

**GUIDE TO COMPANY
SECRETARIAL WORK**

BY THE SAME AUTHOR AND
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**QUESTIONS AND ANSWERS ON
SECRETARIAL PRACTICE**

The purpose of this book is to give students and others, in the form of "Question and Answer," a clear insight into the practical methods and duties of company secretaries, ranging from the formation of a company onwards. The questions set at secretarial examinations over a period of several years have been collated, revised, and arranged in the various phases of secretarial work; and to these model answers have been given, thus imparting to the student and younger practitioners reliable information and knowledge upon secretarial practice.

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GUIDE TO COMPANY SECRETARIAL WORK'

BY

G. K. BUCKNALL, A.C.I.S. (Hons.)

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PREFACE

THIS book is designed mainly for students of the subject of secretarial work and for clerks engaged in the secretarial departments of joint stock companies. Couched in simple language, it aims at giving concisely, yet clearly, a true explanation of the multifarious matters that have to be dealt with by the company secretary, and the idea throughout has been to show the student how to deal with matters and not merely to tell him with what matters he has to deal.

It has been my endeavour to provide a sound if elementary exposition of up-to-date methods in company secretarial work, and I hope that examination candidates, up to the Intermediate Stage of the professional secretarial examinations, will find the book a useful basis for their studies. It is a pleasure to know that since its first appearance (under the authorship of Mr. Orlando Oldham) the book has been used by many thousands of students who have been successful in obtaining company secretarial diplomas. The present edition is a thoroughly revised one, many additional points on which examinees show uncertainty having been included; and there has been a general "tidying up" throughout.

Suggestions for future editions are invited and should be addressed to me c/o the Publishers.

G. K. B.

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GUIDE TO COMPANY SECRETARIAL WORK

CHAPTER I

THE COMPANY SECRETARY

THE position of secretary is not defined by law, and it is not particularly easy to set out a comprehensive description of such a position. The oft-quoted statement that the secretary is the mouthpiece of the directors indicates but inadequately the extent of his responsibilities, which include attendance upon the directors, particularly at their Board Meetings, the collection of the various information they require for their deliberations, and the taking of the necessary steps to record and to put into effect their various decisions.

He is the officer who attends to all the requirements of the Companies Act with regard to his particular company; upon him devolves the duty of keeping the Registers of Members and Debenture Holders, and of preparing the various documents that have to be "filed" with the Registrar of Companies from time to time; and it may be mentioned that non-compliance with these requirements may render the company or the directors, and in some cases the secretary personally, liable to penalties, although such penalties are not usually enforceable unless the default has been wilful.

It may be accepted that the above duties are common to all Company Secretaries. But beyond these duties the responsibilities of the secretary vary very greatly. In a company of the largest magnitude, whose share capital may amount to many millions of pounds, the secretary tends to become the hub of the administrative side of the undertaking. It is his function to co-ordinate the work of the various departments, and the importance of his duties may be realized from

the fact that certain of the departments, such as the producing, selling and exporting departments, are in many cases themselves separate companies, known as subsidiary companies. He will usually be assisted by a small but highly trained staff, each member a specialist in a particular branch of commercial administration; they will be kept advised of the activities of each part of the undertaking by means of returns or reports rendered at daily or longer intervals by each department.

In such companies the secretary will not personally conduct the work of any one department. Thus an experienced accountant will have charge of the accountancy department, and will be responsible for the conduct of the book-keeping and for preparing in draft form the periodical Trading Accounts and Balance Sheets of the company, though the final form of such accounts as they are supplied to the shareholders will in all probability be settled by the directors in consultation with the secretary. The work of keeping the Registers of Members and of Debenture Holders will be entrusted to a Registration or Transfer Office in the charge of an official termed the Registrar; its main work will be the recording of the numerous transfers that take place daily when the shares and debentures of the company are actively bought and sold on the London Stock Exchange, and possibly on the similar exchanges in the principal continental capitals and in New York.

In important companies of less magnitude it will frequently be found that the secretary personally controls the accountancy department. On the other hand, he may be found to act as head of the Transfer Office and to have no responsibility in regard to the accounts department, the accountant being answerable direct to the Managing Director.

In establishments of still smaller size and particularly in private companies, the duties assigned to the secretary will be vastly different from those of the man who is fortunate enough to be associated with a large and important concern. The work of share registration may be practically negligible; the secretary may have to undertake a considerable part of the book-keeping with his own hands and have charge of the whole of the correspondence; or he may be little more than the confidential clerk of the Managing Director.

Summarized, the secretary's duties may be said to be :—

- (1) To attend and record the proceedings at all meetings, whether of shareholders or directors of the company, and to arrange for the carrying out of instructions given at such meetings.
- (2) To attend to all statutory requirements imposed on the company.
- (3) To keep records of shares, loans and mortgages, and generally to comply with the requirements of the Memorandum and Articles of Association of the company.
- (4) To organize and supervise the correspondence, the accounts, statistics, record work and clerical work generally required in the conduct of the company's business.

Training and Qualifications.

From the nature of the duties outlined above, it will be evident that the company secretary should be a well-trained man. He should have had a good general education and should have specialized in commercial knowledge and practice. He should be well versed in mercantile and company law, book-keeping and the principles of accountancy, arithmetic, business organization and method, précis writing, and, of course, secretarial work, and where a company has an important foreign connection it will be useful to possess a good knowledge of certain languages, in addition to having a good command of his own. There are other qualifications of an indispensable character. The secretary should be a cautious and prudent man, and should ever cultivate tact and diplomacy, and indeed be something of a psychologist, too, for he will find the nature and character of the men he will meet to vary considerably, and he should early get to know the peculiarities of those with whom he will have the most dealings—the directors of the company.

He should always take a keen interest in the business of his company and have a ready knowledge of its technicalities and requirements. His conduct must be influenced by the knowledge that as secretary of the company he is a servant of the directors, whilst as head of the office staff he exercises a ruling

power. He needs, therefore, to be at all times dignified, but should be ever approachable by any member of his staff. The office staff, indeed, will probably regulate their conduct by his. In many ways, he must lead a life of ceaseless activity. The commercial columns of a sound daily newspaper should be read by him with avidity, and being continually appealed to by his directors for information bearing on all subjects, it will be necessary for him to be a well-read man. As the right hand of the directors, he must regard no task as too trivial, or yet too great, and whilst he should have every confidence in his own powers, he will realize the desirability of seeking at certain times the assistance of others in the solution of matters of more than average difficulty and importance.

The Secretary's Appointment.

The secretary is usually appointed by the directors, and the first thing he should do on entering upon his duties is to see that such appointment is regular and in order. This is often accomplished by entering into an agreement for service for a term of years, the salary being, of course, mentioned in the agreement. (Under the Statute of Frauds an agreement of service which cannot be performed within a year must be in writing, otherwise it has no legal recognition.) These necessary matters having been arranged, he will as soon as possible familiarize himself with the contents of the Memorandum and Articles of Association, the two documents which define the nature of the business which the company is by law entitled to carry on, and set out the regulations for the control of the undertaking by its shareholders. He will also acquaint himself with the financial position of the company, as shown in its accounts for recent years; the methods of accountancy used; the personnel and duties of the staff; the requirements of the business; and, above all, the ideas of the chairman and directors of the company.

If appointed before the company is actually registered, a secretary should obtain a guarantee of payment from the promoters. There must be a separate contract with the company later. It should also be noted that, even if the Articles name a secretary, there is no binding contract unless such is separately entered into.

CHAPTER II

OFFICE ORGANIZATION

ON the secretary of a company often devolves the important duty of organizing the work of the office, and his ultimate aim in performing it must be to secure the maximum of efficiency with economy. It will therefore be necessary for him to consider, *inter alia*, the following matters :—

- (1) The individuals comprising the staff.
- (2) The duties of the staff.
- (3) The equipment of the office.

The Individuals Comprising the Staff.

“ Good men perform good work ” is a truism, but it should not be forgotten that good men deserve good pay. The services of many a good man have been lost to a firm through the short-sighted policy of paying him the least possible salary. The secretary should therefore see that his staff are at least reasonably remunerated for their services. Every encouragement, indeed, should be given to them to excel in their duties. The younger members of the staff particularly should be encouraged to attend courses of instruction on matters bearing upon their daily duties, and where there are prospects of promotion, they will readily accede to suggestions made in this direction. The staff should work, too, under comfortable and healthy conditions, and the work should be organized so that each member is given a sense of responsibility and of pride in his efficiency to carry out his task. It may be considered that this is difficult of accomplishment where it is necessary for the work of each clerk to be checked. It certainly is difficult if the checking is carried out by an “inspector” whose sole duty is the finding of faults; but if the checking is incorporated in the routine, so that each clerk is made responsible for checking the work of another, a spirit of healthy rivalry will instead be created.

The staff should be considered in a personal sense, and not as mere unit parts of a machine without feeling and

understanding. The relations of the secretary and the staff should always be of the most cordial nature. If, as a result of fair treatment, certain members of the staff act in an apparently presumptuous manner, a tactful word from the secretary will in most cases put matters right.

The secretary will usually have to appoint the junior members of the staff, but the appointment of departmental managers and other senior officials will be made by the board. In most cases written agreements are to be preferred for the seniors. It is to be noted that if the appointment is for more than one year, the agreement *must* be in writing to support legal action.

Some record should be kept of each employee on the staff, in order that all facts may be considered when a reorganization of the staff and their duties is desirable, or where there is a likelihood of some promotion being made affecting one or more members of the staff. The following form is suggested, but it can be altered according to the requirements of each office. It should be revised annually.

EMPLOYEE'S RECORD

Name

Address

Date of birth.....

Present position on staff.....appointed.....

Previous position.....do.....

Date of commencing service with the firm.....

Service with previous employers.....

.....

Salary, on appointment.....since appointment.....

Remarks on general performance of duties.....

.....

Other remarks, special qualifications, etc.....

.....

.....

.....

A note may usefully be made here regarding the giving of testimonials or "characters" to employees. The law, briefly, is this: there is no compulsion to give such reports, but if they are given they must be true. If a testimonial is not true, and

it induces another person to employ the holder thereof, the person giving the testimonial will be held liable for any injury the new employer may suffer as a consequence.

Duties of the Staff.

In a large office, the duties of each member of the staff should be clearly laid down, in order to fix responsibility, and at certain periods the whole of the duties should be surveyed and resurveyed. It will often be found that the work of a particular member of the staff has increased in a certain direction, whilst that of another has decreased, and adjustment requires to be made accordingly. The secretary should also exercise such supervision of the staff as will satisfy him that the work performed by each employee is methodically and efficiently done, and from time to time he should reconsider the system under which the work of the office is carried on, due regard being paid to altered circumstances, increased trade, etc., directors' demands, and so on. It is a wise plan to invite suggestions from the staff for the better performance of the work. Some firms give prizes for suggestions adopted.

Experience will prove to the secretary that division of labour in the office, as well as in the workshop, is advantageous, and the tendency in all large offices is to specialize the work of individuals. Thus, even in an accounts department of normal size, it will be found that the work is divided amongst bought ledger clerks, sold ledger, day book, and invoice clerks, returns and allowances clerks, and possibly rents and nominal ledger, costs, and instalment account clerks; and each will be more efficient in his own work because his familiarity with it makes much of it semi-automatic.

At convenient times, however, the secretary should arrange for the instruction of the staff on matters with which as individuals they do not usually deal, so that in case of accident to or sickness of one member of the staff, another may perform some of his duties, and thus as far as possible prevent a dislocation of the work, a state of things which often prevails where no provision has been made for an untoward event. In many offices a definite change-over of duties is effected occasionally and without notice, for by so doing not only is the above purpose achieved, but also the risk of fraud by falsification of the books—only possible where the employee

concerned is reasonably certain of uninterrupted charge of his books for a period—is eliminated.

Equipment of the Office.

The equipment of the office is important. In large offices, where, generally speaking, efficiency is not sacrificed at the cost of a few pounds, there may be seen, *inter alia*, the following equipment, in addition to the usual office furniture of cupboards, desks, revolving chairs, etc.: addressing machine, duplicators, office-printing machine, rotary letter-copiers, adding and calculating machines, postal franking machine (or, alternatively, a stamp-affixing machine), envelope-opening and envelope-sealing machines, numbering devices, filing cabinets, strip and card indexes, and several varieties of typewriters, including billing machines (for invoices), ledger-posting machines and “noiseless” typewriters; telephone for use internally and externally, safes (and strong room adjacent), etc. There may also be an instrument called the telewriter which records automatically messages given by telephone, and so on. In the secretary’s office should be found many of the above-mentioned devices, and the secretary should always be on the look-out for other equipment which will tend to reduce labour or make for increased efficiency in the work of the office. In small companies the capital investment in much of this equipment is not always justified, but in concerns of any magnitude the secretary ought to take full advantage of the facilities provided by the various mechanical devices. His chief difficulty is in finding how a particular machine or device can be adapted to the requirements of his own office. Offices vary enormously in requirements to ensure efficiency, and what would be an ideal system for one office might be quite unsuited for another. Unless he is wise enough to take every opportunity of meeting his fellow secretaries, when the merits and demerits of various appliances may be discussed, the secretary has only the salesman’s point of view before him when he is investigating a new machine or system, and it is his duty to make every inquiry as to its suitability for his particular office before investing in the appliance.

CHAPTER III

CORRESPONDENCE

A VERY large part of the activities of the average office consists of dealing with the firm's correspondence; in spite of the development of the telephone and other inventions for speeding up communication, it is still the principal means by which instructions, suggestions, orders, accounts, remittances, and indeed all forms of commercial documents and securities pass to and fro. It is perhaps obvious that any general slackness in dealing with correspondence rapidly becomes known to all with whom the firm has dealings, and must affect its reputation detrimentally. The work, therefore, must be carefully organized and conscientiously performed day by day. Courtesy and efficiency in this matter will not only inspire the confidence of customers; it will go a long way towards ensuring the maintenance of a high standard throughout the office work as a whole.

The subject is most conveniently considered under two headings: the receipt, sorting and disposal of the inward mail, and the preparation and dispatch of outward correspondence. In both the methods adopted in practice must vary to a great extent in different offices, having regard to the size and nature of the business conducted; and in the following very brief survey it is practicable only to indicate some of the points of outstanding importance that must receive consideration, and to outline methods adopted in certain offices. Each business presents its own particular problems for solution; and students must not, therefore, be surprised if the procedure followed in any office of which they have experience bears little resemblance to any routine mentioned below.

Inward Correspondence.

Whilst some firms allow their letters to be delivered by the postman, the larger firms usually adopt the private box system at the General Post Office, in which case the mail is brought to the office by a responsible employee or employees of the company, the letters, etc., being carried in a leather

bag or trunk, or other receptacles. In any case, the receptacle is locked by arrangement with the postal authorities. On arrival at the company's office, the mail is handed over to the chief of the mail staff, who places the whole of it on the centre of a large table. The registered letters, which have been put in a separate part of the mail bag from the ordinary mail, will be immediately taken charge of by the chief. The mail staff will vary according to requirements, but usually there will be a chief and two or three assistants. Their first duty will be to open the mail. Most large firms use letter-opening machines, which remove a small shaving from one edge of the envelope. Such a machine will deal with 500 envelopes a minute. It is adjustable to any class of envelope, and will open it without damage to the contents. As the letters are opened, they are stamped with the date and in some offices the time, and are put into boxes representing departments or special offices.

The names placed on the boxes will usually include some of the following: Chairman, Directors, General Manager, Secretary, Cashier, Accountant, Invoices, Statements, Credit notes, etc., Complaints; or trading departments, such as: Velvets, Yarns, Greys, Dyes, Linings, Fancies, Hollands, Continental, Far East, etc.

Sometimes the names of the heads of the departments or other officials appear on the boxes.

Letters containing remittances will, of course, receive particular care, and remittances which take the form of cheques or postal or money orders should be immediately "crossed" with the firm's name by means of a rubber stamp. It is usual for a responsible official to make a note (at the top of the letter) of the exact amount received. Remittances accompanying invoices or statements are frequently received without any covering note or letter; they should be checked at once with the total of the invoice or statement, and the receipt of the remittance noted on that. Sometimes a customer omits to enclose a cheque, postal order, etc., or does not enclose the whole of the amount he mentions, and this fact should immediately be noted.

A modern method of recording remittances is to prepare a list, with one or more carbon copies, from the letters, etc., which have been marked, the particulars written or typed on

the list being the customers' names and the nature and amounts of the remittances. This list is then totalled and handed with the actual remittances to the cashier, who should immediately check it. One of the carbon copies is then sent to the accounts department so that the customers' ledger accounts may be posted; whilst a further copy may be sent to the secretary so that he may keep himself acquainted with the amount of money received and be aware of any special remittances made by important customers.

The marked letters and statements are not handed over to the cashier; they are passed to a receipts clerk, who writes out receipts on the firm's official forms in a receipt book, and attaches the receipts to the letters and statements. The letters are then passed to the departments concerned with replying to them, and the receipts will be sent out with the replies; whilst the receipted statements are usually posted immediately. Later in the day the counterfoils in the receipt book are checked with one of the lists. This method is very effective in preventing the thefts, whether of large or small amounts, of which one occasionally hears where the receipts are written out by persons who actually handle the cash.

In some offices the trading departments are not allowed to take their boxes to their own departments, but on the sorters vacating the table their places are taken by representatives of the departments, whose business it will then be to enter in their order books particulars of orders. The departments will likewise be provided with books for inquiries. The original correspondence will then be taken charge of by the chief of the filing staff, to whom application must be made if it be found necessary to verify or amplify the information copied by the department.

But this system entails a great deal of hand-copying, and nowadays it is more usual for the departments to collect and take away their respective boxes. As a check on the contents being expeditiously dealt with, the letters in each box may be numbered serially by a numbering machine before the boxes are removed, and a list of the numbers used for each box is supplied to the chief of the filing staff. He can then mark off on the list the letters as they are received for filing after being dealt with, and after a reasonable time, say a day or two, he can take up with the departments concerned

the question of any letters which his lists show to be still in their possession.

The "complaints" box should be carefully examined by the manager or directors before being brought to the notice of the departments concerned, after which the latter should make a report on the matter complained of. Inattention to such matters may result in loss of business. Correspondence intended for the chairman, secretary, etc., should be handed to them immediately and unopened, and the general arrangement is that such persons are responsible for their own correspondence. In offices such as the above, which are generally referred to as private offices, the matters dealt with are frequently of a confidential nature, and hence their correspondence is usually kept within their respective offices.

Needless to say, in smaller businesses the above organization for sorting and checking is not called for, and even the recording of the letters in an "Inwards Letter Book," which was once usual, is now rarely met with.

Outward Correspondence.

The correspondence, apart from that necessary to be done in private offices, should all be done through a typing department.

Where shorthand-typists are employed to take down from dictation and afterwards to type out the letters, a departmental head will frequently insist upon having the services of a particular typist reserved to him, as he finds it easier to dictate to a typist who knows his peculiarities and a saving of time to give instructions to one accustomed to his work. This causes much unevenness in the distribution of the work where particular departmental heads are late in starting to dictate. In any case, less favoured members of the staff who have dictation to do must take their turn, and it will be the duty of the head of the typing department to see that as little time as possible is lost in waiting, whether on the part of the dictators or typists. In some firms, dictating machines are in use; recorded cylinders can then be collected from time to time, and typing can commence immediately cylinders are available. It should, however, be realized that these machines are relatively costly, and it is not so convenient to give instructions to the typist as where such instructions are given to her in person.

But whatever method of dictation is employed, it should be insisted upon that persons responsible for dictating do not delay doing so until they are in possession of all the information necessary to deal with their morning's mail. Where they do so delay there is bound to be a general slackness in the typing department during the morning, followed by a heavy rush of work later in the day, and a difficulty in keeping to office hours that causes much dissatisfaction not only in the typing department, but also among the unfortunate clerks whose duty it is to seal and dispatch the letters. Frequently also it results in the latter part of the work never receiving real supervision from any senior official.

A primary rule of courtesy in dealing with correspondence is that a reply is sent to every letter on the day of receipt, and that, where a full answer cannot be given that day, an acknowledgment is posted.

The addressee's own reference should always be quoted at the head of the reply, so as to assist him in his own office work; and if the letter deals with various subjects which are likely to require the attention of different departments or individuals in the addressee's office, it is frequently advisable to write separate letters on each subject.

In any event, it must be remembered that a well-paragraphed letter is much clearer and less liable to be misunderstood, besides having a much better appearance, than one not so divided. It is a good plan to mention the subject at the head of each paragraph, if several matters are treated in the same letter. The sentences in each paragraph in a well-written business letter follow one another in logical order, so that every sentence leads naturally to the next, and so on, until the end of the paragraph is reached. A paragraph may be long or short; but in business correspondence it is preferable to have fairly short paragraphs, as the end of a paragraph being a relief to the mind of the reader, the short paragraph allows the points to be driven home.

There must be a definite system for ensuring that enclosures intended for a particular correspondent are in fact sent with the letter to him; and the typist should be held responsible either for actually putting the enclosure in the envelope, or for attaching it firmly to the letter, or for attaching gummed labels bearing the same serial number to both letter and

enclosure, so that the post clerk cannot overlook the fact that an enclosure is required, nor insert the wrong one. A still further alternative is to type "Encl." or some similar indication at the foot of the letter, and to attach to the enclosure a gummed label bearing the inscription "Enclosure for Messrs. X & Co."

When completed, the typed letters are passed to the persons responsible for signing them. If the firm relies upon carbon copies for its records, these will accompany the letters so that any corrections made in them may be noted on the copy at the same time. Some firms, however, instead of taking copies, pass the typed letters through a rotary copier, which produces copies reproducing any corrections that have been made, together with the signature. In either case, the copies are put in filing baskets to be collected by the filing staff, and usually put away in the correspondent's file together with the letters received from him. In some firms the preferred system is for copies of outgoing letters to be filed in a departmental letter book.

The outgoing mail will consist of letters, invoices, statements, and various other documents. The person responsible for the mail should have all the above documents on a large sorting table, ready to be placed in the envelopes. These latter will, in the case of regular correspondents, have been addressed by an addressing machine in quantities, and the clerks will extract them from a drawer or rack which holds them in alphabetical order. On the ground of expense and also generally for convenience of the addressee, all papers and documents intended for one firm should be under one cover. Letters intended for agents and other representatives, and also for registration, should receive special attention. Care should be taken that papers intended for one agent are not put in an envelope addressed to another, as this may cause serious trouble, especially where the conditions attached to the agencies vary. Letters for registration should be examined to see if they are properly sealed and otherwise comply with the requirements of the postal authorities. A similar remark applies to foreign packages, etc. A note will be made in a postage book of all letters posted, together with the cost of postage of each individual letter.

If postal matter has to be dealt with on a large scale, a postal franking machine is almost a necessity, and with smaller "posts" a machine that automatically delivers, records, and sticks on stamps is very useful. In a large mail it is unnecessary to stamp or frank at all, as the Post Office will attend to that if (a) the envelopes are put up in bundles of 60; (b) they are delivered to the Post Office before a certain hour; and (c) postage is prepaid.

The Post Office will also arrange to collect large mails, provided that the packets are first loaded into official mail bags supplied for the purpose.

Letter Headings.

In certain cases the information given on a firm's letter paper (name and business, address, telephone number, telegraphic address, etc.) must include the names of the directors or partners. Section 145 of the Companies Act, 1929, lays it down that every company registered under the Act since 22nd November, 1916, must, in all trade catalogues, business letters and certain other printed matter on which the company's name appears, state with respect to every director: his present Christian names or initials and surname, any former name, and his nationality if not British.

CHAPTER IV

FILING AND INDEXING

THE manner in which a business files its correspondence—that is, the letters it receives, and the copies of the letters it sends—will naturally depend upon the needs of the business. Thus on the question of permanence, in retail trading it may seldom be necessary to refer to correspondence once it is completed; but in the office of a solicitor, much of the correspondence must be preserved almost indefinitely. Again, in small offices the simplest methods will frequently suffice; whilst in large organizations the filing system will necessarily be more highly developed.

In considering filing methods one must not, therefore, decry a particular system because it seems old-fashioned, or because it is not the method to which one is accustomed.

Flat Filing and Box Filing.

Receptacles which have long been in use for filing purposes are flat files and box files. Flat files consist of a series of shallow wooden trays normally housed like drawers in a wooden cabinet. In each tray or file the letters are placed flat and are held in position by two prongs which pass through holes punched near the top edge of the letters, and secured by a spring clip. A similar mechanism is used in box files; but in this case the files either comprise, or fit into, light box covers of fibre or metal, which can be stood upright on shelves. They need no cabinet and thus offer better facilities for expansion.

Until recent years it was common to file all incoming letters in flat or box files, a separate file being used for letters from each important correspondent and the rest of the letters being filed alphabetically under the surnames of the senders. Outgoing letters were typed in copying ink, and after being signed were press copied by being placed between the damp leaves of a letter book consisting of numbered sheets of flimsy absorbent paper. Each morning a junior clerk would index the

book by noting the numbers of the pages used the previous day against the addressee's names in the index in the front of the book, at the same time cross-referencing the pages so that ultimately each page bore the numbers of the pages on which would be found the immediately preceding and succeeding letters to the same correspondent, thus enabling a series of letters to be referred to without constant use of the index. (This indexing is still done in many firms in which the keeping of the carbon copies of letters by binding them together in letter book form is preferred.)

The necessity for referring to two sources for the complete correspondence with any customer, inwards and outwards, led to the system of filing copies of outgoing letters with the inward letters to which they refer—a system now widely used.

Flat and box files are used in practically all businesses, especially for filing Statements and Purchase Invoices, and copies of Sales Invoices, etc.; but for the filing of correspondence these systems have almost universally given way, in the larger offices, to the modern system of bringing together, in one "folder" for each correspondent, all the letters received from such correspondent and the copies of the letters sent to him. By these means a complete chronological record of the dealings with each correspondent is preserved in one cover.

Vertical Filing.

Vertical filing consists of the storing of these folders on edge, one behind the other, in drawers, so that any folder can be rapidly found by reference to the name or number on its projecting top edge, and taken out and replaced without disturbing the others. "Suspended files" are a recent improvement.

Filing cabinets usually contain four such drawers, one above the other, and the ability to bring further cabinets into use (without in any way disturbing the contents of the existing cabinets if a numeric arrangement is adopted, as explained later) is exceedingly convenient. The cabinets may be of wood or steel; the latter is usually to be preferred, as there is no risk of the jamming of drawers by warping or swelling, whilst the roller bearings incorporated in them lighten the effort required to open them—a consideration of importance

where, as is usual, junior girl clerks are employed on filing duties.

We shall discuss below the actual arrangement of the folders within the cabinets, and the necessity or otherwise for the use of an index to the folders. But it is desirable to emphasize, first of all, that as simple a method as practicable should be adopted, having regard to the facilities expected from it; secondly, that there should be a competent person in charge of the filing as a whole; and thirdly, that he should not be expected to produce infallible results if, as is so often the case, he is given as his assistants the most recently-joined juniors, or the least efficient juniors on the staff. Apart from the fact that the mis-filing of an important letter may have the most unhappy consequences, the general efficiency of the office is affected if the filing falls behind and folders are issued without the latest correspondence in them, or delay is experienced by departments in obtaining folders, or letters urgently required by departmental heads have to be anxiously searched for amongst unfiled papers. At least as much attention must be paid to the staffing of the filing room—as regards both adequacy and the efficiency of individual members—as of any other department.

Central v. Departmental Filing.

Whether each department files its own correspondence, or a central filing office is instituted, will necessarily depend upon the nature of the business and the personal preferences of the principals. There is usually a prejudice on the part of departmental heads to have their correspondence filed departmentally, so that they can lay their hands on what they want instead of having to send or telephone to the filing room, and possibly wait a few moments whilst the required file is being found and brought along. Moreover, it must be admitted that where typists are employed departmentally, they are usually able to attend to the filing of the previous day's correspondence and the getting out of the folders for the current day's mail, in the hour or so available in the morning before the head is ready to start dictating. But there is always the difficulty of two or more departments dealing with the same correspondent. In such cases, copies of inwards letters may have to be made to make the departmental files reasonably

complete, whilst there is the danger of the activities of two departments overlapping, merely through each department erroneously assuming that its own file was complete.

Central filing avoids these problems, but brings its own. Delay may occur where a folder wanted by one department is "out" with another. A strict system of recording the issue of files must be in use. Preferably, only a member of the filing staff should be permitted to remove and replace folders; and persons needing folders might be required to sign forms of requisition (which the filing clerk keeps in alphabetical order till the files are returned) or coloured cards of the same size as the folders, which cards can then be inserted in place of the files removed. The responsibility of returning a folder is thus definitely fixed, and the filing clerk knows the whereabouts of every absent file.

On the whole, centralized filing is preferable for medium and large-scale undertakings, as the work is evenly distributed, duplication and overlapping are avoided, it effects economies in accommodation, lighting, and equipment. A combination of the two systems may suit some offices, files containing papers of general interest being kept in a central filing department, while those containing departmental correspondence are kept in the separate departments.

Having discussed these preliminary matters, we may turn our attention to the actual arrangement of the folders within the cabinets, in a number of typical methods.

Alphabetic Correspondence Filing.

Alphabetic filing, by names of correspondents or subjects, is suitable for some business houses. A folder is assigned to each correspondent or subject, whose name is written on the projecting back edge of the folder. The folders are filed in strict dictionary order of surnames. Alphabetic guides, i.e. cards of stout material of the same size as the folders, but with a projecting tab at the top, on which is printed a letter of the alphabet, are inserted between the folders, one guide preceding the folders for correspondents or subjects with the same initial. It will be realized that no separate index is required for folders thus filed.

Numeric Filing.

What is known as numeric filing is suitable for most busi-

nesses, and is widely used. It simplifies the most complicated correspondence, and ensures absolute accuracy and quick reference. The folders containing the correspondence are usually of tough manilla, uniform in size and numbered consecutively from 1 upwards in the file, and guide cards are inserted before each 10 or larger number of folders. Within each folder the letters are placed in order of date, those of latest date being in front.

Every letter received and the copy of every answer sent is marked with the number of that correspondent's folder, and the person who files goes simply by the number.

The system requires the use of an index, which is usually in the form of a card index. One card is made out for each correspondent or subject, bearing name and address, and number of that correspondent's or subject's folder. This card is filed in an index box or tray, *alphabetically*. To find the number of the folder containing any desired correspondence, refer to the index card. The index card, once made out, indexes a correspondent or subject for all time. This index has an additional value as a complete list of addresses of all persons or firms with whom business is transacted; and memoranda made on the card can give condensed information concerning the person or persons it represents.

Example of working:—

A letter is received from Harry A. King for the first time. Suppose the next unused folder is 161. An index card is made out with King's name and address and the number 161. This number is written in the top corner of his letter, and it is filed in folder 161. All subsequent letters received from King, and copies of all letters sent to him, are marked with the same number and placed in folder 161, the last letter to or from, in front.

To look up King's correspondence, turn to the card index. This will reveal that his folder is 161. Turn to the cabinet and folder 161 can be taken out, and the whole of the correspondence with Harry A. King is in view, in the order in which it was written.

The Numeralpha System.

This system is a combination of the two described above.

It does away with the use of a separate index and uses instead the guide cards of the file itself.

In a simple form there are 24 guide cards, one for each letter of the alphabet (with one card only for XYZ). Behind the "A" guide are filed the A folders *in numeric order*, marked A1, A2, A3, and so on. The names of the correspondents are written on the front of the guide card, with the number of the folder against each name. Thus, if the last correspondent with a surname commencing with K had folder K13, and correspondence was sent to or received from Mr. Harry A. King for the first time, his name would be entered on the front of the K guide card against 14, his correspondence would be put in a folder marked K14, and the folder would be put immediately behind the 13 existing K folders.

Subject Indexing.

It will be obvious that frequently a subject referred to in correspondence is of greater importance than the name of the writer; for example, some important contract or particular line of business which it is desired to keep trace of. In such a case a numbered index card is made out with the name of the subject. All letters or papers relating to it, irrespective of the individuals by or to whom written, are marked with the same number and filed together in the same folder.

Cross Reference.

The method of cross referencing is one of the great time-saving features of vertical filing. A letter involving more than one name or subject is indexed under the most important. Other index cards are made out for the other leading names or subjects and simply refer to the principal heading and the number of its folder. By this means any individual letter may be located instantly, no matter whose signature it bears or under what subject it has been filed.

Geographic and Alphabetic Combined.

Where territorial conditions are of leading importance, correspondence may be filed on a geographic basis. The plan is exactly the same as alphabetic filing except that the file is divided by guides for the counties and subdivided by guides for towns, folders being filed alphabetically behind each guide.

Newer Types of Index.

The use of an ordinary card index for recording such brief information as names and addresses, is regarded by many business men to-day, in the light of modern improvements, as a slow and cumbersome process. Instead of full-sized cards, narrow strips of board, or even stout paper, sufficiently wide to carry a typewritten name and address, are slipped into a metal frame and maintained continuously in alphabetical or numerical order as with any other form of unit index; the " Bizada " is a well-known index of this type. Other systems use overlapping record cards. These types of index allow of a large number of entries being visible at a glance, and of corrections and additional entries being made without removing the standing records from their places. Other improved methods are frequently being introduced, and the catalogues of the various office appliance firms should be consulted for details.

Correspondence of Temporary Value.

When it is desired to separate correspondence of only temporary interest such as requests for samples, etc., from that of permanent value, the former may be arranged alphabetically in a separate drawer of the file whether the regular file is numeric or alphabetic.

Removal of Old Correspondence.

Correspondence which is dead or out of date is removed from the folders at convenient intervals and filed in a transfer file or in transfer boxes. These will be kept in the same sequence as the original files, and will bear a label indicating their contents and the period. Frequently a record is kept on the current index cards, or on the current guide cards in the case of a numeralpha file.

Correspondence on ordinary routine matters may be destroyed after six years, but that relating to any contract under seal should be kept for twelve years.

CHAPTER V

COMPANY FORMATION

THE chief classes of companies are (a) chartered companies, such as the Chartered Institute of Secretaries and others incorporated by Royal Charter, (b) statutory companies—gas, railway, and similar companies incorporated by special Act of Parliament, and (c) registered companies—those companies formed under the Companies Act, 1929, or an earlier Act.

Kinds of Registered Companies.

The kind of company that will be considered in this work is the company limited by shares. Other kinds of companies are:—

Companies limited by guarantee, with or without a capital divided into shares.

Companies unlimited.

Company Limited by Shares.

Such a company is now registered and its acts are regulated by the Companies Act, 1929. It is an association of seven or more persons (except in the case of a "Private" company—hereafter defined) for the promotion of some lawful object (generally for purposes of profit), possessing a common capital contributed to by each member, the capital being divided into shares. The main feature is limited liability, that is, the liability of each member is limited to the amount unpaid of the nominal value of the share or shares he agrees to take.

Joint-stock companies are promoted for reasons other than that of obtaining limited liability. Undertakings requiring a large capital can scarcely be promoted without a large number of individuals being financially interested therein, yet, on the other hand, the law forbids any business to be carried on by a "company, association, or partnership" if its membership exceeds twenty, or if the business be banking, if the members exceed ten, unless the association is registered as a company

under the Act, or under some other Act, or of letters patent. Incorporation is thus forced upon associations requiring to approach the public for the subscription of large amounts of capital. But the benefits of incorporation are such that advantage is taken of them even in the case of the smallest businesses. Thus, where a partner in a business desires to retire, and to sell his interest in the business, he has a better opportunity of doing so if the business be converted into one having a capital divided into shares with limited liability, and in practice many businesses are converted in order the more easily to obtain necessary working capital to replace that which has been taken from the business by the withdrawal of a partner.

A company is a corporate body, capable of suing and of being sued in its corporate capacity, and is a quite distinct and separate being in the eyes of the law from the persons who comprise its membership, even though one person may hold practically all the shares and personally conduct the business.

“ Private ” Company.

A private company is one which:—

restricts the right to transfer its shares ;

limits the number of its members (exclusive of persons who are in the employ of the company, and of persons who, having been formerly in the employment of the company, were while in such employment and have continued after the determination of such employment to be members of the company) to fifty ; and

prohibits any invitation to the public to subscribe for any shares or debentures of the company.

(Companies Act, 1929, Section 26.)

Where two or more persons hold a share or shares jointly, they are treated for the purpose of this section of the Act as a single member.

All companies other than those above described are regarded as public companies.

If a private company so alters its Articles that they no longer include the necessary provisions for a private company, the company ceases to be a private company, and must within fourteen days of the alteration, file with the Registrar a prospectus or statement in lieu.

If the company, whilst not altering its Articles, fails to comply with the provisions which constitute it a private company, then unless the Court is satisfied that the failure was accidental, the company will no longer be entitled to trade with less than seven members, and loses its exemption from filing, and circulating to its members, its annual Balance Sheet and Auditors' Report.

Documents to be Filed upon Incorporation.

Companies are incorporated by filing with the Registrar of Companies at Bush House, London (Scottish companies are registered at Edinburgh), the following documents:—

- (1) Memorandum of Association.
 - (2) Articles of Association (if any).
 - (3) Statement of the nominal capital.
 - (4) Statutory declaration of compliance with the Companies Act, required by Section 15.
- And in the case of public companies,
- (5) List of persons who have consented to be directors.
 - (6) Their forms of consent to act as directors of the company.
 - (7) Their contracts to take their qualification shares, unless they have signed the Memorandum for a sufficient number.

Wherever possible, it is also advisable to file, with these documents, the notice of the situation of the registered office. (See page 35.)

Memorandum of Association.

The Memorandum is a document, which, by Section 2 of the Companies Act, must contain in the case of a company limited by shares:—

- (1) The name of the company, with "Limited" as the last word in its name;
- (2) The country where the registered office is to be situate, whether England or Scotland.
- (3) The objects for which the company is established.
- (4) A declaration that the liability of members is limited.
- (5) The amount of the share capital with which the company proposes to be registered, and how such share capital is to be divided (the shares to be of fixed amounts) subject to

- (a) each subscriber to the Memorandum taking
(at least) one share,
- (b) each subscriber writing opposite his name the
number of shares he agrees to take.

Seven subscribers are required to a Memorandum in the case of a public company, only two being necessary for a private company.

The Memorandum requires careful drafting, as its provisions are not readily altered. No company's name may include the words *Building Society*; or *Royal, Imperial, Municipal, Chartered*, or *Co-operative* without the consent of the Board of Trade. *Chamber of Commerce* can be used only in exceptional cases.

The "objects clause," as it is called, is generally of a lengthy nature, as it is essential that the fullest details of all the businesses which the new company is likely to carry on, should be given. The reason is that a company cannot do anything outside the scope of the Memorandum, and it is an expensive and troublesome matter to get the Memorandum altered when once it is registered. In making the objects clause, therefore, the future as well as the present must be looked to, and power taken to carry on all business which is likely to come in the way of the company in times to come.

1 The Articles of Association.

While the Memorandum defines the name, constitution and objects of the company, the Articles comprise its internal regulations, whereby the relations between the shareholders and the company, and between the directors and the company, are governed. In them will be found the rights of the various classes of shareholders as to dividends and voting, and as to repayment of their capital in the event of the company being wound up (though these matters are sometimes dealt with in the Memorandum instead); how they may transfer their shares; the extent to which the management of the business is entrusted to the directors, and particularly the extent to which they may borrow money on behalf of the company; the rules for the holding of meetings of members (called general meetings), and meetings of directors; and what notice is to be given of such meetings.

The Articles have to be signed by the same persons as signed the Memorandum, and witnessed.

Table A, which forms the first schedule to the Companies Act, 1929, and a copy of which appears at the end of this book, is a model set of Articles, applicable to every company limited by shares, whether public or private. Its clauses automatically become part of the company's own Articles, unless the latter definitely exclude them, or modify them by providing alternative provisions. Public companies need not register special Articles, in which case Table A applies *in toto*. Private companies must register special Articles, or, alternatively, adopt Table A with suitable modifications and such additional clauses as may be required.

How Incorporation is Effected.

The Memorandum may be printed or written, whilst the Articles must be printed; but as copies of both documents are required from time to time, it is usual to have them printed and bound together in the form of a foolscap booklet. For the purposes of the formation, the printers are asked to supply copies with blanks where the signatures and descriptions, etc., of the subscribers and witness will appear; and one such copy, properly completed, is lodged with the Registrar. After incorporation, the names, etc., are filled in and the printers asked to supply the remaining copies so completed.

Printed forms for the other documents required to be registered are obtainable from law stationers. After all have been completed and signed, the solicitor or secretary (if he is named as such in the Articles) who is attending to the registration of the company attends before a Commissioner for Oaths and makes the statutory declaration required by Section 15 (see page 40), and he then deposits all the documents at the Registry for inspection.

Three or four official days later he will attend again at the Registry and will be informed whether the documents are in order. If they are not, it may be necessary to make the necessary alterations and get them initialed by each signatory. But if the documents are in order, he will be required to pay the necessary stamp duties and fees. These are as follows.

Capital Duty (this is paid on the Statement of Nominal Capital)	10s. per £100 of nominal capital.
Deed Stamps on Memorandum and Articles (each of these documents is regarded as having been sealed as a deed by the signatories, and is therefore stamped as such)	10s. each.
Fee Stamp on Memorandum—varies from £2 to £50, according to nominal capital. (See Appendix II.)	
Fee Stamps on Articles and on each of documents numbered (4) to (7) on page 25	5s. each.

As soon as the official receipt for the payment of these amounts is produced, the Certificate of Incorporation is handed over.

Publication of Name.

