

SCHEDULES.

THIRD SCHEDULE

PROVISIONS TO BE INCORPORATED IN ORDERS RELATING TO WATER UNDERTAKINGS.

PART XV

FINANCIAL PROVISIONS APPLICABLE TO WATER COMPANIES.

Maximum rates of dividend.

- 74 (1) Subject to the provisions of this section, where the undertakers are a company, they shall not in respect of any year pay dividends on the paid-up capital of their undertaking, at rates per cent. greater than the following rates, that is to say:—
- (a) on capital subscribed before the date on which this section comes into force, the rates which they were entitled to pay thereon immediately before that date; and
 - (b) on capital subscribed after that date, five per cent. or, in the case of such capital entitled by the terms of subscription to a rate of dividend lower than five per cent., that lower rate.
- (2) Nothing in the last foregoing subsection shall prevent the payment of a greater dividend in order to make up deficiencies in previous dividends:
- Provided that, as respects capital subscribed after the date on which this section comes into force, this subsection shall apply only in relation to deficiencies arising during the last five years before the year in respect of which a dividend is being paid.
- (3) Paragraph (1) of subsection (1) of section one of the Trustee Act, 1925 (which includes among trustee stocks any debenture, guarantee or preference stocks of water undertakers, being a company incorporated by special Act of Parliament or by Royal Charter, if for the previous ten years the company has paid a dividend of not less than five per centum on its ordinary stock) shall apply in a case where the undertakers are incorporated by statutory order as well as in a case where they are such a company as is referred to in that paragraph, and shall have effect, in any case to which the paragraph as extended by this subsection applies, as if for the words " five per centum " there were substituted the words " four per centum. "

Sale of stock by auction or tender.

- 75 (1) Where the undertakers are a company, all ordinary and preference stock issued by them shall be issued in accordance with the following provisions of this section.
- (2) All stock issued by the undertakers shall be offered for sale by public auction or tender in such manner, at such times and subject to such conditions of sale as the undertakers from time to time determine:

Provided that—

- (a) notice of the intended sale shall be given in writing to the local authority of every district wholly or partly within their limits of supply and to the secretary of the London Stock Exchange at least seven days before the day of auction or the last day for the reception of tenders, as the case may be, and shall be advertised once in each of two successive weeks in one or more local newspapers circulating within the limits of supply;
 - (b) a reserve price shall be fixed and notice thereof shall be sent by the undertakers in a sealed letter to be received by the Minister not less than twenty-four hours before, but not to be opened until after, the day of auction or the last day for the receipt of tenders, as the case may be;
 - (c) in the case of a sale by auction, no lot offered for sale shall comprise stock of greater nominal value than one hundred pounds;
 - (d) in the case of a sale by tender, no preference shall be given to one of two or more persons tendering the same sum, except that the offer by tender of any holder of stock of the undertakers may be accepted in preference to the offer of the same sum by any person who is not such a holder as aforesaid and preference may in like manner be given to the offer of any employee of the undertakers or consumer of water supplied by the undertakers;
 - (e) in the case of a sale by auction a bid (other than a first bid) shall not be recognised unless it is in advance of the last preceding bid; and
 - (f) it shall be one of the conditions of sale that the total sum payable by the purchaser shall be paid to the undertakers within three months after the date of the auction or of the acceptance of the tender, as the case may be.
- (3) Any stock which has been offered for sale in accordance with the last foregoing subsection and is not sold may be disposed of at such price and in such manner as the undertakers may determine for the purpose of realising the best price obtainable.
- (4) As soon as possible after the conclusion of the sale or sales, the undertakers shall send a report thereof to the Minister stating the total amount of each class of stock sold, the total amount obtained as premium (if any) and the highest and lowest prices obtained for each class of stock.

Reserve and contingency funds.

- 76 (1) Where the undertakers are a company, they may, subject to the provisions of this section, by setting apart in any year out of revenue such sums as they think fit, form and maintain—
- (a) a reserve fund, for the purpose of making good any deficiency which may at any time occur in the amount of divisible profits, or of meeting any extraordinary claim or demand which may at any time be made upon them;
 - (b) a contingency fund, for the purpose of meeting contingencies, or defraying the cost of renewing, repairing, enlarging or improving any part of the works forming part of the undertaking.
- (2) Any sums so set apart for the formation or maintenance of a reserve or contingency fund may from time to time be invested in securities in which trustees are authorised to invest trust moneys, and, subject to the provisions of the next but one succeeding subsection, the dividends and interest arising from such securities may also be invested in the same or like securities so as to accumulate at compound interest for the credit of the fund in question.

- (3) The undertakers shall transfer to any reserve fund or contingency fund formed under the foregoing provisions of this section any sum then standing to the credit of any existing reserve fund or contingency fund, as the case may be.
- (4) Whenever, and so long as, the aggregate amount standing to the credit of the reserve fund and contingency fund together amounts to (or, by reason of such a transfer as aforesaid, exceeds) a sum equal to twelve and a half per cent. of the capital expenditure theretofore incurred by the undertakers for the purposes of their undertaking, no contribution from the revenue of the undertaking shall be made to either of the funds, and the interest and dividends on the funds shall not be invested but shall be treated as income of the undertaking.
- (5) The aggregate amount which, subject to the provisions of the last foregoing subsection, may be carried by the undertakers in any year to the formation or maintenance of the reserve fund and contingency fund shall not exceed a sum equal to one and a quarter per cent. of the capital expenditure theretofore incurred by the undertakers for the purposes of their undertaking.

Limitation on balance carried forward at end of year.

- 77 (1) Where the undertakers are a company, it shall not be lawful for them to carry forward at the end of any year to the credit of the profit and loss (net revenue) account any sum exceeding the total of the following amounts, that is to say:—
- (a) the amount required for paying any dividend or interest which they are entitled, or required, to pay, but have not paid, in respect of that year;
 - (b) an amount equal to the total sum which they will be required to pay during the next following year as interest on any mortgages or debenture stock; and
 - (c) an amount equal to the total sum which they might lawfully distribute as dividends on the preference and ordinary capital of the undertaking in respect of the next following year.
- (2) Any sum which, but for the provisions of this section, might at the end of any year have been so carried forward as aforesaid shall be applied towards the reduction of water rates and charges in future years.

Power to pay superannuation and other allowance, and c, and to assist research.

- 78 (1) Where the undertakers are a company, they may
- (a) grant gratuities, pensions or superannuation allowances to, or to the widows, families or dependants of, their employees;
 - (b) establish contributory superannuation schemes, and establish and contribute to superannuation funds for the benefit of their employees;
 - (c) enter into and carry into effect agreements with any insurance company or other association or company for securing to any such employee, widow, family or dependant such gratuities, pensions or allowances as are by this section authorised to be granted;
 - (d) give donations or subscriptions to charitable institutions, sick funds, benevolent funds and other objects calculated to benefit their employees;
 - (e) subscribe to the funds of any association formed for the purpose of furthering the interests of water undertakers;
 - (f) make contributions for furthering research in matters with which water undertakers and their officers are concerned.

Status: This is the original version (as it was originally enacted).

- (2) No employee of the undertakers shall be required to become a contributor to any superannuation fund established under this section until the fund has been registered under the Superannuation and other Trust Funds (Validation) Act, 1927.