

Corporations Law

Contents

Definitions.....	4
Powers of directors	4
Replaceable rules	4
Subsidiaries	5
Related bodies corporate.....	6
Control	7
Miscellaneous	7
Companies generally.....	8
What is a company?	8
Types of companies	8
Incorporation.....	10
Registration	10
Company name	11
Separate legal entity	15
Lifting the corporate veil (excluding insolvent trading)	16
Constitution and replaceable rules	17
Replaceable rules	17
Adopting/modifying/repealing a constitution in statute.....	17
Breach of constitution or a replaceable rule.....	19
Equitable limit to altering the constitution – Gambotto.....	19
Equity/share capital.....	20
Allotment of shares	20
Non-cash consideration.....	22
Share Transfers	22
Classes of shares	22
Variation of class rights	22
Reducing share capital	25
Share buy-backs	27
Self-acquisition of shares	31
Financial assistance for the purchase of the company’s shares	32
Dividends	34
Loan capital.....	35
Directors.....	35
De facto directors.....	36
Shadow directors.....	36
Managing directors	36

Resignation, retirement and removal of directors	37
Section 251A minute book.....	38
Directors' meetings without a physical meeting.....	39
Directors' meetings with a physical meeting	39
Officers	40
Members	40
Ceasing to be a member / share transfers.....	43
Validity of resolutions.....	43
Members' meetings without a physical meeting.....	44
Members' meetings with a physical meeting.....	44
Proxies.....	52
Voting at a general meeting	56
Annual general meetings.....	58
Duty of disclosure.....	60
Procedural irregularities.....	60
Corporate contracting.....	61
Actual authority	62
Apparent or ostensible authority	62
Indoor management rule	63
Statutory assumptions	63
Directors' duties.....	65
Duty to act in good faith and in the best interests of the company	65
Corporate Groups.....	66
Wholly owned subsidiaries	66
Employees.....	66
Creditors.....	66
Individual shareholders	67
Nominee directors.....	67
Duty to exercise powers for a proper purpose	67
Duty of care, skill and diligence	67
Duty not to trade while insolvent.....	70
Duty to retain (and not fetter) discretion.....	78
No conflicts – fiduciary.....	78
No profits – fiduciary.....	78
Misuse of position – statute	79
Misuse of information – statute	79
Disclosure regime	80
Related party benefits scheme.....	84
Consequences for breaches of directors' duties	91
Equitable remedies.....	91

Statutory consequences	92
Declaration of contravention	92
Pecuniary penalty orders	92
Compensation orders	93
Standing	93
Disqualification	93
Release from liability	98
Relief by the court	100
Members' remedies	101
Statutory derivative actions	101
Oppression	104
Winding up orders	106
Statutory injunctions	107
Personal actions	109
Corporate mortality	109
Receivership	109
Voluntary administration	110
Winding up	122
Improper / voidable transactions	130
Distribution of assets	136
Deregistration	140

Definitions

Powers of directors

198A Powers of directors (*replaceable rule—see section 135*)

- (1) The business of a company is to be managed by or under the direction of the directors.

Note: See section 198E for special rules about the powers of directors who are the single director/shareholder of proprietary companies.

- (2) The directors may exercise all the powers of the company except any powers that this Act or the company's constitution (if any) requires the company to exercise in general meeting.

Note: For example, the directors may issue shares, borrow money and issue debentures.

198E Single director/shareholder proprietary companies

Powers of director

- (1) The director of a proprietary company who is its only director and only shareholder may exercise all the powers of the company except any powers that this Act or the company's constitution (if any) requires the company to exercise in general meeting. The business of the company is to be managed by or under the direction of the director.

Note: For example, the director may issue shares, borrow money and issue debentures.

Replaceable rules

141 Table of replaceable rules

The following table sets out the provisions of this Act that apply as replaceable rules.

