COMPANIES AND SECURITIES LAW REVIEW COMMITTEE

DISCUSSION PAPER NO. 10

SHARES OF NO PAR VALUE
AND
PARTLY-PAID SHARES

MARCH 1990

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Preface

Membership and Functions of the Committee

The Companies and Securities Law Review Committee was established late in 1983 by the Ministerial Council for Companies and Securities pursuant to the inter-governmental agreement between the Commonwealth and the States of 22rid December 1978.

The Committee's function is to assist the Ministerial Council by carrying out research and advising on law reform in relation to legislation concerning companies and the regulation of the securities industry.

The Committee consists of five part-time members, namely:

Mr. Geoffrey W Charlton
Mr. David A Crawford
Professor H A J Ford (Chairman)
Mr. Anthony B Greenwood
Mr. Donald R Magarey

The full-time director is Mr. Colin Sayer.

The Committee's office is at the office of:

National Companies and Securities Commission
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31 Queen Street
MELBOURNE VIC 3000

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General Aims of the Committee

To develop improvements of substance and form in such parts of companies and securities law as are referred to the Committee by the Ministerial Council and for that purpose to develop proposals for laws:

* which are practical in the field of company law and securities

regulation;

* which facilitate, consistently with the public interest, the activities of persons who operate companies, invest in companies or deal with companies and of persons who have dealings in securities; and

* which do not increase regulation beyond the level needed for the proper protection of persons who have dealings with companies or in relation to securities.

In the identification of defects and the development of proposals to have regard to the need for appropriate consultation with interested persons, organisations and governments.

The Reference from the Ministerial Council

One of the references received by the Committee from the Ministerial Council was a reference for inquiry and review of "the question of the use of the corporate form". The Committee was directed in making its inquiry and review to have regard to (among other matters) the provisions in Part IV, Division 3 of the Companies Act 1981 (Cwlth), including:

(iii) the authorisation of companies to issue ordinary shares without attributing to them a fixed par value and to issue preference shares of no par value.

Responses Invited

The Committee invites written submissions on the issues listed in the latter part of this discussion paper.

The Committee will assume that it is free to publish any submission, in whole or in part, unless the respondent indicates that the submission is confidential. All respondents will, in any event, be listed in any report made by the Committee to the Ministerial Council.

Submissions should be sent to:

Companies and Securities Law Review Committee
GPO Box 5179AA
MELBOURNE VIC 3001

by 14 May 1990.

THE EXISTING LEGISLATION

Section 37 of the Companies Act 1981 (Cwlth) requires that the memorandum of association of a company shall state :

"(c) unless the company is an unlimited company, the amount of share capital (if any) with which the company proposes to be registered and the division of that share capital into shares of a fixed amount."

One effect is to require that in a company limited by shares, a share which

is otherwise simply a defined proportion of the equity of the company, should have added to it a nominal value or par value.

THE FUNCTIONS OF A REQUIREMENT THAT NOMINAL VALUE BE ATTACHED TO A SHARE

Nominal value was originally seen as assisting creditors to assess whether a company had adequate capital by showing the minimum amount that an applicant for a share would pay, or become liable to pay, before becoming entitled to participate in the company as a proprietor.

Nominal value has provided a benchmark of subscribed share capital which cannot be repaid to shareholders except with the sanction of the court or, in the case of a liability to pay the unpaid part of the nominal value, cannot be released by the company without the sanction of the court.

Nominal value could also be of significance to shareholders.

(a) First, it fixed the maximum amount that a shareholder (or, in some circumstances, a former shareholder) in a company limited by shares would have to pay by way of statutory liability. However, there could be an additional amount payable by way of premium for which there could be contractual liability.

(b) Secondly, it gave some protection to shareholders who had subscribed for shares on paying, or becoming liable to pay, the nominal value. It measured the minimum amount that could be paid by allottees of later issued shares and assisted in reducing the possibility of dilution of the fractions of proprietorship held by earlier allottees. However, a company could, create a new class of shares with rights of priority over previously issued shares.

CONSIDERATION OF NO PAR VALUE SHARES IN OTHER COUNTRIES

The subject of no par value shares has been considered by committees overseas including:

United Kingdom

* a Board of Trade Committee (the Gedge Committee) which reported in March 1954;

* the Jenkins Committee 1962.

New Zealand

* New Zealand Law Commission report No. 9 entitled Company Law Reform and Restatement, June 1989.

Canada

* Dickerson Committee 1971.

