

**COMPANY LAW AND BUSINESS
TAXES IN GREAT BRITAIN**

**MENT OF COMMERCE
IGN AND DOMESTIC COMMERCE**

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COMPANY LAW AND BUSINESS TAXES IN GREAT BRITAIN

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FOREWORD

Great Britain is still the best customer of the United States, in spite of difficulties and obstacles of an economic order. Business men and commercial attorneys have manifested a greater interest in company law and taxation—the two outstanding legal complications attending their merchandising activities—than in any other phase of British commercial law.

An effort has been made to present in this bulletin the essentials of corporate organization, emphasizing the types best suited to American business enterprises. The most customary form of trading company encountered in Great Britain is a “company limited by shares under the Companies Act.” This, together with the private limited liability company, has given the American concern its best medium of representation in England. Mr. Jaeger has sought to combine legal provisions and court decisions so as to present a clear summary of the subject. The Companies Act of 1929, being a consolidation of previous legislation, is made the basis of much of the discussion.

The relief accorded to American companies doing business in Great Britain under the United States Revenue Act of 1932 is described in this study under the caption “Doing business”, and the various methods whereby business may be carried on have been briefly sketched.

The section on taxation was originally prepared by Mitchell B. Carroll, formerly of the Division of Commercial Laws. The subject matter of this section has been revised in accordance with recent legislation. The taxes payable by individuals and companies are treated in detail.

FREDERICK M. FEIKER, *Director,*
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JUNE 1933.

APPENDIX

TABLE A.—REGULATIONS FOR MANAGEMENT OF A COMPANY LIMITED BY SHARES¹

PRELIMINARY

1. In these regulations "The Act" means the Companies Act, 1929. When any provision of the act is referred to, the reference is to that provision as modified by any statute for the time being in force. Unless the context otherwise requires, expressions defined in the Act or any statutory modification thereof in force at the date at which these regulations become binding on the company shall have the meanings so defined.

SHARES

2. Subject to the provisions, if any, in that behalf of the memorandum of association, and without prejudice to any special rights previously conferred on the holders of existing shares, any share may be issued with such preferred, deferred, or other special rights, or such restrictions, whether in regard to dividend, voting, return of share capital, or otherwise, as the company may from time to time by special resolution determine, and any preference share may, with the sanction of a special resolution, be issued on the terms that it is, or at the option of the company is liable to be, redeemed.

3. If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may be varied with the consent in writing of the holders of three fourths of the issued shares of that class, or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of the class. To every such separate general meeting the provisions of these regulations relating to general meetings shall *mutatis mutandis* apply, but so that the necessary quorum shall be two persons at least holding or representing by proxy one third of the issued shares of the class and that any holder of shares of the class present in person or by proxy may demand a poll.

4. Every person whose name is entered as a member in the register of members shall, without payment, be entitled to a certificate under the seal of the company specifying the share or shares held by him and the amount paid up thereon, provided that in respect of a share or shares held jointly by several persons the company shall not be bound to issue more than one certificate, and delivery of a certificate for a share to one of several joint holders shall be sufficient delivery to all.

5. If a share certificate is defaced, lost, or destroyed, it may be renewed on payment of such fee, if any, not exceeding 1s., and on such terms, if any, as to evidence and indemnity, as the directors of the bank think fit.

6. No part of the funds of the company shall directly or indirectly be employed in the purchase of, or in loans upon the security of, the company's shares, but nothing in this regulation shall prohibit transactions mentioned in the proviso to section 45 (1) of the act.

LIEN

7. The company shall have a lien on every share (not being a fully paid share) for all moneys (whether presently payable or not) called or payable at a fixed time in respect to that share, and the company shall also have a lien on all shares (other than fully paid shares) standing registered in the name

¹ Companies Act, First Schedule. Referred to as "Table A."

of a single person for all moneys presently payable by him or his estate to the company; but the directors may at any time declare any share to be wholly or in part exempt from the provisions of this regulation. The company's lien if any, on a share shall extend to all dividends payable thereon.

8. The company may sell, in such manner as the directors think fit, any shares on which the company has a lien; but no sale shall be made unless some sum in respect of which the lien exists is presently payable, nor until the expiration of 14 days after a notice in writing, stating and demanding payment of such part of the amount in respect of which the lien exists as is presently payable has been given to the registered holder for the time being of the share, or the person entitled thereto by reason of his death or bankruptcy.

9. For giving effect to any such sale the directors may authorize some person to transfer the shares sold to the purchaser thereof. The purchaser shall be registered as the holder of the shares comprised in any such transfer and he shall not be bound to see the application of the purchase money, nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings in reference to the sale.

10. The proceeds of the sale shall be received by the company and applied in payment of such part of the amount in respect of which the lien exists as is presently payable, and the residue shall (subject to a like lien for sums not presently payable as existed upon the shares prior to the sale) be paid to the person entitled to the shares at the date of the sale.

CALLS ON SHARES

11. The directors may from time to time make calls upon the members in respect of any moneys unpaid on their shares provided that no call shall exceed one fourth of the nominal amount of the share, or be payable at less than 1 month from the last call; and each member shall (subject to receiving at least 14 days' notice specifying the time of times of payment) pay to the company at the time or times so specified the amount called on his shares.

