

Table of Contents

COMPANIES/CORPORATIONS.....	4
What is a company?.....	4
How important are companies in Australia?	5
Why would people choose to do business through companies?	5
Why would people choose another business structure?	5
What are other business structures?	5
What are the characteristics of companies at law?.....	7
What are the three important characteristics of corporations?.....	8
What is CORPORATE CAPACITY? p.49	8
What are the types of companies?.....	9
Classification by reference to members liability	10
Small vs large proprietary companies.....	10
What are listed companies? What is listing?	10
'One-person' companies.....	10
Who manages companies?	11
What does it mean to be a member, officer, director and secretary of a company?	11
Company Secretaries	11
SUBSIDIARY/HOLDING COMPANY/CORPORATE GROUPS.....	12
How to determine if a corporation is a subsidiary of a holding company.....	12
Related companies.....	12
Law affecting related companies/corporate groups	12
What are controlled entities under the CA 2001.....	13
What is a corporate group?	13
Why use a corporate group?	14
Corporate groups at Common Law (SEP, lifting corp. veil)	14
ASIC & ASX (REGULATION/REGISTRATION)	15
ASIC/ASIC Act 2001	15
What are ASIC's powers?.....	15
What are ASIC's main functions?	15
Company registration - ASIC.....	16
Why register? How to register? (ASIC).....	16
Filling out Form 201 (ASIC).....	17
Australian Securities Exchange (ASX)	17
How do companies list?	17
Why do companies list? - ASX	18
How does the ASX contribute to company law?	19
Who owns shares in listed companies?	19
COMPANY LAW.....	19
What is company law?	19
What is the purpose of company law?.....	19
How does company law operate?	20
What is the Corporations Act 2001 (Cth)?	20
What are the other sources of company law?	20

How do cases contribute to company law?	20
How do Corporations Regulations contribute to company law?	21
How are accounting standards part of Company Law?	21
THE HISTORY AND STRUCTURE OF COMPANY LAW	21
Pre-13th Century	21
Post-13th Century.....	21
17th Century (Joint Stock Companies)	22
1720 Bubble Act - England	22
<i>What is the South Sea Bubble?.....</i>	22
18th, 19th Centuries – Deed of Settlement.....	22
1844 – Joint Stock Companies Act.....	22
1862 – Companies Act 1862.....	22
1897 - Solomon v Solomon and Co Ltd.....	22
1900 – Commonwealth of Australia Constitution Act 1900	22
1961 – Uniform Companies Act Australia	23
1981 – Corporative Scheme (Australia).....	23
1989 – NSW v Commonwealth (Australia).....	23
1991 – Corporations Law (Australia)	23
1999-2000 – Re Wakin; Re Hughs (Australia).....	23
Why the cooperative scheme (1981-1991) and Corporations Law 1991 failed.....	23
Corporations Act 2001: How the C.Gov got the power to regulate on Company Law matters.....	24
SEPARATE LEGAL ENTITY DOCTRINE.....	25
What is the separate legal entity doctrine? p.46.....	25
Salomon v Salomon.....	25
What is the importance of the separate legal entity?.....	25
Separate entity principle at Common Law (affect on ownership)	25
LIMITED LIABILITY	26
What is limited liability? p.52	26
Contracts with personal guarantee	27
PIERCING THE CORPORATE VEIL	27
Piercing the corporate veil.....	27
When will the corporate veil be pierced? p.55-62	27
Lifting the veil for fraud or avoidance for legal duties	28
Lifting the veil on the basis of agency (SS&K v Birmingham)?	28
<i>Mixed Reactions to SS&K v Birmingham in Australia (Agency)</i>	29
Lifting the corporate veil within Corporate Groups	30
How does the corporate veil operate in relation to tort claimants?	30
Lifting the corp. veil due to Insolvent Trading Provisions (pg.61).....	30
CORPORATE GOVERNANCE.....	31
What is governance?.....	31
What is corporate governance?	31
How does Corporate Governance work?	32
What is the purpose of corporate governance?	33
What are the sources of Corporate Governance?	33
Corporate governance as global governance.....	33

