

Corporations Law Simplification program

Forming a Company

Proposal for Simplification

Task Force
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Simplification Task Force
Attorney General's Department
Barton ACT 2600

FORMING A COMPANY PROPOSAL FOR SIMPLIFICATION

Scope of proposal

This proposal suggests a number of changes to the following areas of the Corporations Law:

- bringing companies into existence (sections 114-125)
- the memorandum and articles of association (sections 164, 171-176, 179-181 and 223)
- the number of members of public companies (section 186)
- class rights (sections 196-200)
- registered offices (sections 217-219)
- pre-incorporation contracts (section 183)
- company seals (sections 182, 219 and 1088)
- the types of companies that can be brought into existence (sections 115 and 384-398)
- conversion from 1 type of company to another (sections 167-169).

The following provisions will be affected only to the extent that they will be redrafted: sections 112,126-132,142-162,165-166A, 184,187 and 194.

Effect of proposal

Under the proposal:

- the process of registering a company will be simplified
- public companies will be able to incorporate with 1 member (the minimum number of directors will remain at 3)
- the present uncertainties about companies being able to ratify contracts entered into for their benefit before their registration will be removed
- new companies will not have memorandums of association, and existing companies will be able to amend or repeal their memorandums in the same way as articles
- companies will not be required to have articles
- the rules that most companies require for governing their internal affairs will be moved into the Law
- companies will be able to operate under articles which contain different and/or additional rules except in a limited number of cases specified in the Law
- standard articles set out in Table A and Table B of Schedule 1 of the Law will be repealed
- all companies that choose to have articles will have to lodge them with the ASC
- the opening hours for registered offices will be made more certain and companies will be required to display their name at, rather than outside, their registered office
- the company seal will be optional
- company members will receive notice if their class rights have been varied by the company
- the Law will cease to provide for the incorporation of, or conversion into, companies limited both by shares and by guarantee and no liability companies
- companies limited by guarantee and companies limited both by shares and by guarantee will be able to convert into companies limited by shares.

Background

Background to the proposal appears on page 9. To find out what will happen to Table A articles, see paragraph 15 of the proposal on page 5 and the table on page 15.

THE PROPOSAL

| Proposal | Issues for consideration |
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| <p>Registration of companies</p> <p>1. To register a company, a person will have to lodge an application with the ASC giving details of:</p> <ul style="list-style-type: none">• the type of company (eg proprietary company limited by shares)• the first member(s)• the first director(s)• the company secretary• the name of the company• the registered office• the proposed principal place of business if• different from the registered office. <p>If desired, the application form may also specify the maximum number of directors. (This number may be varied by special resolution.)</p> <p>2. The minimum number of members for public companies will be 1. (As at present, the minimum number of directors for public companies will be 3.)</p> <p>3. A company will come into existence on registration.</p> <p>4. As at present, the ASC will issue a certificate of registration which will be conclusive evidence that the company was duly registered on the date shown.</p> <p>5. A company will cease to exist on deregistration. The separate concept of company dissolution will be abolished.</p> <p>6. The ASC will be able to certify that a company was in existence at a particular time or during a particular period. In the absence of evidence to the contrary, such a certificate will be proof of the matters stated in it.</p> <p>7. Technical amendments will be made to section 183 (pre-incorporation contracts) to ensure that:</p> <ul style="list-style-type: none">• it applies to contracts entered into 'for the benefit' of a company which is yet to be | |