12. The joint holders of a share shall be jointly and severally liable to pay all calls in respect thereof.

13. If a sum called in respect of a share is not paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest upon the sum at the rate of 5 percent per annum from the day appointed for the payment thereof to the time of the actual payment, but the directors shall be at liberty to waive payment of that interest wholly or in part.

14. The provisions of these regulations as to the liability of joint holders and as to payment of interest shall apply in the case of nonpayment of any sum which, by the terms of issue of a share, becomes payable at a fixed time, whether on account of the amount of the share, or by way of premium, as if the same had become payable by virtue of a call duly made and notified.

15. The directors may make arrangements on the issue of shares for a difference between the holders in the amount of calls to be paid and in the times of payment.

16. The directors may, if they think fit, receive from any member willing to advance the same all or any part of the moneys uncalled and unpaid upon any shares held by him; and upon all or any of the moneys so advanced may (until the same would, but such advance, become presently payable) pay interest at such rate (not exceeding, without the sanction of the company in general meeting, 6 percent) as may be agreed upon between the member paying the sum in advance and the directors.

TRANSFER AND TRANSMISSION OF SHARES

17. The instrument of transfer of any share shall be executed by or on behalf of the transferor and transferee, and the transferor shall be deemed to remain a holder of the share until the name of the transferee is entered in the register of members in respect thereof.

18. Shares shall be transferred in the following form, or in any usual or common form which the directors shall approve:

I, A. B. of _____, in consideration of the sum of £_____ paid to me by C. D. of _____ (hereinafter called "the said transferee"), do hereby transfer to the said transferee the share (or shares) numbered _____ in the

undertaking called the _____ Company, Limited, to hold unto the said transferee, subject to the several conditions on which I hold the same: and I, the said transferee, do hereby agree to take the said share (or shares) subject to the conditions aforesaid. As witness our hands the _____ day of _____

Witness to the signatures of, etc.

19. The directors may decline to register any transfer of shares, not being fully paid shares, to a person of whom they do not approve, and may also decline to register any transfer of shares on which the company has a lien. The directors may also suspend the registration of transfers during the 14 days immediately preceding the ordinary general meeting in each year. The directors may decline to recognize any instrument of transfer unless (a) a fee not exceeding 2s. 6d. is paid to the company in respect thereof, and (b) the instrument of transfer is accompanied by the certificate of the shares to which it relates, and such other evidence as the directors may reasonably require to show the right of the transferor to make the transfer.

If the directors refuse to register a transfer of any shares, they shall within 2 months after the date on which the transfer was lodged with the company send to the transferee notice of the refusal.

20. The legal personal representatives of a deceased sole holder of a share shall be the only persons recognized by the company as having any title to the share. In the case of a share registered in the names of two or more holders, the survivors or survivor, or the legal personal representatives of the deceased survivor, shall be the only persons recognized by the company as having any title to the share.

21. Any person becoming entitled to a share in consequence of the death or bankruptcy of a member shall, upon such evidence being produced as may from time to time be properly required by the directors, have the right, either to be registered as a member in respect of the share or, instead of being registered himself, to make such transfer of the share as the deceased or bankrupt person could have made; but the directors shall, in either case, have the same right to decline or suspend registration as they would have had in the case of a transfer of the share by the deceased or bankrupt person before the death or bankruptcy.

22. A person becoming entitled to a share by reason of the death or bankruptcy of the holder shall be entitled to the same dividends and other advantages to which he would be entitled if he were the registered holder of the share, except that he shall not, before being registered as a member in respect of the share, be entitled in respect of it to exercise any right conferred by membership in relation to meetings of the company.

FORFEITURE OF SHARES

23. If a member fails to pay any call or installment of a call on the day appointed for payment thereof, the directors may, at any time thereafter during such time as any part of such call or installment remains unpaid, serve a notice on him requiring payment of so much of the call or installment as is unpaid, together with any interest which may have accrued.

24. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall state that in the event of nonpayment at or before the time appointed the shares in respect of which the call was made will be liable to be forfeited.

25. If the requirements of any such notice as aforesaid are not complied with, any share in respect of which the notice has been given at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the directors to that effect.

26. A forfeited share may be sold or otherwise disposed of on such terms and in such manner as the directors think fit, and at any time before a sale or disposition the forfeiture may be canceled on such terms at the directors think fit.

27. A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares, but shall, notwithstanding, remain liable to pay to the company all moneys which, at the date of forfeiture, were presently payable by him to the company in respect of the shares, but his liability shall

cease if and when the company receive payment in full of the nominal amount of the shares.

28. A statutory declaration in writing that the declarant is a director of the company, and that a share in the company has been duly forfeited on a date stated in the declaration, shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the share. The company may receive the consideration, if any, given for the share on any sale or disposition thereof and may execute a transfer of the share in favor of the person to whom the share is sold or disposed of and he shall thereupon be registered as the holder of the share, and shall not be bound to see to the application of the purchase money, if any, nor shall his title to the share be affected by any irregularity or invalidity in the proceedings in reference to the forfeiture, sale, or disposal of the share.

