



Companies Act 1981

CHAPTER 62

LONDON
HER MAJESTY'S STATIONERY OFFICE

Companies Act 1981

CHAPTER 62

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ELIZABETH II



Companies Act 1981

1981 CHAPTER 62

An Act to amend the law relating to companies and business names.
[30th October 1981]

BE IT ENACTED by the Queen's most Excellent Majesty, by and with the advice and consent of the Lords Spiritual and Temporal, and Commons, in this present Parliament assembled, and by the authority of the same, as follows:—

PART I

COMPANY ACCOUNTING AND DISCLOSURE

General provisions with respect to the form and content of accounts

1.—(1) Section 149 of the 1948 Act shall be renumbered section 149A and the following section shall be inserted in that Act as section 149—

“General provisions with respect to the form and content of accounts.

149.—(1) The accounts of a company prepared under section 1 of the Companies Act 1976 shall comply with the requirements of Schedule 8 to this Act (so far as applicable) with respect to the form and content of the balance sheet and profit and loss account and any additional information to be provided by way of notes to the accounts.

General provisions with respect to the form and content of accounts.

(2) Every balance sheet of a company so prepared shall give a true and fair view of the state of affairs of the company as at the end of its financial year, and every profit and loss account of a company so prepared shall give a true and fair view of the profit or loss of the company for the financial year.

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(3) Subsection (2) above overrides the requirements of Schedule 8 to this Act and all other requirements of the Companies Acts 1948 to 1981 as to the matters to be included in a company's accounts or in notes to those accounts; and accordingly—

- (a) if a balance sheet or profit and loss account of a company drawn up in accordance with those requirements would not provide sufficient information to comply with that subsection, any necessary additional information must be provided in that balance sheet or profit and loss account or in a note to the accounts; and
- (b) if, owing to special circumstances in the case of any company, compliance with any such requirement in relation to any balance sheet or profit and loss account of the company would prevent that balance sheet or profit and loss account from complying with that subsection (even if additional information were provided in accordance with paragraph (a) above) the directors of that company shall depart from that requirement in preparing that balance sheet or profit and loss account (so far as necessary in order to comply with that subsection).

(4) Where the directors of any company depart from any such requirement in relation to the accounts of the company, particulars of that departure, the reasons for it and its effect shall be given in a note to the accounts.

(5) This section, with the exception of subsections (6) and (8), shall not apply to any group accounts prepared by a company under section 1 of the Companies Act 1976 (taken with section 150 of this Act); and, subject to subsection (6) below, subsections (1) and (2) above shall not apply to a company's profit and loss account (or require the notes otherwise required in relation to that account) if—

- (a) the company has subsidiaries; and
- (b) the profit and loss account is framed as a consolidated profit and loss account dealing with all or any of the company's subsidiaries as well as the company and—
 - (i) complies with the requirements of this Act relating to consolidated profit and loss accounts; and

(ii) shows how much of the consolidated profit or loss for the financial year is dealt with in the accounts of the company.

(6) Where in the case of any company advantage is taken of subsection (5) above that fact shall be disclosed in a note to the group accounts.

(7) If any accounts of a company of which a copy is laid before the company in general meeting or delivered to the registrar of companies do not comply with the requirements of this section and with the other requirements of the Companies Acts 1948 to 1981 as to the matters to be included in or in a note to those accounts, every person who, at the time when the copy is so laid or delivered, is a director of the company shall be guilty of an offence and, in respect of each such offence, shall be liable—

(a) on conviction on indictment, to a fine ;

(b) on summary conviction, to a fine not exceeding the statutory maximum ;

but in any proceedings against a person for an offence under this section it shall be a defence for him to prove that he took all reasonable steps for securing compliance with the requirements in question.

(8) For the purposes of this Act, except where the context otherwise requires—

(a) any reference to a balance sheet or profit and loss account shall include any notes to the accounts in question giving information which is required by any provision of the Companies Acts 1948 to 1981 and required or allowed by any such provision to be given in a note to a company's accounts ; and

(b) any reference to a profit and loss account shall be taken, in the case of a company not trading for profit, as referring to its income and expenditure account, and references to profit or to loss, and if the company has subsidiaries, references to a consolidated profit and loss account shall be construed accordingly."

(2) Schedule 8 to the 1948 Act shall be renumbered as Schedule 8A and the Schedule set out as Schedule 1 to this Act shall be inserted in the 1948 Act as Schedule 8.

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Group
accounts.

2. Section 152 of the 1948 Act shall be renumbered as section 152A and the following section shall be inserted in that Act as section 152—

“Group
accounts.

152.—(1) Subject to the following provisions of this section, the group accounts prepared by a holding company under section 1 of the Companies Act 1976 (taken with section 150 of this Act) shall comply with the requirements of Schedule 8 to this Act (so far as applicable to group accounts in the form in which those accounts are prepared) with respect to the form and content of those accounts and any additional information to be provided by way of notes to those accounts.

(2) Those accounts (together with any notes to those accounts) shall give a true and fair view of the state of affairs and profit or loss of the company and the subsidiaries dealt with by those accounts as a whole, so far as concerns members of the company.

(3) Subsection (2) above overrides the requirements of Schedule 8 to this Act and all other requirements of the Companies Acts 1948 to 1981 as to the matters to be included in or in a note to group accounts prepared by a holding company; and accordingly paragraphs (a) and (b) of subsection (3) and subsection (4) of section 149 of this Act shall apply in relation to the true and fair view required by subsection (2) above, with the substitution of references to the group accounts for references to the balance sheet or profit and loss account or the accounts of the company.

(4) Where the financial year of a subsidiary does not coincide with that of the holding company, the group accounts shall, unless the Secretary of State on the application or with the consent of the holding company's directors otherwise directs, deal with the subsidiary's state of affairs as at the end of its financial year ending with or last before that of the holding company and with the subsidiary's profit or loss for that financial year.

(5) The Secretary of State may, on the application or with the consent of a company's directors, modify the requirements of Schedule 8 to this Act as they have effect in relation to that company by virtue of subsection (1) above for the purpose of adapting them to the circumstances of the company; and references above in this section to the requirements of that Schedule shall be read in relation to that

company as references to those requirements as so modified.” PART I

Notes to the accounts

3.—(1) In section 4 of the 1967 Act (which requires a company to state in its accounts the identities, etc., of bodies corporate, not being subsidiaries, in which it holds shares representing a certain proportion of the equity share capital of those bodies corporate or, as the case may be, of its own assets) the following subsection shall be inserted after subsection (1)—

Extension of requirements of section 4 of the 1967 Act.

“ (1A) Subject to the provisions of this section, if, at the end of its financial year, a company holds shares comprised in the share capital of another body corporate (not being its subsidiary) exceeding in nominal value one-tenth of the allotted share capital of that body, there shall be stated in a note to the accounts of the company prepared under section 1 of the Companies Act 1976—

(a) the name of that other body corporate and—

(i) if it be incorporated in Great Britain and if it be registered in England and the company be registered in Scotland (or vice versa), the country in which it is registered ; and

(ii) if it be incorporated outside Great Britain, the country in which it is incorporated ; and

(b) the identity of each class of such shares held and the proportion of the nominal value of the allotted shares of that class represented by the shares of that class held by the company.”.

(2) The following amendments shall be made in section 4 in consequence of subsection (1) above—

(a) in subsection (3), for the words “ Neither of the foregoing subsections ” there shall be substituted the words “ None of the foregoing provisions of this section ” ;

(b) in subsection (4)—

(i) after the words “ subsection (1) ” there shall be inserted the words “ or (1A) ” ;

(ii) for the words “ that subsection ” (in the first place where they occur) there shall be substituted the words “ either or both of those subsections ” ; and

(iii) for the words “ that subsection ” (in the second place where they occur) there shall be substituted the words “ subsection (1) or (as the case may be) with subsection (1A) ” ; and

(c) in subsection (5)(b), after the words “ subsection (1) ” there shall be inserted the words “ or (as the case may be) with subsection (1A) ”.

PART I
 Provision of
 certain
 financial
 information
 with respect
 to subsidiaries
 and other
 bodies
 corporate in
 which a
 company
 holds shares.

4.—(1) Subject to the following provisions of this section, where—

- (a) at the end of its financial year a company has subsidiaries ; and
- (b) it is required under section 3(1) of the 1967 Act (disclosure of particulars of subsidiaries and shareholdings in subsidiaries in company's accounts) to disclose particulars with respect to any of those subsidiaries in a note to its accounts ;

the additional information specified in subsection (3) below shall be given with respect to each subsidiary to which the requirement under section 3(1) applies in a note to the company's accounts.

(2) Subject to the following provisions of this section, where—

- (a) at the end of its financial year a company holds shares in another body corporate ; and
- (b) it is required under section 4(1A) of that Act (disclosure of particulars of bodies corporate and of shareholdings in bodies corporate in which a company holds more than one-tenth of allotted share capital) to disclose particulars with respect to that body corporate in a note to its accounts ; and
- (c) the shares held by the company in that body corporate exceed in nominal value one-fifth of the allotted share capital of that body ;

the additional information specified in subsection (3) below shall be given with respect to that body corporate in a note to the company's accounts.

(3) The information mentioned in subsections (1) and (2) above is, in relation to any body corporate (whether a subsidiary of the company or not)—

- (a) the aggregate amount of the capital and reserves of that body corporate as at the end of the financial year of that body corporate ending with or last before the financial year of the company to which the accounts relate ; and
- (b) the profit or loss of that body corporate for the financial year of that body corporate mentioned in paragraph (a) above.

(4) That information need not be given in respect of a subsidiary of the company if either the company is exempt from preparing group accounts by virtue of section 150(2)(a) of the 1948 Act (company the wholly owned subsidiary of another body corporate incorporated in Great Britain) or the company prepares group accounts and either—

- (a) the accounts of the subsidiary are included in those group accounts ; or

- (b) the investment of the company in the shares of the subsidiary is included in or in a note to the company's accounts by way of the equity method of valuation. PART I

(5) That information need not be given in respect of any other body corporate in which the company holds shares if the investment of the company in those shares is included in or in a note to the company's accounts by way of the equity method of valuation.

(6) That information need not be given in respect of any body corporate if—

(a) that body corporate is not required by section 1 or 9 of the 1976 Act to deliver a copy of its balance sheet for the financial year mentioned in subsection (3)(a) above to the registrar of companies and does not otherwise publish that balance sheet in Great Britain or elsewhere ; and

(b) the shares held by the company in that body corporate do not amount to at least one-half in nominal value of the allotted share capital of that body.

(7) Information otherwise required by this section need not be given if it is not material.

(8) Where with respect to any subsidiary of the company or any other body corporate particulars which would otherwise be required by section 3(1) or section 4(1A) of the 1967 Act to be stated in a note to the company's accounts are omitted by virtue of subsection (4) of either of those sections (particulars may be omitted to avoid giving particulars of excessive length, except in case of subsidiaries, etc., carrying on businesses the results of the carrying on of which principally affected the profit or loss or assets of the company)—

(a) any information with respect to any other subsidiary or body corporate which is given in or in a note to the company's accounts in accordance with this section ; and

(b) any information which would have been required by this section to be so given in relation to any subsidiary or other body corporate but for the exemption under section 3(4) or 4(4) of the 1967 Act ;

shall be annexed to the annual return first made by the company after copies of its accounts have been laid before it in general meeting.

(9) If a company fails to satisfy an obligation imposed on it by subsection (8) above to annex information to a return, the company and every officer of the company who is in default shall

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(10) For the purposes of this section, shares in a body corporate shall be treated as being held, or as not being held, by the company if they would, by virtue of section 154(3) of the 1948 Act (but on the assumption that paragraph (b)(ii) had been omitted from that subsection), be treated as being held or (as the case may be) as not being held by the company for the purpose of determining whether that body corporate is the company's subsidiary.

The accounting exemptions

Companies entitled to the benefit of the exemptions for individual accounts, etc.

5.—(1) Subject to section 9 of this Act and the following provisions of this section, a company which qualifies to be treated as a small or medium-sized company within the meaning of section 8 of this Act in respect of any financial year shall be entitled to the benefit of the exemptions provided by section 6 of this Act with respect to the delivery to the registrar of companies under section 1(7)(a) of the 1976 Act of accounts and other documents in respect of the accounting reference period by reference to which that financial year was determined.

(2) Those exemptions are referred to below in this Part of this Act as the exemptions for individual accounts.

(3) A company shall not be entitled to the benefit of the exemptions for individual accounts in respect of any accounting reference period if it is, or was at any time within the financial year to which the accounts prepared in respect of that period relate—

- (a) a public company ;
- (b) a banking company, insurance company or shipping company within the meaning of Schedule 2 to this Act ; or
- (c) a member of an ineligible group.

(4) In this section “group” means a holding company and its subsidiaries.

(5) A group is an ineligible group for the purposes of subsection (3)(c) above if any of its members is—

- (a) a company within paragraph (a) or (b) of that subsection ;
- (b) a body corporate (other than a company) which has power under its constitution to offer its shares or debentures to the public and may lawfully exercise that power ; or

- (c) a body corporate (other than a company) which is either a recognised bank or licensed institution within the meaning of the Banking Act 1979 or an insurance company within the meaning of the Insurance Companies Act 1974 to which Part II of that Act applies.

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In paragraph (b) above “ shares ” and “ debentures ” have the same meaning as when used in relation to a company.

(6) The provisions of this section and sections 6 to 10 of this Act are referred to below in this Part of this Act as the accounting exemption provisions.

(7) The Secretary of State may by regulations made by statutory instrument modify the accounting exemption provisions ; and any reference in the Companies Acts to any of the accounting exemption provisions shall be construed as a reference to that provision subject to any modifications made and for the time being in force under this subsection.

(8) Regulations under subsection (7) above reducing the classes of companies entitled to the benefit of the accounting exemption provisions or rendering the requirements of those provisions more onerous shall not be made unless a draft of the instrument containing the regulations has been laid before Parliament and approved by resolution of each House of Parliament.

(9) A statutory instrument containing regulations made under subsection (7) above, not being regulations to which subsection (8) above applies, shall be subject to annulment in pursuance of a resolution of either House of Parliament.

6.—(1) The directors of a company which is entitled to the benefit of the exemptions for individual accounts in respect of any accounting reference period may deliver copies of modified accounts to the registrar of companies in respect of that period instead of copies of the accounts of the company prepared in respect of that period under section 1 of the 1976 Act.

(2) The modifications permitted in the case of the accounts of a small company delivered to the registrar in respect of any accounting reference period are as follows—

- (a) subject to subsection (4) below, the directors may deliver to the registrar of companies a copy of a modified balance sheet prepared for the purposes of this section in respect of that period, instead of a copy of the company’s balance sheet prepared in respect of that period under section 1 of the 1976 Act ;
- (b) the directors shall not be required under section 1(7)(a) of that Act to deliver to the registrar a copy of the company’s profit and loss account prepared in respect of that period under that section ;

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- (c) the information required by Schedule 8 to the 1948 Act to be given in notes to the accounts need not be so given, with the exception of any information required in relation to the accounts delivered to the registrar by any of the provisions of that Schedule mentioned in subsection (5) below ; and
- (d) the information required by section 196 of the 1948 Act (aggregate amounts of directors' salaries etc.) or section 6, 7 or 8 of the 1967 Act (detailed particulars of salaries, etc., of directors and certain other employees) need not be given.

(3) A modified balance sheet prepared for the purposes of this section in respect of any accounting reference period of a company shall be an abbreviated version of the company's balance sheet prepared under section 1 of the 1976 Act in respect of that period, showing only those items to which a letter or Roman number is assigned in the balance sheet format adopted by the company in accordance with Part I of Schedule 8 to the 1948 Act, but in other respects corresponding to the balance sheet prepared under section 1.

(4) Where by virtue of subsection (2)(a) above the directors of a company deliver to the registrar of companies a copy of a modified balance sheet prepared in respect of any accounting reference period for the purposes of this section—

- (a) the aggregate of the amounts required by note (5) of the notes on the balance sheet formats set out in Part I of Schedule 8 to the 1948 Act to be shown separately for each item included under debtors (amounts falling due after more than one year) ; and
- (b) the aggregate of the amounts required by note (13) of those notes to be shown separately for each item included under creditors in Format 2 of those formats (amounts falling due within one year or after more than one year) ;

shall be disclosed in the balance sheet or in a note to the accounts.

(5) The provisions of Schedule 8 referred to in subsection (2)(c) above are the following—

- paragraph 36 (accounting policies) ;
- paragraph 38 (share capital) ;
- paragraph 39 (particulars of allotments) ;
- paragraph 48(1) and (4) (particulars of debts) ;
- paragraph 58(1) (basis of translation of foreign currency amounts into sterling) ; and
- paragraph 58(2) (corresponding amounts for previous financial year) ;

and the reference above to paragraph 58(2) includes that subparagraph as it applies to any item stated in a note to the company's accounts, whether by virtue of a requirement of Schedule 8 mentioned above in this subsection or by virtue of any other requirement of the Companies Acts.

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(6) The directors of a small company which is entitled to the benefit of the exemptions for individual accounts in respect of any accounting reference period shall not be required under section 1(7)(a) of the 1976 Act to deliver to the registrar of companies in respect of that period a copy of the report of the directors required by section 157(1) of the 1948 Act to be attached to the company's balance sheet prepared under section 1.

(7) The modifications permitted in the case of the accounts of a medium-sized company delivered to the registrar in respect of any accounting reference period are as follows—

- (a) the directors may deliver to the registrar of companies a copy of a modified profit and loss account prepared for the purposes of this section in respect of that period, instead of a copy of the company's profit and loss account prepared in respect of that period under section 1 of the 1976 Act; and
- (b) the information required by paragraph 55 of Schedule 8 to the 1948 Act (particulars of turnover) need not be given.

(8) A modified profit and loss account prepared for the purposes of this section in respect of any accounting reference period of a company shall correspond to the company's profit and loss account prepared under section 1 of the 1976 Act in respect of that period, save for the combination as one item under the heading "gross profit or loss" of the items listed in the profit and loss account formats set out in Part I of Schedule 8 to the 1948 Act which are specified in paragraph (a), (b), (c) or (d) below (according to the format adopted by the company)—

- (a) items 1, 2, 3 and 6 in Format 1;
- (b) items 1 to 5 in Format 2;
- (c) items A.1, B.1 and B.2 in Format 3; and
- (d) items A.1, A.2 and B.1 to B.4 in Format 4.

(9) References in this Part of this Act, in relation to any company, to modified accounts are references to accounts which comprise or correspond to the accounts (excluding any group accounts) prepared under section 1 of the 1976 Act in respect of any accounting reference period of the company, save for any modifications permitted in accordance with this section in the case of that company.

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(10) Except as provided by section 10 of this Act, nothing in this section affects any group accounts required to be delivered to the registrar of companies in respect of any accounting reference period of a company.

Provisions
supplementary
to section 6.

7.—(1) Every copy of a balance sheet of a company which is delivered to the registrar of companies as a copy of a modified balance sheet prepared for the purposes of section 6 of this Act shall be signed as required by section 155 of the 1948 Act (signature of directors) in the case of a copy of a balance sheet delivered to the registrar in pursuance of section 1 of the 1976 Act.

(2) Where the directors of a company rely on the exemptions for individual accounts in delivering any documents to the registrar of companies in respect of any accounting reference period, the copy of the company's balance sheet so delivered shall contain the statement required by subsection (3) below in a position immediately above the signatures of the directors required by section 155 of the 1948 Act or (as the case may be) by subsection (1) above.

(3) The statement required by this subsection is a statement by the directors that—

- (a) they have relied on the exemptions for individual accounts ; and
- (b) they have done so on the ground that the company is entitled to the benefit of those exemptions as a small company or (as the case may be) as a medium-sized company.

(4) Subject to section 12(11) of this Act, where the directors of a company rely on the exemptions for individual accounts in delivering any documents to the registrar of companies in respect of any accounting reference period, they shall deliver with those documents a copy of the special auditors' report required by subsection (5) below instead of a copy of the report of the auditors mentioned in section 1(5)(a) of the 1976 Act.

(5) The special auditors' report required by this subsection is a report made by the auditors of the company—

- (a) stating that in their opinion the requirements for exemption are satisfied ; and
- (b) reproducing the full text of the report of the auditors under section 14 of the 1967 Act on the accounts of the company prepared under section 1 of the 1976 Act in respect of the accounting reference period in question.

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(6) In any case where the directors of a company propose to rely on the exemptions for individual accounts in delivering any documents to the registrar of companies in respect of any accounting reference period it shall be the duty of the auditors of the company to provide the directors of the company with a report stating whether in their opinion the requirements for exemption are satisfied in relation to the documents proposed to be delivered.

(7) Subject to the preceding provisions of this section, where the directors of a company rely on the exemptions for individual accounts in delivering any documents to the registrar in respect of any accounting reference period and the requirements for exemption are satisfied in relation to the documents delivered, section 1(7) of the 1976 Act shall have effect in relation to that company as if any document which by virtue of any of the accounting exemption provisions is included in or omitted from the documents so delivered were or (as the case may be) were not a document required to be comprised in the accounts of the company in respect of that period within the meaning of subsection (5) of that section.

(8) References in this section to the requirements for exemption being satisfied in relation to any documents delivered or proposed to be delivered to the registrar of companies in respect of any accounting reference period of a company are references to the fact that—

- (a) the company is entitled to the benefit of the exemptions for individual accounts in respect of that period on the ground claimed by the directors in the statement included in accordance with this section in the copy of the company's balance sheet comprised in the documents in question ; and
- (b) any accounts comprised in the documents in question (other than copies of accounts prepared under section 1 of the 1976 Act) are properly prepared in respect of that period in accordance with section 6 of this Act.

8.—(1) Subject to the following provisions of this section, a Small and company shall qualify to be treated as a small or (as the medium-sized case may be) as a medium-sized company for the purposes of the accounting exemption provisions in respect of any financial year of the company if in respect of that year and the financial companies.

PART I year immediately preceding that year the company satisfies any two or more of the qualifying conditions specified in subsection (2) or (3) below (as the case may require).

(2) The qualifying conditions for a company to be treated as a small company are as follows—

- (a) the amount of its turnover must not exceed £1,400,000 ;
- (b) its balance sheet total must not exceed £700,000 ; and
- (c) the average number of persons employed by the company in the financial year in question (determined on a weekly basis) must not exceed fifty.

(3) The qualifying conditions for a company to be treated as a medium-sized company are as follows—

- (a) the amount of its turnover must not exceed £5,750,000 ;
- (b) its balance sheet total must not exceed £2,800,000 ; and
- (c) the average number of persons employed by the company in the financial year in question (determined on a weekly basis) must not exceed two hundred and fifty.

(4) References below in this section to a company's satisfying the relevant qualifying conditions are references to its satisfying any two or more of the conditions mentioned in subsection (2) or (3) above (as the case may require).

(5) Subject to subsection (6) below, a company which qualifies by virtue of this section to be treated as a small or (as the case may be) as a medium-sized company for the purposes of the accounting exemption provisions in respect of any financial year shall not cease to be so qualified in respect of the next following financial year by virtue of failing to satisfy the relevant qualifying conditions in respect of that year.

(6) A company which qualifies by virtue of subsection (5) above to be treated as there mentioned in respect of any financial year may not qualify to be so treated by virtue of that subsection in respect of the next following financial year ; but any such company may qualify to be so treated in respect of the next following financial year if it satisfies the relevant qualifying conditions in respect of that year (notwithstanding that it did not satisfy those conditions in respect of the previous year).

(7) A company which is incorporated on or after the appointed day shall qualify to be treated as a small or (as the case may be) as a medium-sized company for the purposes of the accounting exemption provisions in respect of its first financial year if it satisfies the relevant qualifying conditions in respect of that year.

(8) A company which was incorporated before that day shall qualify to be so treated in respect of the first financial year of the company in respect of which the accounts of the company prepared under section 1 of the 1976 Act are prepared in accordance with Schedule 8 to the 1948 Act, as it has effect by virtue of this Part of this Act, if it satisfies the relevant qualifying conditions in respect of either—

(a) that first financial year ; or

(b) the financial year immediately preceding that year ;

but if it qualifies to be so treated by virtue of paragraph (b) above it shall be treated for the purposes of the application of this section to subsequent financial years as if it had qualified to be so treated in respect of that first financial year by virtue of subsection (5) above.

(9) In this section “ balance sheet total ” means, in relation to any financial year of a company—

(a) where Format 1 of the balance sheet formats set out in Part I of Schedule 8 to the 1948 Act is adopted by the company, the aggregate of the amounts shown in the company’s balance sheet for that year under headings corresponding to items A to D in that Format ; and

(b) where Format 2 of those formats is adopted by the company, the aggregate of the amounts so shown under the general heading “ Assets ”.

(10) For the purposes of subsections (2)(c) and (3)(c) above, the average number of persons employed by a company as there mentioned shall be determined by applying the method of calculation prescribed by paragraph 56(2) and (3) of Schedule 8 to the 1948 Act for determining the number required by subparagraph (1)(a) of that paragraph to be stated in a note to a company’s accounts.

(11) In the application of this section to any period which is a financial year of a company but not in fact a year, the maximum figures for turnover in subsections (2)(a) and (3)(a) above shall be proportionately adjusted.

(12) For the purpose of determining for the purposes of subsection (8)(b) above whether a company satisfies the relevant qualifying conditions in respect of a financial year in a case where the accounts of the company in respect of that year prepared under section 1 of the 1976 Act are not prepared in accordance with Schedule 8 to the 1948 Act as it has effect by virtue of this Part of this Act, subsection (9) above shall be read as referring to the aggregate of any amounts included in the company’s balance sheet for that year which correspond to the amounts mentioned in paragraph (a) or (b) of that subsection.

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Exclusion of exemptions for individual accounts and reduction of exemption category by reference to group size.

9.—(1) This section applies where the directors of a company which satisfies the requirements of section 5 of this Act with respect to the exemptions for individual accounts in respect of any accounting reference period (referred to below in this section as the holding company) are required by section 1 of the 1976 Act (taken with section 150 of the 1948 Act) to prepare group accounts in respect of that period.

(2) The holding company shall not be entitled to the benefit of the exemptions for individual accounts in respect of that period unless the group consisting of the holding company and its subsidiaries would qualify to be treated as a small or medium-sized company within the meaning of section 8 of this Act in respect of the financial year to which the group accounts relate, if it were an actual company.

(3) Where the group would qualify to be treated as a medium-sized company in respect of that financial year if it were an actual company, the holding company shall be treated as a medium-sized company for the purposes of the exemptions for individual accounts notwithstanding that (apart from this section) it would be entitled to be treated as a small company for those purposes.

(4) In applying section 8 of this Act for the purposes of this section, the relevant figures to be taken into account in determining whether the group satisfies any of the qualifying conditions specified in subsection (2) or (3) of that section are the aggregate figures for the group.

(5) In subsection (4) above “the aggregate figures for the group” means the group account figures and, where the group accounts do not deal with one or more of the company’s subsidiaries, the relevant figures for the subsidiaries omitted from the group accounts, with the exception of the figures for any subsidiary so omitted by virtue of section 150(2)(b)(i) of the 1948 Act on the ground that it is impracticable to deal with that subsidiary in the accounts.

(6) In subsection (5) above “the group account figures” means—

- (a) where the group accounts are prepared as consolidated accounts, the figures relevant to the qualifying condition in question which are given in those accounts; and
- (b) where the group accounts are not so prepared, the corresponding figures given in those accounts, with such adjustments as would have been made if the accounts had been prepared in consolidated form;

and in the case of each subsidiary omitted from the group accounts the relevant figures for the purposes of that subsection are the figures relevant to that qualifying condition which are included in the accounts of the subsidiary prepared in respect of the financial year of the subsidiary ending with or last before that of the holding company to which the group accounts relate, with such adjustments as would have been made if those figures had been included in group accounts prepared in consolidated form.

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10.—(1) A holding company qualifies for group exemption under this section in respect of any accounting reference period if it is entitled to the benefit of the exemptions for individual accounts in respect of that period. Group exemption.

(2) Where the directors of a holding company which qualifies for group exemption in respect of any accounting reference period rely on the exemptions for individual accounts in delivering any documents to the registrar of companies in respect of that period, they may also deliver to the registrar copies of modified group accounts in respect of that period, instead of copies of the group accounts prepared in respect of that period under section 1 of the 1976 Act (taken with section 150 of the 1948 Act).

(3) References in this Part of this Act, in relation to any company, to modified group accounts in respect of any accounting reference period, are references—

- (a) where the group accounts prepared by the company under section 1 of the 1976 Act in respect of that period are consolidated accounts, to accounts which comprise or correspond to the group accounts so prepared save for any modifications permitted in accordance with section 6 of this Act as it applies by virtue of subsection (4) below ;
- (b) where the group accounts so prepared are not prepared in consolidated form, to accounts which (together with any notes to the accounts) give the same or equivalent information to that required by paragraph (a) above to be given by modified group accounts in a case where the group accounts so prepared are consolidated accounts.

