

RESIT EXAMINATION CASE STUDY - JULY 2014

Module Code:	BL5002
Module Title:	BUSINESS AND THE LAW: UK AND EU LEGAL OBLIGATIONS
Day / Evening:	DAY
Module Leader:	Dr Krzysztof Boroch
Time Allowed:	2 HOURS

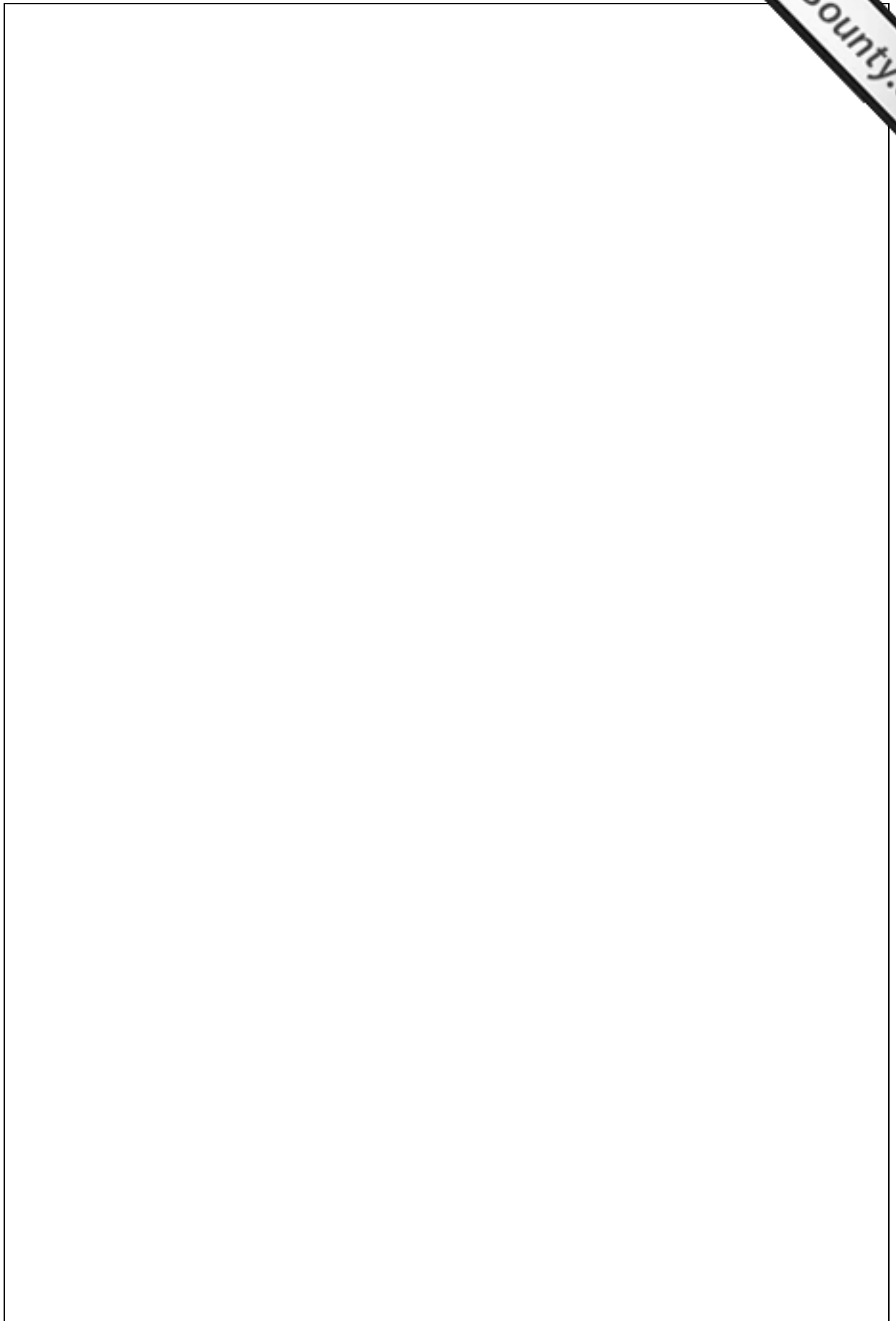
Case-study: Tango Delights Ltd

Instructions to Candidates:

Read the attached case carefully. It is issued to you prior to the examination to enable you to identify potential legal issues and research those areas. You will be required to answer **two out of three questions** based on the case study. Section B will consist of fifteen multiple choice questions.

