



# Companies Act 2006

## 2006 CHAPTER 46

### PART 23

#### DISTRIBUTIONS

#### CHAPTER 1

##### RESTRICTIONS ON WHEN DISTRIBUTIONS MAY BE MADE

##### *Introductory*

#### **829 Meaning of “distribution”**

- (1) In this Part “distribution” means every description of distribution of a company’s assets to its members, whether in cash or otherwise, subject to the following exceptions.
- (2) The following are not distributions for the purposes of this Part—
  - (a) an issue of shares as fully or partly paid bonus shares;
  - (b) the reduction of share capital—
    - (i) by extinguishing or reducing the liability of any of the members on any of the company’s shares in respect of share capital not paid up, or
    - (ii) by repaying paid-up share capital;
  - (c) the redemption or purchase of any of the company’s own shares out of capital (including the proceeds of any fresh issue of shares) or out of unrealised profits in accordance with Chapter 3, 4 or 5 of Part 18;
  - (d) a distribution of assets to members of the company on its winding up.

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### *General rules*

#### **830 Distributions to be made only out of profits available for the purpose**

- (1) A company may only make a distribution out of profits available for the purpose.
- (2) A company's profits available for distribution are its accumulated, realised profits, so far as not previously utilised by distribution or capitalisation, less its accumulated, realised losses, so far as not previously written off in a reduction or reorganisation of capital duly made.
- (3) Subsection (2) has effect subject to sections 832 and 835 (investment companies etc: distributions out of accumulated revenue profits).

#### **831 Net asset restriction on distributions by public companies**

- (1) A public company may only make a distribution—
  - (a) if the amount of its net assets is not less than the aggregate of its called-up share capital and undistributable reserves, and
  - (b) if, and to the extent that, the distribution does not reduce the amount of those assets to less than that aggregate.
- (2) For this purpose a company's "net assets" means the aggregate of the company's assets less the aggregate of its liabilities.
- (3) "Liabilities" here includes—
  - (a) where the relevant accounts are Companies Act accounts, provisions of a kind specified for the purposes of this subsection by regulations under section 396;
  - (b) where the relevant accounts are IAS accounts, provisions of any kind.
- (4) A company's undistributable reserves are—
  - (a) its share premium account;
  - (b) its capital redemption reserve;
  - (c) the amount by which its accumulated, unrealised profits (so far as not previously utilised by capitalisation) exceed its accumulated, unrealised losses (so far as not previously written off in a reduction or reorganisation of capital duly made);
  - (d) any other reserve that the company is prohibited from distributing—
    - (i) by any enactment (other than one contained in this Part), or
    - (ii) by its articles.

The reference in paragraph (c) to capitalisation does not include a transfer of profits of the company to its capital redemption reserve.

- (5) A public company must not include any uncalled share capital as an asset in any accounts relevant for purposes of this section.
- (6) Subsection (1) has effect subject to sections 832 and 835 (investment companies etc: distributions out of accumulated revenue profits).

*Distributions by investment companies*

**832 Distributions by investment companies out of accumulated revenue profits**

- (1) An investment company may make a distribution out of its accumulated, realised revenue profits if the following conditions are met.
- (2) It may make such a distribution only if, and to the extent that, its accumulated, realised revenue profits, so far as not previously utilised by a distribution or capitalisation, exceed its accumulated revenue losses (whether realised or unrealised), so far as not previously written off in a reduction or reorganisation of capital duly made.
- (3) It may make such a distribution only—
  - (a) if the amount of its assets is at least equal to one and a half times the aggregate of its liabilities to creditors, and
  - (b) if, and to the extent that, the distribution does not reduce that amount to less than one and a half times that aggregate.
- (4) For this purpose a company's liabilities to creditors include—
  - (a) in the case of Companies Act accounts, provisions of a kind specified for the purposes of this subsection by regulations under section 396;
  - (b) in the case of IAS accounts, provisions for liabilities to creditors.
- (5) The following conditions must also be met—
  - (a) the company's shares must be listed on a recognised UK investment exchange;
  - (b) during the relevant period it must not have—
    - (i) distributed any capital profits otherwise than by way of the redemption or purchase of any of the company's own shares in accordance with Chapter 3 or 4 of Part 18, or
    - (ii) applied any unrealised profits or any capital profits (realised or unrealised) in paying up debentures or amounts unpaid on its issued shares;
  - (c) it must have given notice to the registrar under section 833(1) (notice of intention to carry on business as an investment company)—
    - (i) before the beginning of the relevant period, or
    - (ii) as soon as reasonably practicable after the date of its incorporation.
- (6) For the purposes of this section—
  - (a) “recognised UK investment exchange” means a recognised investment exchange within the meaning of Part 18 of the Financial Services and Markets Act 2000 (c. 8), other than an overseas investment exchange within the meaning of that Part; and
  - (b) the “relevant period” is the period beginning with—
    - (i) the first day of the accounting reference period immediately preceding that in which the proposed distribution is to be made, or
    - (ii) where the distribution is to be made in the company's first accounting reference period, the first day of that period,and ending with the date of the distribution.
- (7) The company must not include any uncalled share capital as an asset in any accounts relevant for purposes of this section.