South Africa

* Commission of Enquiry into the Companies Act (1970).

CRITICISMS OF THE REQUIREMENT THAT A NOMINAL VALUE BE ATTACHED TO A SHARE

Critics of the concept of nominal value argue that it leads to confusion and that company finance and accounting could be simplified by repealing the requirement in section 37 that share capital be divided into shares of a fixed amount.

The New Zealand Law Commission characterised the concepts of nominal capital and par value as being "arbitrary and misleading"[1] and as serving "no useful function".[2] Abolition of nominal value would simplify financial accounts by obviating the need for share premium accounts and reserves.

Nominal value can be misleading. Under existing legislation each share continues to have the same nominal value throughout the life of the company subject to it being changed in the course of consolidation of share capital, subdivision of share capital, reduction of share capital, under a scheme of arrangement or reconstruction. However, during the life of the company the value of a share considered as a defined proportion of the undertaking will in most cases have lost any correspondence it might have had to the nominal value. Inflation alone can bring about that result. The nominal value has therefore become of only historical importance.

If the real value of a share declines below the nominal value an unknowledgable person who contemplates investing in shares may be misled into thinking that the nominal value is the real value of the share and be imposed upon by dishonest sellers. This may not be thought to be a common occurrence but if investment in shares is to be made attractive to average Australians as a way of encouraging the saving needed for the nation's economic good, the confusion between nominal value and real value should be removed.

The requirement of a nominal value adds unnecessary complexity to company accounting and the financial statements of companies. Under a system of no par value shares there would be no need for a share premium account.

The need to have shares of fixed amount complicates adjustments of share capital. If a prosperous company has profits available to be capitalised, the process of capitalisation must entail a fresh issue of shares. If the shares had no par value the profits would be simply capitalised without any share issue. The preparation of share certificates and other administrative work associated with a share issue would not be needed. Investors would have fewer pieces of paper to safeguard.

Nominal value can inhibit a company which wishes to raise new capital. If its shares have a real value below par, the company cannot issue shares of the same class at a discount to par value without seeking the approval of the court under section 118. The expense and delay involved in an application to the court can be avoided by the creation of a new class of shares. But if the shares had no par value the complication arising from the creation of a new class of shares would not be necessary. Under a

(1) Report No. 9 Company Law Reform and Restatement, June 1989, para 87.

(2) Ibid, para 381.

system of no par value shares the new shares would be issued at the current market price or otherwise as regarded as appropriate by the directors.

ADVANTAGES CLAIMED FOR A SYSTEM OF NO PAR VALUE SHARES

In the United Kingdom in 1954 the Board of Trade Committee established to consider shares of no par value (Gedge Committee) found justified claims that no par value shares had the following advantages:

"(a) They represent the share for what it is - a fraction or aliquot part of the equity - and they do not import a notional token of value.

(b) As there is no nominal capital and the share has no nominal value attached, they make it impossible to relate a dividend to a nominal capital and they thus avoid a potent source of misunderstanding and misrepresentation.

(c) Whether the undertaking be one having shares of no par value or of nominal value, it is the capital employed and not the paid-up share capital which is the true capital of the undertaking : an ordinary share of no par value does not purport to be anything but a share of the equity.

(d) Given the conception of shares of no par value, matters analogous to "bonus" issues and subdivisions are simplified."[(3)]

Any proposal to allow a company to be formed with shares of no par value has to accommodate:

* the need to protect creditors; and

* the need to ensure that there is no increased risk of unfair prejudice to any shareholders.

CREDITORS' INTERESTS

Advocates of no par value shares claim that creditors can be protected. One method is to require that all the proceeds of issue of shares be carried to a capital account which measures a claim of shareholders which the company is not free to discharge except under strict controls. Another method is to require that no distribution by a company to its shareholders can be made unless the company can pass a stringent test of solvency.

SHAREHOLDERS' INTERESTS

Those who argue for no par value shares claim that the attachment of nominal value to shares is not essential to the protection of shareholders against improper dilution of their interests in the company. Nominal value protects

(3) Report of the Committee on Shares of No Par Value. Cmd 9112, March 1954, para 27.

shareholders only when the real value of the shares is below nominal value. The critical thing is that the persons charged with the function of making new issues, that is the directors, should make issues only on terms that the company receives adequate consideration for the issue.