Section 93 of the Companies Act requires a company to have its name painted or affixed on the outside of every office or place in which its business is carried on, in a conspicuous position, and in letters easily and always legible; and in all notices, advertisements and other official publications of the company, and in all bills of exchange, promissory notes, endorsements, cheques, orders for money or goods purporting to be signed by or on behalf of the company, and in *all* bills of parcels, invoices, receipts and letters of credit of the company its name shall be mentioned in legible characters. Non-compliance with the requirements as to the name being affixed or painted on every office or business place involves a penalty of five pounds on the company and on every officer of the company who is in default. If compliance is not made with the requirements as to the name on the various documents above enumerated, a penalty of fifty pounds attaches to any director, manager or officer of the company, who issues or authorizes the issue of such documents, etc., and such persons will be held personally liable to the holder of any such bill of exchange, promissory note, cheque or order for money or goods in respect of the amount thereof, unless it is paid by the company.

Certificate of Incorporation.

By Section 15 of the Act, " a certificate of incorporation

. . . shall be conclusive evidence that all the requirements of this Act in respect of registration and of matters precedent and incidental thereto have been complied with, and that the association is a company authorized to be registered and duly registered under this Act."

First Board Meeting.

As soon as possible after the receipt of the Certificate of Incorporation, a meeting will be held of the persons who it is intended shall be the first directors; and the issue of the certificate is reported to them. If, as is usual, they have been described by name in the Articles as the first directors of the company, this will be sufficient appointment; but if not, then it will be necessary for the subscribers (who at this point are the only members of the company) to appoint them, either in writing signed by all of them, or by meeting and passing a resolution.

The directors will then proceed to do all necessary acts to set the company going. They will appoint the secretary and fix his remuneration; they will authorize the acquisition or leasing of the offices, and instruct the secretary to file the address of the registered office (see page 35); they will adopt a design for the common seal, and authorize the secretary to obtain the requisite books and stationery and engage the necessary staff; and if the company has been formed to take over an existing business, they will consider the execution of the purchase agreement. They will appoint bankers. For this purpose the secretary will have obtained from the bankers two copies of their usual form of appointment, one of which he will have completed by the chairman and signed by all persons authorized to operate the account. This he will later hand to the bankers; they will also require a copy of the Memorandum and Articles, and will also ask to see the Certificate of Incorporation.

In the case of a company that proposes to make a public issue of shares, the terms of the prospectus will be settled, and arrangements will be made for a copy, signed by all the directors, to be filed; whilst arrangements for underwriting the issue will also be considered.

The secretary will record all the proceedings of this and of all subsequent board meetings in the Directors' Minute Book.

Commencement of Business.

A private company, assuming that it has the requisite capital, may now commence business, but other companies are entitled to do so only when they have received from the Registrar of Companies the official "Trading Certificate," or certificate entitling the company to commence business.

In the case of a company which is inviting the public to subscribe to its capital, this certificate will not be issued until (i) the public has subscribed sufficient capital to cover the "minimum subscription," i.e. an amount stated by the directors, in the prospectus issued to the public, to be required to provide for the purchase of any property to be acquired out of the proceeds of the issue, the payment of preliminary expenses, and the provision of the necessary working capital; (ii) the shares have actually been allotted; and (iii) the directors have paid on their shares the same proportion as the public have been required to pay on application and allotment.

A public company which is raising its capital privately may secure its Trading Certificate on filing a statement in lieu of prospectus (see pages 43 to 45) and a declaration that the directors have paid on their shares the same proportion as is required on other shares payable in cash (see page 46).

The Capital of a Company.

As has been stated, the capital of the type of company now being considered is divided into shares. Shares are mainly of two classes, ordinary and preference, but there are also deferred or founders' shares. Ordinary shares form the staple capital of a company, and rank after preference shares for purposes of dividend, and if the Articles provide, in regard to capital in a winding up.

The preference dividend is a fixed one, and is invariably cumulative, unless the Articles provide otherwise; that is, if a dividend has not been paid in respect of such shares one year, arrears of dividend must be paid as soon as the company is in a position to pay such arrears, before the ordinary shareholders receive any dividend. Redeemable preference shares may be issued if the Articles authorize, such shares to be redeemable either out of profits available for dividend or from the proceeds of a fresh issue of shares. The value of this

provision lies in the fact that, if interest rates generally have fallen since the issue of the preference shares, it is possible for the company to redeem the shares and replace them by others carrying a lower rate of dividend.

A dividend is paid to holders of deferred shares usually after a certain dividend has been paid in respect of other shares. Founders' shares are shares usually issued to vendors, and to promoters as consideration for their services. They are not usually many in number, nor are they peculiar to every company. They are deferred in regard to dividend, receiving a large proportion of the profits after other shareholders have received a fixed amount.

Shares may be issued at a discount provided the requirements of Section 47 of the Companies Act, 1929, are complied with; these include the obtaining of the sanction of the Court. They must be of a class already issued, be authorized at a general meeting, and be issued a year or more after the company was entitled to commence business.

The following terms are used in connection with the capital of a company: **NOMINAL CAPITAL**, which is the amount of capital authorized by the Memorandum of Association. **ISSUED CAPITAL**, the nominal amount of the shares actually issued for subscription; this may be a portion or the whole of the nominal capital. **SUBSCRIBED CAPITAL**: that is that portion of the issued capital for which payment has been made. **CALLED-UP CAPITAL**, the amount called up on the shares issued. **PAID-UP CAPITAL**, which is the total amount paid up on the shares, or considered paid up. Thus—

Nominal Capital may be £300,000 in 30,000 shares of £10 each.	
Issued Capital, } may be 15,000 shares, or £150,000.	
Subscribed do. }	
Paid-up do. ,, 15,000 shares on which £7 10 0	
has been paid on each, i.e. £112,500.	

Underwriting.

Unless a company receives from its first offer of shares to the public, enough applications to cover the minimum subscription, it is not allowed to proceed to allot the shares or to commence business. In practice, the risk of an inadequate public response is almost invariably removed by having the

issue underwritten. This is effected by getting underwriters to contract, for a commission on the whole issue, to take up any part of it not applied for by the public or other interested party. Sometimes the underwriters will stipulate that a certain number of shares are allotted to them "firm"; they then, in effect, get such shares at a discount. Such commission may only be paid if (1) it is authorized by the Articles; (2) it does not exceed 10 per cent of the price of the shares or a less amount if authorized by the Articles; (3) the rate and the number of shares allotted "firm" are disclosed in the prospectus or statement in lieu. The underwriters frequently "re-insure" the risk they have undertaken, by getting other persons to sub-underwrite either the whole or a portion of the risk for a commission slightly less than that which the underwriters themselves will receive. The margin which is left to the underwriters is then known as "over-riding" commission.

The Prospectus.

Section 380 of the Companies Act defines "prospectus" as "any prospectus, notice, circular, advertisement, or other invitation, offering to the public for subscription or purchase any shares or debentures of a company." The drafting of the prospectus is now usually in the hands of specialists, but in any case, final proofs should be passed by a solicitor or barrister in order to ensure that all legal requirements have been complied with.

The following is a brief list of the matters required to be stated in a prospectus: (1) Contents of Memorandum (except when published as newspaper advertisement); (2) number of founders or management or deferred shares; (3) directors' share qualification and remuneration; (4) names, descriptions, and addresses of directors; (5) minimum subscription necessary to provide the amount required to cover the purchase price of the property which is to be defrayed out of the issue, the preliminary expenses, the amount necessary to repay any loans obtained to meet these costs, and working capital; (6) amount payable on application and allotment, with particulars of previous issues, if any; (7) number and amount of shares and debentures issued as fully or partly paid up otherwise than in cash; (8) names and addresses of vendors of any

property to be paid for out of the proceeds of the issue; (9) amount of purchase money for such property; (10) particulars of any underwriting commission; (11) amount or estimate of preliminary expenses; (12) amount paid or payable to any promoter; (13) dates of, and parties to, every material contract; (14) names and addresses of auditors; (15) particulars of any director's interest in property proposed to be acquired; (16) right of voting conferred by different classes of shares; (17) length of time during which business has been carried on, if less than three years. If any of the proceeds of the issue are for the purchase of a business, an accountants' report upon the business in respect of the three previous years is to be set out. If the company has been in existence before its prospectus is issued, that document must set out a report by the auditors on previous financial results for three years.

An examination of a prospectus will reveal the fact that it can be divided into three parts, viz., (a) the legal requirements, (b) general information concerning the business or intended business, and (c) advertisement. With regard to (a) the student should carefully examine and study Sections 34 to 38 of the Companies Act. The tendency of these provisions is to compel company promoters to disclose as much as possible of what is material and important for the would-be investor. A good plan in studying the nature and form of a prospectus is to take one and dissect it into its several parts as mentioned above, carefully noting that all the requirements of the law are complied with. A point to notice on every prospectus is that "This prospectus has been delivered for registration to the Registrar of Companies." Section 34 (2) requires a copy of every prospectus, signed by every person named therein as a director or proposed director, to be delivered for registration on or before the day it is published, and it must not be issued until such has been done. It may be noted, however, that many people receive what are termed "advance prospectuses," marked "private," before the prospectus proper has been filed and issued. The object of this is (1) to give to certain persons an opportunity to subscribe in preference to others; (2) to invite offers for underwriting; and (3) to test the feeling in regard to the prospects of the proposed company, among a certain number of likely investors, and providing the issue is carefully restricted, so

that it cannot be construed as publication to any person as a member of the public, the document will not legally be a prospectus.

Directors and others responsible for the issue of a prospectus incur liability in the event of non-compliance with or contravention of any of the requirements of the Companies Act, unless they can show (a) that as regards any matter not disclosed they were not cognisant thereof, or (b) that the non-compliance or contravention arose from an honest mistake of fact, or (c) that it was in respect of matters which, in the opinion of the Court, were immaterial, or which ought to be excused.

Moreover, any misrepresentation, even if made quite innocently, may give an allottee a right to compensation from any director, as well as a right to repudiate his contract to take the shares.

Finally, it should be noted that every contract mentioned in the prospectus or statement in lieu can be varied only subject to the approval of the statutory meeting.

Offers for Sale.

By Section 38 of the Companies Act, 1929, any document by which an offer for sale to the public is made of shares or debentures is to be deemed for all purposes to be a prospectus issued by a company, if that company has allotted or agreed to allot the same with a view to their being so offered for sale, but without prejudice to the liability of the offerors in respect of the offer. Unless the contrary is proved, such allotments are to be deemed to have been made with a view to the shares or debentures being offered for sale to the public if it is shown:—

- (a) That an offer for sale was made within six months after the allotment or agreement to allot; or
- (b) That at the date when the offer was made the whole consideration receivable by the company in respect of the shares or debentures had not been so received.

Further, such offers must also contain, in addition to the particulars required to be stated in a prospectus, details as to the consideration received or to be received by the company in respect of the shares or debentures in question, and particulars as to the place and time at which the contract relating thereto may be inspected.

Signatories' Shares.

Generally speaking, a contract to take shares in a company consists of an offer in the form of an application to take the shares and an acceptance of the offer by a resolution allotting the shares, the acceptance being sent to the offeror in the form of a Letter of Allotment. In the case of the signatories to the Memorandum, a formal allotment is sometimes made to them of the shares they have agreed to take, but in some instances no such formal allotment is made. In this event, the signatories are deemed to have agreed to become members of the company, and on its registration are to be entered as members in its Register of Members. Further, as they are members of the company and have indicated the number of shares they wish to take, they are, of course, liable to pay for them.

Notice of Situation of Registered Office.

This is a form (see page 38) that must be lodged with the Registrar within twenty-eight days after incorporation of the company. It must bear a 5s. impressed stamp.

We saw (page 25) that all companies are required to state in the Memorandum of Association the situation of the office (the "domicile"), i.e. whether it is in England (Wales is included in this) or Scotland. Section 92 of the Act provides that within that domicile there must be a registered office. Any change in address must be notified to the Registrar within twenty-eight days, a fee of 5s. being payable.

Memorandum of Association of the CITIZENS' CLUB BUILDINGS COMPANY, LIMITED

1. The name of the Company is "THE CITIZENS' CLUB BUILDINGS COMPANY, LIMITED."

2. The Registered Office of the Company will be situate in England.

3. The objects for which the Company is established are :—
(A) To purchase, take on lease, or in exchange, or otherwise acquire land or buildings of any tenure in London or Middlesex, or elsewhere in the United Kingdom.

(B) To provide and maintain a building or buildings on the land so acquired by the adaptation of existing buildings, or the erection of new buildings thereon, or on any part thereof, and to use the same or grant permission for the same to be used, wholly or partially, as accommodation for a Club, and for other purposes, by way of grant, lease, licence, or otherwise and upon such terms as the Company shall from time to time think fit, and to erect and maintain shops, dwelling-houses, offices, residential chambers, or any other building of any kind on the said land, or any part thereof, for any purpose whatsoever, and to furnish any of the said buildings or any part thereof.

(C) To acquire any personal property or any rights or privileges arising out of, or connected with, any real or personal property for any purpose whatsoever.

(D) To derive profit from developing, occupying, letting, selling, or otherwise dealing with, or disposing of, any such land and buildings, whether existing or to be erected, and any such personal property, rights, and privileges as aforesaid in any manner and for any purposes whatsoever.

(E) To raise money by mortgage or the issue of Debentures charged upon all or any part of the property of the Company, both present and future, including its unpaid or uncalled Capital, or in such other manner as the Company shall think fit.

(F) To enter into any arrangement for sharing profits, union of interest or co-operation, or any working arrangement with any Club or any Committee or Trustees thereof.

(G) To sell the undertaking of the Company, or any part thereof, for such consideration as the Company may think fit, including Shares, Debentures, or Securities of any other Company

(H) To distribute any of the property of the Company among the Members in specie.

(I) To do all such other things as are or may be incidental or conducive to the attainment of the above objects, or any of them.

4. The liability of the Members is limited.

5. The Capital of the Company is £100,000, divided into 10,000 Shares of £10 each, with power to increase such Capital, and to issue any part or parts of the original or increased Capital, subject to such special conditions, or with such preferential or deferred rights as the Company shall direct.

WE, the several persons whose names, addresses and descriptions are subscribed, are desirous of being formed into a Company in pursuance of this Memorandum of Association, and we respectively agree to take the number of Shares in the Capital of the Company set opposite our respective names.

Names, Addresses and Descriptions of Subscribers	Number of Shares taken by each Subscriber.
HENRY STONE, 36 Store St., London, W., Surveyor	two.
JOHN STANLEY, 33 James' St., Manchester, Accountant	two.
W. HINDE, 5 Queen St., Leicester, Gentleman	two.
DAVID SMITHIES, 2 Acorn Lane, Birmingham, Gentleman	two.
HENRY TEAK, Clarence Avenue, Manchester, Solicitor	two.
WILLIAM HENRY TIMMINS, Henrietta Place, Southport, Gentleman	two.
TIMOTHY JONES, Orr House, Highfield, Manchester, Gentleman	two.

Dated the 9th Jan., 19....

Witness to the above Signatures :—

HENRY RAWSON,
2 Oakfield Street, W.1, Solicitor.

Number of }66,664....
Company }

STATEMENT OF THE NOMINAL CAPITAL

OF



THE SOUTH LANCASHIRE TRADING COMPANY,
LIMITED.

In pursuance of Section 112 of the Stamp Act, 1891, as amended by the Finance Acts, 1899 and 1933.

THE NOMINAL CAPITAL

is *Two hundred and twenty thousand pounds* divided into 100,000 5% *cumulative Preference shares* and 120,000 *Ordinary Shares of One pound each.*

Signature, Thomas Massey,

Description, Secretary.

Dated the *fourteenth* day

of *December*, 19..

Presented by—

Thomas Massey,

37 Dale Street,

Manchester.

*** This Statement should be signed by an Officer of the Company.*

Number of } ...66,664...
Company }

THE COMPANIES ACT, 1929.



NOTICE

OF THE

Situation of the Registered Office

OR OF ANY CHANGE THEREIN

Pursuant to Section 92

Name of } THE SOUTH LANCASHIRE TRADING
Company } COMPANY, LIMITED.

To THE REGISTRAR OF COMPANIES.

The above-named Company hereby gives you notice, in accordance with Section 92 of The Companies Act, 1929, that the Registered Office of the Company is situated at No. 37, Dale Street, Manchester.

The Number or Name (if any) of the Premises, together with the Street or Road, Town, and County, should be given.

Signature, Thomas Massey,

Officer, Secretary.

Dated the *fourteenth* day
of *December*, 19..

Presented by

*Thomas Massey,
37, Dale Street,
Manchester.*

Number of }
Company }



THE COMPANIES ACT, 1929.

NOTICE OF THE SITUATION OF THE OFFICE WHERE A DOMINION REGISTER IS KEPT OR OF ANY CHANGE IN, OR DISCONTINUANCE OF, ANY SUCH OFFICE

Pursuant to Section 103

Name of Company {
.....
.....

Presented by

.....
.....
.....

To the Registrar of Companies.

..... Company
hereby gives you Notice in accordance with Section 103 of the Companies Act, 1929, and by the authority of (a)
that a Branch Register is now kept at..... (b)
.....
.....

(Signature)

(State whether Director or Manager or Secretary)

Dated the..... day of 19

(a) e.g. "a special Resolution of the Company duly passed on the day of, " or "Clause of the Company's Articles of Association."

(b) *In cases of change the words "in lieu of" and the previous address should be inserted after the present address.*

In case of discontinuance, strike out the words "is now kept" and insert the words "is discontinued" after the address.

Number of }
Company } --66,664--

THE COMPANIES ACT, 1929.



Declaration of Compliance

WITH THE

REQUIREMENTS OF THE COMPANIES ACT, 1929

On application for registration of a Company.

Pursuant to Section 15 (2).

Name of { THE SOUTH LANCASHIRE TRADING
Company { COMPANY, LIMITED.

Presented by

Thomas Massey,
37, Dale Street,
Manchester.

* Here insert—
“A Solicitor of the Supreme Court engaged in the formation,” or
“A person named in the Articles of Association as a Director or Secretary”

I Walter Sykes, of 37, Dale Street, Manchester, do solemnly and sincerely Declare that I am* a Director, as named in the Articles of Association of The South Lancashire Trading Company, Limited, and that all the requirements of the Companies Act, 1929, in respect of matters precedent to the registration of the said Company and incidental thereto have been complied with. And I make this solemn Declaration conscientiously believing the same to be true, and by virtue of the provisions of The Statutory Declarations Act, 1835.

Declared at 1,101, Market Street,

Manchester,

the fourteenth day of December,

One thousand nine hundred and

...., before me,

Paul Mason

* A Commissioner for Oaths.

Walter Sykes.

* Or Notary Public or Justice of the Peace.

Number of }
Company } ...66,664....

THE COMPANIES ACTS, 1929.



Consent to Act as Director

Pursuant to Section 140, Sub-section 1 (a).

Name of { THE SOUTH LANCASHIRE TRADING
Company } COMPANY, LIMITED.

Presented by

*Thomas Massey,
37, Dale Street,
Manchester.*

To the REGISTRAR OF COMPANIES.

We the undersigned hereby testify our consent to act as Directors of *The South Lancashire Trading Company, Limited*, pursuant to Section 140, Sub-section 1 (a), of The Companies Act, 1929.

*SIGNATURE.	ADDRESS.	DESCRIPTION.
<i>Walter Sykes,</i>	<i>2, Oakfield Road, Newton Moor, Hyde.</i>	<i>Gentleman.</i>
<i>Rufus Martin,</i>	<i>Chasm Villa, Dreadnought Place, London, W.2.</i>	<i>Merchant.</i>
<i>Ernest Johnson,</i>	<i>5,222, Stanley St., Manchester.</i>	<i>Manufacturer.</i>
<i>Thomas A. Deedicombe,</i>	<i>335, Norfolk Street, Manchester.</i>	<i>Solicitor.</i>

Dated this *fourteenth* day of *December*, 19..

* If a Director signs by "his Agent authorized in writing," the authority must be produced.

Number of }
Company } ...66,664....



THE COMPANIES ACT, 1929.

**List of Persons who have consented to be Directors
OF A COMPANY**

Pursuant to Section 140 (3)

Name of { THE SOUTH LANCASHIRE TRADING
Company { COMPANY, LIMITED.

Presented by

*Thomas Massey,
37 Dale Street,
Manchester.*

LIST of the persons who have consented to be Directors of *The South Lancashire Trading Company, Limited*, delivered to the Registrar of Companies, pursuant to Section 140 (3) of The Companies Act, 1929, by *Thomas Massey, Secretary*, of *The South Lancashire Trading Company*, the applicant(s) for Registration of the Memorandum and Articles of the Company.

SURNAME	CHRISTIAN NAME	ADDRESS AND DESCRIPTION
<i>Sykes</i>	<i>Walter</i>	<i>2 Oakfield Road, Newton Moor, Hyde Gentleman</i>
<i>Martin</i>	<i>Rufus</i>	<i>Chasm Villa, Dreadnought Place, London, W.2 Merchant</i>
<i>Johnson</i>	<i>Ernest</i>	<i>5,222 Stanley Street, Manchester Manufacturer</i>
<i>Deedicombe</i>	<i>Thomas Arthur</i>	<i>335 Norfolk Street, Manchester Solicitor</i>

Signature of Applicant(s)

Dated the.....day of....., 19.....

Number of }
Company }

THE COMPANIES ACT, 1929.



Statement in Lieu of Prospectus.

DELIVERED FOR REGISTRATION BY

.....
LIMITED

Pursuant to Section 40, Sub-section 1, of The Companies Act, 1929, which is as follows :—

40.—(1) A Company having a share capital which does not issue a Prospectus on or with reference to its formation, or which has issued such a Prospectus but has not proceeded to allot any of the shares offered to the public for subscription, shall not allot any of its Shares or Debentures unless at least three days before the first allotment of either Shares or Debentures there has been delivered to the Registrar of Companies for registration a statement in Lieu of Prospectus signed by every person who is named therein as a Director or a proposed Director of the Company or by his Agent authorized in writing, in the form and containing the Particulars set out in the Fifth Schedule to this Act.

Presented by

STATEMENT in Lieu of Prospectus of

The Nominal Share Capital of the Company	£																									
Divided into Shares of £..... each " £..... " " £..... "																									
Amount (if any) of above capital which consists of redeemable preference shares ..	Shares of £ each																									
The date on or before which these shares are, or are liable, to be redeemed																										
Names, Descriptions, and Addresses of Directors or proposed Directors ..																										
If the share capital of the company is divided into different classes of shares, the right of voting at meetings of the company conferred by, and the rights in respect of capital and dividends attached to, the several classes of shares respectively.																										
Number and Amount of Shares and Debentures agreed to be issued as fully or partly paid up otherwise than in Cash The Consideration for the intended issue of those Shares and Debentures	<ol style="list-style-type: none"> 1.Shares of £..... fully paid. 2.Shares upon which £..... per Share credited as paid. 3.Debentures of £..... 4. Consideration 																									
Names and Addresses of Vendors of property purchased or acquired, or proposed to be purchased or acquired by the Company Amount (in Cash, Shares, or Debentures) payable to each separate Vendor.																										
Amount (if any) paid or payable (in Cash or Shares or Debentures) for any such Property, specifying amount (if any) paid or payable for Goodwill	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">Total Purchase Price .. £</td> <td style="width: 5%; text-align: center;">:</td> <td style="width: 5%;"></td> <td style="width: 5%; text-align: center;">:</td> <td style="width: 5%;"></td> </tr> <tr> <td>Cash</td> <td>£</td> <td>:</td> <td>:</td> <td></td> </tr> <tr> <td>Shares</td> <td>£</td> <td>:</td> <td>:</td> <td></td> </tr> <tr> <td>Debentures</td> <td>£</td> <td>:</td> <td>:</td> <td></td> </tr> <tr> <td>Goodwill</td> <td>£</td> <td>:</td> <td>:</td> <td></td> </tr> </table>	Total Purchase Price .. £	:		:		Cash	£	:	:		Shares	£	:	:		Debentures	£	:	:		Goodwill	£	:	:	
Total Purchase Price .. £	:		:																							
Cash	£	:	:																							
Shares	£	:	:																							
Debentures	£	:	:																							
Goodwill	£	:	:																							
Amount (if any) paid or payable as Commission for subscribing or agreeing to subscribe or procuring or agreeing to procure subscriptions for any Shares or Debentures in the Company, or	Amount paid £																									
Rate of the Commission	Rate per cent.																									
The number of shares, if any, which persons have agreed for a commission to subscribe absolutely																										
Estimated Amount of Preliminary Expenses	£ : :																									
Amount paid or intended to be paid to any Promoter Consideration for the Payment	Name of Promoter Amount £ Consideration																									

Dates of, and Parties to, every material Contract (other than Contracts entered into in the ordinary course of the business intended to be carried on by the Company or entered into more than two years before the delivery of this Statement)

Time and Place at which the Contracts or Copies thereof may be inspected ..

Names and Addresses of the Auditors of the Company (if any)

Full Particulars of the nature and extent of the interest of every Director in the Promotion of or in the Property proposed to be acquired by the Company, or, where the interest of such a Director consists in being a partner in a firm, the nature and extent of the interest of the firm, with a Statement of all sums paid or agreed to be paid to him or to the firm in Cash or Shares, or otherwise, by any person, either to induce him to become, or to qualify him as, a Director or otherwise, for services rendered by him or by the firm in connection with the promotion or formation of the Company.

If it is proposed to acquire any business, the amount, as certified by the persons by whom the accounts of the business have been audited, of the net profits of the business in respect of each of the three financial years immediately preceding the date of this statement provided that in the case of a business which has been carried on for less than three years and the accounts of which have only been made up in respect of two years or one year, the above requirement shall have effect as if references to two years or one year, as the case may be, were substituted for references to three years, and in any such case the statement shall say how long the business to be acquired has been carried on.

Signatures of the persons above named as Directors or proposed Directors, or of their Agents authorised in writing.

.....

Date 19..

Number of Company }

THE COMPANIES ACT, 1929.



Declaration

That the conditions of Section 94 (2) (b) of the Companies Act, 1929, have been complied with.

Pursuant to Section 94 (2) (c).

To be used by a company which has delivered to the Registrar of Companies a Statement in lieu of Prospectus.

Name of Company {

Presented by

.....

I of being* of..... LIMITED.

* Insert here "the Secretary," or "a Director"

do solemnly and sincerely declare—

THAT every Director of the Company has paid to the Company on each of the Shares taken or contracted to be taken by him, and for which he is liable to pay in cash, a proportion equal to the proportion payable on Application and Allotment on the Shares payable in cash.

And I make this solemn Declaration conscientiously believing the same to be true, and by virtue of the provisions of The Statutory Declarations Act, 1835.

Declared at..... the.....day of..... One thousand nine hundred and, before me,

A Commissioner for Oaths†

† or Notary Public or Justice of the Peace

CHAPTER VI

APPLICATION AND ALLOTMENT

WHEN the prospectus has been printed, and a copy (signed by every person named therein as a director or proposed director, or by his agent authorized in writing) has been deposited with the Registrar of Companies, supplies may be issued to the company's bankers, who will distribute it to all their branches, and to the brokers and any other persons who have underwritten any part of the issue. These people will endeavour to interest their clients in the issue, and it may be mentioned that it is customary to pay brokerage (at a rate which does not usually exceed 6d. per £ of the price of issue) to brokers, bankers and other agents on all shares allotted through their introduction.

Prospectuses so distributed will be accompanied by a form of application (see page 54), and it should be noted that by Section 39 of the Companies Act, the deposit which accompanies an application must not be less than 5 per cent of the nominal amount of the shares applied for. Where shares of different classes are being offered simultaneously, it is usual to issue separate application forms for each class, of different colours, so that they can be readily sorted when, at a later stage, they are received in the company's office.

Arrangements will also be made for the prospectus to be printed in the financial and more important daily newspapers; the Companies Act allows the contents of the Memorandum to be omitted, but it will be necessary to print a form of application in the advertisement. These applications will necessarily be small and difficult to handle, and it is therefore a good plan to have ready, in advance, sheets of paper of the same size as the ordinary application forms, on which the applications cut from newspapers may be pasted as soon as they are received by the company.

The prospectus and the application forms themselves will contain clear directions as to the date on which the lists will be opened for subscription and as to whether applications

are to be sent to the company's bankers, or brokers, or to an issuing house which has undertaken the office work, or to the registered office of the company itself. The most common method is to arrange with the company's bankers to receive the applications and to detach and clear the cheques which accompany them, the rest of the work being carried out in the company's own office; and in the following description it will be assumed that this arrangement has been effected.

It must be borne in mind that an issue of shares involves a very large amount of work, which—especially if the issue is a popular one and quickly over-subscribed—must be carried out with the maximum of speed. Yet no work demands greater accuracy; and consequently the available office staff must be well organized beforehand, divided into sections each under an experienced senior, and each section thoroughly instructed in its duties. It may be necessary to engage additional help; there are men who regularly accept temporary work of this nature and whose experience makes them invaluable assistants.

Closing the Lists.

On the morning that the lists are opened, constant touch must be maintained with the bank, who will list the applications as they detach the remittances therefrom and will have the lists and application forms ready for collection at short intervals by a clerk from the company. Frequently in an over-subscription the bank will be able to report, a few minutes after the official time of opening, that subscriptions have already been received for many more shares than are being offered. In such event they will be instructed to close the lists; and to return direct to the applicants any applications which they subsequently receive, together with the applicant's own cheques. This may save the company from having to deal with a large number of excess applications.

Where the issue is not immediately over-subscribed, the directors, through the secretary, will maintain communication with the bank, who will be able to report from time to time the total money received, from which the number of shares applied for can be quickly calculated. The lists will not usually be kept open for more than a day or so as, if applicants suspect that the issue is not a success, they may

withdraw their applications; this they are entitled to do until the allotment letters are actually posted.

Dealing with the Applications.

Each batch of applications collected from the bank is checked with the bank's list which accompanies it; and the applications are then entered on application sheets. A specimen ruling of such a sheet is given on page 55 and should at this point be studied carefully. There are three ways in which the entering may be carried out: (1) To number the applications in the haphazard order in which they are received from the bank and then to enter them on the sheets in that order; or (2) to rearrange them in the alphabetical order of the names of the applicants and to commence a new application sheet for each letter; or (3) to sort them into groups according to the number of shares applied for. The latter is now recognized as being generally the most convenient; it will be found that most applicants have applied for round numbers of shares, e.g. 25, 50, or 100, and if all applications for the same round number are entered on a separate sheet or section of sheets, the amounts to be entered in the columns will be identical, and the totalling of the number of shares applied for thereon and the calculation of the money amounts to be inserted will be very greatly facilitated. Moreover, it is frequently desired to make, say, a full allotment to applicants for not more than 100 shares, and to make only a proportionate allotment to others; and the information necessary to consider the matter is available only if the sheets have been compiled in this manner.

Whichever sequence is adopted, the sheets will be distributed amongst the staff, each section being charged with entering up and totalling a definite group of applications, e.g. numbers 1-1000, or those from applicants A-D, or those for 100 shares. As the sheets are filled they should be totalled and checked; and the total numbers of shares applied for and total money paid should be carried to a summary sheet.

Allotting the Shares.

As soon as the summary is completed and checked, it is placed before the directors, who decide the basis of allotment. If the issue is over-subscribed, it is clear that some or all of

the applicants will have to receive only a proportion of the number of shares they have applied for; or that some may receive no allotment at all. If under-subscribed, the applications of the underwriters will have to be inserted on the lists to make up the deficiency. The directors having made their decision, the number of shares to be allotted to each applicant is inserted against his name on the application sheet. When these sheets are again totalled, the number of shares allotted on each sheet is also carried to the summary and there totalled. As soon as the summary is checked, it is placed before the directors.

On this occasion it is essential that the directors meet as a Board or as an Allotment Committee, if the Board has so delegated the duty of allotment. The Chairman will sign the summary, and each allotment sheet should be signed or initialed by a director. The directors will then pass a resolution on the following lines:—

The secretary having produced Application Sheets showing that in response to the issue of the prospectus dated, offering 100,000 ordinary shares of £1 each for subscription, applications had been received for 102,509 shares,

IT WAS RESOLVED—That 100,000 ordinary shares of £1 each, numbered to inclusive, be and are hereby allotted to the persons whose names, addresses and descriptions are respectively set forth in the allotment sheets now produced to the Board, in accordance with the number of shares appearing in the allotment columns therein, and that the secretary be and is hereby instructed to issue the necessary allotment letters and letters of regret forthwith and to return application money where necessary.

This resolution will be duly entered by the secretary in the Board or Committee Minute Book.

Allotment cannot be made if within forty days after the first issue of the prospectus the conditions regarding minimum subscription and the receipt of the application moneys have not been fulfilled; otherwise all moneys received must be returned within forty-eight days of the first issue of the prospectus. The directors will be jointly and severally liable to repay the money with interest at 5% per annum, after the

forty-eighth day has expired. If, however, a director can prove that the loss of the money—if any—was not due to any misconduct or negligence on his part, he will not be liable (Section 39, Companies Act).

Letters of Allotment and of Regret.

Immediately after the directors have passed the resolution of allotment, the secretary should lose no time in forwarding letters of allotment to those to whom shares have been allotted, and letters of regret where no allotment has been made. A specimen letter of allotment is reproduced on pages 56 and 57; such a letter is subject to the stamp duty of one penny where the nominal value of the shares allotted is below five pounds. On five pounds, and on any higher figure, the duty is sixpence. The stamps must be *impressed* on the forms before they are used. The bank should have a copy of the letters of allotment and of regret, together with a complete list of the cheques to be paid in respect of moneys returned, these cheques being printed at the foot of the letters of regret.

The same division of labour as arranged in connection with the making up of the application and allotment lists will be necessary in regard to the despatch of the letters of allotment and regret. Where the applications have been entered according to the number of shares applied for and no allotment is made, for example, to applicants for not more than 50 shares, the sheets for such applicants can be passed immediately to one section of the staff for the preparation of letters of regret; whilst the remaining sections can proceed to fill in allotment letters from the remaining sheets. All letters whether of allotment or of regret should be carefully checked before being despatched, and this, as in other matters where checking is necessary, should not be done by the person or persons who did the original work; that is to say, all checking should be independent. The most expeditious plan is for one person to read out the particulars in the above letters, whilst a second person is making comparison with the allotment lists. The completed letters are then inserted in the envelopes; the use of window envelopes will obviate both the necessity of checking and the possibility of wrong insertions.

Care should be taken in posting the letter of allotment, for on completion of this the contract becomes binding both

on the company and on the allottee; and a responsible person should be required to check the sealed envelopes against the allotment sheets, to attend to the posting, and to certify the time, place and date of posting on the allotment sheet itself.

The rules of the London Stock Exchange require a company whose shares are quoted to post all allotment letters simultaneously, and to post the letters of regret at the same time if possible; and if not possible, to advertise the fact. This is to ensure that, so far as practicable, all applicants receive equal treatment.

After the posting of the allotment letters, matters demanding early attention include the making out of cheques for brokerages and underwriting commissions, and arrangements for providing split allotment letters on request.

Renunciation and Splitting.

It is now usual to provide facilities for renunciation with letters of allotment, and an examination of the back of the specimen allotment letter will show how these rights are exercised. The object is to facilitate dealings in the new shares without the trouble or expense of getting transfers registered. The stamp duty on letters of renunciation is the same as that for letters of allotment, viz. one penny for amounts less than five pounds; for five pounds and over, sixpence.

If a shareholder wishes to divide his rights amongst two or more persons, he returns the letter of allotment to be cancelled, receiving in exchange two or more letters as required. These are termed "split" letters.

The receipt of renounced letters, and the issue of splits, are usually recorded on the allotment sheets, for information when writing up the Register of Members therefrom.

Return of Allotments.

Section 42 of the Companies Act requires that when a company limited by shares or a company limited by guarantee and having a share capital, makes any allotment of its shares, the company must within one month thereafter file with the registrar of companies, a "Return of Allotments." (See specimen.) The same section should be noted with respect

to the filing of all contracts for shares agreed as fully or partly paid, otherwise than for cash. Such contracts must be clearly expressed, giving full details of the consideration, and must also be stamped in accordance with Section 12 of the Stamp Act, 1891. The secretary should see that such contracts are filed with the registrar before any allotment of shares is made. There is a heavy penalty for making default knowingly, but the Court has power to grant relief and extend the time for filing if the omission was accidental or inadvertent. The allotment is not invalid simply by failure to make the necessary return.

When finally dealt with, the allotment sheets are usually bound.

Irregular Allotment.

Section 39 forbids the allotment (in the case of a first issue to the public) of any shares until applications to the amount of the minimum subscription have been received and (in the case of any issue) unless application moneys amounting to at least 5 per cent of the nominal amount of the shares have been received. Section 40 forbids any allotment unless a prospectus or a statement in lieu has been filed. Any allotment made contrary to the provisions of these sections is voidable *at the instance of the applicant*, within one month after the statutory meeting, or where the company is not required to hold a statutory meeting, or where the allotment is made after the statutory meeting, within one month after the allotment, whether the company has then gone into liquidation or not.

Sections 39 and 40 do not apply to private companies.

Specimens of some of the documents mentioned in this chapter are given on the following pages.

APPLICATION FORM

THE SOUTH LANCASHIRE TRADING COMPANY, LIMITED
(Registered under the Companies Act, 1929.)

ISSUE OF 100,000 ORDINARY SHARES OF £1 EACH AT PAR.

To the Directors of
THE SOUTH LANCASHIRE TRADING COMPANY, LIMITED.

GENTLEMEN,

Having paid to your Bankers the sum of £25 0s. 0d. being a deposit of 2s. 6d. per Share on Application for 200 Ordinary Shares of £1 each of THE SOUTH LANCASHIRE TRADING COMPANY, LIMITED, I hereby request you to allot me that number of Shares, and I agree to accept such Shares, or any less number that may be allotted to me, upon the terms of the Prospectus of the Company, dated 9th Jan., 19.., and the Memorandum and Articles of Association, and I authorise you to place my name upon the Register of Shareholders in respect of any Shares so allotted to me, and I agree to pay the amount due on Allotment and further instalments as and when the same become due.

PLEASE WRITE DISTINCTLY.	{	Ordinary Signature	<i>Orlando Oldham</i>
		Name (in full)	<i>Mr. Orlando Oldham</i>
		(Mr., Mrs., or Miss)	
		Address	<i>Oakfield, Newton Moor, Cheshire</i>
		Occupation or Description	<i>Secretary.</i>
		Date	<i>11th January, 19..</i>

This form should be filled up and forwarded to the Union District Bank of Manchester, Ltd., King Street, Manchester, or Branches, together with remittance for the amount payable on application.

All applications must be made in the names of individuals and NOT IN THE NAME OF A FIRM.

Applications must be for 5 shares or multiples of 5.

Cheques should be drawn payable to "Bearer" and crossed "Not Negotiable." Any alteration from "Order" to "Bearer" must be initialed by the Drawer.

NO RECEIPT WILL BE ISSUED for the payment on application, but an acknowledgment will be forwarded in due course, either by Letter of Allotment, in whole or in part, or by return of the deposit.

APPLICATION AND ALLOTMENT SHEET

Issue of 100,000 Ordinary Shares of £1 each at par, payable 2s. 6d. on Application, 5s. on Allotment.

No. of Application	Name	Address	Description or Occupation	No. of Shares Applied for	No. of Shares Allotted	Distinguishing Numbers	
						From	To
251	<i>Maddison, James</i>	<i>"Trouville," Norton, Chipping Quality St., Manchester</i>	<i>Merchant</i>	100	50	15001	15050
252	<i>Pellett, Henry</i>	<i>Quality St., Manchester</i>	<i>Gentleman</i>	100	50	15051	15100
253	<i>Sorrow, T. O.</i>	<i>Dean St., Hyde</i>	<i>Engineer</i>	100	50	15101	15150

55

Amount Paid on Application	Amount Payable on Application and Allotment on Shares Allotted	Balance Due on Allotment	Date of Payment	No. of Letter of Regret	Amount Returnable	Fol. in Share Ledger	No. of Certificate	Renunciations and Splits	Remarks
£ s. d. 12 10 0	£ s. d. 18 15 0	£ s. d. 6 5 0		—	£ s. d. —				
12 10 0	18 15 0	6 5 0		—	—				
25 0 0	18 15 0			—	6 5 0				

LETTER OF ALLOTMENT (FRONT)

THE SOUTH LANCASHIRE TRADING
COMPANY, LIMITED.



No. 23.
24 Jan., 19..

Samuel Bowman, Esq.,
21, Downing St.,
London.

Sir,

I beg to inform you that, in response to your application, the directors have allotted you *two hundred* Ordinary shares of £1 each in this company, in accordance with the terms of the prospectus dated 9th Jan., 19..

The amount payable on application and allotment at 7s. 6d. per share is	£	s.	d.
.. .. .	75	0	0
You have already paid.. .. .	25	0	0
Making the amount due from you on allotment	£50	0	0

I am instructed to request you to pay the above sum forthwith to the company's bankers, the Union District Bank of Manchester, Ltd., King St., Manchester.

By order of the Board,
THOMAS MASSEY,
Secretary.

This form, with remittance, must be forwarded ENTIRE to the Company's Bankers, a above, who will return it receipted. It should then be carefully preserved to be exchanged for the relative Share Certificate in due course. Notice will be given by the Company when the Certificate is ready for issue.

Cheques should be made payable to "Bearer" and crossed "Not Negotiable." Any alteration should be initialed.

This letter of allotment can be split on presentation at the Registered Office of the Company.

RECEIVED for account of THE SOUTH LANCASHIRE TRADING
COMPANY, LIMITED, the above amount due on allotment.

FOR THE UNION DISTRICT BANK OF MANCHESTER, LTD.