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### **833 Meaning of “investment company”**

- (1) In this Part an “investment company” means a public company that—
  - (a) has given notice (which has not been revoked) to the registrar of its intention to carry on business as an investment company, and
  - (b) since the date of that notice has complied with the following requirements.
- (2) Those requirements are—
  - (a) that the business of the company consists of investing its funds mainly in securities, with the aim of spreading investment risk and giving members of the company the benefit of the results of the management of its funds;
  - (b) that the condition in section 834 is met as regards holdings in other companies;
  - (c) that distribution of the company’s capital profits is prohibited by its articles;
  - (d) that the company has not retained, otherwise than in compliance with this Part, in respect of any accounting reference period more than 15% of the income it derives from securities.
- (3) Subsection (2)(c) does not require an investment company to be prohibited by its articles from redeeming or purchasing its own shares in accordance with Chapter 3 or 4 of Part 18 out of its capital profits.
- (4) Notice to the registrar under this section may be revoked at any time by the company on giving notice to the registrar that it no longer wishes to be an investment company within the meaning of this section.
- (5) On giving such a notice, the company ceases to be such a company.

### **834 Investment company: condition as to holdings in other companies**

- (1) The condition referred to in section 833(2)(b) (requirements to be complied with by investment company) is that none of the company’s holdings in companies (other than those that are for the time being investment companies) represents more than 15% by value of the company’s investments.
- (2) For this purpose—
  - (a) holdings in companies that—
    - (i) are members of a group (whether or not including the investing company), and
    - (ii) are not for the time being investment companies,
 are treated as holdings in a single company; and
  - (b) where the investing company is a member of a group, money owed to it by another member of the group—
    - (i) is treated as a security of the latter held by the investing company, and
    - (ii) is accordingly treated as, or as part of, the holding of the investing company in the company owing the money.
- (3) The condition does not apply—
  - (a) to a holding in a company acquired before 6th April 1965 that on that date represented not more than 25% by value of the investing company’s investments, or
  - (b) to a holding in a company that, when it was acquired, represented not more than 15% by value of the investing company’s investments,

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so long as no addition is made to the holding.

- (4) For the purposes of subsection (3)—
- (a) “holding” means the shares or securities (whether or one class or more than one class) held in any one company;
  - (b) an addition is made to a holding whenever the investing company acquires shares or securities of that one company, otherwise than by being allotted shares or securities without becoming liable to give any consideration, and if an addition is made to a holding that holding is acquired when the addition or latest addition is made to the holding; and
  - (c) where in connection with a scheme of reconstruction a company issues shares or securities to persons holding shares or securities in a second company in respect of and in proportion to (or as nearly as may be in proportion to) their holdings in the second company, without those persons becoming liable to give any consideration, a holding of the shares or securities in the second company and a corresponding holding of the shares or securities so issued shall be regarded as the same holding.
- (5) In this section—
- “company” and “shares” shall be construed in accordance with sections 99 and 288 of the Taxation of Chargeable Gains Act 1992 (c. 12);
  - “group” means a company and all companies that are its 51% subsidiaries (within the meaning of section 838 of the Income and Corporation Taxes Act 1988 (c. 1)); and
  - “scheme of reconstruction” has the same meaning as in section 136 of the Taxation of Chargeable Gains Act 1992.

### **835 Power to extend provisions relating to investment companies**

- (1) The Secretary of State may by regulations extend the provisions of sections 832 to 834 (distributions by investment companies out of accumulated profits), with or without modifications, to other companies whose principal business consists of investing their funds in securities, land or other assets with the aim of spreading investment risk and giving their members the benefit of the results of the management of the assets.
- (2) Regulations under this section are subject to affirmative resolution procedure.