IMPLICATIONS OF LEGISLATION ALLOWING A COMPANY TO ISSUE NO PAR VALUE SHARES

Issue at a discount. The concept of issue at a discount would disappear. Under the existing law requiring par value, shares in a company limited by shares can be freely issued at a premium to par value but not at a discount: **Ooregum Gold Mining Co v Roper [1892) AC 125** and section 116. If a company limited by shares wishes to issue shares at a discount it must satisfy the conditions in section 118. One of those conditions is that the issue is authorised by a resolution passed in a general meeting of the company which resolution is confirmed by order of the court.(4)

Companies which wish to raise more share capital without the delay and expense involved in satisfying the conditions in section 118 do so by creating a new class of shares with priority over already issued shares. The addition of a new class of shares introduces another element of complication in a company's capital structure which would not be necessary where shares have no par value. The Gedge Committee said that "there is much to be said in favour of financing enterprise by the issue of ordinary share capital rather than by overloading the structure with loan or preference capital." Where shares have no par value directors have a wider discretion in determining the appropriate amount of consideration for issuing the shares. They would still have a fiduciary duty to the company to evaluate that consideration in good faith. That duty could be specifically stated in the legislation. In its Report to the Ministerial Council on the Issue of Shares for Non-Cash Consideration and Treatment of Share Premiums (September 1986) the Companies and Securities Law Review Committee recommended as follows:

"[12] The Committee recommends that the Companies Act 1981 be amended so that:

(a) a company may not issue shares for a non-cash consideration or for a consideration containing a non-cash element unless the directors have made in good faith a determination of the amount of money that would have been payable by the company to obtain the non-cash advantage to be obtained by the issue of the shares;

(b) the directors must, in making their determination, have regard to

(i) any value appearing from the terms of issue or other contract relating to the shares concerned;

(ii) any valuation obtained by the company from an expert;

(4) Issues at a discount were considered by courts in ***Re Air North West Pty Ltd. (1988) 6 ACLC 1,143: Re Jarass Pry Ltd. (1988) 13 ACLR 728, 6 ACLC 767 : Re Malllna Holdings Ltd. (1989) 15 ACLR 493.***

(iii) any value indicated by transactions which are a matter of public knowledge; and

(iv) such other matters as they consider relevant;

(c) such a determination made by the directors, together with particulars of the matters to which they have had regard and of the grounds for the determination, is required to be recorded in a resolution of the directors;

(d) a certified copy of the relevant resolution of the directors is required to be lodged with the return of allotment of the relevant shares;

(e) the amount of money so determined by the directors shall be taken to be the value of the non-cash consideration for the purposes of:

(i) fixing the amount to which the shares are credited as paid up;

(ii) determining whether the shares have been issued at a discount or at a premium;

(iii) fixing the amount of the discount or premium; and

(iv) in a case where shares are issued at a premium, determining the amount to be transferred to the share premium account; and

(f) definition provisions, based on the foregoing, are enacted to establish the amount or value of a discount or premium upon the issue of shares."

In South Africa the Commission of Enquiry into the Companies Act recommended that the safeguard against issues being made in such a way as to dilute the value of already issued shares should take the form of requiring a special resolution approving of the issue price in the case where it is less than the immediately preceding issue price of shares of the company.[(5)] In a cautious approach the Commission limited, that recommendation to issues of no par value shares. The recommendation was adopted in section 82 of the Companies Act 1973 (Sth. Af.)

Restrictions on distributions to shareholders. In the interests of creditors a company limited by shares is not free to return to its shareholders the consideration given by them for the issue of shares except under stringent controls. That is so in respect of the nominal value and any premium over nominal value: see section 119.

A proposal that companies be allowed to issue shares of no par value prompts a question as to whether the proceeds of issue should still be treated as

(5) Report para 34.18.

capital which may not be returned to shareholders except under the strict control involved in a reduction of capital under section 123 which requires the sanction of the court or in a permitted buy-back which is subject to a limitation on quantity (in the case of a public company) and the sanction of liability for directors (in any company) who make a declaration of solvency that proves to be unfounded. In countries in which the issue of no par value shares has been allowed or recommended various solutions have been propounded.