You must take this case study into the examination. You are permitted to write **case names and statutory provisions (e.g. section 100(1) Companies Act 2006) only** within the boundaries of the box outlined on the next page. The case names are merely to aid your memory and should not attempt a pre-prepared answer. Any such attempt is an examination offence and will be dealt with accordingly.

NB You may highlight or underline parts of the case study but you should not write on the case study (other than in the box provided) either before or during the examination. If an invigilator finds a student with a case study infringing these regulations he/she will remove that case study, issue a fresh case study and note the incident on the student's examination booklet.



Tango Delights Ltd

Tango Delights Ltd (the company) is a company that owns a chain of restaurants in the South East of England. The company's subscribers are; Bob, who owns 45% of its shares, Jim 25%; Alan 15% and Chris 10%. All the subscribers are involved in the management of the company. When the company was formed in 2010, it was agreed that it would only pay director's remuneration and that it would not pay dividends to the subscribers during the first five years of its existence.

The company's secretary is Jenny and its articles of association contain the following provisions:

- Article 10 - Jenny shall be the company's secretary for a period of five years, renewable.
- Article 11 – Jenny shall be awarded a pay rise every six months providing that the company continues to trade profitably.

Two years after her appointment as the company's secretary, Jenny bought 5% of its shares. Bob wants to amend the company's articles and delete Article 11 on the ground that the company cannot afford to increase Jenny's salary every six months, as it is facing increasing competition.

The company's subscribers regularly go to the pub after work. However, Chris has refused to join Bob, Jim and Alan on their regular pub visits over the past few months as he is aggrieved by a number of issues. Firstly, Chris felt that the other subscribers did not want him to accompany them to the pub, as they sometimes ignored him in the conversations. Secondly, Chris was unhappy with what he felt was the eccentric style of management practised by the other subscribers. This included making important business decisions arbitrarily in the pub. Chris was also particularly aggrieved as he felt that he had been marginalized in the running of the company and his views rarely taken into account. Furthermore, in October 2013, Bob and Jim used their majority votes to increase their salaries on the ground that they were doing more work in the company. This was despite the fact that the company was barely making enough profits. As a result of the above, Chris lost interest in the management of the company and stopped attending board meetings and answering company memos. The other subscribers were concerned by Chris's lack of interest and resolved to exclude him from the management of the company.

In December 2013, Sir Pritchard Brandon approached Tango Delights' Ltd to negotiate a contract to provide catering service for a six week period to guests in his hotel in West Millows, Millowshire, as the restaurant in the hotel was being refurbished. The negotiations were suspended, as Sir Brandon had just received a letter from the Local Authority drawing his attention to unresolved issues with planning permission. Meanwhile, Jim who took part in the negotiations resigned as director of Tango Delights Ltd on grounds of ill-health and formed his own building construction company. Jim approached Sir Brandon and after the issues with the Local Authority were resolved, Jim's company has been awarded the contract. Jim's company had offered Sir

Brandon a considerable discount. Jim's company has made substantial profit from the contract with Sir Brandon.

In February 2014 Alan, while remaining a director of Tango Delights' Ltd accepted an invitation to join the board of directors of Jim's company.

Bob, the majority shareholder of Tango Delights Ltd is seriously concerned about the above issues that have affected the company. He is aware that you have studied company law and seeks your legal advice on the issues raised in this case study. You will be required to give your advice in the form of two questions to be answered out of three in section A of the examination. You are reminded that you must refer to relevant legislation and case law in your answer. Section B will consist of 15 compulsory multiple choice questions drawn from all 3 components of the module. 5 questions will come from each component.

End of Case Study