## **CHAPTER 2**

### **JUSTIFICATION OF DISTRIBUTION BY REFERENCE TO ACCOUNTS**

#### *Justification of distribution by reference to accounts*

### **836 Justification of distribution by reference to relevant accounts**

- (1) Whether a distribution may be made by a company without contravening this Part is determined by reference to the following items as stated in the relevant accounts—
- (a) profits, losses, assets and liabilities;
  - (b) provisions of the following kinds—

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- (i) where the relevant accounts are Companies Act accounts, provisions of a kind specified for the purposes of this subsection by regulations under section 396;
  - (ii) where the relevant accounts are IAS accounts, provisions of any kind;
  - (c) share capital and reserves (including undistributable reserves).
- (2) The relevant accounts are the company's last annual accounts, except that—
- (a) where the distribution would be found to contravene this Part by reference to the company's last annual accounts, it may be justified by reference to interim accounts, and
  - (b) where the distribution is proposed to be declared during the company's first accounting reference period, or before any accounts have been circulated in respect of that period, it may be justified by reference to initial accounts.
- (3) The requirements of—
- section 837 (as regards the company's last annual accounts),
  - section 838 (as regards interim accounts), and
  - section 839 (as regards initial accounts),
- must be complied with, as and where applicable.
- (4) If any applicable requirement of those sections is not complied with, the accounts may not be relied on for the purposes of this Part and the distribution is accordingly treated as contravening this Part.

*Requirements applicable in relation to relevant accounts*

**837 Requirements where last annual accounts used**

- (1) The company's last annual accounts means the company's individual accounts—
- (a) that were last circulated to members in accordance with section 423 (duty to circulate copies of annual accounts and reports), or
  - (b) if in accordance with section 426 the company provided a summary financial statement instead, that formed the basis of that statement.
- (2) The accounts must have been properly prepared in accordance with this Act, or have been so prepared subject only to matters that are not material for determining (by reference to the items mentioned in section 836(1)) whether the distribution would contravene this Part.
- (3) Unless the company is exempt from audit and the directors take advantage of that exemption, the auditor must have made his report on the accounts.
- (4) If that report was qualified—
- (a) the auditor must have stated in writing (either at the time of his report or subsequently) whether in his opinion the matters in respect of which his report is qualified are material for determining whether a distribution would contravene this Part, and
  - (b) a copy of that statement must—
    - (i) in the case of a private company, have been circulated to members in accordance with section 423, or
    - (ii) in the case of a public company, have been laid before the company in general meeting.

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- (5) An auditor’s statement is sufficient for the purposes of a distribution if it relates to distributions of a description that includes the distribution in question, even if at the time of the statement it had not been proposed.

### **838 Requirements where interim accounts used**

- (1) Interim accounts must be accounts that enable a reasonable judgment to be made as to the amounts of the items mentioned in section 836(1).
- (2) Where interim accounts are prepared for a proposed distribution by a public company, the following requirements apply.
- (3) The accounts must have been properly prepared, or have been so prepared subject to matters that are not material for determining (by reference to the items mentioned in section 836(1)) whether the distribution would contravene this Part.
- (4) “Properly prepared” means prepared in accordance with sections 395 to 397 (requirements for company individual accounts), applying those requirements with such modifications as are necessary because the accounts are prepared otherwise than in respect of an accounting reference period.
- (5) The balance sheet comprised in the accounts must have been signed in accordance with section 414.
- (6) A copy of the accounts must have been delivered to the registrar.

Any requirement of Part 35 of this Act as to the delivery of a certified translation into English of any document forming part of the accounts must also have been met.

### **839 Requirements where initial accounts used**

- (1) Initial accounts must be accounts that enable a reasonable judgment to be made as to the amounts of the items mentioned in section 836(1).
- (2) Where initial accounts are prepared for a proposed distribution by a public company, the following requirements apply.
- (3) The accounts must have been properly prepared, or have been so prepared subject to matters that are not material for determining (by reference to the items mentioned in section 836(1)) whether the distribution would contravene this Part.
- (4) “Properly prepared” means prepared in accordance with sections 395 to 397 (requirements for company individual accounts), applying those requirements with such modifications as are necessary because the accounts are prepared otherwise than in respect of an accounting reference period.
- (5) The company’s auditor must have made a report stating whether, in his opinion, the accounts have been properly prepared.
- (6) If that report was qualified—
  - (a) the auditor must have stated in writing (either at the time of his report or subsequently) whether in his opinion the matters in respect of which his report is qualified are material for determining whether a distribution would contravene this Part, and
  - (b) a copy of that statement must—

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- (i) in the case of a private company, have been circulated to members in accordance with section 423, or
  - (ii) in the case of a public company, have been laid before the company in general meeting.
- (7) A copy of the accounts, of the auditor’s report and of any auditor’s statement must have been delivered to the registrar.