In the United Kingdom the Gedge Committee considered[6] it essential that the whole of the proceeds of issue of shares of no par value - whether the first or a subsequent issue - should be carried to a capital account, which they designated "stated capital account",[7] The stated capital account of a company having shares of no par value would take the place of the paid-up capital and share premium account. [8]

The New Zealand Law Commission when recommending the abandonment of par value recommended against having a stated capital account. The Law Commission adopted a broad principle that the propriety of any distribution by a company to its shareholders, whether by way of share re-purchase, or dividend, should be governed by a solvency test. The Committee said that the solvency test should be a "two-pronged one to ensure both 'balance sheet' solvency and 'cash flow' solvency." For this purpose the Law Commission favoured United States precedent in using the concept of "realizable value" in the assets-over-liabilities limb of the test. This was in contrast to Canadian reliance upon a concept of "stated value" (being the sum of all value received on issue of shares) which seemed to the New Zealand Law Commission simply to reinstate under a different name the concept of nominal capital for the purposes of distributions and to provide insufficient protection for creditors at risk.

The New Zealand Law Commission said:

"We realize that in making a determination whether to make a distribution in marginal cases the directors will not be able to rely upon the historic values of assets in their accounts. We think in those marginal cases it would be wrong to permit the accounts to be sheltered behind to the prejudice of creditors. In those circumstances prudent directors will require reassessment of the value of the company's assets. The test is designed to be a purposive one for the protection of creditors."[9]

(6) Cmd 9112, para 45.

(7) They also thought it logical that preliminary expenses, commissions and expenses of issue should be charged to that account.

(8) Cmd 9112, para 46. If the company is to have a stated capital account, legislation would have to allow the consideration for a permitted buy-back to be charged to that account.

(9) Report No 9 Company Law Reform and Restatement. June 1989, para 333.

Under the New Zealand proposals all directors who vote in favour of a distribution must sign a certificate that in their opinion the company will, after the distribution, satisfy the solvency test. [10] If reasonable grounds did not exist for the opinion set out in the certificate, those directors who signed the certificate would be personally liable to the company to restore the distribution, except in so far as it may be recoverable from shareholder distributees,[11]

The recommendation by the New Zealand Law Commission that there be no concept of stated capital is bold. It has the merit of reducing some of the complexity of company law and of directing attention to the fundamental test of solvency. Australian companies legislation could be regarded as having already given prominence to that test in relation to directors' liability by the provisions about insolvent trading in section 556 of the Companies Act 1981 and by recent legislation about permitted buy-backs.

PREFERENCE SHARES AND NO PAR VALUE

The Gedge Committee recommended that it should be made possible in the United Kingdom for ordinary shares to be created without a par value but was not prepared to make the same recommendation in respect of preference shares. However, in 1962 the Jenkins Committee recommended that the legislation should be amended to allow the issue of preference and ordinary shares of no par value.

The Jenkins Committee said:

"32. We have received no evidence against, and much in favour of, the introduction of no par value ordinary shares. The only matter on which significant differences of opinion have been expressed by witnesses is whether or not no par value preference shares should be permitted. The Gedge Committee summarised their views on this in paragraph 40 of their Report:

'It may be said that there is no objection in principle to the extension of the system of shares of no par value to preference capital. The evidence on this matter is divided, and on balance we have come to the conclusion that the system should be confined to ordinary share capital. We feel that a fixed dividend must have a relation to the sum on which it is paid, and that that, as well as the repayment of a fixed sum in a winding up, is out of keeping with the concept of no par value.'

33. On the other hand, where the rate of interest is liable to considerable changes over relatively short periods, as it has been in recent years, par value preference shares may be misleading to the uninitiated investor. If 4 per cent £1 preference shares are

issued at par and the market rate of interest then rises to 6 per cent, the market value of the

(10) The Draft Companies Act s 42.

(11) The Draft Companies Act s 42.

shares will be substantially less than par and the annual return to an investor buying at the later date will be correspondingly greater than the 4 per cent, with which they are labelled. On this ground alone we think companies should be permitted to issue no par value preference shares if they wish to. But they have other advantages. For example, a company might wish to issue blocks of no par preference shares at different dates (when different rates of interest are ruling) which may all rank pari passu. A no par preference share offering £5 per annum can be issued at £100 (with priority for £100 in winding up) when the market rate of interest is 5 per cent and at, say, £95 (with priority for £100) when the rate of interest has risen. Thus over a period of years a company is enabled to issue, at different prices, a single class of no par preference shares instead of a series of classes of par value preference shares carrying different percentage returns. This is not only convenient for the company but brings the advantage of a bigger total issue, and a wider market in the shares, to the shareholders."

The Jenkins Committee then recommended "that the Companies Act should be amended to allow the issue of preference and ordinary shares of no par value and that the consequential changes in the law which the Gedge Committee recommended, should apply, subject to certain modifications suggested in paragraphs 166 and 345 below,[12] to preference shares as well as ordinary shares."