(4) Subsections (2) to (8) of section 6 of this Act shall apply for the purposes of this section—

- (a) as if the group consisting of the holding company and its subsidiaries were an actual company qualifying to be treated as a small or medium-sized company for

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the purposes of that section according as the group would so qualify in accordance with section 8 as it applies for the purposes of section 9 of this Act ; and

- (b) taking references to the directors as references to the directors of the holding company and references to the company's balance sheet and the company's profit and loss account as references to the consolidated balance sheet and the consolidated profit and loss account respectively.

(5) Where by virtue of this section the directors of a holding company deliver copies of modified group accounts to the registrar of companies in respect of any accounting reference period—

- (a) the statement by the directors required by section 7(3) of this Act shall include a statement that the documents delivered include copies of modified group accounts delivered by virtue of this section ; and
- (b) the references in subsection (8) of that section to the exemptions for individual accounts and to section 6 of this Act shall be read as including references respectively to those exemptions and that section as they apply to group accounts by virtue of subsection (4) above.

Publication of accounts

Publication
of accounts.

11.—(1) Where a company publishes full individual accounts it shall publish with those accounts the relevant auditors' report.

(2) In this section "full individual accounts" means, in relation to any company—

- (a) the accounts prepared by the company in respect of any accounting reference period under section 1 of the 1976 Act (excluding any group accounts so prepared) ;
or

- (b) where the company is entitled by virtue of section 5 of this Act to deliver copies of modified accounts to the registrar of companies in respect of any such period, either the accounts so prepared or modified accounts ;

together with the report of the directors required by section 157(1) of the 1948 Act to be attached to any balance sheet of the company prepared under section 1 of the 1976 Act, except where the company is exempt by virtue of section 6(6) of this Act from the requirement to deliver a copy of that report to the registrar of companies.

(3) Where a company which is required under section 1 of the 1976 Act (taken with section 150 of the 1948 Act) to prepare group accounts in respect of any accounting reference period publishes full individual accounts it shall also publish with those accounts—

- (a) where those accounts are accounts prepared under section 1 of the 1976 Act, the group accounts so prepared ; and
- (b) where those accounts are modified accounts, either the group accounts so prepared or modified group accounts.

(4) Where any such company publishes full group accounts in respect of any accounting reference period otherwise than together with full individual accounts in respect of that period it shall publish with those accounts the relevant auditors' report.

(5) In this section, "full group accounts" means, in relation to any company—

- (a) group accounts prepared by the company in respect of any accounting reference period under section 1 of the 1976 Act (taken with section 150 of the 1948 Act) ; or
- (b) where the company is entitled by virtue of section 10 of this Act to deliver copies of modified group accounts to the registrar of companies in respect of any such period, either the group accounts so prepared or modified group accounts.

(6) Where a company publishes abridged accounts it shall publish with those accounts a statement indicating—

- (a) that the accounts are not full accounts;
- (b) whether full accounts have been delivered to the registrar of companies, or, in the case of an unlimited company exempt under section 1(8) of the 1976 Act from the requirement to deliver copies of its accounts to the registrar of companies, that the company is so exempt ;
- (c) whether the auditors of the company have made a report under section 14 of the 1967 Act (auditors' report) in respect of accounts of the company prepared under section 1 of the 1976 Act which relate to any financial year of the company with which the abridged accounts purport to deal ; and
- (d) whether any report so made was an unqualified report within the meaning of section 43 of the 1980 Act.

(7) Where a company publishes abridged accounts it shall not publish with those accounts any such report of the auditors as is mentioned in subsection (6)(c) above.

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(8) For the purposes of this section a company shall be regarded as publishing abridged accounts if it publishes any balance sheet or profit and loss account relating to any financial year of the company or purporting to deal with any such financial year, otherwise than as part of—

- (a) full individual accounts ; or
- (b) full group accounts ;

dealing with that financial year ; and references in subsection (6) above to full accounts shall be read as referring to full accounts of either description, according as the abridged accounts deal solely with the company's own affairs or with the affairs of the company and any subsidiaries.

The reference above in this subsection to a balance sheet or profit and loss account shall be read, in relation to any accounts published by a holding company, as including an account in any form purporting to be a balance sheet or profit and loss account for the group consisting of the holding company and its subsidiaries.

(9) For the purposes of this section “ the relevant auditors' report ” means—

- (a) in relation to accounts prepared under section 1 of the 1976 Act, the report made by the auditors on those accounts under section 14 of the 1967 Act ; and
- (b) in relation to modified accounts or modified group accounts, the special report of the auditors made with respect to those accounts under section 7 of this Act.

(10) A company which contravenes any provision of this section and any officer who is in default shall be liable on summary conviction to a fine not exceeding one-fifth of the statutory maximum.

Dormant companies

Dormant
companies.

12.—(1) Subject to the following provisions of this section, a company which in accordance with subsection (2) or (5) below passes a resolution excluding section 14(1) of the 1976 Act from applying to the company shall be exempt from the obligation to appoint auditors under that section (referred to below in this section as “ the obligation to appoint auditors ”).

(2) Subject to subsections (3) and (4) below, a company may exclude section 14(1) from applying to the company by a special resolution resolving that auditors shall not be appointed passed at any general meeting of the company at which copies of the company's accounts prepared under section 1 of the 1976 Act in respect of any accounting reference period are laid before the company in pursuance of section 1(6).

(3) A company may not by resolution under subsection (2) above exclude the obligation to appoint auditors if it is required under section 1 of the 1976 Act (taken with section 150 of the 1948 Act) to prepare group accounts in respect of the accounting reference period there mentioned.

(4) A company may not by resolution under that subsection exclude that obligation unless—

- (a) it is entitled to the benefit of the exemptions for individual accounts applicable in the case of a small company in respect of the accounting reference period there mentioned, or would be so entitled but for the fact that it is, or was at any time within the financial year to which the accounts there mentioned relate, a member of an ineligible group within the meaning of section 5 of this Act ; and
- (b) it has been dormant since the end of that financial year.

(5) A company may exclude that obligation by a special resolution resolving that auditors shall not be appointed passed at any time before the first general meeting of the company at which copies of the company's accounts prepared as mentioned in subsection (2) above are laid before the company in pursuance of section 1(6) of the 1976 Act, provided that the company has been dormant from the time of its formation until the resolution is passed.

(6) A company shall be regarded as dormant for the purposes of this section during any period during which no transaction which is a significant accounting transaction for that company occurs ; and a company which has been dormant for any period of time shall cease to be regarded as dormant for those purposes on the occurrence of any such transaction.

For the purposes of the preceding provision, any transaction which is required under section 12 of the 1976 Act to be entered in a company's accounting records is a significant accounting transaction for that company, other than one arising from the taking of shares in the company by a subscriber to the memorandum of the company in pursuance of an undertaking of his in the memorandum.

(7) Subsections (8) and (9) below apply in any case where a company is exempt from the obligation to appoint auditors and either—

- (a) was so exempt throughout the relevant financial year ;
or
- (b) became so exempt by virtue of passing a resolution under subsection (2) or (5) above during that year.

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(8) In any case to which this subsection applies—

- (a) section 156 of the 1948 Act (accounts and auditors' report to be annexed to balance sheet); and
- (b) section 1(5) of the 1976 Act (documents required to be comprised in the accounts of a company in respect of an accounting reference period);

shall have effect, so far as relates to any accounts of the company prepared in respect of the accounting reference period by reference to which the relevant financial year was determined, with the omission of any reference to the auditors' report.

(9) In any case to which this subsection applies the company shall be treated as entitled to the benefit of the exemptions for individual accounts in respect of the accounting reference period by reference to which the relevant financial year was determined notwithstanding that it is, or was at any time within the relevant financial year, a member of an ineligible group within the meaning of section 5 of this Act.

(10) Where the directors of a company omit an auditors' report from the documents delivered to the registrar of companies in respect of any accounting reference period by virtue of subsection (8) above, section 7(2) of this Act shall apply (without prejudice to its application apart from this section) as it applies where the directors rely on the exemptions for individual accounts, but subject to subsection (11) below.

(11) The statement of the directors required by section 7(3) in any case where either—

- (a) the directors omit an auditors' report from the documents delivered to the registrar in respect of any accounting reference period by virtue of subsection (8) above; or
- (b) the company would be excluded from the benefit of the exemptions for individual accounts in respect of the accounting reference period in question by section 5(3)(c) of this Act but for subsection (9) above;

shall be a statement that the company was dormant (within the meaning of this section) throughout the financial year ending with the date of the balance sheet containing the statement, instead of the statement there mentioned; and no auditors' report shall be required by that section in any such case.

(12) Where a company which is exempt from the obligation to appoint auditors ceases to be dormant or would no longer qualify (for any other reason) to exclude that obligation by passing a resolution under subsection (2) above—

- (a) it shall thereupon cease to be so exempt; and
- (b) the directors of the company may appoint an auditor or auditors at any time before the next following

general meeting of the company at which copies of the company's accounts prepared under section 1 of the 1976 Act are laid before the company;

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and auditors so appointed shall hold office until the conclusion of that meeting.

(13) If the directors fail to exercise their powers under subsection (12)(b) above, those powers may be exercised by the company in general meeting.

Directors' report

13.—(1) In section 157(1) of the 1948 Act (general requirement as to directors' reports) for the words "with respect to the state of the company's affairs" there shall be substituted the words "containing a fair review of the development of the business of the company and its subsidiaries during the financial year ending with the balance sheet date and of their position at the end of it and stating".

General nature of directors' report.

(2) Section 16 of the 1967 Act (additional matters to be included in directors' report) shall be amended as follows.

(3) For paragraph (f) of subsection (1) there shall be substituted the following paragraph—

" (f) contain—

- (i) particulars of any important events affecting the company or any of its subsidiaries which have occurred since the end of that year;
- (ii) an indication of likely future developments in the business of the company and of its subsidiaries; and
- (iii) an indication of the activities (if any) of the company and its subsidiaries in the field of research and development;".

(4) The following subsection shall be inserted after subsection (4)—

" (4A) The particulars required by paragraph (e) of subsection (1) above may be given by way of notes to the company's accounts in respect of the financial year in question, instead of being stated in the directors' report."

14. The following section shall be inserted in the 1967 Act after section 16—

" Directors' report to give particulars of acquisition of company's own shares.

16A.—(1) This section applies where shares in any company—

- (a) are purchased by the company or are acquired by the company by forfeiture or surrender in lieu of forfeiture or in pursuance of section 35(2) of the Companies Act 1980 (acquisition of own fully paid shares by company limited by shares);

Directors' report to give particulars of acquisition of company's own shares.

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- (b) are acquired by another person in circumstances where paragraph (c) or (d) of section 37(1) of that Act applies (acquisition of company's shares by company's nominee or by any other person with financial assistance from the company in circumstances in which the company has a beneficial interest in the shares); or
 - (c) are made subject to a lien or other charge taken (whether expressly or otherwise) by the company and permitted by section 38(2)(a), (c) or (d) of that Act (charges on own shares permitted in certain limited circumstances).
- (2) The directors' report with respect to any financial year of the company shall state—
- (a) the number and nominal value of the shares so purchased, the aggregate amount of the consideration paid by the company for such shares and the reasons for their purchase;
 - (b) the number and nominal value of the shares so acquired by the company, acquired by another person in such circumstances and so charged respectively during that year;
 - (c) the maximum number and nominal value of shares which, having been so acquired by the company, acquired by another person in such circumstances or so charged (whether or not during that year) are held at any time by the company or that other person during that year;
 - (d) the number and nominal value of the shares so acquired by the company, acquired by another person in such circumstances or so charged (whether or not during that year) which are disposed of by the company or that other person or cancelled by the company during that year;
 - (e) where the number and nominal value of the shares of any particular description are stated in pursuance of any of the preceding paragraphs, the percentage of the called-up share capital which shares of that description represent;
 - (f) where any of the shares have been so charged, the amount of the charge in each case; and

- (g) where any of the shares have been disposed of by the company or the person who acquired them in such circumstances for money or money's worth, the amount or value of the consideration in each case."

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15. The following section shall be inserted after section 23 of the 1967 Act—

" Auditors to check consistency of directors' report with accounts.

23A.—(1) It shall be the duty of the auditors of the company, in preparing their report under section 14 of this Act on the company's accounts, to consider whether the information given in the directors' report relating to the financial year in question is consistent with those accounts.

Auditors to check consistency of directors' report with accounts.

(2) If the auditors are of opinion that the information given in the directors' report is not consistent with the company's accounts for the financial year, they shall state that fact in their report under section 14."

16.—(1) Sections 17 and 18 of the 1967 Act (further information to be given in directors' reports) shall not apply to any directors' report attached in compliance with section 157 of the 1948 Act to accounts prepared under section 1 of the 1976 Act in compliance with section 149 of the 1948 Act unless the documents required to be comprised in those accounts for the purposes of section 1(6) to (8) of the 1976 Act include group accounts prepared in pursuance of paragraph 2 of Schedule 2 to this Act which state that they are prepared in compliance with section 152A of and Schedule 8A to the 1948 Act.

Certain provisions of the Companies Acts to cease to have effect.

(2) Subject to paragraphs 4(3), 5(4) and (6) and 6(2) of Schedule 2 to this Act, the following provisions shall cease to have effect—

- (a) the proviso to section 163 of the 1948 Act (certain information allowed to be given in directors' reports instead of accounts);
- (b) in section 16 of the 1967 Act (additional information to be included in directors' reports) in subsection (1) paragraphs (b) and (d) and subsection (2);
- (c) section 20 of the 1967 Act (particulars of exports to be given in directors' reports in certain cases);

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- (d) section 22 of the 1967 Act (corresponding amounts for preceding financial years to be given in relation to items included in directors' reports by virtue of the proviso to section 163 of the 1948 Act); and
- (e) sections 39(8) and 41(11) of the 1980 Act (treatment of assets of companies which are neither fixed nor current).

*Preparation of accounts under Schedule
8A to the 1948 Act*

Schedule 8A
to continue
to apply to
certain
accounts.

17.—(1) Schedule 2 to this Act shall have effect for the purpose of enabling certain accounts to be prepared in compliance with section 149A or 152A of and Schedule 8A to the 1948 Act (instead of section 149 or 152 of and Schedule 8 to that Act).

(2) Sections 149 and 152 of and Schedule 8 to the 1948 Act shall not apply to any accounts prepared in pursuance of paragraph 1 or 2 of Schedule 2 to this Act which state that they are prepared in compliance with section 149A or 152A of and Schedule 8A to the 1948 Act; and sections 149A and 152A and Schedule 8A shall not apply to any other accounts.

Supplemental

Alteration of
Companies
Acts'
requirements
relating to
accounts, etc.

18.—(1) In section 454 of the 1948 Act (power to alter requirements of Act relating to accounts, etc.) the following subsections shall be substituted for subsection (1)—

“ (1) The Secretary of State may by regulations made by statutory instrument—

(a) add to the classes of documents—

(i) to be comprised in the accounts of any company in respect of any accounting reference period for the purposes of section 1(6) of the Companies Act 1976; or

(ii) to be delivered to the registrar of companies under section 1(7) of that Act;

and may make provision as to the matters to be included in any document added to either class;

(b) modify the requirements of the Companies Acts 1948 to 1981 as to the matters to be stated in any of the classes of documents mentioned in paragraph (a) above;

(c) reduce the classes of documents to be delivered to the registrar under section 1(7) of the 1976 Act;

and, in particular, he may alter or add to the requirements of Schedules 8 and 8A to this Act; and any reference in the Companies Acts 1948 to 1981 to any provision of those Acts shall be construed as a reference to that provision as it has effect subject to any regulations for the time being in force under this subsection.

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(1A) Where regulations made under subsection (1)(a) of this section add to either class of document there mentioned documents dealing with the state of affairs and profit or loss of a company and other bodies, the regulations may also—

- (a) extend the provisions of the Companies Acts 1948 to 1981 relating to group accounts (or such of those provisions as may be specified) to such documents;
- (b) exempt that company from the requirement to prepare group accounts in respect of any period for which it has prepared such a document.”.

(2) The following subsection shall be inserted after subsection (2) of section 454—

“ (2A) Regulations under subsection (1) of this section may make different provision for different cases or classes of case and may contain such incidental and supplementary provisions as the Secretary of State thinks fit ”.

(3) In subsection (3) of section 454 (certain regulations required to be approved in draft before being made) for the words from the beginning to “ referred to ” there shall be substituted the words “ Regulations under subsection (1)(a) of this section or regulations extending the classes of company to which any requirement mentioned in subsection (1)(b) applies or rendering those requirements more onerous shall not be made ”.

19. In section 9 of the 1976 Act (preparation and delivery of accounts of overseas companies)—

Accounts
of overseas
companies.

- (a) in subsection (1), for the words from “ a balance sheet ” to “ group accounts ” there shall be substituted the words “ such accounts ” and the words “ (subject to any prescribed exceptions or modifications) ” shall cease to have effect;
- (b) in subsection (2), for the words from “ every ” to “ other document ” and from “ any such ” to “ document ”

B

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is” and for the word “it” there shall be substituted respectively the words “such an account”, “the accounts are” and “them”;

(c) in subsection (3), for the words “balance sheet or other document” there shall be substituted the word “accounts”; and

(d) the following subsections shall be inserted after subsection (3)—

“ (3A) The Secretary of State may by order made by statutory instrument—

(a) modify the requirements of the Companies Acts referred to in subsection (1) above for the purposes of the application of those requirements to overseas companies;

(b) exempt any overseas companies from those requirements or from such of them as may be specified in the order.

(3B) An order made under subsection (3A) above may make different provision in relation to different cases or different classes of case and may contain such incidental and supplementary provisions as the Secretary of State thinks fit; and a statutory instrument containing any order so made shall be subject to annulment in pursuance of a resolution of either House of Parliament.”.

Unregistered companies.

20. Section 435 of and Schedule 14 to the 1948 Act (application of certain provisions of that Act to unregistered companies) shall have effect as if this Part of this Act (including Schedule 2) were included in that Act and were included among the provisions of that Act specified in Schedule 14 which relate to accounts and audit, and the reference in the last entry in column 3 of that Schedule to provisions applied by virtue of the foregoing entries in that Schedule shall be construed accordingly.

Interpretation of accounting and disclosure provisions.

21.—(1) Expressions which, when used in Schedule 8 to the 1948 Act, fall to be construed in accordance with any provision of Part VI of that Schedule shall have the same meaning (unless the context otherwise requires) when used in any provision of the Companies Acts.

(2) In this Part of this Act—

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- “ the accounting exemption provisions ” has the meaning given by section 5(6) of this Act ;
- “ accounting reference period ” has the meaning given by section 2 of the 1976 Act ;
- “ the exemptions for individual accounts ” has the meaning given by section 5(2) of this Act ;
- “ modified accounts ” has the meaning given by section 6(9) of this Act ; and
- “ modified group accounts ” has the meaning given by section 10(3) of this Act.

(3) For the purposes of this Part of this Act a body corporate shall be regarded as publishing any balance sheet or other account if it publishes, issues or circulates it or otherwise makes it available for public inspection in a manner calculated to invite members of the public generally, or any class of members of the public, to read it.

PART II

COMPANY NAMES AND BUSINESS NAMES

Company names

22.—(1) A company shall not be registered under the 1948 Act by a name—

Prohibition on registration of certain names.

- (a) which includes otherwise than at the end of the name any of the following words and expressions, that is to say, “ limited ”, “ unlimited ” or “ public limited company ” or their Welsh equivalents ;
- (b) which includes otherwise than at the end of the name abbreviations of any of those words or expressions ;
- (c) which is the same as a name appearing in the index kept by the registrar in pursuance of section 23 of this Act ;
- (d) the use of which by the company would in the opinion of the Secretary of State constitute a criminal offence ;
or
- (e) which in the opinion of the Secretary of State is offensive.

(2) Except with the approval of the Secretary of State, a company shall not be registered under the 1948 Act by a name which—

- (a) in the opinion of the Secretary of State would be likely to give the impression that the company is connected

PART II

in any way with Her Majesty's Government or with any local authority ; or

- (b) includes any word or expression for the time being specified in regulations made under section 31 of this Act.

(3) In determining for the purposes of subsection (1)(c) above whether one name is the same as another, there shall be disregarded—

- (a) the definite article where it is the first word in the name ;
- (b) the following words and expressions where they appear at the end of the name, that is to say, "company", "and company", "company limited", "and company limited", "limited", "unlimited", "public limited company" or their Welsh equivalents ;
- (c) abbreviations of any of those words and expressions where they appear at the end of the name ; and
- (d) type and case of letters, spaces between letters, accents and punctuation marks ;

and "and" and "&" shall be taken to be the same.

Index of names.

23.—(1) The registrar of companies shall keep an index of the names of the following bodies—

- (a) companies within the meaning of the 1948 Act ;
- (b) overseas companies within the meaning of subsection (2) below ;
- (c) incorporated and unincorporated bodies to which any provision of the 1948 Act applies by virtue of section 435 of that Act ;
- 1907 c. 24. (d) limited partnerships registered under the Limited Partnerships Act 1907 ;
- 1960 c. 22. (e) companies within the meaning of the Companies Act (N.I.). (Northern Ireland) 1960 ; and
- 1965 c. 12. (f) societies registered under the Industrial and Provident Societies Act 1965 or the Industrial and Provident Societies Act (Northern Ireland) 1969.
- 1969 c. 24. (N.I.).

(2) In subsection (1) above "oversea companies" means companies which have complied with section 407 of the 1948 Act (delivery to the registrar of statutes of company, etc.) and which do not appear to the registrar not to have a place of business in Great Britain.

(3) The Secretary of State may by order made by statutory instrument vary subsection (1) above by the addition or deletion of any class of body, except any within subsection (1)(a) or (b)

above, whether incorporated or unincorporated; and any such statutory instrument shall be subject to annulment by resolution of either House of Parliament. PART II

24.—(1) Subject to section 25(7) of this Act, a company may Change of by special resolution change its name with effect from the date name. on which the altered certificate of incorporation is issued in accordance with subsection (6) below.

(2) Where a company has been registered on or after the appointed day by a name which—

(a) is the same as or, in the opinion of the Secretary of State, too like a name appearing at the time of the registration in the index of names kept by the registrar in pursuance of section 23 of this Act; or

(b) is the same as or, in the opinion of the Secretary of State, too like a name which should have appeared in that index at that time;

the Secretary of State may within twelve months of that time, in writing, direct the company to change its name within such period as he may specify.

Subsection (3) of section 22 of this Act shall apply in determining for the purposes of this subsection whether a name is the same as or too like another as it applies for the purposes of subsection (1)(c) of that section.

(3) Where it appears to the Secretary of State that a company has provided misleading information for the purposes of its registration by a particular name or has given undertakings or assurances for that purpose which have not been fulfilled, the Secretary of State may within five years of the date of its registration by that name in writing direct the company to change its name within such period as he may specify.

(4) Where a direction has been given under subsection (2) or (3) above, the Secretary of State may by a further direction in writing extend the period within which the company is to change its name, at any time before that period expires.

(5) Any company which fails to comply with a direction under this section and any officer who is in default shall be liable on summary conviction to a fine not exceeding one-fifth of the statutory maximum or, on conviction after continued contravention, a default fine not exceeding one-fiftieth of the statutory maximum.

(6) Where a company changes its name under this section, the registrar shall (subject to section 22 of this Act) enter the new name on the register in place of the former name, and shall issue a certificate of incorporation altered to meet the circumstances of the case.

PART II

(7) A change of name by a company under this section shall not affect any rights or obligations of the company or render defective any legal proceedings by or against the company, and any legal proceedings that might have been continued or commenced against it by its former name may be continued or commenced against it by its new name.

Companies
exempt from
requirement
to use word
"limited"
etc.

25.—(1) This section applies to any company—

- (a) which is or is about to be registered as a private company limited by guarantee; or
- (b) which immediately before the appointed day is a private company limited by shares the name of which does not, by virtue of a licence granted under section 19 of the 1948 Act, include the word "limited";

and which complies with the requirements of subsection (2) below.

(2) The requirements referred to in subsection (1) above are—

- (a) that the objects of the company are or, in the case of a company about to be registered, are to be the promotion of commerce, art, science, education, religion, charity or any profession and anything incidental or conducive to any of those objects; and
- (b) that the memorandum or articles of association of the company—
 - (i) require its profits, if any, or other income to be applied in promoting its objects;
 - (ii) prohibit the payment of dividends to its members; and
 - (iii) require all the assets which would otherwise be available to its members generally to be transferred on its winding up either to another body with objects similar to its own or to another body the objects of which are the promotion of charity and anything incidental or conducive thereto (whether or not the body is a member of the company).

(3) Subject to subsection (7) below, any company to which this section applies shall be exempt from the requirements of the 1948 Act relating to the use of the word "limited" as any part of its name; and any such company which does not include the word "limited" as part of its name shall also be exempt from the requirements of that Act relating to the publishing of its name and the sending of lists of members to the registrar of companies.

(4) A statutory declaration in the prescribed form—

- (a) in the case of a company to be formed, made by a

solicitor engaged in the formation of the company or by a person named as a director or secretary of the company in the statement delivered under section 21 of the 1976 Act (statement of first directors and secretary);

(b) in the case of a company about to be registered in pursuance of Part VIII of the 1948 Act, by two or more directors or other principal officers of the company;

(c) in the case of any company which is proposing to change its name so that it ceases to have as part of its name "limited", by a director or secretary of the company;

that the company is one to which this section applies, may be delivered to the registrar and the registrar may accept such a declaration as sufficient evidence of that fact, and may refuse to register a company by a name which does not include the word "limited" unless such a declaration has been delivered to him.

(5) A company to which this section applies and the name of which does not include "limited" shall not alter its memorandum or articles of association so that it ceases to be a company to which this section applies.

(6) If it appears to the Secretary of State that a company to which this section applies and the name of which does not include "limited" has carried on any business other than the promotion of any of the objects mentioned in subsection (2)(a) above or has applied any of its profits or other income otherwise than in promoting such objects or has paid a dividend to any of its members, he may, in writing, direct the company to change its name by resolution of the directors within such period as may be specified in the direction so that its name ends with "limited".

Section 143 of the 1948 Act (certain resolutions to be registered) shall apply to any resolution passed by the directors of any company in compliance with a direction under this subsection.

(7) A company which has received a direction under subsection (6) above shall not thereafter be registered by a name which does not include the word "limited" without the approval of the Secretary of State.

(8) References in this section to the word "limited" shall be construed as including (in an appropriate case) its Welsh equivalent, and the appropriate alternative (within the meaning of section 78 of the 1980 Act).

(9) A company which contravenes subsection (5) above and any officer who is in default shall be liable on summary conviction to a fine not exceeding the statutory maximum or on

PART II conviction after continued contravention to a default fine not exceeding one-tenth of the statutory maximum.

(10) A company which fails to comply with a direction given under subsection (6) above and any officer who is in default shall be liable on summary conviction to a fine not exceeding one-fifth of the statutory maximum or on conviction after continued contravention to a default fine not exceeding one-fiftieth of the statutory maximum.

Additional provisions relating to companies registered under Part VIII of the 1948 Act.

26.—(1) Where the name of a company seeking registration under the 1948 Act in pursuance of Part VIII of that Act is a name by which the company is precluded from being registered by virtue of section 22 of this Act, either because it falls within subsection (1) of that section or, if it falls within subsection (2), because the Secretary of State would not approve the company's being registered by that name, the company may, subject to subsection (2) below, change its name with effect from the date on which it is registered under the 1948 Act.

(2) The company shall not change its name except with the like assent of the members of the company as is required by section 382 of the 1948 Act to the registration of the company under that Act.

(3) Where, in pursuance of Part VIII of the 1948 Act, a company is registered with limited liability, then any additions to the name of the company set out in the statement delivered to the registrar in accordance with section 384(c) of the 1948 Act shall form and be registered as the last part of the company's name.

Names of overseas companies.

27.—(1) Section 31 of the 1976 Act (regulation of names of overseas companies) shall have effect subject to the following amendments.

(2) For subsection (1) there shall be substituted the following subsections—

“ (1) Subject to subsection (2) below, if it appears to the Secretary of State that the corporate name of any overseas company is a name by which the company, had it been formed under the Act of 1948, would on the relevant date (within the meaning of subsection (2) below) have been precluded from being registered by virtue of section 22 of the Companies Act 1981 either because it falls within subsection (1) of that section or, if it falls within subsection (2), because the Secretary of State would not have approved the company's being registered by that name, the Secretary of State may serve a notice on the company, stating the reason why the name would not have been registered.

PART II

(1A) Subject to subsection (2) below, if the corporate name of any oversea company is in the opinion of the Secretary of State too like a name appearing on the relevant date in the index of names kept by the registrar in pursuance of section 23 of the Companies Act 1981 or which should have appeared in that index on that date or is the same as a name which should have so appeared, the Secretary of State may serve a notice on the company specifying the name in the index which the company's name is too like or which is the same as the company's name."

(3) In subsections (2), (3) and (5) for the words "subsection (1)" in each place where they occur there shall be substituted the words "subsection (1) or (1A)".