Any requirement of Part 35 of this Act as to the delivery of a certified translation into English of any of those documents must also have been met.

*Application of provisions to successive distributions etc*

**840 Successive distributions etc by reference to the same accounts**

- (1) In determining whether a proposed distribution may be made by a company in a case where—
- (a) one or more previous distributions have been made in pursuance of a determination made by reference to the same relevant accounts, or
  - (b) relevant financial assistance has been given, or other relevant payments have been made, since those accounts were prepared,
- the provisions of this Part apply as if the amount of the proposed distribution was increased by the amount of the previous distributions, financial assistance and other payments.
- (2) The financial assistance and other payments that are relevant for this purpose are—
- (a) financial assistance lawfully given by the company out of its distributable profits;
  - (b) financial assistance given by the company in contravention of section 678 or 679 (prohibited financial assistance) in a case where the giving of that assistance reduces the company’s net assets or increases its net liabilities;
  - (c) payments made by the company in respect of the purchase by it of shares in the company, except a payment lawfully made otherwise than out of distributable profits;
  - (d) payments of any description specified in section 705 (payments apart from purchase price of shares to be made out of distributable profits).
- (3) In this section “financial assistance” has the same meaning as in Chapter 2 of Part 18 (see section 677).
- (4) For the purpose of applying subsection (2)(b) in relation to any financial assistance—
- (a) “net assets” means the amount by which the aggregate amount of the company’s assets exceeds the aggregate amount of its liabilities, and
  - (b) “net liabilities” means the amount by which the aggregate amount of the company’s liabilities exceeds the aggregate amount of its assets,
- taking the amount of the assets and liabilities to be as stated in the company’s accounting records immediately before the financial assistance is given.
- (5) For this purpose a company’s liabilities include any amount retained as reasonably necessary for the purposes of providing for any liability—
- (a) the nature of which is clearly defined, and



- (b) which is either likely to be incurred or certain to be incurred but uncertain as to amount or as to the date on which it will arise.

### CHAPTER 3

#### SUPPLEMENTARY PROVISIONS

##### *Accounting matters*

#### **841 Realised losses and profits and revaluation of fixed assets**

- (1) The following provisions have effect for the purposes of this Part.
- (2) The following are treated as realised losses—
  - (a) in the case of Companies Act accounts, provisions of a kind specified for the purposes of this paragraph by regulations under section 396 (except revaluation provisions);
  - (b) in the case of IAS accounts, provisions of any kind (except revaluation provisions).
- (3) A “revaluation provision” means a provision in respect of a diminution in value of a fixed asset appearing on a revaluation of all the fixed assets of the company, or of all of its fixed assets other than goodwill.
- (4) For the purpose of subsections (2) and (3) any consideration by the directors of the value at a particular time of a fixed asset is treated as a revaluation provided—
  - (a) the directors are satisfied that the aggregate value at that time of the fixed assets of the company that have not actually been revalued is not less than the aggregate amount at which they are then stated in the company’s accounts, and
  - (b) it is stated in a note to the accounts—
    - (i) that the directors have considered the value of some or all of the fixed assets of the company without actually revaluing them,
    - (ii) that they are satisfied that the aggregate value of those assets at the time of their consideration was not less than the aggregate amount at which they were then stated in the company’s accounts, and
    - (iii) that accordingly, by virtue of this subsection, amounts are stated in the accounts on the basis that a revaluation of fixed assets of the company is treated as having taken place at that time.
- (5) Where—
  - (a) on the revaluation of a fixed asset, an unrealised profit is shown to have been made, and
  - (b) on or after the revaluation, a sum is written off or retained for depreciation of that asset over a period,

an amount equal to the amount by which that sum exceeds the sum which would have been so written off or retained for the depreciation of that asset over that period, if that profit had not been made, is treated as a realised profit made over that period.

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## **842 Determination of profit or loss in respect of asset where records incomplete**

In determining for the purposes of this Part whether a company has made a profit or loss in respect of an asset where—

- (a) there is no record of the original cost of the asset, or
- (b) a record cannot be obtained without unreasonable expense or delay,

its cost is taken to be the value ascribed to it in the earliest available record of its value made on or after its acquisition by the company.