In South Africa the Commission of Enquiry into the Companies Act which reported in 1970 and upon whose report the Companies Act 1973 (Sth Af) was based stated its agreement with the reasoning of the Jenkins Committee. The Commission could see no reason why the no par value system should not be extended to preference shares.[13]

The New Zealand Law Commission reported that it had raised the point about preference shares for discussion and had suggested that if par value were abolished for ordinary shares, there seemed to be no good reason to retain it for redeemable shares and preference shares. The Commission said:

"The respondents to the discussion paper did not dispute that conclusion and we have therefore implemented it in section 28. It is, of course, possible, without using the concept of "par value", to specify a redemption or liquidation value in a preference or redeemable share, or the manner in which the value will be determined. The distinctive features of preference or redeemable shares will therefore remain."[14]

(12) Para 166 related to the expenses that should be chargeable to the stated capital account.

Para 345 related to distribution of pre-acquisition profits attributable to shares acquired in return for shares in a newly-formed acquiring company on a reconstruction or amalgamation.

(13) Report para 34.14.(a)

(14) Report No 9 Company Law Reform and Restatement, para 383.

IF THE ISSUE OF NO PAR VALUE SHARES IS TO BE ALLOWED, SHOULD THE LEGISLATION' LEAVE COMPANIES WITH THE OPTION TO ISSUE SHARES OF FIXED PAR VALUE OR SHOULD THERE BE ONLY ONE SYSTEM OF NO PAR VALUE SHARE CAPITAL?

The New Zealand Law Commission proposes that the option not be available. By contrast the South African Companies Act 1973 gives the option.

The main argument for not allowing the option is that the retention of par value involves unacceptable complication.

An argument for allowing the option is that taxation law may dictate the way in which a company shapes its capital structure. While taxation law is framed against a background of par value for shares it may be argued by some that companies should not be forced into the no par value system.

Another argument is that the company may wish to have the ability of transferring its incorporation to a place where no par value shares are not permitted.[15]

However, if a company is to have the option, there would need to be a prescription that all the preference shares or all the ordinary shares of a company may be either shares without par value or shares with nominal value and that no company can be allowed to have either ordinary shares or preference shares of both these descriptions at the same time.

SHOULD A NO PAR VALUE SYSTEM APPLY TO ALL TYPES OF COMPANIES?

The Gedge Committee recommended that the system should apply to all companies having a share capital, including private companies. That has been concurred in by the South African Commission and the New Zealand Law Commission. There is a need to consider whether there is anything peculiar to Australian conditions which would make it advisable to restrict a system of no par value to only certain types of company having a share capital: for example, public companies.

SHOULD EXISTING COMPANIES WITH SHARES HAVING A NOMINAL VALUE BE GIVEN THE OPPORTUNITY TO CONVERT ISSUED SHARES TO NO PAR VALUE?

That power could be readily given in respect of shares that are fully paid up. It may be appropriate to require that shares that are not fully paid up cannot be converted to no par shares until they are fully paid.

AS A WIDER REFORM SHOULD PROVISION FOR PARTLY PAID-UP SHARES BE DISCARDED?

Such a change would lead to the removal of a lot of complex provisions from the Act.

The South African Commission recommended that the South African Act be amended to the effect that shares may be issued only if fully paid up and that no person (save the subscribers to the memorandum) may be entered in the register of members unless and until the shares subscribed for have

(15) If the other place has a provision like Companies Act 1981 s.85(3)(a)(v)/Corporations Act 1989 s.135(a)(iv)

been fully paid. The Commission further recommended that the legislation should be amended to require that subscribers to the memorandum be obliged to pay in full for the shares subscribed for within three months of the incorporation of the company, subject to penalty on non-compliance. The existing law was to continue to apply in respect of partly paid shares already issued at the time of coming into force of the amendments.

The Commission said:

(a) that the omission of provision for partly-paid shares would remove the need for some cumbersome and complex provisions in the legislation;

(b) there was nothing to prevent a company from lawfully binding share-holders and others to take up specified numbers of fully-paid shares in the future and thereby achieving a result similar to the position of uncalled capital in the case of partly paid-up shares;

(c) that unknowledgable persons solicited to take up shares would more readily appreciate the implications of an undertaking to take up shares at certain future dates for which they will have to pay in full, than a subscription for partly paid-up shares subject to calls at uncertain future times.[16]

The Canada Business Corporations Act section 25(3) also prohibits the issue of partly-paid shares.