What are the CGPR and what is their effect?	33
Internal Governance Rules (IGRs).....	33
What are the Replaceable Rules (RRs)?.....	34
What is a company constitution?	34
Changes to the IGRs	34
Statutory contract of IGRs	35
 DIVISION OF POWERS WITHIN COMPANIES	 36
What is the relationship between the organs?	36
 DIRECTORS/BOARD OF DIRECTORS.....	 36
What are the Board of Directors (and what can it do)?	36
Powers of Directors s198A (RR)	37
Directors duties	37
 MEMBERS	 38
Who/what are the members and what are their rights?	38
What are the powers of members vis-à-vis the Board?	38
What options are available to members who disagree (with the Board)?	38
Members' approval of variation/cancellation of class rights.....	39
Orders that the court may grant to members	39
Members' approval of related party transactions (Public Company).....	40
<i>Related parties of a public company</i>	40
What are financial benefits?.....	40
 GENERAL MEETINGS	 41
Types of General Meetings	41
Who may convene members' meetings?	41
Meetings initiated by members s249D	42
Meetings initiated by members s249F	42
Giving of notices – when and to whom.....	42
Content of notices.....	42
Conducting Meetings (Procedure).....	43
Decision making without a meeting.....	43
Powers of the members at a general meeting.....	43
Decisions reserved to the general meeting regarding the Board	44
Decisions reserved to the GM regarding constitutional & capital matters	44
AGMs of public companies	45
Questions by Members of Auditors at AGM s250T	45
Validation of irregularities	45
 MEMBERS REMEDIES	 45
What are members' remedies?	45
Why does company law provide members with remedies?	46
<i>Restrictions on members' powers</i>	46
Proving the elements of the remedy.....	46
1. Members' personal actions	46
2. Statutory Remedies.....	47
<i>The statutory oppression remedy (pg.767)</i>	47
<i>Just and equitable winding-up: s461 (pg.850)</i>	48

<i>Statutory Injunction: s1324 (pg.908-910)</i>	49
3. Statutory Derivative Action: Pt2F.1A (pg.769)	49
EQUITABLE LIMITATION ON MAJORITY VOTING POWER	50
Constitutional amendments	50
Category 1 amendments per Gambotto	50
Category 2 amendments per Gambotto	51
C1 vs C2 amendments	51
Outcome and significance of Gambotto	51

COMPANIES/CORPORATIONS

What is a company?

Company – an artificial legal person created by law to hold assets and carry on a business or other activity separate from participants in that activity. In economic terms, it is a type of business structure; in legal terms, it is a type of body corporate (corporation). A company is an association of people who form a separate legal entity by complying with the registration requirements in the Corporations Act 2001.

- A company is a separate legal entity. It can do things a human can do, with the capacity of a legal person and a body corporate. It is an artificial entity that works through humans.
- Type of corporation
 - Corporation or body corporate, are used to describe all artificial legal entities that have the attribute of separate legal personality.
 - Corporations are a way for individual's to maximise interests (utility)
 - Corporations may be formed:
 - By Royal Charter
 - By special Act of Parliament (eg. City of Brisbane Act 2010)
 - Under an Act of Parliament conferring power on some person to create corporations (eg. CA 2001)
- An artificial person created by the law
- A type of business vehicle
- Registered under the Corporations Act 2001. The Corporations Act is the statute that governs the formation, conduct, and termination of companies in Australia.
- Used for both small and large businesses
- **Important characteristics of companies:**
 - Separate Legal Personality: s119 CA ; Salomon v Salomon & Co Ltd
 - Corporate Capacity: s124, s125 CA
 - Limited Liability: s9 CA ; Salomon v Salomon & Co Ltd
- **Existence:**
 - Comes into existence through a process of registration with ASIC (application is put in by a person or group who wishes to use a company to carry on a particular activity)
 - Comes to an end when it is deregistered.
- **Function:** In a legal sense, hold assets (property) and to carry on a business or other activity as an entity separate from the participants (investors, managers) in that business or activity.
- **History:**
 - Historically: Companies developed as a means of allowing a number of people to pool their resources to undertake an enterprise too large for a single individual. Creating a separate legal person to hold and incur the rights and obligations of the

- enterprise simplified dealings between the enterprise and those with whom it conducted business.
- Middle 19th Century: With the introduction of limited liability, certain types of companies (in particular, companies limited by shares) also provided a way for participants in an enterprise to limit the extent to which their own personal wealth was put at risk if the enterprise failed.

How important are companies in Australia?

- Majority of corporations that are used to carry on business in Australia are companies
- Companies are the most popular form of business in Australia

Number: More than 2.11 million Australian companies. More than 99% of those are companies limited by shares. There are about 2000 Australian entities listed on the ASX. Largest entity listed