Date

Cashier.

[PERFORATED]

THE SOUTH LANCASHIRE TRADING CO., LTD.

ALLOTMENT

No. 23.

Date

£ - -

LETTER OF ALLOTMENT (BACK)

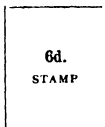
FORM OF RENUNCIATION

(Available until, 19..)

TO THE DIRECTORS OF
THE SOUTH LANCASHIRE TRADING CO., LTD.

Gentlemen,

I/We hereby renounce my/our right to the within-mentioned shares.



Date.....

Note.—If Shares are renounced, the Allottee must sign the above form over a 6d. stamp before parting with the Allotment Letter.

REGISTRATION APPLICATION FORM

(To be signed only by the person(s) to whom the shares are renounced)

TO THE DIRECTORS OF
THE SOUTH LANCASHIRE TRADING CO., LTD.

Gentlemen,

I/We hereby request you to register the within-mentioned shares in my/our names, subject to the Memorandum and Articles of the Company.

Usual Signature.....

Full Name (in block capitals).....

Address.....

Occupation.....

Date.....

Unless this Allotment Letter, with the above forms duly filled up and signed respectively by the Allottee and the person(s) desiring to be registered, is lodged at the Registered Office of the Company on or before, 19.., the Shares will be registered in the name of the original Allottee and thereafter it will be possible to transfer such shares only by transfer on the ordinary common form.

N.B. If the original Allottee desires to be registered, it is not necessary for either of the above forms to be used.

Number of (.....66,664...
Company)

" THE COMPANIES ACT, 1929."

RETURN OF ALLOTMENTS

from the 18th day of January, 19..,
to the 25th day of January, 19..



OF

THE SOUTH LANCASHIRE TRADING
COMPANY, LIMITED.

Made pursuant to Section 42, Sub-section 1, of The Companies Act,
1929.

* Distinguish between Preference Ordinary, or other descriptions of shares.	* Number of the <i>Preference</i> Shares allotted payable in Cash	100,000
	* " " <i>Ordinary</i> " " " "	100,000
	* Nominal Amount of the <i>Preference</i> Shares so allotted	£100,000
	* " " <i>Ordinary</i> " " " "	£100,000
	* Amount paid or due and payable on each <i>Preference</i> Share	20/-
	* " " " " <i>Ordinary</i> " " " "	20/-

Number of Shares allotted for a " consideration other than Cash. *Ordinary* Shares } 20,000

Nominal Amount of the Shares so allotted £20,000

Amount to be treated as paid on each such Share 20/-

The Consideration for which such Shares have been allotted is as follows :—

Part Purchase price of properties acquired by the Company in pursuance of Agreement, entered into with Wilkins Micawber the vendor, and dated 8th Dec., 19...

NOTE.—In making a return of Allotments it is to be noted that :—

1. When a return includes several Allotments made on different dates, the dates of only the first and last of such Allotments should be entered at the top of this page, and the registration of the return should be effected within one month of the first date.
2. When a return relates to one Allotment only, made on one particular date, that date only should be inserted and the spaces for the second date struck out and the word "made" substituted for the word "from" after the word "Allotments."

Presented by

Thomas Massey,
37, Dale Street,
Manchester.

NAMES, ADDRESSES, and DESCRIPTIONS of the Allottees of

SURNAME	CHRISTIAN NAME	ADDRESS
<i>Almond,</i>	<i>Thomas Henry</i>	<i>2, Glendale St., Halifax.</i>
<i>Butterworth,</i>	<i>James</i>	<i>Oakfield St., Hyde.</i>
<i>Gates,</i>	<i>William</i>	<i>Stretford Avenue, Manchester.</i>
<i>etc.</i>	<i>etc</i>	<i>etc.</i>

Shares in *The South Lancashire Trading Company, Limited.*

DESCRIPTION	Number of Preference Shares allotted	Number of Ordinary Shares allotted	Number of other Shares allotted
<i>Woollen Manufacturer,</i>	50	20	—
<i>Cotton Manufacturer,</i>	200	100	
<i>Gentleman—formerly Merchant</i>	100	50	
<i>etc.</i>	<i>etc.</i>	<i>etc.</i>	

Date, 7th February, 19...

*Signature, Thomas Massey,
(State whether Director or Manager or Secretary.)*

CHAPTER VII

THE REGISTER OF MEMBERS

THE Companies Act requires that every company shall keep at its registered office, in one or more books, a register of its members, and enter therein the following particulars:—

- (1) Names, addresses and the occupations, if any, of the members, and in the case of a company having a share capital, a statement of the shares held by each member, distinguishing each share by its number, and of the amount paid or agreed to be considered as paid on the shares of each member;
- (2) The date at which each person was entered in the register as a member;
- (3) The date at which any person ceased to be a member.

Every company having more than fifty members must, unless the Register of Members is in such a form as to constitute in itself an index, keep an index of the names of the members of the company sufficient to enable each member's account to be found. Any alteration made in the Register of Members must also be recorded in the index (which may be in the form of a card index) within fourteen days after the date of such alteration.

A person signing the Memorandum of Association is deemed a member on the incorporation of the company. Other persons who have agreed to be members become members as soon as their names are placed on the register. The Companies Act, 1929, does not specify any particular form of register, so long as it comprises one or more "books" (and this term has been held legally to include loose-leaf systems), so that the secretary may adopt any form suitable for his particular company, so long as he includes therein the particulars above noted. Small companies sometimes make use of bound registers (special books can be obtained from law stationers containing in the one volume pages specially printed and ruled for the register of members, register of directors, copies of annual return, etc.), but practically all companies

with more than a few members now keep their Register of Members in loose-leaf form in a series of binders. This enables closed accounts to be removed to a separate file. A separate index will not be necessary if a single sheet is confined to one shareholder's account and the accounts are arranged in dictionary order of names. Suitable safeguards will be necessary, when a loose-leaf register is kept, to prevent fraud by the insertion of re-written leaves in the place of the correct ones. The binders must be fitted with locks, and the blank loose leaves should be numbered and kept under lock and key by a responsible official, who should keep a record of all sheets issued and to whom any spoilt sheets should be returned. The accompanying form will meet general requirements.

There are several ways of providing for shares of different classes. Probably the most satisfactory is to use different coloured sheets for each class, so that where a shareholder has shares of three different kinds his three sheets will be inserted in the binder together. In such case only the first sheet need contain the detailed heading and notes, and considerable labour is saved in dealing with changes of address, etc., whilst the convenience of having all the records of a shareholder adjacent to one another is obvious. But there may nevertheless be circumstances in which it is more convenient to have separate registers for the different classes. A further method is to have additional columns; or again, the ruling for ordinary shares may be printed in the upper half of the sheet, and the ruling for preference shares in the lower half.

It is essential to have the Register of Members complete as soon as possible after allotment. When rights of renunciation have been given, it will obviously be impracticable to bring the Register into use until the last date for receiving renunciations has passed; although the writing up of the sheets may be put in hand previously.

Registration of Death Certificates, Probate, etc.

A duty which must receive careful attention is the entering, at the head of a shareholder's account, of any notes affecting the account. Documentary authority for any such note must be received and recorded. These notes may concern the exhibition of death certificates, of probate and letters

of administration, naming the executors and administrators ; of marriage of a female shareholder, etc. Observe the following :—

Certificate of the death of John Brown exhibited Jan. 19th, 19... Death occurred Jan. 16th, 19...

In the case of death of a member abroad, it is usual to require a statutory declaration signed by the British consul of the district, and if he has a domicile abroad, the company must not recognize his executors or administrators till probate or letters of administration are obtained in England.

Probate of the will of the late John Brown, exhibited, Jan. 19th, 19... Executors :—Abraham Bulkeley, of Kindergarten St., Birmingham, merchant, and James Curfew, of Wellington Road, Edgbaston, gentleman.

On the back of the probate, the secretary would make an impression with a rubber stamp, which would contain the following statement :—

THE SOUTH LANCASHIRE TRADING COMPANY, LTD.	
Exhibited	
This	day of , 19..
	Secretary.

and he would fill in the necessary particulars in ink.

Where a woman is entered on the register as a shareholder, she will be designated as " spinster " or " widow " or " wife of So-and-so " as the case may be.

Where a change of state takes place, it will be indicated, thus :—

	Emily Jones,
	formerly
Name,	Emily Smith,
Address,	
Description,	spinster. Now—Jan. 28th, 19.., wife of James Jones.

The marriage certificate may be forwarded as proof of the marriage, and the fact recorded in the register thus :—

Certificate of the marriage of the said Emily Smith, produced, Jan. 28th, 19.., showing marriage with James Jones, of 8, Abernethy Road, Newtown, Montgomery.

Bankrupt shareholder :—

Name, Thomas Micawber, adjudicated bankrupt, by order of the Court dated Jan. 27th, 19..
Henry Seers, 1, Oldham St., Manchester, Accountant, appointed Trustee, Jan. 27th, 19..

Address,
Description,

Shareholder of unsound mind :—

Name, Daniel Lambert, found to be of unsound mind, Jan. 14th, .19.. Henry Desford Manning, solicitor, appointed Committee by order of the Court in Chancery, Jan. 28th, 19..

Address,
Description,

No erasures should be made in the register, but where it is necessary to cancel instructions, the obsolete information should be neatly ruled through. Alterations of any kind in the register should be initialed by the person making the alterations.

In the case of English companies (not Scottish) no notice of any trust (implied or constructive) must be entered in the register. (Section 101.)

What is called a *Notice in lieu of distringas* is in a different category. This is a notice issued under the rules of the Supreme Court of Judicature served on the company by a person who has acquired an interest in the shares of a member by advancing a sum of money on such security. The company must register this notice, retaining an office copy of the affidavit and a duplicate of the notice. Entries should be made in the Register of Deeds and in the Register of Members. The company must not register a transfer of the shares or stock without reference to the person lodging the notice.

Rectification of Register.

By Section 100 of the Companies Act, a person whose name has been removed from the register without sufficient cause, may apply to the court to have his name replaced on such register. Where "default is made or unnecessary delay takes place in entering on the register the fact of any person having ceased to be a member," application may be made to the court to rectify the register.

Examination of the Register.

Section 98 of the Companies Act states that the Register of Members shall be open to the inspection of any member gratis, and of any other person on payment of one shilling, or any less sum for each inspection as the company may prescribe. Inspection must take place in business hours, and whilst "reasonable restrictions" may be imposed on such inspection, two hours per day must be allowed for it, except where the books are closed in accordance with the provisions of the Act. A copy of the register or any part thereof may be required by any person on payment of sixpence or such less sum as the company may prescribe, for every hundred words or fractional part of a hundred words required to be copied. Refusal to grant the inspection or to give the copy as above, makes the company liable to a fine not exceeding £2 and to a further fine of £2 per day for every day during which refusal continues. The directors and managers are likewise personally liable. An order to compel an immediate inspection of the register may be made by the court.

Closing the Register.

Section 99 of the Companies Act gives power to close the register for a period or periods not exceeding in the whole thirty days in each year. Companies may take advantage of this provision when the dividend warrants are being prepared immediately prior to the Annual General Meeting. The closing of the register also enables lists of shareholders entitled to dividends to be prepared, allows proxy papers to be compared with the register, and the ascertaining of who are entitled to be present at the forthcoming meeting. Many companies, however, find it unnecessary to close their Registers of Members.

(Table A provides that the directors may suspend the registration of transfers during the fourteen days immediately preceding the ordinary general meeting.)

Dominion Register.

A "Dominion" register may be kept by a company having a share capital, whose objects comprise the transaction of business in a colony or other part of the dominions, and which is authorized by its Articles to keep such a register. Notice must be given to the registrar of any office where such register is kept, also of a change of office, and of its discontinuance. (See page 39.) A duplicate of every Dominion register must be kept at the registered office and must be kept posted up from copies of the entries transmitted for the purpose. Such duplicate forms part of the principal register, and is subject to all the statutory requirements as to inspection and copies.

Should it be necessary for share entries to be transferred to a Dominion register, it is usual for the shareholder to apply for such a transfer, surrendering his share certificate and paying the prescribed fee. The procedure then includes the cancellation of the certificate and the issue of a receipt therefor, the advising of the branch office of the transfer so that the shareholder's account may be opened in its register and a new share certificate be issued against the surrender of the receipt, and the closing of the shareholder's account in the principal register.

Termination of Membership.

Membership of a company may cease by (a) sale and/or transfer of shares, (b) forfeiture of the shares, if authorized by the Articles, (c) valid surrender of shares, (d) death, bankruptcy, or becoming of unsound mind, if the shares are disclaimed or transferred by the personal representative, (e) rescission of the contract to take shares, because of fraud, misrepresentation, or mistake, (f) repudiation of partly-paid shares by an infant, (g) the winding up of the company, (h) redemption of redeemable preference shares when such are the sole holding, (i) exchanging share certificate for share warrant; and by other means.

CHAPTER VIII

SHARE CERTIFICATES

SECTION 68 of the Companies Act states that " a certificate under the common seal of the company, specifying any shares held by any member, shall be prima facie evidence of the title of the member to the shares." Section 67 of the Companies Act requires certificates to be completed and ready for delivery within two months after allotment or lodgment of the transfer of any share, etc., unless the conditions of issue of the shares provide otherwise. The Articles usually provide for a first certificate to be given free of charge to every member whose name is entered on the register. It is issued in exchange for the Allotment Letters and bankers' receipts for the amounts paid. In the first place, a single certificate is issued to include all shares of one class held by any one member. In the case of joint holders, only one certificate is issued.

If a settlement and quotation be sought on the stock exchange, the form of certificate will have to be approved by the committee of the exchange. Forms will vary, too, in the matter of the shares being paid up or only partly paid up. The printed forms of certificate are usually delivered to the secretary in book form, and in three parts, each part being detachable by perforated line. These parts are the counterfoil, the certificate proper and the receipt or form of acknowledgment of receipt of the certificate by the member. Each part will be numbered with the same number, and the pages of the certificate book will be consecutively numbered. If the certificates are not in book form, they can be more expeditiously dealt with, several persons entering the necessary particulars thereon simultaneously, from the allotment lists. Certificates in respect of different classes of shares should be in different styles or colours. The facsimile share certificate appearing on page 72 is one that would be issued in respect of shares not fully paid. On the back of such a certificate, there would be a printed form or forms on which to indicate the payment of calls, thus :—

This is to certify that the further sum of 2s. 6d. has been paid up on each of the shares represented by this certificate, making the amount paid up per share, £0 7s. 6d.

Dated this 12th day of *April*, 19...

Thomas Massey, Secretary.

If the shares had been fully paid, the certificate would read thus :—

This is to certify that *James Oldham*, of *Brighton Grove, Penistone, Yorkshire*, is the registered holder of *fifty* fully paid ORDINARY shares of £1 each, etc.

Where the full nominal amount of the shares is payable during a period of a few months from the date of allotment, it is a convenient practice to defer the issue of certificates until the shares are fully paid, but the prospectus must so provide. This practice avoids the large amount of clerical labour involved in issuing certificates for partly-paid shares and, subsequently, endorsing thereon the payment of various calls.

Issue of the Certificates.

The certificates are written up from the Allotment Sheets as soon as the period of renunciation has expired, or from the Register of Members if that has been completed. In either case, the distinctive numbers of the shares comprised in each certificate are first worked out and inserted on the Allotment Sheets or the Register, and the last number checked with the total number of shares to be issued. When the certificates have been duly completed by the secretary's staff they should be checked; frequently this is done by the company's auditors, who give a report that the certificates are in order for sealing and issue. The certificates and the auditors' report are then submitted to the Board, who authorize the signing and sealing of the certificates; this is usually given effect to by a resolution, which would appear in the minutes thus:—

“ The secretary reported that the share certificates in respect of the Ordinary shares of the company, allotted in pursuance of the resolution of the Board dated Jan. 13th, 19.., and referring to shares numbered 1

to 44,455, both numbers inclusive, were ready for sealing.

“It WAS RESOLVED that share certificates representing the shares above mentioned be sealed under the common seal of the company, and signed by Walter Sykes and Rufus Moriarty, and countersigned by the secretary.”

Where there is a large number of certificates to be signed and sealed, there will be no mention in the minutes as to who is to sign them, beyond the statement as to the number of directors who must attach their signatures thereto, and it is usual for the directors to arrange with the secretary as to the number that each will sign. In any case, it is well for the secretary to place his name on the certificates after all the details have been entered on them, but before they are signed and sealed by the directors. Meanwhile, a notice will be sent to all shareholders to the effect that on receipt of the allotment letters bearing the bankers' receipts for allotment moneys and instalment moneys, if any, the company will deliver to them share certificates of title. (See form on page 74). When the certificates are forwarded, a receipt should always be asked for, and, where possible, under the ordinary signature of the shareholder. The certificate shown on page 72 will not need a special requisition for a receipt, as the form attached to the certificate cannot be lost sight of by the proprietor of the shares. Frequently shareholders require their certificates to be sent to their brokers or bankers, or to some special address, and such cases can easily be met by the form of letter of advice shown on page 74.

On receipt of the letters of allotment, they should be scrutinized and then cancelled by writing or stamping by rubber stamp across the face of them the word “cancelled,” and this is perhaps more effectual if the cancellation be shown on any signatures on the receipts, etc. When cancelled, they should be placed in numerical or alphabetical order and filed.

Lost Document of Title.

It occasionally happens that a shareholder will report that he has lost, mislaid or destroyed a share certificate, or a “temporary” document of title such as an allotment letter.

In such circumstances a note of the loss should always be

made on the member's account in the Register of Members, so that should the document later be presented, whether by some unauthorized person who is attempting to sell the shares, or by the member himself, the matter will receive prompt attention.

The member usually asks for a duplicate certificate to be issued to him, and the Articles of most companies authorize the directors to accede to such a request upon payment of a fee of one shilling, and on such terms as to evidence of the loss and as to indemnity as they think fit. The directors may be satisfied with a letter of indemnity on the following lines:—



Address, *Brighton Grove,*
Penistone,
Yorkshire,
28th Jan., 19...

To the Directors of

THE SOUTH LANCASHIRE TRADING COMPANY,
LIMITED.

Dear Sirs,

In consequence of my having mislaid (or lost, etc.) the Letter of Allotment No. 724 for fifty shares numbered 841 to 890 inclusive in your company, I hereby undertake in consideration of your handing to me a certificate for the shares referred to, to indemnify and save harmless your company from and against any loss or damage which may be suffered by you in so doing. Should the said Letter of Allotment come into my possession hereafter, I undertake to deliver it to you.

Yours faithfully,

James Oldham.

Witness to the signature
of the above-named

James Oldham,

Thomas Hurley Bantock,

Victoria Parade,

Penistone,

Yorkshire,

Journalist.

But most public companies require also a guarantee of the due observance of the undertaking, made by a bank or by persons of standing, together with a statutory declaration in which the member recites the facts under oath. The guarantee is frequently endorsed on the letter of indemnity as follows:—

We guarantee the due performance of the above-mentioned undertaking and agreement by the said James Oldham.

David Consington,
Shoveham Place,
Sheffield,
Accountant.

Thomas Macmanus,
The Priory,
Dunford Bridge,
Company Secretary.

Witness to the above signatures,

Henry Tomkinson,
2, Earl St.,
Sheffield,
Solicitor.

The statutory declaration may be in the following form:—

Impressed
Stamp
2/6

I, *Timothy Featherstone*, of *2, Bennett Street, Leicester*, do solemnly and sincerely declare that my certificate *No. 9,556* for 300 ORDINARY shares, numbered *8,140* to *8,439* inclusive, in the SOUTH LANCASHIRE TRADING COMPANY, LTD., has been mislaid, lost or accidentally destroyed, and I, after a thorough search, have been unable to find the same. I further declare that I have not sold the said shares or mortgaged them, and I have not knowingly parted with the said certificate. I therefore request the said company to issue a new certificate in my name.

And I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1835.

Declared before me at 245,
Upper Bank Street, Lei-
cester, this 28th day of
January, one thousand,
nine hundred and

George Tottington,
A Commissioner for Oaths

Timothy Featherstone.

The secretary will in due course place these documents before the Board, and if they decide to issue a duplicate it will be marked "Duplicate" before issue, and the fact of the issue will be noted on the member's account.

When Share Certificates are Issued.

In concluding this chapter it will be useful to set out the circumstances under which share certificates are issued—

1. In exchange for letters of allotment and cash receipts (if any).
2. In respect of a duly registered transfer.
3. In respect of a surrendered share warrant.
4. In respect of shares acquired by a person as a consequence of the death or bankruptcy of a member (after lodgment of a written request to be registered as a member, surrender of old certificate, and exhibition of probate, letters of administration, bankruptcy order, etc.).
5. On the marriage of a female shareholder (after production of marriage certificate and surrender of share certificate in her previous name).
6. In exchange for a worn-out or defaced certificate, or in respect of one which has been lost, mislaid, destroyed or stolen.
7. In exchange for a certificate lodged to be split (i.e. where a certificate for a certain number of shares is surrendered and two or more certificates are required, each for a part of such shares).
8. In exchange for a Balance Receipt or Ticket (see page 93.)

On the following pages are specimens of documents mentioned in this chapter.

COUNTERFOIL.

No. 48
ORDINARY SHARES.

Name,
James Oldham.

Address,
Brighton Grove,

Penission,
Yorkshire.

Description,
Merchant.

For 50 shares
Nos. 55,842 to 55,891
inclusive.

Date of certificate,
17th Feb., 19...

Date delivered,
20th Feb., 19...

Folio in register, 871

Facsimile Share Certificate.
CERTIFICATE.

No. 48 Certificate for ORDINARY Shares.

**THE SOUTH LANCASHIRE TRADING COMPANY,
LIMITED.**

Incorporated under the Companies Act, 1929
Capital, £220,000 divided into 100,000 5% Preference Shares of
£1 each and 120,000 Ordinary shares of £1 each.

XX

THIS IS TO CERTIFY THAT *James Oldham* of *Brighton Grove,
Penission, Yorkshire*, is the registered holder of *fifty ORDINARY
shares of £1 each, numbered 55,842 to 55,891 inclusive*, subject
to the Memorandum and Articles of Association of the Company,
and that there has been paid to this date in respect of each of
such shares, the sum of five shillings.

Given under the Common Seal of the Company, this
Seventeenth day of February, 19...



Walter Sykes Directors.
Rufus Moriarty

Thomas Massey, Secretary.
No transfer of any of the within named shares can be registered
without the production of this certificate.

RECEIPT.

THE SOUTH LANCASHIRE TRADING CO., LTD.

Certificate Receipt No. 48.
Received the above numbered certificate for
50 ORDINARY SHARES

Received by
James Oldham,

Shareholder.

PREFERENCE SHARES

No. 704

PREFERENCE SHARES.

80 Shares.

No. 704.

THE SOUTH LANCASHIRE TRADING COMPANY, LIMITED,
MANCHESTER.

Name,
Walter James Stenton,

Address,
Braaceydale Avenue,
Sirelford.

Description,
Shipper.

For 80 Shares,
Nos. 2,790 to 2,869
inclusive.

Date of Certificate,
17th Feb.

Date of Delivery,
20th Feb.

Folio in register 860.

Shares	Distinctive Nos.	
	From	To
80	2790	2869

Shares	Distinctive Nos.	
	From	To
80	2790	2869

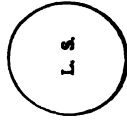
Incorporated under the Companies Act, 1929

Capital, £220,000 divided into 100,000 Preference Shares of
£1 each and 120,000 Ordinary Shares of £1 each.

[Here would be stated the rights of Holders of Preference Shares as to dividend
and voting, and in the event of winding-up.]

THIS IS TO CERTIFY that *Walter James Stenton of Braaceydale Avenue, Sirelford*, is the Registered Proprietor of Eighty Shares in the Preference Capital of this Company, numbered as per margin, subject to the Memorandum and Articles of Association thereof, and that upon each of the said Shares the full amount of £1 has been paid.

GIVEN under the Common Seal of the
Company, this 17th day of February, 19..



Ernest Johnson,
Thomas A. Deedscombe, } Directors.

Thomas Massey, Secretary.

NOTICE ADVISING THAT CERTIFICATE OF TITLE FOR SHARES IS
READY FOR ISSUE

THE SOUTH LANCASHIRE TRADING COMPANY
LIMITED.

37, DALE STREET, MANCHESTER,
16th Feb., 19...

Sir or Madam,

I beg to advise you that the certificates for the ORDINARY shares in this company, will be ready on the 18th inst., and will be delivered to you in exchange for the allotment letter(s) bearing the bankers' receipt(s) for allotment money. The allotment letters must be left three clear days for examination.

Should you be unable to attend this office personally to effect the exchange, please complete one of the forms below, and forward to me in the enclosed envelope.

Your obedient servant,

To *James Oldham, Esq.*,
Brighton Grove,
Penistone, Yorks.

Thomas Massey,
Secretary.

Brighton Grove, Penistone, Yorks,
17th Feb., 19...

The Secretary,

THE SOUTH LANCASHIRE TRADING CO., LTD.,
37, DALE STREET, MANCHESTER.

Sir,

I send *two* receipted allotment letters in respect of the ORDINARY shares standing in my name in your company. Please forward the certificate, at my personal risk, addressed to me as above.

Yours faithfully, *James Oldham.*

Mornington Villa, Shrewsbury,
17th Feb., 19...

The Secretary,

THE SOUTH LANCASHIRE TRADING CO., LTD.,
37, DALE STREET, MANCHESTER.

Sir,

I shall be glad if you will hand the certificate in respect of the ORDINARY shares registered in my name, to *the Lancashire and Cheshire Bank, King St., Manchester*, who will hand you bankers' receipts in respect of it. Please recognize their receipt for the certificate as your full discharge.

Yours faithfully, *James B. Monypenny.*

CHAPTER IX

SHARE WARRANTS TO BEARER

A COMPANY limited by shares, if so authorized by its Articles, may, with respect to any fully paid-up shares, issue under its common seal a warrant stating that the bearer of the warrant is entitled to the shares therein specified, and may provide, by coupons or otherwise, for the payment of the future dividends on the shares included in the warrant, in the Act termed a share warrant (Section 70, Companies Act). This does not, of course, apply to *private* companies.

Warrants in regard to stock are objected to by the Committee of the London Stock Exchange, though a company may take power to issue warrants to bearer in respect of stock.

Share warrants to bearer cannot be said to be popular in England, but on the Continent they are commonly met with. The duty payable on the creation of bearer warrants is 60/- per cent of the nominal value, which may, of course, be considerably higher or lower than the market value. On the other hand, there is no duty to pay on transfer as in the case of shares, and moreover, transfer is effected by mere delivery. This is exceedingly useful in the case of shares held abroad, as the delay and formalities attendant upon transfers of registered shares are avoided. Share warrants are also convenient securities for lodging against bank loans.

Issue of the Warrants.

A share warrant is a negotiable instrument, giving anyone who comes by it honestly a perfect title; and as a consequence the greatest care must be taken in preparing and issuing the warrants. The printers are usually required to certify that they have printed only the exact number ordered; the unused forms are kept under lock and key; and all work in connection with the issue of the warrants is checked by responsible officials or by the company's auditors.

Warrants can be issued only at the request of a shareholder and in exchange for the certificate for his registered

shares, and the usual practice is for the company to provide a printed form of application (see page 79) to be filled in by the shareholder and returned with his share certificates, and his remittance for the stamp duty and the small fee (usually 2s. 6d.) which the company charges for effecting the exchange. The matter then comes before the directors, and on their approving the application a warrant is prepared, signed and sealed. It must, however, be stamped before being signed and sealed. Attached to the warrant will be a number of coupons, which provide for the payment of dividend on the shares and which are detached as required, and sent to the company in accordance with the advertisement inserted by the company in the newspapers. A larger coupon—termed a “talon”—is also attached to the warrant, entitling the holder to a further series of dividend coupons when those on the warrant have been presented and paid.

On a warrant being issued, the name of the original holder must be struck off the register, and particulars entered therein stating that the warrant has been issued, also giving the date of the warrant and particulars of the shares included in the warrant (each share being distinguished by its number). It is desirable, where there is a large number of warrants to be issued, to have a separate register for them, but in any case, an account should be opened in the Register of Members, showing the particulars of shares for which warrants have been issued, so that the total shares in issue as shown by the register remains the same. In this account contra entries would be made when the warrants were cancelled. The medium for these entries would be the Transfer Register, from which particulars of the share warrants issued in respect of fully-paid shares would be taken and placed to the debit of “Share Warrants to Bearer Account,” and to the credit of this account would be entered—again from the Transfer Register—particulars of cancelled share warrants, that is, warrants that have been surrendered. In respect of the latter, holders of shares represented in the warrants would again be placed on the register as shareholders.

A holder of a share warrant is not a member of the company, as his name does not appear in the register; but the Articles usually give him the right, on temporarily lodging his warrant with the company, to attend meetings and

SHARE WARRANT.

SHARE WARRANT.

THE SOUTH LANCASHIRE TRADING COMPANY, LIMITED.

Incorporated under the Companies Act, 1929.

For 50 Shares.

SHARE WARRANT.

Nos. 411 to 460
inclusive.

No. 29

For 50 Shares.

Stamp
30/-

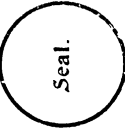
No. of Certificate, 29.

THIS IS TO CERTIFY that the Bearer of this warrant is the owner of *fifty* fully paid up Ordinary Shares of £1 each, Nos. 411 to 460 inclusive, in this Company, subject to the Articles of Association.

Issued to

James Lincoln,
Of 2, Bennett St.,
Hyde.

GIVEN under the Common Seal of the Company, this *Seventh* day of *March*, 19...



Walter Sykes, } Directors.
Rufus Martin, }

Dated, *7th March*, 19...

Register fol. 284.

Thomas Massey, Secretary.

exercise voting rights. A receipt is issued for the deposited warrant, which is returned after the meeting in exchange for the receipt. The Articles should set out the conditions under which the holder of a share warrant may vote, call meetings, or exercise any other privileges of a member. But a holder cannot be qualified in respect of the shares or stock specified in the warrant, for being a director or manager of the company, if a share qualification is required.

Reconversion of Warrants.

When the holder of a warrant desires to surrender his warrant and to be again placed on the register as a shareholder, he should fill up a form, giving the company all particulars required by their regulations. A fee will also be charged for reconversion. Share warrants thus given up should be cancelled at a Board meeting, and a careful minute be made of their production and of the order for their cancellation.

Particulars of share warrants have to be furnished in the "Annual Return."

Lost Share Warrants.

The replacement of a share warrant which the owner states has been lost or destroyed is a far more serious matter than the issue of a duplicate share certificate, for the company is unable to deny the title of any person who in good faith and for value comes into possession of the original warrant. Consequently, although the Articles usually authorize the directors to issue a new warrant upon satisfactory evidence and indemnity, it is very rarely that they will agree to do so. Should they consent, they will usually insist upon the applicant advertising his loss and offering a reward; and they will also require a substantial guarantee by a bank or insurance company, together with the other safeguards mentioned in Chapter VIII in relation to lost share certificates. The applicant will, of course, have to bear the stamp duty on the new warrant. Usually companies prefer to defer the issue of a duplicate for, say, ten years, paying the dividends against indemnities.

CHAPTER X

DIRECTORS

DIRECTORS are the members of a company who are appointed by the general body of shareholders to manage its affairs, they presumably being men who not only are capable of performing the duties delegated to them, but at the same time have the full confidence of the shareholders. Standing as it were in the shoes of the latter, they attempt to represent their views in so far at least as successful management and trading are concerned. They are a kind of active partners in the business; consequently they have a large amount of freedom of action. Notwithstanding the latter statement, however, directors are bound by the regulations of the company, and they are the persons responsible for the carrying out of all matters required by such regulations. Their duties, therefore, are simply to carry out the objects for which the company was established, which in most cases are to trade and make profits, and thus produce a dividend for the shareholders. In their capacity as directors they can act only as a Board, and consequently all their decisions must be taken at Board Meetings, properly constituted and conducted according to the law relating to such meetings and the Articles of the company; but where the Articles allow, the Board may delegate duties to committees consisting of one or more directors. These matters will be considered in later chapters.

Appointment of Directors.

A public company registered after the Act of 1929 must have at least two directors. So far as the secretary is concerned he must see with regard to every director or proposed director

- (1) that he is capable of acting;
- (2) that he holds or will hold the necessary qualification in regard to shares, where such a condition is imposed in the Articles;
- (3) that his appointment as a director is properly carried out.

A bankrupt director is not allowed to act without the Court's consent.

If the Articles allow, another company may be appointed a director, and in such a case the directing company will appoint one of its officers to attend directors' meetings, etc.

In the case of a public company, every director appointed by the Articles, and every director or proposed director named in a prospectus issued within a year of the company becoming entitled to commence business, must have signed and delivered for registration to the Registrar of Companies, a consent in writing to act as a director, and signed the Memorandum of Association for the necessary qualification shares (if any), or taken such shares from the company and paid or agreed to pay for them, or signed and delivered to the Registrar for registration an undertaking in writing to take from the company and pay for any such qualification shares, or made, and delivered to the Registrar for registration, a statutory declaration to the effect that he is already qualified. There is no legislation that lays it down that a director must hold shares in the company, but most Articles lay down a share qualification.

Whilst the first directors who are named in the Articles or prospectus must be qualified before being so named, a director who is subsequently appointed must obtain his qualification shares within two months after appointment, or a less period if the Articles require it. If he fails to obtain, or to retain, his qualification shares, he automatically vacates office; and if he continues to act as a director he is liable to a fine of £5 per day.

Where the first directors are not appointed by the Articles they are usually appointed by the subscribers to the Memorandum—either by resolution at a meeting, or by a document signed by all of them.

Subsequently, any vacancies occurring in the directorate are filled in accordance with the Articles, usually at the annual meeting of shareholders. Directors of private companies are often "life" directors, but in public companies the common rule is for one-third of the directors to retire at each annual meeting, those retiring being eligible for re-election by the meeting, and usually seeking it. Vacancies occurring at other times, e.g. by resignation or death, are known as casual

vacancies, and under most Articles such vacancies can be filled immediately by the remaining directors.

Remuneration of Directors.

Directors are usually remunerated by fees fixed by the Articles or voted by resolution of a general meeting; and the total amount of such fees and of any fees received from subsidiary companies, but excluding the Managing Director's remuneration and any salaries paid to other directors occupying salaried positions, must be disclosed in the annual accounts. If shareholders desire further information they can, by submitting a demand in writing signed by the holders of one-fourth of the votes of all members of the company, require the directors to furnish an audited statement of the total amount paid to the Board in each of the three preceding years by way of remuneration or other emolument by the company and by any subsidiary company and any companies of which members of the Board are directors by nomination of the principal company. Such demand, however, is of no effect if the company within one month of the demand resolve in general meeting that the statement shall not be furnished.

Where Articles mention a definite sum per annum as remuneration, directors serving for only part of a year are not entitled to a proportionate fee. The wording is, therefore, generally such as to indicate an accruing remuneration from day to day.

Resignation and Removal of Directors.

Apart from death, resignation, and retirement by rotation, mentioned above, a director may automatically lose his office by operation of the Companies Act, 1929, if (i) he fails to obtain, or to retain, his qualification (Section 141); (ii) he becomes bankrupt and the Court does not grant him leave to act; or (iii) he is found guilty by the Court of forming or conducting a company with a view to defrauding creditors, and is ordered not to become a director of any other company for a period up to five years (Sections 217 and 275).

In addition, Articles often stipulate that other events shall disqualify a director. Thus, Article 80 of the model set of Articles known as Table A provides that a director shall vacate office:—

if he holds any other office of profit under the company except that of managing director or manager, or if he becomes bankrupt ; or is found lunatic or of unsound mind ; or is concerned or participates in the profits of any contract with the company, but no director shall vacate his office by reason of his being a member of any company which has entered into contracts with or done any work for the company of which he is a director.

Article 80 of the Table gives power to remove a director by an extraordinary resolution.

Register of Directors.

A " Register of Directors and Managers " must be kept, containing the names, addresses, occupations and other particulars of such persons, a copy of which must be sent to the Registrar (with the Annual Return), to whom also must be notified from time to time (within fourteen days) any changes among the directors or managers. This is effected by filing a Return of Directors, which is a copy of the Register of Directors so far as existing directors are concerned, with a note of the changes in the "Changes" column, e.g. "appointed in place of A B." The register must be open for inspection daily by members of the company without charge, and by any other person on payment of one shilling or such less sum as the company may prescribe. There is no provision regarding the taking of copies.

REGISTER OF DIRECTORS AND MANAGERS

The present Christian Name or Names & Surname.	Any former Christian Name or Names & Surname.	Nationality.	Nationality of Origin (if other than the present Nationality)	Usual Residence.	Occupations (including other Directorships).	Changes.

As to the publication of the names of directors on letter headings, etc., see Section 145 of the Act (page 15).

CHAPTER XI

CALLS

WHERE a company is formed to purchase an existing business, it may require the whole amount of its capital within a short time of its formation to enable it to complete the purchase and provide the necessary cash and other liquid assets which form the working capital. In such circumstances the prospectus will probably provide that the whole price of the shares will be payable by two or three instalments within a few months of allotment, and will specify the amount of each instalment and the date upon which it will be payable.

When, however, a company does not require all its capital until it has been operating for some time, a considerable proportion of the capital may be left to be called up in one or more "calls" as and when the money is required.

The Articles usually authorize the directors to make calls, and a usual provision in the Articles is that no call shall exceed one-fourth of the nominal amount of the share, and that it shall not be payable at less than a period of one month from the last call, notice of fourteen days (or more) being given in respect of each call. Further stipulations often appearing in the Articles are that interest may be charged on the amount of calls where not paid on due dates and that calls may be paid in advance, interest being allowed thereon.

The resolution making a call will be passed at a Board Meeting and will be worded somewhat as follows:—

RESOLVED.—That a call be and is hereby made of two shillings and sixpence per share on the 120,000 Ordinary shares of the company, and that holders of such shares be requested to pay the same to the company's bankers, on or before the 28th March, 19. . .

Following this resolution would be issued a call notice in form similar to that shown on the next page.

Before preparing the notices, all transfers accepted up to the date of the call, i.e. the passing of the resolution, would be passed by the Board and entered in the Register of Members.

NOTICE OF CALL

THE SOUTH LANCASHIRE TRADING COMPANY, LIMITED.

Registered Offices :—37, DALE ST.,

MANCHESTER,

7th March, 19...

No. 74

FIRST CALL.

FIRST CALL OF 2s. 6d. PER SHARE ON THE 120,000 ORDINARY SHARES OF £1 EACH OF THE COMPANY (MAKING 7s. 6d. PER SHARE PAID UP).

Sir, or Madam,

I am requested to notify you that the directors have this day resolved that a call of 2s. 6d. per share be made on the Ordinary shares of the company (in accordance with the terms of the Prospectus dated 9th Jan., 19..), and I am further requested to ask you to pay the sum of £6 5s. 0d. on the *fifty* shares now registered in your name, on or before the 28th March, 19.., to the Union District Bank of Manchester, Ltd., King St., Manchester.

Share certificate with bankers' receipt should be forwarded to the company for endorsement of the call on the former [or: The receipt must be carefully preserved, to be exchanged with other receipts for a share certificate.]

By order of the Board,

Julius Cooke, Esq.,
"Melandra," Malvern.

THOMAS MASSEY,
Secretary.

First Call.

No. 74.

THE SOUTH LANCASHIRE TRADING COMPANY,
LIMITED.

RECEIVED from *Julius Cooke, Esq.*, the sum of *Six* pounds *five* shillings, being the amount due in respect of *fifty* Ordinary shares in the above company.

For the Union District Bank of Manchester, Ltd.,

G. M. TELLER.
Stamp.

£6 5s. 0d.

21st March, 19...

This form to be sent entire, accompanied by the amount payable, to the Company's bankers.
The Union District Bank of Manchester, Ltd., King St., Manchester.

Call lists (see below) are then prepared from the register; the names and addresses may first be inserted by an addressing machine, and the sheets afterwards divided amongst clerks for the insertion of the numbers of shares against each name and the working out of the amounts due. Care must be taken to omit shareholders who have paid their calls in advance. Finally, the total of the "No. of Shares" column is agreed with the total number of shares issued, and it is ascertained that the total amount called bears the correct proportion to the number of shares.

The call notices—on which the names and addresses have been inserted by the addressing machine—are then filled in from the lists, checked and posted.

As members pay their calls, the payments will be entered on the lists. The secretary must be careful to see that transfers received after the due date are declined if the call has not been paid on the shares comprised therein.

CALL LIST. 1ST CALL OF 2s. 6d. PER SHARE ON 120,000

No. of Call Notice	Share Ledger Folio	Shareholder's Name and Address	No. of Shares Held	Amount of Call Due at 2s. 6d.		
74	19	<i>Cooke, Julius</i> <i>"Melandra," Malvern .</i>	50	£ 6	s. 5	d. -

ORDINARY SHARES, MADE 7TH MARCH, 19.., DUE 28TH MARCH, 19..

C.B. Folio	Paid		Outstanding			Remarks
	Date	Amount	Amount	No. of Days	Interest Due	
129	19.. Mar. 21	£ 6 s. 5 d. -	£ s. d.		£ s. d.	

CHAPTER XII

FORFEITURE OF SHARES

THE Articles of most public companies give the directors power to forfeit shares, where instalments or calls due thereon have not been paid after appropriate notice has been given to the shareholder of the directors' intentions. There is no right of forfeiture unless it is given by the Articles; and where it exists it is essential that the directors should very carefully carry out the procedure laid down, as in the event of any irregularity the dispossessed shareholder may be able to have the forfeiture annulled.