## **843 Realised profits and losses of long-term insurance business**

- (1) The provisions of this section have effect for the purposes of this Part as it applies in relation to an authorised insurance company carrying on long-term business.
- (2) An amount included in the relevant part of the company’s balance sheet that—
  - (a) represents a surplus in the fund or funds maintained by it in respect of its long-term business, and
  - (b) has not been allocated to policy holders or, as the case may be, carried forward unappropriated in accordance with asset identification rules made under section 142(2) of the Financial Services and Markets Act 2000 (c. 8),
 is treated as a realised profit.
- (3) For the purposes of subsection (2)—
  - (a) the relevant part of the balance sheet is that part of the balance sheet that represents accumulated profit or loss;
  - (b) a surplus in the fund or funds maintained by the company in respect of its long-term business means an excess of the assets representing that fund or those funds over the liabilities of the company attributable to its long-term business, as shown by an actuarial investigation.
- (4) A deficit in the fund or funds maintained by the company in respect of its long-term business is treated as a realised loss.

For this purpose a deficit in any such fund or funds means an excess of the liabilities of the company attributable to its long-term business over the assets representing that fund or those funds, as shown by an actuarial investigation.

- (5) Subject to subsections (2) and (4), any profit or loss arising in the company’s long-term business is to be left out of account.
- (6) For the purposes of this section an “actuarial investigation” means an investigation made into the financial condition of an authorised insurance company in respect of its long-term business—
  - (a) carried out once in every period of twelve months in accordance with rules made under Part 10 of the Financial Services and Markets Act 2000, or
  - (b) carried out in accordance with a requirement imposed under section 166 of that Act,
 by an actuary appointed as actuary to the company.
- (7) In this section “long-term business” means business that consists of effecting or carrying out contracts of long-term insurance.

This definition must be read with section 22 of the Financial Services and Markets Act 2000, any relevant order under that section and Schedule 2 to that Act.

#### **844 Treatment of development costs**

- (1) Where development costs are shown or included as an asset in a company's accounts, any amount shown or included in respect of those costs is treated—
  - (a) for the purposes of section 830 (distributions to be made out of profits available for the purpose) as a realised loss, and
  - (b) for the purposes of section 832 (distributions by investment companies out of accumulated revenue profits) as a realised revenue loss.

This is subject to the following exceptions.

- (2) Subsection (1) does not apply to any part of that amount representing an unrealised profit made on revaluation of those costs.
- (3) Subsection (1) does not apply if—
  - (a) there are special circumstances in the company's case justifying the directors in deciding that the amount there mentioned is not to be treated as required by subsection (1),
  - (b) it is stated—
    - (i) in the case of Companies Act accounts, in the note required by regulations under section 396 as to the reasons for showing development costs as an asset, or
    - (ii) in the case of IAS accounts, in any note to the accounts, that the amount is not to be so treated, and
  - (c) the note explains the circumstances relied upon to justify the decision of the directors to that effect.

#### *Distributions in kind*

#### **845 Distributions in kind: determination of amount**

- (1) This section applies for determining the amount of a distribution consisting of or including, or treated as arising in consequence of, the sale, transfer or other disposition by a company of a non-cash asset where—
  - (a) at the time of the distribution the company has profits available for distribution, and
  - (b) if the amount of the distribution were to be determined in accordance with this section, the company could make the distribution without contravening this Part.
- (2) The amount of the distribution (or the relevant part of it) is taken to be—
  - (a) in a case where the amount or value of the consideration for the disposition is not less than the book value of the asset, zero;
  - (b) in any other case, the amount by which the book value of the asset exceeds the amount or value of any consideration for the disposition.
- (3) For the purposes of subsection (1)(a) the company's profits available for distribution are treated as increased by the amount (if any) by which the amount or value of any consideration for the disposition exceeds the book value of the asset.
- (4) In this section "book value", in relation to an asset, means—
  - (a) the amount at which the asset is stated in the relevant accounts, or

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- (b) where the asset is not stated in those accounts at any amount, zero.
- (5) The provisions of Chapter 2 (justification of distribution by reference to accounts) have effect subject to this section.

#### **846 Distributions in kind: treatment of unrealised profits**

- (1) This section applies where—
  - (a) a company makes a distribution consisting of or including, or treated as arising in consequence of, the sale, transfer or other disposition by the company of a non-cash asset, and
  - (b) any part of the amount at which that asset is stated in the relevant accounts represents an unrealised profit.
- (2) That profit is treated as a realised profit—
  - (a) for the purpose of determining the lawfulness of the distribution in accordance with this Part (whether before or after the distribution takes place), and
  - (b) for the purpose of the application, in relation to anything done with a view to or in connection with the making of the distribution, of any provision of regulations under section 396 under which only realised profits are to be included in or transferred to the profit and loss account.

