the general rules to run the management and achieve objectives of the company

SO a company not obligatory to draft Articles can use it for article

Articles of Association is not obligatory for Public limited company

## Articles of Association is obligatory for

1. Private limited company
2. Unlimited company
3. Company limited by Guarantee

*The Companies Ordinance, 1984*

### First Schedule

#### TABLE A

*(See Sections 2 and 26)*

#### REGULATIONS FOR MANAGEMENT OF A COMPANY LIMITED BY SHARES

##### PRELIMINARY

1. (1) In these regulations-
  - (a) "section" means section of the Ordinance;
  - (b) "the Ordinance" means the Companies Ordinance, 1984; and
  - (c) "the seal", in relation to a company, means the common seal of the company.
- (2) Unless the context otherwise requires, words or expressions contained in these regulations shall have the same meaning as in the Ordinance; and words importing the singular shall include the plural, and vice versa, and words importing the masculine gender shall include females, and words importing persons shall include bodies corporate.

##### BUSINESS

2. The directors shall have regard to the restrictions on the commencement of business imposed by section 146 if, and so far as, those restrictions are binding upon the company.

##### SHARES

3. No shares shall be offered to the public for subscription except upon the term that the amount payable on application shall be the full amount of the nominal amount of the share.
4. The directors shall, as regards any allotment of shares, duly comply with such of the provisions of sections 68 to 73, as may be applicable thereto.
5. Every person whose name is entered as a member in the register of members shall, without payment, be entitled to receive, within two months after allotment or within forty-five days of the application for registration of transfer, a certificate under the seal specifying the share or shares held by him and the amount paid up thereon:

Provided that, in respect of a share or shares held jointly by several persons, the company shall not be bound to issue more than one certificate, and delivery of a certificate for a share to one of several joint holders shall be sufficient delivery to all.

# General Rule

- A company is required to draft its articles association or not, and a company is required to register its articles or not in all cases a company is not outside the general rules laid down in table A of companies ordinance
- If a company makes its articles of association the draft of articles of association should not be against the provisions defined in the table A of companies' ordinance.

So, a public limited company has 3 options

1. Adopt Table A in full
2. Partially adopt Table A and partially frame its own articles
3. Wholly exclude table and frame its own articles

# Contents of Articles

Articles contain provisions of internal management of the company for example how to issue shares, borrowing powers of the company, alteration of capital, use of capital, details about dividend policy, audit of the company etc.

The provisions of law with regard to the contents are:

## General provisions:

1. Definition of important terms and phrases
2. Adoption or exclusion of Table A
3. Share capital and rights of shareholders
4. Methods of issuance and allotment of shares
5. Transfer of shares
6. Alteration of share capital
7. Dividend and capitalization of profit rules
8. Directors and method of appointment of director
9. Meetings in a year, voting rights of shareholders and powers of directors
10. Methods of accounts and audit
11. Winding up of company

Because there are almost same rules for all types of companies whether it is unlimited or limited and limited by shares or limited by guarantee So there is no need to define general provisions separately for all types of companies.

## Requirements as to Articles

1. Printed
2. Divided into numbered paragraphs
3. Signed by each subscriber in the presence of at least one witness who must attest the signature
4. Be dated

## **All signatories to articles of association shall**

1. Write name and surname in full and former name
2. Father's Name in case of married woman her husband's name in full along with father name, occupation of husband and nationality of her husband
3. Occupation
4. Nationality of signatory
5. Usual residential address

All powers of the company and the powers of its members, and all contractual rights are bound to the rules and regulations defined in the articles of Association