| Proposal | Issues for consideration |
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| <p>formed, as well as contracts entered 'on behalf' of the company</p> <ul style="list-style-type: none"> the time for ratification can be agreed between the contracting parties rather than being governed by a 'reasonable time' test. <p>Memorandum of association</p> <p>8. Memorandums of association will be abolished for new companies.</p> <p>9. Existing companies will be able to change or repeal their memorandums in the same way as their articles.</p> <p>Articles of association</p> <p>10. New rules substantially based on articles in Table A will be added to the Law. As a result, the Law will contain all the rules necessary for governing the internal affairs of small business so that their companies will no longer have to adopt articles. Companies will have the choice of regulating their internal affairs by:</p> <ul style="list-style-type: none"> rules set out in the Law, or a combination of rules set out in the Law and articles. <p>This proposal does not deal with rules concerning meetings. Those rules are dealt with in the Task Force's Company meetings proposal.</p> <p>11. The new rules will have the same contractual effect as articles under the current Law (section 180).</p> <p>12. The standard Table A and Table B articles set out in Schedule 1 of the Law will be repealed.</p> <p>13. Companies will be able to displace the new rules in the Law by adopting articles.</p> | <p>(a) Would it be preferable to put the new rules into a streamlined Table A? If so, are there any rules in the Law which should be transferred into Table A?</p> <p>(b) Should another term (eg articles, constitution) replace the term 'articles of association'?</p> <p>(c) Should the presumption in section 164 that the company's constitution has been complied with be extended to the new rules to be set out in the Law?</p> <p>(d) Should that presumption be extended so that it is available even if the person dealing with the company has either imputed or actual knowledge to the contrary?</p> <p>Would it be preferable for these rules to have effect as statutory obligations? Conversely, should the rules in the Law which can be displaced by articles operate as a contract, rather than as statutory obligations?</p> <p>Should some of the rules be mandatory? If so, which ones?</p> |

| Proposal | Issues for consideration |
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| <p>14. Companies which already have articles will be able to:</p> <ul style="list-style-type: none"> • continue operating with them • repeal some or all of them in favour of the Law. <p>(see paragraph 16 for lodgment)</p> <p>15. The new rules, substantially based on articles in Table A, will be added to the Law. They will provide for:</p> <p>(a) directors to issue shares with any rights and entitlements that they determine, eg ordinary shares and preference shares (article 2)</p> <p>(b) subject to law, companies to disregard equitable interests in shares (article 6)</p> <p>(c) the mechanism for transferring shares (articles 19, 20, 22)</p> <p>(d) procedures for transmission of shares following the bankruptcy or death of the holder (articles 23-25)</p> <p>(e) directors to fill casual vacancies, with appointees to be confirmed by the company in general meeting within 2 months (article 61)</p> <p>(f) the company in general meeting to appoint and set the remuneration of directors (articles 57, 60, 62, 63) - as a consequence of omitting article 64, section 223 concerning directors' share qualification will be repealed</p> <p>(g) vacation of office by directors of unsound mind (article 65(a))</p> <p>(h) directors to have the power to manage the business of the company and do all things necessary for that purpose (articles 66-68)</p> <p>(i) a director, with the approval of the other directors, to be able to appoint an alternate director (article 72)</p> <p>(j) directors to be able to appoint and delegate powers to a managing director or a committee of directors (articles 76, 79, 81)</p> | <p>Should any other rules for regulating the internal affairs of companies, whether based on Table A or otherwise, be added to the Law?</p> <p>Will a significant number of proprietary companies want to impose restrictions on issues or transfers of shares, even though this will no longer be required by the Law once the First Corporate Law Simplification Bill 1994 is enacted? If so, should the Law include these restrictions through:</p> <ul style="list-style-type: none"> • requiring any new issue to be offered first to existing shareholders on a proportional basis • giving the directors a discretion to refuse to register any transfer • requiring shareholders wanting to dispose of their shares to offer them first to other shareholders? |