(4) In subsection (2) (notice to be served within six months of the relevant date) for the words from "six months", where those words first appear, to "this section", where those words secondly appear, there shall be substituted the words "twelve months after the relevant date or, if that date is before the day on which section 27 of the Companies Act 1981 comes into operation, six months after that date."

(5) In subsection (4) (new name to be deemed to be corporate name of company for all purposes) for the words "the Registration of Business Names Act 1916" there shall be substituted the words "the provisions of the Companies Act 1981".

(6) In subsection (5) (company to cease to carry on business under its corporate name within two months of service of notice) after the words "two months" there shall be inserted the words "or such longer period as may be specified in the notice".

(7) After subsection (5) there shall be added the following subsection—

"(6) The Secretary of State may withdraw a notice served under subsection (1) or (1A) above at any time before the end of the period mentioned in subsection (5) above; and that subsection shall not apply in relation to any company served with a notice which has been withdrawn."

Business names

28.—(1) This section applies to any person who has a place of business in Great Britain and who carries on business in Great Britain under a name which—

Control of
business
names.

(a) in the case of a partnership, does not consist of the surnames of all partners who are individuals and the corporate names of all partners who are bodies corporate without any addition except an addition which is permitted by subsection (3) below;

PART II

(b) in the case of an individual, does not consist of his surname without any addition except an addition so permitted ;

(c) in the case of a company, being a company which is capable of being wound up under the 1948 Act, does not consist of its corporate name without any addition except an addition which is so permitted.

(2) Subject to subsections (4) and (5) below, a person to whom this section applies shall not, without the written approval of the Secretary of State, carry on business in Great Britain under a name which—

(a) would be likely to give the impression that the business is connected with Her Majesty's Government or with any local authority ; or

(b) includes any word or expression for the time being specified in regulations made under section 31 of this Act.

(3) The following are permitted additions for the purposes of subsection (1) above—

(a) in the case of a partnership, the forenames of individual partners or the initials thereof or, where two or more individual partners have the same surname, the addition of " s " at the end of that surname ; or

(b) in the case of an individual, his forename or the initial thereof ;

(c) in any case, any addition merely indicating that the business is carried on in succession to a former owner of the business.

(4) Subsection (2) above shall not apply to the carrying on of a business by any person—

(a) to whom the business has been transferred on or after the appointed day ; and

(b) who carries on the business under the name which was its lawful business name immediately before that transfer ;

during the period of twelve months beginning with the date of that transfer.

(5) Subsection (2) above shall not apply to the carrying on of a business by any person who—

(a) carried on that business immediately before the appointed day ; and

(b) continues to carry it on under the name which immediately before that day was its lawful business name.

(6) In this section—

PART II

“ initial ” includes any recognised abbreviation of a name ;
and

“ lawful business name ”, in relation to any business, means
a name under which the business was carried on with-
out contravening subsection (2) above or the Registra- 1916 c. 58.
tion of Business Names Act 1916.

(7) Any person who contravenes subsection (2) above shall
be guilty of an offence and liable on summary conviction to a
fine not exceeding one-fifth of the statutory maximum or on con-
viction after continued contravention to a default fine not ex-
ceeding one-fiftieth of the statutory maximum.

(8) Where an offence under this section committed by a body
corporate is proved to have been committed with the consent or
connivance of, or to be attributable to any neglect on the part
of, any director, manager, secretary or other similar officer of
the body corporate, or any person who was purporting to act in
any such capacity, he as well as the body corporate shall be
guilty of that offence and shall be liable to be proceeded against
and punished accordingly.

(9) Where the affairs of a body corporate are managed by its
members, subsection (8) above shall apply in relation to the acts
and defaults of a member in connection with his functions of
management as if he were a director of the body corporate.

29.—(1) Any person to whom section 28 of this Act applies shall—

Disclosure of
names of
persons using
business
names.

(a) subject to subsection (3) below, state in legible char-
acters on all business letters, written orders for goods or
services to be supplied to the business, invoices and
receipts issued in the course of the business and written
demands for payment of debts arising in the course
of the business—

(i) in the case of a partnership, the name of each
partner ;

(ii) in the case of an individual, his name ;

(iii) in the case of a company, its corporate name ;

and

(iv) in relation to each person so named, an
address within Great Britain at which service of any
document relating in any way to the business will be
effective ; and

(b) in any premises where the business is carried on and to
which the customers of the business or suppliers of any
goods or services to the business have access, display

PART II

in a prominent position so that it may easily be read by such customers or suppliers a notice containing such names and addresses.

(2) Any person to whom section 28 of this Act applies shall secure that the names and addresses required by subsection (1)(a) above, or which would have been so required but for subsection (3) below, to be stated on his business letters are immediately given, by written notice, to any person with whom anything is done or discussed in the course of the business and who asks for such names and addresses.

(3) Subsection (1)(a) above shall not apply in relation to any document issued by a partnership of more than twenty persons which maintains at its principal place of business a list of the names of all the partners if—

- (a) none of the names of the partners appears in the document otherwise than in the text or as a signatory ; and
- (b) the document states in legible characters the address of the partnership's principal place of business and that the list of the partners' names is open to inspection at that place.

(4) Where a partnership maintains a list of the partners' names for the purposes of subsection (3) above, any person may inspect the list during office hours.

(5) The Secretary of State may by regulations require notices under subsection (1)(b) or (2) above to be displayed or given in a specified form.

(6) Any person who without reasonable excuse contravenes subsection (1) or (2) above or any regulations made under subsection (5) above shall be guilty of an offence and liable on summary conviction to a fine not exceeding one-fifth of the statutory maximum or, on conviction after continued contravention, to a default fine not exceeding one-fiftieth of the statutory maximum.

(7) Where an inspection required by any person in accordance with subsection (4) above is refused, any partner of the partnership concerned who without reasonable excuse refused that inspection or permitted that inspection to be refused shall be guilty of an offence and liable on summary conviction to a fine not exceeding one-fifth of the statutory maximum.

(8) Subsections (8) and (9) of section 28 of this Act shall have effect in relation to offences under this section as they have effect in relation to offences under that.

30. Any legal proceedings brought by any person to whom section 28 of this Act applies to enforce any right arising out of a contract made in the course of a business in respect of which he was at the time the contract was made in breach of subsection (1) or (2) of section 29 of this Act shall be dismissed if the defendant to the proceedings shows—

- (a) that he has a claim against the plaintiff arising out of that contract which he has been unable to pursue by reason of the plaintiff's breach of section 29(1) or (2); or
- (b) that he has suffered some financial loss in connection with the contract by reason of the plaintiff's breach of section 29(1) or (2);

unless the court before which the proceedings are brought is satisfied that it is just and equitable to permit the proceedings to continue.

This section is without prejudice to the right of any person to enforce such rights as he may have against another person in any proceedings brought by that person.

Miscellaneous and supplemental

31.—(1) The Secretary of State may by regulations—

- (a) specify words or expressions for the registration of which as or as part of a company's corporate name approval is required by section 22(2)(b) of this Act or for the use of which as or as part of a business name his approval is required by section 28(2)(b) of this Act; and
- (b) in relation to any such word or expression, specify a Government department or other body as the relevant body for the purposes of subsections (2) and (3) below.

Words and expressions requiring approval of Minister.

(2) Where a company proposes to have as or as part of its corporate name any such word or expression, the appropriate person shall request (in writing) the relevant body to indicate whether (and if so why) it has any objections to the proposal; and that person shall submit to the registrar a statement that such a request has been made and a copy of any response received from the relevant body together with—

- (a) in the case of a company seeking to be registered under the 1948 Act, the statutory declaration required by section 3(5) of the 1980 Act or, as the case may be, by section 386 of the 1948 Act to be submitted to the registrar;
- (b) in the case of any other company, a copy of the special resolution changing the company's name.

PART II (3) Where a person to whom section 28 of this Act applies proposes to carry on a business under a name which is or includes any such word or expression that person shall—

(a) request (in writing) the relevant body to indicate whether (and if so why) it has any objections to the proposal ;
and

(b) submit to the Secretary of State a statement that such a request has been made and a copy of any response received from the relevant body.

(4) For the purposes of subsection (2) above, “the appropriate person” means, in a case falling within paragraph (a) of that subsection, the person or persons making the declaration therein mentioned and, in any other case, a director or secretary of the company concerned.

(5) Section 426 of the 1948 Act (public inspection of documents kept by the registrar) shall not apply in relation to any document sent to the registrar in accordance with subsection (2) above.

Regulations. **32.**—(1) Regulations made under section 29 or 31 of this Act—

(a) may contain such transitional provisions and savings as the Secretary of State thinks appropriate and may make different provision for different cases or classes of case; and

(b) shall be made by statutory instrument which—

(i) in the case of regulations made under section 29 of this Act shall be subject to annulment in pursuance of a resolution of either House of Parliament ;
or

(ii) in the case of regulations made under section 31(1) of this Act, shall be laid before Parliament after being made and shall cease to have effect at the end of the period of twenty-eight days beginning with the day on which they were made (but without prejudice to anything previously done by virtue of the regulations or to the making of new regulations) unless during that period they are approved by resolution of each House of Parliament.

(2) In reckoning the period mentioned in subsection (1)(b) above no account shall be taken of any time during which Parliament is dissolved or prorogued or during which both Houses are adjourned for more than four days.

33.—(1) In relation to any company which was first registered, or registered by a new name, at any time during the period beginning with 18th March 1981 and ending with 23rd August 1981 section 18(2) of the 1948 Act (power of Secretary of State to direct company registered by name too like an existing company's name to change its name) shall have effect as if for the words "within six months of its being registered by that name" there were substituted the words "before 24th February 1982".

PART II
Temporary extension of power to require company to change its name.

(2) Where in the case of any overseas company the relevant date within the meaning of section 31(2) of the 1976 Act (date of delivery of certain documents on the company's first establishing a place of business in Great Britain or date of return as to change in the company's corporate name) falls within the period mentioned in subsection (1) above, section 31(2) (which restricts the power of the Secretary of State to serve a notice under subsection (1) of that section in effect requiring an overseas company to use a name other than its corporate name for carrying on business in Great Britain) shall have effect in relation to that company as if for the words from "six months" (in the first place where they occur) to "this section" (in the second place where they occur) there were substituted the words "23rd February 1982".

(3) This section applies in relation to any such company as is mentioned in subsection (1) or (2) above notwithstanding the fact that the period of six months mentioned in section 18(2) or (as the case may be) in section 31(2) has expired in the case of that company before this section comes into operation.

(4) In this section "overseas company" has the meaning given by section 406 of the 1948 Act.

34. In this Part of this Act—

Interpretation
of Part II.

"business" includes a profession ;

"local authority" means any local authority within the meaning of the Local Government Act 1972 or the Local Government (Scotland) Act 1973, the Common Council of the City of London or the Council of the Isles of Scilly ;

"partnership" includes a foreign partnership ;

"surname" in relation to a peer or person usually known by a British title different from his surname means the title by which he is known ; and

"Welsh equivalent" in relation to any word, means the equivalent in Welsh of that word specified in section 78(4) of the 1980 Act.

PART II
Transitory
provisions.

35.—(1) Until 22nd June 1982 (that is to say, until the expiry of the period which is the transitional period for the purposes of Part I of the 1980 Act) section 25 of this Act shall apply in relation to old public companies within the meaning of section 8(1) of the 1980 Act as it applies in relation to private companies limited by guarantee.

(2) A company which by virtue of the repeal of section 19 of the 1948 Act (licences to omit “limited” in certain cases) ceases to be exempt from the requirements mentioned in section 25(3) of this Act shall by resolution of the directors passed within twelve months of that repeal change its name so as to include “limited” or, in an appropriate case, its Welsh equivalent, as the last word; and section 143 of the 1948 Act (certain resolutions to be registered) shall apply to any such resolution.

(3) A company which contravenes subsection (2) above and any officer who is in default shall be liable on summary conviction to a fine not exceeding the statutory maximum or on conviction after continued contravention to a default fine not exceeding one-tenth of the statutory maximum.

(4) The repeal of section 18(2) of the 1948 Act provided for by Schedule 4 to this Act shall not have effect in relation to company names registered before the coming into operation of section 24 of this Act.

PART III

SHARE CAPITAL

Relief from section 56 of the 1948 Act (share premium account)

Preliminary
provisions.

36.—(1) Sections 37 to 39 of this Act give relief from the requirements of section 56 of the 1948 Act (premiums on issue of shares to be transferred to a share premium account) in the circumstances mentioned below in this section.

(2) The relief given by section 37 or 38 of this Act applies where a company issues or has issued shares in circumstances to which either of those sections applies, but in the case of an issue which took place before the section in question came into operation only if the issue took place on or after 4th February 1981.

(3) The relief given by section 39 of this Act applies only where a company has issued shares in circumstances to which that section applies before the date mentioned in subsection (2) above.

(4) References in sections 37 to 39 of this Act to the issuing company are references to the company issuing the shares as mentioned in subsection (2) or (3) above.

37.—(1) Subject to section 38(5) of this Act, this section applies where the issuing company has secured at least a ninety per cent. equity holding in another company in pursuance of any arrangement providing for the allotment of equity shares in the issuing company on terms that the consideration for the shares allotted is to be provided by the issue or transfer to the issuing company of equity shares in that other company or by the cancellation of any such shares not held by the issuing company. PART III
Merger relief.

(2) Where the equity shares in the issuing company allotted in pursuance of the arrangement in consideration for the acquisition or cancellation of equity shares in the other company are issued at a premium, section 56 of the 1948 Act shall not apply to the premiums on those shares.

(3) Where the arrangement also provides for the allotment of any shares in the issuing company on terms that the consideration for those shares is to be provided by the issue or transfer to the issuing company of non-equity shares in the other company or by the cancellation of any such shares in that company not held by the issuing company, the relief from section 56 provided by subsection (2) above shall extend to any shares in the issuing company allotted on those terms in pursuance of the arrangement.

(4) Subject to subsection (5) below, the issuing company shall be regarded for the purposes of this section as having secured at least a ninety per cent. equity holding in another company in pursuance of any such arrangement as is mentioned in subsection (1) above if in consequence of any acquisition or cancellation of equity shares in that company in pursuance of that arrangement it holds equity shares in that company (whether all or any of those shares were acquired in pursuance of that arrangement or not) of an aggregate nominal value equal to ninety per cent. or more of the nominal value of that company's equity share capital.

(5) Where the equity share capital of the other company in question is divided into different classes of shares this section shall not apply unless the requirements of subsection (1) above are satisfied in relation to each of those classes taken separately.

(6) Shares held by a company which is the issuing company's holding company or subsidiary or a subsidiary of the issuing company's holding company, or by its or their nominees, shall be regarded for the purposes of this section as held by the issuing company.

(7) In this section "equity share capital" has the meaning given by section 154(5) of the 1948 Act; and, in relation to any

PART III company, "equity shares" means shares comprised in that company's equity share capital and "non-equity shares" means shares in that company of any class not so comprised.

Relief from section 56 in respect of group reconstructions.

38.—(1) This section applies where the issuing company—
 (a) is a wholly-owned subsidiary of another company ("the holding company"); and
 (b) allots shares to the holding company or to another wholly-owned subsidiary of the holding company in consideration for the transfer to it of shares in another subsidiary (whether wholly-owned or not) of the holding company.

(2) Where the shares in the issuing company allotted in consideration for the transfer are issued at a premium, the issuing company shall not be required by section 56 of the 1948 Act to transfer any amount in excess of the minimum premium value to the share premium account.

(3) In subsection (2) above "the minimum premium value" means the amount (if any) by which the base value of the shares transferred exceeds the aggregate nominal value of the shares allotted in consideration for the transfer.

(4) For the purposes of subsection (3) above, the base value of the shares transferred shall be taken as—

- (a) the cost of those shares to the company transferring them; or
- (b) the amount at which those shares are stated in that company's accounting records immediately before the transfer;

whichever is the less.

(5) Section 37 of this Act shall not apply in any case to which this section applies.

Retrospective relief from section 56 in certain circumstances.

39.—(1) Subject to section 36(3) of this Act and subsection (2) below, this section applies where the issuing company has issued at a premium shares which were allotted in pursuance of any arrangement providing for the allotment of shares in the issuing company on terms that the consideration for the shares allotted was to be provided by the issue or transfer to the issuing company of shares in another company or by the cancellation of any shares in that other company not held by the issuing company.

(2) The other company in question must either have been at the time of the arrangement a subsidiary of the issuing company or of any company which was then the issuing company's

holding company or have become such a subsidiary on the acquisition or cancellation of its shares in pursuance of the arrangement.

PART III

(3) Any part of the premiums on the shares so issued which was not transferred to the company's share premium account in accordance with section 56 of the 1948 Act shall be treated as if section 56 had never applied to those premiums (and may accordingly be disregarded in determining the sum to be included in the company's share premium account).

40.—(1) An amount corresponding to any amount representing the premiums or part of the premiums on shares issued by a company which by virtue of any of sections 37 to 39 of this Act is not included in the company's share premium account may also be disregarded in determining the amount at which any shares or other consideration provided for the shares issued is to be included in the company's balance sheet.

Provisions
supplementary
to sections
37 to 39.

(2) So far as relates to any period before this section comes into operation, nothing in paragraph 15(5) of Schedule 8 to the 1948 Act (which excepts pre-acquisition profits or losses of a subsidiary from being required to be disclosed in the holding company's accounts in a case where group accounts are not submitted) shall be taken as having affected the treatment by any company of profits of a subsidiary in connection with the issue of that company's shares at a premium in circumstances to which any of sections 37 to 39 of this Act applies.

(3) In paragraph 15(5), for the words “(for that or any other purpose)” (which purport to extend its effect beyond the purpose of restricting the disclosure of a subsidiary's profits or losses required by paragraphs (b) and (c) of the preceding sub-paragraph) there shall be substituted the words “(for the purposes of those paragraphs)” ; but this provision is without prejudice to any other restriction with respect to the manner in which a holding company may treat pre-acquisition profits or losses of a subsidiary in its accounts.

(4) References in sections 37 to 39 of this Act and in this section (however expressed) to—

- (a) the acquisition by any company of shares in another company ; and
- (b) the issue or allotment of shares to or the transfer of shares to or by any company ;

include references respectively to the acquisition of any of those shares by and to the issue or allotment or (as the case may require) the transfer of any of those shares to or by nominees of that company ; and the reference in section 38(4)(a) to the company transferring the shares there mentioned shall be construed accordingly.

PART III

(5) References in sections 37 to 39 of this Act and in this section to the transfer of shares in a company include references to the transfer of a right to be included in the company's register of members in respect of those shares.

(6) In sections 37 and 39 of this Act "arrangement" means any agreement, scheme or arrangement (including an arrangement sanctioned in accordance with section 206 or 287 of the 1948 Act).

(7) In sections 37 to 39 of this Act and in this section "company", except in references to the issuing company, includes any body corporate.

(8) References in this section to paragraph 15(5) of Schedule 8 to the 1948 Act are references to paragraph 15(5) of that Schedule as set out in Schedule 2 to the 1967 Act.

Power to make provision extending or restricting relief from section 56.

41.—(1) The Secretary of State may by regulations made by statutory instrument make such provision as appears to him to be appropriate—

- (a) for relieving companies from the requirements of section 56 of the 1948 Act in relation to premiums other than cash premiums ; or
- (b) for restricting or otherwise modifying any relief from those requirements provided by sections 36 to 40 of this Act.

(2) Regulations under this section may make different provision for different cases or classes of case and may contain such incidental and supplementary provisions as the Secretary of State thinks fit.

(3) No regulations shall be made under this section unless a draft of the instrument containing the regulations has been laid before Parliament and has been approved by resolution of each House of Parliament.

Financial assistance for acquisition of shares

Certain assistance for acquisition of shares prohibited.

42.—(1) Subject to the following provisions of this section and sections 43 and 44 of this Act, where a person is acquiring or is proposing to acquire any shares in a company it shall not be lawful for the company or any of its subsidiaries to give financial assistance directly or indirectly for the purpose of that acquisition before or at the same time as the acquisition takes place.

(2) Subject to the following provisions of this section and sections 43 and 44 of this Act, where a person has acquired any shares in a company and any liability has been incurred (by that or any other person) for the purpose of that acquisition it shall not be lawful for the company or any of its subsidiaries to give any financial assistance directly or indirectly for the purpose of reducing or discharging the liability so incurred.

(3) Subsection (1) above shall not prohibit a company from giving any financial assistance for the purpose of any acquisition of shares in the company or its holding company if—

- (a) the company's principal purpose in giving that assistance is not to give it for the purpose of any such acquisition or the giving of the assistance for that purpose is but an incidental part of some larger purpose of the company ; and
- (b) the assistance is given in good faith in the interests of the company.

(4) Subsection (2) above shall not prohibit a company from giving any financial assistance if—

- (a) the company's principal purpose in giving the assistance is not to reduce or discharge any liability incurred by a person for the purpose of the acquisition of any shares in the company or its holding company or the reduction or discharge of any such liability is but an incidental part of some larger purpose of the company ; and
- (b) the assistance is given in good faith in the interests of the company.

(5) Subsections (1) and (2) above shall not prohibit—

- (a) any distribution of a company's assets by way of dividend lawfully made or any distribution made in the course of the winding up of the company ;
- (b) the allotment of any bonus shares ;
- (c) anything done in pursuance of an order of the court made under section 206 of the 1948 Act (compromises and arrangements with creditors and members) ;
- (d) anything done under an arrangement made between a company and its creditors which is binding on the creditors by virtue of section 306 of the 1948 Act ;
- (e) anything done under an arrangement made in pursuance of section 287 of the 1948 Act (power of liquidator to accept shares, etc. as consideration for sale of property of company) ;

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- (f) any reduction of capital confirmed by order of the court under section 68 of the 1948 Act ;
- (g) a redemption or purchase of any shares made in accordance with sections 45 to 62 of this Act.

(6) Subsections (1) and (2) above shall not prohibit—

- (a) where the lending of money is part of the ordinary business of the company, the lending of money by the company in the ordinary course of its business ;
- (b) the provision by a company in accordance with an employees' share scheme (within the meaning of section 87(1) of the 1980 Act) of money for the acquisition of fully paid shares in the company or its holding company ;
- (c) the making by a company of loans to persons, other than directors, employed in good faith by the company with a view to enabling those persons to acquire fully paid shares in the company or its holding company to be held by themselves by way of beneficial ownership.

(7) Subsection (6) above shall authorise a public company to give financial assistance to any person only if the company has net assets which are not thereby reduced or, to the extent that those assets are thereby reduced, if the financial assistance is provided out of distributable profits.

(8) In this section " financial assistance " means—

- (a) financial assistance given by way of gift ;
- (b) financial assistance given by way of guarantee, security or indemnity, other than an indemnity in respect of the indemnifier's own neglect or default, or by way of release or waiver ;
- (c) financial assistance given by way of a loan or any other agreement under which any of the obligations of the person giving the assistance are to be fulfilled at a time when in accordance with the agreement any obligation of any other party to the agreement remains unfulfilled or by way of the novation of or the assignment of any rights arising under any loan or such other agreement ; or
- (d) any other financial assistance given by a company the net assets of which are thereby reduced to a material extent or which has no net assets.

In this subsection " net assets " has the same meaning as it has for the purposes of the 1980 Act.

(9) Any reference in this section to a person incurring any liability shall be read as including a reference to his changing his financial position by making any agreement or arrangement (whether enforceable or unenforceable and whether made on his own account or with any other person) or by any other means.

(10) Any reference in this section to a company giving financial assistance for the purpose of reducing or discharging any liability incurred by any person for the purpose of the acquisition of any shares shall be read as including a reference to the company giving financial assistance for the purpose of wholly or partly restoring his financial position to what it was before the acquisition took place.

(11) For the purposes of subsection (7) above—

- (a) “net assets”, in relation to the giving of financial assistance by any company, means the amount by which the aggregate amount of the company’s assets exceeds the aggregate amount of its liabilities taking the amount of both assets and liabilities to be as stated in the company’s accounting records immediately before the financial assistance is given ; and
- (b) “liabilities” includes any amount retained as reasonably necessary for the purpose of providing for any liability or loss 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.

(12) If a company acts in contravention of this section the company and any officer who is in default shall be liable—

- (a) on conviction on indictment, to a term of imprisonment not exceeding two years or a fine or both ;
- (b) on summary conviction, to a term of imprisonment not exceeding six months or a fine not exceeding the statutory maximum, or both.

(13) Section 54 of the 1948 Act, which is superseded by the preceding provisions of this section, shall cease to have effect.

43.—(1) Section 42(1) and (2) of this Act shall not prohibit a private company from giving financial assistance in any case where the acquisition of shares in question is or was an acquisition of shares in the company or, if it is a subsidiary of another private company, in that other company if the following provisions of this section and section 44 of this Act are complied with as respects the giving of that assistance. Relaxation of section 42 restrictions for private companies.

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(2) Subsection (1) above shall authorise a company to give financial assistance to any person only if the company has net assets which are not thereby reduced, or to the extent that those assets are thereby reduced, if the financial assistance is provided out of distributable profits.

(3) Subsection (1) above shall not permit financial assistance to be given by a subsidiary in any case where the acquisition of shares in question is or was an acquisition of shares in its holding company if it is also a subsidiary of a public company which is itself a subsidiary of that holding company.

(4) Unless the company proposing to give the financial assistance is a wholly owned subsidiary, the giving of the financial assistance must be approved by special resolution of the company in general meeting.

(5) Where the financial assistance is to be given by the company in any case where the acquisition of shares in question is or was an acquisition of shares in its holding company, that holding company and any other company which is both the company's holding company and a subsidiary of that other holding company, except, in any case, any company which is a wholly owned subsidiary, shall also approve by special resolution in general meeting the giving of the financial assistance.

(6) The directors of the company proposing to give the financial assistance and, where the shares to be acquired are shares in its holding company, the directors of that company and of any other company which is both the company's holding company and a subsidiary of that other holding company shall before the financial assistance is given make a statutory declaration in the prescribed form complying with subsection (7) below.

(7) A statutory declaration made by the directors of any company in pursuance of subsection (6) above shall—

(a) contain such particulars of the assistance to be given and of the business of the company of which they are directors as may be prescribed and shall identify the person to whom the assistance is to be given ;

(b) state that the directors have formed the opinion as regards its initial situation immediately following the date on which the assistance is proposed to be given, that there will be no ground on which their company could then be found to be unable to pay its debts ; and either—

(i) if it is intended to commence the winding up of the company within twelve months of that date, that the company will be able to pay its debts in full within twelve months of the commencement of the winding up ; or

(ii) in any other case, that the company will be able to pay its debts as they fall due during the year immediately following that date.

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In forming their opinion for the purposes of this subsection, the directors shall take into account any liabilities of the company which the court would be required by section 223(*d*) of the 1948 Act to take into account in determining for the purposes of section 222(*e*) of that Act (circumstances in which a company may be wound up by the court) whether the company was unable to pay its debts.

(8) Any statutory declaration made in pursuance of subsection (6) above shall have annexed to it a report addressed to the directors who made the declaration by the auditors of their company stating that they have inquired into the state of affairs of that company and are not aware of anything to indicate that the opinion expressed by the directors in the declaration as to any of the matters mentioned in subsection (7)(*b*) above is unreasonable in all the circumstances.

(9) Financial assistance shall not be given in pursuance of this section—

- (*a*) where a special resolution is required by this section to be passed approving the giving of that assistance, before the expiry of the period of four weeks beginning with the date on which that special resolution is passed or, where more than one such resolution is passed, the date on which the last of them is passed unless, as respects that resolution (or, if more than one, each of them), every member of the company which passed the resolution who is entitled to vote at general meetings of the company voted in favour of the resolution ;
- (*b*) where an application for the cancellation of any such resolution is made under section 44 of this Act, before the final determination of the application, unless the court otherwise orders ;
- (*c*) after the expiry of the period of eight weeks beginning with the date on which the directors of the company proposing to give the financial assistance made the statutory declaration in pursuance of subsection (6) above, or, where that company is a subsidiary and both its directors and the directors of any of its holding companies made such a declaration, the date on which the earliest of the declarations is made, unless the court, on any such application as is mentioned in paragraph (*b*) above, otherwise orders.

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Provisions
supplementary
to section 43.

44.—(1) A special resolution required by section 43 of this Act to be passed by any company approving the giving of any financial assistance must be passed on the date on which the directors of that company made the statutory declaration required by that section in connection with the giving of that assistance or within the week immediately following that date.

(2) Where any such special resolution is passed by a company, an application may be made to the court for the cancellation of that resolution—

(a) by the holders of not less in the aggregate than 10 per cent. in nominal value of the company's issued share capital or any class thereof; or

(b) if the company is not limited by shares, by not less than 10 per cent. of the company's members;

but any such application shall not be made by any person who has consented to or voted in favour of the resolution.

(3) Subsections (4) to (10) of section 11 of the 1980 Act (provisions as to applications for cancellation of resolutions to which that section applies) shall apply in relation to applications made under this section as they apply in relation to applications made under that.