Forfeiture is, however, resorted to only when all efforts at persuasion have failed; and it is usual to send the shareholder at least two previous communications, the first merely reminding him of the overdue amount and that interest may be charged on it, and the second warning him that if non-payment continues the directors will regretfully have to consider the question of forfeiture.

As to forfeiture itself, the procedure provided by Table A is typical; the following is a summary:—

If call is unpaid at due date, directors may serve notice requiring payment of call with interest.

In notice a date must be mentioned—not less than 14 days from date of such notice—by which time call must be paid, otherwise shares are liable to forfeiture.

On failure to comply with such notice, directors may by resolution declare the shares forfeited.

Forfeited shares may be disposed of by will of directors, but before disposition or sale forfeiture may be cancelled.

Persons whose shares are thereby forfeited, though ceasing membership of the company in respect of such shares, remain liable for all calls, such liability only ceasing when payment is made in full of the nominal amount of shares.

Statutory declaration in writing, stating that declarant is a director of the company and that a share in the company has been duly forfeited on a given date, is

sufficient and conclusive evidence against all persons claiming to be entitled to the shares. The person to whom the share is disposed of shall be registered as holder. He is not bound to see to the application of purchase money nor is his title defective by irregularity of proceedings in reference to forfeiture.

To effect the forfeiture two Board Meetings are necessary, the first to give instructions for the formal notice to be issued (it should be sent by registered post so that service can be proved); and the second after the date stated in the notice, to pass the resolution of forfeiture. The resolution might be as follows:—

The Secretary having reported that Mr. D. Faulter, the holder of 100 Ordinary Shares of £1 each, numbered 1701 to 1800 inclusive, had not complied with the notice served upon him in pursuance of the Resolution of the Board dated, requiring him to pay the amount of £. . . . due in respect of the second instalment on the said shares, it was **RESOLVED** that the said shares be and they are hereby forfeited.

Table A does not require any notice to be sent to the shareholder acquainting him that his shares have been forfeited; but it is usual to send such a notice to remove any suspicion he may have had that the directors' threat was an idle one. It is also usual to request him to return the share certificate; but it is rare for a defaulting member to comply with such a request, and the result is that, should the shares be sold and a certificate issued to the purchaser, two documents of title will be in issue for the same block of shares. The provision mentioned above, whereby a statutory declaration made by a director shall be conclusive that the shares have been forfeited, is designed to nullify the validity of the unreturned certificate.

Forfeited shares may be sold by the company at a discount not exceeding the amount paid up on them at the time of sale.

Shares may be surrendered but only in cases where forfeiture would be valid; otherwise it would operate as a reduction of capital. A surrender can, therefore, be in respect of partly paid shares only.

CHAPTER XIII

TRANSFER AND TRANSMISSION

IN the previous chapter, reference was made to the fact that shares may pass from a holder by process of forfeiture, but by such means only a very limited number of shares change hands. The majority of shares pass from holder to holder by what is known as "transfer," whilst a fair number pass by "transmission."

As mentioned in Chapter I, transfer work in a company is usually undertaken by the secretary, but if the transfers are numerous, there is often an officer responsible for transfer work, known as the registrar, who for this purpose is immediately subordinate to the secretary, the latter being always responsible to the board of directors for any share transactions in his company. Transfer work demands the greatest care in its execution.

Transfer of Shares.

Transfer of shares occurs when, two parties having respectively agreed to part with and to accept the legal title in shares, the name of the former is removed from the Register of Members in respect of such shares, and the name of the latter is inserted in his place.

The usual reason for transfer is simply that the shareholder has sold his shares; but shares also frequently change hands for the reasons given in (a) to (g) on page 92, whilst transfer may also take place as a result of a gift *inter vivos*—i.e. a gift during the lifetime of the giver. Whatever the reason, the procedure adopted for effecting the transference of title is much the same; and we will describe it in outline before proceeding to consider it in detail.

The Companies Act requires that a proper instrument of transfer be produced to the company. The actual form of the instrument will depend upon the requirements of the Articles; but public companies almost invariably specify the "common" form, reproduced on page 91, as this is the form required by the London Stock Exchange. In this form the

shares are carefully described by inserting the name of the company, the class of the shares, their distinctive numbers and the amount paid up; the instrument is signed by the transferor and transferee, each in the presence of a witness, who also signs; the form is stamped with the proper amount of stamp duty and is then lodged with the company. The share certificate is surrendered at the same time. The company cancels the certificate, and after satisfying itself that all the documents are in order, prepares a new certificate in favour of the transferee; the transfer and the new certificate are placed before the Board (or Transfer Committee) for approval, and when approved the new certificate is signed and sealed, and in due course is issued to the transferee, whose name is entered in the Register of Members as holder of the shares in question.

The Stock Exchange.

Sales of shares in public companies are most frequently arranged through the medium of stockbrokers and the Stock Exchange. The member desiring to sell instructs his stockbroker to get a price for his shares. Members of the Stock Exchange are divided into two classes, brokers and jobbers. The broker acts as intermediary between his clients and the jobbers; the jobbers deal only with the brokers, and usually restrict their attention to a particular section (or "market") of the exchange. The broker, having obtained a price from a jobber in the market concerned, reports to his client and obtains his instructions to sell, and returns to the jobber and completes the deal. A person desiring to purchase follows a similar procedure.

Transactions on the Stock Exchange are normally settled at fortnightly intervals, and it will be understood that the particular block of shares may be bought and sold several times in that period. At the end of the period, however, the seller's broker is advised of the name and address of the final purchaser, and is able to prepare a form of transfer and to get it signed by his client and duly stamped, and to pass it with his client's share certificate to the purchaser's broker. The latter, after having the transfer signed by his client, lodges it and the share certificate at the company's office, receiving in exchange a Transfer Receipt. In due course the



I *Orlando Oldham, of Shaw Hall, Newton Moor, Hyde,*
 in consideration of the sum of* (See Note at foot) *One thousand and
 thirty-five pounds, paid by*

*Henry George,
 2, George Lane,
 Manchester.*

hereinafter called the said Transferee

Do hereby bargain, sell, assign, and transfer to the said Transferee (1035) *One thousand and thirty-five Ordinary shares of One pound each fully paid and numbered 1011 to 2045 inclusive* of and in the undertaking called the *South Lancashire Trading Company, Limited.*

To HOLD unto the said Transferee *his* Executors, administrators, and assigns, subject to the several conditions on which I held the same immediately before the execution hereof; and I the said Transferee do hereby agree to accept and take the said *shares* subject to the conditions aforesaid.

As WITNESS our hands and seals this *twenty-fifth* Day of *January* in the Year of our Lord One Thousand Nine Hundred and

Certificate No. 87 for 1,035
 Shares lodged at the
 Company's Office
 T. Massey, Secretary.
 27th Jan., 19..

Signed, sealed, and delivered, by the above-named
Orlando Oldham, in the presence of
 SIGNATURE } *Edward O. Collinge,*
 OF WITNESS }
 Address, *336, Trafford Rd., Patricroft,*
 Occupation, *Clerk.*

Orlando Oldham Seal.

Signed, sealed, and delivered, by the above-named
Henry George, in the presence of
 SIGNATURE } *Tracy Tupman,*
 OF WITNESS }
 Address, *2, Chatham Hill Road, Salford,*
 Occupation, *Cashier.*

Henry George. Seal.

Signed, sealed, and delivered, by the above-named
 in the presence of
 SIGNATURE OF WITNESS
 Address,
 Occupation,

Seal.

Signed, sealed, and delivered, by the above-named
 in the presence of
 SIGNATURE OF WITNESS
 Address,
 Occupation,

Seal.

*The Consideration money set forth in a Transfer may differ from that which the first Seller will receive, owing to sub-sales by the original Buyer; the Stamp Act requires that in such cases the Consideration-money paid by the Sub-purchaser shall be the one inserted in the Deed, as regulating the *ad valorem* Duty; the following is the *Clause* in question:—

"Where a Person, having contracted for the purchase of any Property, but not having obtained a Conveyance thereof, contracts to sell the same to any other Person, and the Property is, in consequence, conveyed immediately to the Sub-purchaser, the conveyance is to be charged with *ad valorem* Duty in respect of the Consideration moving from the Sub-purchaser." [54 & 55 Vic. cap. 39 [1891], sec. 58, sub-sec. 4.]

INSTRUCTIONS FOR EXECUTING TRANSFERS.—When a Transfer is executed out of Great Britain, it is recommended that the signatures be attested by H.M. Consul or Vice-Consul, a Clergyman, Magistrate, Notary Public, or by some other person holding a public position, as most companies refuse to recognise signatures not so attested. When a witness is a Female she must state whether she is a *Spinster, Wife or Widow*, and if a Wife she must give her Husband's Name, Address, Quality, Profession or Occupation. The Date must be inserted in words not Figures.

[BACK OF TRANSFER FORM]

CERTIFICATE TO BE USED ONLY WHEN THE TRANSFER IS NOT A SALE AND THE CONSIDERATION FOR THE TRANSFER IS A NOMINAL ONE.

We hereby certify that the transaction on which this transfer is made, and under which the fixed duty of 10s. is payable, falls within the following description—

- (a) A transfer vesting the property in trustees on the appointment of a new trustee or the retirement of a trustee.
- (b) A transfer, as for a nominal consideration, to a mere nominee of the transferor, where no beneficial interest in the property passes.
- (c) A transfer by way of security for a loan; or a re-transfer to the original transferor on repayment of a loan.
- (d) A transfer to a residuary legatee of stock, etc., which forms part of the residue divisible under a will.
- (e) A transfer to a beneficiary under a will of a *specific legacy* of stock, etc.
- (f) A transfer of stock, etc., being the property of a person dying intestate, to the party or parties entitled to it.
- (g) Transfers to a beneficiary under a settlement on distribution of the trust funds of stock, etc., forming the share or part of the share of those funds to which the beneficiary is entitled in accordance with the terms of the settlement.

STRIKE OUT THE DESCRIPTIONS THAT DO NOT APPLY

Note to (b) and (c)—

A certificate is required setting forth the facts of the transaction and signed by (i) both transferor and transferee, or (ii) a member of a Stock Exchange or a solicitor acting for either party; or (iii) an accredited representative of a Bank, where the Bank or its nominee is a party to the transfer.

Here set out the facts of the transaction, if not coming within any of the cases (a) to (g) {
.....
.....
.....

Signatures
.....

Date.....

N.B. A transfer by way of a gift, *inter vivos*, is chargeable with *ad valorem* duty and must be adjudicated.

transfer is passed and the buying broker collects the new certificate, made out in his client's name, in exchange for the Transfer Receipt.

Certification.

Frequently it is impracticable for the seller or his broker to hand over a share certificate to the buying broker; the seller may be parting with only a part of the shares represented in his certificate, or he may be selling the shares in several lots. In such cases the certificate is surrendered to the company, and the secretary is asked to "certify" on each transfer concerned a statement to the effect that a share certificate covering the shares specified therein has been lodged at the company's office. This is done by signing and dating a printed or rubber-stamped statement in the margin of the transfer form (see the specimen form on page 91). Where an "uncertified balance" remains on the certificate surrendered, a Balance Ticket (see page 95) is issued, and is in due course exchanged for a new certificate for the balance.

Transfers so certified are by custom accepted as "good delivery" on the Stock Exchange and enable the buying broker to be reasonably satisfied that the seller has a title to sell; but legally the company (having authorized its secretary to give receipts only for certificates lodged) is not responsible if, fraudulently or negligently, he certifies a transfer without receiving or retaining the certificate.

Stock Exchanges now undertake much of the work of certification; they certify transfers and return them to the selling brokers, and forward the share certificates surrendered to the company with a note of the certifications made. This saves the time of brokers and obviates the particular risk mentioned above.

Passing the Transfers.

Every transfer lodged for registration must be covered by a surrendered certificate or other document of title, and must be carefully scrutinized. The name of the company must be correctly stated; the distinctive numbers of the shares must be checked; it must be seen that the names inserted on the instrument correspond with the signatures of the parties, and many companies compare the signature of the transferor with

any previous signature available. Any alteration must be initialed by both parties.

Finally, the instrument must bear an impressed stamp for the correct amount. Briefly, this is at the rate of £1 per £100 of the consideration stated (it should be seen that this is reasonable), unless (i) the consideration is a nominal one, when the duty is the fixed duty of 10s.—see page 92; or (ii) the transfer is by way of gift *inter vivos*, in which case it must bear the special adjudication stamp and be stamped at the *ad valorem* rate on the market price of the shares.

The new certificates are prepared and checked, and are listed ready to place before the Board or Transfer Committee. At this stage many companies require their auditors to conduct an audit and to certify that all is in order. Otherwise it is usual for the directors themselves to call over the new certificates against the transfers and to satisfy themselves that the old certificates have been cancelled. A resolution is then passed authorizing the signing, sealing and issue of the new certificates.

In due course the certificates are despatched in accordance with the signed instructions of the members entitled to them, or are exchanged over the counter for Transfer Receipts and Balance Tickets. The Register of Members is posted, the cancelled certificates are pasted back on their counterfoils, and the transfers are filed away.

Powers of Attorney.

Transfers may be executed by an agent under the authority of a power of attorney. The deed of appointment must be exhibited to the company for registration (usual fee 2/6) and it must be carefully examined to see what powers are given to the holder. The authority delegated is interpreted strictly in accordance with the written terms of the deed, and therefore it is particularly necessary to ascertain whether the agent is authorized to buy shares, sell shares, receive dividends, and to appoint a substitute.

Usually, these documents are expressed to be irrevocable "for one year from the date thereof," but they continue in force until revocation actually takes place, which may occur either by the definite act of the principal, i.e. cancellation, or upon his death, bankruptcy, or insanity. The secretary

BALANCE TICKET.

**THE SOUTH LANCASHIRE TRADING COMPANY,
LIMITED.**

No.

Date.....19..

Balance ticket issued to Transferor.

Shareholder's Name

37, DALE ST.,
MANCHESTER.

Balance of Shares.....

No.

.....19..

Distinctive Nos.

Shareholder's name.....

No. of Old Certificate.....

The shares due to the above-named shareholder are.....

forShares,

shares, Nos.....to.....inclusive,

Balance ticket forwarded to

For the South Lancashire Trading Company, Ltd.,
.....Secretary

.....

Note.—Further transfers against this balance can only be certified on the production of this ticket. If no further transfers are certified or registered before..... a new certificate will be prepared and can be exchanged for this ticket on.....19..

New certificate ready.....

should, before acting upon a power of attorney, satisfy himself that it has not been revoked, and in some cases it may be desirable to require the attorney to execute a Statutory Declaration that the power is still in force.

The stamp duty payable for a "general" power is usually 10/- but a power for receipt of dividends only (one payment) is 1/- ; for more than one payment a 5/- stamp is required.

A statement that the power of attorney has been exhibited, with brief particulars of the document, should be entered in the shareholders' account in the Register of Members and (where one is kept) in the Register of Powers of Attorney.

Forged Transfers.

A forged transfer (i.e. one in which the transferor's signature is a forgery) is a nullity and confers no right of title to the shares upon the transferee. Where the company has acted on such a transfer, the rightful owner can compel the company to restore his name to the register. If any dividends have, in the meantime, been paid to the alleged transferee, the company must also make good those dividends to the true owner. The latter's remedy, in all cases, is against the company.

The transferee, though he may have acted innocently, is a party to the nullity and loses his shares, and will be obliged to repay any dividends received.

If the company has issued a share certificate and a third party, relying on it, has purchased the shares and suffered loss, the company (being unable to deny the declaration made in its certificate) will be liable to compensate him. The company, providing it has taken every reasonable precaution, has a right to recover the whole of its losses from the original transferee and his broker, both of whom, by asking the company to act on the transfer, impliedly warranted it to be genuine.

The Forged Transfers Acts, 1891-1892, give power to a company adopting the provisions of the Acts to make compensation to individuals who may suffer loss arising from a transfer of its shares, stock or securities through a forged transfer, or a transfer under a forged power of attorney. Where this practice is adopted, the following notice should be placed on the face of the share certificates :—

"The shares of the company are protected in terms of the Forged Transfers Acts, 1891 and 1892."

To meet payments made by the company in this matter, a reserve fund or compensation fund may be created, or the company may charge an additional fee to the usual one of two shillings and sixpence for transfer.

Few companies, however, take advantage of these Acts; and most companies prefer to rely, firstly, upon precautions to avoid the registration of forged transfers; and, secondly, upon insurance to compensate them for any loss that might be incurred under forged transfers and forged powers of attorney. The simplest and most effective precaution is the sending of an advice on the following lines to the transferor, as soon as possible after a transfer has been certified, or after it has been lodged for registration if it has not been previously certified:—

THE SOUTH LANCASHIRE TRADING COMPANY, LIMITED.

TRANSFER No. 36 To <i>Orlando Howcroft, Esq.,</i> <i>Tomkin Grove, Manchester.</i>	37, DALE ST., MANCHESTER, 2nd March, 19...
--	--

Sir,

I beg to inform you that a transfer deed purporting to be duly executed by you and transferring 300 shares from your name to that of *Augustus Cooper, Esq., Cravenhill, Stockport*, has been lodged here for certification/registration, and failing to hear from you to the contrary by return of post, I shall conclude the transfer is in order, and it will be submitted to the Board for registration in due course.

Yours faithfully,
 THOMAS MASSEY,
 Secretary.

This note should be sent in a sealed plain envelope, to avoid interception. Other precautions will occur to the reader: these include the comparison of signatures and the transfer audit already referred to, and the recording of lost and duplicate share certificates mentioned in Chapter VIII.

Restrictions on Transfers.

Most Articles give the directors of a company power to refuse to register a transferee of shares. Table A, clause 19, should be referred to in this connection. Private companies must, of course, restrict transfer. Should the directors refuse to register a transfer, notice of refusal must be given to the

transferee within two months of the lodgment of the transfer form. The Stock Exchange asks, also, for reasons for the refusal to be given with such notice.

It may be noted in passing that a transfer received in favour of an individual and a limited company cannot be refused on that ground only. The transfer must be registered in the joint names.

Transmission.

By "Transmission" is meant the passing of the right to deal with shares from one person to another by act or operation of law. Thus, in the case of a deceased shareholder, the rights pass to the executors or administrators appointed to wind up the estate; in the case of bankruptcy, to a trustee in bankruptcy, and, where the shareholder is a lunatic, the rights pass to his committee in lunacy.

A company must first be satisfied of the due appointment of such personal representative before allowing any dealing in any way with the interests of the registered holder. On the decease of a sole holder, the company requires probate (or letters of administration in the case of intestacy of the member) to be produced. These furnish the name or names of executors or administrators, which will be entered in the shareholder's account in the Register of Members as shown on page 62, and in the Register of Probates. (See page 99.) The seal on probate or letters of administration must be that of an English court. Some companies require a form to be filled up by the person presenting probate or letters of administration for registration.

The executors or administrators have the right to transfer the shares in their official capacity, but they may also, if they choose, request the company to place their names on the register, in which case they will be treated precisely in the same manner as other shareholders and will be responsible for liabilities attaching to the shares, likewise being entitled to any benefits therefrom. The company's articles must be consulted to ascertain whether a formal transfer is required. Where Table A, clause 21, or similar provisions apply, a "letter of request" may be accepted, but if the articles provide that personal representatives may "transfer the shares to himself or to any other person" a formal transfer is necessary.

In the case of a transfer to a specific or residuary legatee, the consideration is nominal and subject to a stamp duty of ten shillings, but where a transfer is made in satisfaction of a pecuniary bequest, that is, where a legatee accepts shares in lieu of money to which he is entitled, the stamp duty must be *ad valorem*.

A trustee in bankruptcy or a committee in lunacy should present his Order of Court, in order to prove his appointment. It should be noted that the former may, if he think fit, disclaim the shares of the bankrupt, as, for example, when there is any liability for unpaid calls.

On the death of a joint holder domiciled in England, the shares vest, by the doctrine of survivorship, in the surviving members. It is sufficient to produce evidence of his death, e.g. a death certificate, although probate or letter of administration may be accepted for the purpose.

An example is given on the previous page of a Register of Probates. Similar registers are often used to record the registration of powers of attorney, proof of death in joint holdings, and the appointment of trustees in bankruptcy or committees in lunacy; or all these records may be contained in one book, different sections being reserved for each class of document.

Another book that is sometimes used in transfer work is the *Register of Transfers*, which forms the posting medium for entry in the Register of Members; but the modern tendency is to dispense with this book and enter the particulars into the Register of Members direct from the transfer form.

CHAPTER XIV

THE COMMON SEAL

IN the preceding pages some mention has been made of the seal and the sealing of documents. In the Companies Act there are the following among other references to it. Section 13 (2) says "an incorporated company . . . having a common seal." Section 93 (1) (b) states, "Every limited company shall have its name engraven in legible characters on its seal," and where a seal is used regardless of this regulation, any director, manager or officer of a limited company or any person acting on its behalf using or authorizing the use of such a seal and purporting it to be the seal of the company will be liable to a penalty of £50. The use of the seal is made apparent by Section 29, thus :—

"A contract which, if made between private persons, would be by law required to be in writing and if made according to English law to be under seal, may be made on behalf of the company in writing under the common seal of the company."

Contracts may in the same manner be varied and discharged.

The Companies Act, 1929, also provides that the seal must be affixed to share warrants to bearer, power of attorney appointing an agent to execute deeds abroad, and instruments in writing appointing an agent abroad to use an official seal on behalf of the company.

In practice the seal is also used as the official signature of the company in other important documents, e.g. share certificates, debentures, trust deeds, powers of attorney. It is customary for the articles to give directions as to sealing. Table A gives the following :—

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."

Directions are often made by the directors as to the custody of the seal. The usual rule is for it to be kept in a safe in the secretary's office, and the keys, usually two, are kept, one by the chairman or managing director and the other by the secretary, duplicate keys being either held by other directors or deposited in a place of safety.

The sealing of documents may be performed at board meetings and this procedure is followed where the documents are few in number. Where, however, large numbers of documents, e.g. share certificates, have to be sealed, it is usually found more convenient to pass, at the board meeting, a resolution authorizing the seal to be affixed to certain documents and to arrange for the attendance of certain directors to carry the resolution into effect.

All records of the sealing of documents may be entered in a "Seal" book, a specimen ruling of which is shown below.

SEAL REGISTER

Date of Sealing	Folio in Minute Book for Authority	Particulars of Documents Sealed	Number of Documents Sealed	Names of Persons Sealing (own Initials)	Where Documents Placed	Remarks
19.. 10th Mar.	74	Lease of 37, Dale Street		W.S. T.M.	Fol. 24 Documents file	

A facsimile of the common seal, with the addition of the name of the place where it is to be used, may—if so authorized by its Articles—be provided for any foreign branch of the company, and it will be considered to be the official seal of the company in that particular country or place.

CHAPTER XV

BORROWING POWERS—DEBENTURES AND LOANS

FROM time to time many companies find it necessary to raise additional money in order more effectually to carry out their business transactions, but instead of issuing further shares they often find it more expedient to raise loans. All trading companies, unless expressly forbidden to do so by their Memorandum or Articles, have implied powers to borrow to any extent, and it may be noted that a power to borrow includes a power to give security; but it is usual to insert in the Articles provision with regard to the maximum amount which the directors may borrow—see, for example, clause 69 of Table A. The amounts may be borrowed as a temporary measure, as in the case of bank overdrafts and short loans granted by bankers and others (for periods not exceeding twelve months); and most business men are familiar with the arrangements made with bankers for the advance of certain moneys or of credit during a heavy buying season, with or without security beyond that of the recognized “standing” of the firm. Where loans are required for something of a permanent character, as, for instance, to enable a company to have more working capital, or to erect buildings, the common practice is to issue a mortgage or debentures, giving as security a charge upon the assets of the company.

It is indeed usual, where a company is being formed which will take over existing properties, for the company to obtain a substantial proportion of its “capital” by the issue of debentures secured upon such property. The company thereby takes advantage of the existence of a class of investors who (unlike shareholders, who take a risk in order to share in the success of the company) require security for their money and, if this is forthcoming, will accept a moderate rate of interest. The adoption of this policy permits the company to pay higher dividends on its shares than would have been possible if the funds of the company had been found entirely by subscriptions of shares.

Debentures.

A debenture is understood in business circles to mean a security given by a company, under seal, to secure the repayment of borrowed money, with interest.

Debentures are of two kinds: (1) Simple or naked; (2) mortgage debentures. The former, as their name implies, give no security; and a holder in a winding up would rank only as an ordinary creditor.

A mortgage debenture gives a fixed or a floating charge or both. Where a fixed charge is given, specific fixed assets, such as land, buildings and plant, are charged and are conveyed to the lenders or to trustees until repayment is effected; meanwhile the company has the use of the property, but cannot dispose of it or deal with it in any way without the consent of the debenture holders. A floating charge, however, is a device intended to permit a company to borrow on the security of assets which are used in trading, such as stocks, work in progress, and book-debts, which change from day to day and consequently could not be charged in the manner indicated above. A floating charge permits the company to deal with the assets charged in the ordinary course of business as if no charge existed until the charge "crystallizes" or becomes fixed; this happens when the company is wound up, or when default is made by the company in carrying out the terms of the loan and the debenture holders or their trustees take steps to enforce their security.

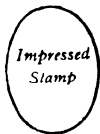
Frequently a debenture gives a fixed charge over certain fixed property which it specifies, and a floating charge over all the assets of the company, including its undertaking and its circulating assets, and its uncalled capital. A study of the debenture reproduced on page 105 will show that it is of this nature.

Trust Deed.

Where a debenture is issued to secure a single loan, such as a bank overdraft, the debenture itself will contain the charge; but in an issue of debentures or debenture stock to the public it is usually necessary to make use of a trust deed. This is a contract executed by the company and by trustees acting on behalf of the debenture holders; it has of necessity

This Debenture is issued under the authority of clause ... of the Memorandum of Association, and clause ... of the Articles of Association of the Company, and a resolution of the Company dated the 11th day of January, 19...

THE X COMPANY
LIMITED.



THE X COMPANY LIMITED

Incorporated under the Companies
Act, 1929.

Authorized Capital: £200,000 divided into
200,000 Ordinary Shares of £1 each.

Issue of 1,000
Debentures of
£100 each, carry-
ing interest at
£4 per cent. per
annum.

ISSUE OF 1,000 DEBENTURES OF £100 each
carrying interest at £4 per cent. per annum.

No. 44 DEBENTURE. £100

No. 44.
Debenture £100.

1. The X Company, Limited (hereinafter called "the Company") will, on the first day of June, One thousand nine hundred and , or on such earlier day as the principal moneys hereby secured become payable in accordance with the conditions endorsed hereon, pay to Wesley Craig, of Tawry-Ffordd, Llanhedr, Denbighshire, or other the registered holder for the time being hereof the sum of ONE HUNDRED POUNDS.

Name of Holder,
Wesley Craig.

2. The Company will in the meantime pay to such registered holder interest thereon at the rate of Four Pounds per cent. per annum, by half-yearly payments on the first day of June and the first day of December in each year, the due proportion of the first of such half yearly payments to be made on the first day of June, One thousand Nine hundred and

Address, Tawry-
Ffordd, Llan-
hedr, Denbigh-
shire.

3. The Company hereby charges with such payment its undertaking and all its property, present and future including its uncalled capital (if any).

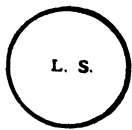
4. This Debenture is issued subject to and with the benefit of the conditions endorsed hereon, which are to be deemed part of it.

Date, 8th Feb.,
19...

GIVEN under the Common Seal of the Company, this eighth day of February, One thousand, nine hundred and

R. M. } Directors.
E. J. }
A. S. Secretary.

The COMMON SEAL of the Company
was affixed hereto in the presence of



Rufus Martin, } Directors.
Ernest Johnson, }
Albert Saxon } Secretary.

THE CONDITIONS WITHIN REFERRED TO

1. This Debenture is one of a series of 1,000 Debentures, each for securing the principal sum of £100, issued or about to be issued by the Company. The Debentures of the said series are all to rank *pari passu* as a first charge on the property hereby charged without any preference or priority over one another, and such charge, saves as regards the hereditaments comprised in the Indenture below-mentioned, is to be a floating security.

2. A Register of the Debentures will be kept at the Company's office, wherein there will be entered the names, addresses, and descriptions of the registered holders, and particulars of the Debentures held by them respectively, and such register will at all reasonable times during business hours be open to the inspection of the registered holder hereof and his legal personal representatives, and any person authorised in writing by him or them.

3. The registered holder or his legal personal representatives will be regarded as exclusively entitled to the benefit of this Debenture, and all persons may act accordingly, and the company shall not be bound to enter in the register notice of any trust, or to recognise any right in any other person save as herein provided.

4. Every transfer of this Debenture must be in writing, under the hand of the registered holder or his legal personal representatives. The transfer must be delivered at the registered office of the company, with a fee of 2s. 6d. and such evidence of identity or title as the company may reasonably require, and thereupon the transfer will be registered, and a note of such registration will be endorsed hereon. The company shall be entitled to retain the form of transfer.

5. No transfer will be registered during the seven days immediately preceding the days by this Debenture fixed for payment of interest.

6. In respect of each half-year's interest on this Debenture, a warrant on the company's bankers, payable to the order of the registered holder hereof, or in case of joint holders to the order of that one whose name stands first in the register as one of such joint holders, will be sent by post to the registered address of such registered holder, and the company shall not be responsible for any loss in transmission, and the payment of the warrant, if purporting to be duly endorsed, shall be a good discharge to the company.

7. The principal moneys and interest hereby secured will be paid without regard to any equities between the company, and the original or any immediate holder hereof, and the receipt of such registered holder for such principal moneys and interest shall be a good discharge to the company for the same.

8. At any time on or after the 1st day of June, 19... the company may give notice in writing to the registered holder hereof, his executors or administrators, of its intention to pay the sum of £101 in discharge of the principal moneys hereby secured, and upon the expiration of six calendar months from such notice being given the sum of £101 in discharge of the principal moneys hereby secured shall become payable.

9. The principal moneys hereby secured shall immediately become payable:—

(a) If the company makes default for a period of six calendar months in the payment of any interest hereby secured, and the registered holder hereof before such interest is paid by notice in writing to the company calls in such principal moneys,

(b) If an order is made or an effective resolution is passed for the winding up of the company.

10. The holders of the Debentures of the above series are and will be entitled to the benefit of (*pari passu*) and subject to the provisions contained in an indenture dated the first day of February, 19... and made between the company of the one part and Walter Thompson and John Andrew of the other part, whereby certain property of the company was vested in trustees for securing the payment of the principal moneys and interest payable in respect of the said Debentures.

11. A notice may be served by the company upon the holder of this Debenture by sending it through the post in a prepaid letter addressed to such person at his registered address.

12. Any notice served by post shall be deemed to have been served at the expiration of twenty-four hours after it is posted, and in proving such service it shall be sufficient to prove that the letter containing the notice was properly addressed and put into the post office.

to be executed before the debentures are offered for subscription. It is very necessary that the company, in arranging for trustees, should either invite two or three men of high standing in commerce—whose names will inspire the confidence of investors—to act, or appoint to the duty one or other of the “trustee” companies formed to undertake such work.

The trust deed states the maximum amount of the issue, the rate of interest and when payable, and the date and terms of redemption; it provides that the trustees shall hold the title deeds of the property subject to a fixed charge, and requires the company to keep the property insured and in repair; and entitles the trustees, if any default is made, to appoint a receiver or take other steps to enforce the security. It may also provide for meetings of the debenture holders and for a resolution passed by a specified majority at such a meeting to bind all the debenture holders. The benefit of the deed is given to every debenture holder by reference in the debenture or stock certificate as the case may be (see, for example, clause 10 of the “Conditions” reproduced on the previous page).

Forms of Debentures.

The following forms of debenture are issued by limited companies:—

Debentures to bearer, with or without interest coupons attached.

Debentures to registered holder.

Debenture stock.

Debenture stock is loan capital consolidated. A lender will thus have a certificate entitling him to a certain amount of the stock in accordance with the amount he advances.

In the case of an issue of debenture stock stamp duty for the total issue is impressed upon the trust deed and the debenture stock certificates are exempt from stamp duty. In the case of debentures to registered holder, each debenture certificate or bond is usually a specific mortgage for a fixed amount named therein, and bears its own stamp duty, but a trust deed may also be made for such debentures. The trust deed is then subject to the ordinary 10s. stamp duty as a deed.

The stamp duties on debentures are set out on page 116.

The Issue of Debentures.

Where a company desires to issue debentures, the directors will pass a resolution authorizing their creation. Such resolution may be in the following terms, but inasmuch as the company's solicitors would be engaged in the preparation of the debentures, and perhaps of the trust deed, the actual form of resolution would be drafted by them.

RESOLVED.—That one thousand debentures of one hundred pounds (£100) each in the company, be offered to the public for subscription, on the floating security of the company's assets, at the rate of ninety-eight pounds (£98) per centum, such debentures to bear interest at the rate of five pounds per centum per annum, and to be redeemed at par on the twenty-eighth day of February, nineteen hundred and or before at the option of the company,

and

That Messrs. Walter Sykes and Rufus Martin be and are hereby appointed a committee to

- (a) consider the appointment of trustees for the debenture holders;
- (b) arrange with the company's solicitors, Messrs. Law and Co., as to the draft forms of debenture bond and trust deed, and as to the issue of a prospectus in the matter,

and

to place their report before the directors, within a period of twenty-one days from this date.

In the above case, it is assumed that the debentures are to be offered at £98, or at a discount of £2 per £100 debenture. This is commonly done, but, on the other hand, they may be

offered at a premium. At redemption, which is usually arranged for a period of twenty or thirty years from creation, the amount paid by the company is generally par value. Where the company desires to withdraw debentures before the time fixed upon by the bond, it is usual to pay a premium. Debentures may, of course, be perpetual, or, as they are often termed, irredeemable, in which case the holder can claim repayment only when the company is wound up; but the company, whatever the conditions of redemption, can at any time attempt to retire the debentures by purchasing them in the open market.

The methods adopted in issuing debentures follow very closely those used in issuing shares. Underwriting arrangements are made and a prospectus issued. In this connection it should be noted that, although a company may not exercise any borrowing powers (this would include *allotting* debentures) until it is entitled to commence business, Section 94 of the Companies Act provides that it may before that date issue a prospectus and offer shares and debentures simultaneously, and receive the application moneys therefor.

No return of allotments is necessary for debenture issues.

Scrip Certificates.

Debentures are usually paid up by instalments over a few months from allotment. It will be appreciated that the actual debentures or stock certificates cannot be issued until payment in full has been made, and it is usual, therefore, to issue scrip certificates. These are made out to bearer, and provide receipt forms on which the company's bankers can record the payment of instalments. When all the instalments have been paid, the holder is entitled, on filling in his name and address, to exchange the scrip for the actual debenture or definitive debenture stock certificate, made out in his favour. A scrip certificate bears a 2d. stamp, and transfer is effected by merely passing from hand to hand.

Registration of Debentures.

When the bonds have been prepared, they must be registered in accordance with Section 79 of the Companies Act, and this must be done within twenty-one days of the creation of the mortgage or charge on the company's assets to which each

refers. The section referred to should be carefully studied by the secretary. Failure to register may cause the charge to become invalid against a liquidator or creditor, and the money to become immediately repayable. The Registrar issues a certificate on the registration of any mortgage or charge, stating the amount secured, and a copy of this certificate must be endorsed on every debenture or certificate of debenture stock issued by the company in respect of which the payment is secured by the mortgage or charge registered. In practice, this copy certificate is put on the debenture certificate by a rubber stamp.

In manner similar to that adopted in the case of an issue of shares, the applicants for debentures are requested to forward their receipts to be exchanged for the debenture bonds. Delivery of such bonds should either be effected personally or by registered post, and an acknowledgment of their safe receipt asked for in every case. As in the case of shares, debenture bonds or certificates must be ready for issue within two months after allotment has been made, unless the conditions of issue otherwise provide.

By Section 88 of the Companies Act, a Register of Charges must be kept by every company, in which must be recorded all charges specifically affecting the property of the company and all floating charges on the undertaking or any property of the company, giving in each case a short description of the property charged, the amount of the charge and (except in the case of securities to bearer) the names of the persons entitled thereto. If the register does not contain the particulars thus set forth, a penalty of fifty pounds attaches to any director, manager or other officer of the company knowingly or wilfully authorizing any such omission.

Any creditor or member of a company may, without fee, inspect the Register of Charges and copies of the instrument making or creating the charge—at reasonable times. The Register of Charges is also open to the inspection of any other person on payment of a fee not exceeding one shilling for each inspection. A fine of £5 attaches to every director and manager of the company wilfully and knowingly refusing inspection and an extra fine of £2 per day while refusal continues. The Register of Debenture Holders is open to the inspection of any holder of such debentures and of any holder of

shares in the company, and a copy of any trust deed for securing the issue of debentures must be forwarded to every holder of such debentures on his request, the fee for which must not exceed one shilling for a printed copy, or at the rate of sixpence for every one hundred words in the case of the trust deed not being printed. The penalty for refusing inspection or for not forwarding copy of trust deed when requested is one not exceeding five pounds on the company, and £2 per day during the time which the refusal continues, and like penalties attach to every director, manager and secretary. The Court may by order compel an immediate inspection of the register or direct that the copies required shall be sent to the persons requiring them.

At the end of this chapter will be found copies of a Register of Charges, Numerical Register of Debentures, and Register of Debenture Stockholders.

Transfer of Debentures.

While transfer in regard to registered debentures is almost identical with that of shares, the common form of transfer being almost always used, it should be pointed out that new debenture bonds are not issued on transfer, but the bond is endorsed, thus :—

Transfer to.....of.....
 (Description)
 Registered this.....day of.....19..
Secretary.

In a transfer of debenture stock the old certificate is cancelled and a new certificate is sealed and issued. Unlike debenture bonds, any amount of stock and any part of a holding may be transferred (except that the conditions do not usually permit of fractions of a pound to be registered); and accordingly transfers are certified, balance tickets and transfer receipts are issued, and the procedure is in all respects identical with the transfer of shares, except for the omission of registered numbers.

Bearer debentures pass by delivery and, like share warrants, are negotiable instruments.

Redemption.

The date of the redemption is generally stated on the debenture bond or certificate, and a reference is frequently inserted therein to the effect that such bond can, at the option of the company, be redeemed at a prior date. Notice of redemption is usually given by public advertisement in a newspaper and by circular to debenture holders, stating the time, place, and method of payment. A receipt is obtained, the usual procedure being to take it on the debenture bond. On the debentures being redeemed, the secretary will complete a form similar to that shown on page 123, and on the receipt of this, the registrar will grant a Memorandum of Satisfaction, a copy of which should be entered on the Register of Debentures. The certificates or bonds will be cancelled and securely filed away.

Re-issue of Debentures.

Debentures may be re-issued. Section 75 (1) of the Companies Act deals with this matter.

“Where either before or after the commencement of this Act, a company has redeemed any debentures previously issued, then—

(a) Unless any provision to the contrary, whether express or implied, is contained in the Articles or in any contract entered into by the company; or

(b) Unless the company has, by passing a resolution to that effect or by some other act, manifested its intention that the debentures shall be cancelled, the company shall have and shall be deemed always to have had power to re-issue the debentures either by re-issuing the same debentures or by issuing other debentures in their place.”

Section 75 (2) enacts that on a re-issue the person entitled to the debentures has the same priorities as if the debentures had never been redeemed.

It is to be observed, however, that, for purposes of stamp duty, re-issued debentures must be treated as new debentures and, accordingly, must be re-stamped upon re-issue. (See Sub-section 5 of Section 75 of the Companies Act.)

Where a company has power to re-issue debentures which have been redeemed, particulars with respect to the debentures must be included in every Balance Sheet of the company.

A Memorandum of Satisfaction should not be filed in respect of debentures which have been redeemed and which are intended to be available for re-issue.

Number of } 66,664
Company }

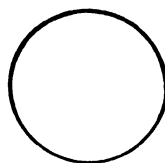
“THE COMPANIES ACT, 1929”

Particulars

OF A

Mortgage or Charge.

Pursuant to Section 79.



Name of Company—

THE SOUTH LANCASHIRE TRADING COMPANY,
LIMITED

Presented by

*Thomas Massey,
37, Dale Street,
Manchester.*

PARTICULARS of a MORTGAGE or CHARGE created

(1)	(2)	(3)
Date of the Instrument Creating or Evidencing the Mortgage or Charge (a)	Amount Secured by the Mortgage or Charge	Short Particulars of the Property Mortgaged or Charged
<i>Trust Deed executed to Walter Thompson, and John Andrew, as Trustees for the Debenture Holders, and dated 1st February, 19...</i>	£100,000	<i>All the Freehold land, and the buildings, at present held by the Company, in Dale St., Manchester.</i>

(a) A description of the Instrument—*e.g.*, Trust Deed, Mortgage, Debenture, &c., as the case may be—should be given.

(b) The rate of interest payable under the terms of the Debentures should *not* be entered.

NOTE.—The Fees payable on Registration of Charges are as follows:—

Where the amount of the Charge

does not exceed £200 10s.

Where the amount exceeds £200 £1.

by The South Lancashire Trading Company, Limited

(4) Names (with Addresses and Descriptions) of the Mortgagees or Persons Entitled to the Charge	(5) Amount or rate percent. of the Commission, Allowance, or Discount (if any, paid or made either directly or in- directly by the Company to any person in consideration of his subscribing or agree- ing to subscribe, whether absolutely or conditionally, or procuring or agreeing to procure subscriptions, whether absolute or condi- tional, for any of the Deben- tures included in this Return. (b)
<p>Walter Thompson, " Glen- maye," Birkdale, Southport, Banker, John Andrew, The Priory, Windermere, Cotton manufac- turer,</p> <p style="text-align: right;">} Trustees</p>	<p>Nil.</p>

Signature, Thomas Massey,

Designation of
position in
relation
to the
Company. } Secretary

Dated the third day of February, 19...