| Proposal | Issues for consideration |
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| <p>(k) directors to set the remuneration of the managing director (article 80)</p> <p>(l) directors to have the power to declare a dividend</p> <p>(m) directors to be able to authorise payment of an interim dividend (article 87)</p> <p>(n) the company not to pay interest on dividends (article 88)</p> <p>(o) the company to be able to pay dividends by distributing assets including shares or debentures (article 92)</p> <p>(p) the company to be able to pay dividends by cheque or electronic funds transfer and where there are joint shareholders, to direct payment to the first named shareholder (article 93)</p> <p>(q) procedures for giving notice to members (article 95)</p> <p>(r) with the sanction of a special resolution, the liquidator of the company on winding up to be able to divide up any residual property among members or vest it on trust for the benefit of contributories (article 97).</p> <p>See table on page 15 for what will happen to the articles in Table A.</p> | <p>Should dividends be declared as at present by the company in general meeting on the recommendation of the directors (article 86)?</p> |
| <p>Lodgment of articles</p> <p>16. Existing companies will be required, within 2 years of the provisions commencing, to:</p> <ul style="list-style-type: none"> • lodge their articles, or • certify that they have Table A in an unamended form as their articles, or • certify that they have repealed their articles, or • in the case of companies incorporated prior to 1991 which had not adopted Table A as their articles - certify that they have not amended their articles since incorporation. <p>17. Every new company adopting articles will be required to lodge them. Amendments of articles by any company will also have to be lodged.</p> | <p>(a) As an alternative to this requirement, should the present obligation on companies to supply articles to members be extended to any other person who requests them?</p> <p>(b) Should a person who searches the data base be entitled to assume that the company has no articles if that company has not complied with its lodgment requirement?</p> <p>Should all companies be required to lodge a consolidated copy of their articles each time they make an amendment ?</p> |
| <p>Registered offices</p> <p>18. Companies will be required to have their</p> | |

| Proposal | Issues for consideration |
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| <p>registered offices open on every business day either:</p> <ul style="list-style-type: none"> • between 10 am and 12 noon and between 2 and 4 pm, or • if notice of hours is given to the ASC - for at least 3 hours between 9 am and 5 pm. <p>The company will be required to display its name at, rather than outside, its registered office.</p> <p>Seals optional</p> <p>19. Seals will be made optional.</p> <p>20. To meet the needs of persons dealing with companies which choose to use a seal, the presumption of proper sealing in section 164(3)(e) will be retained.</p> <p>21. A company will be able to execute a document as a deed without the use of a seal. The presumptions in section 164 will be extended to a document executed in this manner.</p> <p>Class rights</p> <p>22. When class rights are varied, then:</p> <p>(a) as at present, the holders of 10% of the shares in the class will be able to apply to the court to have the variation set aside</p> <p>(b) the variation will have no effect until:</p> <ul style="list-style-type: none"> ○ the expiration of 1 month from the variation without an application being lodged, or ○ the application is withdrawn or finally determined. <p>To facilitate applications, notice will have to be given to affected class members within 7 days of the variation.</p> <p>Company status</p> <p>23. The Law will cease to provide for the incorporation of, or conversion into, no liability companies.</p> | <p>Would other opening hours be more appropriate?</p> <p>Is there a continued need for no liability companies, given that the Task Force's Share capital proposal will allow all companies to issue shares at a discount and to issue partly paid shares?</p> |

| Proposal | Issues for consideration |
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| <p>24. The Law will cease to provide for the incorporation of, or conversion into, companies limited both by shares and by guarantee.</p> <p>25. The existing companies of these 2 types will not be affected.</p> <p>26. In addition to conversions currently facilitated by the Law, companies limited by guarantee and companies limited both by shares and by guarantee will be able to convert into companies limited by shares.</p> <p>27. The conversion mechanism will have the following features:</p> <ul style="list-style-type: none"> • the ASC will approve the change of status if satisfied that the creditors of the company are not likely to be materially prejudiced by the conversion • change of status decisions of the ASC will be subject to review by the Administrative Appeals Tribunal under the <i>Administrative Appeals Tribunal Act 1975</i> and the courts under the <i>Administrative Decisions (judicial Review) Act 1977</i> • companies seeking conversion will not have to notify creditors before seeking approval for a change of status - but the ASC will have a discretion to order that creditors be notified • the ASC will have the power to impose conditions in relation to its approval • the liability of members for the amount of the guarantee on winding up will be extinguished on the change of status. | <p>Should the Law provide a period within which companies limited both by shares and by guarantee must convert into companies limited by shares?</p> <p>Should companies limited both by shares and by guarantee have the option of converting into companies limited by guarantee?</p> <p>(a) Should this conversion mechanism apply to all conversions, even though some conversions can presently be made as of right?</p> <p>(b) Should these conversions be subject to approval by the court, rather than by the ASC?</p> |

BACKGROUND TO THE PROPOSAL

Formation of companies

The company registration provisions of the Law are framed in terms of the incorporation of a group of persons (subscribers to the memorandum). Accordingly, the Law envisages a number of steps (both express and implied) which do not sit well with the widespread use of 'shelf companies'. The absence of the involvement of the ultimate owners makes the following steps artificial:

- holding a pre-incorporation meeting
- adoption of a memorandum
- adoption of articles (or a decision to rely on default articles set out in Table A of the Law).