(4) A special resolution passed by a company shall not be effective for the purposes of section 43 of this Act—

(a) unless the declaration made in compliance with subsection (7) of that section by the directors of the company, together with the auditors' report annexed thereto, is available for inspection by members of the company at the meeting at which the resolution is passed;

(b) if it is cancelled by the court on an application under this section.

(5) Any statutory declaration made by the directors of any company in compliance with section 43(7) of this Act, together with any auditors' report annexed thereto, shall be delivered to the registrar of companies—

(a) together with a copy of any special resolution passed by the company in pursuance of section 43(4) or (5) of this Act and delivered to the registrar in compliance with section 143 of the 1948 Act; or

(b) where no such special resolution is required to be passed, within fifteen days after the making of the declaration.

(6) If a company fails to comply with subsection (5) above, the company and every officer of the company who is in default shall be liable on summary conviction to a fine not exceeding

the statutory maximum or on conviction after continued contravention to a default fine not exceeding one-fiftieth of the statutory maximum.

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(7) A director of a company who makes a statutory declaration in pursuance of section 43 of this Act without having reasonable grounds for the opinion expressed in that declaration shall be liable—

- (a) on conviction on indictment, to imprisonment for a term not exceeding two years or a fine, or both; and
- (b) on summary conviction, to imprisonment for a term not exceeding six months or a fine not exceeding the statutory maximum, or both.

(8) In section 43 of this Act, “financial assistance” and “net assets” have the meanings given by subsections (8) and (11) of section 42 of this Act respectively.

Power of company to issue redeemable shares

45.—(1) Subject to the following provisions of this Part of this Act, a company limited by shares or limited by guarantee and having a share capital may, if authorised to do so by its articles, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or the shareholder.

Power of company to issue redeemable shares.

(2) No redeemable shares may be issued at any time when there are no issued shares of the company which are not redeemable.

(3) Redeemable shares may not be redeemed unless they are fully paid.

(4) The terms of redemption must provide for payment on redemption.

(5) Subject to subsection (6) below and sections 54 and 59(4) of this Act—

- (a) redeemable shares may only be redeemed out of distributable profits of the company or out of the proceeds of a fresh issue of shares made for the purposes of the redemption; and
- (b) any premium payable on redemption must be paid out of distributable profits of the company.

(6) Where the redeemable shares were issued at a premium, any premium payable on their redemption may be paid out of the proceeds of a fresh issue of shares made for the purposes of the redemption, up to an amount equal to—

- (a) the aggregate of the premiums received by the company on the issue of the shares redeemed; or

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(b) the current amount of the company's share premium account (including any sum transferred to that account in respect of premiums on the new shares);

whichever is the less; and in any such case the amount of the company's share premium account shall be reduced by a sum corresponding (or by sums in the aggregate corresponding) to the amount of any payment made by virtue of this subsection out of the proceeds of the issue of the new shares.

(7) Subject to the provisions of this Part of this Act, the redemption of shares under this section may be effected on such terms and in such manner as may be provided by the articles of the company.

(8) Shares redeemed under this section shall be treated as cancelled on redemption, and the amount of the company's issued share capital shall be diminished by the nominal value of those shares accordingly; but the redemption of shares under this section by a company shall not be taken as reducing the amount of the company's authorised share capital.

(9) Without prejudice to subsection (8) above, where a company is about to redeem any shares under this section it shall have power to issue shares up to the nominal amount of the shares to be redeemed as if those shares had never been issued.

1973 c. 51.

(10) For the purposes of section 47 of the Finance Act 1973 the issue of shares by a company in place of shares redeemed under this section shall constitute a chargeable transaction if, and only if, the actual value of the shares so issued exceeds the value of the shares redeemed at the date of their redemption; and where the issue of the shares does constitute a chargeable transaction for the purposes of that section, the amount on which stamp duty on the relevant document relating to that transaction is chargeable under subsection (5) of that section shall be the difference between—

(a) the amount on which that duty would be so chargeable if the shares had not been issued in place of shares redeemed under this section; and

(b) the value of the shares redeemed at the date of their redemption.

(11) Subject to subsection (12) below, for the purposes of subsection (10) above shares issued by a company—

(a) up to the nominal amount of any shares which the company has redeemed under this section; or

(b) in pursuance of subsection (9) above before the redemption of shares which the company is about to redeem under this section;

shall be regarded as issued in place of the shares redeemed or (as the case may be) about to be redeemed under this section. PART III

(12) Shares issued in pursuance of subsection (9) above shall not be regarded for the purposes of subsection (10) above as issued in place of the shares about to be redeemed unless those shares are redeemed within one month after the issue of the new shares.

Purchase by a company of its own shares

46.—(1) Subject to the following provisions of this Part of this Act, a company limited by shares or limited by guarantee and having a share capital may, if authorised to do so by its articles, purchase its own shares (including any redeemable shares). Power to purchase own shares.

(2) Section 45 of this Act shall apply in relation to the purchase by a company under this section of any of its own shares as it applies in relation to the redemption of redeemable shares by a company under that section, save that the terms and manner of purchase need not be determined by the articles as required by subsection (7) of that section.

(3) A company may not purchase any of its shares under this section if as a result of the purchase of the shares in question there would no longer be any member of the company holding shares other than redeemable shares.

47.—(1) This section applies to an off-market purchase by a company of any of its own shares. Authority for off-market purchase.

(2) A purchase by a company of any of its own shares is an off-market purchase for the purposes of this section if either—

- (a) the shares are purchased otherwise than on a recognised stock exchange ; or
- (b) the shares are purchased on a recognised stock exchange but are not subject to a marketing arrangement on that stock exchange.

(3) For the purposes of this section shares of a company are subject to a marketing arrangement on a recognised stock exchange if either—

- (a) they are listed on that stock exchange ; or
- (b) the company has been accorded facilities for dealings in those shares to take place on that stock exchange without prior permission for individual transactions from the authority governing that stock exchange and without limit as to the time during which those facilities are to be available.

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(4) A company may only make an off-market purchase of its own shares in pursuance of a contract approved in advance in accordance with the following provisions of this section or under section 48 of this Act.

(5) The terms of the proposed contract of purchase must be authorised by a special resolution of the company before the company enters into the contract.

(6) Subject to subsection (7) below, the authority conferred by any such resolution may be varied, revoked or from time to time renewed by special resolution of the company.

(7) In the case of a public company the authority for a proposed contract of purchase conferred by any such resolution must specify a date on which the authority is to expire.

(8) The date specified in accordance with subsection (7) above in any special resolution of a public company to confer or renew authority for a proposed contract of purchase shall not be later than eighteen months after the date on which the resolution is passed.

(9) A special resolution of a company to confer, vary, revoke or renew authority for a proposed contract for the purchase of any of its own shares shall not be effective for the purposes of this section if any member of the company holding shares to which the resolution relates exercises the voting rights carried by any of those shares in voting on the resolution and the resolution would not have been passed if he had not done so.

For the purposes of this subsection a member who holds shares to which the resolution relates shall be regarded as exercising the voting rights carried by those shares in voting on the resolution not only if he votes in respect of those shares on a poll on the question whether that resolution shall be passed but also if he votes on that resolution otherwise than on a poll; and, notwithstanding anything in a company's articles, any member of the company may demand a poll on the question whether any such resolution shall be passed.

(10) Any such resolution shall not be effective for the purposes of this section unless (if the proposed contract of purchase is in writing) a copy of that contract or (if it is not in writing) a written memorandum of its terms is available for inspection by members of the company both—

(a) at the registered office of the company for not less than the period of fifteen days ending with the date of the meeting at which the resolution is passed; and

(b) at the meeting itself.

Any memorandum of the terms of the contract of purchase made available for the purposes of this section must include the names of any members holding shares to which the contract relates, and any copy of the contract made available for those purposes must have annexed to it a written memorandum specifying any such names which do not appear in the contract itself.

(11) A company may agree to a variation of an existing contract of purchase approved under this section, but only if the variation is authorised by a special resolution of the company before the company agrees to it; and subsections (6) to (10) above shall apply in relation to the authority for a proposed variation as they apply in relation to the authority for a proposed contract of purchase, save that a copy or memorandum (as the case may require) of the original contract (together with any variations previously made) must also be available for inspection in accordance with subsection (10).

(12) For the purposes of this section a vote and a demand for a poll by a person as proxy for a member shall be the same respectively as a vote and a demand by the member.

48.—(1) This section applies to the purchase by a company of its own shares in pursuance of a contract relating to any of its shares—

Contingent
purchase
contracts.

- (a) which does not amount to a contract to purchase those shares; but
- (b) under which the company may (subject to any conditions) become entitled or obliged to purchase those shares;

and any such contract is referred to below in this section as a contingent purchase contract.

(2) A company may only make a purchase of its own shares in pursuance of a contingent purchase contract if the contract is approved in advance in accordance with subsection (3) below.

(3) The terms of the proposed contract must be authorised by a special resolution of the company before the company enters into the contract, and subsections (6) to (12) of section 47 of this Act shall apply in relation to the authority for a proposed contingent purchase contract and the variation of an existing contingent purchase contract respectively as they apply in relation to the authority for a proposed contract of purchase and the variation of an existing contract of purchase.

PART III
Authority for
market
purchase.

49.—(1) This section applies to a market purchase by a company of any of its own shares.

(2) A purchase by a company of any of its own shares is a market purchase for the purposes of this section if it is a purchase made on a recognised stock exchange, other than a purchase which is an off-market purchase for the purposes of section 47 of this Act by virtue of subsection (2)(b) of that section.

(3) A company shall not make a market purchase of its own shares unless the purchase has first been authorised by the company in general meeting.

(4) A resolution authorising market purchases of a company's own shares in accordance with this section may confer general authority for that purpose or authority limited to the purchase of shares of any particular class or description, and the authority conferred may be unconditional or subject to conditions.

(5) Any such authority must—

- (a) specify the maximum number of shares authorised to be acquired ;
- (b) determine both the maximum and the minimum prices which may be paid for those shares ; and
- (c) specify a date on which the authority is to expire.

(6) Subject to subsection (5) above, any such authority may be varied, revoked or from time to time renewed by the company in general meeting.

(7) The date specified in accordance with subsection (5)(c) above in any resolution of a company to confer or renew authority for market purchases shall not be later than eighteen months after the date on which the resolution is passed.

(8) A company may make a purchase of its own shares in accordance with this section after the expiry of any time limit imposed by virtue of subsection (5)(c) above in any case where the contract of purchase was concluded before the authority expired and the terms of the authority permitted the company to make a contract of purchase which would or might be executed wholly or partly after the authority expired.

(9) A resolution of a company to confer or vary authority for market purchases of its own shares may determine either or both of the prices mentioned in subsection (5)(b) above by—

- (a) specifying a particular sum ; or
- (b) providing a basis or formula for calculating the amount of the price in question without reference to any person's discretion or opinion.

(10) Section 143 of the 1948 Act (registration of copies of certain resolutions and agreements) shall apply to any resolution of a company conferring, varying, revoking or renewing any such authority.

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50.—(1) The rights of a company under any contract approved under section 47 or 48 of this Act or any contract for a purchase authorised under section 49 of this Act shall not be capable of assignment.

Assignment or release of company's right to purchase own shares.

(2) Any agreement by a company to release its rights under any contract approved under section 47 or 48 of this Act shall be void unless the release is approved in advance in accordance with subsection (3) below.

(3) The terms of the proposed release agreement must be authorised by a special resolution of the company before the company enters into the agreement; and subsections (6) to (12) of section 47 of this Act shall apply in relation to the authority for a proposed release agreement as they apply in relation to the authority for a proposed variation of an existing contract of purchase.

51.—(1) Any payment made by a company in consideration of—

Payments apart from purchase price to be made out of distributable profits.

- (a) acquiring any right with respect to the purchase of any of its own shares in pursuance of a contract approved under section 48 of this Act;
- (b) the variation of any contract approved under section 47 or 48 of this Act; or
- (c) the release of any of the company's obligations with respect to the purchase of any of its own shares under any contract approved under section 47 or 48 or under any contract for a purchase authorised under section 49 of this Act;

must be made out of distributable profits of the company.

(2) If the requirements of subsection (1) above are not satisfied in relation to any contract—

- (a) in a case within subsection (1)(a), no purchase by the company of any of its own shares in pursuance of that contract shall be lawful by virtue of this Part of this Act;
- (b) in a case within subsection (1)(b), no such purchase following the variation shall be lawful by virtue of this Part of this Act; and

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(c) in a case within subsection (1)(c), the purported release shall be void.

Disclosure of particulars of purchases and authorised contracts.

52.—(1) Within the period of twenty-eight days beginning with the date on which any shares purchased by a company under section 46 of this Act are delivered to the company the company shall deliver to the registrar of companies for registration a return in the prescribed form stating with respect to shares of each class purchased the number and nominal value of those shares and the date on which they were delivered to the company.

(2) In the case of a public company the return required by this section shall also state—

- (a) the aggregate amount paid by the company for the shares ; and
- (b) the maximum and minimum prices paid in respect of shares of each class purchased.

(3) Particulars of shares delivered to the company on different dates and under different contracts may be included in a single return under this section ; and in any such case the amount required to be stated by subsection (2)(a) above shall be the aggregate amount paid by the company for all the shares to which the return relates.

(4) Where a company enters into any contract approved under section 47 or 48 of this Act or any contract for a purchase authorised under section 49 of this Act the company shall keep at its registered office—

- (a) if the contract is in writing, a copy of that contract ; or
- (b) if it is not in writing, a memorandum of its terms ;

from the conclusion of the contract until the end of the period of ten years beginning with the date on which the purchase of all the shares in pursuance of the contract is completed or (as the case may be) the date on which the contract otherwise determines.

(5) Every copy and memorandum required to be kept by subsection (4) above shall, during business hours (subject to such reasonable restrictions as the company may in general meeting impose, provided that not less than two hours in each day are allowed for inspection) be open to the inspection without charge—

- (a) of any member of the company ; and
- (b) if the company is a public company, of any other person.

(6) If default is made in delivering to the registrar of companies any return required by this section, every officer of the company who is in default shall be liable—

- (a) on conviction on indictment to a fine ;
- (b) on summary conviction to a fine not exceeding the statutory maximum or, on conviction after continued contravention, to a default fine not exceeding one-tenth of the statutory maximum.

(7) If default is made in complying with subsection (4) above or if an inspection required under subsection (5) above is refused, the company and every officer of the company who is in default shall be liable on summary conviction to a fine not exceeding one-fifth of the statutory maximum or, on conviction after continued contravention, to a default fine not exceeding one-fiftieth of the statutory maximum.

(8) In the case of a refusal of an inspection required under subsection (5) above of a copy or memorandum, the court may by order compel an immediate inspection of the copy or memorandum.

(9) The obligation of a company under subsection (4) above to keep a copy of any contract or (as the case may be) a memorandum of its terms shall apply to any variation of that contract so long as it applies to that contract.

*Maintenance of capital on redemption or purchase
of own shares otherwise than out of capital*

53.—(1) Where in pursuance of section 45 or 46 of this Act any shares of a company are redeemed or purchased wholly out of the profits of the company the amount by which the company's issued share capital is diminished in accordance with subsection (8) of section 45 of this Act on cancellation of the shares redeemed or purchased shall be transferred to a reserve, to be called "the capital redemption reserve".

The capital
redemption
reserve.

(2) Subject to subsection (6)(b) of section 54 of this Act, where in pursuance of either of those sections any shares of a company are redeemed or purchased wholly or partly out of the proceeds of a fresh issue and the aggregate amount of those proceeds is less than the aggregate nominal value of the shares redeemed or purchased, the amount of the difference shall be transferred to the capital redemption reserve.

(3) The provisions of the 1948 Act relating to the reduction of the share capital of a company shall apply as if the capital redemption reserve were paid up share capital of the company, except that the reserve may be applied by the company in paying up unissued shares of the company to be allotted to members of the company as fully paid bonus shares.

PART III

Power of private companies to redeem or purchase own shares out of capital.

Redemption or purchase of own shares out of capital

54.—(1) Subject to the following provisions of this Part of this Act, a private company limited by shares or limited by guarantee and having a share capital may, if authorised to do so by its articles, make a payment in respect of the redemption or purchase under section 45 or (as the case may be) under section 46 of this Act of any of its own shares otherwise than out of distributable profits of the company or the proceeds of a fresh issue of shares; and references below in this Part of this Act to payment out of capital are (subject to subsection (6) below) references to any payment so made (whether or not it would be regarded apart from this section as a payment out of capital).

(2) The payment which may (if authorised in accordance with the following provisions of this Part of this Act) be made by any company out of capital in respect of the redemption or purchase of any of its own shares shall be such an amount as, taken together with—

(a) any available profits of the company; and

(b) the proceeds of any fresh issue of shares made for the purposes of the redemption or purchase;

is equal to the price of redemption or purchase.

(3) The payment permissible in accordance with subsection (2) above in respect of the redemption or purchase by a company of any of its own shares is referred to below in this Part of this Act as the permissible capital payment for the shares.

(4) Subject to subsection (6) below, if the permissible capital payment for any shares redeemed or purchased by a company is less than their nominal amount, the amount of the difference shall be transferred to the capital redemption reserve.

(5) Subject to subsection (6) below, if the permissible capital payment for any shares redeemed or purchased by a company is greater than their nominal amount—

(a) the amount of any capital redemption reserve, share premium account or fully paid share capital of the company; and

(b) any amount representing unrealised profits of the company for the time being standing to the credit of any reserve maintained by the company in accordance with paragraph 34 of Schedule 8 to the 1948 Act (the revaluation reserve);

may be reduced by a sum not exceeding (or by sums not in the aggregate exceeding) the amount by which the permissible capital payment exceeds the nominal amount of those shares.

(6) In any case where the proceeds of a fresh issue are applied by a company in making any redemption or purchase of its own shares in addition to a payment out of capital under this section—

- (a) the references in subsections (4) and (5) above to the permissible capital payment shall be read as references to the aggregate of that payment and those proceeds ;
- (b) subsection (2) of section 53 of this Act shall not apply.

(7) The reference in subsection (2)(a) above to available profits of the company is a reference to the company's profits which are available for distribution (within the meaning of Part III of the 1980 Act), but the question whether a company has any profits so available and the amount of any such profits shall be determined for the purposes of this section in accordance with the following provisions of this section instead of in accordance with section 43 of the 1980 Act.

(8) Subject to subsection (9) below, that question shall be determined by reference to the relevant items (within the meaning of section 43 of the 1980 Act) as stated in the relevant accounts for determining the permissible capital payment for any shares under this section ; and those accounts are such accounts, prepared as at any date within the period for determining the amount of that payment, as are necessary to enable a reasonable judgment to be made as to the amounts of any of those items.

(9) For the purposes of determining the amount of the permissible capital payment for any shares under this section, the amount of the company's available profits (if any) determined in accordance with subsection (8) above shall be treated as reduced by the amount of any distributions lawfully made by the company after the date of the relevant accounts and before the end of the period for determining the amount of that payment.

The reference above in this subsection to distributions lawfully made by the company shall be read as including any financial assistance given by the company as mentioned in subsection (1)(a) or (b) of section 60 of this Act and any payment of a description within subsection (1)(d) or (e) of that section lawfully made by the company.

(10) References in this section to the period for determining the amount of the permissible capital payment for any shares are references to the period of three months ending with the date on which the statutory declaration of the directors purporting to specify the amount of that payment is made in accordance with section 55(3) of this Act.

PART III
Requirements
for
redemption
or purchase
out of capital:
special
resolution
approving
payment.

55.—(1) Subject to any order made by the court under section 57 of this Act a payment out of capital by any company for the redemption or purchase of any of its own shares shall not be lawful by virtue of section 54 of this Act unless the requirements of this section and section 56 of this Act are satisfied.

(2) The payment out of capital must be approved by a special resolution of the company (referred to below in this section and in section 56 of this Act as the resolution for payment out of capital).

(3) The directors of the company must make a statutory declaration specifying the amount of the permissible capital payment for the shares in question and stating that, having made full inquiry into the affairs and prospects of the company, they have formed the opinion—

(a) as regards its initial situation immediately following the date on which the payment out of capital is proposed to be made, that there will be no ground on which the company could then be found to be unable to pay its debts ; and

(b) as regards its prospects for the year immediately following that date, that, having regard to their intentions with respect to the management of the company's business during that year and to the amount and character of the financial resources which will in their view be available to the company during that year, the company will be able to continue to carry on business as a going concern (and will accordingly be able to pay its debts as they fall due) throughout that year.

(4) In forming their opinion for the purposes of subsection (3)(a) above the directors shall take into account any liabilities of the company which the court would be required by section 223(d) of the 1948 Act to take into account in determining for the purposes of section 222(e) of that Act (circumstances in which a company may be wound up by the court) whether the company was unable to pay its debts.

(5) The statutory declaration made by the directors must be in the prescribed form and contain such information with respect to the nature of the company's business as may be prescribed, and must in addition have annexed to it a report addressed to the directors by the auditors of the company stating that—

(a) they have inquired into the company's state of affairs ;
 and

(b) the amount specified in that declaration as the permissible capital payment for the shares in question is in their view properly determined in accordance with section 54 of this Act ; and

(c) they are not aware of anything to indicate that the opinion expressed by the directors in that declaration as to any of the matters mentioned in subsection (3) above is unreasonable in all the circumstances.

PART III

(6) The resolution for payment out of capital must be passed on, or within the week immediately following, the date on which the directors make the statutory declaration required by subsection (3) above, and the payment out of capital must be made not earlier than five nor more than seven weeks after the date of the resolution.

(7) A special resolution of a company to approve a payment out of capital for the redemption or purchase of any of its own shares shall not be effective for the purposes of this section if any member of the company holding shares to which the resolution relates exercises the voting rights carried by any of those shares in voting on the resolution and the resolution would not have been passed if he had not done so.

For the purposes of this subsection a member who holds shares to which the resolution relates shall be regarded as exercising the voting rights carried by those shares in voting on the resolution not only if he votes in respect of those shares on a poll on the question whether that resolution shall be passed but also if he votes on that resolution otherwise than on a poll ; and, notwithstanding anything in a company's articles, any member of the company may demand a poll on the question whether any such resolution shall be passed.

(8) Any such resolution shall not be effective for the purposes of this section unless the statutory declaration and auditors' report required by this section are available for inspection by members of the company at the meeting at which the resolution is passed.

(9) Any director of a company who makes a declaration under this section without having reasonable grounds for the opinion expressed in that declaration shall be liable—

- (a) on conviction on indictment to imprisonment for a term not exceeding two years or a fine or both ; and
- (b) on summary conviction, to imprisonment for a term not exceeding six months or a fine not exceeding the statutory maximum, or both.

(10) For the purposes of this section a vote and a demand for a poll by a person as proxy for a member shall be the same respectively as a vote and a demand by the member.

PART III
Publicity for
proposed
payment out
of capital.

56.—(1) Within the week immediately following the date of the resolution for payment out of capital the company must cause to be published in the Gazette a notice—

- (a) stating that the company has approved a payment out of capital for the purpose of acquiring its own shares by redemption or purchase or both (as the case may require) ;
- (b) specifying the amount of the permissible capital payment for the shares in question and the date of the resolution for payment out of capital ;
- (c) stating that the statutory declaration of the directors and the auditors' report required by section 55 of this Act are available for inspection at the company's registered office ; and
- (d) stating that any creditor of the company may at any time within the five weeks immediately following the date of the resolution for payment out of capital apply to the court under section 57 of this Act for an order prohibiting the payment.

(2) Within the week immediately following the date of that resolution the company must also either cause a notice to the same effect as that required by subsection (1) above to be published in an appropriate national newspaper or give notice in writing to that effect to each of its creditors.

In this subsection "an appropriate national newspaper" means a newspaper circulating throughout England and Wales in the case of a company registered in England and Wales and a newspaper circulating throughout Scotland in the case of a company registered in Scotland.

(3) References below in this section to the first notice date are references to the day on which the company first publishes the notice required by subsection (1) or first publishes or gives the notice required by subsection (2) above (whichever is the earlier).

(4) Not later than the first notice date the company must deliver a copy of the statutory declaration of the directors and the auditors' report required by section 55 of this Act to the registrar of companies.

(5) The statutory declaration and auditors' report shall be kept at the company's registered office throughout the period beginning with the first notice date and ending five weeks after the date of the resolution for payment out of capital and shall during business hours on any day during that period be open to the inspection of any member or creditor of the company without charge.

(6) If an inspection required under subsection (5) above is refused, the company and every officer of the company who is in default shall be liable on summary conviction to a fine not exceeding one-fifth of the statutory maximum or, on conviction after continued contravention, to a default fine not exceeding one-fiftieth of the statutory maximum.

PART III

(7) In the case of a refusal of an inspection required under subsection (5) above of a declaration or report, the court may by order compel an immediate inspection of that declaration or report.

57.—(1) Where a private company passes a special resolution approving for the purposes of this Part of this Act any payment out of capital for the redemption or purchase of any of its shares—

Objections by members or creditors.

- (a) any member of the company other than one who consented to or voted in favour of the resolution ; and
- (b) any creditor of the company ;

may within five weeks of the date on which the resolution was passed apply to the court for the cancellation of the resolution.

(2) An application under this section may be made on behalf of the persons entitled to make the application by such one or more of their number as they may appoint in writing for the purpose.

(3) If an application is made under this section, the company shall—

- (a) forthwith give notice in the prescribed form of that fact to the registrar of companies ; and
- (b) within fifteen days from the making of any order of the court on the hearing of the application, or such longer period as the court may by order direct, deliver an office copy of the order to the registrar.

(4) On the hearing of an application under this section the court may, if it thinks fit, adjourn the proceedings in order that an arrangement may be made to the satisfaction of the court for the purchase of the interests of dissentient members or for the protection of dissentient creditors, as the case may be, and the court may give such directions and make such orders as it thinks expedient for facilitating or carrying into effect any such arrangement.

(5) Without prejudice to its powers under subsection (4) above, on the hearing of an application under subsection (1) above, the court shall make an order on such terms and conditions as it thinks fit either confirming or cancelling the resolution ; and, where the court confirms the resolution, it may in particular by

PART III order alter or extend any date or period of time specified in the resolution or in any provision of this Part of this Act which applies to the redemption or purchase of shares to which the resolution refers.

(6) Subsections (7) to (9) of section 11 of the 1980 Act (provision in orders of the court for purchase of shares and alterations in memorandum and articles) shall apply in relation to orders under this section as they apply in relation to orders under section 11.

(7) A company which fails to comply with subsection (3) above and any officer of the company who is in default shall be liable on summary conviction to a fine not exceeding one-fifth of the statutory maximum or, on conviction after continued contravention, a default fine not exceeding one-fiftieth of the statutory maximum.

Liability of
past
shareholders
and directors.

58.—(1) This section applies where a company has made a payment out of capital in respect of the redemption or purchase of any of its shares, referred to below as the “relevant payment”.

(2) Where the company is being wound up and the aggregate of the amount of its assets and the amounts paid by way of contribution to its assets (apart from this section) is not sufficient for payment of its debts and liabilities and the costs, charges and expenses of the winding up, then, if the winding up commenced within one year of the date on which the relevant payment was made—

- (a) the person from whom the shares were redeemed or purchased; and
- (b) the directors of the company who signed the statutory declaration made in accordance with section 55(3) of this Act for the purposes of the redemption or purchase, except a director who shows that he had reasonable grounds for forming the opinion set out in the declaration;

shall, so as to enable that insufficiency to be met, be liable to contribute to the assets of the company to the extent specified in subsection (3) below.

(3) A person from whom any of the shares were redeemed or purchased shall be liable to contribute to the assets of the company an amount not exceeding the amount of so much of the relevant payment as was made by the company in respect of his shares and the directors of the company shall be jointly and severally liable with that person to contribute that amount to the assets of the company.

PART III

(4) Any person who has contributed an amount to the assets of a company in pursuance of this section may apply to the court for an order directing any other person jointly and severally liable in respect of that amount to pay to him such amount as the court thinks just and equitable.

(5) Section 212 of the 1948 Act (liability of contributories) shall not apply in relation to any liability accruing by virtue of this section.

(6) Any reference in the articles of any company to a contributory shall not unless the context requires include a reference to any person who is a contributory only by virtue of this section.

(7) A person who is liable by virtue of this section to contribute to the assets of any company in the event of its being wound up may by petition apply to the court for the winding up of the company on either of the grounds set out in paragraphs (e) and (f) of section 222 of the 1948 Act (inability of company to pay its debts and the "just and equitable" ground) and paragraph (a) of the proviso to section 224(1) of that Act (restrictions on right of contributory to present petition) shall not apply in relation to a petition made by any such person; but unless he is a contributory otherwise than by virtue of this section he may not in his character as contributory present such a petition on any other ground.

Miscellaneous and supplemental

59.—(1) Where on or after the appointed day a company—

(a) issues shares on terms that they are or are liable to be redeemed; or

(b) agrees to purchase any of its own shares;

the following provisions of this section shall apply in relation thereto.

Effect of company's failure to redeem or purchase own shares.

(2) A company shall not be liable in damages in respect of any failure on its part to redeem or purchase any of the shares.

