

Contracts with sole members

255. (1) Subject to subsection (2), where a single-member company enters into a contract with the sole member of the company and the sole member also represents the company in the transaction, whether as a director or otherwise, the single-member company shall, unless the contract is in writing, ensure that the terms of the contract are forthwith set out in a written memorandum or are recorded in the minutes of the first meeting of the directors of the company following the making of the contract.

(2) Subsection (1) shall not apply to contracts entered into in the ordinary course of the company's business.

(3) If a company fails to comply with subsection (1), the company and any officer of it who is in default shall be guilty of a category 3 offence.

(4) Subject to subsection (5), nothing in this section shall be taken to prejudice the operation of any other enactment (including a provision of this Act) or rule of law applying to contracts between a company and a director of that company.

(5) Failure to comply with subsection (1) with respect to a contract shall not affect the validity of that contract.