29. The provision of these regulations as to forfeiture shall apply in the case of nonpayment of any sum which, by the terms of issue of a share, becomes payable at a fixed time, whether on account of the amount of the share, or by way of premium, as if the same had been payable by virtue of a call duly made and notified.

CONVERSION OF SHARES INTO STOCK

30. The company may by ordinary resolution convert any paid-up shares into stock, and reconvert any stock into paid-up shares of any denomination.

31. The holders of stock may transfer the same, or any part thereof, in the same manner, and subject to the same regulations, as, and subject to which, the shares from which the stock arose might previously to conversion have been transferred, or as near thereto as circumstances admit; but the directors may from time to time fix the minimum amount of stock transferable, and restrict or forbid the transfer of fractions of that minimum, but the minimum shall not exceed the nominal amount of the shares from which the stock arose.

32. The holders of stock shall, according to the amount of the stock held by them, have the same rights, privileges, and advantages as regards dividends, voting at meetings of the company, and other matters as if they held the shares from which the stock arose, but no such privilege or advantage (except participation in the dividends and profits of the company) shall be conferred by any such aliquot part of stock as would not, if existing in shares, have conferred that privilege or advantage.

33. Such of the regulations of the company as are applicable to paid-up shares shall apply to stock, and the words "share" and "shareholder" therein shall include "stock" and "stockholder."

ALTERATION OF CAPITAL

34. The company may from time to time by ordinary resolution increase the share capital by such sum, to be divided into shares of such amount, as the resolution shall prescribe.

35. Subject to any direction to the contrary that may be given by the company in general meeting, all new shares shall, before issue, be offered to such persons as at the date of the offer are entitled to receive notices from the company of general meetings in proportion, as nearly as the circumstances admit, to the amount of the existing shares to which they are entitled. The offer shall be made by notice specifying the number of shares offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares offered, the directors may dispose of those shares in such manner as they think most beneficial to the company. The directors may likewise so dispose of any new shares which (by reason of the ratio which the new shares bear to shares held by persons entitled to an offer of new shares) cannot, in the opinion of the directors, be conveniently offered under this article.

36. The new shares shall be subject to the same provisions with reference to the payment of calls, lien, transfer, transmission, forfeiture, and otherwise as the shares in the original share capital.

37. The company may by ordinary resolution (a) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares; (b) subdivide its existing shares, or any of them, into shares of smaller

amount than is fixed by the memorandum of association subject, nevertheless, to the provisions of section 50 (1) (d) of the Act; (c) cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person.

38. The company may by special resolution reduce its share capital and any capital redemption reserve fund in any manner and with, and subject to, any incident authorized, and consent required, by law.

GENERAL MEETINGS

39. A general meeting shall be held once in every calendar year at such time (not being more than 15 months after the holding of the last preceding general meeting) and place as may be prescribed by the company in general meeting, or, in default, at such time in the third month following that in which the anniversary of the company's incorporation occurs, and at such place as the directors shall appoint. In default of a general meeting being so held, a general meeting shall be held in the month next following, and may be convened by any two members in the same manner as nearly as possible as that in which meetings are to be convened by the directors.

40. The above-mentioned general meetings shall be called ordinary general meetings; and all other general meetings shall be called extraordinary general meetings.

41. The directors may, whenever they think fit, convene an extraordinary general meeting, and extraordinary general meeting shall also be convened on such requisition, or, in default, may be convened by such requisitionists, as provided by section 114 of the act. If at any time there are not within the United Kingdom sufficient directors capable of acting to form a quorum, any directors or any two members of the company may convene an extraordinary general meeting in the same manner as nearly as possible as that in which meetings may be convened by the directors.

NOTICE OF GENERAL MEETINGS

42. Subject to the provisions of section 117 (2) of the act relating to special resolutions, 7 days' notice at the least (exclusive of the day on which the notice is served or deemed to be served, but inclusive of the day for which notice is given) specifying the place, the day, and the hour of meeting and, in case of special business, the general nature of that business shall be given, in manner hereinafter mentioned, or in such other manner, if any, as may be prescribed by the company in general meeting, to such persons as are, under the regulations of the company, entitled to receive such notices from the company; but with the consent of all the members entitled to receive notice of some particular meeting, that meeting may be convened by such shorter notice and in such manner as those members may think fit.

43. The accidental omission to give notice of a meeting to, or the nonreceipt of notice of a meeting by, any member shall not invalidate the proceedings at any meeting.

PROCEEDINGS AT GENERAL MEETINGS

44. All business shall be deemed special that is transacted at any extraordinary meeting, and all that is transacted at an ordinary meeting, with the execution of sanctioning a dividend, the consideration of the accounts, balance sheets, and the ordinary report of the directors and auditors, the election of directors and other officers in the place of those retiring by rotation, and the fixing of the remuneration of the auditors.

45. No business shall be transacted at any general meeting unless a quorum of members is present at the time when the meeting proceeds to business; save as herein otherwise provided, three members personally present shall be a quorum.

46. If within half an hour from the time appointed for the meeting a quorum is not present, the meeting, if convened upon the requisition of members, shall be dissolved; in any other case it shall stand adjourned to the same day in the next week, at the same time and place, and if at the adjourned meeting a quorum is not present within half an hour from the time appointed for the meeting the members present shall be a quorum.

