outline of areas of the law for which, as a whole, no such easy and accessible treatment exists. The authors' observation and proposals for reform combine legal acumen with robust commonsense. And, over the whole field which it covers the book remains a valuable introduction to the newly emerging field of civil liberties in Australia.

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Principles of Company Law, by H. A. J. Ford, Australia, Butterworths Pty. Ltd., 1974, 1 + 503 pp. (including index). $10.00 (limp cover), $14.00 (hard cover).

"What this country really needs" said U.S. Vice-President Thomas R. Marshall "is a good five cents cigar." In this country there has long been a far more pressing need for a good, comprehensive, general text book on Australian Company Law. At last that need has been satisfied. This book, written by a most distinguished senior Australian academic, fully deserves to be warmly welcomed by students, teachers, legal practitioners and businessmen. Indeed one could confidently predict that it will gain acceptance as one of the leading texts on the subject not only in Australia but in other countries such as Malaysia and Singapore which have borrowed from the Australian experience in this field.

Hitherto, students and teachers, in particular, have had to rely on the classic English text books such as Gower's *Principles of Modern Company Law*, assisted in some cases by an Australian supplement. Such works have made immeasurable contributions to the development of Australian legal scholarship. Our so-called "uniform" Companies legislation, enacted in the early 1960s was, after all, modelled substantially on the United Kingdom's Companies Act of 1948. But even from the time of its introduction there were important differences between the provisions of the uniform legislation and the United Kingdom model. These differences arose partly because we were able to anticipate certain of the recommendations of the *Report of the Company Law Reform Committee* (the Jenkins Committee), most of which still remain unimplemented in the United Kingdom. Over the years the differences have been increasing as a result of very substantial amendments to the Australian legislation, especially those enacted in 1971. The spectacular company crashes of the 1960s, the mining boom and associated scandals in the securities industry, the interim reports of the *Company Law Advisory Committee* (the Eggleston Committee) and the work of the Senate Select Committee on Securities and Exchange have all contributed to an increasing and continuing demand in this country for reform of company law and closer governmental supervision of the affairs of companies and the securities industry. Unfortunately a parochial approach adopted by some of the States has made it impossible to preserve the symmetry of the uniform legislation. Although attempts are currently being made through the Interstate Corporate Affairs Commission to reduce and perhaps eliminate the substantial disconformity which now exists, only some of the States are parties to the agreement which established that Commission. It is unlikely that the present unfortunate position will be adequately remedied unless and until the mooted National Companies Act is enacted by the Federal Parliament and its constitutionality upheld by

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the High Court of Australia. The difficulty experienced with the Commonwealth Corporations and Securities Industry Bill, which was introduced in 1974 and remains unenacted in 1975, is not encouraging for those who favour reform on a national basis. The factors referred to and the complexity of the amendments made to the uniform legislation have highlighted the imperative need for an authoritative local text book on company law.

In writing this book Professor Ford has brought to bear his long experience in the field of commercial law and a masterly knowledge of the equitable principles upon which so many of the fundamentals of company law are based. The result is a scholarly work that is a model of lucidity and conciseness. He has succeeded admirably in weaving the underlying general law and business practice with the complex overlay of statutory provisions so as to explain and elucidate their effect in a way which can be readily comprehended even by readers with little or no background in the subject. Students will appreciate the way in which he illustrates the legal propositions by reference to a summary of the facts of the leading cases.

One of the most difficult problems in writing a book on company law is probably that of the order in which the subject is to be treated. Professor Ford has solved this problem remarkably well. The book is soundly structured. It proceeds in a series of five Parts, each comprising several Chapters, to develop an exposition of the subject in a logical and satisfying sequence. It commences with an introduction, dealing with the historical background and the corporate constitution. Part Two deals with the company as a corporate entity. Part Three deals with Company Finance from the raising and maintenance of capital to the regulation of public offerings. Part Four deals with Management and Control, from the law relating to directors to the conduct of meetings and protection of minority shareholders. Part Five is directed to Reorganization, Take-overs and Liquidation. In short the book covers the whole range of company law according to traditional classification with the somewhat surprising exception that foreign companies are completely ignored. It is mainly concerned with explaining the technical operation of the law, both general law and statute.