(3) Subsection (2) above is without prejudice to any right of the holder of any of the shares other than his right to sue the company for damages in respect of its failure; but the court shall not grant an order for specific performance of the terms of redemption or purchase if the company shows that it is unable to meet the cost of redeeming or purchasing the shares in question out of distributable profits.

(4) Where the company is wound up and at the commencement of the winding up any of the shares have not been redeemed or purchased then subject to the following provisions of this section the terms of redemption or purchase may be enforced against the company; and when shares are redeemed or purchased under this subsection they shall be treated as cancelled.

PART III

(5) Subsection (4) above shall not apply if—

- (a) the terms of redemption or purchase provided for the redemption or purchase to take place at a date later than the date of the commencement of the winding up; or
- (b) during the period beginning with the date on which the redemption or purchase was to have taken place and ending with the commencement of the winding up the company could not at any time have lawfully made a distribution equal in value to the price at which the shares were to have been redeemed or purchased.

(6) There shall be paid in priority to any amount which the company is liable by virtue of subsection (4) above to pay in respect of any shares—

- (a) all other debts and liabilities of the company (other than any due to members in their character as such);
- (b) if other shares carry rights whether as to capital or as to income which are preferred to the rights as to capital attaching to the first mentioned shares, any amount due in satisfaction of those preferred rights;

but, subject to that, any such amount shall be paid in priority to any amounts due to members in satisfaction of their rights (whether as to capital or income) as members.

1914 c. 59.

(7) Where by virtue of section 66 of the Bankruptcy Act 1914 (payment of interest on debts) as applied by section 317 of the 1948 Act (application of bankruptcy rules to insolvent companies) a creditor of a company is entitled to payment of any interest only after payment of all other debts of the company, the company's debts and liabilities shall for the purposes of subsection (6) above include the liability to pay that interest.

Supple-
mentary
provisions
relating to
Part III of the
1980 Act.

60.—(1) For the purposes of determining by reference to any particular accounts whether any proposed distribution may be made in accordance with section 43 of the 1980 Act (determination of amount of distributable profits) subsection (7) of that section (reduction of distributable profits by amount of earlier distributions) shall apply if it would not otherwise to—

- (a) any financial assistance lawfully given by a public company out of its distributable profits in any case where the assistance is required to be so given by section 42(7) of this Act;
- (b) any financial assistance lawfully given by a private company out of its distributable profits in any case where the assistance is required to be so given by section 43(2) of this Act;

- (c) any financial assistance given by any company in contravention of section 42 of this Act in any case where the giving of that assistance reduces the company's net assets or increases its net liabilities ; PART III
- (d) any payment made by any company in respect of the purchase by the company of any shares in the company except any payment lawfully made otherwise than out of distributable profits ; and
- (e) any payment of a description specified in section 51 of this Act ;

being financial assistance given or payment made since those accounts were prepared, as if any such financial assistance or payment were a distribution already made in pursuance of a determination made by reference to those accounts.

(2) Section 44 of the 1980 Act (consequences of unlawful distributions) shall not apply in relation to—

- (a) any financial assistance given by any company in contravention of section 42 of this Act ; or
- (b) any payment made by a company in respect of the redemption or purchase by the company of any shares in the company.

(3) In this section—

- “ financial assistance ” has the meaning given by section 42(8) of this Act ;
- “ net assets ” has the meaning given by section 42(11) of this Act ; and
- “ net liabilities ” in relation to the giving of financial assistance by any company means the amount by which the aggregate amount of the company's liabilities (within the meaning of section 42(11)(b) of this Act) 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.

61.—(1) The Secretary of State may by regulations made by statutory instrument modify the provisions of this Part of this Act with respect to any of the following matters—

- (a) the authority required for a purchase by a company of any of its own shares ;
- (b) the authority required for the release by a company of its rights under any contract for the purchase of its own shares or any contract under which the company may (subject to any conditions) become entitled or obliged to purchase any of its own shares ;
- Power to alter certain provisions with respect to redemption or purchase by a company of its own shares.

PART III

- (c) the information to be included in any return delivered by a company to the registrar of companies in accordance with section 52(1) of this Act ;
- (d) the matters to be dealt with in the statutory declaration of the directors required by section 55 of this Act with a view to indicating their opinion of their company's ability to make a proposed payment out of capital with due regard to its financial situation and prospects ; and
- (e) the contents of the auditors' report required by that section to be annexed to that declaration.

(2) The Secretary of State may also by regulations so made make such provision (including provision by way of modifying the provisions of this Part of this Act) as appears to him to be appropriate—

- (a) for wholly or partly relieving companies from the requirement under section 54(2)(a) of this Act that any available profits must be taken into account in determining the amount of the permissible capital payment for any shares under that section ; or
- (b) for permitting a company's share premium account to be applied, to any extent appearing to the Secretary of State to be appropriate, in providing for the premiums payable on the redemption or purchase by the company of any of its own shares.

(3) Regulations under this section—

- (a) may make such further modifications of any provisions of this Part of this Act as appear to the Secretary of State to be reasonably necessary in consequence of any provision made by any such regulations by virtue of subsection (1) or (2) above ;
- (b) may make different provision for different cases or classes of case ; and
- (c) may contain such further consequential provisions, and such incidental and supplementary provisions, as the Secretary of State thinks fit.

(4) No regulations shall be made under this section unless a draft of the instrument containing the regulations has been laid before Parliament and has been approved by resolution of each House of Parliament.

62.—(1) In this Part of this Act—

“ distributable profits ”, in relation to the making of any payment or the giving of any financial assistance (within the meaning of section 42(8) of this Act) by any company, means those profits out of which it could

Interpretation of Part III, repeal of section 58 of the 1948 Act and savings.

lawfully make a distribution equal in value to that payment or assistance, including in any case where the financial assistance is or includes a non-cash asset (within the meaning of section 87 of the 1980 Act) any profit which, if the company were to make a distribution of that asset, would by virtue of section 43A of the 1980 Act (distributions in kind) be available for that distribution ;

PART III

“distribution” has the meaning given by section 45(2) of the 1980 Act ; and

“permissible capital payment” has the meaning given by section 54(3) of this Act ;

and references to payment out of capital shall be construed in accordance with section 54(1) of this Act.

(2) Section 58 of the 1948 Act (which is superseded by sections 45 and 53 of this Act) shall cease to have effect ; but any preference shares issued by a company before the appointed day which could but for the repeal of section 58 have been redeemed under that section shall be subject to redemption in accordance with the provisions of this Part of this Act.

(3) In any case to which section 45 applies by virtue of this section any premium payable on redemption may, notwithstanding the repeal by this Act of the words in section 56(2) of the 1948 Act which enabled such premiums to be paid out of the share premium account, be paid out of that account instead of out of profits or partly out of that account and partly out of profits (but subject to the provisions of this Part of this Act so far as the payment is out of profits).

(4) Any capital redemption reserve fund established before the appointed day by any company for the purposes of section 58 of the 1948 Act shall be known as the company’s capital redemption reserve and be treated as if it had been established for the purposes of section 53 of this Act ; and, accordingly, any reference in any enactment or in the articles of any company or in any other instrument to a company’s capital redemption reserve fund shall be construed as a reference to the company’s capital redemption reserve.

PART IV

DISCLOSURE OF INTERESTS IN SHARES

Disclosure of interests in voting shares in public companies

63.—(1) Where a person either—

(a) to his knowledge acquires any interest in shares comprised in relevant share capital of a public company or ceases to be interested in any shares so comprised

Obligation to notify known interests in voting shares in a public company.

PART IV

(whether or not he retains any interest in other shares so comprised) ; or

- (b) becomes aware that he has acquired any interest in shares so comprised or that he has ceased to be interested in any shares so comprised in which he was previously interested ;

he shall be under an obligation to make to the company the notification with respect to his interest in shares so comprised required by subsection (5) below in any case within subsection (2) below.

(2) That obligation arises where either—

- (a) he has an interest subject to the notification requirement under this section in shares comprised in the share capital in question immediately after the relevant time but did not have such an interest immediately before that time ; or
- (b) he had an interest subject to the notification requirement under this section in shares comprised in that share capital immediately before the relevant time but does not have such an interest immediately after that time ; or
- (c) he has an interest subject to the notification requirement under this section in shares comprised in that share capital both immediately before and immediately after the relevant time but the percentage levels of his interest immediately before and immediately after that time are not the same.

(3) A person has an interest subject to the notification requirement under this section in relevant share capital of a public company at any time when he is interested in shares comprised in relevant share capital of any such company of an aggregate nominal value equal to or more than the percentage of the nominal value of that share capital which is for the time being the notifiable percentage under this section ; but all facts relevant to determining for the purposes of this section whether a person has such an interest at any time (or the percentage level of his interest) shall be taken to be what he knows them to be at that time.

(4) Where otherwise than in circumstances within subsection (1) above a person—

- (a) is aware at the time when it occurs of any change of circumstances affecting any fact relevant to the application of the notification requirement under this section in relation to any existing interest of his in shares comprised in a company's share capital of any description ;
or

(b) otherwise becomes aware of any such fact (whether or not arising from any such change of circumstances); he shall be under an obligation to make to the company the notification with respect to his interest required by subsection (5) below in any case within subsection (2)(a) above.

(5) A notification required by this subsection with respect to a person's interest (if any) in shares comprised in relevant share capital of a public company must be in writing and must specify the share capital to which it relates; and any such notification must also either—

- (a) state the number of shares comprised in that share capital in which the person making the notification knows he was interested immediately after the time when the obligation to make the notification arose; or
- (b) in any case where the person making the notification no longer has an interest subject to the notification requirement under this section in shares comprised in that share capital, state that he no longer has such an interest.

(6) A person's obligation to make any such notification must be performed within the period of five days next following the day on which that obligation arises.

(7) Subject to the qualification mentioned below, in subsection (2)(c) above "percentage level" means the percentage figure found by expressing the aggregate nominal value of all the shares comprised in the share capital there mentioned in which the person in question is interested immediately before or (as the case may be) immediately after the relevant time as a percentage of the nominal value of that share capital and rounding that figure down, if it is not a whole number, to the next whole number.

Where the nominal value of that share capital is greater immediately after the relevant time than it was immediately before that time the percentage level of his interest immediately before (as well as immediately after) that time shall be determined by reference to the larger amount.

(8) The reference in subsection (3) above to the percentage which is for the time being the notifiable percentage under this section is a reference to five per cent. or such other percentage as may from time to time be prescribed for the purposes of this section by regulations under section 64 of this Act.

(9) References in subsections (2) and (7) above, as they apply in relation to any person's interest, to the relevant time are

PART IV references to the time of the event or change of circumstances relevant for the purposes of subsection (1)(a) or (4)(a) above or the time when he acquires the knowledge relevant for the purposes of subsection (1)(b) or (4)(b) above (as the case may require).

(10) For the purposes of this Part of this Act “relevant share capital”, in relation to any public company, means issued share capital of that company of a class carrying rights to vote in all circumstances at general meetings of the company; and it is hereby declared for the avoidance of doubt that the temporary suspension of voting rights in respect of shares comprised in issued share capital of a public company of any such class does not affect the application of this Part of this Act in relation to interests in those or any other shares comprised in that class.

The prescribed percentage. **64.**—(1) The Secretary of State may by regulations made by statutory instrument from time to time prescribe the percentage to apply in determining whether a person’s interest in any shares in a company is subject to the notification requirement under section 63 of this Act, and different percentages may be so prescribed in relation to companies of different classes or descriptions.

(2) Where in consequence of any reduction in the percentage applicable for the purposes of that section made by regulations under this section a person’s interest in relevant share capital of any public company becomes an interest subject to the notification requirement under that section, he shall be under an obligation to make to the company the notification with respect to his interest required by subsection (5) of that section.

(3) Subsection (6) of that section shall not apply in any such case, but a person’s obligation to make any notification under that section by virtue of this section must be performed within the period of ten days next following the day on which that obligation arises.

(4) No regulations shall be made under this section unless a draft of the instrument containing the regulations has been laid before Parliament and has been approved by resolution of each House of Parliament.

Obligation to notify particulars of registered ownership of voting shares in a public company. **65.**—(1) A notification under section 63 of this Act with respect to a person’s interest in relevant share capital of a public company (other than one stating that he no longer has an interest subject to the notification requirement under that section in shares comprised in that share capital) shall include particulars of—

(a) the identity of each registered holder of any shares to which the notification relates; and

(b) the number of those shares held by each such registered holder ;

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so far as known to the person making the notification at the date of the notification.

(2) A person who has an interest in shares comprised in relevant share capital of a public company which is subject to the notification requirement under section 63 of this Act shall be under an obligation to notify the company in writing—

(a) of any such particulars in relation to those shares as are mentioned in subsection (1) above ; and

(b) of any change in any such particulars ;

of which in either case he becomes aware at any time after any interest notification date and before the first occasion following that date on which he becomes subject to any further obligation to make any notification under that section with respect to his interest in shares comprised in that share capital.

(3) The reference in subsection (2) above to an interest notification date, in relation to any person's interest in shares comprised in relevant share capital of a public company, is a reference to either of the following, that is to say—

(a) the date of any notification made by him with respect to his interest under section 63 of this Act ; and

(b) where he has failed to make any such notification, the date on which the period allowed under this Part of this Act for making that notification came to an end.

(4) A person who at any time has an interest in shares comprised in relevant share capital of a public company which is subject to the notification requirement under section 63 of this Act shall be regarded for the purposes of subsection (2) above as continuing to have an interest in those shares subject to that requirement unless and until he becomes subject to an obligation to make a notification under that section stating that he no longer has such an interest in those shares.

(5) A person's obligation to make a notification required by this section must be performed within the period of five days next following the day on which that obligation arises.

66.—(1) For the purposes of sections 63 to 65 of this Act a person shall be taken to be interested in any shares in which his spouse or any infant child or step-child of his is interested. Notification of certain family and corporate interests.

(2) For the purposes of those sections, a person shall be taken to be interested in shares if a body corporate is interested in them and—

(a) that body corporate or its directors are accustomed to act in accordance with his directions or instructions ;
or

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(b) he is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of that body corporate.

(3) Where a person is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of a body corporate and that body corporate is entitled to exercise or control the exercise of any of the voting power at general meetings of another body corporate (the "relevant voting power"), then, for the purposes of subsection (2)(b) above, the relevant voting power shall be taken to be exercisable by that person.

(4) For the purposes of subsections (2)(b) and (3) above, a person shall be taken to be entitled to exercise or control the exercise of any voting power if he has a right (whether subject to conditions or not) the exercise of which would make him so entitled or is under an obligation (whether so subject or not) the fulfilment of which would make him so entitled.

(5) In this section "infant", in relation to Scotland, means pupil or minor.

Notification
of group
interests of
persons
acting
together.

67.—(1) Subject to the following provisions of this section, an agreement between two or more persons which includes provision for the acquisition by any one or more of the parties to the agreement of interests in shares in a particular company ("the target company") is an agreement to which this section applies if—

(a) it also includes provisions imposing obligations or restrictions on any one or more of the parties to the agreement with respect to their use, retention or disposal of interests in that company's shares acquired in pursuance of the agreement (whether or not together with any other interests of theirs in that company's shares to which the agreement relates); and

(b) any interest in that company's shares is in fact acquired by any of the parties in pursuance of the agreement;

and in relation to any such agreement references below in this section and in section 68 of this Act to the target company shall be read as referring to the company which is the target company for that agreement in accordance with this subsection.

(2) The reference in subsection (1)(a) above to the use by parties to the agreement of interests in shares in the target company is a reference to the exercise of any rights or of any control or influence arising from those interests (including the right to enter into any agreement for the exercise, or for control of the exercise, of any of those rights by any other person).

(3) Once any interest in shares in the target company has been acquired in pursuance of any such agreement as is mentioned in subsection (1) above, this section shall continue to apply to the agreement irrespective of—

- (a) whether or not any further acquisitions of interests in that company's shares take place in pursuance of the agreement ; and
- (b) any change in the persons who are for the time being parties to the agreement ; and
- (c) any variation of the agreement ;

so long as the agreement continues to include provisions of any description mentioned in paragraph (a) of that subsection.

References in this subsection to the agreement include references to any agreement having effect (whether directly or indirectly) in substitution for the original agreement.

(4) In this section (and in references elsewhere in this Part of this Act to an agreement to which this section applies) "agreement" includes any agreement or arrangement ; and references in this section to provisions of an agreement—

- (a) accordingly include undertakings, expectations or understandings operative under any arrangement ; and
- (b) (without prejudice to paragraph (a) above) also include any provisions, whether express or implied and whether absolute or not.

(5) This section shall not apply to an agreement which is not legally binding unless it involves mutuality in the undertakings, expectations or understandings of the parties to it.

(6) For the purposes of sections 63 to 65 of this Act each party to an agreement to which this section applies shall be taken to be interested in all shares in the target company in which any other party to the agreement is interested apart from the agreement (whether or not the interest of the other party in question was acquired, or includes any interest which was acquired, in pursuance of the agreement).

(7) For the purposes of subsection (6) above and section 68 of this Act an interest of any party to an agreement to which this section applies in shares in the target company is an interest apart from that agreement if he is interested in those shares otherwise than by virtue of the application of this section in relation to that agreement (and accordingly any such interest of his apart from that agreement includes for those purposes any interest treated as his by virtue of section 66 of this Act or by virtue of the application of this section in relation to any other

PART IV agreement with respect to shares in the target company to which he is a party).

(8) Any notification with respect to his interest in shares in the target company made to that company under section 63 of this Act by a person who is for the time being a party to an agreement to which this section applies—

- (a) shall state that the person making the notification is a party to an agreement to which this section applies ;
- (b) shall include the names and (so far as known to him) the addresses of the other parties to the agreement, identifying them as such ; and
- (c) shall state whether or not any of the shares to which the notification relates are shares in which he is interested by virtue of this section and, if so, the number of those shares.

(9) Where a person makes a notification to any company under section 63 of this Act in consequence of ceasing to be interested in any shares in that company by virtue of the fact that he or any other person has ceased to be a party to an agreement to which this section applies, the notification shall include a statement that he or that other person has ceased to be a party to the agreement (as the case may require) and also (in the latter case) the name and (if known to him) the address of that other person.

(10) This section shall not apply to any agreement to underwrite or sub-underwrite any offer of shares in a company, provided the agreement is confined to that purpose and any matters incidental to it.

Obligation of persons acting together to keep each other informed of relevant facts.

68.—(1) A person who is a party to an agreement to which section 67 of this Act applies shall be subject to the requirements of this section at any time when—

- (a) the target company is a public company ; and
- (b) the shares in that company to which the agreement relates consist of or include shares comprised in relevant share capital of that company ; and
- (c) he knows the facts which make the agreement one to which section 67 applies and the facts with respect to the company and the shares mentioned in paragraphs (a) and (b) above respectively.

(2) Any such person shall be under an obligation to notify each other party to the agreement, in writing, of the relevant particulars of his interest (if any) apart from the agreement in

shares comprised in relevant share capital of the target company— PART IV

- (a) on his first becoming subject to the requirements of this section ; and
- (b) on each occurrence after that time while he is still subject to those requirements of any event or circumstances within subsection (1) of section 63 of this Act as it applies to his case otherwise than by reference to interests treated as his under section 67 of this Act as it applies to that agreement.

(3) For the purposes of subsection (2) above, the relevant particulars of a person's interest apart from the agreement in question in shares comprised in relevant share capital of the target company are, in relation to any notice required under that subsection—

- (a) the number of shares (if any) comprised in that share capital in which he would be required to state his interest if he were required to make a notification under section 63 of this Act with respect to his interest in those shares apart from the agreement immediately after the time when his obligation to give that notice under subsection (2) above arose ; and
- (b) the relevant particulars with respect to the registered ownership of those shares, so far as known to him at the date of the notice.

(4) A person who is for the time being subject to the requirements of this section shall also be under an obligation to notify each other party to the agreement, in writing—

- (a) of any relevant particulars with respect to the registered ownership of any shares comprised in relevant share capital of the target company in which he is interested apart from the agreement ; and
- (b) of any change in those particulars ;

of which in either case he becomes aware at any time after any interest notification date and before the first occasion following that date on which he becomes subject to any further obligation to give any notice under subsection (2) above with respect to his interest in shares comprised in that share capital.

(5) The reference in subsection (4) above to an interest notification date, in relation to any person's interest in shares comprised in relevant share capital of the target company, is a reference to either of the following, that is to say—

- (a) the date of any notice given by him with respect to his interest under subsection (2) above ; and

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(b) where he has failed to give any such notice, the date on which the period allowed by this section for giving that notice came to an end.

(6) A person who is a party to an agreement to which section 67 of this Act applies shall be under an obligation to notify each other party to the agreement, in writing, of his current address—

(a) on his first becoming subject to the requirements of this section ; and

(b) on any change in his address occurring after that time and while he is still subject to those requirements.

(7) References in this section to the relevant particulars with respect to the registered ownership of any shares are references to such particulars in relation to those shares as are mentioned in section 65(1)(a) or (b) of this Act.

(8) A person's obligation to give any notice required by this section to any other person must be performed within the period of five days next following the day on which that obligation arises.

Application of section 63 in cases within section 66 or 67.

69.—(1) References in section 63 of this Act to a person's acquiring any interest in shares or ceasing to be interested in any shares shall be read as including references to his becoming or ceasing to be interested in those shares by virtue of another person's interest.

(2) For the purposes of this section, a person becomes or ceases to be interested in any shares by virtue of another person's interest where he becomes or ceases to be interested in any shares by virtue of section 66 or (as the case may be) by virtue of section 67 of this Act, whether—

(a) by virtue of the fact that the person who is interested in those shares becomes or ceases to be a person whose interests (if any) fall by virtue of either of those sections to be treated as his ; or

(b) in consequence of the fact that any such person has become or ceased to be interested in those shares ; or

(c) in consequence of the fact that he himself becomes or ceases to be a party to an agreement to which section 67 applies to which the person interested in those shares is for the time being a party or an agreement to which both he and that person are parties becomes or ceases to be one to which that section applies.

(3) Where a person becomes or ceases to be interested in any shares by virtue of another person's interest he shall be regarded for the purposes of section 63 of this Act as knowing he has acquired an interest in those shares or (as the case may be)

that he has ceased to be interested in those shares if and when he knows both— PART IV

- (a) the relevant facts with respect to that other person's interest in those shares ; and
- (b) the relevant facts by virtue of which he himself has become or ceased to be interested in those shares in accordance with section 66 or 67 of this Act.

(4) For the purposes of subsection (3)(a) above a person shall be regarded as knowing the relevant facts with respect to another person's interest in any shares if he knows (whether contemporaneously or otherwise) either of the subsistence of that other person's interest in those shares at any relevant time or of the fact that that other person has become or ceased to be interested in those shares at any such time ; and in this subsection " relevant time " means any time when that other person's interests (if any) fall or fell to be treated as his by virtue of section 66 or 67 of this Act.

(5) For the purposes of subsection (4) above (but without prejudice to its application apart from this subsection), a person shall be regarded as knowing of the subsistence of another person's interest in any shares or (as the case may be) that another person has become or ceased to be interested in any shares if he has been notified under section 68 of this Act of facts with respect to that other person's interest which indicate that he is or has become or ceased to be interested in those shares (whether on his own account or by virtue of a third person's interest in those shares).

70.—(1) The provisions of this section shall apply, subject ^{Interests to} to section 71 of this Act, in determining for the purposes of ^{be notified.} sections 63 to 65 of this Act whether a person has a notifiable interest in any shares.

(2) Any reference to an interest in shares shall be read as including a reference to any interest of any kind whatsoever in the shares ; and accordingly there shall be disregarded any restraints or restrictions to which the exercise of any right attached to the interest is or may be subject.

(3) Where any property is held on trust and any interest in shares is comprised in that property, any beneficiary of that trust who apart from this subsection does not have an interest in the shares shall be taken to have such an interest.

- (4) A person shall be taken to have an interest in shares if—
 - (a) he enters into a contract for their purchase by him (whether for cash or other consideration) ; or
 - (b) not being the registered holder, he is entitled to exercise any right conferred by the holding of those shares or is entitled to control the exercise of any such right.

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(5) A person shall be taken to have an interest in shares if, otherwise than by virtue of having an interest under a trust—

(a) he has a right to call for delivery of the shares to himself or to his order ; or

(b) he has a right to acquire an interest in shares or is under an obligation to take an interest in shares ;

whether in any case the right or obligation is conditional or absolute.

(6) For the purposes of subsection (4)(b) above, a person shall be taken to be entitled to exercise or control the exercise of any right conferred by the holding of shares if he has a right (whether subject to conditions or not) the exercise of which would make him so entitled or is under an obligation (whether so subject or not) the fulfilment of which would make him so entitled.

(7) Persons having a joint interest shall be taken each of them to have that interest.

(8) It is immaterial that shares in which a person has an interest are unidentifiable.

Interests to be disregarded.

71.—(1) The following interests in shares shall for the purposes of sections 63 to 65 of this Act be disregarded, that is to say—

(a) where any property is held on trust according to the law of England and Wales and any interest in shares is comprised in that property, an interest in reversion or remainder or of a bare trustee or a custodian trustee and any discretionary interest ;

(b) where any property is held on trust according to the law of Scotland and any interest in shares is comprised in that property, an interest in fee or of a simple trustee and any discretionary interest ;

(c) an interest which subsists by virtue of an authorised unit trust scheme within the meaning of the Prevention of Fraud (Investments) Act 1958, a scheme made under section 22 of the Charities Act 1960, section 11 of the Trustee Investments Act 1961 or section 1 of the Administration of Justice Act 1965 or the scheme set out in the Schedule to the Church Funds Investment Measure 1958 ;

(d) an interest of the Church of Scotland General Trustees or of the Church of Scotland Trust in shares held by them or of any other person in shares held by the said Trustees or Trust otherwise than as simple trustees ;

1958 c. 45.

1960 c. 58.

1961 c. 62.

1965 c. 2.

1958 No. 1.

- (e) an interest, for the life of himself or another, of a person under a settlement in the case of which the property comprised in the settlement consists of, or includes, shares, and the conditions mentioned in subsection (3) below are satisfied ; PART IV
- (f) an exempt interest held by a recognised jobber ;
- (g) an exempt security interest ;
- (h) an interest of the President of the Family Division of the High Court subsisting by virtue of section 9 of the Administration of Estates Act 1925 ; 1925 c. 23.
- (i) an interest of the Accountant General of the Supreme Court in shares held by him ;
- (j) any such interests, or interests of such class, as may be prescribed for the purposes of this paragraph by regulations made by the Secretary of State by statutory instrument.

(2) A person shall not by virtue of section 70(4)(b) of this Act be taken to be interested in any shares by reason only that he has been appointed a proxy to vote at a specified meeting of a company or of any class of its members and at any adjournment of that meeting or has been appointed by a corporation to act as its representative at any meeting of a company or of any class of its members.

(3) The conditions referred to in subsection (1)(e) above are, in relation to any settlement—

- (a) that it is irrevocable ; and
- (b) that the settlor (within the meaning of section 444 of the Income and Corporation Taxes Act 1970) has no interest in any income arising under, or property comprised in, the settlement. 1970 c. 10.

(4) A person is a recognised jobber for the purposes of subsection (1)(f) above if he is a member of The Stock Exchange recognised by the Council of The Stock Exchange as carrying on the business of a jobber ; and an interest of any such person in shares is an exempt interest for those purposes if—

- (a) he carries on that business in the United Kingdom ; and
- (b) he holds the interest for the purposes of that business.

(5) An interest in shares is an exempt security interest for the purposes of subsection (1)(g) above if—

- (a) it is held by a person who is—
- (i) a recognised bank or licensed institution within the meaning of the Banking Act 1979 or an insurance company within the meaning of the Insurance Companies Act 1974 to which Part II of that Act applies ; or 1979 c. 37.
1974 c. 49.

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1976 c. 4.

(ii) a trustee savings bank (within the meaning of the Trustee Savings Banks Act 1976) ; or

(iii) a member of The Stock Exchange carrying on business in the United Kingdom as a stock broker ;
and

(b) it is held by way of security only for the purposes of a transaction entered into in the ordinary course of his business as such a person ;

or if it is held by way of security only either by the Bank of England or by the Post Office for the purposes of a transaction entered into in the ordinary course of that part of the business of the Post Office which consists of the provision of banking services.

Supplemen-
tary provisions.

72.—(1) Where a person authorises any other person (“ the agent ”) to acquire or dispose of, on his behalf, interests in shares comprised in relevant share capital of a public company, he shall secure that the agent notifies him immediately of acquisitions or disposals of interests in shares so comprised effected by the agent which will or may give rise to any obligation on his part to make a notification under section 63 of this Act with respect to his interest in that share capital.

(2) An obligation to make any notification imposed on any person by any provision of sections 63 to 65 of this Act shall be treated as not being fulfilled unless the notice by means of which it purports to be fulfilled identifies him and gives his address, and in a case where he is a director of the company, is expressed to be given in fulfilment of that obligation.