47. The chairman, if any, of the board of directors shall preside as chairman at every general meeting of the company.

48. If there is no such chairman, or if at any meeting he is not present within 15 minutes after the time appointed for holding the meeting or is unwilling to act as chairman, the members present shall choose some one of their number to be chairman.

49. The chairman may, with the consent of any meeting at which a quorum is present (and shall if so directed by the meeting), adjourn the meeting from time to time and from place to place, but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place. When a meeting is adjourned for 10 days or more, notice of the adjourned meeting shall be given as in the case of an original meeting. Save as aforesaid it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting.

50. At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands, unless a poll is (before or on the declaration of the result of the show of hands) demanded by at least 3 members present in person or by proxy entitled to vote or by 1 member or 2 members so present and entitled, if that member or those 2 members together hold not less than 15 percent of the paid-up capital of the company, and, unless a poll is so demanded, a declaration by the chairman that a resolution has, on a show of hands, been carried, or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the book of the proceedings of the company, shall be conclusive evidence of the fact, without proof of the number or proportion of the votes recorded in favor of, or against, that resolution.

51. If a poll is duly demanded it shall be taken in such manner as the chairman directs, and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded.

52. In the case of an equality of votes, whether on a show of hands or on a poll, the chairman of the meeting at which the show of hands takes place or at which the poll is demanded, shall be entitled to a second or casting vote.

53. A poll demanded on the election of a chairman, or on a question of adjournment, shall be taken forthwith. A poll demanded on any other question shall be taken at such time as the chairman of the meeting directs.

VOTES OF MEMBERS

54. On a show of hands every member present in person shall have one vote. On a poll every member shall have one vote for each share of which he is the holder.

55. In the case of joint holders the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders; and for this purpose seniority shall be determined by the order in which the names stand in the register of members.

56. A member of unsound mind, or in respect of whom an order has been made by any court having jurisdiction in lunacy, may vote, whether on a show of hands or on a poll, by his committee, curator bonis, or other person in the nature of a committee or curator bonis appointed by that court, and any such committee curator bonis, or other person may, on a poll, vote by proxy.

57. No member shall be entitled to vote at any general meeting unless all calls or other sums presently payable by him in respect of shares in the company have been paid.

58. On a poll votes may be given either personally or by proxy.

59. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorized in writing, or, if the appointor is a corporation, either under seal, or under the hand of an officer or attorney duly authorized. A proxy need not be a member of the company.

60. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the registered office of the company not less than 48 hours before the time for holding the meeting or adjourned meeting, at which the person named in the instrument proposes to vote, and in default the instrument of proxy shall not be treated as valid.

61. An instrument appointing a proxy may be in the following form, or any other form which the directors shall approve:

I, _____, of _____, in the county of _____, being a member of the _____ Company, Limited, hereby appoint _____, of _____, as my proxy, to vote for me and on my behalf at the (ordinary or extraordinary, as the case may be) general meeting of the company to be held on the _____ day of _____ and at any adjournment thereof.

Signed this _____ day of _____.

62. The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll.

CORPORATIONS ACTING BY REPRESENTATIVES AT MEETING

63. Any corporation which is a member of the company may by resolution of its directors or other governing body authorize such person as it thinks fit to act as its representative at any meeting of the company or of any class of members of the company, and the person so authorized shall be entitled to exercise the same powers on behalf of the corporation which he represents as that corporation could exercise if it were an individual member of the company.

DIRECTORS

64. The number of the directors and the names of the first directors shall be determined in writing by a majority of the subscribers of the memorandum of association.

65. The remuneration of the directors shall from time to time be determined by the company in general meeting.

66. The qualification of a director shall be the holding of at least one share in the company.

POWERS AND DUTIES OF DIRECTORS

67. The business of the company shall be managed by the directors, who may pay all expenses incurred in getting up and registering the company, and may exercise all such powers of the company, as are not, by the act, or by these articles, required to be exercised by the company in general meeting, subject nevertheless, to any regulation of these articles, to the provisions of the act, and to such regulations, being not inconsistent with the aforesaid regulations or provisions, as may be prescribed by the company in general meeting; but no regulation made by the company in general meeting shall invalidate any prior act of the directors which would have been valid if that regulation had not been made.

68. The directors may from time to time appoint one or more of their body to the office of managing director or manager for such term and at such remuneration (whether by way of salary, or commission, or participation in profits, or partly in one way and partly in another) as they may think fit, and a director so appointed shall not, while holding that office, be subject to retirement by rotation, or taken into account in determining the rotation or retirement of directors; but his appointment shall be subject to determination ipso facto if he ceases from any cause to be a director, or if the company in general meeting resolve that his tenure of the office of managing director or manager be determined.

69. The amount for the time being remaining undischarged of moneys borrowed or raised by the directors for the purposes of the company (otherwise than by the issue of share capital) shall not at any time exceed the issued share capital of the company without the sanction of the company in general meeting.

