

view is founded upon *Trevor v. Whitworth* (1887) 12 A.C. 409 where Lord Herschell says (p. 415): "The capital may be diminished by expenditure upon and reasonably incidental to all the objects specified. A part of it may be lost in carrying on business operations authorized. Of this all persons trusting the company are aware and take the risk. But I think they have a right to rely, and were intended by the Legislature to have a right to rely, on the capital remaining undiminished by any expenditure outside these limits, or by the return of any part of it to the shareholders."

In *Bolton v. Natal Land and Colonization Company* (1892) 2 Ch. 124, and in *Wilmer v. McNamara* (1895) 2 Ch. 245 an injunction was refused even where a bona fide dispute existed as to the proper amount to be charged for depreciation against the year's profits when the directors had honestly exercised their judgment.

The case of *Burland v. Earle* (1902) A.C. 83 determines some practical questions. It is there held that, under the Letters Patent granted under the old Companies Act, a company (1) is not bound to divide all its profits on each occasion among its shareholders, (2) can legally reserve any portion of it at its own discretion, (3) may invest such sum as may be selected by the directors subject to the control of a general meeting but not restricted to trustee investments, (4) and may invest in the name of a sole trustee. These statements of law are not confined to the case of companies under the Act referred to, but are laid down as applicable generally to joint stock companies in the absence of special restrictions by charter.

These are matters of internal management and as stated by Lord Davey "it is an elementary principle of the law relating to joint stock companies that the Court will not interfere with the internal management of companies acting within their powers and in fact has no jurisdiction to do so."

Turning now to the question of how profits are to be determined and how far capital, fixed or circulating, must be made up