(3) A person who—

(a) fails to fulfil, within the proper period, an obligation to make any notification required by any provision of section 63 of this Act ; or

(b) in purported fulfilment of any such obligation makes to a company a statement which he knows to be false or recklessly makes to a company a statement which is false ; or

(c) fails to fulfil, within the proper period, an obligation to give any other person any notice required by section 68 of this Act ; or

(d) fails without reasonable excuse to comply with subsection (1) above ;

shall be guilty of an offence under this section.

(4) A person who is guilty of an offence under this section shall be liable—

(a) on conviction on indictment, to imprisonment for a term not exceeding two years or a fine, or both ; and

(b) on summary conviction, to imprisonment for a term not exceeding six months or a fine not exceeding the statutory maximum, or both.

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(5) It shall be a defence for a person charged with an offence under subsection (3)(c) above to prove that it was not possible for him to give the notice to that other person required by section 68 within the proper period, and either—

(a) that it has not since become possible for him to give the notice so required ; or

(b) that he gave that notice as soon after the end of that period as it became possible for him to do so.

(6) Where a person is convicted of an offence under this section, other than an offence relating to his ceasing to be interested in shares in any company, the Secretary of State may direct that the shares in relation to which the offence was committed shall, until further order, be subject to the restrictions imposed by section 174 of the 1948 Act.

(7) Subsection (6) above shall apply in relation to shares in any company notwithstanding any power contained in the memorandum or articles of the company enabling it to impose similar restrictions on the shares in question itself.

(8) Subsections (3) to (7) of section 174 of the 1948 Act shall apply in relation to any shares subject to the restrictions imposed by that section by virtue of an order under this section as those subsections apply where the restrictions are imposed by virtue of an order under that section.

(9) Proceedings in respect of an offence under this section shall not, in England and Wales, be instituted except by, or with the consent of, the Secretary of State or the Director of Public Prosecutions.

Register of interests in shares

73.—(1) Every public company shall keep a register for the purposes of sections 63 to 65 of this Act, and whenever the company receives information from a person in consequence of the fulfilment of an obligation imposed on him by any of those sections, it shall be under an obligation to inscribe in the register, against the name of that person, that information and the date of the inscription. Register of interests in shares.

(2) Without prejudice to subsection (1) above, where a company receives a notification under section 63 of this Act which includes a statement that the person making the notification or any other person has ceased to be a party to an agreement to which section 67 of this Act applies, it shall be under an obligation to record that information against the name of that person

PART IV in every place where his name appears in the register as a party to that agreement (including any entry relating to him made against another person's name).

(3) An obligation imposed by subsection (1) or (2) above must be fulfilled within the period of three days next following the day on which that obligation arises.

(4) The company shall not, by virtue of anything done for the purposes of this section, be affected with notice of, or put upon inquiry as to, the rights of any person in relation to any shares.

(5) The register must be so made up that the entries against the several names inscribed in the register appear in chronological order.

(6) Unless the register is in such form as to constitute in itself an index, the company shall keep an index of the names inscribed in the register which shall in respect of each name contain a sufficient indication to enable the information inscribed against it to be readily found; and the company shall, within ten days after the date on which a name is inscribed in the register, make any necessary alteration in the index.

(7) Where the company ceases to be a public company it shall continue to keep the register and any associated index until the end of the period of six years beginning with the day next following that on which it ceases to be such a company.

(8) The register and any associated index—

(a) shall be kept at the place at which the register required to be kept by the company by section 29 of the 1967 Act (register of directors' interests) is kept; and

(b) subject to subsection (9) below, shall be available for inspection in accordance with section 80 of this Act.

(9) Neither the register nor any associated index shall be available for inspection in accordance with that section in so far as it contains information with respect to a company for the time being entitled to avail itself of the benefit conferred by section 3(3) or 4(3) of the 1967 Act (exemption of a company from requirement to disclose in its accounts particulars of substantial shareholdings in subsidiaries or other bodies corporate incorporated or carrying on business outside the United Kingdom in circumstances where disclosure would be harmful to business).

(10) If default is made in complying with subsection (1) or (2) or with any of subsections (5) to (7) above, the company and every officer of the company who is in default shall be liable on summary conviction to a fine not exceeding one-fifth of the statutory maximum or, on conviction after continued contravention, a default fine not exceeding one-fiftieth of the statutory maximum.

Investigation by a company of interests in shares

PART IV

74.—(1) Any public company may by notice in writing require any person whom the company knows or has reasonable cause to believe to be or, at any time during the three years immediately preceding the date on which the notice is issued, to have been interested in shares comprised in relevant share capital of that company to confirm that fact or (as the case may be) to indicate whether or not it is the case and, where he holds or has during that time held any interest in shares so comprised, to give such further information as may be required in accordance with subsection (2) below.

Power of company to require information with respect to interests in its voting shares.

(2) A notice under subsection (1) above may require the person to whom it is addressed—

- (a) to give particulars of his own past or present interest in shares comprised in relevant share capital of the company held by him at any time during the three year period mentioned in subsection (1) above ;
- (b) where the interest is a present interest and any other interest in the shares subsists or, in any case, where another interest in the shares subsisted during that three year period at any time when his own interest subsisted, to give so far as lies within his knowledge such particulars with respect to that other interest as may be required by the notice ;
- (c) where his interest is a past interest, to give so far as lies within his knowledge particulars of the identity of the person who held that interest immediately upon his ceasing to hold it.

(3) The particulars referred to in subsection (2)(a) and (b) above include particulars of the identity of persons interested in the shares in question and of whether persons interested in the same shares are or were parties to any agreement to which section 67 of this Act applies or to any agreement or arrangement relating to the exercise of any of the rights conferred by the holding of the shares.

(4) A notice under this section shall require any information given in response to the notice to be given in writing within such reasonable time as may be specified in the notice.

(5) Sections 66, 67 and 70 of this Act shall apply for the purpose of construing references in this section to persons interested in shares and to interests in shares respectively as they apply in relation to section 63 of this Act (but with the omission of any reference to section 71).

(6) This section shall apply in relation to a person who has or previously had or is or was entitled to acquire a right to subscribe for shares in a public company which would on issue

PART IV be comprised in relevant share capital of that company as it applies in relation to a person who is or was interested in shares so comprised; and references in the preceding provisions of this section to an interest in shares so comprised and to shares so comprised shall be read accordingly in any such case as including references respectively to any such right and to shares which would on issue be so comprised.

Registration
of interests
disclosed
under
section 74.

75.—(1) Whenever in pursuance of a requirement imposed on any person under section 74 of this Act a company receives any information to which this section applies relating to shares comprised in relevant share capital of the company it shall be under an obligation to inscribe against the name of the registered holder of those shares in a separate part of its register of interests in shares—

- (a) the fact that the requirement was imposed and the date on which it was imposed; and
- (b) any information to which this section applies received in pursuance of the requirement.

(2) This section applies to any information received in pursuance of a requirement imposed under section 74 which relates to the present interests held by any persons in shares comprised in relevant share capital of the company in question.

(3) Subsections (3) to (10) of section 73 of this Act shall apply in relation to the part of the register maintained in accordance with subsection (1) above as they apply in relation to the remainder of the register, reading references to subsection (1) of that section as including references to subsection (1) above.

Investigation
and report on
requisition
of members.

76.—(1) A company may be required to exercise its powers under section 74 of this Act on the requisition of members of the company holding at the date of the deposit of the requisition not less than one-tenth of such of the paid up capital of the company as carries at that date the right of voting at general meetings of the company.

(2) The requisition must—

- (a) state that the requisitionists are requiring the company to exercise its powers under section 74 of this Act;
- (b) specify the manner in which they require those powers to be exercised; and
- (c) give reasonable grounds for requiring the company to exercise those powers in the manner specified;

and must be signed by the requisitionists and deposited at the registered office of the company.

(3) The requisition may consist of several documents in like form each signed by one or more requisitionists.

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(4) On the deposit of a requisition which complies with this section it shall be the duty of the company to exercise its powers under section 74 of this Act in the manner specified in the requisition.

(5) On the conclusion of any investigation carried out by a company in pursuance of a requisition under this section it shall be the duty of the company to cause a report of the information received in pursuance of that investigation to be prepared, and that report shall be made available at the registered office of the company within a reasonable period after the conclusion of that investigation.

(6) Where—

- (a) a company undertakes an investigation in pursuance of a requisition under this section ; and
- (b) that investigation is not concluded before the end of the period of three months beginning with the date immediately following the date of the deposit of the requisition ;

it shall be the duty of the company to cause to be prepared, in respect of that period and each successive period of three months ending before the conclusion of the investigation, an interim report of the information received during that period in pursuance of the investigation, and each such interim report shall be made available at the registered office of the company within a reasonable period after the end of the period of three months to which it relates.

(7) The period for making any report prepared under this section available as required by subsection (5) or (6) above shall not exceed fifteen days.

(8) A report prepared under this section shall not include any information with respect to a company entitled to avail itself of the benefit conferred by section 3(3) or 4(3) of the 1967 Act (where disclosure of substantial holdings in bodies incorporated or carrying on business outside the United Kingdom would be harmful) but where any such information is omitted that fact shall be stated in the report.

(9) The company shall within three days of making any report prepared under this section available at its registered office notify the requisitionists that the report is so available.

(10) An investigation carried out by a company in pursuance of a requisition under this section shall be regarded for the purposes of this section as concluded when the company has made all such enquiries as are necessary or expedient for the

PART IV purposes of the requisition and, in the case of each such enquiry, either a response has been received by the company or the time allowed for a response has elapsed.

(11) Any report prepared under this section—

- (a) shall be kept at the company's registered office from the day on which it is first made available there in accordance with subsection (5) or (6) above until the expiration of the period of six years beginning with the day next following that day ; and
- (b) shall be available for inspection in accordance with section 80 of this Act so long as it is so kept.

(12) If default is made in complying with subsection (4), (5), (6) (9) or (11)(a) above the company and every officer of the company who is in default shall be liable—

- (a) on conviction on indictment, to a fine ; and
- (b) on summary conviction, to a fine not exceeding the statutory maximum.

Penalties for failure to provide information under section 74.

77.—(1) Where a notice is served by any company under subsections (1) and (2) of section 74 of this Act on any person who is or was interested in any shares in the company and that person fails to give the company any information required by the notice within the time specified in the notice, the company may apply to the court for an order directing that the shares in question shall be subject to the restrictions imposed by section 174 of the 1948 Act.

(2) An order may be made by the court on an application under subsection (1) above notwithstanding any power contained in the memorandum or articles of the applicant company enabling it to impose similar restrictions on the shares in question itself.

(3) Where an order is made under subsection (1) above directing that shares shall be subject to the restrictions imposed by section 174 of the 1948 Act, the company or any person aggrieved by the order may apply to the court for an order directing that the shares shall cease to be subject thereto.

(4) Subsections (3A) to (7) of section 174 shall apply in relation to any shares subject to the restrictions imposed by section 174 by virtue of an order under this section but with the omission in subsections (3A) to (6) of any reference to the Secretary of State or the Board of Trade.

(5) Subject to subsections (6) and (7) below, any person who fails to comply with a notice under section 74 of this Act, or who, in purported compliance with such a notice, makes any

statement which he knows to be false in a material particular or recklessly makes any statement which is false in a material particular shall be guilty of an offence and liable—

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(a) on conviction on indictment, to imprisonment for a term not exceeding two years or a fine or both ; and

(b) on summary conviction, to imprisonment for a term not exceeding six months or a fine not exceeding the statutory maximum or both.

(6) A person shall not be guilty of an offence by virtue of failing to comply with a notice under section 74 of this Act if he proves that the requirement to give the information was frivolous or vexatious.

(7) A person shall not be obliged to comply with a notice under section 74 of this Act if he is for the time being exempted by the Secretary of State from the operation of that section ; but the Secretary of State shall not grant any such exemption except after consultation with the Governor of the Bank of England and unless satisfied that, having regard to any undertaking given by the person in question with respect to the shares held or to be held by him, there are special reasons why that person should not be subject to the obligations imposed by that section.

Removal of entries from register

78.—(1) A company may remove an entry against any person's name from its register of interests in shares where more than six years have elapsed since the date of its inscription, and either—

Provision for removal of certain entries in register.

(a) that entry recorded the fact that the person in question had ceased to have an interest subject to the notification requirement under section 63 of this Act in relevant share capital of the company ; or

(b) it has been superseded by a later entry inscribed under section 73 of this Act against the same person's name ;

and in a case within paragraph (a) above the company may also remove that person's name from the register.

(2) Where any person in pursuance of an obligation imposed on him by any provision of this Part of this Act gives to a company the name and address of any other person as being interested in shares in the company, the company shall, within fifteen days of the date on which it was given that information, notify that other person that he has been so named and shall include in that notification—

(a) particulars of any entry relating to him made, in consequence of its being given that information, by the company in its register of interests in shares ; and

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(b) a statement informing him of his right to apply to have that entry removed in accordance with the following provisions of this section.

(3) Any person who has been notified by a company in pursuance of subsection (2) above that an entry relating to him has been made in the company's register of interests in shares may apply in writing to the company for the removal of that entry from the register; and the company shall remove that entry if satisfied that the information in pursuance of which that entry was made was incorrect.

(4) Where a person who is identified in a company's register of interests in shares as being a party to an agreement to which section 67 of this Act applies (whether by an entry against his own name or by an entry relating to him made against another person's name as mentioned in subsection (2)(a) above) ceases to be a party to that agreement, he may apply in writing to the company for the inclusion of that information in the register and if the company is satisfied that he has ceased to be a party to that agreement it shall record that information (if not already recorded) in every place where his name appears as a party to that agreement in the register.

(5) Where an application under subsection (3) or (4) above is refused (in a case within subsection (4), otherwise than on the ground that the information has already been recorded) the applicant may apply to the court for an order directing the company to remove the entry in question from the register or (as the case may be) to include the information in question in the register, and the court may if it thinks fit make such an order.

(6) Where any name is removed from a company's register of interests in shares in pursuance of subsection (1) or (3) above or an order under subsection (5), the company shall within fourteen days of the date of that removal make any necessary alteration in any associated index.

(7) If default is made in complying with subsection (2) or (6) above, the company and every officer who is in default shall be liable on summary conviction to a fine not exceeding one-fifth of the statutory maximum or, on conviction after continued contravention, a default fine not exceeding one-fiftieth of the statutory maximum.

Prohibition of removal of entries in register.

79.—(1) Entries in a company's register of interests in shares shall not be deleted except in accordance with section 78 of this Act.

(2) If an entry is deleted from a company's register of interests in shares in contravention of subsection (1) above the company shall restore that entry to the register as soon as is reasonably practicable.

(3) If default is made in complying with subsection (1) or (2) above the company and every officer who is in default shall be liable on summary conviction to a fine not exceeding one-fifth of the statutory maximum or, on conviction after continued contravention of subsection (2), a default fine not exceeding one-fiftieth of the statutory maximum.

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Inspection of register and reports

80.—(1) Any register of interests in shares and any report which is required by section 76 of this Act to be available for inspection in accordance with this section shall, during business hours (subject to such reasonable restrictions as the company may in general meeting impose, provided that not less than two hours in each day are allowed for inspection) be open to the inspection of any member of the company or of any other person without charge.

Inspection of register and reports.

(2) Any such member or other person may require a copy of any such register or report, or any part of it, on payment of ten pence or such less sum as the company may prescribe, for every hundred words or fractional part thereof required to be copied; and the company shall cause any copy so required by a person to be sent to him before the expiration of the period of ten days beginning with the day next following that on which the requirement is received by the company.

(3) If an inspection required under this section is refused or a copy required under this section is not sent within the proper period, the company and every officer of the company who is in default shall be liable on summary conviction to a fine not exceeding one-fifth of the statutory maximum, or on conviction after continued contravention, a default fine not exceeding one-fiftieth of the statutory maximum.

(4) In the case of a refusal of an inspection required under this section of any register or report, the court may by order compel an immediate inspection of it; and in the case of failure to send a copy required under this section, the court may by order direct that the copy required shall be sent to the person requiring it.

(5) The Secretary of State may by regulations made by statutory instrument substitute a sum specified in the regulations for the sum for the time being mentioned in subsection (2) above.

Supplemental

81.—(1) Where a body corporate is guilty of an offence under section 72 or 77(5) of this Act and it is proved that the offence occurred with the consent or connivance of, or was attributable to any neglect on the part of any director, manager, secretary

Offences by bodies corporate.

PART IV or other officer of the body, or any person who was purporting to act in any such capacity, he, as well as the body corporate, shall be deemed to be guilty of that offence and shall be liable to be proceeded against and punished accordingly.

(2) Where the affairs of a body corporate are managed by its members, subsection (1) above shall apply in relation to the acts and defaults of a member in connection with his functions of management as if he were a director of the body corporate.

Interpretation
of Part IV.

82.—(1) In this Part of this Act—

“associated index”, in relation to any register, means the index kept in relation to that register in pursuance of section 73(6) of this Act;

“register of interests in shares” means the register kept in pursuance of section 73 of this Act including, except where the context otherwise requires, that part of the register kept in pursuance of section 75 of this Act; and

“relevant share capital” has the meaning given by section 63(10) of this Act.

(2) It is hereby declared for the avoidance of doubt that where the relevant share capital of a public company is divided into different classes of shares, references in this Part of this Act to a percentage of the nominal value of its relevant share capital are references to a percentage of the nominal value of the issued shares comprised in each of those classes taken separately.

(3) Where the period allowed by any provision of this Part of this Act for fulfilling any obligation is expressed as a number of days, any day that is a Saturday or Sunday or a bank holiday in any part of Great Britain shall be disregarded in reckoning that period.

Repeals,
transitional
provisions
and saving.

83.—(1) Sections 33 and 34 of the 1967 Act and sections 26 and 27 of the 1976 Act, which are superseded by the preceding provisions of this Part of this Act, shall cease to have effect.

(2) Subject to subsection (3) below, where on the appointed day a person has an interest subject to the notification requirement under section 63 of this Act in relevant share capital of a public company he shall be under an obligation to make to the company the notification with respect to his interest required by subsection (5) of that section.

(3) A person shall not be required to make any such notification by virtue of subsection (2) above in any case where—

(a) he has made a notification to the company under section 33 of the 1967 Act with respect to any interest of his in shares comprised in the share capital in question; and

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(b) the percentage level of the interest notified (or last notified) by him under that section is the same as the percentage level of his interest on the appointed day determined in accordance with section 63 of this Act.

(4) In subsection (3)(b) above “percentage level” means, in relation to any interest in share capital notified by a person under section 33 of the 1967 Act, the percentage figure found by expressing the aggregate nominal value of all the shares so notified as a percentage of the nominal value of that share capital as known to the person in question on the appointed day and rounding that figure down, if it is not a whole number, to the next whole number.

(5) Section 63(6) shall not apply in any case where a person is required to make a notification under that section by virtue of subsection (2) above, but a person’s obligation to make any such notification must be performed within the period of ten days next following the appointed day.

(6) Section 67 of this Act shall apply in relation to an agreement notwithstanding that it was made before the appointed day or that any such acquisition of shares as is mentioned in subsection (1)(b) of that section took place before the appointed day.

(7) Section 69 of this Act applies where a person becomes or ceases to be interested in any shares by virtue of section 66 or 67 of this Act on the coming into operation of either of the two last-mentioned sections as it applies in the other cases mentioned in subsection (2) of that section ; and references in that section to a person’s becoming interested in any shares by virtue of section 66 shall be read as including any case within this subsection notwithstanding that the person in question was interested in the shares immediately before the appointed day by virtue of section 28(3) of the 1967 Act.

(8) Any register kept by a company immediately before the appointed day under section 34 of the 1967 Act, and any part of any such register so kept for the purposes of section 27 of the 1976 Act, shall continue to be kept by the company under and for the purposes of sections 73 and 75 of this Act respectively.

(9) Notwithstanding the repeal by this Act of section 27 of the 1976 Act, subsections (1) to (4) and (7) to (10) of that section shall continue to apply in relation to any notice given to any person under that section before the appointed day (and further notices may accordingly be given under that section on or after

PART IV that day by virtue of information received in pursuance of any notice given before that day or any further notice given by virtue of this subsection); and references in section 75 of this Act to a requirement imposed under section 74 of this Act shall be read as including references to a requirement imposed under section 27.

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MISCELLANEOUS AND SUPPLEMENTAL

Profits available for distribution

Development costs shown as an asset to be set off against a company's distributable profits.

84. The following section shall be inserted after section 42 of the 1980 Act—

“Treatment of development costs.

42A.—(1) Subject to the following provisions of this section, where development costs are shown as an asset in a company's accounts, any amount shown in respect of those costs shall be treated—

(a) for the purposes of section 39 above, as a realised loss; and

(b) for the purposes of section 41 above, as a realised revenue loss.

(2) Subsection (1) above shall not apply to any part of that amount representing an unrealised profit made on revaluation of those costs.

(3) Subsection (1) above shall not apply if—

(a) there are special circumstances in the case of the company justifying the directors in deciding that the amount there mentioned shall not be treated as required by that subsection; and

(b) the note to the accounts required by paragraph 20 of Schedule 8 to the 1948 Act (note giving reasons for including development costs as an asset) states that that amount is not to be so treated and explains the circumstances relied upon to justify the decision of the directors to that effect.”

Distributions in kind.

85. The following section shall be inserted after section 43 of the 1980 Act—

“Distributions in kind.

43A. Where a company makes a distribution or including any non-cash asset and any part of the amount at which that asset is stated in the accounts

relevant for the purposes of that distribution in accordance with section 43 of this Act represents an unrealised profit, that profit shall be treated as a realised profit—

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- (a) for the purpose of determining the lawfulness of that distribution in accordance with this Part of this Act (whether before or after it takes place); and
- (b) for the purpose of the application of paragraphs 12(a) and 34(4)(b) of Schedule 8 to the 1948 Act (only realised profits to be included in or transferred to the profit and loss account) in relation to anything done with a view to or in connection with making that distribution.”.

Investigations and inquiries

86.—(1) In section 164(1) of the 1948 Act (investigation of company's affairs on application of members) the following words shall be added at the end of paragraph (b), that is to say, “and

(c) in any case, on the application of the company.”.

(2) In subsection (2) of that section (applicants to give security for costs not exceeding £100)—

- (a) for the word “applicants” there shall be substituted the words “applicant or applicants”; and
- (b) for the words from “one hundred pounds” to the end there shall be substituted the words “five thousand pounds, or such other sum as the Secretary of State may by order specify, for the payment of the costs of the investigation.

An order under this subsection shall be made by statutory instrument which shall be subject to annulment in pursuance of a resolution of either House of Parliament.”.

(3) Section 165(1)(a)(i) of the 1948 Act, which is superseded by subsection (1) above, shall cease to have effect.

87.—(1) In section 167 of the 1948 Act (duty of officers and agents to produce documents, attend before inspectors and give assistance in connection with investigation) after subsection (1) there shall be inserted the following subsections—

Duty of directors and others to assist inspectors.

“(1A) If the inspectors consider that a person other than an officer or agent of the company or other body

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corporate is or may be in possession of any information concerning its affairs, they may require that person to produce to them any books or documents in his custody or power relating to the company or other body corporate, to attend before them and otherwise to give them all assistance in connection with the investigation which he is reasonably able to give; and it shall be the duty of that person to comply with the requirement.

(1B) If an inspector has reasonable grounds for believing that a director, or past director, of the company or other body corporate whose affairs the inspector is investigating maintains or has maintained a bank account of any description, whether alone or jointly with another person and whether in Great Britain or elsewhere, into or out of which there has been paid—

(a) the emoluments or part of the emoluments of his office as such director particulars of which have not been disclosed in the accounts of the company or other body corporate for any financial year contrary to section 6 of the Companies Act 1967 (particulars in accounts of directors' emoluments); or

(b) any money which has resulted from or been used in the financing of any transaction, arrangement or agreement—

(i) particulars of which have not been disclosed in a note to the accounts of any company for any financial year, contrary to section 54 of the Companies Act 1980 (disclosure of contracts between companies and their directors, etc.); or

(ii) in respect of which any amount outstanding was not included in the aggregate amounts outstanding in respect of certain transactions, arrangements or agreements required to be disclosed in a note to the accounts of any company for any financial year by subsections (4) and (4A) of section 56 of that Act (transactions, etc. between recognised banks and their directors, etc.), contrary to subsection (4) of that section; or

(iii) particulars of which were not included in any register of certain transactions, arrangements and agreements required to be maintained by section 57 of that Act (register of transactions between recognised banks and their directors, etc.) contrary to that section; or

- (c) any money which has been in any way connected with any act or omission, or series of acts or omissions, which on the part of that director constituted misconduct (whether fraudulent or not) towards that company or body corporate or its members ;

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the inspector may require the director to produce to him all documents in the director's possession, or under his control, relating to that bank account."

(2) In subsection (2) of section 167 after the words " the officers and agents of the company or other body corporate " there shall be inserted the words "and any such person as is mentioned in subsection (1A) of this section "; in subsection (3) of that section after the words " any officer or agent of the company or other body corporate " there shall be inserted the words " or any such person as is mentioned in subsection (1A) of this section "; and subsection (4) of that section (which is superseded by the new subsection (1A)) shall cease to have effect.

88.—(1) In section 168 of the 1948 Act (inspectors' reports) the following subsection shall be substituted for subsection (2)—

Disclosure and authentication of inspectors' reports.

" (2) Where the inspectors were appointed under section 165 of this Act in pursuance of an order of the court, the Secretary of State shall furnish a copy of any report of theirs to the court and, in any case, he may if he thinks fit—

- (a) forward a copy of any report made by the inspectors to the company's registered office ;
- (b) furnish a copy on request and payment of the prescribed fee to—
 - (i) any member of the company or other body corporate which is the subject of the report ;
 - (ii) any person whose conduct is referred to in the report ;
 - (iii) the auditors of that company or body corporate ;
 - (iv) the applicants for the investigation ;
 - (v) any other person whose financial interests appear to the Secretary of State to be affected by the matters dealt with in the report, whether as a creditor of the company or body corporate or otherwise ; and

(c) cause any such report to be printed and published."

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(2) In section 171 of the 1948 Act (inspectors' report to be evidence) for the words from "authenticated" to "investigated" there shall be substituted the words "certified by the Secretary of State to be a true copy of such a report"; and at the end there shall be added the following paragraph—

"Any document purporting to be such a certificate as is referred to above shall be received in evidence and shall, unless the contrary is proved, be deemed to be such a certificate."

Duty of directors and others to assist in investigations under section 172 of the 1948 Act.

89. In section 172(5) of the 1948 Act (application of sections 166 to 168 of that Act to investigations of true ownership of companies under section 172)—

(a) after the words "of this Act" there shall be inserted the words "except section 167(1B)";

(b) in paragraph (a) after the words "on behalf of others" there shall be inserted the words "and to any other person whom the inspector has reasonable cause to believe possesses information relevant to the investigation"; and

(c) the following paragraph shall be substituted for paragraph (b)—

"(b) if the Secretary of State is of opinion that there is good reason for not divulging any part of a report made by virtue of this section, he may disclose the report under section 168(2) of this Act with the omission of that part; and may cause to be kept by the registrar a copy of the report with that part omitted or, in the case of any other such report, a copy of the whole report."

Extension of power to require information to be provided under section 173 of the 1948 Act.

90. In section 173(1) of the 1948 Act (certain persons required to give information about interests in shares to the Secretary of State) for the words from "(a) to be" to "expected to obtain" there shall be substituted the words "to have or to be able to obtain any information" and at the end of that subsection there shall be inserted the following words, "to give any such information to the Secretary of State".

Amendment of section 174 of the 1948 Act.

91.—(1) Subject to subsection (8) below, section 174 of the 1948 Act (power to impose restrictions on shares or debentures) shall have effect subject to the following modifications.

(2) In subsection (1) (power of Secretary of State to impose restrictions) the words from "and that" to "Act" shall cease to have effect.

(3) The following subsections shall be inserted after subsection (2)—

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“(2A) Where shares are subject to the restrictions imposed by subsection (2)(a) of this section any agreement to transfer the shares or in the case of unissued shares the right to be issued with the shares shall be void except an agreement to sell the shares on the making of an order made under subsection (3A)(b) of this section.

(2B) Where shares are subject to the restrictions imposed by subsection (2)(c) or (d) of this section any agreement to transfer any right to be issued with other shares in right of those shares or to receive any payment on those shares (otherwise than in a liquidation) shall be void except an agreement to transfer any such right on the sale of the shares on the making of an order made under subsection (3A)(b) of this section.”.

(4) In subsection (3) (power of court to lift restrictions) for the words from “and the court may” to the end there shall be substituted the words “for an order directing that the shares shall cease to be subject thereto.”; and the following subsections shall be inserted after subsection (3)—

“(3A) Subject to subsections (3B) and (4A) of this section, an order of the court or of the Secretary of State directing that shares shall cease to be subject to the restrictions imposed by this section may be made only if—

- (a) the court or, as the case may be, the Secretary of State is satisfied that the relevant facts about the shares have been disclosed to the company and no unfair advantage had accrued to any person as a result of the earlier failure to make that disclosure; or
- (b) the shares are to be sold and the court or the Secretary of State approves the sale.