70. The directors shall cause minutes to be made in books provided for the purpose (a) of all appointments of officers made by the directors; (b) of the names of the directors present at each meeting of the directors and of any committee of the directors; (c) of all resolutions and proceedings at all meetings of the company, and of the directors, and of committees of directors; and every director present at any meeting of directors or committee of directors shall sign his name in a book to be kept for that purpose.

THE SEAL

71. The seal of the company shall not be affixed to any instrument except by the authority of a resolution of the board of directors, and in the presence of a director and of the secretary or such other person as the directors may appoint for the purpose; and that director and the secretary or other person as aforesaid shall sign every instrument to which the seal of the company is so affixed in their presence.

DISQUALIFICATION OF DIRECTORS

72. The office of director shall be vacated if the director (a) ceases to be a director by virtue of section 141 of the act; or (b) without the consent of the company in general meeting holds any other office of profit under the company except that of managing director or manager; or (c) becomes bankrupt; or (d) becomes prohibited from being a director by reason of any order made under sections 217 or 275 of the act; or (e) is found lunatic or becomes of unsound mind; or (f) resigns his office by notice in writing to the company; or (g) is directly or indirectly interested in any contract with the company or participates in the profits of any contract with the company.

Provided, however, That a director shall not vacate his office by reason of his being a member of any corporation which has entered into contracts with or done any work for the company if he shall have declared the nature of his interest in manner required by section 149 of the act, but the director shall not vote in respect of any such contract or work or any matter arising thereout, and if he does so vote his vote shall not be counted.

73. At the first ordinary general meeting of the company the whole of the directors shall retire from office, and at the ordinary general meeting in every subsequent year one third of the directors for the time being, or, if their number is not three or a multiple of three, then the number nearest one third, shall retire from office.

74. The directors to retire in every year shall be those who have been longest in office since their last election, but as between persons who became directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot.

75. A retiring director shall be eligible for reelection.

76. The company at the general meeting at which a director retires in manner aforesaid may fill up the vacated office by electing a person thereto, and in default the retiring director shall be deemed to have been reelected unless at such meeting it is resolved not to fill up such vacated office.

77. The company may from time to time in general meeting increase or reduce the number of directors, and may also determine in what rotation the increased or reduced number is to go out of office.

78. Any casual vacancy occurring in the board of directors may be filled up by the directors, but the person so chosen shall be subject to retirement at the same time as if he had become a director on the day on which the director in whose place he is appointed was last elected a director.

79. The directors shall have power at any time, and from time to time, to appoint a person as an additional director who shall retire from office at the next following ordinary general meeting, but shall be eligible for election by the company at that meeting as an additional director.

80. The company may by extraordinary resolution remove any director before the expiration of his period of office, and may by an ordinary resolution appoint another person in his stead. The person so appointed shall be subject to retirement at the same time as if he had become a director on the day on which the director in whose place he is appointed was last elected a director.

PROCEEDINGS OF DIRECTORS

81. The directors may meet together for the dispatch of business, adjourn, and otherwise regulate their meetings, as they think fit. Questions arising at any meeting shall be decided by a majority of votes. In case of an equality of votes the chairman shall have a second or casting vote. A director may, and the secretary on the requisition of a director shall, at any time summon a meeting of the directors.

82. The quorum necessary for the transaction of the business of the directors may be fixed by the directors, and unless so fixed shall when the number

of directors exceeds 3 be 3, and when the number of directors does not exceed 3, be 2.

83. The continuing directors may act notwithstanding any vacancy in their body, but, if and so long as their number is reduced below the number fixed by or pursuant to the regulations of the company as the necessary quorum of directors, the continuing directors may act for the purpose of increasing the number of directors to that number, or of summoning a general meeting of the company, but for no other purpose.

84. The directors may elect a chairman of their meetings and determine the period for which he is to hold office; but if no such chairman is elected, or if at any meeting the chairman is not present within 5 minutes after the time appointed for holding the same, the directors present may choose one of their number to be chairman of the meeting.

85. The directors may delegate any of their powers to committees consisting of such member or members of their body as they think fit; any committee so formed shall in the exercise of the powers so delegated conform to any regulations that may be imposed on it by the directors.

86. A committee may elect a chairman of its meetings; if no such chairman is elected, or if at any meeting the chairman is not present within 5 minutes after the time appointed for holding the same, the members present may choose one of their number to be chairman of the meeting.

87. A committee may meet and adjourn as it thinks proper. Questions arising at any meeting shall be determined by a majority of votes of the members present, and in case of an equality of votes the chairman shall have a second or casting vote.

88. All acts done by any meeting of the directors or of a committee of directors, or by any person acting as a director, shall, notwithstanding that it be afterwards discovered that there was some defect in the appointment of any such director or person acting as aforesaid, or that they or any of them were disqualified, be as valid as if every such person had been duly appointed and was qualified to be a director.

DIVIDENDS AND RESERVE

89. The company in general meeting may declare dividends, but no dividends shall exceed the amount recommended by the directors.

90. The directors may from time to time pay to the members such interim dividends as appear to the directors to be justified by the profits of the company.

