

COMPANIES AMENDMENT BILL.

EXPLANATORY MEMORANDUM.

CLAUSE 2: This clause repeals and re-enacts the provisions of section 19 of the War Legislation Amendment Act, 1916, and section 20 of the Statute Law Amendment Act, 1917. It is proposed by the present Bill to extend the existing law by allowing dairy companies, without altering their memoranda or articles of association, to become shareholders in other companies having for their object the exporting, marketing, and disposal of New Zealand produce.

Clause 3: Subsection (2) of section 20 of the Companies Act, 1908, is as follows: "Save as provided by this Act no alteration shall be made by any company in the conditions contained in its memorandum of association."

It was held by the English Courts that any provision in the memorandum of association giving preference to classes of shares is a condition, and therefore that a company could not, as the English Act stood before 1908, reorganize its capital by rearrangement or cancellation of shares having definite advantages.

In 1908 the Companies (Consolidation) Act, as passed by the Imperial Parliament, contained a special provision authorizing reorganization of capital, and it is desirable to have the same provision in New Zealand. Clause 3 is identical with section 45 of the Imperial Act, except that the clause in the English Act requires confirmation by the Court, which it is considered unnecessary to require in New Zealand.

Subclause (2), providing that the section shall be deemed to be in force since the passing of our Companies Act, 1908, is proposed because there have been in New Zealand since 1908 such reorganizations of capital, the resolutions effecting which have followed the English precedents, but which may be held to be invalid by reason of a similar provision to that in the English Act of 1908 not being included in our Companies Act, 1908.

Hon. Sir Francis Bell.

COMPANIES AMENDMENT.

ANALYSIS.

Title.
1. Short Title.

2. Extending powers of dairy companies to engage in associated industries. Consequential repeals.
3. Reorganization of share capital.

A BILL INTITLED

AN ACT to amend the Companies Act, 1908.

Title.

BE IT ENACTED by the General Assembly of New Zealand in Parliament assembled, and by the authority of the same, as follows:—

1. This Act may be cited as the Companies Amendment Act, 1920, and shall be read together with and deemed part of the Companies Act, 1908 (hereinafter referred to as the principal Act).

Short Title.

2. (1.) Notwithstanding anything to the contrary in the principal Act, or in the memorandum or articles of association of any company having for its object or for one of its objects the manufacture of butter or of cheese, it shall be lawful for such company, without complying with the provisions of the principal Act relating to the alteration of the memorandum or articles of association of companies, to do all or any of the following things, that is to say:—

Extending powers of dairy companies to engage in associated industries.

(a.) To carry on the business of the manufacture of rennet, casein, or sugar of milk, or of butter-boxes or cheese-crates; or of any other article or product connected with or required for the dairying industry:

(b.) To acquire shares in, or to guarantee the obligations of, or otherwise to assist or promote any other company formed or proposed to be formed under the principal Act, having for its object or for one of its objects—

(i.) The manufacture of any article or product as aforesaid; or

(ii.) The exporting, marketing, and disposal of any primary products; or

(iii.) The erection and building of cool stores and freezing-works; or

(iv.) The purchase of any machinery and plant in connection with any cool stores or freezing-works; or

(v.) The carrying-on of the business of cool storage and refrigerating.

(2.) All contracts heretofore entered into by any company for any of the purposes aforesaid shall be as valid and binding for all purposes as if this Act had been in operation when those contracts were so entered into.

Consequential
repeals.

(3.) This section is in substitution for section nineteen of the War Legislation Amendment Act, 1916, and section twenty of the Statute Law Amendment Act, 1917, and those sections are hereby repealed accordingly. 5

Reorganization of
share capital.
Cf. 8 Edw. 7, c. 69,
sec. 45.

3. (1.) Section thirty-eight of the principal Act is hereby amended by adding the following as subsection two thereof:— 10

“(2.) A company limited by shares may, by special resolution, modify the conditions contained in its memorandum so as to reorganize its share capital whether by the consolidation of shares of different classes or by the division of its shares into shares of different classes: 15

“Provided that no preference or special privilege attached to or belonging to any class of shares shall be interfered with, except by a resolution passed by a majority in number of shareholders of that class holding three-fourths of the share capital of that class and confirmed at a meeting of shareholders of that class in the same manner as a special resolution of the company is required to be confirmed, and every resolution so passed shall bind all shareholders of the class.” 20

(2.) This section shall be deemed to have been in force on and after the commencement of the principal Act. 25