Contents

Prefa	ace	ix
Table of cases		
Table	e of legislation	xviii
1	Starting a company 1.1 Starting a company 1.2 Formation of a company 1.3 Change of status from public to private company and vice versa 1.4 Groups 1.5 Corporate personality Summary Exercises Further reading	1 1 5 9 9 10 16 17
2	Corporate governance 2.1 Why corporate governance? 2.2 Who owns and/or controls the company? 2.3 Theories of corporate governance 2.4 Systems of corporate governance Summary Exercises Further reading	18 18 19 19 22 26 26 27
3	The articles of association 3.1 The nature of the articles of association 3.2 The articles as a contract 3.3 The articles as evidence of a contract 3.4 Alteration of the articles of association Summary Exercises Case notes Further reading	28 28 30 34 35 41 41 41 41
4	The power to represent the company 4.1 Introduction 4.2 Ultra vires: the new law 4.3 Ratification 4.4 Ultra vires – the old law 4.5 The power to bind the company 4.6 Promoters Summary Exercises	43 43 43 46 46 53 60 65 66

5	Share	S	67	
	5.1	Introduction	67	
	5.2	Classes of shares	68	
	5.3	Voting rights	70	
	5.4	Variation of class rights	73	
	Sumr		76	
	Exerc	ises	76	
	Further reading			
6	Buying and trading shares and the regulation of investment business			
	6.1	Introduction	77	
	6.2	Reforming the regulatory framework	77	
	6.3	Public issue of securities: buying and trading shares	78	
	6.4	Admission to Stock Exchange listing	83	
	6.5	Market abuse	88	
	6.6	The new regulatory system for banks and financial firms	90	
	6.7	Carrying on a regulated activity	91	
	6.8	Complaints	95	
	6.9	The Human Rights Act 1998	96	
	6.10	The Markets in Financial Instruments Directive 2004/39/EC and the		
		new Markets in Financial Instruments Directive 2014	96 97	
	Summary			
	Exerc		98	
		sing firm-specific risks: impact and probability factors	98 99	
	Key resources			
	FSMA 2000, Schedule 10		99	
	Furthe	er reading	101	
7	Maint	enance of capital	102	
	7.1	Introduction	102	
	7.2	The fundamental rule and subsequent modifications	104	
	7.3	Distributions	105	
	7.4	Illegal transactions	112	
	7.5	Serious loss of capital by a public company	116	
	7.6	Accounts	116	
	7.7	Conclusion	120	
	Summary			
	Exercises			
	Furthe	er reading	121	
8	The n	nanagement of the company	122	
	8.1	Introduction	122	
	8.2	Proxy voting	123	
	8.3	Meetings	123	
	8.4	Resolutions	127	
	8.5	Voting	128	
	8.6	Management of the company	130	
	8.7	Employees	141 141	
	Summary			
	Exerc		142	
	Furth	er reading	142	

9	Directors' duties	143
Ü	9.1 Introduction	143
	9.2 The fiduciary duties of directors	149
	9.3 Duty to exercise reasonable care, skill and diligence	166
	9.4 Consequences of a breach of duty	168
	9.5 Are the prohibitions absolute?	169
	9.6 Specific duties of directors	170
	9.7 Disqualification of directors	170
	9.8 Insider dealing	179
	Summary Exercises	187 187
	Further reading	188
	Turtue reading	100
10	Shareholders' remedies	189
	10.1 Suing the company	189
	10.2 The derivative action	190
	10.3 Procedure for bringing a derivative claim10.4 Winding-up orders	206 211
	10.4 Winding-up orders10.5 Department for Business, Innovation and Skills (BIS) investigations	213
	Summary	215
	Exercises	215
	Case notes	216
	Companies Act 2006, sections 994–996	218
	Further reading	219
11	Lending money and securing loans	220
	11.1 Debentures	220
	11.2 Fixed and floating charges	221
	11.3 Registration of company charges	226
	Summary Exercises	230
	Case note	230 230
	Further reading	231
	Taransi Todding	201
12	Takeovers, reconstructions and amalgamations	232
	12.1 Takeovers	232
	12.2 Reconstructions	240
	Summary	242
	Exercises Case study: Kraft's takeover of Cadbury	242 242
	Further reading	243
	5	
13	Insolvency	244
	13.1 Definition of insolvency	244
	13.2 Preferences13.3 Insolvency procedures	245 246
	13.4 Directors' duties and insolvency	252
	13.5 Disqualification of directors	257
	Summary	257

viii Contents

	Exerc Furthe	ises er reading	258 258
14	Multinational companies		259
	14.1	Groups of companies	259
	14.2	Why multinational companies became so powerful	265
	14.3	Company groups in action	267
	Further reading		271
Index			273