(3B) Where any shares in a company are subject to restrictions imposed by this section, the court may on the application of the Secretary of State or the company order the shares to be sold, subject to the approval of the court as to the sale, and may also direct that the shares shall cease to be subject to those restrictions.

(3C) Where an order has been made under subsection (3B) of this section then, on the application of the Secretary of State, the company, the person appointed by or in pursuance of the order to effect the sale or any person interested in the shares, the court may make such further order relating to the sale or to the transfer of the shares as it thinks fit.

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(3D) Where any shares are sold in pursuance of an order made under subsection (3B) of this section, the proceeds of sale, less the costs of the sale, shall be paid into court for the benefit of the persons who are beneficially interested in the shares; and any such person may apply to the court for the whole or part of those proceeds to be paid to him.

(3E) On an application under subsection (3D) of this section the court shall, subject to subsection (3F) of this section, order the payment to the applicant of the whole of the proceeds of sale together with any interest thereon or, if any other person had a beneficial interest in the shares at the time of their sale, such proportion of those proceeds and interest as is equal to the proportion which the value of the applicant's interest in the shares bears to the total value of the shares.

(3F) On granting an application for an order under subsection (3B) or (3C) of this section the court may order that the costs of the applicant shall be paid out of the proceeds of sale; and, where an order under this subsection is made, the applicant shall be entitled to payment of his costs out of the proceeds of sale before any person interested in the shares in question receives any part of those proceeds."

(5) In subsection (4) (continuation of subsection (2)(c) and (d) restrictions) after the words "those shares" there shall be inserted the words "or which is made under subsection (3B) of this section".

(6) The following subsection shall be inserted after subsection (4)—

"(4A) Subsection (3A) of this section shall not apply in relation to any order of the court or of the Secretary of State directing that shares shall cease to be subject to any restrictions which have been continued in force in relation to those shares by virtue of subsection (4) of this section."

(7) In subsection (5) (criminal offences) the following paragraph shall be inserted after paragraph (c) "or

(d) being the holder of any such shares, or being entitled to any such right as is mentioned in subsection (2B) of this section, enters into any agreement which is void by virtue of subsection (2A) or (2B) of this section;".

(8) The preceding provisions of this section and the repeal of part of section 174(1) contained in Schedule 4 to this Act shall not have effect in relation to any shares which on the appointed day are subject to the restrictions imposed by section 174; and subsection (3) above shall not apply in relation to any agreement made before the appointed day.

92.—(1) In subsection (3) of section 334 of the 1948 Act (powers of the Secretary of State to investigate cases where it appears to the liquidator in a voluntary winding up that an offence has been committed) for the words from “and may if they think it expedient” to the end there shall be substituted the words “and for the purpose of any such investigation may exercise any of the powers which are exercisable by inspectors appointed under section 164 or 165 of this Act to investigate the affairs of a company ; and for that purpose any obligation imposed upon any person by any provision of this Act to produce documents or give information to or otherwise to assist such inspectors in their investigations shall be construed as an obligation similarly to assist the Secretary of State in any investigation under this subsection.”.

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Powers of
Secretary of
State under
section 334 of
the 1948 Act.

(2) In section 334, the following subsection shall be inserted after subsection (3)—

“(3A) An answer given by a person to a question put to him in exercise of the powers conferred by subsection (3) of this section may be used in evidence against him.”.

(3) In subsection (5) of that section for the words from the beginning to “able to give” there shall be substituted the following words—

“(5) Where any criminal proceedings are instituted by the Director of Public Prosecutions, the Lord Advocate or the Secretary of State following any report or reference made under this section, it shall be the duty of the liquidator and of every officer and agent of the company past and present (other than the defendant) to give to the Director or the Lord Advocate or the Secretary of State, as the case may be, all assistance in connection with the prosecution which he is reasonably able to give.”.

(4) In subsection (6) of that section for the words “or Lord Advocate” there shall be substituted the words “Lord Advocate or the Secretary of State”.

Restrictions on participation in management of companies and disclosure of directorships

93.—(1) In section 188 of the 1948 Act (orders of court restraining persons from managing companies) the following subsections shall be substituted for subsections (1) and (2)—

“(1) Where—

(a) a person is convicted of an indictable offence (whether on indictment or summarily) in connection with the promotion, formation, management or liquidation of a company or with the receivership or management of the property of a company ; or

Disqualifica-
tion of
directors and
others from
managing
companies,
etc.

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(b) it appears to the court that a person has been persistently in default in relation to the relevant requirements ; or

(c) in the course of the winding up of a company it appears that a person—

(i) has been guilty of an offence for which he is liable (whether he has been convicted or not) under section 332 of this Act ; or

(ii) has otherwise been guilty, while an officer or liquidator of the company or receiver or manager of the property of the company, of any fraud in relation to the company or of any breach of his duty as such officer, liquidator, receiver or manager ;

the court may make a disqualification order against that person.

(1A) Where a person is convicted of a summary offence which is a relevant offence and, during the five years ending with the date of that conviction, he has had made against him or has been convicted of, in total, not less than three default orders and relevant offences (including that and any other offence of which he is convicted on the same occasion), the court by which he is convicted of that offence or, in England and Wales, any other magistrates' court acting for the same petty sessions area may make a disqualification order against that person.

(1B) For the purposes of this section, a "disqualification order" is an order that the person against whom the order is made shall not without leave of the court be a liquidator or a director or a receiver or manager of the property of a company or in any way, whether directly or indirectly, be concerned or take part in the promotion, formation or management of a company for such period, not exceeding the relevant period, as may be specified in the order.

(1C) Subsection (1)(a) and (c)(ii) of this section shall not apply in relation to anything done before the date on which section 93 of the Companies Act 1981 came into force by a person in his capacity as liquidator of a company or as receiver or manager of the property of a company.

(2) Subject to subsection (1C) of this section, subsection (1)(a) of this section—

(a) shall apply in any case where a person is convicted on indictment of an offence which he committed (and, in the case of a continuing offence, had ceased to commit) before the date on which

section 93 of the Companies Act 1981 came into force but in such a case a disqualification order shall not be made for any period in excess of five years ;

- (b) shall not apply in any case where a person is convicted summarily—
- (i) in England and Wales, if he had consented so to be tried before that date ; or
 - (ii) in Scotland, if the summary proceedings commenced before that date.

(2A) Subject to subsection (1C) of this section, subsection (1)(c) of this section shall apply in relation to any offence committed or other thing done before the date on which section 93 of the Companies Act 1981 came into force but a disqualification order made on the grounds of such offence or other thing done shall not be made for any period in excess of five years.

(2B) The powers conferred on any court by subsection (1A) of this section shall not be exercisable in any case where a person is convicted of an offence which he committed (and, in the case of a continuing offence, had ceased to commit) before the date referred to in subsection (2)(a) of this section ; and for the purposes of subsections (1)(b) and (1A) no account shall be taken of any offence which was committed or any default order made before 1st June 1977.

(2C) For the purposes of an application made under subsection (1)(b) of this section, the fact that a person has been persistently in default in relation to the relevant requirements may (without prejudice to its proof in any other manner) be conclusively proved by showing that in the five years ending with the date of the application he has been adjudged guilty (whether or not on the same occasion) of three or more defaults in relation to those requirements.

A person shall be treated as being adjudged guilty of a default in relation to a relevant requirement for the purposes of this subsection if he is convicted of any relevant offence or a default order is made against him.

(2D) In this section, except where the context otherwise requires—

“ company ” includes any company which may be wound up under Part IX of this Act ;

“ the court ”—

(a) in relation to the making of a disqualification order under subsection (1) of this section

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means any court having jurisdiction to wind up any of the companies in relation to which the offence or other default has been or is alleged to have been committed ;

(b) in relation to the making of a disqualification order against any person by virtue of subsection (1)(a) of this section, includes the court by or before which he is convicted of the offence there mentioned and, in the case of a summary conviction in England and Wales, any other magistrates' court acting for the same petty sessions area ;

(c) in relation to the granting of leave to promote or form a company, means any court with any jurisdiction to wind up companies ; and

(d) in relation to the granting of leave to be a liquidator or a director of or otherwise take part in the management of a company or to be a receiver or manager of the property of a company, means any court having jurisdiction to wind up that company ;

“ default order ” means an order made against any person under section 337, 375 or 428 of this Act (enforcement of duties of liquidators, receivers and managers and companies to make returns, etc.) or under section 5(1) of the Companies Act 1976 (order requiring failure to deliver accounts within required time to be made good) by virtue of any contravention of or failure to comply with any relevant requirement (whether on his own part or on the part of any company) ;

“ officer ”, in relation to any company, includes any person in accordance with whose directions or instructions the directors of the company have been accustomed to act ;

“ petty sessions area ” has the meaning given by section 150 of the Magistrates' Courts Act 1980 ;

“ relevant offence ” means an offence of which a person is convicted (whether on indictment or summarily) by virtue of any contravention of or failure to comply with any relevant requirement (whether on his own part or on the part of any company) ;

“ the relevant period ” means—

(a) in relation to an order made by a court of summary jurisdiction or an order made in

pursuance of subsection (1)(b) above, five years ;
and

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(b) in relation to any other order, fifteen
years ; and

“ relevant requirement ” means any provision of the
Companies Acts 1948 to 1981 which requires any
return, account or other document to be filed with,
delivered or sent, or notice of any matter to be
given, to the registrar.

(2E) For the purposes of this section, the definitions of
“ indictable offence ” and “ summary offence ” contained in
Schedule 1 to the Interpretation Act 1978 shall apply in
relation to Scotland as they apply in relation to England
and Wales.

(2F) A disqualification order may be made on grounds
which are or include matters other than criminal convic-
tions notwithstanding that the person in respect of whom
the order is to be made may be criminally liable in respect
of those matters. ”.

(2) The following subsection shall be substituted for sub-
section (4) of section 188—

“ (4) An application to a court with jurisdiction to wind
up companies for the making of a disqualification order
against any person may be made by the Secretary of State
or the official receiver or by the liquidator or any past or
present member or creditor of any company in relation to
which that person has committed or is alleged to have com-
mitted an offence or other default ; and on the hearing of
any such application made by the Secretary of State or the
official receiver or the liquidator or of any application for
leave made by a person against whom a disqualification
order has been made on the application of the Secretary of
State, official receiver or liquidator, the Secretary of State,
official receiver or liquidator shall appear and call the atten-
tion of the court to any matters which seem to him to be
relevant, and may himself give evidence or call witness-
es.”

(3) Subsection (5) of section 188 shall cease to have effect.

(4) After subsection (6) of section 188 there shall be inserted
the following subsection—

“ (7) The power under section 193(2) of the Criminal
Procedure (Scotland) Act 1975 to substitute a fine for a
period of imprisonment shall in relation to a conviction on
indictment under subsection (6) of this section be construed
as including a power to impose such fine in addition to that
period of imprisonment.”.

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(5) Section 28 of the 1976 Act (power of High Court and Court of Session to make disqualification orders for persistent failure to comply with the relevant requirements) shall cease to have effect; but any order made under section 28 shall have effect as if made under section 188 of the 1948 Act and any application made before the appointed day for such an order shall be treated as an application for an order under section 188.

Prohibition on directors of insolvent companies from acting as liquidators, etc.
1976 c. 60.

94.—(1) In subsection (1) of section 9 of the Insolvency Act 1976 (power of court to disqualify persons from acting as directors, etc.) for the words from “the court may” to the end there shall be substituted the words—

“the court may make an order that that person shall not, without the leave of the court—

(a) be a director of or in any way, whether directly or indirectly, be concerned or take part in the promotion, formation or management of a company; or

(b) be a liquidator of a company; or

(c) be a receiver or manager of the property of a company;

for such period as may, subject to subsection (1A) below, be specified in the order.

(1A) The period which may be specified in any order under subsection (1) above shall begin with the date of the order and may not exceed five years if none of the conduct to which the court has regard under subsection (1)(b) occurred after the day appointed for the coming into force of section 94 of the Companies Act 1981, or fifteen years in any other case.”

(2) In subsection (7) of that section, for the definition of “company” there shall be substituted the following definition—

“‘company’ includes any company which may be wound up under Part IX of the Companies Act 1948;”.

(3) The following subsection shall be inserted in that section after subsection (7)—

“(7A) An order under subsection (1) may be made on grounds which are or include matters other than criminal convictions notwithstanding that the person in respect of whom the order is to be made may be criminally liable in respect of those matters.”

Register of past directorships.

95.—(1) Section 200 of the 1948 Act (register of directors and secretaries) shall have effect subject to the following modifications.

(2) In subsection (2)—

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(a) in paragraph (a) (particulars of directorships to be kept on the register) after the words “particulars of any other directorships held by him” there shall be inserted the words “or which have been held by him”;

(b) in the proviso (particulars not required to be kept on register) for all the words preceding the words “and for the purposes of” there shall be substituted the words—

“Provided that it shall not be necessary for the register to contain on any day particulars of any directorship—

(a) which has not been held by a director at any time during the five years preceding that day;

(b) which is held by a director in any company which—

(i) is dormant or, in relation to the company keeping the register, is a relevant company; and

(ii) if he also held that directorship for any period during the five years immediately preceding that day, was for the whole of that period either dormant or such a relevant company;

(c) which was held by a director for any period during the five years preceding that day in a company which for the whole of that period was either dormant or, in relation to the company keeping the register, a relevant company;”;

and at the end of that subsection there shall be added the words “and

(iii) a company shall be treated as being or as having been dormant during any period during which no transaction occurs which is or was a significant accounting transaction (within the meaning of section 12(6) of the Companies Act 1981) for that company; and

(iv) a company shall be treated as being or as having been at any time a relevant company in relation to any other company if at that time it is or was a company of which that other

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company is or was a wholly owned subsidiary or if it is or was a wholly owned subsidiary of that other company or of another company of which that other company is or was a wholly owned subsidiary.”

(3) The following subsection shall be substituted for subsection (7)—

“(7) If any inspection required under this section is refused or if default is made in complying with subsection (1), (2), (3) or (4) of this section, the company and every officer of the company who is in default shall be liable on summary conviction to a fine not exceeding the statutory maximum or on conviction after continued contravention to a default fine not exceeding one-tenth of the statutory maximum.”

This subsection shall not have effect in relation to any offence committed before the appointed day.

(4) Subsection (4) of section 200 (notification to registrar of changes in register) shall not apply in relation to any change in the particulars contained in a company’s register of directors and secretaries made solely by reason of the coming into force of subsection (2) above but if, after any such change has occurred and before the company makes its next annual return, any other change in those particulars occurs, the company shall send to the registrar a notification in the prescribed form of any such earlier changes and the date on which they occurred at the same time as it notifies the registrar of the later changes in accordance with section 200(4).

Fraudulent trading

Criminal liability in case of fraudulent trading by company.

96. Section 332(3) of the 1948 Act (criminal liability of persons concerned in fraudulent trading by company) shall apply whether or not the company has been or is in the course of being wound up.

Functions of registrar

Companies’ registered numbers.

97.—(1) The registrar shall allocate to every company a number which shall be known as the company’s registered number, and he may, in addition, allocate to any such company a letter which shall be deemed for all purposes to be part of the registered number.

(2) In subsection (1) above “company” includes—

(a) any oversea company within the meaning of section 23(2) of this Act; and

(b) any incorporated or unincorporated body to which any provision of the 1948 Act applies by virtue of section 435 of that Act. PART V

98.—(1) In section 426(1) of the 1948 Act (inspection of documents kept by registrar), the following paragraph shall be substituted for paragraph (a)— Inspection of copies of company records.

“(a) inspect a copy of any document kept by the registrar of companies or, where the copy is illegible or unavailable, that document ;”

(2) The following subsections shall be added at the end of that section—

“(5) For the purposes of this section a copy shall be taken to be the copy of a document notwithstanding that it is taken from a copy or other reproduction of the original document.

(6) In this section “document” includes any material which contains information kept by the registrar for the purposes of the Companies Acts 1948 to 1981.”.

99. In section 38(2) and (3) of the 1976 Act (registrar of companies required to seal certain documents instead of giving them under his hand) for the word “shall” in each place where it occurs there shall be substituted the word “may”. Sealing of documents.

100.—(1) The registrar of companies may destroy any documents or other material which he has kept for over ten years and which were, or were comprised in or annexed or attached to, the accounts or annual returns of any company. Destruction of old records.

(2) The registrar shall retain a copy of any document or other material destroyed in pursuance of subsection (1) above; and section 426 of the 1948 Act shall apply in relation to any such copy as if it were the original.

Registration of members' shareholdings and class rights

101.—(1) In section 110(1) of the 1948 Act (particulars of members' shareholdings to be entered on company's register of members)— Identification in register of different classes of shares.

(a) in paragraph (a)—

(i) after the words “a number” there shall be inserted the words “and, where the company has more than one class of issued shares, by its class”;

(ii) the following words shall be added at the end, “and, in any other case, where the company has more than one class of members, the class to which each member belongs ;” ; and

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(b) in the proviso to that subsection, after the words “**show the amount**” there shall be inserted the words “**and class**”.

(2) The following subsections shall be added after subsection (4) of that section—

“ (5) Any entry relating to a former member of a company may be removed from the company’s register of members after the expiration of twenty years from the date on which he ceases to be a member.

(6) Any liability incurred by a company by virtue of the making or deletion of an entry in its register of members or debenture holders or any failure to make or delete any such entry shall not be enforceable more than twenty years after the date on which the entry was made or deleted or, in the case of any such failure, the failure first occurred.

This subsection is without prejudice to any lesser period of limitation.”

Registration of particulars of members’ class rights.

102.—(1) Where a company which does not have a share capital (referred to below as “the company”) creates a class of members with rights which are not stated in its memorandum or articles or in any resolution or agreement to which section 143 of the 1948 Act (registration of certain resolutions, etc.) applies, the company shall deliver to the registrar of companies within one month from the date on which the new class is created a statement in the prescribed form containing particulars of the rights attached to that class.

(2) Where the rights of any class of members of the company are varied otherwise than by an amendment of the company’s memorandum or articles or by any resolution or agreement to which section 143 applies the company shall within one month from the date on which the variation is made deliver to the registrar a statement in the prescribed form containing particulars of the variation.

(3) Where a company (otherwise than by any such amendment, resolution or agreement as is mentioned in subsection (2) above) assigns a name or other designation, or a new name or other designation, to any class of its members it shall within one month from doing so deliver to the registrar a notice in the prescribed form giving particulars thereof.

(4) Where a company has on the appointed day any class of members with such rights as are mentioned in subsection (1) above, the company shall within three months from that day deliver to the registrar a statement in the prescribed form containing particulars of the rights of any such class of its members.

(5) If a company fails to comply with this section, the company and every officer who is in default shall be liable on summary conviction to a fine not exceeding one-fifth of the statutory maximum or, on conviction after continued contravention, a default fine not exceeding one-fiftieth of the statutory maximum for each day until the statement or notice in question is delivered to the registrar.

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Disclosure of information

103.—(1) The following paragraph shall be substituted for paragraph (a) of section 175 of the 1948 Act (saving for disclosure of information by solicitors)—

“(a) by any person of any information which he would in an action in the High Court or, in Scotland, the Court of Session be entitled to refuse to disclose on grounds of legal professional privilege except, if he is a lawyer, the name and address of his client ;”.

(2) In section 446 of the 1948 Act (saving for disclosure of privileged information in criminal proceedings) for the words from “nothing in this Act ” to the end there shall be substituted the words “or the Secretary of State, nothing in this Act shall be taken to require any person to disclose any information which he is entitled to refuse to disclose on grounds of legal professional privilege”.

(3) In section 116(1) of the 1967 Act (saving for disclosure of information by solicitors) for the words “the production by a solicitor of a document containing a privileged communication made by or to him in that capacity” there shall be substituted the words “the production by any person of a document which he would in an action in the High Court or, in Scotland, the Court of Session be entitled to refuse to produce on grounds of legal professional privilege”.

104.—(1) In section 111(1) of the 1967 Act (disclosure of information obtained under the 1967 Act or certain other Acts prohibited except in certain circumstances) the following paragraphs shall be substituted for paragraphs (c) to (f)—

Further disclosure of information permitted in certain cases.

“(c) for the purposes of the examination of any person by an inspector appointed under section 164, 165 or 172 of the Companies Act 1948 or under section 32 of this Act in the course of his investigation ;

(d) for the purpose of enabling the Secretary of State to exercise, in relation to that or any other body, any of his functions under the Companies Acts 1948 to 1981, the Prevention of Fraud (Investments) Act 1958, the Insurance Companies Act 1974 and the Insolvency Act 1976 ;”.

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(2) The Lord Advocate, the Director of Public Prosecutions, any constable and any procurator fiscal shall each be a competent authority for the purposes of section 111 of the 1967 Act.

(3) The criminal proceedings mentioned in section 111(1)(a) of the 1967 Act (proceedings for the purpose of which the Secretary of State may disclose information obtained by him under his powers of inspecting a company's books and papers) shall include criminal proceedings pursuant to or arising out of this Act, except sections 28 and 29.

1979 c. 37.

(4) The Bank of England may disclose information which it has obtained from the Secretary of State or from the Department of Commerce for Northern Ireland in pursuance of section 20(1) or (2) of the Banking Act 1979 (information relating to companies) for any of the purposes specified in subsection (2) of section 19 of that Act (disclosure permitted for the purposes of legal proceedings or to enable the Bank to comply with any of its obligations under that Act); and, accordingly, in section 20(3)(b) of that Act for the words "subsections (3) to (6)" there shall be substituted the words "subsections (2) to (6)".

Voluntary liquidations

Amendment
of section 283
of the 1948
Act.

105.—(1) In section 283 of the 1948 Act (statutory declaration of solvency in a winding up)—

(a) in subsection (2)(a) for the words from "and is delivered" to "date" there shall be substituted the words "or on that date but before the passing of that resolution";

(b) the following subsection shall be inserted after subsection (2)—

"(2A) A declaration made by any directors of a company in compliance with subsection (2)(a) of this section shall be delivered to the registrar of companies before the expiry of the period of fifteen days immediately following the date on which the resolution for winding up the company is passed."

(c) in subsection (4) the words "and delivered", in each place where they occur, shall cease to have effect; and

(d) the following subsection shall be inserted after subsection (4)—

"(4A) Where any declaration required to be delivered to the registrar by subsection (2A) of this section is not so delivered within the time prescribed by that subsection, the company and every officer in default shall be guilty of an offence and liable on summary conviction to a fine not exceeding one-fifth of the statutory maximum or on conviction after continued contravention to a default fine not exceeding one-fiftieth of the statutory maximum."

(2) Subsection (1) above shall not apply in relation to any winding up commenced before the appointed day. PART V

106.—(1) For section 293(1) of the 1948 Act (obligation of company to call meeting of creditors for the day, or the day next following the day, of the company's meeting for voluntary winding up), there shall be substituted the following subsection— Minimum notice of meeting for voluntary winding up.

“ (1) Notwithstanding any power of the members, or of any particular majority of the members, to exclude or waive any other requirement of this Act or the company's articles with respect to the period of notice to be given of any meeting of the company, the company shall give at least seven days' notice of the meeting of the company at which the resolution for voluntary winding up is to be proposed ; and the company shall in addition—

- (a) cause a meeting of the creditors of the company to be summoned for the day, or the day next following the day, on which the said meeting of the company is to be held ; and
- (b) cause the notices of the said meeting of the creditors to be sent by post to the creditors simultaneously with the sending of the notices of the said meeting of the company.”

(2) The following subsection shall be added at the end of that section—

“ (7) Failure to give notice of the meeting of the company mentioned in subsection (1) above as required by that subsection shall not affect the validity of any resolution passed or other thing done at that meeting which would be valid apart from that subsection ”.

107.—(1) Subject to the following provisions of this section, where a company is being or has been wound up voluntarily and— Conversion of creditors' voluntary winding up to members' voluntary winding up in certain circumstances.

- (a) the winding up is or was a creditors' winding up ; and
- (b) a statutory declaration which satisfies the requirements of subsection (2) below is delivered to the registrar of companies ;

from the date on which that declaration is so delivered (referred to below in this section as the conversion date) the winding up shall be treated for all purposes of the 1948 Act as if it were or (in the case of one already concluded before that date) as if it had been a members' voluntary winding up and (in the case of any such winding up, whether concluded before or still in progress at that date) as if it had been a members' voluntary winding up at all times since its commencement.

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(2) A statutory declaration made for the purposes of this section must be made by the directors of the company or, in the case of a company having more than two directors, by the majority of the directors, and must state—

- (a) that a statutory declaration complying with the requirements of subsections (1) and (2)(b) of section 283 of the 1948 Act (statutory declaration of solvency in case of proposal to wind up voluntarily) was made by the directors (or by the majority of the directors) of the company in accordance with subsection (1) of that section within the five weeks immediately preceding the date of the passing of the resolution for winding up the company (as required by subsection (2)(a) of that section);
- (b) that it was properly addressed to the registrar of companies, pre-paid and posted on a date within the period beginning with 7th April 1981 and ending with 1st August 1981; and
- (c) that a letter so addressed and posted would in the ordinary course of post have been delivered to the registrar of companies before the date of the passing of the resolution for winding up the company.

(3) For the purposes of sections 283(3) and 288 of the 1948 Act (consequences of actual or prospective failure to pay debts in full within the period stated by the directors in the declaration of solvency) the period specified in the declaration under section 283 of that Act in the case of a winding up to which subsection (1) above applies shall be taken to have been twelve months from the commencement of the winding up unless the contrary is shown.

(4) Nothing in this section shall affect the validity of anything validly done in a winding up to which subsection (1) above applies before the conversion date.

Bona vacantia

Revival of dissolved companies.

108.—(1) Where a company is dissolved and any property or right vested in or held on trust for that company immediately before its dissolution vests as bona vacantia accruing to the Crown or the Duchy of Lancaster or the Duke of Cornwall by virtue of section 354 of the 1948 Act (property, etc. of dissolved companies to be bona vacantia) the person in whom the property or right is thereby vested may dispose of, or of an interest in, that property or right notwithstanding that an order may be made under section 352(1) or 353(6) of the 1948 Act (orders reviving dissolved companies) in relation to that company; and where any such order is made—

- (a) it shall not affect that disposition (but without prejudice to that order so far as it relates to any other property

or right previously vested in or held on trust for the company); and

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- (b) the Crown or, as the case may be, the Duke of Cornwall shall pay to the company an amount equal to the amount of any consideration received for the property or right, or interest therein, or to the value of any such consideration at the time of the disposition or, if no consideration was received, an amount equal to the value of the property, right or interest disposed of, as at the date of the disposition.

(2) Where a liability accrues by virtue of subsection (1) above in respect of any property or right which, before the order under section 352(1) or 353(6) was made, had accrued as bona vacantia to the Duchy of Lancaster, the Attorney General of the Duchy of Lancaster shall represent Her Majesty in any proceedings arising in connection with that liability.

(3) Where a liability accrues by virtue of subsection (1) above in respect of any property or right which, before the order under section 352(1) or 353(6) was made, had accrued as bona vacantia to the Duchy of Cornwall such persons as the Duke of Cornwall or other possessor for the time being of the Duchy of Cornwall may appoint shall represent the Duke of Cornwall or other possessor of the Duchy in any proceedings arising out of that liability.

(4) This section applies in relation to the disposition of any property, right or interest on or after the appointed day, whether the company concerned was dissolved before, on or after that day.

(5) In section 354 of the 1948 Act the words from "subject and" to "sections" shall cease to have effect and the following paragraph shall be inserted at the end—

"Except as provided by section 108 of the Companies Act 1981, the foregoing provisions of this section shall have effect subject and without prejudice to any order made by the court under section 352 or 353 of this Act."

Oversea companies

109. The following section shall be substituted for section 416 of the Companies Act 1948—

Channel
Islands and
Isle of Man
companies.

"416.—(1) The provisions of the Companies Acts 1948 to 1981 requiring documents to be forwarded or delivered to or filed with the registrar of companies which apply to companies within the meaning of this Act shall apply by virtue of this section (if they would not otherwise) to Island companies, in accordance with the following provisions of this section.

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(2) The provisions of the Companies Acts 1948 to 1981 which apply by virtue of this section to any Island company shall apply—

- (a) if the company has established a place of business in England, as if it were registered in England ;
- (b) if the company has established a place of business in Scotland, as if it were registered in Scotland ; and
- (c) if the company has established a place of business in England and in Scotland, as if the company were registered in both England and Scotland ;

with such modifications as may be necessary and, in particular, shall similarly apply to documents relating to things done outside Great Britain as if they had been done within Great Britain.

(3) The provisions of the Companies Acts 1948 to 1981 referred to in subsection (1) of this section shall not include sections 5(7), 143 (so far as it applies to any resolution altering the memorandum or articles of a company) and 200(4) of this Act, section 9(5) of the European Communities Act 1972 or section 1(7) of the 1976 Act.