The *First Corporate Law Simplification Bill 1994* provides for the incorporation of 1 member proprietary companies. This proposed change further highlights the desirability of the company registration provisions being framed in terms of the creation of a separate legal entity, rather than the incorporation of a group of persons.

Consistent with this approach, under this proposal, public companies will be able to be incorporated with only 1 member. These companies will be able to carry on business with fewer than the 5 members presently required, without those members becoming personally liable for the company's debts. Reducing the minimum number of members of public companies to 1 is also consistent with the recognition under the Law that public companies are often wholly owned subsidiaries. In addition, public companies often have only one beneficial owner, with nominees making up the required number of members.

Effect of registration

Section 122 provides that a certificate of registration is conclusive evidence that the company named on the certificate is duly registered under the Law. However, for practical purposes such a certificate can only be conclusive evidence of the company's registration on the date shown on it. Persons seeking to determine whether a company exists on a subsequent date must make further enquiries.

In this regard, the ASC database provides evidence of a company's existence at a later date. However, the Law unnecessarily uses 2 concepts - dissolution and deregistration - to describe the processes of ending a company's existence. The Task Force believes that greater certainty can be achieved by making registration the sole determinant of whether a company exists.

Pre-incorporation contracts

Section 183 was intended to overcome difficulties with the common law which precluded the ratification of a contract entered into before the company's incorporation. The proposal will rectify technical difficulties with these provisions.

Memorandum of association

Until 1983 companies were required to have objects clauses in their memorandums. Any other activities were beyond the power of the particular company. This doctrine was recognised as unfair to creditors and abolished in 1983. It is still possible for a company to restrict its objects through a provision in its memorandum or articles. However, an act outside those objects is binding on the company.

The memorandum does not serve any essential purpose as:

- the basic information required to be included is also required on the application for incorporation and, in turn, is available on the ASC database

- objects clauses can be included in articles.

Articles of association

Persons presently seeking to register a company limited by shares may:

- adopt custom drafted articles, or
- adopt the articles set out in Table A (in Schedule 1 of the Law) either with or without amendment.

In the event that they do neither, the company is taken to have the articles in Table A. A set of default articles for no liability companies is set out in Table B.

Existing statutory articles are unsatisfactory as:

- Table A appears to be routinely adopted with modifications, suggesting that it is out of line with general commercial and community needs
- Table B is potentially relevant only to a very small number of no liability companies
- neither Table A nor B is well drafted.

In general, articles (whether statutory or not) are rendered out of date by changes to the Law. Accordingly, those proprietary companies which seek to keep their articles in line with the Law face the periodic expense of seeking legal advice and of holding meetings to effect the necessary amendments. The *First Corporate Law Simplification Bill 1994* will remove the need for proprietary companies to hold annual general meetings and accordingly such companies will need to hold meetings specifically to make any amendments.

In the case of a proprietary company with only 1 shareholder who is also the sole director, articles will not serve any useful purpose.

The Task Force believes that the Law should contain all the basic rules required for the internal administration of proprietary companies. Given that Table A has essentially the same objective, the Task Force considers that the rules which are currently in the Law should be supplemented by rules based on Table A. Not all of the Table A rules are needed as some are already in the Law and others are potentially relevant only to a small number of companies. In particular, only about 1% of the approximately 860,000 exempt proprietary companies have partly paid shares on issue.

The Table A articles dealing with liens and forfeiture of partly paid shares apply even where the liability of a shareholder to the company arises otherwise than by failing to pay calls. The Task Force has concluded that companies wanting to exercise a lien or to forfeit shares in such circumstances should adopt articles for this purpose.

