

Lecture 29

General Meetings - Kinds of Company Meetings - Duties of the Chairman

A company is an association of several persons. Decisions are made according to the view of the majority. Various matters have to be discussed and decided upon. These discussions take place at the various meetings which take place between members and between the directors. Needless to say, the importance of meetings cannot be under-emphasised in case of companies. The Companies Act, 1956 contains several provisions regarding meetings. These provisions have to be understood and followed.

For a meeting, there must be at least 2 persons attending the meeting. One member cannot constitute a company meeting even if he holds proxies for other members.

Kinds of Company Meetings : Broadly, meetings in a company are of the following types :-

I. Meetings of Members :

These are meetings where the members / shareholders of the company meet and discuss various matters. Member's meetings are of the following types :-

A. Statutory Meeting :

A public company limited by shares or a guarantee company having share capital is required to hold a statutory meeting. Such a statutory meeting is held only once in the lifetime of the company. Such a meeting must be held within a period of not less than one month or within a period not more than six months from the date on which it is entitled to commence business i.e. it obtains certificate of commencement of business. In a statutory meeting, the following matters only can be discussed :-

- Flootation of shares / debentures by the company
- Modification to contracts mentioned in the prospectus

The purpose of the meeting is to enable members to know all important matters pertaining to the formation of the company and its initial life history. The matters discussed include which shares have been taken up, what money has been received, what contracts have been entered into, what sums have been spent on preliminary expenses, etc. The members of the company present at the meeting may discuss any other matter relating to the formation of the Company or arising out of the statutory report also, even if no prior notice has been given for such other discussions but no resolution can be passed of which notice have not been given in accordance with the provisions of the Act.

A notice of at least 21 days before the meeting must be given to members unless consent is accorded to a shorter notice by members, holding not less than 95% of voting rights in the company.

A statutory meeting may be adjourned from time to time by the members present at the meeting.

The Board of Directors must prepare and send to every member a report called the "Statutory Report" at least 21 days before the day on which the meeting is to be held. But if all the members entitled to attend and vote at the meeting agree, the report could be forwarded later also. The report should be certified as correct by at least two directors, one of whom must be the managing director, where there is one, and must also be certified as correct by the auditors of the company with respect to the shares allotted by the company, the cash received in respect of such shares and the receipts and payments of the company. A certified copy of the report must be sent to the Registrar for registration immediately after copies have been sent to the members of the company.

A list of members showing their names, addresses and occupations together with the number shares held by each member must be kept in readiness and produced at the commencement of the meeting and kept open for inspection during the meeting.

If default is made in complying with the above provisions, every director or other officer of the company who is in default shall be punishable with fine upto Rs. 500. The Registrar or a contributory may file a petition for the winding up of the company if default is made in delivering the statutory report to the Registrar or in holding the statutory meeting on or after 14 days after the last date on which the statutory meeting ought to have been held.

Contents of Statutory Report must provide the following particulars:- (a) The total number of shares allotted, distinguishing those fully or partly paid-up, otherwise than in cash, the extent to which partly paid shares are paid-up, and in both cases the consideration for which they were allotted. (b) The total amount of cash received by the company in respect of all shares allotted, distinguishing as aforesaid. (c) An abstract of the receipts and payments upto a date within 7 days of the date of the report and the balance of cash and bank accounts in hand, and an account of preliminary expenses. (d) Any commission or discount paid or to be paid on the issue or sale of shares or debentures must be separately shown in the aforesaid abstract. (e) The names, addresses and occupations of directors, auditors, manager and secretary, if any, of the company and the changes which have taken place in the names, addresses and occupations of the above since the date of incorporation. (f) Particulars of any contracts to be submitted to the meeting for approval and modifications done or proposed. (g) If the company has entered into any underwriting contracts, the extent, if any, to which they have not been carried out and the reasons for the failure. (h) The arrears, if any, due on calls from every director and from the manager. (i) The particulars of any commission or brokerage paid or to be paid, in connection with the issue or sale of shares or debentures to any director or to the manager.

The auditors have to certify that all information regarding calls and allotment of shares are correct.