#### *Consequences of unlawful distribution*

#### **847 Consequences of unlawful distribution**

- (1) This section applies where a distribution, or part of one, made by a company to one of its members is made in contravention of this Part.
- (2) If at the time of the distribution the member knows or has reasonable grounds for believing that it is so made, he is liable—
  - (a) to repay it (or that part of it, as the case may be) to the company, or
  - (b) in the case of a distribution made otherwise than in cash, to pay the company a sum equal to the value of the distribution (or part) at that time.
- (3) This is without prejudice to any obligation imposed apart from this section on a member of a company to repay a distribution unlawfully made to him.
- (4) This section does not apply in relation to—
  - (a) financial assistance given by a company in contravention of section 678 or 679, or
  - (b) any payment made by a company in respect of the redemption or purchase by the company of shares in itself.

#### *Other matters*

#### **848 Saving for certain older provisions in articles**

- (1) Where immediately before the relevant date a company was authorised by a provision of its articles to apply its unrealised profits in paying up in full or in part unissued shares to be allotted to members of the company as fully or partly paid bonus shares,

that provision continues (subject to any alteration of the articles) as authority for those profits to be so applied after that date.

- (2) For this purpose the relevant date is—
- (a) for companies registered in Great Britain, 22nd December 1980;
  - (b) for companies registered in Northern Ireland, 1st July 1983.

#### **849 Restriction on application of unrealised profits**

A company must not apply an unrealised profit in paying up debentures or any amounts unpaid on its issued shares.

#### **850 Treatment of certain older profits or losses**

- (1) Where the directors of a company are, after making all reasonable enquiries, unable to determine whether a particular profit made before the relevant date is realised or unrealised, they may treat the profit as realised.
- (2) Where the directors of a company, after making all reasonable enquiries, are unable to determine whether a particular loss made before the relevant date is realised or unrealised, they may treat the loss as unrealised.
- (3) For the purposes of this section the relevant date is—
  - (a) for companies registered in Great Britain, 22nd December 1980;
  - (b) for companies registered in Northern Ireland, 1st July 1983.

#### **851 Application of rules of law restricting distributions**

- (1) Except as provided in this section, the provisions of this Part are without prejudice to any rule of law restricting the sums out of which, or the cases in which, a distribution may be made.
- (2) For the purposes of any rule of law requiring distributions to be paid out of profits or restricting the return of capital to members—
  - (a) section 845 (distributions in kind: determination of amount) applies to determine the amount of any distribution or return of capital consisting of or including, or treated as arising in consequence of the sale, transfer or other disposition by a company of a non-cash asset; and
  - (b) section 846 (distributions in kind: treatment of unrealised profits) applies as it applies for the purposes of this Part.
- (3) In this section references to distributions are to amounts regarded as distributions for the purposes of any such rule of law as is referred to in subsection (1).

#### **852 Saving for other restrictions on distributions**

The provisions of this Part are without prejudice to any enactment, or any provision of a company's articles, restricting the sums out of which, or the cases in which, a distribution may be made.

#### **853 Minor definitions**

- (1) The following provisions apply for the purposes of this Part.

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- (2) References to profit or losses of any description—
  - (a) are to profits or losses of that description made at any time, and
  - (b) except where the context otherwise requires, are to profits or losses of a revenue or capital character.
- (3) “Capitalisation”, in relation to a company’s profits, means any of the following operations (whenever carried out)—
  - (a) applying the profits in wholly or partly paying up unissued shares in the company to be allotted to members of the company as fully or partly paid bonus shares, or
  - (b) transferring the profits to capital redemption reserve.
- (4) References to “realised profits” and “realised losses”, in relation to a company’s accounts, are to such profits or losses of the company as fall to be treated as realised in accordance with principles generally accepted at the time when the accounts are prepared, with respect to the determination for accounting purposes of realised profits or losses.
- (5) Subsection (4) is without prejudice to—
  - (a) the construction of any other expression (where appropriate) by reference to accepted accounting principles or practice, or
  - (b) any specific provision for the treatment of profits or losses of any description as realised.
- (6) “Fixed assets” means assets of a company which are intended for use on a continuing basis in the company’s activities.