If the ability to issue partly-paid shares were to be withdrawn, there would have to be consequential changes to legislation requiring a reserve liability for certain types of company. See, for example, subsidiaries of trustee companies within section 152(1)(g)(ii) of the Companies Act 1981 (Cwlth).

In Australia the abolition of the power to issue partly-paid shares may have taxation consequences. If the only significant inconvenience arising from abolition is the removal of a useful option under taxation law, is that an adequate reason for not taking the opportunity to simplify company law?

IMPLICATIONS FOR NO LIABILITY COMPANIES

If the law were to be changed so that shares may be issued only if fully paid up as has been done in South Africa, Part X111 Division 1 of the Companies Act 1981 (Cwlth) would need to be re-considered. Sections 476 to 486 could be seen to be unnecessary. See also section 110(4).

(16) It is noteworthy that the ASX Listing Rules rule 24(4) allows official quotation of partly-paid securities in a limited liability company only if the statement announcing the issue includes a defined call programme. In the case of limited liability mining companies, the call programme shall provide for the securities to be fully paid within 2 years from the date of issue.

There would be a question whether sections 487 to 489 should apply to all mining companies whereas at present they apply only to no liability companies.

ISSUES UPON WHICH COMMENT IS SOLICITED

1. Should companies limited by shares be permitted to issue shares of no par value?

2. Should no-liability companies be permitted to issue shares of no par value?

3. Should all companies limited by shares be permitted to issue shares of no par value? Should the permission to issue shares of no par value be restricted to only certain types of company, for example, public companies?

4. Would any accounting problems arise from a company making an issue of no par value shares?

5. Would any problems arise in relation to the stock exchange listing of shares of no par value?

6. Should the whole of the proceeds of an issue of shares of no par value be carried to a stated capital account? If so, should preliminary expenses, commissions and expenses of issue or any other items be charged to that account?

7. In the case of an issue for a consideration other than cash should a sum equal to the value of the consideration as assessed by the directors be carried to a stated capital account, the expenses referred to earlier being chargeable to the account?

8. Should companies having shares of no par value be permitted to place a prescribed portion of the proceeds of an issue to an account in the nature of a share premium account? Should the issue of no par value shares been seen as negativing the need for a share premium account?

9. Alternatively, to a requirement that proceeds of an issue of no par value shares be carried to a stated capital account, should the safeguard for creditors take the form suggested by the New Zealand Law Commission that there can be no distribution to shareholders unless the company is solvent, using the tests suggested by the New Zealand Law Commission?

10. Should the ability to issue shares of no par value extend only to ordinary shares or to any class of shares?

11. If the ability to issue shares of no par value is to be accorded, should it remain possible for newly-formed companies to issue shares having a nominal value, if they so wish?

12. If the ability to issue shares of no par value is to be accorded, should a company be required to have its ordinary capital either wholly as shares with a nominal value or wholly as shares of no par value?

13. If the ability to issue shares of no par value is to be accorded, should existing companies be allowed to convert their shares having a nominal value into shares of no par value? Should that facility be available only where all shares are fully paid up? What procedure for that conversion should be prescribed? Would it be enough to have a special resolution altering the capital clause of the Memorandum of Association, that special resolution having to be lodged with the Commission within a prescribed time? Should the company carry the whole of its paid-up capital (whether ordinary or preference) together with its share premium account (if any) and its capital redemption reserve (if any) to a stated capital account?

14. If the ability to issue shares of no par value is to be accorded, should any special provision be made sanctioning the issue of partly-paid shares of no par value?

15. Should there be a major change to companies legislation so that shares may be issued only if fully paid up?

16. If the law were changed so that shares may be issued only if fully paid up, what changes should be made to Part XIII Division i of the Companies Act 1981 (Cwlth) dealing with no liability companies? See also section 110(4).

17. If the ability to issue shares of no par value is to be accorded and companies are to have an option as to whether to have shares with nominal value or shares of no par value, should it be possible for a company to convert shares having nominal value into shares of no par value and vice versa? What should be the procedure for conversion of shares having nominal value to shares of no par value? Where a company converts its shares of no par value to shares having a nominal value should it be required to carry its stated capital in a particular way?

18. If the company has issued redeemable preference shares, what special provisions (if any) are needed for a company converting its shares with nominal value to no par value shares? Should such shares be convertible to no par value shares?

19. In relation to issues of preference shares of no par value, what provisions should there be as to approval of the terms of issue by existing shareholders?

20. Are there any other significant implications for legislative change involved in the introduction of a system of no par value shares?