91. No dividend shall be paid otherwise than out of profits.

92. Subject to the rights of persons, if any, entitled to shares with special rights as to dividends, all dividends shall be declared and paid according to the amounts paid on the shares, but if and so long as nothing is paid up on any of the shares in the company, dividends may be declared and paid according to the amounts of the shares. No amount paid on a share in advance of calls shall, while carrying interest, be treated for the purposes of this article as paid on the share.

93. The directors may, before recommending any dividend, set aside out of the profits of the company such sums as they think proper as a reserve or reserves which shall, at the discretion of the directors, be applicable for meeting contingencies, or for equalizing dividends, or for any other purpose to which the profits of the company may be properly applied, and pending such application may, at the like discretion, either be employed in the business of the company or be invested in such investments (other than shares of the company) as the directors may from time to time think fit.

94. If several persons are registered as joint holders of any shares, any one of them may give effectual receipts for any dividend or other moneys payable on or in respect of the share.

95. Any dividend may be paid by cheque or warrant sent through the post to the registered address of the member or person entitled thereto, or in the case of joint holders, to any one of such joint holders at his registered address, or to such person and such address as the member or person entitled or such joint holders, as the case may be, may direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent or to the order of such other person as the member or person entitled or such joint holders, as the case may be, may direct.

96. No dividend shall bear interest against the company.

97. The directors shall cause proper books of account to be kept with respect to (a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (b) all sales and purchases of goods by the company; and (c) the assets and liabilities of the company.

98. The books of account must be kept at the registered office of the company, or at such other place or places as the directors think fit, and shall always be open to the inspection of the directors.

99. The directors shall from time to time determine whether and to what extent and at what times and places and under what conditions or regulations the accounts and books of the company or any of them shall be open to the inspection of members not being directors, and no member (not being a director) shall have any right of inspecting any account or book or document of the company except as conferred by statute or authorized by the directors or by the company in general meeting.

100. The directors shall from time to time, in accordance with section 123 of the act, cause to be prepared and to be laid before the company in general meeting such profit and loss accounts, balance sheets, and reports as are referred to in that section.

101. A copy of every balance sheet (including every document required by law to be annexed thereto) which is to be laid before the company in general meeting, together with a copy of the auditors' report, shall, not less than seven days before the date of the meeting, be sent to all persons entitled to receive notices of general meetings of the company.

AUDIT

102. Auditors shall be appointed and their duties regulated in accordance with sections 132, 133, and 134 of the act.

NOTICES

103. A notice may be given by the company to any member, either personally or by sending it by post to him to his registered address, or (if he has no registered address within the United Kingdom) to the address, if any, within the United Kingdom supplied by him to the company for the giving of notices to him.

Where a notice is sent by post, service of the notice shall be deemed to be effected by properly addressing, prepaying, and posting a letter containing the notice, and to have been effected in the case of a notice of a meeting at the expiration of 24 hours after the letter containing the same is posted, and in any other case at the time at which the letter would be delivered in the ordinary course of post.

104. If a member has no registered address within the United Kingdom and has not supplied to the company an address within the United Kingdom for the giving of notices to him, a notice addressed to him and advertised in a newspaper circulating the neighborhood of the registered office of the company, shall be deemed to be duly given to him as soon on the day on which the advertisement appears.

105. A notice may be given by the company to the joint holders of a share by giving the notice to the joint holder named first in the register of members in respect of the share.

106. A notice may be given by the company to the persons entitled to a share in consequence of the death or bankruptcy of a member by sending it through the post in a prepaid letter addressed to them by name, or by the title of representatives of the deceased, or trustee of the bankrupt, or by any like description, at the address, if any, within the United Kingdom supplied for the purpose by the persons claiming to be so entitled, or (until such an address might have been so supplied) by giving the notice in any manner in which the same might have been given if the death or bankruptcy had not occurred.

107. Notice of every general meeting shall be given in some manner hereinbefore authorized to (a) every member except those members who (having no registered address within the United Kingdom) have not supplied to the company an address within the United Kingdom for the giving of notices to them, and also to (b) every person entitled to a share in consequence of the death or bankruptcy of a member, who, but for his death or bankruptcy, would be entitled to receive notice of the meeting. No other persons shall be entitled to receive notices of general meetings.

II.—DEPRECIATION ALLOWANCES .

SCHEDULE OF AGREED NORMAL RATES OF DEPRECIATION

[The rates are on the written-down value in every case except shipping]