Some of the more difficult areas such as the mysteries of the Rule in *Foss* v. *Harbottle* and its exceptions are explained with great lucidity. Chapter 5 dealing with company contracts and dispositions contains a cogent account of the problems of the *ultra vires* doctrine and the effect thereon of sections 19 and 20 of the uniform Act. The effect of abuse of power on the part of an organ acting for the company is clearly distinguished. The important and difficult law relating to the authority of a person purporting to act for the company is subjected to a close and critical analysis. The principle of *Royal British Bank* v. *Turquand* is explained in accordance with modern authorities as an aspect of agency law in relation to companies although the possible application of the indoor management rule is admitted in relation to formal defects at board meetings and cases "where the missing link in a claim of authority is an appointment or grant of authority by a general meeting" (para. 537). This approach would seem to be consonant with that of the Full High Court in *Albert Gardens (Manly) Pty. Ltd.* v. *Mercantile Credits Ltd.*[1]

One particularly pleasing feature of the book is the attempt to explain some of the practices of financial accounting in relation to the accounts and audit provisions and redemption of redeemable preference shares. It is unfortunate that some of the illustrative examples have had to be corrected by the issue of corrigenda sheets. It is also pleasing to note that where appropriate Professor Ford has drawn attention to taxation considerations and their relationship to company law.

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[1] (1973) 47 A.L.J.R. 745.

It is almost inevitable that in a book so comprehensive as this there will be propositions asserted which others would qualify or disagree with. For example, the statement in para. 521 that under English law "if the objects clause in the memorandum contains an express power to make gifts and the management purport to exercise that power the gift is *intra vires*". The proposition is supported by the judgment of Pennycuick, J. in *Charterbridge*[2] but would have to survive the question posed by the Court of Appeal decision in *Re Introductions*[3] as to whether the power is a mere power or the statement of an object; if the former it could only be validly exercised in pursuance of the company's objects and not for extraneous purposes. Again in para. 534 it is stated that "If the articles are silent on the question of appointing a managing director then although the directors would lack power to make the appointment the members in general meeting could make the appointment". It is difficult to see how such an appointment could be effective in the face of the common provision in articles of association vesting powers of management in the board. (*Automatic Self-Cleansing Filter Syndicate Co. Ltd.* v. *Cunningham.*[4])

In para. 513 Professor Ford expresses the view that the power conferred by Clause 1 of the Third Schedule of the Companies Act depends upon the formation of an opinion by the company in general meeting which would need to have reasonable grounds to believe that a convenient connection exists between the new business to be embarked upon and the company's existing business. He rightly takes the view that it is inconvenient that the question should rest with the general meeting rather than the board. Some support for the view that the question is properly one for the directors might be found in the judgment of Dixon, J. in *Stephenson* v. *Gillanders Arbuthnot & Co.*[5] The Court of Appeal decision in *Bell Houses Ltd.* v. *City Wall Properties Ltd.*[6] would suggest that an opinion formed *bona fide* even though unsupported by reasonable grounds would be effective.

Professor Ford throughout the book has expressed criticism of rules which he regards as unsatisfactory. In particular he has added the weight of his opinion in favour of removing the anomalous doctrine of constructive notice from the field of company law. If adopted, this would go far towards simplifying and rationalising this area of the law. It is to be hoped that in future editions it will be possible to find even more space for a lengthier discussion of policy questions and proposals for reform.

One passage in the book which might be clarified in future editions is the puzzling statement in para. 901: "If a company's shares are undifferentiated there is no need to give them any special name but it is not improper to call them *ordinary shares*. Where a company has issued only preference shares the ordinary shareholders are not subject to any limit as to the amount of the dividend which they can receive out of the profits of the company. . . ." Is the reference to ordinary shareholders in the last sentence only another name for preference shareholders? Does their right to unlimited dividends arise simply because there are no ordinary shareholders who could assert rights to profits in excess of the amount necessary to satisfy the limited dividend entitlement of preference shareholders under the articles?

In summary it can be said that Professor Ford has discharged a very difficult task with great distinction. His book is a most valuable and timely contribution to Australian legal literature.

G. KENNEALLY*

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[2] (1969) 2 All E.R. 1185.
[3] (1969) 2 W.L.R. 791.
[4] (1906) 2 Ch. 34.
[5] (1931) 45 C.L.R. at 486.
[6] (1966) 2 Q.B. 656.

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