Stamp Duties.

Where a company proposes to issue debenture stock, a statement of the amount proposed to be issued, stamped with duty at the rate of two shillings and sixpence for every £100 or fractional part of £100 of the amount to be secured, must be furnished to the Commissioners of Inland Revenue.

Debentures, bonds, mortgages, and other similar securities for money, transferable only by an instrument of transfer, and not payable to bearer or otherwise transferable by delivery, are chargeable with stamp duty according to the following scale:—

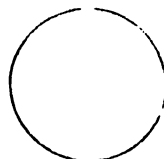
	<i>s.</i>	<i>d.</i>
Where the amount secured does not exceed £10	-	3
Exceeds £10 but does not exceed £25	-	8
" £25 " " 50	1	3
" 50 " " 100	2	6
" 100 " " 150	3	9
" 150 " " 200	5	0
" 200 " " 250	6	3
" 250 " " 300	7	6
For every additional £100 or fractional part of £100 beyond £300	2	6

Debentures to Bearer. Where bonds, debentures, or other securities are payable to bearer, or are otherwise transferable by delivery, the stamp duty is at the rate of four shillings for every £10 or fractional part of £10 of the amount secured; and when such securities are given in substitution *for like securities* duly stamped in accordance with the scale of duties in force when they became subject, duty is payable on the substituted securities at the rate of two shillings for every £20 or fractional part of £20 of the amount secured.

Number of } 66,664
Company }

“THE COMPANIES ACT, 1929”

Particulars



(to be delivered to the Registrar of Companies pursuant to
Section 79 of The Companies Act, 1929)

RELATING TO A

Series of Debentures

containing, or giving by reference to any other Instrument,
any Charge, to the benefit of which the Debenture Holders
of the said series are entitled *pari passu*, created by

THE SOUTH LANCASHIRE TRADING COMPANY,
LIMITED.

The fee payable on the registration of these Particulars is
10s. if the amount of the whole series does not exceed £200,
and £1 if it exceeds £200.

Presented by

*Thomas Massey,
37, Dale Street,
Manchester.*

**PARTICULARS to be delivered to the Registrar pursuant to
of a series of DEBENTURES created by The**

(1)	(2)	(3)	(4)
Total Amount Secured by the Whole Series	Amount of the Present Issue of the Series	Dates of Resolutions Authorising the Issue of the Series	Date of the Covering Deed (if any) by which the Security is created or defined; or, if there is no such Deed, the date of the first issue of Debentures of the Series
£100,000	£50,000	1st Feb., 19...	<i>Trust Deed,</i> 13th Jan., 19...

(a) The rate of interest payable under the terms of the Debentures should *not* be entered.

Section 79, Sub-section 8, of The Companies Act, 1929,
South Lancashire Trading Company, Limited.

(5)	(6)	(7)
GENERAL Description of the Property Charged	Names of the Trustees (if any) for the Debenture Holders	Amount or rate per cent. of the Commission, Allowance, or Discount (if any) paid or made either directly or in- directly by the Com- pany to any person in consideration of his subscribing or agreeing to subscribe, whether absolutely or condi- tionally, or procuring or agreeing to procure subscriptions, whether absolute or conditional, for any of the Debent- ures included in this Return. (a)
<i>All the Freehold land, and the buildings, at present held by the Com- pany, in Dale Street, Manchester.</i>	<i>Walter Thompson, "Glenmoye," Birkdale, Southport, Banker, and John Andrew, The Priory, Windermere, Cotton manufacturer</i>	<i>Nil</i>

Signature, Thomas Massey,

*Designation of
position in
relation
to the
Company.* } *Secretary.*

Dated the third day of February, 19...

NUMERICAL REGISTER OF DEBENTURES.

Date when Charge created	Nature of Charge and property charged	Distinctive Nos. of Debs.	Amount of Debs.	Name and address of Debenture holder	Folio in Debenture Ledger	Date of Discharge	Remarks
		1					
		2					
		3					
		4					
							etc.

In a register of this kind, when a transfer of any debenture is effected, the original entry will be neatly ruled through in red ink, and an entry made for the particular debenture, giving the name of the transferee, after the last entry in the book.

Number of } 66,664.
Company }

“COMPANIES ACT, 1929”

Declaration verifying Memorandum of Satisfaction of Mortgage
or charge to be entered on the register pursuant to Section
84 of the Companies Act, 1929.

THE SOUTH LANCASHIRE TRADING COMPANY,
LIMITED.

WE, *Walter Sykes*, of 2, *Oakfield Road, Newton Moor, Hyde*, a Director of the above-named Company, and *Thomas Massey*, of 37, *Dale St., Manchester*, the Secretary of the above-named Company, solemnly and sincerely declare that the particulars contained in the Memorandum of Satisfaction annexed hereto and dated *the eighth day of February, 19...* are true to the best of our knowledge, information and belief.

And we make this solemn Declaration, conscientiously believing the same to be true, and by virtue of the provisions of the “Statutory Declarations Act. 1835.”

Declared at 1,101, *Market St., Manchester*.
the *eighth day of February*, one thousand
nine hundred and before me
Paul Mason,
A Commissioner for Oaths.¹

Walter Sykes.
Thomas Massey.

¹ Or Notary Public or Justice of the Peace.

Memorandum of Satisfaction of Mortgage or Charge



The *South Lancashire Trading Company, Limited*, hereby gives notice that the registered charge being (a) *Debentures of which Particulars were registered with the Registrar of Companies* on the *first* day of *February*, one thousand nine hundred and , was satisfied on the *first* day of *February*, 19. . . to the extent of £25,000.

In witness whereof the common seal of the Company was hereunto affixed the *eighth* day of *February*, one thousand nine hundred and

Walter Sykes,)
Directors.
Rufus Martin,)



Thomas Massey, Secretary.

(a) A description of the Instrument(s) creating or evidencing the charge, *e.g.*, Mortgage, Charge, Debenture, etc., with the date thereof should be given. If the registered charge was a "Series of Debentures" or "Debenture Stock" the words "authorized by resolution," together with the date of the resolution, should be added.

CHAPTER XVI

SOME CONSIDERATION OF MEETINGS IN GENERAL

So much of a secretary's work is connected with meetings that it is thought that a preliminary survey of the general rules of law and practice relating thereto is desirable, before proceeding to the several chapters in which those duties are considered in detail.

What is a Meeting ?

Since the Companies Act and each company's Articles require many matters to be carried out by a resolution passed at a meeting, it is frequently vital to know whether a meeting in the strict legal sense has been held. A meeting has been defined as a coming together, for a common lawful object, of two or more persons; and only in very exceptional circumstances, as, for example, where all the shares of a class were held by one member, or where the rules permit the appointment of a committee of one, can a single person constitute a meeting. The general rule is that a single shareholder cannot form a meeting, even if he has been appointed by all the other shareholders to represent them.

For a meeting of a constituted body such as a company to be valid, it must be: (i) properly convened; (ii) properly constituted—the right person in the chair and a quorum present; (iii) held in accordance with any applicable statutes and rules.

Quorum.

A quorum is the minimum number of members who must be present before a meeting can validly transact business. In the absence of any regulations at all, two members are sufficient; but in companies the Articles usually make provision, and where they do not the Companies Act prescribes a minimum of three members for a public company and two members for a private company. Unless the regulations allow, persons represented by proxy cannot be counted.

The mere physical presence of a quorum without an intention to meet does not constitute a meeting.

Notice.

Except where ALL the members of a body are present and ALL agree to waive notice, a meeting can be held only if proper notice has been given. The principal rules relating to notice are as follows: (1) Notice must be given to all entitled to attend; but rules frequently provide that accidental omission to give notice to a member shall not invalidate the proceedings. (2) Notice must state the date, time and place of meeting, all of which must be reasonably convenient. (3) Notice must be issued under proper authority (e.g. the Board in the case of a company). (4) Notice must be served in the manner provided, e.g. by post. (5) The proper length of notice must be given; and, unless otherwise stated, "clear days' notice," i.e. exclusive of the day of service and of the day of the meeting, must be given. (6) The notice must state fairly and frankly the nature of the business to be transacted.

Chairman.

The regulations usually provide who shall be chairman (see, e.g., clause 47 of Table A). Where they do not, or the chairman is not present or is unwilling to act, the members present may elect one of their number. By so doing there devolves on him by agreement the conduct of the meeting, subject to the applicable regulations.

A chairman should be impartial, well-informed with regard to procedure, courteous, good-humoured, and fair but firm. He must, in the first place, see that the meeting has been properly convened, and that it is duly constituted—that his own appointment is in order and a quorum present; and he must preserve order and conduct the meeting regularly, and see that the sense of the meeting is properly obtained on any question placed before it.

He must give all an equal opportunity to speak, so far as time permits; but when a matter has been adequately discussed he may close the discussion and put the motion to the vote.

He must see that all business is within the scope of the notice, and must not allow irrelevant discussion, or improper

language. It is his duty to decide who shall speak, to put motions and amendments to the vote, and to declare the result. If the regulations provide, he has an additional or casting vote, to be used only on an equality of votes to secure a decision. (See, for example, Clause 52, Table A.)

A chairman should deal with points of order (i.e. questions as to the regularity of any part of the proceedings) as they are raised, and having announced his decision he should maintain it. The members have placed the control of themselves as individuals in his hands, and he is entitled to eject or have ejected any persons whose disorderly conduct prevents the transaction of business and who refuse to leave. (This power is to be exercised with due care, and the wishes of the meeting should be ascertained.) He is entitled to adjourn the meeting if necessary to preserve order, though here again the support of the majority present should be obtained.

Order in Debate.

Companies (unlike legislative assemblies such as Parliament) do not generally formulate Standing Orders to govern the conduct of their meetings; but they nevertheless observe certain rules based on custom. Thus the business should be taken in the order of the agenda, unless the chairman varies the order with the consent of the meeting; speakers stand when speaking (except at board and committee meetings) and address the chair, and must resume their seats if the chairman rises; every member has, generally, a right to speak once (but once only) on each main motion, and once on each amendment thereto, but may move only one such amendment; no discussion shall take place unless a motion or amendment is before the meeting; and all voting shall be by show of hands in the first place.

Motions and Amendments.

Strictly speaking, a motion is a proposition placed before a meeting, which becomes a resolution only when adopted by the meeting; but the two terms are used almost synonymously.

Motions should always be couched in terms that are clear and definite and free from ambiguity; they should always be affirmative in form, and commence with the word *That*, so that when passed the record will read *It was resolved that . . .*

If the decision is to be immediately operative, it should read "be *and is hereby* done."

A motion must be within the scope of the notice convening the meeting and appropriate to the business of that meeting.

Generally, a motion must be moved and seconded; but, although a chairman will usually require every motion to be seconded (and will allow it to "fall to the ground," i.e. will not accept it for discussion if it does not find a seconder), he is quite in order in putting an unseconded motion before the meeting unless the rules require otherwise. Motions are preferably committed to writing and handed to the chairman.

An amendment is a proposed alteration to a motion already under discussion by the meeting. It may take the form of adding words, omitting words, or substituting others, or a combination of these. It must conform to the general rules relating to motions except that it is not usually required to be seconded, and it must not be a mere negation of the motion such as the insertion of the word "not." A chairman has a discretion in accepting amendments, but once accepted, discussion must centre on such amendment until it is voted upon, when, if passed, it is incorporated in the main motion; discussion then reverts to the motion or to any further amendment which is dealt with similarly. When the whole matter has been sufficiently discussed, the motion as finally amended is put to the meeting as the "substantive motion," and if passed is ultimately incorporated in the minutes.

The mover of a motion is usually allowed a right of reply to the debate before the motion is put to the vote, but the right must be claimed. An amendment does not give the mover any such right.

The Formal Motions.

These are motions designed to secure the termination, deferment, or prevention of discussion of the particular business before the meeting. Properly used, they fulfil their function of expediting the transaction of business; but they may also be misused, by preventing the conduct of the business for which the meeting was called, and hence are sometimes termed DILATORY MOTIONS. As a consequence, the chairman has a wide discretion as to whether he accepts such a motion.

The principal formal motions are—

(a) ADJOURNMENT OF THE MEETING. This may be moved by any member at the close of any speech. In the absence of any rule on the point, it appears that a chairman must adjourn if the meeting resolves to do so; but the chairman may adjourn the meeting without taking a vote if he considers it necessary for the proper transaction of business, e.g. to await essential information. If he adjourns the meeting merely because things have taken a turn he does not like, the meeting can elect another chairman and carry on. An adjourned meeting is merely a continuation of the original meeting and no further notice need be sent out unless the regulations require, or unless the adjournment has been *sine die* (without fixing a day).

(b) ADJOURNMENT OF THE DEBATE. This amounts to no more than the deferment of one item until later in the proceedings, e.g. until a related item has been settled.

(c) POSTPONEMENT. This amounts to adjournment (of either a meeting or a motion) *before* discussion commences.

(d) PREVIOUS QUESTION. This is moved either in the form "I move the previous question," or "I move that the question be *not* now put." The intention is to shelve discussion on the whole subject—i.e. the main motion—and this is achieved by deciding either to put the matter to the vote at once, or to drop the whole matter for that meeting. This decision is the "previous question." The P.Q. can be moved only when the main motion is before the meeting, and discussion on it is permitted. If the question is passed, the meeting drops the main motion and proceeds to the next business; if it is lost, the main motion is put to the vote at once.

(e) CLOSURE. This is usually in the form "I move that the question be now put." It relates only to the particular motion or amendment before the meeting, and is mostly used to curtail discussion or amendments. Hence when moved and seconded, no discussion is allowed; the closure is put to the meeting and, if passed, the motion or amendment so "closed" is also put to the vote, the mover (if it is a main motion) losing his right of reply. If the closure is lost, discussion on the motion or amendment continues.

(f) NEXT BUSINESS. A motion to "proceed with the next

business" has the effect, if passed, of dropping the main motion before the meeting; and has no effect if lost.

Voting.

The five usual methods of voting are—

1. *Voice or Acclamation.* This can only be used where the meeting is practically unanimous.
2. *Show of Hands.* This is the usual method adopted at company meetings.
3. *Poll.* Literally a "counting of heads," but at company meetings each member has the number of votes laid down in the Articles.
4. *Division.* The members pass out into separate rooms, being counted as they do so.
5. *Ballot.* The members record their votes on voting papers, which they drop into a ballot box.

The chairman's declaration of the result of voting on a show of hands is conclusive unless a poll is demanded (when the poll supersedes the original counting) or unless there is some obvious error. At common law every member has a right to demand a poll; the demand must be made immediately upon the declaration of the result on the show of hands, and the chairman decides the time, manner and place of conducting the poll, subject to any regulations on the matter.

On a poll the votes of absent members may, if the regulations provide, be recorded by proxy.

Privilege.

Statements which injure a person's reputation constitute, if made orally, slander; and if the statement causes damage or alleges the commission of a criminal offence, the person slandered may recover damages from his traducer.

It is, however, essential that speakers at meetings should be free to talk frankly, without fear of being called to account in an action for slander; and accordingly a person who in good faith makes a statement in pursuance of a duty, to persons who have an interest in hearing the statement, or with a view to protecting his or his hearers' interests, is said to be protected by "privilege." Such protection will be lost

if the speaker is actuated by malice rather than duty, or if he is a party to unnecessary publication—e.g. he invites reporters to be present.

A "privileged occasion" is one where the above circumstances of duty and interest exist; meetings of directors and shareholders are consequently privileged occasions.

A written defamatory statement constitutes libel, and a civil action will lie without proof of damage. The protection of privilege applies as in the case of oral statements; consequently, written reports made to a superior in the course of duty, or placed before a Board Meeting, are privileged if made in good faith, no matter how erroneous they may be.

The Law of Libel Amendment Act, 1888, enacts that a fair and accurate report in any newspaper of the proceedings of a public meeting, or of any meeting of a local authority unless a strictly private one, or any notice or report published at the request of any authorized Government officer shall be privileged unless it can be proved that such report was published maliciously.

Where opportunity is sought for making, before other persons, charges that might have been made in private, this shows strong evidence of malicious intention, and such a statement is deprived of that immunity which the law allows to one made with honesty of purpose.

CHAPTER XVII

THE MEETINGS OF A COMPANY

THE subject of meetings is one of the most important and one of the most practical matters with which the company secretary has to deal. It embraces a consideration of many matters, and in some respects it may be said to embrace the whole of the work of the secretary, inasmuch as the secretary's procedure is mainly the result of the instructions he receives at the various meetings of the directors and shareholders of the company. The main matters to be considered in this work under the head of "Meetings" are the following :—

- (1) The various kinds of meetings.
- (2) Notices.
- (3) Agenda.
- (4) Resolutions.
- (5) Minutes.
- (6) Procedure before, at, and after meetings.

Kinds of Meetings.

The following are the usual meetings held in connection with limited companies :—

The Statutory meeting, being the first General meeting of shareholders of a public company.

Annual General meeting.

Extraordinary General meeting.

The above are "meetings of the company," and are usually described as the "statutory," "ordinary," and "extraordinary" meetings respectively. In addition, there may be class meetings of the different classes of shareholders as well as :—

Directors' meetings, and

Directors' Committee meetings.

Statutory Meeting.

The Statutory meeting of a company is held in accordance with Section 113 of the Companies Act, which enacts that

“every company limited by shares and every company limited by guarantee and having a share capital shall, within a period of not less than one month nor more than three months from the date at which the company is entitled to commence business, hold a general meeting of the members of the company, which shall be called the Statutory meeting.” At least seven days before the day on which the meeting is to be held the directors have to forward a report to every member of the company and to every other person entitled under the Companies Act to receive it, which report must be certified by not less than two directors of the company, or if there be only one director, then by the sole director and manager. The report must state:—

- (a) The total number of shares allotted, distinguishing shares allotted as fully or partly paid up otherwise than in cash, and stating in the case of shares partly paid up the extent to which they have been paid up, and in any case the consideration for which they have been allotted.
- (b) The total amount of cash received for all such shares, distinguished as aforesaid.
- (c) An abstract of receipts and payments from shares and debentures and other sources, particulars of the balance in hand, and an account or estimate of the preliminary expenses of the company.
- (d) Names, addresses and descriptions of the directors, auditors, manager and secretary of the company.
- (e) Particulars of any contract, the modification of which is to be submitted for approval of the meeting, together with the particulars of the modification.

In the report set out on pages 138–140 observe that the auditors of the company, where appointed, must certify to the information referring to the shares allotted and to the cash received in respect of the shares, also as to the receipts and payments of the company from shares, etc. A copy of this report duly certified must be filed with the Registrar of Companies, immediately after the sending thereof to the members of the company. A private company is exempt from the necessity of forwarding and filing a Statutory report, and of holding a Statutory meeting.

The Statutory meeting is frequently a mere formality, but at such meeting shareholders have an opportunity of discussing any matters relating to the formation of the company, or arising out of the report, but unless notice has been given in accordance with the Articles of Association, no resolution can be passed. At this meeting the directors produce a list showing the names, addresses and descriptions of the members of the company, and the number of shares held by them respectively. This list must be presented at the commencement of the meeting and be accessible to any member of the company during the continuance of it. Though seldom done in practice, a Statutory meeting may be adjourned from time to time and the adjourned meeting will have the same powers as the original meeting, and any resolution of which notice has been given in accordance with the Articles, either before or subsequently to the former meeting, may be passed. If the Statutory report be not filed or the Statutory meeting be not held, the company may be wound up by the court, but the latter may order the meeting to be held and the report to be filed, or "make such other order as may be just." The **specimen** Statutory report will illustrate the foregoing, but the student should understand that the reports sent to shareholders will not be on "official" forms, except as coming officially from the company.

Ordinary and Extraordinary General Meetings.

By Section 112 of the Companies Act, a general meeting of every company shall be held once at least in every calendar year, and not more than fifteen months after the holding of the last preceding general meeting. In default, the company and every director, manager, secretary and other officer of the company who is knowingly a party to the default, is liable to a fine not exceeding £50, and it is further enacted that where default has been made in the holding of a meeting, the court may, on the application of any member, call or direct the calling of a general meeting of the company.

Section 114 of the Act gives powers to shareholders to requisition the calling of meetings, and overrides any provisions made in the Articles relating thereto. Shareholders representing one-tenth of such of the paid-up capital as at the date of the deposit of the requisition carries the right of voting

at general meetings, may request the directors to convene what is termed an "extraordinary" meeting. The requisition has to state the objects of the meeting and be signed by the requisitionists and must be deposited at the registered offices of the company. Such requisition may consist of several documents each duly signed by one or more of the requisitionists. If no meeting is called within twenty-one days, the requisitionists, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene the meeting, but any such meeting shall not be held after three months from date of deposit of requisition. Any meetings called by virtue of the provisions of Section 114 are to be called as nearly as possible in the same manner as pertains to meetings called by the directors. Any reasonable expenses incurred by the requisitionists owing to the directors' default are to be paid by the company and charged against the defaulting directors.

In practice, there is one meeting held in every calendar year, which is termed the ordinary meeting, and all other meetings are termed extraordinary.

The Articles of Association usually distinguish between an ordinary and an extraordinary meeting of the company. Thus, Article 44 of Table A gives the following as the ordinary business of an ordinary meeting:—

- Sanctioning a dividend ;
- 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 ;

and it also states that all other business transacted at the ordinary meeting, and all that is transacted at an extraordinary meeting, shall be deemed special. This is the general rule, but it should be borne in mind that all special business, at whatever meeting it is to be considered, can only be validly transacted if adequately set out in the notice of the meeting.

(Note that special business is not the same as the business transacted by a special resolution ; it may form the subject of any kind of resolution.)

The annual general meeting gives the shareholders an opportunity of discussing the progress of the company's business, approving and sanctioning the directors' management and further proposals, or, if they disapprove, the shareholders may instruct the directors (by resolutions) as to their wishes. The business that may be transacted at the meeting is subject to the general rule that it must be within the scope of the notice convening the meeting. On the motion for the adoption of the directors' report and accounts, it is customary to allow shareholders a fairly wide latitude of discussion, and the directors should answer any reasonable questions submitted by shareholders on the accounts and other matters connected with the company's affairs. If, however, the directors consider it undesirable to disclose the information asked for, as for example on the ground that the information may be useful to a competing company, the directors are not bound to answer those questions. It is assumed, of course, that the directors are acting *bona fide* in the best interests of the company.

Class Meetings.

Separate class meetings of shareholders are occasionally required when any proposals affecting the rights or privileges of a particular class of shareholders are put forward for consideration. In such cases it is usual to prescribe a special quorum which must be present at the meeting, and great care must be exercised to see that this quorum is actually present. (See, for example, Table A, clause 3.)

Directors' Meetings.

It is at meetings of directors, or, as they are termed, Board meetings, that the real work of a company is done. The work at company meetings, that is, shareholders' meetings, is mainly "cut and dried" by the directors beforehand. The proceedings at directors' meetings are not of so formal a character as at meetings of the company, and the former are held at less intervals of time than are the latter. A common practice is for directors to meet weekly. Where business is not very extensive, the "Board" may meet monthly.

Notice of directors' meetings must be given to every director (unless the meetings are held on fixed dates), for business

transacted at a meeting of which all the directors have not had notice is invalid, unless such directors as were not advised are abroad or out of reach of notice or waive the irregularity.

Directors' Committee Meetings.

Meetings of committees of directors, that is, meetings of a certain number of the directors specially appointed by resolution of the Board, are usually held for the transaction of urgent, ordinary routine business, and are held weekly, whilst full Board meetings are held, say, monthly for the discussion of matters of policy and decisions on matters of importance. Committees are, however, often appointed for special purposes, such as the consideration of special matters, e.g. finance, proposed debenture issues, suggested new premises, etc. The first-named committees are the standing committees, to deal with certain matters continually recurring. A Transfer Committee to pass share transfers is an example. The other committees, formed for a particular purpose, cease to exist when that purpose is accomplished. The company's Articles must give authority for the formation of committees and the transactions of the committee must be reported to the Board.

Examples of the minutes of a Finance Committee are given in Chapter XXI, whilst specimen reports of various committees are given in Chapter XXIII. (See also Table A, clauses 85 to 88.)

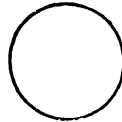
Creditors' Meetings.

Though not strictly meetings of a company, meetings of creditors of a company may be mentioned in passing. They will be held when the company proposes to make a scheme of arrangement with its creditors under Section 153 of the Act. Other meetings of creditors may take place on the winding up of companies—see Sections 185, 251, and 288 of the Act.

Number of } 66,664
Company }

"THE COMPANIES ACT, 1929."

Report
(Pursuant to Section 113 of The Companies Act, 1929.)



A
Companies'
Registration
Fee Stamp
of £s.
must be
impressed
here.

OF

THE SOUTH LANCASHIRE TRADING COMPANY,
LIMITED.

NOTE.—This Form has been provided for the purpose of indicating the nature of the information that is required; but as the Report to be filed must be a copy of that sent to the Shareholders, all that is contained in that Report must appear in this.

(a) The Total Number of Shares allotted is 220,000 of which 20,000 are allotted* as fully paid up otherwise than in cash to the extent of twenty shillings per share in consideration of part purchase price of properties acquired by the Company in pursuance of agreement dated 8th, Dec., 19.., and upon each of the remaining Shares the sum of twenty shillings has been paid in Cash.

* Here state "as fully paid up" or "as paid up otherwise than in cash to the extent of per Share."

(b) The Total Amount of Cash received by the Company in respect of the Shares issued wholly for Cash is £200,000, and on the Shares issued partly for Cash is Nil.

(c) The Receipts and Payments of the Company to 2nd March, 19.., are as follows:—

† Insert Date, which must be within Seven Days of the Date of the Report.

Particulars of Receipts				Particulars of Payments						
				£	s.	d.	£	s.	d.	
100,000	Preference shares at 20/-	..	..	100,000	0	0	Cash payment for part purchase of properties acquired under agreement of 8th Dec., 19..	25,000	0	0
100,000	Ordinary Shares at 20/-	..	..	100,000	0	0	Plant	1,000	0	0
1,050	First Mortgage Debentures of £100 each	..	..	105,000	0	0	Freehold warehouse	2,560	0	0
							Preliminary exps.	1,050	0	0
							Balance	275,390	0	0
				£105,000	0	0		£305,000	0	0

Presented for filing by

Thomas Massey,

37, Dale Street, Manchester

The following is an account (or Estimate) of the Preliminary Expenses of the Company :—

	£	s.	d.
The Preliminary expenses of the company, including legal costs and expenses in connection with the formation and registration of the company, fees and other payments, are estimated at	£1,500		
Of this, is to be contributed by the vendor by agreement, 8th Dec., 19.., the sum of	500		
	1,000	0	0

(d) Names, Addresses, and Descriptions of the Directors, Auditors (if any), Managers (if any), and Secretary of the Company :—

DIRECTORS

Surname	Christian Name	Address	Description
Sykes	Walter	2, Oakfield Road, Newton Moor, Hyde	Gentleman
Martin	Rufus	Chasm Villa, Dreadnought Place, London, W.1	Merchant
Johnson	Ernest	5,222, Stanley St., Manchester	Manufacturer
Deedicombe	Thomas A.	335, Norfolk St., Manchester	Solicitor

AUDITORS

Surname	Christian Name	Address	Description
Jones, Carful	and Company	287, Clarence St., Manchester	Chartered Accountants

MANAGERS

Surname	Christian Name	Address	Description

SECRETARY

Surname	Christian Name	Address	Description
Massey	Thomas	37, Dale St., Manchester	Chartered Secretary

(e) Particulars of any Contract the modification of which is to be submitted to the Meeting for its approval, together with the particulars of the modification or proposed modification :—

Agreement with the vendor, dated 8th Dec., 19.., relating to the purchase of properties in Dale St., Manchester, has been modified by the addition of the following words to paragraph 3.

“The South Lancashire Trading Company, Ltd., shall have the option of purchasing the freehold warehouse indicated by ‘OPTION’ on the plan attached (No. 4) for the sum of one thousand and fifty pounds (£1,050), but the option must be exercised within a period of twelve calendar months from the 31st Dec., 19.., or is thereby void.”

We hereby certify this Report.

Walter Sykes,) *Two*
Rufus Martin,) *Directors.*

We hereby Certify that so much of this Report as relates to the Shares allotted by the Company and to the Cash received in respect of such Shares and to the Receipts and Payments of the Company from shares and other sources is correct.

Jones, Carful & Co., *Auditors.*

Dated the eighth day of March, 19..

CHAPTER XVIII

NOTICES OF MEETINGS

IN an earlier chapter, the secretary was advised to study the regulations of his company, as defined by the Articles of Association. The desirability of adopting this practice will be realized when notices of meetings have to be sent out, for they must be treated strictly in accordance with the provisions of the Articles. In default of, and subject to, any regulations in the Articles, seven days' notice must be given of all meetings of a company other than those for passing special resolutions. These latter need twenty-one days' notice. Articles 42, 43, 103-107 of Table A refer to notices for company meetings (and other company matters) and provide for a seven days' notice of each meeting exclusive of the day on which notice is served or deemed to be served, but inclusive of the day for which notice is given, and specifying the place, day and hour of meeting. Where special business is to take place, particulars must be stated in the notice. The latter must be sent to every shareholder or to any persons entitled to receive it, but the non-receipt of the notice by any member shall not invalidate the proceedings at any general meeting.

It should be observed that the regulations of many companies prescribe "seven days' notice," and this is interpreted as meaning "seven *clear* days," that is, exclusive of the date of the notice and when it is forwarded, and also of the date on which the meeting is to be held. The Articles will usually provide that notices may be served personally or sent by post to the registered address of the shareholder, and will be deemed to be properly served if the letter containing the notice is correctly addressed, prepaid and posted, unless proof to the contrary is established. If no address in the United Kingdom, to which notices can be forwarded, has been given by a member, notice will be given to him (according to Table A) by advertisement in a newspaper circulating in the neighbourhood of the registered offices of the company, such notice dating from the date

on which the advertisement appears. Such a provision is not, however, made in many Articles, for it is frequently a regulation that no member who shall be described as residing out of the United Kingdom, or who shall have omitted to give his address for registration, shall be entitled to receive notices from the company. Where shares are held jointly, the practice is to give notice to the one whose name appears first on the register. Secretaries will note and student secretaries should specially remember that provision is made in Table A for the forwarding of notices of meetings to persons entitled to shares in consequence of the death or bankruptcy of a member.

Notices of general meetings are invalid unless issued under the instructions of a properly constituted Board Meeting, and the secretary should therefore see that the Board Meeting at which it is decided to call a general meeting is itself validly convened, and that a quorum of directors is present.

Where share warrants to bearer have been issued, the company's Articles or regulations made thereunder usually provide for notices to the holders being given by advertisement and by posting up the notice at the company's registered office.

The regulations with regard to the serving of notices for directors' meetings are usually conspicuous by their absence, or are comprehended in the words, "The directors may meet together for the despatch of business, adjourn, and otherwise regulate their meetings, as they think fit." Nevertheless, the general rule is—written or unwritten—to forward notices a few days prior to the meeting taking place. In some companies, no notice is served, the directors attending on a fixed day of the week, or a fixed day of the month. The business method is to have regulations so framed that written notice must be given at least two or three days before the meeting, with the reservation that a director or the secretary may summon a meeting at any time, in a matter of urgency, at shorter notice.

A study and comparison of the following forms of notice will enable the student to draft others. He will particularly note the formal and stereotyped language employed when calling meetings of shareholders, as contrasted with the phraseology in the notices for meetings of directors. Primarily, a meeting has no power to pass any resolution outside the scope

of the notice, so that it is important to disclose adequately the nature of the business to be transacted.

FOR STATUTORY MEETING

THE SOUTH LANCASHIRE TRADING COMPANY
LIMITED

(Incorporated under the Companies Act, 1929.)

Pursuant to Section 113 of the Companies Act, 1929.

NOTICE IS HEREBY GIVEN that the STATUTORY MEETING of the company will be held at the registered offices of the company, No. 37, Dale St., Manchester, on Thursday, 23rd March, 19.., at four o'clock in the afternoon.

Attached is copy of the report required to be sent to members of the company, in accordance with the above section.

By order of the Board,
THOMAS MASSEY,
Secretary.

37, DALE ST.,
MANCHESTER,
9th March, 19..

NOTICE OF ORDINARY GENERAL MEETING

THE SOUTH LANCASHIRE TRADING COMPANY,
LIMITED

NOTICE IS HEREBY GIVEN that the second Annual General Meeting of the company, will be held in the Chartered Accountants' Rooms, Fountain St., Manchester, on Thursday, 23rd March, 19.., at twelve o'clock noon, for the following purposes, viz.,

- (1) To receive and consider the statement of accounts for the year ending 31st Dec., 19.., and the report of the directors thereon.
- (2) To receive a report by the auditors thereon.

- (3) To declare a dividend.
- (4) To elect directors.
- (5) To determine the remuneration of the directors for the period of the accounts.
- (6) To appoint auditors and determine their remuneration.
- (7) To transact any other business of the company.

The transfer books of the company will be closed from the 16th to the 24th March, 19.., inclusive.

By order of the Board,
THOMAS MASSEY,
Secretary.

37, DALE ST.,
MANCHESTER,
9th March, 19..

THE SOUTH LANCASHIRE TRADING COMPANY LIMITED

NOTICE IS HEREBY GIVEN that the second Ordinary General Meeting of the company will be held at the Chartered Accountants' Rooms, Fountain St., Manchester, on Thursday, 23rd March, 19.., at eleven o'clock in the forenoon precisely, for the purpose of considering the Report and Accounts of the Directors, to Declare a Dividend, to elect a Director in place of Mr. Rufus Martin, who retires by rotation, but is eligible for re-election, to appoint Auditors and fix their remuneration, and to transact any other ordinary business of the company.

Holders of Share Warrants to Bearer desiring to attend the general meeting, must, in accordance with Article 38 of the company's regulations, deposit their warrants at the offices of the company on or before Monday, 20th March, 19..

The transfer books will be closed from Thursday, 16th March to Friday, 24th March, 19.., inclusive.

By order of the Board,
THOMAS MASSEY,
Secretary.

37, DALE ST.,
MANCHESTER,
9th March, 19..

NOTICE OF EXTRAORDINARY MEETING FOR SPECIAL
BUSINESS
THE SOUTH LANCASHIRE TRADING COMPANY
LIMITED

NOTICE IS HEREBY GIVEN that an EXTRAORDINARY General Meeting of this company will be held at the Registered Offices, 37, Dale St., Manchester, on Wednesday, 25th February, 19.., at three o'clock in the afternoon, for the purpose of considering and if thought fit of passing the following Resolution as a Special Resolution—

“ That the Articles of Association be altered in manner following :—

“ By striking out and cancelling the words ‘ in case of shares not fully paid up ’ where such words appear in Article 47.”

Dated the 3rd day of February, 19..

By Order of the Board,
THOMAS MASSEY,
Secretary.

37, DALE ST.,
MANCHESTER.

NOTICES OF DIRECTORS' MEETINGS

THE SOUTH LANCASHIRE TRADING COMPANY
LIMITED

37, DALE ST.,
MANCHESTER
17th Feb., 19..

Dear Sir,

I have to inform you that a meeting of Directors of this company will be held at the Registered Offices, on Wednesday, next, the 22nd inst., at 3.30 in the afternoon.

Business :—General.

Yours faithfully,
THOMAS MASSEY,
Secretary.

Walter Sykes, Esq.

37, DALE ST.,
MANCHESTER,
24th Feb., 19..

Dear Sir,

The weekly meeting of the Board will be held on Thursday, the 3rd March, 19.., at 4.0 p.m.

Yours faithfully,
THOMAS MASSEY,
Secretary.

Walter Sykes, Esq.

BUSINESS

- (1) Consideration of contracts for Tanner St. building.
- (2) Requirements of the Corporation of the City of Manchester respecting drainage.
- (3) Finance.
- (4) General business.

SPECIMEN NOTICE CONVENING MEETING ON REQUISITION
THE SOUTH LANCASHIRE TRADING COMPANY
LIMITED

NOTICE IS HEREBY GIVEN that in accordance with a Requisition deposited by shareholders of the Company, under the power conferred on them by Section 114 of the Companies Act, 1929, an Extraordinary General Meeting will be held at the Registered Office of the Company, on Thursday the 14th day of February, 19.., at 12 noon, when the following Resolution will be submitted to the meeting to be passed in the manner required for the passing of a *Special* Resolution:—

(Set out Resolution.)

By Order of the Board,
THOMAS MASSEY,
Secretary.

37 DALE STREET,
MANCHESTER,
21st January, 19..

CHAPTER XIX

AGENDA

AGENDA means "things to be done." Its commercial interpretation is "business to be transacted at a meeting." It is simply a statement of the matters that have to be discussed at a meeting. At every meeting the chairman and the secretary at least should have a copy of it; at directors' meetings each director should have a copy; at meetings of shareholders, the usual provision is to attach the agenda to the notice convening the meeting, as in the examples given in the previous chapter. It is of general advantage for particulars of the agenda to be attached likewise to the notices convening the meetings of directors, so as to enable the latter to give some consideration to the matters referred to, before the meetings.

The more general practice in connection with directors' meetings is to provide loose agenda sheets. Where an Agenda Book is used, the agenda items entered therein are placed before the chairman, and regarded as *the* agenda. Those placed before the other directors or shareholders are copies only. Where many copies are required, they will be obtained by means of carbon paper on the typewriter, or duplicating by one of the many devices now on the market. As far as possible, matters of a similar character should be placed next to each other in any agenda, but the order in which the various matters will be dealt with at the meeting may be varied by the chairman, with the consent of those present.

There are two recognized methods of preparing the agenda paper; one method is to enter a bare outline or summary of the various items to be considered on the left-hand side, leaving a wide margin on the right-hand side in which the chairman (or secretary) will record notes of the decisions arrived at by the meeting, these notes forming the basis for the preparation of the minutes. In the second method fuller details are given, including drafts of the resolutions to be submitted, and the agenda is so worded that, by the alteration of a few words, the agenda paper will form the draft minutes, thus facilitating the

subsequent writing-up of the Minute Book. Examples of both methods are given below:—

First Method:—

Item No.	Particulars	Result
1.	Minutes of previous meeting.	Read and signed as correct.
2.	To appoint new representative for Birmingham and district.	Mr. F. Dawson appointed, salary £250 per annum, plus 2% commission on turnover. Salary payable monthly, commission half-yearly. Three years' agreement, beginning 1st September, 19 . .

Second Method:—

1.	The Minutes of the Board Meeting held on 4th August, 19 . ., to be read and signed as correct.	Read and signed.
2.	To Resolve that Mr. F. Dawson be appointed as the company's representative for Birmingham and district for a period of three years, from 1st September, 19 . . at a salary of £250 per annum, plus 2% commission on turnover; the salary to be paid monthly and commission half-yearly.	Appointed.

In order to convert the second example into draft minutes, the words "*to be*" in the first item are altered to the word "*were,*" whilst in the second item the words "*To Resolve*" are changed to "*It was Resolved,*" and the words "*and is hereby*" are inserted between the words "*be*" and "*appointed*" so that the completed minutes will read as follows:—

Min. No.	Subject Matter	Minutes
61.	Previous Meeting.	The Minutes of the Board Meeting held on 4th August, 19 . ., were read and signed as correct.
62.	Birmingham Representative.	It was Resolved that Mr. F. Dawson be and is hereby appointed, etc.

The second method of writing-up the agenda paper is particularly useful for routine work at board meetings as the directors can see at a glance exactly what business is to be transacted.

The agenda for a meeting of shareholders is, where the company issues a printed report, attached to it, but for the purposes of the chairman and secretary, a more detailed form should be made, as in the example shown below:—

THE SOUTH LANCASHIRE TRADING COMPANY,
LIMITED.

Second Annual Meeting, at Chartered Accountants' Rooms,
Fountain St., Manchester, Thursday, 23rd March, 19.., at
12.0 noon.

AGENDA.

- (1) Call on the Secretary to read the notice convening the meeting.
- (2) Read letter of apology for absence, Col. F. H. G.
- (3) Secretary to read the Auditor's Report.
- (4) Refer to printed Report and Accounts of Directors, and suggest that they be accepted as read.
- (5) Chairman to move the following resolution, making suitable remarks thereon.
 - (a) "That the Report and Accounts of the Directors for the year ending Dec. 31st, 19.., as now presented, be and are hereby approved and adopted."
 - (b) Mr. Cornelius Brown to second the resolution.
 - (c) Ask the shareholders if they have any questions to ask on the resolution.
 - (d) Answer questions.
 - (e) Put the resolution to the meeting and declare the result.
- (6) Mr. R. Martin to move:—
 - "That a dividend of 5% per annum be paid on the Preference Shares, and a dividend of 5½%

per annum, recommended by the Directors, be paid upon the Ordinary Shares, to all persons whose names appear as shareholders of the company on the 7th March, 19.., and that such dividends be paid forthwith."

Mr. T. A. Deedicombe to second the resolution.

Put the resolution to the meeting and declare the result.

(7) Mr. E. Johnson to move :—

" That Walter Sykes and Rufus Martin be and are hereby re-elected directors of this company."

Mr. Charles James Turbeville to second the resolution.

Mr. E. Johnson to put the resolution and declare the result.

(8) Mr. Thomas Templeton to move :—

" That the remuneration of the Directors be the sum of £1,000 per annum in the aggregate ; one-half to be paid to the Directors irrespective of attendance, the other half to be paid and divided amongst the Directors according to attendance."