Industry, etc.	Percent	Nature of plant
Bleaching and finishing.....	7½	Plant and machinery generally.
Bookbinding.....	5	Engines, boilers, and shafting.
Brickmaking.....	7½	General binding machinery.
	5	Steam engines, boilers, and shafting; mixing and brickmaking machines.
Chemical.....	7½	Electrical plant (dynamoes, motors, transformers, etc); crushing and grinding plant.
	15	No depreciation is allowed on kilns, but an allowance is made in respect of the cost of repairs, renewals, and rebuilding; the cost of new kilns and of extensions to existing kilns is treated as capital in the ordinary course.
Cold stores and ice manufacture.	7½	Sulphuric-acid plant.
	5	Chemical plant other than above; electrical plant.
Color, paint, and varnish manufacturing.	5	Other plant.
	5	Steam and gas engines, boilers, and shafting.
Commercial motor vehicles.....	7½	Electric plant and insulation. (Lagging, belting, loose plant, utensils, etc., to be dealt with by way of renewals.)
	10	Refrigerating machinery; that is, compressors, condensers, ice tanks, coolers, conduits, molds, coils, travelers, etc.
Corset manufacturing.....	5	Engines, boilers, shafting, and storage tanks.
	7½	General plant and machinery, including grinding machinery and electric motors.
Dropforgers and stampers.....	20	Motor lorries and motor tractors.
	15	Horses, loose tools and utensils, including typewriters. (Renewals allowed instead of depreciation.)
Dyeing and finishing.....	20	Commercial motor vehicles propelled by steam power (steam lorries).
	5	Commercial motor vehicles propelled by power derived from internal-combustion engines (motor lorries and motor vans).
Dyeing and cleaning. (See Steam laundries.)	5	Steam engines, boilers, and shafting.
	7½	Laundry and cutting machinery and electric motors.
Electric furnaces and plant and machinery used in connection.	10	Other machinery.
	20	Motor vans.
Electric-light undertakings....	7½	Plant and machinery generally (excluding furnaces).
Embroidery manufacturing....	7½	Plant and machinery generally.
Engineers' precision tools, manufacture of (such as twist drills, milling cutters, reamers, tap dies, and screwing tackle).	12½	All parts of furnace (including transformers, switch gear, high and low cable connections, furnaces, tilting gear and regulators), but not foundations, buildings, cranes, hockets, or any shop tools or equipment.
	3	Cables.
Envelop making.....	5	Plant and machinery.
	5	Fixed plant (engines, boilers, shafting and gearing, and motors).
Farming.....	10	Stitching machines.
	5	Steam and gas engines, boilers, shafting, and pulleys.
Fishing tackle.....	7½	Electrical machinery, including dynamoes and motors.
	9	Other plant and machinery.
Fishing tackle.....	5	Steam power plant and shafting.
	7½	Electrical power plant, including dynamoes and electric motors, and on all process plant.
Fishing tackle.....	20	Motor lorries and motor vans.
	5	Steam boilers and engines, portable steam engines, threshing machines and fixed plant.
Fishing tackle.....	7½	Electric installation.
	22½	Minor loose plant and utensils. (Renewals allowed instead of depreciation.)
Fishing tackle.....	15	Petrol- or oil-driven tractor-cultivators.
	20	Commercial motor vehicles propelled by steam power (steam lorries).
Fishing tackle.....	20	Commercial motor vehicles propelled by power derived from internal-combustion engines (motor lorries and motor vans).
	10	Motor cars (depreciation restricted to proportionate part applicable to use of car for business purposes).
Fishing tackle.....	10	All other types of farm machinery and implements, including portable poultry and similar sheds and incubators.
	5	Engines, boilers, and shafting.
Fishing tackle.....	8	Fishing hook and rod making machinery.
	7½	Electric motors.

¹ Rate on written-down value after deducting all allowances. Rate to be reconsidered at the end of 3 years from Feb. 26, 1920.

SCHEDULE OF AGREED NORMAL RATES OF DEPRECIATION—Continued

Industry, etc.	Percent	Nature of plant
Flax spinning and weaving (Ireland).	7½	Plant and machinery (except accessory plant, such as pirns, pirn cages, spools, belting, driving ropes, damask cards, designs, patterns, models, furniture, and fixtures).
Flock manufacturing.	6	Plant and machinery generally.
Flour milling.	5	Engines, boilers, and main shafting.
Furniture manufactures.	7½	Other machinery.
	5	Engines, boilers, and shafting.
	7½	General plant and machinery and electric motors.
Gas undertakings (not owned by municipal or public authorities).	15	Vehicles propelled by steam power (steam wagons and lorries).
	20	Vehicles propelled by power derived from internal-combustion engines (motor wagons and lorries).
	3	Gas boilers.
	10	Meters, cookers, and gas fires.
Handkerchief and embroidery manufacturing.	5	Fixed plant (engines, boilers, shafting, gearing, and motors).
Hemstitching.	10	Stitching machines.
	5	Fixed plant (engines, boilers, shafting, gearing, and motors).
	10	Hemstitching machinery.
Hosiery manufacturing.	5	Engines, boilers, and shafting.
	10	Process plant.
Hosiery-needle making.	5	Steam and gas engines, boilers, and shafting.
	7½	Electric motors.
	10	Manufacturing machinery.
	7½	Plant and machinery.
Lace and embroidery and muslin manufacturing.	5	Engines, boilers, and shafting.
Ladies' and children's clothing.	7½	Electric motors.
	10	General process plant.
Laundries, steam. See Steam laundries.		
Linoleum and floorcloth manufacturing.	5	Engines, boilers, and shafting.
	7½	Other plant and machinery.
	10	Diesel engines.
Machine tools manufacturing (exclusive of grinding and other similar machinery).	10	Steam engines, boilers, and shafting.
Match manufacturing.	7½	Other (including electric) plant and machinery.
	5	Steam engines, boilers, and shafting, and on lathes, woodcutting, and waxtaper making machinery, including taper drums.
	7½	General plant and machinery, including electric dynamos and motors, match making, spirit leveling and cleaning, and box-filling machines.
	20	Motor lorries and motor vans.
Motor omnibuses.	20	Motor omnibuses.
Motor pantechnicons and lorries.	20	Motor pantechnicons and lorries.
Muslin manufacturing.	7½	Plant and machinery.
Nail making.	5	All plant and machinery.
Needles and fishing tackle manufacturing.	5	Engines, boilers, and shafting.
	6	Crochet, fishing-hook, and rod-making machinery.
	7½	Electric motors and needle-making machinery.
Newspaper printing.	5	Engines, boilers, and shafting.
	7½	Printing and binding machines.
	10	Type (if not dealt with by way of renewals).
Pantechnicons, motor.	20	Motor pantechnicons and lorries.
Paper-bag making.	5	Engines, boilers, and shafting.
	7½	Electric motors and general plant.
	20	Motor vans.
Paper-box making.	7½	Plant and machinery.
	20	Motor vans.
Paper mills.	5	Machinery working day only.
	7½	Machinery working day and night.
Pig iron and steel manufacturers.	7½	Plant and machinery generally (excluding furnaces, but including plant and machinery ancillary to furnaces).
Printing.	5	Engines, boilers, and shafting.
	7½	Printing and binding machines.
	10	Type, if not dealt with by way of renewals.
Railway wagons.	5	Railway wagons owned by traders. (In the case of wagons owned by railway companies the method adopted is to allow the actual cost of renewals year by year.)
Sawmills. See Timber.		

