

UGANDA MARTYRS UNIVERSITY

FACULTY OF LAW

LLB 3211 LAW OF BUSINESS ASSOCIATIONS II

Instructions

1. This is a **PARTIALLY OPEN** examination. The use of clean copies of the Companies Act 2012 and the Course Outline / Reading List is permitted.
2. You are expected to attempt a total of four questions.
3. Question 1 is **COMPULSORY**.
4. Use of relevant authorities in form of statutory provisions, case law and scholarly sources shall contribute greatly to the assessment of your answers.
5. Use strictly one booklet for all your answers.

Questions

1. Wakili Ltd is a private limited company incorporated in Uganda for the purpose of coffee processing and export. The company has a share capital of UGX 100M divided into 100 ordinary shares of UGX 1M each. Louise has 20 shares, Patience 15 shares, Mary 15 shares, Trust 15 shares, Stella 5 shares, Atanasio 5 shares, and John 5 shares.

In the company's first meeting, Louise was elected chairperson / managing director and Stella the secretary. The rest of the company members were appointed directors. Sometime in July 2022, members signed a document entitled "Louise the iron lady. No change". In this document, all the members authorized Louise to vote on their behalf. Patience and John are not signatories to the said document since they were not part of the promoters. They just acquired their shares from their predecessors who didn't inform them of the said document. On the basis of the said document, Louise dismissed the General Manager and replaced him with her uncle – a one Hamis who was recently retrenched from Romis Wines Ltd for being a drunkard.

The other members rejected the idea and vowed to fight Hamis. To confirm her decision, Louise convened the first company meeting with a notice of 2 days. Only Mary and Trust attended the

meeting. At the meeting, Louise relied on the earlier said document to silence the other members present. The other members present complained that the company had never held a meeting since incorporation and this was their only chance to air out their grievances. Atanasio did not attend the meeting but requested his girlfriend Bubu to attend and vote on his behalf.

Louise rejected Bubu's presentation on the ground that it was done on short notice. At the meeting, Louise moved a motion to vote on the basis of shares, whereupon other members objected and stormed out of the meeting except the secretary Stella. Louise got irritated and passed two resolutions, to dissolve the Board of Directors and to amend the articles of association to allow her take the shares of the 'insolate and implacable members'.

Some of the disgruntled company members have come to you with the above facts. Please advise them on their legal rights under company law. (25 marks)

2. With the help of decided cases, explain the roles of the following officers in the context of company law.

a) Directors (10 marks)

b) Secretary (5 marks)

c) Auditors (5 marks)

d) Promoters (5 marks)

3. "The provisions of the Companies Act are inadequate to comprehensively guide companies with regard to corporate governance. Further recourse has to be made to common law." Per Ayirwoth Priska. Discuss (25 marks)

4. Write short notes on the following cases and illustrate their relevance to the principles appertaining to regulation and control of corporate firms.

a) Lennard's Carrying Co. Ltd v Asiatic Petroleum Co. Ltd [1915] AC 705 (7 marks)

b) Standard Chartered Bank v Pakistan National Shipping Corporation [2003] 1 All ER 173 (8 marks)

c) Gaiman v National Association for Mental Health [1971] Ch. 317 (10 marks)

5. "The wheels of business will not go on smoothly unless a person has the right to assume that *"it is in order that which ought to be in order"* Per Lord Balo Balo.

Critically analyze the above statement in light of the rule in Turquand's case. (25 marks)

6. You have been invited to address judges of the Commercial Court on the text, spirit and import of the recent amendments to the Companies Act 2012. As a top corporate lawyer in Uganda, educate the learned Justices. (25 marks)