The Task Force's proposal for introducing rules into the Law to enable articles to be optional will let companies do substantially all they can do now under Table A or similar articles. Apart from the matters already mentioned, the only exceptions are:

- issuing shares with multiple votes
- appointing associate directors
- giving officers the right to be indemnified.

New Zealand has made articles optional under its new *Companies Act 1993*. Their experience to date is that about a third of all new companies are choosing not to have articles.

Where appropriate, the new rules which are to be introduced into the Law will be integrated with the relevant existing provisions.

Alterations

The Law has different rules dealing with the alteration of the memorandum and articles. The Task Force envisages that these rules will be rationalised so that there will be a simplified set of rules for alterations of both articles and memorandum. However, the ability to entrench provisions in a company's constitution will be preserved.

Lodgment of articles

Since 1991 (when the requirement for proprietary companies to lodge their constitutions with the ASC was removed) company members and their advisers have experienced difficulties in obtaining an up to date copy of the articles. The proposal seeks to meet the demand of people for access to articles by making them available on the ASC database.

Registered office

At present, companies have the option of opening their registered office each business day, either:

- for 5 hours between 10 am and 4 pm, or
- for 3 hours between 9 am and 5 pm as notified to the ASC.

The Task Force believes that the first alternative is unsatisfactory as persons wanting to access a registered office (eg to serve documents) cannot be certain of its opening hours.

Companies are presently required to have their name displayed 'outside' their registered office. Representations to the Task Force suggest that strict compliance with the requirement is often impractical, especially where registered offices are located inside multistorey buildings.

Company seals

The Law requires a company to have a seal and to affix it to certain types of documents. Traditionally, the seal has served as a 'secure' means of the company authenticating documents and otherwise signifying the company's assent to contracts, deeds etc. Most companies comply with the requirement to have a seal by having a rubber stamp which cannot be regarded as providing any real degree of security. The requirement to affix the seal on share certificates is often fulfilled (especially by large public companies) by printing the image of the seal on the certificate.

A number of comparable overseas jurisdictions have, by statute, enabled companies to authenticate documents without requiring the use of the seal.

The Task Force believes that, having regard to contemporary practice in Australia, the seal has outlived its usefulness. Individuals can execute deeds without the use of a seal. It is worth noting that most Australian jurisdictions do not require the sealing of real property instruments by either companies or natural persons.

Class rights

Sections 196 to 199 set out a regime regulating the variation of class rights. Generally, variations may be effected by an appropriate resolution of the affected class or with the written consent of a specified proportion of the class members. However, class rights may be varied by other action taken by the company. In order to protect class members, the Law enables the holders of 10% of the shares in an affected class to approach the court for the variation to be set aside on the basis that it would unfairly prejudice the members of the class.

While the rights conferred by these sections are appropriate, the Task Force believes that the enforceability of those rights would be enhanced by making sure that members receive notice of a

variation of class rights in all cases. In addition, the variation should not be effective until the possibility of a challenge has passed.

Types of companies

In addition to the distinction between public and proprietary companies and listed and unlisted companies, the Law also classifies companies according to the nature of the liability of members on winding up. The present classifications are (numbers in brackets indicating the numbers registered as at 8 December 1994):

- companies limited by shares (7903 public, 877099 proprietary): by far the most common company type; the liability of the members on winding up is limited to any amount unpaid on their shares
- companies limited by guarantee (8433): members do not contribute capital while the company is a going concern, but undertake to contribute the amount of the guarantee on winding up
- companies limited both by shares and by guarantee (145): members' liability on winding up is limited to any amount unpaid on their shares plus the amount of the guarantee
- no liability companies (940): only available to mining companies; members are not liable to make any contribution upon winding up, even if there are amounts unpaid on their shares
- unlimited companies (575): members have unlimited liability for the company's debts on winding up.

Companies limited both by shares and by guarantee

There are very few companies limited both by shares and by guarantee. Further, there are uncertainties about how a number of provisions apply in relation to such companies. The existence of these companies adds an unnecessary element of complexity to the Law.

The major justification for making companies limited both by shares and by guarantee available is to enable companies limited by guarantee to issue shares. At present the Law does not enable companies limited by guarantee to convert into companies limited by shares. The proposal will allow such conversions.