¹ Additions to and replacements to be charged to capital, provided that repairs, renewals, and replacements which do not destroy the identity of the machine shall be allowed as a revenue charge.

² No allowance for wear and tear to be made in respect of furnaces, but in lieu thereof the cost of repairs, replacements, and rebuilding to be as a charge against revenue, but cost of additional furnaces and extensions and enlargements of existing furnaces to be charged to capital.

³ Rate to be reconsidered at the end of 1929-30. Rate does not apply to commercial motor vehicles.

⁴ Does not extend to horse-drawn pantechnicons, lorries, or to "left" pantechnicons which are not a fixed portion of a motor.

SCHEDULE OF AGREED NORMAL RATES OF DEPRECIATION—Continued

Industry, etc.	Percent	Nature of plant
Scottish Association of Master Bakers.	6	Plant and machinery.
Shipping.....	4	Steamships.
	5	Sailing vessels.
Shoe and slipper making.....	5	Engines, boilers, and shafting.
	10	Process plant.
	20	Motor vans and lorries.
Silk manufacturing.....	5	Steam engines, boilers, and shafting.
	7½	General plant (including winding, throwing, doubling, and weaving machinery); electric motors.
	10	Sewing, braiding, and knitting machines.
Steam laundry and dyeing and cleaning.	7½	Plant and machinery generally.
	20	Motor vans.
Steel, rolling, forging, hammering and re-rolling. See Pig iron and steel manufacturers.		
Synthetic-dyestuffs manufacture.	4	Locomotives.
	5	Railway wagons (ordinary), boilers, steam engines, shafting coal-handling plant, and feed pumps.
	6	Rails of railway sidings.
	7½	Electric motors, dynamos, ice-making plant (excluding steam power plant), and open railway wagons exclusively used for conveyance of specially deleterious substances.
	15	All other plant and machinery. ¹
Tailoring trade, ready-made and wholesale bespoke men's heavy clothing.	9	Plant and machinery generally.
Taxicabs (double-shift).....	20	
Timber goods, manufacturers of.	5	Engines, boilers, and main shafting.
Timber merchants, sawmills.....	7½	General sawmilling plant and machinery.
	20	Traction engines, tractors, motor cars, and haulage plant.
Tramways.....	(10)	Permanent way.
	3	Cables.
	7	Cars and other rolling stock.
	5	General plant and machinery, including standards, brackets and workshop tools.
Wrought-iron industry.....	7½	Plant and machinery generally.

¹ Additions to and replacements to be charged to capital, provided that repairs, renewals, and replacements which do not destroy the identity of the machine shall be allowed as a revenue charge.

² No allowance for wear and tear to be made in respect of the nonmetal parts of the structure of ovens, but in lieu thereof the cost of repairs and replacements and rebuilding to be charged to revenue, but cost of new ovens and extensions and enlargements of existing ovens to be charged to capital.

³ Rate on prime cost. With regard to ships purchased second-hand at prices in excess of the written-down value at the date of purchase, the following arrangements have been made: (a) The allowance is made on the actual cost price of the ship to the owner for the time being, without regard to the price cost to a previous owner. (b) The rate of depreciation allowable is calculated by reference to the reasonable expectation of the life of the ship at the date of purchase from the previous owner.

⁴ Each of the constituent parts (vats, autoclaves, etc.) of a "battery" constituting a single unit, and each rail of railway sidings shall be taken to be a separate machine.

⁵ No allowance to be made in respect of nitric-acid plant or plant consisting of silica, glass, earthenware, or other material as distinct from metal, pipes, and electric cables, railway sidings except rails, but cost of repairs and reinstatement to be charged against revenue as and when incurred.

⁶ An allowance per mile of track based upon the estimated life of the permanent way.

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