Provisions that apply as replaceable rules		
Officers and Employees		
1	Voting and completion of transactions—directors of proprietary companies	194
2	Powers of directors	198A
3	Negotiable instruments	198B
4	Managing director	198C
5	Company may appoint a director	201G
6	Directors may appoint other directors	201H
7	Appointment of managing directors	201J
8	Alternate directors	201K
9	Remuneration of directors	202A
10	Director may resign by giving written notice to company	203A
11	Removal by members—proprietary company	203C
12	Termination of appointment of managing director	203F
13	Terms and conditions of office for secretaries	204F
Inspection of books		
14	Company or directors may allow member to inspect books	247D
Director's Meetings		
15	Circulating resolutions of companies with more than 1 director	248A
16	Calling directors' meetings	248C
17	Chairing directors' meetings	248E

Provisions that apply as replaceable rules		
18	Quorum at directors' meetings	248F
19	Passing of directors' resolutions	248G
Meetings of members		
20	Calling of meetings of members by a director	249C
21	Notice to joint members	249J(2)
22	When notice by post or fax is given	249J(4)
22A	When notice under paragraph 249J(3)(cb) is given	249J(5)
23	Notice of adjourned meetings	249M
24	Quorum	249T
25	Chairing meetings of members	249U
26	Business at adjourned meetings	249W(2)
27	Who can appoint a proxy <i>[replaceable rule for proprietary companies only]</i>	249X
28	Proxy vote valid even if member dies, revokes appointment etc.	250C(2)
29	How many votes a member has	250E
30	Jointly held shares	250F
31	Objections to right to vote	250G
32	How voting is carried out	250J
33	When and how polls must be taken	250M
Shares		
33A	Pre-emption for existing shareholders on issue of shares in proprietary company	254D
33B	Other provisions about paying dividends	254U
34	Dividend rights for shares in proprietary companies	254W(2)
Transfer of shares		
35	Transmission of shares on death	1072A
36	Transmission of shares on bankruptcy	1072B
37	Transmission of shares on mental incapacity	1072D
38	Registration of transfers	1072F
39	Additional general discretion for directors of proprietary companies to refuse to register transfers	1072G

Subsidiaries

46 What is a subsidiary

A body corporate (in this section called the **first body**) is a subsidiary of another body corporate if, and only if:

- (a) the other body:
 - (i) controls the composition of the first body's board; or

Means legal control, not practical control: *Mount Edon*
See s 47.

- (ii) is in a position to cast, or control the casting of, more than one-half of the maximum number of votes that might be cast at a general meeting of the first body; or

Control means legally enforceable power.
Open proxies constitute control: *Bluebird*

- (iii) holds more than one-half of the issued share capital of the first body (excluding any part of that issued share capital that carries no right to participate beyond a specified amount in a distribution of either profits or capital); or
- (b) the first body is a subsidiary of a subsidiary of the other body.

47 Control of a body corporate's board

Without limiting by implication the circumstances in which the composition of a body corporate's board is taken to be controlled by another body corporate, the composition of the board is taken to be so controlled if the other body, by exercising a power exercisable (whether with or without the consent or concurrence of any other person) by it, can appoint or remove all, or the majority, of the directors of the first-mentioned body, and, for the purposes of this Division, the other body is taken to have power to make such an appointment if:

- (a) a person cannot be appointed as a director of the first-mentioned body without the exercise by the other body of such a power in the person's favour; or
- (b) a person's appointment as a director of the first-mentioned body follows necessarily from the person being a director or other officer of the other body.

48 Matters to be disregarded

- (1) This section applies for the purposes of determining whether a body corporate (in this section called the *first body*) is a subsidiary of another body corporate.
- (2) Any shares held, or power exercisable, by the other body in a fiduciary capacity are treated as not held or exercisable by it.
- (3) Subject to subsections (4) and (5), any shares held, or power exercisable:
 - (a) by a person as a nominee for the other body (except where the other body is concerned only in a fiduciary capacity); or
 - (b) by, or by a nominee for, a subsidiary of the other body (not being a subsidiary that is concerned only in a fiduciary capacity);
 are treated as held or exercisable by the other body.
- (4) Any shares held, or power exercisable, by a person by virtue of the provisions of debentures of the first body, or of a trust deed for securing an issue of such debentures, are to be disregarded.
- (5) Any shares held, or power exercisable, otherwise than as mentioned in subsection (4), by, or by a nominee for, the other body or a subsidiary of it are to be treated as not held or exercisable by the other body if:
 - (a) the ordinary business of the other body or that subsidiary, as the case may be, includes lending money; and
 - (b) the shares are held, or the power is exercisable, only by way of security given for the purposes of a transaction entered into in the ordinary course of business in connection with lending money, not being a transaction entered into with an associate of the other body, or of that subsidiary, as the case may be.

Related bodies corporate

50 Related bodies corporate

Where a body corporate is:

- (a) a holding company of another body corporate; or
 - (b) a subsidiary of another body corporate; or
 - (c) a subsidiary of a holding company of another body corporate;
- the first-mentioned body and the other body are related to each other.