Mr. James Blairness to second the resolution.

Mr. Templeton to put the resolution to the meeting and declare the result.

(9) Ask a shareholder to move :—

" That Messrs. Jones, Carful and Co., Chartered Accountants, be re-appointed as auditors of the company to hold office until the next annual meeting at a fee of eighty-five pounds."

Ask a shareholder to second the resolution.

Chairman to put the resolution and declare result.

(10) Chairman to declare the proceedings to be at an end.

The minutes compiled from the above agenda and from the chairman's notes thereon appear on pages 166 and 167.

THE SOUTH LANCASHIRE TRADING COMPANY
LIMITED

AGENDA

for Meeting of Directors, to be held Wednesday, 15th
February, 19.., at 4.0 p.m.

Present :—Chairman, *W. Sykes*,
Directors, *R. Martin*,
E. Johnson,
T. A. Deedicombe.

In attendance :—Secretary, *T. M.*

Item No.	Particulars	Result
1	Minutes of last meeting.	<i>Signed.</i>
2	Matters arising out of Minutes	<i>No comment.</i>
3	Transfers.	<i>Auditors' Transfer Certificate No. 17, covering 13 transfers, received. Transfers approved and certificates ordered to be signed, sealed and issued.</i>
4	Buyer for " F " Dept.	<i>E. Johnson and T. A. Deedicombe appointed committee to select for appro. of Board.</i>
5	Sales, Stocks, etc.	<i>" G," " H," and " J," depts. carrying stocks considerably over limit. Buyers interviewed; further explanations to be given.</i>
6	Appointment of Continental agents, Paris and Berhn.	<i>M. Stettin, Paris, and Herr Buelow, Eerlin, appointed. Agreements to be prepared.</i>

Fol. in Minute book, 288.

THE SOUTH LANCASHIRE TRADING COMPANY
LIMITED

AGENDA

for Finance Committee Meeting, 23rd March, 19..

Present:—*W. S.*
R. M. } Directors.
T. A. D. }

In attendance:—*T. M.*, Secretary.

Item No.	Agenda	Result
1	Minutes of last meeting.	<i>Passed.</i>
2	Financial statement.	✓
3	Bank pass book.	✓
4	Overdue accounts and doubtful debts.	<i>Secretary to press O. O. & Co Put M.L.'s account in hands of Solicitor.</i>
5	Estimated expenditure on advertising account.	<i>Scheme for £5,250. Further scheme—less expenditure to be proposed by Observe & Co.</i>
6	Consideration of contracts involving heavy expenditure.	<i>New Plant for Making Up Department. Not to proceed with owing to (1) Present state of Trade. (2) Company's Finances.</i>
7	Financial arrangements, Indian trade.	<i>To be confined to London houses. No direct trade.</i>
8	Architect's certificate, re new building, amount due £6,000.	<i>Sanctioned:</i>
9	Any other business.	—
10	Next meeting.	<i>30th March.</i>

CHAPTER XX

RESOLUTIONS

A **RESOLUTION** may be defined as a formal decision by vote of a legislative or other body; a motion is a proposal placed before a meeting with a view to its adoption as a resolution. Strictly speaking, therefore, motions and resolutions are not the same things. With regard to company meetings, however, motions—whether agreed to or not—are usually referred to as resolutions, and the word is used throughout the Companies Act, and therefore in this book, in that sense.

In studying this section of the subject of meetings, the objects to be kept in mind will be to note the kinds of resolutions, the reasons for them and the framing of them.

Resolutions in connection with meetings of shareholders are of three kinds, viz., ordinary or simple, extraordinary and special. Resolutions passed by meetings of directors are of one kind only, requiring merely to be passed by a simple majority of those voting; they are known as resolutions of the directors, or of the board.

Ordinary Resolution.

An ordinary resolution is one which is passed by a simple majority of those present who are entitled to vote, and who vote, at a meeting. Such a resolution is used for the disposal of any business which does not require, under the Companies Act or the Articles, to be passed by any other kind of resolution. It is thus used for all the ordinary business at the annual meeting, and certain business at extraordinary meetings.

Extraordinary Resolution.

An extraordinary resolution is defined by the Companies Act, 1929—Section 117 (1)—thus:—

A resolution shall be an extraordinary resolution when it has been passed by a majority of not less than three-fourths of such members as, being entitled so to do, vote in person or by proxy (where proxies are allowed)

at a general meeting of which notice specifying the intention to propose the resolution as an extraordinary resolution has been duly given.

And Sub-section 2 of the same section defines a

Special Resolution

in the following terms :—

A resolution shall be a special resolution when it has been passed by such a majority as is required for the passing of an extraordinary resolution and at a general meeting of which not less than twenty-one days' notice, specifying the intention to propose the resolution as a special resolution, has been duly given: provided that, if all the members entitled to attend and vote at any such meeting so agree, a resolution may be proposed and passed as a special resolution at a meeting of which less than twenty-one days' notice has been given.

The procedure with regard to extraordinary and special resolutions must be carefully followed in accordance with Sections 117-119. The matters to be specially borne in mind will be :—

- (1) Form of the resolution.
- (2) Proper notice to be served, which notice must contain the text of the resolution to be proposed.
- (3) Where proxies are allowed, to examine them, and to see that they are duly recorded.
- (4) That the chairman declare the result.
- (5) That a copy of such resolution be printed and forwarded to the registrar (fee stamp, 5/-) within fifteen days from the passing thereof. This must be on the prescribed form.
- (6) That copies of special resolutions be printed, for the purpose of :—
 - (a) Attaching a copy thereof to every set of registered Articles issued after the passing of such resolution, and
 - (b) Forwarding to any member a copy thereof on his request (at a fee of 1/- or less sum) where Articles have not been registered.

The chairman's declaration that an extraordinary or a special resolution is carried is conclusive, without proof of the number or proportion of the votes for or against the resolution, unless a poll be demanded. Unless the Articles state otherwise, three persons entitled to vote (or one or two members so entitled, if holding not less than 15 per cent of the paid-up share capital of the company) may demand a poll, but in any case, not more than five are necessary, notwithstanding what are the directions of the Articles.

Penalties attach in the following cases:—

- (1) Failure to forward to the registrar a printed copy of the resolution, £2 for every day of default.
- (2) Not attaching to the Articles, or forwarding to a member when required, a printed copy of the special resolution, £1 per copy in respect of which default is made;

and every officer of a company is subject to like penalties.

Uses of Extraordinary and Special Resolutions.

An extraordinary resolution is mainly used in a voluntary winding up where the company, "by reason of its liabilities, cannot continue its business, and it is advisable to wind up," and may be used to sanction certain other business connected with voluntary winding-up, such as a delegation to creditors to appoint liquidators, or for sanctioning arrangements with creditors, etc. See also Article 80, Table A.

Special resolutions are of frequent occurrence in company practice. For example, they are required, *inter alia*:—

- (a) To change the name of the company.
- (b) To alter the Articles.
- (c) To extend the "objects" clause of the Memorandum.
- (d) In a reduction of the capital.
- (e) For winding-up voluntarily.
- (f) In creating a reserve liability.

In addition, a company's Articles may stipulate that, in certain other cases, a special resolution is required.

Framing of Resolutions.

The majority of resolutions will be framed by the secretary, no matter to what meetings they refer; but this should be noted: unless the matter is perfectly clear it is advisable for most

special and extraordinary resolutions to be drafted by the company's solicitor. When it is remembered for what purposes such resolutions are proposed, it will be conceived how possible it is to frame a resolution detrimental to the interests of the company. In many cases the matters to which such resolutions refer are such as will generally have to be dealt with by a solicitor, and in that event he would undoubtedly frame any necessary resolutions.

Occasionally also, important decisions of the Board, in respect of which it is essential that they are technically correct from the legal aspect, should be incorporated by the solicitors in resolutions to be passed by the Board; these may be resolutions with regard to reorganizations and other complicated changes of capital, etc. These observations apart, it will be found that the capable secretary will have no difficulty in the framing of resolutions in general. In so doing he must bear the following facts in mind:—

- (1) The object of the resolution.
- (2) The necessity of framing it in language at once clear and unmistakable; any ambiguity might defeat the object of the resolution.
- (3) The resolution must be in accordance with the regulations of the company as defined by the Memorandum and Articles, and consonant with the requirements of the Companies Act, 1929, or any other Act affecting the matter. This means, *inter alia*, that the effect of it must not be something "beyond the powers of the company" to adopt.
- (4) The particular wishes of the chairman or directors of the company.

In regard to this last, it is a practice in some companies to submit to the chairman all resolutions to be proposed—before the meeting, where possible.

Bearing the above facts in mind, the secretary will proceed in the framing of resolutions thus:—

- (1) Marshal the facts.
- (2) Summarize them.
- (3) Incorporate them in a plainly worded and decisive statement.

Majority.

The word "majority" has two meanings:—(a) A number which is more than half the whole number, *e.g.*, for the motion, 35 majority; against the motion, 25 minority; difference, 10. (b) The number by which the votes of one side exceed those of the other, *e.g.*, for the motion, 35; against the motion, 25; majority, 10.

The meaning of the word "majority" according to the Companies Act, 1929, is the greater number. "A majority of not less than three-fourths of such members as, being entitled so to do, vote" therefore means three-fourths or more of those who vote.

EXAMPLES OF RESOLUTIONS**SPECIAL RESOLUTIONS.**

In order that the company may be a private company within the meaning of the Companies Act, 1929, the following new clauses, to be numbered 51A, 51B, and 51C respectively, be and are hereby added to the company's Articles of Association, *viz.*:—

51A. The directors may refuse to register any transfer of a share to a transferee of whom they do not approve.

51B. The directors shall not make any allotment or register any transfer of shares if the result of such allotment or registration would be to make the number of members exceed the limit as provided by Section 26 of the Companies Act, 1929.

51C. No invitation shall be made to the public to subscribe for any shares or debentures of the company.

EXTRAORDINARY RESOLUTION.

That it has been proved to the company's satisfaction that it cannot continue its business on account of its liabilities, and that it is advisable to wind up, and that the company be wound up accordingly under Section 225 of the Companies Act, 1929.

ORDINARY RESOLUTIONS.

That Messrs. Callover & Co., Chartered Accountants, be and are hereby re-appointed Auditors of the Company for the period to the next Annual General Meeting at a fee of £75.

That, in accordance with the Directors' recommendation, a dividend of Five per cent, free of income tax, for the year 19.., be and the same is hereby declared on the Ordinary Shares, such dividend to be paid to those shareholders whose names appear on the Company's Register on the.....day of.....19...

BOARD RESOLUTIONS.

Applications for 2,864 shares were produced, and the secretary reported that application moneys in respect thereof had been paid. It was RESOLVED that 2,500 shares of £1 each, numbered 10 to 2,509 inclusive, be and they are hereby allotted to the parties and in the proportions set out in the 29 allotment sheets initialed by the chairman. The secretary was instructed to dispatch the necessary allotment letters and letters of regret.

That the draft deed of conveyance for the purchase, from Messrs. Bradlaw & Co., of the properties comprised in No. 37, Dale St., Manchester, be approved; that it be engrossed in duplicate, and that the Company's seal be affixed thereto.

That in the matter of Messrs. Williams & Co., the secretary be and is hereby instructed to place the facts in the hands of the Company's solicitors, Messrs. Law & Co., with a view to the enforcement of the Company's claims.

That application be made to The Union District Bank of Manchester for a three months' loan of £5,000.

That, in accordance with the provisions of Article 48, General Charles Simpson, of Hillside, Colwyn Bay, be and is hereby elected a Director.

That Mr. Arthur Brown be and he is hereby appointed a Director of the Company in the place of Mr. Samuel Smith (who has resigned) for the remainder of the period for which Mr. Smith was elected, viz. until the Annual General Meeting to be held in 19...

Examples of other resolutions are given on other pages throughout this book.

CHAPTER XXI

MINUTES

A MINUTE as defined by the dictionary is "A note to assist the memory." In business matters, minutes are records of proceedings at meetings. Limited companies are required by Section 120 of the Companies Act to "cause minutes of all proceedings of general meetings and (where there are directors or managers) of all proceedings at meetings of its directors or managers, to be entered in books kept for that purpose"; and further, "any such minute if purporting to be signed by the chairman of the meeting at which the proceedings were had, or by the chairman of the next succeeding meeting, shall be evidence of the proceedings." Apart from the necessity of observing the above requirements, it will be evident to all that records of proceedings must be kept in order to "assist the memory" of the multifarious matters which the directors and shareholders of a company are regularly discussing.

Kinds of Minutes.

An examination of the minutes, that is of the records of proceedings of limited companies, will reveal the fact that such minutes contain:—

- (1) Statements of fact or circumstance, sometimes called Minutes of Narration, and
- (2) Resolutions or statements of decision.

Resolutions have been mentioned in the preceding chapter. A minute of narration may either stand alone or be attached to a resolution as the circumstances determine.

Examples:—

The solicitor to the company, Mr. L. Awyer, produced the certificate of incorporation, No. E. 24449x.

The sales list for the month ending 31st Dec., 19.., which showed an increase of £10,000 in the aggregate, was presented, and considered satisfactory.

NARRATION.

The Secretary reported that in response to the issue of the Prospectus offering 50,000 Cumulative Preference Shares of £1 each and 50,000 Ordinary shares of £1 each for subscription, there had been received applications (duly set forth in the application and allotment lists) for 51,928 Preference shares and 50,522 Ordinary shares.

RESOLUTION.

Resolved:—that 50,000 Cumulative Preference shares of £1 each and 50,000 Ordinary shares of £1 each be and are hereby allotted to the applicants in accordance with the number of shares set forth in the allotment columns of the application and allotment lists, and that the secretary prepare and issue the necessary letters of allotment and of regret, and where necessary refund moneys payable on application.

The Minute Book.

Separate books should be used for minutes of shareholders', of directors' and of committee meetings. Each should be consecutively numbered and be provided with an extension index (at the end of the book). The latter will refer to all the minutes recorded, but in place of this the card index system may be and often is used. Minutes relating to more than one meeting should not be entered on the same page. The form of Minute Book here given will, it is believed, meet all requirements. Many forms contain only two divisions, one for the number of the minute (or a reference number to the items on the agenda) and the other, the larger portion, for all other particulars. Sometimes, the names of the proposer and seconder are not given. In the column marked "Subject," a very brief statement of what the minute refers to will be given, while in the "Reference Index" column will be entered a reference to the pages of the book which before and after the minute referred to contain any reference to the same subject matter. This index will be used only in matters of importance occurring frequently. Instead of referring to pages, the number might refer to minutes, but it would be desirable in that case to have the latter numbered consecutively throughout the book.

Minute Books of general meetings must be kept at the registered office of the company, and for at least two hours

each day be open to the inspection of any member free. Members are entitled to be furnished with copies at not more than 6d. for every hundred words.

Before minutes are recorded in the Minute Book, it is a good plan, where possible, to show a rough draft to the chairman, for his approval. This will usually do away with the necessity of having to alter the minutes where the secretary has misunderstood some direction of the meeting. Where a mistake has been made in entering up the minutes, before they are signed, it will be better for the secretary to rule neatly through the error, and re-enter the particulars correctly. He should get his chairman to initial the deletions when the minutes are being signed. No erasures of any kind must be made. After the minutes are signed, the proper course, where a mistake has been made, is to pass a resolution rescinding the resolution or minute referred to, making a corrected one accordingly.

Whilst a narration should precede a resolution wherever necessary to explain the circumstances in which it came to be passed, the secretary should avoid so far as possible the minuting of reasons; for the reason which actuated one director to vote for a resolution may be the very reason why another director voted against it. Moreover, it is usual to record only the fact that the resolution was passed, without indicating the numbers voting for or against; but it is generally accepted that a director who disagrees with any particular decision has a right, if he wishes, to have the fact of his voting against, or abstention from voting as the case may be, recorded in the minutes.

Proposals which were not accepted are usually omitted from minutes, unless the matters are of exceptional importance.

Reading the Minutes.

The customary practice is for the minutes of one board meeting to be read at the next board meeting and, after being read, the chairman asks his co-directors if the minutes as read are a correct record. Upon their assent being obtained, the chairman adds his signature and date. A more formal procedure is described in Chap. XXII. The minutes of annual general meetings are usually approved at the next succeeding Board Meeting. Where this course is adopted no reference is made at the annual meeting to the previous year's minutes.

MINUTE BOOK

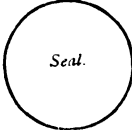
FIRST MEETING OF DIRECTORS, HELD 14th Dec., 19..

PRESENT—*W. Sykes*, Chairman.

R. Martin,
E. Johnson,
T. A. Deedicombe,) Directors.

IN ATTENDANCE—
P. Mason, Solicitor.
Thomas Massey, Secretary.

No. of Minute	Names of Proposer and Seconder	Details of Minutes	Subject	Reference Index
1		By general desire the Chairman-elect, Mr. W. Sykes, was in the chair.	Chairman of this meeting.	
2		The solicitor acting on behalf of the company in its incorporation, Mr. P. Mason, reported receipt of the Certificate of Incorporation, No. 66,664xa.	Certif. of Incorporation.	
3		Mr. P. Mason reported that in accordance with Article 68 of the Co.'s Articles of Association, Messrs. W. Sykes, R. Martin, E. Johnson and T. A. Deedicombe, had been appointed Directors of the Company by a majority of the subscribers to the Memorandum of Association.	Appointment of Directors.	
4	R.M. E.J.	It was resolved that Mr. Walter Sykes be and is hereby elected Chairman of Directors, and of the Company.	Chairman of Directors.	
5	W.S. T.A.D.	It was resolved that Mr. Thomas Massey, the Secretary pro tem. of the Company, be and is hereby appointed Secretary of the Company, at a salary of Four hundred pounds per annum (£400), and that an agreement be drawn up accordingly by Mr. P. Mason.	Appointment of Secretary.	
6	E.J. R.M.	It was resolved that Mr. P. Mason act on behalf of the Company in all matters necessitating legal advice and information — until further notice. (Note.—This is not a common practice.)	Appointment of Solicitor.	

No. of Minute	Names of Proposer and Seconder	Details of Minutes	Subject	Reference Index
7	W.S. T.A.D.	<p>It was resolved that a banking account be opened in the name of and for the purposes of the Company with the Union District Bank of Manchester, Limited, and that all cheques or other orders upon the said account be signed on behalf of the Company by two Directors and the Secretary.</p> <p>That all Bills of Exchange, Promissory notes and other negotiable instruments be accepted, made, drawn and endorsed for and on behalf of the Company by two Directors and the Secretary.</p> <p>That all cheques and other negotiable instruments requiring the endorsement of the Company which are paid to the said account may be endorsed on behalf of the Company by any Director or the Secretary.</p>	<p>Opening Banking Account.</p> <p>Signing and endorsing.</p>	
8	T.A.D. T.M.	<p>It was resolved that Messrs. Jones, Carful & Co., of 287, Clarence St., Manchester, be and are hereby appointed Auditors of the Company at a fee of 80 guineas per annum.</p>	<p>Appointment of Auditors.</p>	
9	E.J. W.S.	<p>It was resolved that Messrs. Brown, Kerr & Co., 1,022, Dale St., Manchester, be the brokers for the Company.</p>	<p>Appointment of Brokers.</p>	
10	W.S. E.J.	<p>It was resolved that the common seal, an impression of which is affixed to these minutes, be and is hereby adopted as The Common Seal of the Company.</p> <p>That a key of one of the locks of the seal be held by the Chairman, that for the other lock by the Secretary. The Duplicate keys are to be held respectively by Messrs. R. Martin and E. Johnson.</p> <p>(In regard to duplicate keys, the resolution is sometimes worded thus :—" Duplicate</p>	<div data-bbox="668 986 813 1127" style="text-align: center;">  </div> <p>NOTE.—The use of the seal here is only in conformity with item 10.</p> <p>Custody of the keys.</p>	

No. of Minute	Names of Proposer and Seconder	Details of Minutes	Subject	Reference Index
11	T.A.D. W.S.	<p>keys to be sealed and kept by the Secretary at the registered offices of the Company, to be used in cases of emergency according to the direction of the Chairman.")</p> <p>It was resolved that a Prospectus be issued offering 100,000 Ordinary shares of £1 each and 100,000 Preference shares of £1 each for subscription, and that Messrs. P. Roberts & Co. be requested to furnish a draft prospectus immediately, for the approval of the Directors.</p> <p>It was arranged to hold the next Directors' meeting on Wednesday, 21st Dec., 19..</p> <p style="text-align: right;"><i>Walter Sykes,</i> Chairman, 21st Dec., 19..</p>	Prospectus.	

FINANCE COMMITTEE MEETING MINUTES.

Meeting held 23rd March, 19..

PRESENT—*W. Sykes*, Chairman.

R. Martin,

T. A. Deedicombe,

IN ATTENDANCE—*T. Massey*, Secretary.

- 1 The minutes of last meeting held 16th March were read, approved as correctly entered and signed.
- 2 The financial statement showed receipts for week ending 18th inst., £9,290 and payments, £10,070, the balance at the bank being £19,090. The most important item was the payment of £5,000 for No. 1 certificate on account of new buildings. (See page 53, Cashier's Summary book.)
- 3 The bank pass book was produced showing the balance in the bank to be £11,919. The Reconciliation account given in the financial statement agrees with this statement.
- 4 Amount of overdue accounts :—

14 days or less,	£5,000.
14 to 28 days,	£2,350.
over 28 days,	£1,060.
- 5 The Secretary was instructed to press Messrs. Oaks & Co., for immediate payment, and to place M. Lowe's account in the hands of the Company's solicitor.
- 6 Mr. T. A. Deedicombe reported that the scheme prepared for advertising, for year ending March, 19.., amounted to £5,250. After much discussion, it was arranged that a further scheme involving less expenditure be prepared by Messrs. Osborne & Co.
- 7 The committee considered the recommendations of the Board with regard to new plant for the Making Up department. It was resolved that having regard to (1), the present state of trade, and (2), the general finances of the company, the Board be recommended not to proceed with the erection of new plant for this dept.
- 8 It was resolved that the Indian trade be confined to clients having headquarters in London, and that no direct trading be for the present entertained.
- 9 Architect's certificate on New Building account, granted to contractor under agreement, and amounting to £6,000 was presented, approved, and ordered to be paid.

Next meeting, 30th March.

Walter Sykes, Chairman
30/3/19..

The student will find the Agenda for the above Meeting and the Chairman's Notes thereon, on page 152.

GENERAL MEETING MINUTE BOOK

Second Annual Meeting held at Chartered Accountants' Rooms, Fountain St., Manchester, Thursday, 23rd March, 19.., at 12.0 noon.
Chairman, Mr. Walter Sykes.

No. of Minute.	Proposer and Seconder.	Details of Minutes.	Subject of Minutes.
		Messrs..... } } } and 69 others as signature list attached.	Shareholders present.
1		The Secretary read the notice convening the meeting and the report of the Auditors.	Notice of Meeting.
2		Letter of apology for absence from Col. F. H. G. on account of illness was read.	Correspondence
3		The Report and Accounts of the Directors, previously circulated, were taken as read.	Reports and Accounts.
4	Chairman, Mr. Cornelius Brown.	It was unanimously resolved "That the Report of the Directors and the Accounts for the year ending Dec. 31st, 19.., as now presented, be and are hereby approved and adopted."	
5	Mr. R. Martin Mr. T. A. Deedicombe.	It was unanimously resolved "That a dividend of 5% per annum be paid on the Preference Shares and a dividend of 5½% per annum, recommended by the Directors, be paid on the Ordinary Shares, to all persons whose names appear as shareholders of the Company on the 7th March, 19.., and that such dividends be paid forthwith."	Dividends.
	Mr. E. Johnson Mr. Chas. James Turbeville.	It was unanimously resolved "That Walter Sykes and Rufus Martin be and are hereby re-elected Directors of this Company."	Election of Directors.
7	Mr. Thomas Templeton. Mr. Jas. Blairness.	It was resolved nem. con. :- "That the remuneration of the Directors be the sum of £1,000 per annum in the aggregate; one-half to be paid to the Directors irre-	Directors' Remuneration.

No. of Minute.	Proposer and Seconder.	Details of Minutes.	Subject of Minutes.
8	Mr. Ernest Stokes. Mr. John Shackleton.	<p>spective of attendance, the other half to be paid and divided amongst the Directors according to attendance.”</p> <p>It was resolved:—</p> <p>“That Messrs. Jones, Carful & Co., Chartered Accountants, be re-appointed Auditors of the Company, to hold office until the next Annual General Meeting, at a fee of £85 (eighty-five pounds).”</p>	Appointment of Auditors.
9	Mr. William Billington, Mr. Thomas Terram.	<p>On the Chairman declaring the business of the meeting completed, a vote of thanks was unanimously accorded to him, and to the other members of the Board for their services during the past year. The Chairman responded in suitable terms.</p> <p style="text-align: right;"><i>Walter Sykes,</i> Chairman, 24th March, 19...</p>	Thanks to the Chairman and Board.

The student will find the detailed agenda for this meeting as placed before the chairman, set out on pages 149 and 150.

Loose-leaf Books.

A few words regarding the use of loose-leaf records of minutes, etc., may be interesting in closing this chapter. In the case of loose-leaf records that are substantiated by original documents, such as the Register of Members, there is no doubt that—if properly kept—such books would be admitted as evidence in a Court of Law. Loose-leaf Minute Books—loose-leaf records which are themselves the original evidence or record—are rather differently placed, however, and in one case the judge refused to receive such a book in evidence. The book was badly kept, and it seems likely that a loose-leaf Minute Book securely fastened by a lock with all pages numbered and initialed would be admitted.

CHAPTER XXII

PROCEDURE BEFORE, AT, AND AFTER MEETINGS

BEFORE studying the contents of this chapter, the student is advised to read all matters referring to general meetings in any Articles of Association to which he may have access, and in particular he should read and study Articles 39 to 63 of Table A.

The Annual General Meeting is usually held some three or four months after the conclusion of the financial year; in fixing the date, regard must be had not only to the obligation to hold a general meeting not later than fifteen months from the preceding general meeting (Section 110, Companies Act, 1929), but also to the requirements of Section 123, which provides that accounts shall be laid before the members within eighteen months of incorporation and subsequently once at least in every calendar year. The meeting must be held within nine months of the date to which the accounts are made up, or twelve months if the company has interests abroad.

When the accounts have been completed and audited, the secretary will proceed to draft the directors' report, which should be a plain statement of the results of the trading for the year, followed by a statement as to the allocation of profits between dividends, reserves, and "carry forward." The report usually terminates with a note as to the retiring directors and auditors, and whether they seek re-election and re-appointment respectively.

The secretary will see that the hall which it is proposed to use for the meeting is available for the contemplated date, and will then be in a position to have set up in type the various documents required to be sent to members entitled to attend the meeting; these will consist of the notice convening the meeting, the directors' report, the Balance Sheet and Profit and Loss Account, and the auditors' report on the Balance Sheet. Proofs of these will be obtained, and will be

submitted to a duly convened Board Meeting which the auditors' representative will be invited to attend.

At this meeting the directors will approve the various documents, decide upon the dividend to be declared, and will discuss with the auditors' representative any amendment they desire in the form of accounts as they are to be printed. These matters settled, they will pass resolutions: (i) authorizing the signing of the directors' report by the chairman or the secretary on their behalf; (ii) authorizing the signing of the Balance Sheet by two directors on behalf of the Board, as required by Section 129; (iii) convening the general meeting and authorizing the secretary to send with the notice the report and accounts (and possibly proxy forms and admission cards), and to make arrangements for reporting the meeting in the press; (iv) giving instructions for the preparation of dividend warrants, and the closing of the Register of Members if that be the practice of the company.

As soon as this Board Meeting is concluded, the secretary will instruct the printers to proceed with all the necessary printing. It will generally be necessary to obtain two final proofs of the report and accounts, and after having them signed by the two directors as arranged, to send them to the auditors, who will retain one copy for their files and return the other with the auditors' report thereon duly signed. This copy should be carefully preserved and should be available at the general meeting.

Envelopes will be prepared, preferably by means of the addressing machine, ready to despatch the report and accounts, etc., to all members of the company. If the company's shares are quoted, three copies must be sent to the Share and Loan Department of the Stock Exchange.

The secretary will put in hand the dividend arrangements and will prepare the chairman's detailed agenda for the meeting, and may be required to assist in the preparation of the chairman's speech. The agenda should give the full names of the proposers and seconders, except that, as the motion for the appointment of auditors should come from the body of the hall, this is arranged before the meeting by handing slips containing the resolutions to two shareholders in the hall.

Where proxy forms have been issued, those lodged should be checked and entered on a Proxy List as they are

received; and the proxy forms and the list must be taken to the meeting.

Arrangements for the Meeting.

On the day appointed for the meeting, the room must be prepared. Seats will be arranged for the chairman and the other directors at a table at the head of the room, and other seats will be provided for the general body of the shareholders. Where it is the practice to do so, copies of the agenda, report and accounts of the directors and report of the auditors, will be placed on the seats for the convenience of those attending. On the table, in front of the chairman, will be the Agenda Book, with the agenda placed therein fully detailed, and such book will be open ready for the chairman's use. There will also be at hand the original signed copies of the report and accounts and auditors' report, correspondence to be read at the meeting, and the draft of the chairman's speech. The secretary will have at hand, the Minute Book, copy of the agenda (detailed), a copy of the report and accounts and of the auditors' report, the signed notice convening the meeting, and any other documents he may consider necessary. At every meeting he should have with him a copy of the Memorandum and Articles of Association of the company. There should also be available a good supply of writing materials. If the meeting is one important to the general public, reporters may be present, and proper convenience should be afforded them.

The room should be open for the admission of shareholders at least half an hour before the time appointed for commencing the meeting.

As the shareholders enter the room, their attendance will be automatically recorded by their presenting admission cards as shown on page 171. Where a card system is not adopted, arrangements should be made to take the signatures of those attending as they enter the room.

The chairman, and the other directors, together with the secretary, and, where usual, other officers, e.g. the general manager, should be in their places *before* the advertised time of the meeting, so as to ensure its starting promptly. This applies also to any members of the staff who may be appointed to assist.

The South Lancashire Trading Company,
Limited.

Annual General Meeting,
to be held at

The Chartered Accountants' Rooms,
Fountain St., Manchester,

Thursday, 23rd March, 19.., at 12 o'clock
noon.

Shareholder's signature

Kindly sign this card prior to the meeting,
and hand it to one of the officials on
entering the rooms.

If at the appointed hour the chairman finds that a quorum be not present, the meeting must stand adjourned, or as the Articles of Association direct. The Companies Act provides that, in the absence of provisions in the Articles, the quorum shall be: three members personally present (in the case of a public company), or two members (private company).

Table A provides for a quorum of "three members personally present," and provides, further, that if a quorum is not present within half an hour of the time fixed for the meeting, it must stand adjourned to the same day and hour in the following week, and at the same place; and if at such adjourned meeting there is no quorum within half an hour of the time fixed for the commencement of the meeting, the members then present will constitute the quorum. If, however, it be a meeting specially convened upon the requisition of members, it must be dissolved.

Assuming that a quorum be present, the chairman will call upon the secretary to read the notice convening the meeting. There is no statutory requirement that this be done, but it is customary, as it calls the attention of those present to the business before them. The next item is the reading of the auditors' report upon the accounts, in accordance with Section 129; this duty is occasionally undertaken by the representative of the auditors, but is more usually carried out by the secretary. The report and accounts of the directors come next, and it is usual for the chairman to ask the members, in view of the fact that these documents have been in their hands for the statutory period, to take them as

read; a formal request to which there is seldom any dissent. He will proceed to move the adoption of the report and accounts by reading out the motion from the detailed agenda sheet. He then proceeds to deliver his "chairman's speech," in which he may review the year's trading, draw attention to any special points in the accounts, and possibly express an opinion of the prospects of the company for the immediate future. On the conclusion of his speech he calls upon the person named in the agenda to second the resolution. This gentleman will usually read the terms of the resolution from a slip which has been previously handed to him by the secretary, and may speak at length or otherwise on the matter. Following him, the shareholders, who are entitled to discuss the report and accounts, are asked by the chairman if they have any questions to ask or remarks to make in regard to the report and accounts. This is the opportunity of dissatisfied and other shareholders, and where a satisfactory report has not been presented, numerous questions may be asked as to the affairs of the company, and a demand may be made for an investigation into the company's affairs (see section 137, Companies Act).

Putting the Resolution to the Meeting.

A resolution is put to the meeting by the chairman saying, "Those in favour?" whereupon every member who votes for the resolution holds up a hand. If there is any cause for believing a count to be necessary, the hands so held up will be counted by the chairman, with the assistance possibly of another director. The counting concluded, he will say, "Those against?" and the procedure will be repeated. Where it is a foregone conclusion that the resolution will be carried by a large majority, or the hands held up "in favour" show conclusively that the meeting is in favour of the resolution, the counting will be omitted, unless, of course, it is necessary (as in a special resolution) to ascertain that the resolution has been passed by a certain majority. The chairman may declare a resolution as carried, or by a certain majority, or, where all have voted for the motion, carried unanimously; again, where no one has voted against the motion, carried *nem. con.* (*nemine contradicente*).

A member dissatisfied with the declaration may call for a

count, or a recount, as the case may be; or he may resort at once to his right to demand a poll.

We have already seen that there is a common law right to demand a poll; this right may, however, be restricted by the company's Articles except in the case of extraordinary and special resolutions, in respect of which Section 117 of the Companies Act provides that a poll may be demanded by the number of members stated in the Articles, but not exceeding five, or where the Articles make no provision, by three members, or by one or two if they hold together not less than 15 per cent of the paid-up capital of the company.

The demand is effected simply by a member rising and saying: "Mr. Chairman, I and . . . other members, making up the number required by the Articles, demand a poll on the resolution just submitted to the meeting." A poll is in the nature of an appeal from the decision given on a show of hands, in which each member, irrespective of his holding, has only one vote. On a poll each member is entitled to the number of votes set out in the Articles; Table A, for example, provides that a member shall have one vote for every share he holds. Moreover, if proxies are allowed, a poll will enable members present to record the votes of absent members whose authorizations they hold; and if the chairman decides that the poll be taken at a later date (a matter which is within his unfettered discretion) an opportunity will be afforded for a much larger proportion of the total membership of the company to vote than if the poll is held immediately.

Proxies.

Power is usually given in the Articles enabling votes to be given by proxy on a poll. Unless such power is conferred, there is no right to vote by proxy. The word *proxy* is used to indicate both the person voting by proxy and the instrument authorizing him to vote; but the present writer prefers to use the term as meaning only the person acting for another. Where voting by proxy is allowed, it will be the duty of the secretary to observe his company's regulations with regard thereto, particularly as to the proxy form, and delivery to the company. See particularly in this matter, Articles 59-62 of Table A. The stamp duty on proxy forms is one penny

for each, if for use at one meeting only or at any adjournment thereof, but ten shillings if for more than one meeting. The importance of properly stamping is apparent when it is realized that (1) an unstamped or improperly stamped proxy form is invalid; (2) the validity of a resolution passed with its help may afterwards be disputed in the courts; and that (3) any attempt made to use it involves a fifty pound penalty to the maker and user of it. Whilst the stamps on proxy forms should be impressed, adhesive stamps will suffice if obliterated, say, by the person granting the authority. Table A says that "the instrument appointing a proxy" should be delivered to the company not less than forty-eight hours prior to the holding of the meeting at which the form will be used, otherwise it is invalid. Other Articles may and often do provide for a longer period. A proxy form not in order should be immediately returned.

FORM OF PROXY

THE SOUTH LANCASHIRE TRADING COMPANY LIMITED PROXY

Extraordinary General Meeting, 20th April, 19...

I, *Amos Greenleaf*, of "*Shelback*," *Runcorn*, being a member of the above-named Company, and entitled to 500 (*five hundred*) votes, hereby appoint *Rufus Martin*, of *Chasm Villa, Dreadnought Place, London, W.*, or failing him, *Ernest Johnson*, of *5,222, Stanley St., Manchester*, as my proxy to vote for me and on my behalf at the Extraordinary General meeting of the Company to be held on the twentieth day of April, one thousand nine hundred and , and at any adjournment thereof.

Signed this *13th* day of *April*, one thousand, nine hundred and

Witness	{	Name, <i>Jas. Tupman</i>	Stamp
		Address, <i>2, Snodgrass Avenue, Runcorn,</i>	Id.
		Description, <i>Corn Merchant.</i>	<i>Amos Greenleaf</i>

The remaining items on the model detailed agenda require no explanation, and they do not call forth any information with regard to procedure, so that they may be passed over. It may be mentioned that at "annual" meetings there is something of the personal element introduced, for it is a common practice after the official business is finished for a resolution to be passed thanking the chairman and other directors for their services, and also one thanking the staff.

Records of the Meeting.

During the progress of the meeting the secretary will have been taking brief notes of the proceedings. At a meeting of shareholders he will usually have little to do in this respect, beyond noting that the business of the meeting has been disposed of properly. Against each item on the agenda he will put a tick to indicate that the matter referred to was passed. Where information has been asked for and promised by the chairman, he will make a note of this, also of any suggestions made by shareholders to the Board. Where the resolutions were passed in the form drafted by the secretary he will not need to copy them in his notes, nor will it be necessary for him to put the names of the proposers and seconders of resolutions therein, if they are those originally arranged for. If, of course, any instructions have been given at the meeting, it is the duty of the secretary to see that they are noted and carried out.

The secretary's first duty after the meeting of shareholders, is to write up the record of the proceedings—the minutes—and as has been pointed out in a preceding chapter, everything material must be included in the minutes, but irrelevant matter excluded. A draft of the minutes, before entry, should be submitted to the chairman for his approval, and after entry, the minutes should be laid before the next Board Meeting and signed by the chairman thereof. Where it is the custom, copies of the "Report of the Proceedings" will be printed and sent to the members. A notification should be made to the auditors as to their appointment or re-appointment, and in the case of directors absent from the meeting and who have been re-elected, a notification should be sent to them. After such a meeting, too, there is the important

work of posting the Dividend Warrants and of making up and forwarding the Annual Return (see Chapter XXIX).

Directors' Meetings.

Although there is less formality at meetings of directors than at general meetings, it is nevertheless just as important that the requirements of the law and of the company's Articles are strictly observed.

The Articles usually permit the directors to "regulate their meetings as they think fit." Unless, however, they have arranged to meet at fixed intervals and to dispense with notice, reasonable notice (say, two or three days at least) must be given of every meeting. If, however, all the directors are, in fact, present and agree, they can waive notice. This does not mean that because all the directors happen to be present, they can force one of their number, against his will, to take part in a meeting on the spot; but, on the other hand, where they are all present and agree, they can hold a meeting in the most informal circumstances—e.g. on a railway platform, conversing through the carriage window of a train about to depart.

The Articles will state what the quorum for a Board Meeting is, and it must be remembered that any business conducted without a quorum, unless subsequently ratified, may be invalid. Moreover, there is a common law rule which prevents directors who are interested in a contract with the company both from voting on the matter in a Board Meeting and from being counted in the quorum discussing it—i.e. there must be a "disinterested quorum." The Articles may, however, amend this rule; but where a director abstains from voting on a contract because he is interested in it, it is as well to record the fact in the minutes, thus: "Mr. A B, being interested in the firm of C and Co., abstained from voting."

Even if the Articles allow him to vote, an interested director must, by Section 149 of the Companies Act, disclose at a Board Meeting the nature of his interest in any contract with the company. A general notice that he is a member of a particular firm or company, and is to be regarded as interested in any contract therewith, is sufficient.

The careful secretary will endeavour to keep in mind any

interests so declared; for in the event of the absence of a disinterested quorum, or the improper inclusion of such a director's vote, the contract may be avoided by the other party.

Specimen notices of directors' meetings are shown on pages 145 and 146.

There will also be the preparation of the agenda and the forwarding of a copy of it, where the practice exists, to each director. With the notice, the secretary should send a note of reminder to any director whose duty it is to present any information to the meeting. In the preparation of the room a supply of writing materials should be placed before each director. The secretary will have at hand a copy of the Memorandum and Articles of Association, the Minute Book, Directors' Attendance Book, copies of the agenda and all documents to be dealt with at the meeting. All papers can best be handled by the secretary if they are properly marked for identification and placed in a portfolio or box file. Each director should have a copy of the agenda.

On the chairman taking his seat the meeting begins usually by his explaining, where necessary, the absence of a director, after which the secretary is called upon to read the minutes of last meeting. This done, the chairman says, "You have heard the minutes of last meeting read. Will someone move that they be confirmed?"

The proposer and seconder of the resolution affirming the correctness of the minutes will, of course, be persons who attended the meeting to which the minutes refer. Where an error has been made it must be corrected, in accordance with the recommendations on page 161.

After the minutes have been "confirmed," they are signed by the chairman, who, at the same time, should affix the date of the signing.

The next item on the agenda is usually "Matters arising out of the minutes." This enables the chairman or other director or, it may be, the secretary, to explain that certain instructions have been carried out, or to explain how far matters in a certain direction have progressed. The arrangement of the business should, as far as possible, be in accordance with the agenda, but the chairman may and often does alter this as he considers fit, particularly where by accident the secretary has not placed adjacent to each other, matters

having a similar bearing. Another reason may be that the chairman wishes to ensure the consideration of some special matter. But it should be noted that, strictly speaking, the order of business should not be altered without the consent of the meeting.

The Secretary's Notes.