Since 1981, it has not been possible to register a company limited both by shares and by guarantee in the United Kingdom. Existing companies of this type were 'grandfathered'.

No liability companies

The Corporations Law only permits mining companies to be no liability companies. Essential features of such companies are:

- they are able to issue shares at a discount without member and court approval which is required in relation to companies limited by shares
- shareholders are not required to pay calls (but the shares are forfeited)
- shareholders are not required to make any contribution towards the debts of the company on winding up, even if there are amounts outstanding on the shares.

Under the Share capital proposal:

- the concept of par value will be abolished
- all restrictions on issuing shares at a discount will be repealed
- the ability of companies to issue partly paid shares will not be affected.

The differences which will remain between limited liability and no liability companies will be the liability of the members in relation to unpaid calls and liability to contribute upon winding up. Both of these considerations are only of relevance if the company has issued partly paid shares.

Of the 250 or so listed no liability companies, only 13 have quoted partly paid shares. (Although others have unquoted partly paid shares, these have generally been issued to a limited class, eg employees or executive officers.)

Changes of company status

Section 167 provides for conversions of some types of companies into other types but not the conversion into companies limited by shares by:

- companies limited by guarantee, or
- companies limited both by shares and by guarantee.

The Task Force believes that these conversions should be permitted and the proposal provides a mechanism for doing this in a manner which enables creditors to be protected.

| | WHAT WILL HAPPEN TO TABLE A? | |
|-----|---|--|
| | Article | Proposed action |
| 1. | Interpretation | Already in Law |
| 2. | Share Capital and Variation of Rights Directors may issue shares of different classes | Move into Law |
| 3. | Redemption of preference shares | Already in Law |
| 4. | Shareholder approval of variation of class rights | |
| 5. | Payment of brokerage | |
| 6. | Company to disregard beneficial interests in shares | Move into Law |
| 7. | Company to issue share certificate | Already in Law |
| 8. | Lien Company has lien over shares | Omit - articles needed if partly paid shares or other reasons for lien |
| 9. | Company may sell shares subject to lien | |
| 10. | Transfer of shares sold under lien | |
| 11. | Application of proceeds of sale under lien | |
| 12. | Calls on Shares Directors may make calls on shares | Omit - articles needed if partly paid shares |
| 13. | Calls deemed to be made at time of resolution | |
| 14. | Joint shareholders jointly and severally liable | |
| 15. | Interest on unpaid calls | |
| 16. | Sum payable on allotment deemed to be a call | |
| 17. | Directors may differentiate between shareholders | Already in Law |
| 18. | Directors may accept payments where no call | Omit - article needed if partly paid shares |
| 19. | Transfer of Shares Instrument and registration of transfer | Move into Law |
| 20. | Transfer procedure | |
| 21. | Directors may decline to register transfer | Omit - article needed if partly paid shares |
| 22. | Suspension of registration of transfers | Move into Law |
| 23. | Transmission of Shares Title to shares upon death of shareholder | Move into Law |
| 24. | Person entitled on death or bankruptcy may nominate holder | |
| 25. | Personal representative or trustee entitled to dividend | |
| 26. | Forfeiture of Shares Notice to pay unpaid call | Omit - articles needed if partly paid shares |
| 27. | Directors may forfeit shares | |
| 28. | Forfeited share may be sold | |
| 29. | Holder of forfeited share to remain liable | |
| 30. | Statement relating to forfeiture prima facie evidence | |
| 31. | Transfer of forfeited shares, title of transferee | |
| 32. | Forfeiture provisions apply to sums payable on issue | |
| 33. | Conversion of Shares into Stock Company may convert shares into stock | See Share capital proposal |
| 34. | Transfer of stock | |
| 35. | Stock holders have the same rights as shareholders | |
| 36. | References to shares include stock | |
| 37. | Alteration of Capital Power of company to alter capital by resolution | Already in Law |
| 38. | Unissued shares to be offered to existing members | Omit |
| 39. | Company may reduce capital | Omit - see Share capital proposal |
| 40. | General Meetings Any director may convene general meeting | See Company meetings proposal |
| 41. | Notice of meeting to specify particulars | |

