SHAREHOLDER STATUTORY RIGHTS

Clarkson Wright & Jakes Ltd
Solicitors and Notaries

Are you a shareholder of a company? Know your rights in this handy guide.

As a shareholder (also often referred to as a 'member') of a company you are entitled to various rights. Whilst this guide is not an exhaustive list, it aims to provide an overview of your main rights as a shareholder and the additional rights and implications of holding certain percentages of the share capital in a privately owned company.

Basic Rights

As a shareholder you have the right to have your name properly inserted in the company's register of members. You also have the right to inspect and obtain copies of various company documents, records and registers:

Documents, records and registers which companies must make available for inspection by shareholders			
Register of members	Register of directors	Register of secretaries	Register of debenture holders
Payments for loss of office	Directors' service contracts	Directors' long-term service contracts	Directors' indemnities
Instruments creating charges and register of charges	Contracts relating to purchase of own shares	Loans, quasi-loans to, and credit transactions with, directors or connected persons	Records of resolutions and meetings

Provided reasonable notice has been given:

- Members can inspect these documents **free of charge.**
- Members can obtain copies of these documents for a **fee.**
- Company records may be available for inspection in hard copy or electronic form.

Company Finances

Companies are required to send a copy of its annual accounts and reports for each financial year to every shareholder of the company. In addition, shareholders are entitled to be provided, on demand and without charge, with a copy of the company's last annual accounts and the last directors' report and any auditor's report on those accounts (together with any statement on the auditor's report). Shareholders are not however entitled to receive or inspect copies of general a company's financial records.

Implications of holding certain percentages of the share capital

The table below sets out certain additional rights and obligations of shareholders holding certain percentages of the issued share capital which carry a voting right in a privately owned company (unless otherwise indicated by *). The table is cumulative, so as the percentage threshold increases, the additional rights apply without repeating the rights and obligations which apply to lower percentages.

Unless otherwise stated, the table shows the default percentages set by current legislation and does not reflect the position in relation to a company which has altered the default percentage.

Shareholding of 5% or more	• Can require the circulation of a written resolution • Can require a general meeting to be held • Can require the company to circulate to shareholders a statement relating to a matter to be dealt with in a proposed members resolution • Prevent the deemed reappointment of the company's auditors
Shareholding of 10% or more	• Can block consent to short notice of a general meeting • Can require the company's annual accounts to be audited (where the company would otherwise be exempt)*
Shareholding of 25% or more	• Can block a special resolution
Shareholding of 50%	• Can block an ordinary resolution
Shareholding of more than 50%	• Can pass an ordinary resolution
Shareholding of 75% or more	• Can pass a special resolution
Shareholding of 90% or more	• Can consent to short notice of general meeting
Shareholding of 100%	• Full control of the company

*percentage relates to the nominal value of issued share capital of any class of share.

Pre-Emption Right over Shares

Shareholders have a statutory right of first refusal (pre-emption right) over **issues of new shares by the company** to allow them to maintain their percentage shareholding in the company. If a company wishes to issue new shares, it must first offer the new shares to the shareholders in proportions equal to (or as near as possible to) the proportion in nominal value held by that shareholder of the ordinary share capital of that company and must remain open for acceptance by the shareholders for at least 14 days.

If, at the end of the offer period, all the new shares are not taken up by shareholders in the proportion offered to them, the company may offer the remaining new shares to third parties. The terms of the offer to third parties must be the same or less favourable than the terms offered to the shareholders.

The pre-emption right does not apply where a **shareholder sells his shares** in the company.

Should you require any specific legal advice on the issues covered, please contact Ben Madden.

Ben Madden
Partner
01689 887845 / 07880 555559
ben.madden@cwj.co.uk