The notes that the secretary will take of the proceedings of a directors' meeting will consist largely of decisions for incorporation in the minutes, and instructions for which he will be responsible for carrying out. Naturally, the secretary will adopt the briefest of methods, when making his notes. He will, for instance, have such entries against the items on the agenda as the following:—

Minutes of last meeting ;	Read, approved, signed.	T.A.D. R.M.
Matters arising out of minutes :	Chairman explained <i>re</i> Buildings scheme.	
Transfers :	16 forms passed and sealed, Nos. 84 to 99.	R.M., E.J.
Organization of Works :	Chairman and Mr. R. M. to consider.	E. J. T.A.D.
and so on.		

The initials after each note refer to the proposer and seconder.

At the conclusion of the meeting, the secretary will find that the *list of instructions* is frequently a large one, and if this be the case, he will be advised to have his "reminders" printed, as shown on the next page, and written in triplicate form. One copy will be sent to the person concerned, at once, and another will be put in the secretary's "tickler," whilst the third copy is retained for general reference. The "tickler" copy may be sent to the director as a further reminder of the duty he has to accomplish—with the notice convening the next meeting of directors. As soon as possible the minutes will be drafted for the chairman's approval and entered in the **Minute Book**.

In most Articles there will be regulations for the conduct of directors' meetings, and these will be found in the case of Table A in Articles 81 to 88, to which reference should be made. These Articles refer also to committees (which may consist of one member only). The procedure with regard to the meetings of the latter is similar to that adopted at directors' meetings, but apart from the meetings, members of committees may have a large amount of work to do before they can report to the general body of directors, who confirm or otherwise the recommendations they may make in regard to the matter which they were specially appointed to consider. (See Reports, Chapter XXIII.) It should be clearly understood, however, that committees of the board can be appointed only when the Articles authorize such appointment.

THE SOUTH LANCASHIRE TRADING COMPANY
LIMITED

37, DALE STREET,
MANCHESTER,

Rufus Martin, Esq.,
London.

8th March, 19..

Dear Sir,

At the meeting of directors held this day the following resolution was carried:—

That Messrs. Lightmore & Co., be interviewed with respect to their proposals to build on land adjoining the company's premises, and that a suggestion be made to them that they confer with this company on the question of right of light,

and you were appointed to

carry out the terms of the resolution.

Yours faithfully,
Thomas Massey,
Secy.

CHAPTER XXIII

REPORTS

THE company secretary will have to frame the following among other reports :—

The Statutory Report.

The report of the directors to the shareholders on the results of trading—commonly known as the Annual Report.

Report or summary of the proceedings of important meetings of the company, where such are provided for issue to the shareholders or to the press, e.g. report of the annual meeting.

Reports of committees of directors on special matters.

The student should get copies of actual reports as above mentioned, but in addition he should familiarize himself with those of public bodies other than joint stock companies, e.g. of building societies, railway and canal companies, water, gas and electricity undertakings, co-operative stores, hospitals and other charitable institutions, etc. By close attention to all these, he will become familiar with the language ordinarily employed, and also with the style and arrangement peculiar to each.

Method of Framing Reports.

After some study of various reports, it will be found that the information therein given can generally be placed under certain "heads." As an example, take the report of the directors—the Annual Report to the Shareholders. An examination of numerous reports furnishes the following headings :—

- (1) General reference to accompanying accounts.
- (2) Prospects of the company.
- (3) Extension of the company's business or business premises, new departures, amalgamation with or absorption of other companies.
- (4) Reference to increase of capital, etc.
- (5) Directorate and staff changes.

- (6) Reference to the auditors and their re-appointment.
- (7) Proposals with regard to dividends, reserves, etc.
- (8) The accounts attached.

These "heads" are, of course, of a general character, but from them may be built up any annual report, mentioning the matters as apply, and others of a nature peculiar to the company. The report accompanies the audited statement of accounts which every public company is required to send, not less than seven days before the annual general meeting, to every person entitled to receive notices of general meetings. A common practice is to print the report in the "fold" of the accounts, and to endorse the notice on the outside fold. On the front of the report there is usually a statement giving the names of the directors, bankers, solicitors, auditors, and secretary of the company, etc. The following report should be read and the "heads" carefully noted :—

THE SOUTH LANCASHIRE TRADING COMPANY LIMITED

REPORT of the directors to be submitted to the tenth Ordinary General Meeting of the Company, to be held at the Registered Offices, 37, Dale Street, Manchester, on Thursday, 23rd March, 19.., at four o'clock in the afternoon.

The directors submit their accounts for the year ending 31st December, 19.., and in doing so, have pleasure in stating that the results of trading have fully borne out their expectations, the turnover being a record one. This result has been achieved in a year which will be known to history as one of small margins in almost every business undertaking in the country, hence the net profit earned shows no material increase over that obtained last year.

NEW BUSINESS. During the past year, in addition to some important business transacted in real estate, the directors made a departure from the nature of the business hitherto transacted, by the purchase under extremely favourable conditions, of house property in and adjacent to the suburbs of this city. It is well let and promises to be a fruitful source of income for the company.

The general outlook is promising, but, in consequence of the unsettled conditions of trade in some centres, it is impossible to gauge with any degree of accuracy, whether such promise will materialize.

NEW ISSUE OF CAPITAL. A prospectus was issued on the 6th June, 19.., inviting subscriptions for 5,000 Preference shares at par, being the balance of the authorized issue of 100,000 Preference shares of £1 each in the company. The issue was heavily over-subscribed.

THE DIRECTORATE. The directors regret having to record the loss of the services of Mr. Henry Heckmondwike who, in consequence of ill-health, has retired from the Board. Col. S. Bridge-Staley has been elected by the directors to fill the vacancy.

In accordance with Article 38 of the Company's Articles, two directors retire from office, viz., Mr. Walter Sykes and Mr. Rufus Martin. They are eligible and offer themselves for re-election.

AUDITORS. The auditors' report is appended. The auditors, Messrs. Jones, Carful & Co., of 287, Clarence St., Manchester, retire, and being eligible, offer themselves for re-election.

APPROPRIATION OF PROFITS. The accounts reveal a net surplus from Profit and Loss A/c of £....., after providing substantially for depreciation of leases and property held by the company.

From this, the directors recommend:—

A transfer to General Reserve Fund of £.....

A dividend at the rate of 5% per annum on the paid up capital of the company, thus:—

on the.....Preference shares,

on the.....Ordinary shares,

absorbing a sum of £..... leaving the substantial amount of £..... to be carried forward to next account.

Walter Sykes, Chairman.

Thomas Massey, Secretary.

8th March, 19..

Reports of Directors' Committees.

Committees of directors may be classed thus :—

Standing or permanent committees.

Committees which exist only for the purpose of undertaking special business.

Every limited company has not a standing committee, and some companies have no committees at all. The articles must authorize the formation of a committee before it can be appointed.

The most familiar instance of a standing committee of a limited company is a Finance Committee. There are also Transfers or Registration Committees which deal with all matters referring to the transfer and registration of shares, etc. The following is a form of resolution appointing a Finance Committee :—

Resolved.—That a Finance Committee of Directors be appointed, consisting of..... members of the Board, including the Chairman, whose business it shall be to consider and control the financial operations of the company. These shall include

The consideration of arrangements with any bank or financial firm, the question of credit terms and the standing of customers generally ; the sanction of general expenditure, the investigation periodically of the company's expenses ; and such other matters of a financial nature as in the opinion of the Board, it is competent for such Committee to consider.

All proceedings of the Finance Committee shall be entered in the Financial Minute Book, which shall be duly presented for confirmation of the Board at their monthly meeting.

The first Finance Committee shall consist of Messrs.

.....

The Finance Committee shall be reconstituted annually, at the first Board meeting held after the Annual General Meeting of the Company in January, and the members thereof shall hold office until the appointment of their successors.

Under the terms of a resolution of this character, the report to be submitted to the directors will be the contents of the financial minute book. There may be instances, however, where the Finance Committee is requested to make a special report to the Board, and where this is so the terms of the resolution requiring such report should precede the "finding."

Reports of Committees of Directors on Special Matters.

These are of very varied character, but the following brief list will give an idea of the matters often reported on:—

The desirability of opening business in (mentioning town or country).

The advisability of erecting new premises.

The purchase of another business undertaking.

The establishment of a trading house in the Far Eastern markets.

To consider the raising of additional capital.

To inquire into the management of certain departments.

To co-operate with other firms in the promotion of legislation in a certain direction.

The establishment of a Thrift Fund for employees.

In arranging a set of "heads" as a guidance when formulating the report, consideration must be given to the particular nature of the matter to be reported on. Thus, in some cases, the following "heads" would be suitable:—

- (1) The terms of the resolution, that is, a copy of the resolution of the directors, with the date when passed.
- (2) A statement of the inquiries made or particulars of advice sought for and from whom.
- (3) Tests and results of any tests, where made (as in witnessing the tests of strengths of materials, yarns, cloths, etc.; or again, materials used in the construction or erection of buildings, etc.).
- (4) The general finding of the committee, and where the members are divided in their opinions, the nature and causes of the division of opinion.

The following is an example of the

REPORT of a Special Committee of directors empowered to "consider and report on the question of new premises" according to the terms of a resolution of the directors of the company, passed at a meeting held 14th January, 19..

RESOLUTION OF APPOINTMENT.

Resolved.—That in view of the extended operations of the Company's business, and the inadequacy of the existing premises to cope with increased trade, a committee consisting of the chairman, Mr. W. Sykes, with Messrs. R. Martin and T. A. Deedicombe, be formed, to consider and report on the question of new premises.

PRESENT POSITION.

The present premises are adequate for dealing with a trade not exceeding £30,000 per month, this having been the average turnover during the period of four years ending June 30th, 19.. It has been noted, however, that whenever the turnover has exceeded this amount within the period named, there has been great difficulty in finding warehouse room for the goods, and consequently the processes of unpacking, sorting and repacking have entailed more time and more labour.

The turnover during the past six months has shown a considerable increase, averaging £36,000 per month, and there are indications of a much further increase.

There are possibilities of creating new departments.

It has been thought desirable for some considerable time, to "make up" the Company's goods on the Company's own premises instead of continuing the present system of having them made up by outside firms.

INQUIRIES MADE.

The Committee have considered the acquisition of other premises. Nine properties have been inspected on the recommendations of Messrs. S. B. & Co. and H. R. & Co., estate agents. Each has been carefully inspected, but found unsuitable for the purpose of the Company's business. Independent inquiries and visits have been made by the Committee, but with no satisfactory result. In making the inquiries, the Committee bore in mind:—

The probable annual cost of maintaining such buildings ;
and the probable return.

The conditions under which the buildings could be
purchased or leased.

The nature of the premises from the point of view of what
is required by the Company, particularly bearing in
mind the possibility of alterations to meet the
requirements.

The proximity of such buildings to the present warehouse,
and to the docks, railways, etc.

CONCLUSION AND RECOMMENDATIONS.

After deliberations covering a period of a little over six weeks, during which eight meetings have been held and sixteen visits of inspection made, together with interviews with valuers, estate agents, architects, etc., the Committee are of opinion that :—

- (1) New premises should be erected as soon as possible, on the spare land adjoining the Company's present warehouse.
- (2) From inquiries made, the cost of erecting a building capable of dealing with a turnover equal to 50% over the average of the company's business during the past five years, and allowing for the creation of new departments, will be something like £45,000.
- (3) The amount of further capital needed to carry on the increased trade and proposed further extensions may be £50,000, making a total amount required of £95,000.
- (4) It is advisable that debentures be issued in respect of the additional capital required.

Attached to this report will be found the data obtained by the Committee, in the above matter.

W. Sykes, Chairman.

R. Martin,

T. A. Deedicombe, } Directors.

Thomas Massey, Secretary.

3rd March, 19..

Other Reports.

The following suggestive "headings" will be found of practical use :—

HOSPITAL REPORT.

Committee, Council, Officers, etc.

Objects of hospital.

Medical report ; statistics of cases treated ; requirements.

Subscriptions and Donations ; special bequests ; appeals.

Report of Annual Meeting.

Extensions to premises.

Sundry matters ; form of bequest.

DECLINE IN TRADE IN A CERTAIN DISTRICT. (BY AN AGENT.)

Reference to letter asking for report.

Correcting statements where necessary in letter.

Considering whether decline is real, imaginary, comparative, etc.

Is decline in values or quantities ?

Specific reasons :—competition ; bad trade generally ; high prices ; samples furnished lacking in variety, design, etc. ; inattention to details of orders ; credit terms too short ; legislative drawbacks, etc.

Present position and prospects.

CONSOLIDATING THE BRANCHES OF A COMBINE.

Terms of resolution of a Board ; instruction from a Director or order from a General Manager, etc., stating the requirements of the report.

Particulars as to

Number of branches and where situated, and **character** of work done.

Nature of Management, production, sales, wages and other expenses (particularly standing charges).

Nature of machinery and value.

Advantageous conditions, e.g. water supplies, nearness to railways, docks and canals.

Matters arising out of above :—

- | | | |
|--------------------|---|---|
| Where these exist. | { | <p>(a) Useless or antiquated works, machinery and plant, conservative methods of production and distribution, leakages, unnecessary labour, bad management.</p> <p>(b) Modern works, plant, etc., modern methods and management, utilization of "waste" products.</p> |
|--------------------|---|---|

Recommendations :—

Closing of works ; transfer of certain processes of manufacture to certain branches ; greater use of "waste" products ; specialization of work at particular centres ; re-arrangement of duties of officials ; increases and reductions of wages and salaries ; utilization of geographical and other natural advantages ; the furnishing of branch reports periodically.

Signature.

Reports issued by a company to its members are usually signed by the secretary alone, using the words :

By order of the Board
Secretary.

but there is no objection to their being signed by the chairman alone or by both the chairman and secretary. In other cases the reports should be signed by the persons responsible for them.

CHAPTER XXIV

DIVIDENDS

DIVIDEND is a portion of the profit payable to the shareholders per share or per cent. of the capital of the company.

Distributable Profits.

As to what are profits available for dividend, that is a matter not capable of a ready answer, as much depends upon the circumstances attaching to each individual case. Certain general principles may, however, be laid down, though even this is very difficult in the space available and having in mind the scope of the present book.

Profits available for dividend should be net profits from trading, and no dividend should be paid unless (with any credit balance brought forward from the previous year) there is a sufficient balance to the credit of Profit and Loss Account. Many companies, however, set aside a proportion of their profits in prosperous years to a "Dividend Equalization Reserve," and this reserve may be drawn upon in lean years. Legally, any reserve, accumulated out of profits, may be used for the payment of dividends, providing it has not been irrevocably capitalized, e.g. by the issue of bonus shares: and consequently, where a hidden reserve has been created by writing off excessive depreciation (a usual procedure with intangible assets such as goodwill) any amount above the actual value of the asset may be written back to Profit and Loss Account for distribution, though this is a procedure that would not usually find favour with sound business men. Again, whilst dividends may not be paid out of capital, they may be paid out of profits without providing for wastage of fixed assets—indeed, this is a usual procedure with mining companies; but whatever the type of business, losses of circulating capital must be made good. Finally, it is obvious that, whatever the state of the Profit and Loss Account, a cash dividend cannot be paid if the liquid resources of the company are thereby dangerously depleted. (As to the payment of *interest* out of capital, see page 225.)

The net profit is usually arrived at after charging all expenses, costs of trading, providing for depreciation and maintenance of plant, machinery, and other assets, including leases ; for bad and doubtful debts ; for all amounts paid by way of interest and other items of a like character, some of which may be mentioned in the company's Articles. After such deductions have been made the directors will make such provision as is considered necessary for reserve funds, such amounts to be employed either within or without the company's business. The amount then standing to the credit of Profit and Loss Account may be said to be "available for dividend." The amounts which the directors propose to transfer to reserve and to distribute as dividend must be shown in the directors' report, which must accompany the annual accounts sent to shareholders before the annual general meeting.

Organization of Dividend Payments.

When the net profit available for dividend has been determined, the Articles should be examined to see who must participate in it. Where preference shareholders have cumulative rights in regard to dividends, and have not in prior periods received the latter, their claims with respect thereto must first be satisfied. Unless the Articles provide otherwise, dividends are paid on the nominal amount of each share, but the usual provision is to pay on the amount paid up. This does not, however, include any calls paid in advance.

Most Articles provide that dividends other than interim dividends (which the directors may declare and pay when the profits justify) may only be declared by the company in general meeting ; but that dividends shall not exceed the amount or rate recommended by the directors. The directors usually act on the assumption that their recommendation will be accepted and they have the dividend warrants prepared so that they may be despatched immediately after the shareholders' meeting. The decisions of the directors will be embodied in resolutions (i) to recommend that a certain rate of dividend be paid on a certain date, to persons appearing on the register on a specified date ; (ii) to close the register and transfer books, if that is the practice of the company ; (iii) authorizing the necessary dividend arrangements with the bank. These resolutions will usually be passed along with

The names and addresses are inserted on the lists with the aid of an addressing machine, and the balance shown in each member's account is transferred to the list. This is then totalled and agreed with the number of shares known to be in issue, or with the total in each sectional register, as the case may be. The total amount represented in the "Tax" column should be equal to that at the current rate on the total sum. If there is any material variation in these, an error has been made. A difference of a small amount only may be due to fractions of a penny being charged or deducted from the individual amounts. Whilst the Dividend List is being prepared, the Dividend Warrants will have been printed and serially numbered, each cheque portion being impressed with a twopenny stamp. It is advisable for a certain number to remain unstamped, so that the upper halves can be used as "vouchers" when sending bulk payments on one cheque to bankers.

A specimen Dividend Warrant is shown on page 197.

In large companies where a considerable number of shareholders hold shares for round numbers such as 50 or 100, it is usual to have printed in, both in the top half and the cheque portion, the figures appropriate to the number of shares, thus saving considerable handwriting and checking.

The addressing machine may be used for inserting the names and addresses in both the top and bottom portions of the warrants. This done, each sheet of the dividend list is passed, with its corresponding addressed warrants, to clerks for the insertion of the appropriate figures. All spoilt warrants should be handed to a responsible official for cancellation, and finally the whole number issued accounted for.

The completed warrants must be carefully checked, initialed to show that this has been done, and passed to the secretary or other person deputed to sign or initial the cheque portion. The use of window envelopes in despatching the warrants saves time and avoids all possibility of inserting a warrant in the wrong envelope.

The Finance Act, 1924, provided that all dividend warrants and cheques in payment of dividends or interest must be accompanied by a written statement showing (a) the gross amount of the dividend, (b) the rate and amount of income tax deducted, (c) the net payment.

Dividend Mandates.

Many shareholders give instructions for their dividends to be paid to their bankers or brokers, and any such instruction must be carefully noted on the shareholder's account. The Articles may contain a form of authority in this matter. The following is a common form:—

Please pay all interest and dividends on stocks and shares of the above company now or at any time standing in my name in its books to

whose receipt shall be a sufficient discharge.

This request shall hold good until rescinded by me in writing.

Shareholder -----
Address -----
Date -----

Fol. in
Register -----
Entd. -----

Where there is a large number of these dividend mandates, it is usual to send to the head office of each of the respective banks, one cheque for the total dividends payable to that bank, the cheque being accompanied by the upper halves of the warrants and a detailed list. The head office will distribute the upper halves to the appropriate branches of the bank, by which the dividends will be credited to the respective shareholders. This procedure saves the company the expense of stamp duty and postage on the separate warrants.

The work of dealing with such bank payments is much facilitated if all accounts so affected are kept in a separate register (or one for each bank if sufficiently numerous), a separate Dividend List or Lists being prepared.

Lost Dividend Warrants.

Warrants are occasionally lost or destroyed, and an application made to the company for a duplicate. The secretary will, before placing such a request before the Board, ascertain all the facts, and further, will demand a letter of indemnity from the shareholder. The letter will need a 6d. stamp if the amount of the warrant is over £5.

Banking Arrangements.

In making arrangements with the bank for the payment of Dividend Warrants, a transfer from the Current Account to the Dividend Account (for the whole amount of any one form of dividend) should be made, and a separate pass book kept. The latter will show the amount of the warrants presented from time to time, and where dividends are not claimed within a period of six months from declaration the amount in respect thereof should be put in a suspense Account termed "Unclaimed Dividends Account," and should appear under that heading in the company's Balance Sheet.

Interim Dividends.

When the financial position of the company is such as to justify the payment of a dividend before the close of its financial year, such an interim dividend may be declared by the directors if the Articles give them power to do so.

Dividends on Share Warrants.

In the case of share warrants to bearer, with dividends payable by coupons, it is usual to insert in the conditions of issue of the share warrant a statement to the effect that with respect to dividends, the company shall announce the date of payment by advertisement in a newspaper. The following is a common form:—

Notice is hereby given that a dividend at the rate of 5% per annum has been declared on the Ordinary Shares of the above-named company for the year ended.....19... payable on.....19... Holders of share warrants to bearer are requested to deposit their coupons on or before19.. for the purpose of examination.

Secretary.

.....19...

Instead of having to deposit the coupons with the company, they are often made payable at the company's bankers, on a certain date or dates mentioned in the advertisement.

Income Tax.

When distributing profits amongst its members as dividend or bonus, a company may deduct income tax from the sum

payable to each individual member. Although the tax is levied on the company, its incidence is intended to be on the individual members. If, therefore, the income of a member is not subject to the tax, he can claim a refund from the authorities on presenting the notification from the company as to the dividend or bonus. Dividends are sometimes said to be paid "free of tax," which means that the amount paid is a net figure exclusive of tax and is the equivalent of a larger dividend inclusive of tax. The company must, of course, still pay the income tax—there is no such thing as a dividend free from income tax.

Interest on Debentures.

Interest on debentures is payable on the fixed dates stated in the debenture itself. The Interest Warrants are prepared in similar manner to Dividend Warrants, and the interest coupons of Bearer Debentures are paid in the same manner as the coupons of Share Warrants to Bearer. A specimen Interest Warrant is shown on page 198.

DIVIDEND WARRANT

THE SOUTH LANCASHIRE TRADING COMPANY, LIMITED

Dividend on 5% Cumulative Preference Shares. No. 21.
Reg. No. 87.

37, DALE STREET,
MANCHESTER,
23rd March, 19...

Dear Sir or Madam,

I am directed to hand you the annexed warrant for Dividend on Preference shares for the half year ending, 28th February, 19...

The Dividend due in respect of 30 Preference shares amounts
to
Less income tax at in the £

Net Dividend payable

I hereby certify that the Income Tax in respect of this Dividend has been or will be paid to the proper officer for the receipt of taxes.

THOMAS MASSEY,
Secretary.

Walter Sykes, Esq.

This portion to be retained by the proprietor.

If Dividend Warrants are not presented within six months, they must be returned to the company's office for verification.

THE SOUTH LANCASHIRE TRADING COMPANY, LIMITED
5% Cumulative Preference Shares—Dividend Warrant. No. 21.
Reg. No. 87.

MANCHESTER,
24th March, 19

Stamp
2d.

The Union District Bank of Manchester, Limited
PAY *Walter Sykes, Esq.*, or order, the sum of

For The South Lancashire Trading Co., Ltd.,
Thomas A. Deedcombe, Director,
Thomas Massey, Secretary.

In the case of joint holders, the signature of the first registered holder alone is required.

N.B.—Proprietors are requested to give early notice of any change of address.

INTEREST WARRANT

THE SOUTH LANCASHIRE TRADING COMPANY, LIMITED

No.....

Interest upon Debentures half-year ending.....19..

To.....

.....

37, DALE STREET,

MANCHESTER,

.....19..

Annexed is Warrant for Interest in respect of £..... four per cent. Debentures, registered in your name, and I hereby certify that the Income Tax deducted as shown hereon has been or will be paid to the proper officer for the receipt of Taxes.

.....

Secretary.

Amount of Interest.....£

Less Income Tax at in the £

£

This portion to be retained by the Proprietor.

No.....

THE SOUTH LANCASHIRE TRADING COMPANY, LIMITED.

Debenture Interest Warrant

MANCHESTER.....19

To The Union District Bank of Manchester, Limited

Stamp
3d

PAY to the order of..... the sum of.....

Not negotiable

Director

Secretary.

£

Signature of Proprietor..... **DEBENTURE ACCOUNT.**

CHAPTER XXV

INCREASE AND REDUCTION OF CAPITAL

SOMETIMES it is found necessary to alter the company's original capital, and the Articles of Association should be so framed as to give the necessary powers, which must, of course, be within the provisions of the Companies Act. The alterations that may be made under the Act are: (a) increase of capital, (b) consolidation, division, and subdivision of the share capital, (c) conversion of paid-up shares into stock, and reconversion of stock into paid-up shares, (d) redemption of redeemable preference shares, (e) reorganization of capital, (f) reduction or cancellation of capital.

Increase.

An increase of capital is often required by a company having an expanding business, and where the amount of registered capital has been issued, recourse must be had to loan capital or to the issue of shares above the maximum allowed by the Memorandum of Association. A company limited by shares may under Section 50 of the Companies Act, alter the conditions of its Memorandum, if so authorized by its Articles, that it may increase its share capital by the issue of new shares of such amount as it thinks expedient. The power must be exercised by the company in general meeting. Notice of the increase must be given to the Registrar of Companies within fifteen days after the date of the passing of the resolution, a penalty of five pounds per day attaching in case of non-compliance for every day during which the default continues, and to this, not only the company, but every director and manager of the company who knowingly and wilfully authorizes or permits the default, is liable. The notice must include such particulars as may be prescribed by the Board of Trade with respect to the classes of shares affected and the conditions on which the new shares are to be issued. A printed copy of the resolution authorizing the increase must also be filed. There is also another form to be filed with the Registrar for the purpose of stamp duty, and this is at the rate of ten shillings per hundred pounds.

The Articles usually stipulate that in respect of further issues of shares, the existing holders shall have a right to a prior offer of the new shares in proportion to their holding.

Reduction.

By Section 50 of the Companies Act, a company, if so authorized by its Articles, may in general meeting cancel shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person, and diminish the amount of the share capital by the amount of the shares so cancelled; but a cancellation of shares in this way is not deemed to be a reduction of share capital within the meaning of the Act. See page 204.

A company limited by shares reduces its capital usually for one of the following reasons:—

- (1) It has more capital than it can profitably employ in the business; or
- (2) Some of its capital has been lost or is unrepresented by available assets.

In the latter case the profit-earning power of the company is usually much reduced, so that the dividends which can be paid are very low when reckoned as a percentage. The remedy is to reduce the capital to such an amount as represents the real value, from the revenue-earning point of view, of the remaining assets.

Where preference shares rank in priority as regards capital, the ordinary shares must first be written down, but in many cases, a compromise is effected and both preference and ordinary shareholders bear some part of the loss. The ordinary shareholders, however, must obviously bear the greater portion.

Section 55 of the Act gives the following methods of reducing capital:—

- (1) By extinguishing or reducing the liability on any shares of a company in respect of share capital not paid up. (Example: each £1 share of which 10s. is paid up, to rank as a fully paid 10s. share.)
- (2) By cancelling any paid up share capital which is lost or unrepresented by available assets, either with or without extinguishing or reducing liability on

its shares. (Example: fully paid £1 shares reduced to fully paid 10s. shares.)

- (3) By paying off any paid up share capital which is in excess of the wants of the company, either with or without extinguishing or reducing liability on any of its shares.

To effect a reduction of capital, a special resolution must first be passed by the company, and after the passing of this, a petition must be made to the Court for an order confirming the reduction. This is necessary in all cases where the reduction involves a diminution of liability in respect of unpaid share capital or the payment to any shareholder of any paid up share capital. All objecting creditors must be paid off or must be secured in the terms of Section 56 (2) of the Act, but where the reduction does not involve the diminution of any liability in respect of unpaid capital or the payment to the shareholders of any paid up capital, creditors are not entitled to object, nor, unless the Court requires it, is their consent necessary.

The Court may make an order confirming the reduction on such terms as it thinks fit, and may:—

(a) Make an order that the company must add to its name for a specified period the words “and reduced”; and

(b) Make an order requiring publication of the reasons for reduction or such other information in regard thereto as the court may think expedient with a view to giving proper information to the public.

When the Court has made an order sanctioning the reduction, a copy of this, together with a minute showing full details of the new share capital, must be filed with the registrar, who will then forward a certificate to the company. This is conclusive evidence that the terms of the Companies Act have been complied with. The share certificates must be called in and rectified accordingly, and the necessary alterations made in the Register of Members. Where the shares are reduced in nominal value, the fact will be indicated by a memorandum across the face of the certificate and at the head of each folio of the register—a rubber stamp giving the particulars will suffice.

It is perhaps needless to add that reduction of capital should not be undertaken without legal advice.

CHAPTER XXVI

OTHER CHANGES IN SHARE CAPITAL

A COMPANY may, if authorized by its Articles, alter its capital by (1) increasing its authorized capital (see p. 199); (2) converting fully paid shares into stock (see below); (3) reconverting stock into fully paid shares (see below); (4) consolidating its shares into shares of a larger amount, e.g. ten 2s. shares into one £1 share (see p. 203); (5) subdividing its shares into shares of a smaller amount, e.g. one £2 share into eight 5s. shares (see p. 203); (6) cancelling unissued capital (see p. 204); (7) reducing its capital (see p. 200); (8) redeeming redeemable preference shares (see p. 205).

Section 50 of the Companies Act provides that where authority is granted by the Articles a company limited by shares may convert all or any of its paid up shares into stock, and reconvert that stock into paid up shares of any denomination, by resolution of the company in general meeting. An ordinary resolution is sufficient unless the Articles stipulate otherwise. Reference should be made to Articles 30 to 33 of Table A for the usual provisions on these matters. Where no provision is made in the Articles for conversion of shares into stock, the Articles would have to be altered by special resolution to allow of it.

Stock represents fully paid capital, and can only be created by conversion; it cannot be issued in the first place. Theoretically it may be transferred in any amount, however small; but in practice the Articles almost always provide that it may be transferred only in multiples of £1 or £5. Finally, unlike shares, stock requires no distinctive numbers; and it is this characteristic (and not the theoretical, but usually non-existent advantage mentioned above) that has made conversion so popular in recent years.

It will be readily understood that the insertion of distinctive numbers on the certificates and in all registers and documents recording the issue or transfer of shares involves

a great deal of clerical labour; and although distinctive numbers may enable the ownership of shares to be more readily traced, many secretaries consider that this advantage and the trouble of conversion are greatly outweighed by the ultimate working economies to be effected by dispensing with the numbers.

Particulars as regards stock issued and the holders of it must be kept in manner similar to that required in the Register of Members for shares, and the ruling for a share register will suffice, with the omission of the columns for distinctive numbers.

When the resolution authorizing the conversion of fully paid shares into stock has been passed (which resolution may state the minimum amount of stock that may be transferred), the books will be closed and the share certificates called in and cancelled, and a schedule of shareholders and their holdings, on which to record the return of share certificates and the issue of stock certificates, will be prepared, the addressing machine being used to insert the names and addresses.

In making out this list, care must be taken to see that all transfers have been made and that the register is in perfect order. The stock certificates which are practically the same as share certificates, except that no provision is made for distinctive numbers, are then prepared, sealed, signed by the directors, and delivered in the manner as provided for shares.

If it is at any time desired, stock may be reconverted into shares subject to the same conditions as to authority in the Articles, alteration of the Memorandum, and notifying the Registrar, as apply to the conversion of shares into stock. In this process, new distinctive numbers would be given to the shares issued on the reversion and not the old numbers, a new share register being written up on the occasion of the reversion.

Other Alterations of Capital.

Section 50 of the Companies Act also empowers a company limited by shares or a company limited by guarantee and having a share capital, where its Articles authorize it, to

consolidate and divide all or any of its share capital into shares of larger amount than its existing shares; and

subdivide its shares, or any of them, into shares of smaller amount than is fixed by the Memorandum, so, however, that in the subdivision, the proportion between the amount paid and the amount, if any, unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived.

These powers must be exercised by the company in general meeting. Frequently the Memorandum or the Articles provide that such a reorganization may be effected by a resolution passed by or an agreement signed by a particular majority of the class concerned (see, for example, clause 3 of Table A). Where such a resolution is passed or agreement signed, a dissentient minority, if they hold not less than 15 per cent of the issued shares of the class, may appeal within seven days to the Court, and the proposed variation of rights is then inoperative unless and until the Court sanctions it. (Section 61 of the Companies Act, 1929.)

Where the Memorandum or Articles do not make any provision for the modification of the class rights, recourse can be had to a "compromise or arrangement" between the company and the classes of members concerned as provided under Section 153. Briefly, the procedure is to apply to the Court for an order that meetings of the various classes of shareholders shall be held. At these meetings the scheme will be proposed, and if a majority in number representing three-fourths in value of the members present and voting (either in person or by proxy) agree to the scheme, it will, if sanctioned by the Court, be binding on the members and the company. The order of the Court sanctioning the scheme must be filed with the Registrar, and a copy annexed to every copy of the Memorandum afterwards issued.

Notice of any such conversion, consolidation, division, etc., must be given to the Registrar within one month on the form shown on page 209, otherwise the company and its defaulting officials are liable to a default fine. Every copy of the Memorandum of Association issued after the alteration must be in accordance therewith.

Mention was made on page 200 of the cancellation of unissued share capital. *This is quite different from a reduction of capital* under Sections 55 to 60 of the Act. Such cancellation

operates as a reduction of *nominal* capital, however. Table A (article 37) prescribes an ordinary resolution. Notice of the cancellation must be filed within one month.

Redeemable Preference Shares.

Mention of these has been made previously, but the present chapter seems the most convenient one in which to give them special consideration. Section 46 of the Act gives a company limited by shares power, if so authorized by its Articles, to issue preference shares which are, or at the option of the company are to be liable, to be redeemed. Where such shares have been issued, the following provisions must be observed before they can be redeemed:—

(1) The shares may be redeemed only out of profits available for dividends or out of the proceeds of a fresh issue of shares made expressly for the purpose of the redemption.

(2) The shares to be redeemed must be fully paid up.

(3) If the shares are redeemed out of profits, the company must transfer out of profits to a Capital Redemption Reserve Fund a sum equal to the amount of the redemption moneys.

(4) Where redemption is made out of the proceeds of a fresh issue, any premium payable on redemption must be provided for out of profits before the shares are redeemed.

(5) Subject to the above, the redemption may be effected on such terms and in such manner as the Articles of Association may provide.

(6) The Balance Sheet must show the part of the issued capital which consists of redeemable preference shares and the date of redemption.

A company which has redeemed or is about to redeem any preference shares, can make a new issue up to the nominal amount of the shares, and capital duty will not be payable in respect of such issue. Where such shares have been issued, the Capital Redemption Reserve Fund may be applied, up to the nominal amount of the shares so issued, in paying up unissued shares of the company to be issued to members as fully paid up bonus shares.

Bonus Shares.

A prosperous company that has pursued a conservative policy in the distribution of its profits may find itself, in

course of time, with a large reserve of undistributed profits; frequently these profits are invested in the business and are therefore represented by assets such as plant and stocks, etc., and not by cash, and consequently the company is unable to distribute the accumulated profits by way of dividend. In such circumstances the directors frequently decide to capitalize the profits, i.e. they use them, by means of a book entry, to pay up new shares, which are then issued to the shareholders in accordance with the dividend rights of the classes and in proportion to the holdings of the members. The Articles must authorize the payment of dividends otherwise than in cash, and must also authorize the capitalization of profits.

The allotment procedure takes the usual course, except that no applications are required; and the allotment letters almost always carry renunciation rights, to enable members to realize their bonus in cash by selling, if they so prefer (see page 52). As fractions of shares cannot be allotted, difficulties arising over such fractions in apportioning the bonus may be met by ignoring the fractions or by giving cash instead of fractions or by issuing fractional certificates (stamp 2d.) for temporary use by the shareholders until others have been collected to make up a whole number. Such fractional certificates give no right of membership.

The Stock Exchange must be informed where applicable.

(It should be noted that there is another way of capitalizing the undivided profits of a registered company, i.e. by declaring a dividend free of tax upon partly-paid shares, at the same time making a call of a similar amount on the shareholders. A resolution is, of course, required to apply the dividend to the payment of the call.)

Example of Bonus Issue.

The Alpha Co., Ltd. has done so well that its directors have decided to capitalize a portion of its reserves and to distribute this to the ordinary shareholders by the issue of ordinary shares of £1 each, credited as fully paid up, in the proportion of one new share for each four shares held—a 25 per cent bonus. No fractional certificates are to be issued.

The company first issues a circular letter to its shareholders notifying them of the recommendations of the Board, and asks

their sanction to increase the authorized capital—enclosing a notice convening an extraordinary general meeting for the purpose, setting forth the necessary resolutions. (The bonus issue, it is assumed, is authorized by the Articles of Association.)

The resolutions should be very carefully drafted; they should specify in distinct terms the amount of the reserve to be capitalized, mention the fact that the issue is a capital bonus, name the class of shareholders to benefit and at what date they must be registered as members, when the new shares rank for dividend, the proportion in which they are issued, and how fractions are to be dealt with. The resolutions should also state that the directors are authorized to execute and file the contract in writing required by Section 42 of the Companies Act in cases where shares are issued as fully paid up otherwise than for cash.

No bonus shares should be allotted until the directors have appointed a trustee on behalf of the shareholders to enter into an agreement with the company so as to constitute the requisite title of the allottees. Usually the secretary acts in that capacity.

As the capitalization in our example involves an increase of the registered capital of the Alpha Co., Ltd., additional capital duty has, of course, to be paid.

A distribution of one in four will result in fractions where the present holding is not an exact multiple of four. Such fractions will be entered on the allotment sheets, totalled, and this number allotted to trustees and sold, the cash proceeds being proportionately distributed to the allottees concerned. This cash distribution is not subject to income tax because it is part of profits (since capitalized) on which tax has already been paid.

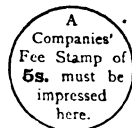
The allotment letter should be so worded as to render it unnecessary for the allottee to sign a form of acceptance. Of course, on the back should be the usual forms of renunciation and acceptance for signature by the allottee and by the person in whose favour the shares are renounced. If these are not completed and registered at the company's office by a certain named date, it should be made clear that the shares comprised in the allotment letter will be registered in the name of the allottee and that any subsequent dealings in the shares can be effected only by transfer in the usual way.

The procedure involved in dealing with "splits," renunciations, and acceptances in a bonus issue is, of course, the same as that in an issue of shares for cash.

It may be that the ordinary shares in this example were receiving large dividends, with the result that there was a widespread impression that the company was making an unfair profit out of its customers and the labour it employed. The additional shares now issued will reduce the nominal but not the actual dividend, and bring the issued share capital into closer correspondence with the real capital invested in the company.

Number of }
Company } 66,664.

“THE COMPANIES ACT, 1929”



Notice of Consolidation, Division, Sub-division, or Conversion into Stock or Shares, specifying the Shares so Consolidated, Divided, Sub-divided, or Converted into Stock, or of the Re-conversion into Shares of Stock, specifying the Stock so re-converted, or of the Redemption of Redeemable Preference Shares, or of the Cancellation of Shares otherwise than in connection with a reduction of Share Capital under Section 55 of the Companies Act, 1929,

OF

THE SOUTH LANCASHIRE TRADING COMPANY
LIMITED

Pursuant to Section 51 of The Companies Act, 1929.

This Notice is to be signed by a Director, Manager, or Secretary.

Presented by

*Thomas Massey,
37, Dale Street,
Manchester.*

TO THE REGISTRAR OF COMPANIES

THE SOUTH LANCASHIRE TRADING COMPANY
LIMITED

hereby gives you Notice in accordance with Section 51 of
The Companies Act, 1929 that* *the 120,000 Ordinary shares
of £1 each of this Company have been converted into £120,000
Ordinary Stock.*

.....
.....
.....
.....
.....

*Signature, Thomas Massey,
Officer, Secretary.*

Dated the *thirteenth*
day of *June*, 19...

* *e.g.* In the case of Conversion into Stock, " *the 10,000 Ordinary £5 Shares of this Company numbered 1 to 10,000 have been Converted into £50,000 Ordinary Stock.*" In the case of Consolidation and Division, " *the 1,000 Preference £10 Shares of this Company, numbered 1 to 1,000 have been Consolidated and Divided into 500 Preference Shares of £20 each, numbered 1 to 500.*"

CHAPTER XXVII

COMPANY BOOKS AND ACCOUNTS

EVERY company must keep proper books of account 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 take place; (b) all sales and purchases of goods by the company; (c) the assets and liabilities of the company—Section 122, Companies Act, 1929. In addition, limited companies are required to keep the following:—

1. Minute Book (see page 159)
2. Register of Members („ 60)
3. Register of Charges („ 110)
4. Register of Directors and Managers („ 83)
5. Annual Return and Summary .. („ 222)

and the following, among others, are kept as required:—

6. Register of Transfers (see below)
7. Register of Important Documents („ „)
8. Seal Book (see page 102)
9. Share Certificate Book („ 66)
10. Agenda Book („ 147)
11. Register of Share Warrants .. („ 76)
12. Certification of Transfers Register .. („ 99)
13. Balance ticket (receipt) Book .. („ 95)
14. Register of Debenture Holders .. („ 122)
15. Register of Probates, etc. („ 99)
16. Register of Powers of Attorney .. („ 99)

Most of the above have been described. The Register of Transfers is sometimes used to record all transfers presented for registration, but the great majority of companies have dispensed with this register, as a properly kept file of transfers constitutes a sufficient record. The Register of Important Documents is often in card index or loose-leaf form, and may be ruled to show:—

Date of document, Main parties to the document, Nature, Where placed, Signature of any person receiving document.

A Record or Log Book, as it is frequently called, will be found useful for recording miscellaneous matters affecting the company, particularly those which may show alterations in the policy of the directors, also of the erection of new buildings, the extension of the company's operations, historical data of the company, and so on. No particular ruling is necessary, but an index should be kept of the contents.