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| | WHAT WILL HAPPEN TO TABLE A? | |
| 42. | Proceedings at General Meetings No business conducted unless quorum | See Company meetings proposal |
| 43. | No quorum | |
| 44. | Chairperson of meeting | |
| 45. | Adjournment of meetings | |
| 46. | Resolution by show of hands unless poll demanded | |
| 47. | Manner of taking poll | |
| 48. | If equality of votes | |
| 49. | Member may vote in person or by proxy | |
| 50. | Votes of joint holders | |
| 51. | Rights of holder of unsound mind may be exercised | |
| 52. | Member not entitled to vote unless calls paid | |
| 53. | Objections to votes may be raised | |
| 54. | Instrument appointing proxy | |
| 55. | Proxy invalid unless lodged 48 hours before meeting | |
| 56. | Proxy vote valid notwithstanding death or revocation | |
| | Appointment, removal and remuneration of Directors | |
| 57. | No. of directors set by subscribers to memorandum | Change - see paragraph 1 of the proposal |
| 58. | Retiring director eligible for re-election | Omit - articles needed if rotating directors |
| 59. | Which directors to retire | |
| 60. | If office not filled, retiring director deemed elected | Move into Law |
| 61. | Directors may appoint directors | |
| 62. | Company may remove directors by resolution | Move into Law - Article 63(2) to be omitted |
| 63. | Director's remuneration | |
| 64. | Share qualifications of directors | Omit - unnecessary in light of s 180(1) |
| 65. | Vacation of office by directors | Change - see paragraph 15(g) of the proposal |
| | Powers and Duties of Directors | |
| 66. | Business will be managed by directors | Move into Law |
| 67. | Directors may appoint attorneys | |
| 68. | Negotiable instruments to be signed by 2 directors | |
| | Proceedings of Directors | |
| 69. | Directors may meet | See Company meetings proposal |
| 70. | Chairman has casting vote | |
| 71. | Director not to vote on certain contracts | |
| 72. | Director may appoint alternate director | |
| 73. | Quorum at directors' meetings | |
| 74. | Directors' meetings where vacancy | |
| 75. | Chairman of directors' meeting | |
| 76. | Directors may delegate to committees | Move into Law |
| 77. | Certain documents deemed resolutions | See Company meetings proposal |
| 78. | Acts done by meeting valid | Already in Law |
| | Managing Director | |
| 79. | Directors may appoint managing director | Move into Law |
| 80. | Remuneration of managing director | |
| 81. | Directors may delegate to managing director | |
| | Associate Directors | |
| 82. | Directors may appoint associate directors | Omit - article needed if associate directors |
| | Secretary | |
| 83. | Terms and conditions of secretary | Already in Law |
| | Seal | |
| 84. | Safekeeping of seal | Omit - article needed if a seal retained or adopted |
| | Inspection of Records | |
| 85. | Directors to determine inspection of records | Already in Law |

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| | WHAT WILL HAPPEN TO TABLE A? | |
| | Dividends and Reserves | |
| 86. | Company may declare dividend | Change - see paragraph 15(1) of the proposal |
| 87. | Directors may authorise interim dividends | Move into Law |
| 88. | Interest on dividend not payable | |
| 89. | Directors may carry profits forward | Omit - see Share capital proposal |
| 90. | Dividends proportional to paid up value | Omit - articles needed if partly paid shares |
| 91. | Directors may deduct unpaid calls from dividends | |
| 92. | Where difficulty with resolution | Move into Law |
| 93. | How payments are to be made | Change - see paragraph 15(p) |
| | Capitalisation of Profits | |
| 94. | Company may resolve to capitalise any sum | Omit |
| | Notices | |
| 95. | Ways in which notices may be given by company | Move into Law |
| 96. | General meeting notice given as per article 95 | See Company meetings proposal |
| | Winding up | |
| 97. | On winding up, liquidator may divide property | Integrate with s 479 |
| | Indemnity | |
| 98. | Company officials to be indemnified | Omit |