Accounts.

It is incumbent on all limited companies to keep accounts of their business transactions, as mentioned at the beginning of this chapter. By Section 274 of the Act, proper books have not been kept if they do not exhibit and explain the transactions and financial position, and contain entries of the daily receipts and payments of cash; and, where goods are dealt in, they must contain statements of annual stocktakings, and (except in the case of goods sold by way of ordinary retail trade) of all goods sold and purchased, showing the goods and the buyers and sellers thereof. Sections 122-134 require the submission of audited accounts to the shareholders. A Profit and Loss Account must be laid before the company in general meeting not later than eighteen months after the incorporation of the company, and subsequently in every calendar year. A Balance Sheet must also be submitted, and must contain a summary of the authorized share capital and of the issued capital, its liabilities and its assets, together with such particulars as are necessary to disclose the general nature of the liabilities and assets and to distinguish between fixed and floating assets, and must state how the values of the fixed assets have been arrived at. The Balance Sheet must also give, under separate headings, (a) the preliminary expenses, (b) expenses in connection with share issues and debentures, (c) the amount of the goodwill and of any patents and trade marks.

The Act contains reference, in various other sections, to matters which must be stated in a Balance Sheet, e.g. commissions and discounts in respect of shares and debentures (Section 44), money provided in connection with certain schemes of co-partnership (Section 45), the amount of capital which consists of redeemable preference shares, if any, and the date on or before which those shares are to be redeemed

(Section 46), and where a company has power to re-issue debentures which have been redeemed, particulars with respect to the debentures which can be so re-issued (Section 75).

Assets consisting of shares in subsidiary companies must be set out separately in a Balance Sheet, which also must include particulars of the subsidiary companies. The holding company's Balance Sheet must have attached to it a statement giving the various information asked for by Section 126 of the Act.

The accounts which are to be put before a general meeting annually must contain particulars as to the loans (if any) made to the directors of the company and as to the directors' remuneration.

The Balance Sheet must be accompanied by a report of the directors, and state the amount, if any, recommended for dividend, and the amount, if any, which it is proposed to place to a reserve fund. The Balance Sheet must be signed on behalf of the Board by two directors, or in case there is only one director, then by that director. The auditor's report must be attached to the Balance Sheet and read at the general meeting.

A copy of the Balance Sheet, with the documents attached thereto, must be sent free on demand to any member of a public company and any debenture holder; and a copy must, not less than seven days before the general meeting, be sent to all persons entitled to receive notices of the meeting. A member of a private company may obtain a copy of the Balance Sheet and Auditor's Report at not more than 6d. for every hundred words.

If any copy of a Balance Sheet, which has not been signed as above, is "issued, circulated or published," or is so issued, etc., without having a copy of the auditor's report attached, a penalty not exceeding £50 attaches to the company, and to every director, manager, secretary and every officer of the company who is knowingly a party to the default.

The Secretary's Duties.

Some general remarks may now be made on the accounts or statements of account with which the secretary has to deal.

These may be placed under two heads, viz., the general

accounts of the business, and statements referring to accounts, statistics, etc., usually placed before directors for their consideration.

The secretary, usually a competent accountant, will be able to organize the book-keeping and accounts of his company in such a manner as to exhibit at all times, and without difficulty and delay, the real position of affairs of the company. This is a matter in which he will be guided by the particular requirements of his directors and of the business. Where there is an officer on the staff recognized as the accountant, much responsibility will be taken off the shoulders of the secretary, but nevertheless he should be keenly alive to any possible improvements in the system, so as to ensure the fullest efficiency and dispatch. It may be and often is desirable to confer with the auditors of the company when any departure is suggested in connection with the methods of any section of account keeping, and frequently the auditors make recommendations in the matter. Whilst the principles of book-keeping are applied generally to all businesses, in practice details vary considerably, and this is only natural, viewing the varying requirements of different companies. The alert secretary will therefore make himself cognisant with the details of his company's business, and found his system accordingly with its needs. In general, he should be familiar with cost accounts, branch accounts, depreciation, goodwill, sinking and redemption funds, reserve and reserve funds, discounts and discounting, and the methods usually adopted when giving credit to or charging discounts to departments, etc. His system should embrace self-balancing ledgers, and for all the entries in one ledger, one person only should be responsible. All errors in ledgers, however small such errors may be, should be located and a true trial balance obtained.

So far as the sales ledgers are concerned, arithmetical errors will be practically eliminated where the ledgers are kept on the loose-leaf or card system, and all posting and balancing are done by means of modern ledger-posting machines, which automatically enter the balance in each account after the items have been typed in. Indeed, by making full use of such machines it is possible not only to balance the ledgers daily, but also to have available daily or weekly trading summaries

which it would be quite impracticable to prepare where bound books are entered by hand and totalled mentally. The secretary must, therefore, keep himself abreast of modern developments in office machinery, so as to be in a position to assist his directors when the mechanization of any part of the accounting system is in contemplation.

The Accounting System.

Important points to note in method in account keeping are the following :—

All payments, except in the case of petty cash items, should, as far as possible, be made by cheque, delivered by post.

In all large businesses the cash book should be in sections, there being at least two books for cash received and two for cash paid, and these books should be used on alternate months. Thus the set used in January should next be used in March, the February set in April, and so on. The petty cash account should be kept on the imprest system. A method also frequently adopted is to provide two sets of subsidiary books for use on alternate *days*; one set being used by the cashier and invoice clerks on Mondays, Wednesdays, and Fridays, and the other set on Tuesdays, Thursdays, and Saturdays. Thus one set of books may be in use by the cashier and invoice clerks while the other set is being used for posting by the ledger clerks.

The work of the cashier should be purely of a financial character. He should not be required to post to ledgers or do similar work.

All cash received should be banked the same day.

Receipts signed by the cashier should be made out in manifold form and those granted by creditors should be attached to statements of account and not to original invoices.

Where possible, stock accounts should be kept.

Invoices should be signed by two persons in any department to which they refer (one of which persons must be the manager of the department), and counter-signed by a director having supervision of that department.

As far as possible, invoices of goods delivered outwards should be forwarded the same day, and the day book entries in respect of such amounts should be checked not later than the next day, by comparison with the amounts extended by the departmental men.

Care should be taken to see that all returns are noted and credit notes given or demanded.

Statements for Directors.

The statements placed in the hands of the directors referring to the business, vary according to requirements. Sometimes their number is legion, but in other cases few are required. Before preparing statements of accounts, statistics, etc., for the directors, the secretary should thoroughly understand what is required, for the preparation of such matters may occupy a large amount of the time of the staff. There may be occasions when the secretary will put before the Board matters which have not been asked for but which in his opinion are such as are proper and, it may be, necessary subjects for consideration. In the majority of cases, such procedure will be approved, though it is a safe rule to first place any suggestions before the chairman or managing director of the company.

Matters discussed by directors in this connection include the following :—

Financial statements, usually made out by the cashier. These usually show the receipts and payments of cash, bills, etc., within a given time, either in total amounts or with certain details ; the amount of cash in hand at various periods ; the amount spent on the various departments, etc.

Statement of accounts overdue.

Summaries of sales and stocks. (Values.)

Summarized particulars of contracts for the purchase of goods, machinery, etc., together with prices or the basis of prices.

Productions, with cost thereof, including wages and other expenses of manufacture.

Details of certain expenses.

Travellers' returns, lists, orders, expenses, etc.

Financial Reports from agents, etc.

CHAPTER XXVIII

THE AUDIT AND AUDITORS

ANYONE who has had experience in a large commercial house is aware of the busy period known as "the audit," or as it is probably more familiarly termed, "stocktaking." At and about this period, the secretary will have much to do. At a Board meeting held some time prior to "balancing time" he will see that the following, among other items, are placed on the agenda :—

- Stocktaking. The actual date.
- Fix the list of checkers and supervisors.
- Fix the basis of prices or arrange therefor, and items of a similar character.

These matters being settled, he will duly notify the department "heads" or managers of the date fixed for stocktaking, and also notify the checkers. His next step will probably be to confer with the accountant or head book-keeper as to the progress of the accounts and similar matters, and, where a departure has been made from the usual date of stocktaking, he will also notify the auditors. The secretary should issue general instructions to the accountant, where not previously furnished. These instructions are usually given in the first instance by the company's auditors to the secretary, but after some experience, such instructions are not necessary for the secretary, accountant or staff, each individual in a well-regulated office understanding what is required of him. The following is a list of probable instructions :—

Auditors' Instructions to Staff.

- (1) All postings made to ledgers, balances of ledger accounts listed, trial balance completed, and final accounts—Profit and Loss Account and Balance Sheet completed, subject only to audit.

- (2) Cash items. Cash in hand ready for auditors to check at the end of the day appointed for the audit.

Receipts for payments, at hand.

Counterfoils or duplicate vouchers for moneys received, at hand.

Bank pass book entered up to date.

Cash book balanced and Reconciliation Account entered therein.

Bills on hand to be ready for inspection.

- (3) Investment Accounts adjusted. State the basis of price, whether market or cost or other price. State any depreciation thereon.

List of Investments to be prepared, and certificates produced.

- (4) Stock. State basis of price. All items to be entered in book form, priced, extended and completed. All duly signed by department managers and by a director.

In connection with 1, the following matters will have been attended to :—

- (a) Adjustment of accounts, e.g. accounts paid in advance, and also provision for accounts due, but not rendered. Among such matters are gas, water and electricity charges, rents, rates, taxes and insurance, interest on debentures and deposits.
- (b) In order to check the list of sundry debtors at stock-taking, statements will have been sent out, with a request that such statements be returned immediately if not in order, and sundry creditors will have been advised to furnish all accounts due at stock-taking. The statements sent to debtors will be marked "For stocktaking." Creditors are sometimes asked to furnish such statements.
- (c) A list of all bad and doubtful debts, with provision made therefor, sanctioned by the directors. This list must be given to the auditors also.
- (d) Provision must also have been made for depreciation of machinery and plant, goodwill (or a reserve set against it), leases, buildings, etc.

General Duties of Auditors.

If the above instructions are carried out, the auditors will have nothing to hinder them in carrying out their duties.

Generally, the duties of the auditors are to see that the assets are actually in existence and the documents of title are in the possession of the proper parties; that the valuation of such assets has apparently been made on a proper basis; that all liabilities, both actual and contingent, are disclosed; that a clear distinction has been made between capital and revenue; and the profit stated to have been earned has actually been earned; and that the accounts reflect the true financial position and are in accordance with any agreements, Articles of Association, or statutory requirements which govern their form or limit the transactions which such accounts record.

The actual extent of the clerical work depends on the particular circumstances of each case, for whereas the audit of one concern, to be efficient, must comprise the examination of every entry in the books and the vouching of each transaction, the audit of another concern may be performed equally satisfactorily without the same volume of detail work, the accuracy of the accounts being verified by tests, which render the actual checking of each individual posting unnecessary.

The duties of the auditors are not confined to the examination of the financial books only. The auditors of a limited company must examine the Memorandum and Articles of Association, the prospectus (if any), the purchase agreement, the Minute Book, and the Register of Members and Register of Charges; and they also usually audit the Transfer Register.

The auditors of a company incorporated by special Act of Parliament must examine such Act.

By law the auditors of companies incorporated under the Companies Acts are required to—

- (1) Verify the final accounts and report to the shareholders on the accounts stating—
 - (a) whether or not they have obtained all the information and explanations they have required: and
 - (b) whether, in their opinion, the Balance Sheet is properly drawn up so as to exhibit a true and

correct view of the state of the company's affairs according to the best of their information and the explanations given to them, and as shown by the books of the company.

- (2) See that the accounts to be laid before the shareholders make all the disclosures required by the Companies Act.

Share Audits.

In many companies the auditors check every transfer and certificate before submission to the Board. They examine the stamp duty and, while not verifying the signature of the transferor (the secretary should do this), should ask to see a copy of the power of attorney if a transfer is signed by an attorney. If a transfer is signed by the executor or administrator of a deceased person or by a *curator bonis* or receiver of a person of unsound mind or a trustee in bankruptcy, the respective endorsements on the relative stock and share certificates should be closely scrutinized and, if necessary, reference should be made to the company's Register of Deeds. Records of notices in lieu of *distringas* should be periodically examined, and the Register of Members should be inspected from time to time in order to verify that the shareholding of each director has not fallen below the necessary qualification number.

On an allotment of shares the summary sheet submitted to the Board (see page 50) should be signed by the chairman and "verified correct" by the auditors.

It would be quite a simple matter for the auditors to take out a list of shareholdings at a given date and thus be able to certify that the total number of shares issued agrees with that stated in the Balance Sheet. Many authorities suggest that the Annual Return should have attached to it a certificate by the company's auditors that it has been checked by them.

The Appointment of Auditors.

Limited companies must have an auditor or auditors, appointed in conformity with Section 132 of the Companies Act, 1929. The first auditors are usually appointed and their remuneration fixed by the directors before the statutory meeting, and

hold office until the first annual general meeting. Thence afterwards the auditors are appointed or reappointed at each annual general meeting, failing which the Board of Trade may, on the application of any member, appoint an auditor and fix his remuneration for the current year. In the case of a casual vacancy the directors may fill it, but where there is a surviving auditor he continues to act.

No director or other officer may act as an auditor to the company. Except in the case of a private company, no person who is a partner of or in the employ of any officer of a company is qualified for appointment as auditor of such company.

No person other than the retiring auditor or auditors may be appointed at an annual general meeting, unless such other person has been nominated by a shareholder at least fourteen days prior to the annual general meeting, in which case the company must send a copy of such notice to the retiring auditor or auditors, and give seven days' notice thereof to the shareholders.

Auditors have right of access to the company's books and accounts, and have the right to attend any general meeting of the company at which accounts which have been examined by them are to be laid before the company. They are also permitted to make any statement or explanation that they desire with respect to the accounts.

The remuneration of the auditors must be fixed at a general meeting of the company, except in the case of an auditor appointed before the first annual general meeting or of an auditor appointed to fill a casual vacancy, when it may be fixed by the directors. Shareholders sometimes delegate to directors the power of fixing the amount of the auditors' fees, but it has been held that this is not the correct procedure. The remuneration *must* be fixed by the company in general meeting, but this need not be done at the meeting at which the auditors are appointed.

CHAPTER XXIX

ANNUAL RETURN

THIS can best be explained by reference to the particulars contained in Section 108 of the Companies Act, and a copy of the official document which has to be filled up and placed in the hands of the Registrar of Companies.

The following is the substance of Section 108 :—

- (1) Every company having a share capital shall once at least in every year make a return containing a list of all persons who, on the fourteenth day after the first or only ordinary general meeting in the year, are members of the company, and of all persons who have ceased to be members since the date of the last return or (in the case of the first return) of incorporation. (*Temporarily suspended—see below.*)
- (2) The list must state the names, addresses, and occupations of all the past and present members therein mentioned, and the number of shares held by each of the existing members at the date of the return, specifying shares transferred since the date of the last return or (in the case of the first return) of the incorporation of the company by persons who are still members and have ceased to be members respectively and the dates of registration of the transfers, and, if the names are not in alphabetical order, must have annexed to it an index sufficient to enable any name in the list to be readily found. (*This requirement is temporarily suspended.*—Statutory Rule and Order, 1942, No. 803.)
- (3) The return must also state the address of the registered office of the company and must contain a summary distinguishing between shares issued for cash and shares issued as fully or partly paid up otherwise than in cash, and specifying the following particulars :—

- (a) The amount of the share capital of the company, and the number of the shares into which it is divided.
 - (b) The number of shares taken from the commencement of the company up to date.
 - (c) The amount called up on each share.
 - (d) The total amount of calls received.
 - (e) The total amount of calls unpaid.
 - (f) The total amount of the sums (if any) paid by way of commission in respect of any shares or debentures.
 - (g) Particulars of the discount allowed on the issue of any shares issued at a discount, or of so much as has not been written off.
 - (h) The total amount of the sums, if any, allowed by way of discount in respect of any debentures, since the date of the last return.
 - (i) The total number of shares forfeited.
 - (j) The total number of shares for which share warrants are outstanding.
 - (k) The total amount of share warrants issued and surrendered respectively since the date of the last return.
 - (l) The number of shares comprised in each share warrant.
 - (m) All such particulars with respect to the persons who at the date of the return are the directors of the company as are by this Act required to be contained with respect to directors in the register of the directors of a company.
 - (n) The total amount of the indebtedness of the company in respect of all mortgages and charges which are required to be registered with the Registrar of Companies.
- (4) The return shall be in the form set out in the Act, or as near thereto as circumstances admit.
- (5) In the case of a company keeping a Dominion Register, the particulars of the entries in that register shall, so far as they relate to matters which are required to be stated in the return, be included in the return made

next after copies of those entries are received at the registered office of the company.

Section 110 provides that the return must be contained in a separate part of the Register of Members, and must be completed within twenty-eight days after the first or only general meeting in the year. A copy, signed by a director or by the manager or secretary, must forthwith be sent to the Registrar.

Except in the case of private companies or certain assurance companies, the annual return has to include a written copy of the last audited Balance Sheet including every document required to be annexed thereto, together with a copy of the auditors' report. If the Balance Sheet is in a foreign language, a certified translation must be supplied.

The method used for making out the return will depend upon the facilities available. If an addressing machine is in use, special forms which provide one column for the names and addresses will be purchased, and the machine will be used to print in these particulars of the current members in alphabetical order, on two copies of the form. This done, the address plates or stencils of the persons who have ceased to be members since the last return (these will have been put aside for the purpose as they were withdrawn from the current file) will be used to make the duplicate lists of such persons. Failing such mechanical help, the names and addresses will be copied from the Register of Members or the index thereto. The sheets are then divided amongst clerks for the copying of the remaining particulars (including transfers) from the Register of Members. The whole of the work must be checked and it must be ascertained that the totals of shares recorded on the return are the same as are entered on the register.

The Registrar will not accept the annual return without the certified copy of the last Balance Sheet. If, therefore, the accounts are not ready when the ordinary general meeting is held, the secretary should file the annual return and attach a copy of the last published Balance Sheet audited by the company's auditors, sending the Registrar a print of the new accounts when ready.

The usual practice is for the secretary to paste a print of the audited Balance Sheet and the auditors' report in the

space set apart for the Balance Sheet in the form of annual return.

Any member or other person may require a copy of the annual return, or any part thereof, on payment of not more than 6d. for every hundred words required to be copied.

Private Companies.

Section 111 of the Act provides that every private company shall send with the annual return a certificate signed by a director or the secretary that the company has not, since the date of the last return, or (in the case of a first return) since incorporation, issued any invitation to the public to subscribe for its shares or debentures; and where the total number of members exceeds fifty that such excess consists wholly of persons who, under Section 26 of the Act, are to be excluded in reckoning the number of fifty. (See page 227.)

A private company need not submit its Balance Sheet with the return.

Payment of Interest out of Capital.

In concluding this book, one point not previously dealt with should be mentioned. Section 54 of the Act provides for the payment of interest on shares issued to finance the construction of works, buildings, or the provision of plant during the period of such construction, etc. Such payment may be charged to capital as part of the cost of the work. The payment of the interest is subject to the following conditions:—

1. Authority of the company's Articles or of a special resolution.

2. Sanction of the Board of Trade, which may appoint an official to inquire into the circumstances at the expense of the company.

3. Rate not to exceed 6 per cent per annum.

4. Particulars thereof must be shown in the company's accounts.

5. The period for which the interest may be paid will be stipulated by the Board of Trade. This must not extend beyond the end of the half year next following the half year in which the work is completed.

"THE COMPANIES ACT, 1929."

Annual Return of a Company having a Share Capital

ANNUAL RETURN OF

THE SOUTH LANCASHIRE TRADING COMPANY, LIMITED,
made up to the sixth day of April, 19.. (being the Fourteenth Day after the
date of the First or only Ordinary General Meeting in 19..).

The Address of the Registered Office of the Company is as follows

37 Dale Street, Manchester.



Summary of Share Capital and Shares

Nominal Share Capital, £.....	divided into ¹ 100,000 <i>Preference</i>	
Shares, 120,000 <i>Ordinary</i> Shares of ..		£ one each
Total Number of Shares taken up ¹ to the sixth day of April, 19.. (which number must agree with the Total shown in the List as held by existing Members)		100,000 <i>Pref.</i> 120,000 <i>Ord.</i>
Number of Shares issued subject to payment wholly in Cash 100,000 <i>Preference</i> , 100,000 <i>Ordinary</i>		200,000
Number of Shares issued as fully paid up otherwise than in Cash		20,000 <i>Ord.</i>
Number of Shares issued as partly paid up to the extent of..... per Share otherwise than in Cash		<i>Nil.</i>
*Number of shares (if any) issued at a discount		<i>Nil.</i>
Total Amount of Discount on the issue of Shares which has not been written off at the date of this Return		£ <i>Nil.</i>
* There has been called up on each of <i>Preference</i> Shares		£ 1
	<i>Ordinary</i>	£ 1
* Total Amount of Calls received, including Payments on Application and Allotment		£ 200,000
Total Amount (if any) agreed to be considered as paid on 20,000 <i>Ordinary</i> Shares which have been issued as fully paid up otherwise than in Cash		£ 20,000
Total Amount (if any) agreed to be considered as paid on..... Shares which have been issued as partly paid up to the extent of..... per Share		£ <i>Nil.</i>
Total Amount of Calls unpaid		£ <i>Nil.</i>
Total Amount of sums (if any) paid by way of Commission in respect of Shares or Debentures or allowed by way of Discount since the date of last Return		£ <i>Nil.</i>
Total Number of Shares Forfeited		<i>Nil.</i>
Total Amount (if any) paid on..... Shares forfeited		£ <i>Nil.</i>
Total Amount of Shares for which Share Warrants to Bearer are outstanding		£ <i>Nil.</i>
Total Amount of Share Warrants to Bearer issued and surrendered respectively since date of last Return	Issued	£ <i>Nil.</i>
	Surrendered	£ <i>Nil.</i>
Number of Shares comprised in each Share Warrant to Bearer		£ <i>Nil.</i>
Total Amount of the indebtedness of the Company in respect of all Mortgages and Charges which are required (or, in the case of a Company registered in Scotland, which, if the Company had been registered in England, would be required) to be registered with the Registrar of Companies, under the Companies Act, 1929		£ <i>Nil.</i>

NOTE.—Banking Companies must add a List of all their Places of Business.

¹ Where there are Shares of different kinds or amounts (e.g. *Preference* and *Ordinary*, or £1 and 1s.), state the numbers and nominal values separately.

² If the Shares are of different kinds, state them separately.

³ Where various amounts have been called, or there are Shares of different kinds, state them separately.

Include what has been received on forfeited as well as on existing Shares.

The Return must be signed, at the End, by a Director or by the Manager or Secretary of the Company.

Presented by

Thomas Massey,
37, Dale Street,
Manchester.

**COPY OF LAST AUDITED BALANCE SHEET OF THE
COMPANY**

(See page 224)

CERTIFICATES TO BE GIVEN BY A PRIVATE COMPANY

A. I CERTIFY that the Company has not since the date of the
 ¹last Annual Return issued any invitation to the public to
 subscribe for any shares or debentures of the Company.

(Signature).....
(State whether Director or Secretary).....

²B. I CERTIFY that the excess of members of the Company
 above fifty consists wholly of persons who are in the em-
 ployment of the Company and/or of persons who, having
 been formerly in the employment of the Company were
 while in such employment, and have continued after the
 determination of such employment to be, members of the
 Company.

(Signature).....
(State whether Director or Secretary).....

¹ In the case of the first Annual Return strike out the words " last
Annual Return " and substitute therefor the words " Incorporation of
the Company."

² Should the number of members of the Company exceed fifty.

List of Persons holding Shares in *The South Lancashire* and of Persons who have held Shares therein at any time the incorporation of the Company, showing their Names and

NAMES, ADDRESSES, AND OCCUPATIONS

Folio in Register Ledger containing Particulars	SURNAME	CHRISTIAN NAME	ADDRESS	OCCUPATION
01	<i>Abbenille</i>	<i>Lancelot</i>	<i>2, Mandalay Road, Belfast</i>	<i>Stockbroker</i>
02	<i>Abbotsford</i>	<i>Jacob</i>	<i>Wellgate St., Yarmouth</i>	<i>Netmaker</i>
P1	<i>Abingdon</i>	<i>Israel</i>	<i>Fitzroy Avenue, Burnley</i>	<i>Colton Manufacturer</i>
08	<i>Ackerman</i>	<i>Timothy</i> <i>(Deceased.)</i>	<i>Gynene St., Birmingham</i>	<i>Tool maker</i>
04)	<i>Acland</i>	<i>Bedivene</i>	<i>Brazenose Avenue,</i> <i>Sheffield</i>	<i>Cutler</i>
P2)				
05)	<i>Addison</i>	<i>Steele, A.</i>	<i>The Retreat, Launceston,</i>	<i>Novelist</i>
P3)				
06	<i>Aglione</i>	<i>Percy</i>	<i>"The Hunter's Tower,"</i> <i>Tarpogley</i>	<i>Gentleman</i>

¹ The Aggregate Number of Shares held, and not the Distinctive Numbers, must be stated and the column must be added up throughout, so as to make one total to agree with that stated in the Summary to have been taken up.

² When the Shares are of different classes these columns may be subdivided, so that the number of each class held, or transferred, may be shown separately.

Particulars of the Directors of *The South Lancashire Trading Company, Limited*, on the sixth day of April, 19...

Present Christian Name or Names and Surname.	Any former Christian Name or Surname.	Nationality.	Nationality of origin (if other than the present nationality).	Usual Residence.	Other business occupation, if any.
<i>Walter Sykes</i>	—	<i>British</i>	—	2, <i>Oakfield Road, Newton Moor, Hyde (Chairman)</i>	<i>Cotton Spinner</i>
<i>Rufus Martin</i>	—	<i>British</i>	—	<i>Chasm Villa, Dreadnought Place, London, W.</i>	<i>None</i>
<i>Ernest Johnson</i>	<i>Ernest Johansen</i>	<i>British</i>	<i>Dutch</i>	<i>5222, Stanley Street, Manchester</i>	<i>Machinery Merchant</i>
<i>Thomas Arthur Deedcombe</i>	—	<i>British</i>	<i>American</i>	<i>335, Norfolk Street, Manchester</i>	<i>None</i>

¹ In the case of a Corporation its corporate name and registered or principal office must be shown.

² In the case of an individual who has no business occupation but holds any other directorship or directorships, particulars of that directorship or of some of those directorships must be entered.

APPENDIX I

TABLE A OF THE FIRST SCHEDULE OF THE COMPANIES ACT, 1929 REGULATIONS FOR MANAGEMENT OF A COMPANY LIMITED BY SHARES

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 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 common 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 one shilling, and on such terms, if any, as to evidence and indemnity as the directors 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 of that share, and the company shall also have a lien on all shares (other than fully-paid shares) standing registered in the name 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 fourteen 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 such sale the directors may authorise 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 to 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 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 one month from the last call; and each member shall (subject to receiving at least fourteen days' notice, specifying the time or 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 per cent. 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 liability of joint holders and as to payment of interest shall apply, in the case of non-payment 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 for such advance, become presently payable) pay interest at such rate (not exceeding without the sanction of the company in general meeting, six per cent.) 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 both by 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 in the Company 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 trans-
 feree") 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 fourteen days immediately preceding the ordinary general meeting in each year. The directors may decline to recognise any instrument of transfer unless (a) a fee not exceeding two shillings and sixpence 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 two 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 recognised 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 recognised 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 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 instalment 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 instalment remains unpaid, serve a notice on him requiring payment of so much of the call or instalment 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 fourteen 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 non-payment 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 may 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 cancelled on such terms as 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 the sale or disposition thereof, and may execute a transfer of the share in favour 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 provisions of these regulations as to forfeiture shall apply in the case of non-payment 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 re-convert 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 the same 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 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 authorised 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 fifteen 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; 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 meetings 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 director 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, seven 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 meetings, 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 non-receipt of notice of a meeting by, any member shall not invalidate the proceedings at any meeting.

PROCEEDING AT GENERAL MEETINGS

(44) All business shall be deemed special that is transacted at an extraordinary meeting, and all that is transacted at an ordinary meeting, with the exception 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 fifteen 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 ten 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 three members present in person or by proxy entitled to vote or by one member or two members so present and entitled, if that member or those two members together hold not less than 15 per cent 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 favour 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.

VOICES 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 authorised in writing, or, if the appointor is a corporation, either under seal, or under the hand of an officer or attorney duly authorised. 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 forty-eight 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 in any other form which the directors shall approve:—

Company, Limited.

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 MEETINGS

(63) Any corporation which is a member of the company may by resolution of its directors or other governing body authorise 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 authorised 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 regulations 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 of retirement of directors; but his appointment shall be subject to determination *spso 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 secretary or other person as aforesaid shall sign every instrument to which the seal of the company is so affixed in their presence.

DISQUALIFICATIONS 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 or profit under the company except that of managing director or manager; or

(c) becomes bankrupt; or

(d) is found lunatic or becomes of unsound mind; or

(e) 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.

ROTATION OF DIRECTORS

(73) At the first ordinary 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 to one-third, shall retire from office.

(74) Their 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 re-election.

(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 re-elected 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 three be three, and when the number of directors does not exceed three, be two.

(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 five 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 them 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 five 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 directors or persons 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 dividend 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 equalising 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 share 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.

ACCOUNTS

(97) The directors shall cause proper books of account to be kept with respect to—

All sums of money received and expended by the company and the matter in respect of which such receipt and expenditure takes place, and

All sales and purchases of goods by the company, and

The assets and liabilities of the company.

(98) The books of account shall 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 authorised 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 in 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 twenty-four 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 in 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 in the neighbourhood of the registered office of the company, shall be deemed to be duly given to him at noon 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 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, in the United Kingdom supplied for the purpose by the persons claiming to be so entitled, or (until such an address has 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 authorised to (a) every member of the company 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.

APPENDIX II

TENTH SCHEDULE OF THE COMPANIES ACT, 1929

TABLE OF FEES TO BE PAID TO THE REGISTRAR OF COMPANIES

I. BY A COMPANY HAVING A SHARE CAPITAL

	<i>£</i>	<i>s.</i>	<i>d.</i>
For registration of a company whose nominal share capital does not exceed 2,000 <i>l.</i>	2	0	0
For registration of a company whose nominal share capital exceeds 2,000 <i>l.</i> , the following fees, regulated according to the amount of nominal share capital (that is to say):			
	<i>£</i>	<i>s.</i>	<i>d.</i>
For every 1,000 <i>l.</i> of nominal share capital, or part of 1,000 <i>l.</i> up to 5,000 <i>l.</i>	1	0	0
For every 1,000 <i>l.</i> of nominal share capital, or part of 1,000 <i>l.</i> , after the first 5,000 <i>l.</i> , up to 100,000 <i>l.</i>	0	5	0
For every 1,000 <i>l.</i> of nominal share capital, or part of 1,000 <i>l.</i> , after the first, 100,000 <i>l.</i>	0	1	0
For registration of any increase of share capital made after the first registration of the company, the same fees per 1,000 <i>l.</i> , or part of a 1,000 <i>l.</i> , as would have been payable if the increased share capital had formed part of the original share capital at the time of registration:			
Provided that no company shall be liable to pay in respect of nominal share capital, on registration or afterwards, any greater amount of fees than 50 <i>l.</i> , taking into account in the case of fees payable on an increase of share capital after registration the fees paid on registration.			
For registration of any existing company, except such companies as are by this Act exempted from payment of fees in respect of registration under this Act, the same fee as is charged for registering a new company			
For registering any document by this Act required or authorised to be registered or required to be delivered, sent or forwarded to the registrar other than the memorandum or the abstract required to be delivered to the registrar by a receiver or manager or the statement required to be sent to the registrar by the liquidator in a winding-up in England		0	5 0
For making a record of any fact by this Act required or authorised to be recorded by the registrar		0	5 0

	£	s.	d.
II. BY A COMPANY NOT HAVING A SHARE CAPITAL			
For registration of a company whose number of members as stated in the articles does not exceed 25	2	0	0
For registration of a company whose number of members as stated in the articles exceeds 25, but does not exceed 100, the above fee of 2 <i>l.</i> with an additional 1 <i>l.</i> for every additional 25 members or less after the first 25			
For registration of a company whose number of members as stated in the articles exceeds 100 but is not stated to be unlimited, a fee of 5 <i>l.</i> with an additional 5 <i>s.</i> for every additional 50 members or less after the first 100			
For registration of a company in which the number of members is stated in the articles to be unlimited	20	0	0
For registration of any increase on the number of members made after the registration of the company in respect of every 50 members, or less than 50 members, of that increase		0	5
Provided that no company shall be liable to pay on the whole a greater fee than 20 <i>l.</i> in respect of its number of members, taking into account the fee paid on the first registration of the company.			0
For registration of any existing company, except such companies as are by this Act exempted from payment of fees in respect of registration under this Act, the same fee as is charged for registering a new company.			
For registering any document by this Act required or authorised to be registered or required to be delivered, sent or forwarded to the registrar, other than the memorandum or the abstract required to be delivered to the registrar by a receiver or manager or the statement required to be sent to the registrar by the liquidator in a winding up in England		0	5
For making a record of any fact by this Act required or authorised to be recorded by the registrar		0	5

III. BY A COMPANY TO WHICH PART XI OF THIS ACT APPLIES¹

For registering any document required to be delivered to the registrar under Part XI of this Act, except documents required to be delivered under section three hundred and fifty-three of this Act	0	5	0
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¹ Foreign companies carrying on business in Great Britain.

APPENDIX III

TEST QUESTIONS

1. Discuss the duties and responsibilities of a company secretary.
2. Write a short note on staff organization and control.
3. Describe some of the mechanical devices to be found in a modern office.
4. Describe an efficient method for sorting and distributing the morning mail.
5. Mention some important points to observe in organizing the outward correspondence.
6. What is a card index? Describe its use in the office of a company secretary.
7. Which do you consider the best method of storing correspondence so that any letter received and an indication of the reply sent may be quickly referred to?
8. What steps are necessary to the formation of a company limited by shares?
9. Describe the chief differences between private and public companies.
10. Define (a) company limited by shares, (b) private company.
11. What is the real significance of the phrase "limited liability" when used in regard to a company?
12. Explain shortly the respective functions of the Memorandum of Association and the Articles of Association of a limited company.
13. When is a new company entitled to commence business?
14. What is meant by the capital of a limited company?
15. Explain the words "Nominal," "Issued," "Subscribed," "Called-up," "Paid-up," when used in connection with the capital of a company.
16. What is a prospectus? By whom is it drafted?
17. What are the chief particulars required in a prospectus?
18. What is (i) underwriting, (ii) brokerage?
19. Can an application to take shares be withdrawn?
20. Describe the procedure followed in a public issue.
21. State the chief rules as to the allotment of shares.
22. What are the duties of a company secretary in regard to the "return of allotments"?
23. Describe a modern method of keeping the Register of Members. Who is entitled to inspect the Register of Members, and when may it be closed?

24. Describe the preparation and issue of share certificates. When must such certificates be issued to allottees and transferees, and how can a shareholder whose certificate has been lost or destroyed obtain a new certificate?

25. What is a share warrant to bearer, and how do the holders of such warrants obtain payment of dividends accruing in respect thereof?

26. How are the directors appointed?

27. What must be done before a person can be appointed a director by the articles or named as such in the prospectus?

28. What record of the directors must be kept by the secretary? Give a ruling for a suitable book.

29. Write a full note on the making of calls on shares.

30. Draft a resolution making a call.

31. A shareholder refuses to pay a call. What steps should be taken by the company? Explain, briefly, forfeiture of shares.

32. What is certification and why is it necessary?

33. Describe the procedure in a company's office in checking transfers and preparing new certificates.

34. Write a short note on Powers of Attorney.

35. What precautions can be taken to avoid registering a forged transfer?

36. A forged transfer is lodged with a company, which acts upon it in good faith, and issues a certificate to the transferee. Discuss the position that arises.

37. What is meant by transmission of shares?

38. State the requirements of Table A as to the use of the seal of a limited company.

39. Has a company power to borrow money?

40. What are debentures, and what different kinds of debentures are there? What is a trust deed, and why is it necessary?

41. State briefly the main differences between a shareholder and a debenture holder.

42. How are debentures and debenture stock transferred?

43. Draft a resolution of a board meeting authorising the issue of debentures. What is scrip?

44. What statutory provisions are there as to the re-issue of redeemed debentures?

45. Can one person constitute a meeting? If so, when?

46. If a quorum is present, is there necessarily a meeting?

47. State the principal rules relating to notices.

48. What are the powers and duties of a chairman, particularly in regard to keeping order?

49. State some general rules for the conduct of debate.

50. What is an amendment?

51. Describe the procedure at a meeting when several amendments are moved to a motion.

52. Mention various ways in which discussion on an original motion may be interrupted.

53. When may a meeting be adjourned: (a) with, (b) without a vote on the matter?

54. For what purposes is the "previous question" moved? What is a privileged occasion?

55. What are the rights of the members of a company present at the statutory meeting, with regard to (1) the discussion of matters, (2) the passing of resolutions, (3) the adjournment of the meeting? What is it necessary for a company to do before it calls a statutory meeting?

56. Mention and explain briefly the main purpose of the various meetings of members of a limited company.

57. What is the usual business of a general meeting?

58. What is a "class meeting," and when is it necessary to hold one?

59. What meetings are held by directors?

60. Draft the notice convening an annual general meeting of a limited company at which it is proposed to declare a dividend.

61. Draft the notice of a meeting to alter a company's Articles of Association.

62. Write a short note on Agenda.

63. Define (a) ordinary resolution, (b) extraordinary resolution, (c) special resolution.

64. Distinguish between an extraordinary and a special resolution, and state for what business each is used.

65. Distinguish minutes from reports.

66. Give an example of a minute of narration.

67. Draft minutes showing the ordinary routine work of a board meeting.

68. Summarize the preparations for holding the annual meeting of a company.

69. What are the secretary's duties at the actual meeting?

70. Write a short note on voting at company meetings.

71. Has every shareholder a right to vote by proxy?

72. How is a poll taken?

73. What are a secretary's duties at a meeting of his board?

74. What is a disinterested quorum? Why is it necessary?

75. What are the chief reports which a company secretary will have to prepare?

76. Draft a report of a committee of directors as to the advisability of erecting new premises.

77. Using the following particulars, draft a short directors' report to accompany the Balance Sheet of Cookey, Limited, provision dealers: Net profit for year ended 31st December, £12,671. Dividends—Preference Shares £2710, Ordinary Shares 10 per cent. Transfer to Reserve £2500. Carry forward £3210 (previous year £3340). Retiring directors and auditors offer themselves for re-election.

78. As the secretary of a public company which has not issued a prospectus, you are asked to advise the directors regarding a proposed offer of shares to the public for subscription. Write a short report for them.

79. What are distributable profits?

80. Describe in detail how a dividend is prepared and paid by a company. What is a dividend mandate?

81. What books are necessary in the case of a limited company?

82. What are the requirements of the law regarding a company's accounts?

83. By whom may the auditors of a limited company be appointed?

84. What are the powers and duties of auditors?

85. Can a company limited by shares increase its share capital? If so, describe the procedure.

86. How and in what circumstances can the capital of a company be (a) converted into stock, (b) consolidated?

87. What are the necessary contents of an annual return?

88. Explain the nature of the certificate required to be filed by a private company with the annual return.

89. The capital of a limited company consists of 10,000 ordinary shares of £5 each, £3 of which is paid up. The Directors desire to make a call of £1. What procedure must they adopt and what are their powers in the case of a member making default in payment of the call?

90. As a general rule an *ad valorem stamp* duty is payable on a transfer of shares. What is the rate of duty, and by whom is it payable? Give three examples of transactions to which the rule does not apply.

91. What are the main points of procedure in regard to Amendments?

92. Draft typical minutes of the monthly meeting of directors held immediately preceding the annual meeting of shareholders of a limited company.

93. Explain the use of Letters of Regret and Letters of Renunciation.

94. In connection with the law relating to meetings, compare the terms "motion," "resolution," and "amendment."

95. What is meant by certification of transfers, and how does it differ in its effect from registration?

96. Must the Minutes of an Annual General Meeting be signed? If so, by whom and when?

97. When must the first general or statutory meeting of a company be held? Draft the agenda of such a meeting.

98. Explain briefly the object and effect of the restrictions imposed by the Companies Act, 1929, upon the allotment of shares.

99. You are the holder of a share warrant to bearer. How would you obtain your dividends? In connection with your share warrant, what forms would you expect to see used?

100. How do changes in the ownership of shares arise?

101. Give a brief note of the ordinary routine work of a Share Transfer Department.

102. Assuming you were requested to register a transfer of shares executed under a power of attorney, what steps would you deem it prudent to take?

103. What are the secretary's duties in connection with the resignation of a director?

104. Give the ruling for an Application and Allotment Book and make three specimen entries.

105. Draw up a form of Register of Members and make three specimen entries.

106. Is the secretary obliged to comply with the request of a caller to be allowed to inspect the Register of Members and the Board Meeting Minute Book?

107. Your company opens a branch in a Dominion and asks you to arrange for the transfer of entries from the principal Register of Members to a Dominion Register; write a few notes on the procedure.

108. Mention the statutory provisions for enabling auditors to obtain information about a company's affairs.

109. What is the procedure necessary to enable a private company to become a public one where the Memorandum of Association does not forbid the change?

110. A company is empowered to increase its capital with the sanction of a General Meeting. Draft the notice convening the meeting, and state what steps would be necessary to see that the resolution was validly passed.

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