(4) In this section “Island company” means an overseas company incorporated in the Channel Islands or the Isle of Man.”.

Amendment of Parts IV and V of the 1980 Act

Exclusion from section 48 of the 1980 Act of arrangements made between certain group companies or by companies in liquidation.

110.—(1) Section 48 of the 1980 Act (substantial property transactions involving directors, etc.) shall have effect subject to the following modifications.

(2) In subsection (1) at the beginning there shall be inserted the words “ Subject to subsections (6), (7) and (8) below ”.

(3) The following subsections shall be inserted after subsection (6)—

“ (7) Subsection (1) above shall not apply in relation to any arrangement for the acquisition of a non-cash asset—

- (a) if the non-cash asset in question is to be acquired by a holding company from any of its wholly owned subsidiaries or from a holding company by any of its wholly owned subsidiaries or by one wholly owned subsidiary of a holding company from another wholly owned subsidiary of that same holding company ; or

(b) if the arrangement is entered into by a company which is being wound up unless the winding up is a members' voluntary winding up.

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(8) Subsection (1)(a) above shall not apply in relation to any arrangement whereby a person is to acquire an asset from a company of which he is a member if the arrangement is made with that person in his character as such member."

111.—(1) In section 50 of the 1980 Act (certain transactions exempted from section 49 of that Act) the following subsection shall be inserted after subsection (2)—

Additional
exception
from section
49 of the 1980
Act.

"(2A) Without prejudice to any other provision of this section, section 49(1)(a) above shall not prohibit any company from making a loan to a director of the company or of its holding company if the aggregate of the relevant amounts does not exceed £2,500."

(2) In section 51 of that Act (definition of "relevant amounts") in subsection (1) for the words "by subsection (3)(a)" there shall be substituted the words "by subsection (2A) or (3)(a)"; and at the end of that subsection there shall be inserted the words—

"Where the relevant exception is the exception provided by subsection (2A), references in this section to a person connected with a director shall be disregarded."

112.—(1) Section 71 of the 1980 Act (exclusion of things done in connection with international bonds from prohibition on insider dealing) shall have effect subject to the following modifications.

International
bonds.

(2) In subsection (1)—

(a) after the word "debenture", in the first place where it occurs, there shall be inserted the words "or any right to subscribe for, call for or make delivery of any debenture";

(b) in paragraph (a)(ii) for the words "before the date on which it is decided" there shall be substituted the words "before the decision is taken"; and

(c) in paragraph (b) after the word "debenture", in both places where it occurs, there shall be inserted the words "or right".

(3) The following subsection shall be inserted after subsection (1)—

"(1A) Where an individual holds unpublished price sensitive information in relation to any securities but by virtue of subsection (1) above he is not prohibited by section 68

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above from doing anything in relation to those securities, he shall not be prohibited by virtue of his holding that information by section 70(2) above (prohibition on counselling persons to deal on stock exchanges outside Great Britain, etc.) from doing any other thing in relation to those securities.”.

(4) In subsection (2)—

- (a) in paragraph (b) of the definition of “international bond issue” for the words “are so offered” there shall be substituted the words “are or are to be so offered”; and
- (b) the following words shall be inserted after the definition of “issue manager”, that is to say, “and ‘off-market dealer’ has the meaning given by section 70(3) above.”.

(5) The following subsections shall be inserted after subsection (2)—

“ (3) The Secretary of State may by regulations made by statutory instrument make provision—

- (a) permitting persons of any specified class to be treated as issue managers for the purposes of subsection (1) or (1A) (or both) of this section;
- (b) permitting persons of any specified class to be treated as off-market dealers for those purposes;
- (c) permitting an issue of international securities of any specified class to be treated as an international bond issue for those purposes;
- (d) extending the exemptions conferred by subsection (1) or (1A) above (or both) for things done in relation to other advertised securities or other advertised securities of any specified class;
- (e) amending or disapplying paragraph (i) or (ii) (or both) of subsection (1)(a) above in relation to any international bond issue or any international bond issue of a specified class.

(4) In subsection (3) above “international securities” means any securities (whether listed or advertised or other) which are in any way connected with a country outside Great Britain, for example, securities issued by a body which is incorporated or resident outside Great Britain or which are denominated in a currency other than sterling or which are dealt in by bodies incorporated or resident outside Great Britain or by individuals so resident.

(5) Regulations under subsection (3) above—

PART V

(a) may make different provision for different cases or classes of case and may contain such incidental and supplementary provisions as the Secretary of State thinks fit ;

(b) shall not be made unless a draft of the instrument containing them has been laid before Parliament and approved by resolution of each House of Parliament.”.

Supplemental

113. Subject to section 35(1) of this Act, any reference in this Act to a public company or to a company other than a private company shall unless the context otherwise requires be construed as including a reference to an old public company (within the meaning of section 8 of the 1980 Act) and any reference to a private company shall be construed accordingly.

Old public companies.

114. Part VII of the 1948 Act (which relates to companies formed or registered under the former Acts there mentioned) and section 394 of that Act (which relates to companies not formed under that Act but registered under it) shall apply for the purpose of the application of the provisions of this Act to such companies as aforesaid as they apply for the purpose of the application thereto of the provisions of that Act.

Application of Act to certain companies not formed under the 1948 Act.

115.—(1) The following provisions of the 1948 Act, that is to say—

Application of provisions of Companies Acts relating to enforcement, etc.

(a) section 428 (enforcement of duty of company to make returns to the registrar) ;

(b) section 444 (application of fines) ; and

(c) section 449 (power to enforce orders) ;

shall apply in relation to this Act as they apply in relation to that Act.

(2) Subsections (2) to (5) of section 49 of the 1967 Act (summary proceedings) shall apply in relation to this Act as they apply in relation to that Act.

116.—(1) Her Majesty may by Order in Council make such amendments of the Companies Acts and of any other enactment relating to companies, whenever passed, as may be jointly recommended by the Law Commission and the Scottish Law Commission as desirable to enable a satisfactory consolidation of the whole or the greater part of the Companies Acts to be produced.

Amendment of Companies Acts in connection with their consolidation.

PART V

(2) An Order in Council under this section—

- (a) shall not be made unless a draft of the Order has been laid before and approved by a resolution of each House of Parliament ;
- (b) shall not come into force unless there is passed either a single Act consolidating the whole or the greater part of the Companies Acts (with or without other enactments relating to companies) or a group of two or more Acts which between them consolidate the whole or the greater part of those Acts (with or without other enactments so relating) ; and
- (c) if such an Act or group of Acts is passed, shall by virtue of this paragraph come into force on the day on which that Act or group of Acts comes into force.

(3) No Order in Council shall be made under this section after any Order in Council so made has come into force.

(4) In this section “ the Companies Acts ” means the Companies Acts 1948 to 1981 and any enactment passed after this Act for the citation of which together with those Acts provision is made by any enactment so passed.

Corresponding provisions for Northern Ireland.
1974 c. 28.

117. An Order in Council under paragraph 1(1)(b) of Schedule 1 to the Northern Ireland Act 1974 (legislation for Northern Ireland in the interim period) which contains a statement that it is made only for purposes corresponding to the purposes of this Act—

- (a) shall not be subject to paragraph 1(4) and (5) of that Schedule (affirmative resolution of both Houses of Parliament) ; but
- (b) shall be subject to annulment by a resolution of either House of Parliament.

Interpretation.

118.—(1) In this Act—

- “ the appointed day ” has the meaning given by section 119(3) of this Act ;
- 1948 c. 38. “ the 1948 Act ” means the Companies Act 1948 ;
- 1967 c. 81. “ the 1967 Act ” means the Companies Act 1967 ;
- 1976 c. 69. “ the 1976 Act ” means the Companies Act 1976 ;
- 1980 c. 22. “ the 1980 Act ” means the Companies Act 1980 ; and
- “ the Companies Acts ” means the Companies Acts 1948 to 1981.

(2) In this Act, “ private company ” and “ public company ” have the same meanings as they have in the 1980 Act.

(3) Expressions used in this Act and the 1948 Act have the same meanings in this Act as they have in that Act. PART V

119.—(1) This Act may be cited as the Companies Act 1981. Citation and commencement, etc.

(2) The Companies Act 1948, Parts I and III of the Companies Act 1967, the Companies (Floating Charges and Receivers) (Scotland) Act 1972, section 9 of the European Communities Act 1972, sections 1 to 4 of the Stock Exchange (Completion of Bargains) Act 1976, section 9 of the Insolvency Act 1976, the Companies Act 1976, the Companies Act 1980 and this Act, except sections 28 and 29, may be cited together as the Companies Acts 1948 to 1981.

(3) This Act, except sections 33, 36 to 41 and 107, shall come into operation on such day or days as may be appointed by the Secretary of State by order made by statutory instrument, and different days may be appointed for different purposes; and references to the appointed day shall be construed accordingly.

(4) The enactments specified in Schedule 3 to this Act shall have effect subject to the amendments there specified, being minor amendments and amendments consequential on the provisions of this Act.

(5) The enactments specified in Schedule 4 to this Act are hereby repealed to the extent specified in the third column of that Schedule but the repeal of any enactment specified in a note to that Schedule shall have effect subject to that note.

(6) Nothing in this Act, except section 104(4) and paragraph 35 of Schedule 3 and except so much of it as applies in relation to companies incorporated outside Great Britain, shall apply to or in relation to companies registered or incorporated in Northern Ireland; and nothing in this Act shall affect the law in force in Northern Ireland at the passing of this Act, without prejudice to section 117 above.

SCHEDULES

Section 1.

SCHEDULE 1
(SCHEDULE TO BE INSERTED IN THE 1948 ACT AS
SCHEDULE 8)

ACCOUNTS

PART I

BASIC REQUIREMENTS WITH RESPECT TO THE FORM AND CONTENT OF
A COMPANY'S ACCOUNTS

SECTION A

GENERAL RULES WITH RESPECT TO THE FORM AND CONTENT OF
ACCOUNTS

- 1.—(1) Subject to the following provisions of this Schedule—
- (a) every balance sheet of a company shall show the items listed in either of the balance sheet formats set out below in section B of this Part ; and
 - (b) every profit and loss account of a company shall show the items listed in any one of the profit and loss account formats so set out ;

in either case in the order and under the headings and sub-headings given in the format adopted.

(2) Sub-paragraph (1) above shall not be read as requiring the heading or sub-heading for any item to be distinguished by any letter or number assigned to that item in the format adopted.

2.—(1) Where in accordance with paragraph 1 above a company's balance sheet or profit and loss account for any financial year has been prepared by reference to one of the formats set out in section B below, the directors of the company shall adopt the same format in preparing the accounts for subsequent financial years of the company unless in their opinion there are special reasons for a change.

(2) Particulars of any change in the format adopted in preparing a company's balance sheet or profit and loss account in accordance with paragraph 1 above shall be disclosed, and the reasons for the change shall be explained, in a note to the accounts in which the new format is first adopted.

3.—(1) Any item required in accordance with paragraph 1 above to be shown in a company's balance sheet or profit and loss account may be shown in greater detail than required by the format adopted.

(2) A company's balance sheet or profit and loss account may include an item representing or covering the amount of any asset or liability, income or expenditure not otherwise covered by any of the items listed in the format adopted, but the following shall not be treated as assets in any company's balance sheet—

- (a) preliminary expenses ;
- (b) expenses of and commission on any issue of shares or debentures ; and
- (c) costs of research.

(3) In preparing a company's balance sheet or profit and loss account the directors of the company shall adapt the arrangement and headings and sub-headings otherwise required by paragraph 1 above in respect of items to which an Arabic number is assigned in the format adopted, in any case where the special nature of the company's business requires such adaptation.

SCH. 1
PART I

(4) Items to which Arabic numbers are assigned in any of the formats set out in section B below may be combined in a company's accounts for any financial year if either—

(a) their individual amounts are not material to assessing the state of affairs or profit or loss of the company for that year ; or

(b) the combination facilitates that assessment ;

but in a case within paragraph (b) above the individual amounts of any items so combined shall be disclosed in a note to the accounts.

(5) Subject to paragraph 4(3) below, a heading or sub-heading corresponding to an item listed in the format adopted in preparing a company's balance sheet or profit and loss account shall not be included if there is no amount to be shown for that item in respect of the financial year to which the balance sheet or profit and loss account relates.

(6) Every profit and loss account of a company shall show the amount of the company's profit or loss on ordinary activities before taxation.

(7) Every profit and loss account of a company shall show separately as additional items—

(a) any amount set aside or proposed to be set aside to, or withdrawn or proposed to be withdrawn from, reserves ; and

(b) the aggregate amount of any dividends paid and proposed.

4.—(1) In respect of every item shown in a company's balance sheet or profit and loss account the corresponding amount for the financial year immediately preceding that to which the balance sheet or profit and loss account relates shall also be shown.

(2) Where that corresponding amount is not comparable with the amount to be shown for the item in question in respect of the financial year to which the balance sheet or profit and loss account relates, the former amount shall be adjusted and particulars of the adjustment and the reasons for it shall be disclosed in a note to the accounts.

(3) Paragraph 3(5) above shall not apply in any case where an amount can be shown for the item in question in respect of the financial year immediately preceding that to which the balance sheet or profit and loss account relates, and that amount shall be shown under the heading or sub-heading required by paragraph 1 above for that item.

SCH. 1
PART I

5. Amounts in respect of items representing assets or income may not be set off against amounts in respect of items representing liabilities or expenditure (as the case may be), or vice versa.

SECTION B

THE REQUIRED FORMATS FOR ACCOUNTS

Preliminary

6. References in this Part of this Schedule to the items listed in any of the formats set out below are references to those items read together with any of the notes following the formats which apply to any of those items, and the requirement imposed by paragraph 1 above to show the items listed in any such format in the order adopted in the format is subject to any provision in those notes for alternative positions for any particular items.

7. A number in brackets following any item in any of the formats set out below is a reference to the note of that number in the notes following the formats.

8. In the notes following the formats—

- (a) the heading of each note gives the required heading or sub-heading for the item to which it applies and a reference to any letters and numbers assigned to that item in the formats set out below (taking a reference in the case of Format 2 of the balance sheet formats to the item listed under "Assets" or under "Liabilities" as the case may require); and
- (b) references to a numbered format are references to the balance sheet format or (as the case may require) to the profit and loss account format of that number set out below.

Balance Sheet Formats

SCH. 1

Format 1

PART I

- A. Called up share capital not paid (1)
- B. Fixed assets
 - I Intangible assets
 - 1. Development costs
 - 2. Concessions, patents, licences, trade marks and similar rights and assets (2)
 - 3. Goodwill (3)
 - 4. Payments on account
 - II Tangible assets
 - 1. Land and buildings
 - 2. Plant and machinery
 - 3. Fixtures, fittings, tools and equipment
 - 4. Payments on account and assets in course of construction
 - III Investments
 - 1. Shares in group companies
 - 2. Loans to group companies
 - 3. Shares in related companies
 - 4. Loans to related companies
 - 5. Other investments other than loans
 - 6. Other loans
 - 7. Own shares (4)
- C. Current assets
 - I Stocks
 - 1. Raw materials and consumables
 - 2. Work in progress
 - 3. Finished goods and goods for resale
 - 4. Payments on account
 - II Debtors (5)
 - 1. Trade debtors
 - 2. Amounts owed by group companies
 - 3. Amounts owed by related companies
 - 4. Other debtors
 - 5. Called up share capital not paid (1)
 - 6. Prepayments and accrued income (6)
 - III Investments
 - 1. Shares in group companies
 - 2. Own shares (4)
 - 3. Other investments
 - IV Cash at bank and in hand
- D. Prepayments and accrued income (6)
- E. Creditors: amounts falling due within one year
 - 1. Debenture loans (7)
 - 2. Bank loans and overdrafts
 - 3. Payments received on account (8)

SCH. 1
PART I

4. Trade creditors
 5. Bills of exchange payable
 6. Amounts owed to group companies
 7. Amounts owed to related companies
 8. Other creditors including taxation and social security (9)
 9. Accruals and deferred income (10)
- F. Net current assets (liabilities) (11)
- G. Total assets less current liabilities
- H. Creditors: amounts falling due after more than one year
1. Debenture loans (7)
 2. Bank loans and overdrafts
 3. Payments received on account (8)
 4. Trade creditors
 5. Bills of exchange payable
 6. Amounts owed to group companies
 7. Amounts owed to related companies
 8. Other creditors including taxation and social security (9)
 9. Accruals and deferred income (10).
- I. Provisions for liabilities and charges
1. Pensions and similar obligations
 2. Taxation, including deferred taxation
 3. Other provisions
- J. Accruals and deferred income (10)
- K. Capital and reserves
- I Called up share capital (12)
 - II Share premium account
 - III Revaluation reserve
 - IV Other reserves
 1. Capital redemption reserve
 2. Reserve for own shares
 3. Reserves provided for by the articles of association
 4. Other reserves
 - V Profit and loss account.

Balance Sheet Formats

Format 2

SCH 1

PART I

ASSETS

A. Called up share capital not paid (1)

B. Fixed assets

I Intangible assets

1. Development costs
2. Concessions, patents, licences trade marks and similar rights and assets (2)
3. Goodwill (3)
4. Payments on account

II Tangible assets

1. Land and buildings
2. Plant and machinery
3. Fixtures, fittings, tools and equipment
4. Payments on account and assets in course of construction

III Investments

1. Shares in group companies
2. Loans to group companies
3. Shares in related companies
4. Loans to related companies
5. Other investments other than loans
6. Other loans
7. Own shares (4)

C. Current assets

I Stocks

1. Raw materials and consumables
2. Work in progress
3. Finished goods and goods for resale
4. Payments on account

II Debtors (5)

1. Trade debtors
2. Amounts owed by group companies
3. Amounts owed by related companies
4. Other debtors
5. Called up share capital not paid (1)
6. Prepayments and accrued income (6)

III Investments

1. Shares in group companies
2. Own shares (4)
3. Other investments

IV Cash at bank and in hand

D. Prepayments and accrued income (6)

SCH. 1
PART I**LIABILITIES****A. Capital and reserves**

- I Called up share capital (12)**
- II Share premium account**
- III Revaluation reserve**
- IV Other reserves**
 1. Capital redemption reserve
 2. Reserve for own shares
 3. Reserves provided for by the articles of association
 4. Other reserves
- V Profit and loss account**

B. Provisions for liabilities and charges

1. Pensions and similar obligations
2. Taxation including deferred taxation
3. Other provisions

C. Creditors (13)

1. Debenture loans (7)
2. Bank loans and overdrafts
3. Payments received on account (8)
4. Trade creditors
5. Bills of exchange payable
6. Amounts owed to group companies
7. Amounts owed to related companies
8. Other creditors including taxation and social security (9)
9. Accruals and deferred income (10)

D. Accruals and deferred income (10)

Notes on the balance sheet formatsSCH. 1
PART I**(1) Called up share capital not paid**

(Formats 1 and 2, items A and C.II.5.)

This item may be shown in either of the two positions given in Formats 1 and 2.

(2) Concessions, patents, licences, trade marks and similar rights and assets

(Formats 1 and 2, item B.I.2.)

Amounts in respect of assets shall only be included in a company's balance sheet under this item if either—

- (a) the assets were acquired for valuable consideration and are not required to be shown under goodwill ; or
- (b) the assets in question were created by the company itself.

(3) Goodwill

(Formats 1 and 2, item B.I.3.)

Amounts representing goodwill shall only be included to the extent that the goodwill was acquired for valuable consideration.

(4) Own shares

(Formats 1 and 2, items B.III.7 and C.III.2)

The nominal value of the shares held shall be shown separately.

(5) Debtors

(Formats 1 and 2, items C.II.1 to 6.)

The amount falling due after more than one year shall be shown separately for each item included under debtors.

(6) Prepayments and accrued income

(Formats 1 and 2, items C.II.6 and D.)

This item may be shown in either of the two positions given in Formats 1 and 2.

(7) Debenture loans

(Format 1, items E.1 and H.1 and Format 2, item C.1.)

The amount of any convertible loans shall be shown separately.

(8) Payments received on account

(Format 1, items E.3 and H.3 and Format 2, item C.3.)

Payments received on account of orders shall be shown for each of these items in so far as they are not shown as deductions from stocks.

SCH. 1
PART I

(9) Other creditors including taxation and social security

(Format 1, items E.8 and H.8 and Format 2, item C.8.)

The amount for creditors in respect of taxation and social security shall be shown separately from the amount for other creditors.

(10) Accruals and deferred income

(Format 1, items E.9, H.9 and J and Format 2, items C.9 and D.)

The two positions given for this item in Format 1 at E.9 and H.9 are an alternative to the position at J, but if the item is not shown in a position corresponding to that at J it may be shown in either or both of the other two positions (as the case may require).

The two positions given for this item in Format 2 are alternatives.

(11) Net current assets (liabilities)

(Format 1, item F.)

In determining the amount to be shown for this item any amounts shown under "prepayments and accrued income" shall be taken into account wherever shown.

(12) Called up share capital

(Format 1, item K.I and Format 2, item A.I.)

The amount of allotted share capital and the amount of called up share capital which has been paid up shall be shown separately.

(13) Creditors

(Format 2, items C.1 to 9.)

Amounts falling due within one year and after one year shall be shown separately for each of these items and their aggregate shall be shown separately for all of these items.

Profit and loss account formats

SCH. 1

Format 1

PART 1

(see note (17) below)

1. Turnover
2. Cost of sales (14)
3. Gross profit or loss
4. Distribution costs (14)
5. Administrative expenses (14)
6. Other operating income
7. Income from shares in group companies
8. Income from shares in related companies
9. Income from other fixed asset investments (15)
10. Other interest receivable and similar income (15)
11. Amounts written off investments
12. Interest payable and similar charges (16)
13. Tax on profit or loss on ordinary activities
14. Profit or loss on ordinary activities after taxation
15. Extraordinary income
16. Extraordinary charges
17. Extraordinary profit or loss
18. Tax on extraordinary profit or loss
19. Other taxes not shown under the above items
20. Profit or loss for the financial year

SCH. 1
PART I**Profit and loss account formats***Format 2*

1. Turnover
2. Change in stocks of finished goods and in work progress
3. Own work capitalised
4. Other operating income
5. (a) Raw materials and consumables
(b) Other external charges
6. Staff costs:
 - (a) wages and salaries
 - (b) social security costs
 - (c) other pension costs
7. (a) Depreciation and other amounts written off tangible and intangible fixed assets
(b) Exceptional amounts written off current assets
8. Other operating charges
9. Income from shares in group companies
10. Income from shares in related companies
11. Income from other fixed asset investments (15)
12. Other interest receivable and similar income (15)
13. Amounts written off investments
14. Interest payable and similar charges (16)
15. Tax on profit or loss on ordinary activities
16. Profit or loss on ordinary activities after taxation
17. Extraordinary income
18. Extraordinary charges
19. Extraordinary profit or loss
20. Tax on extraordinary profit or loss
21. Other taxes not shown under the above items
22. Profit or loss for the financial year

Profit and loss account formats

SCH. 1

Format 3

PART I

(see note (17) below)

A. Charges

1. Cost of sales (14)
2. Distribution costs (14)
3. Administrative expenses (14)
4. Amounts written off investments
5. Interest payable and similar charges (16)
6. Tax on profit or loss on ordinary activities
7. Profit or loss on ordinary activities after taxation
8. Extraordinary charges
9. Tax on extraordinary profit or loss
10. Other taxes not shown under the above items
11. Profit or loss for the financial year

B. Income

1. Turnover
2. Other operating income
3. Income from shares in group companies
4. Income from shares in related companies
5. Income from other fixed asset investments (15)
6. Other interest receivable and similar income (15)
7. Profit or loss on ordinary activities after taxation
8. Extraordinary income
9. Profit or loss for the financial year

SCH. 1
PART I**Profit and loss account formats***Format 4***A. Charges**

1. Reduction in stocks of finished goods and in work in progress
2. (a) Raw materials and consumables
(b) Other external charges
3. Staff costs:
 - (a) wages and salaries
 - (b) social security costs
 - (c) other pension costs
4. (a) Depreciation and other amounts written off tangible and intangible fixed assets
(b) Exceptional amounts written off current assets
5. Other operating charges
6. Amounts written off investments
7. Interest payable and similar charges (16)
8. Tax on profit or loss on ordinary activities
9. Profit or loss on ordinary activities after taxation
10. Extraordinary charges
11. Tax on extraordinary profit or loss
12. Other taxes not shown under the above items
13. Profit or loss for the financial year

B. Income

1. Turnover
2. Increase in stocks of finished goods and in work in progress
3. Own work capitalised
4. Other operating income
5. Income from shares in group companies
6. Income from shares in related companies
7. Income from other fixed asset investments (15)
8. Other interest receivable and similar income (15)
9. Profit or loss on ordinary activities after taxation
10. Extraordinary income
11. Profit or loss for the financial year

Notes on the profit and loss account formatsSCH. 1
PART I*(14) Cost of sales : distribution costs : administrative expenses*

(Format 1, items 2, 4 and 5 and Format 3, items A.1, 2 and 3.)

These items shall be stated after taking into account any necessary provisions for depreciation or diminution in value of assets.

(15) Income from other fixed asset investments : other interest receivable and similar income

(Format 1, items 9 and 10: Format 2, items 11 and 12: Format 3, items B.5 and 6: Format 4, items B.7 and 8.)

Income and interest derived from group companies shall be shown separately from income and interest derived from other sources.

(16) Interest payable and similar charges

(Format 1, item 12: Format 2, item 14: Format 3, item A.5: Format 4, item A.7.)

The amount payable to group companies shall be shown separately.

(17) Formats 1 and 3

The amount of any provisions for depreciation and diminution in value of tangible and intangible fixed assets falling to be shown under items 7(a) and A.4(a) respectively in Formats 2 and 4 shall be disclosed in a note to the accounts in any case where the profit and loss account is prepared by reference to Format 1 or Format 3.

**SCH. 1
PART II****PART II****ACCOUNTING PRINCIPLES AND RULES****SECTION A****ACCOUNTING PRINCIPLES****Preliminary**

9. Subject to paragraph 15 below, the amounts to be included in respect of all items shown in a company's accounts shall be determined in accordance with the principles set out in paragraphs 10 to 14 below.

Accounting principles

10. The company shall be presumed to be carrying on business as a going concern.

11. Accounting policies shall be applied consistently from one financial year to the next.

12. The amount of any item shall be determined on a prudent basis, and in particular—

(a) only profits realised at the balance sheet date shall be included in the profit and loss account ; and

(b) all liabilities and losses which have arisen or are likely to arise in respect of the financial year to which the accounts relate or a previous financial year shall be taken into account, including those which only become apparent between the balance sheet date and the date on which it is signed on behalf of the board of directors in pursuance of section 155 of this Act.

13. All income and charges relating to the financial year to which the accounts relate shall be taken into account, without regard to the date of receipt or payment.

14. In determining the aggregate amount of any item the amount of each individual asset or liability that falls to be taken into account shall be determined separately.

Departure from the accounting principles

15. If it appears to the directors of a company that there are special reasons for departing from any of the principles stated above in preparing the company's accounts in respect of any financial year they may do so, but particulars of the departure, the reasons for it and its effect shall be given in a note to the accounts.

SECTION B**HISTORICAL COST ACCOUNTING RULES****Preliminary**

16. Subject to section C of this Part of this Schedule, the amounts to be included in respect of all items shown in a company's accounts shall be determined in accordance with the rules set out in paragraphs 17 to 28 below.

Fixed assets*General rules*SCH. 1
PART II

17. Subject to any provision for depreciation or diminution in value made in accordance with paragraph 18 or 19 below, the amount to be included in respect of any fixed asset shall be its purchase price or production cost.

18. In the case of any fixed asset which has a limited useful economic life, the amount of—

- (a) its purchase price or production cost ; or
- (b) where it is estimated that any such asset will have a residual value at the end of the period of its useful economic life, its purchase price or production cost less that estimated residual value ;

shall be reduced by provisions for depreciation calculated to write off that amount systematically over the period of the asset's useful economic life.

19.—(1) Where a fixed asset investment of a description falling to be included under item B.III of either of the balance sheet formats set out in Part I of this Schedule has diminished in value provisions for diminution in value may be made in respect of it and the amount to be included in respect of it may be reduced accordingly ; and any such provisions which are not shown in the profit and loss account shall be disclosed (either separately or in aggregate) in a note to the accounts.

(2) Provisions for diminution in value shall be made in respect of any fixed asset which has diminished in value if the reduction in its value is expected to be permanent (whether its useful economic life is limited or not), and the amount to be included in respect of it shall be reduced accordingly ; and any such provisions which are not shown in the profit and loss account shall be disclosed (either separately or in aggregate) in a note to the accounts.

(3) Where the reasons for which any provision was made in accordance with sub-paragraph (1) or (2) above have ceased to apply to any extent, that provision shall be written back to the extent that it is no longer necessary ; and any amounts written back in accordance with this sub-paragraph which are not shown in the profit and loss account shall be disclosed (either separately or in aggregate) in a note to the accounts.

Rules for determining particular fixed asset items

20.—(1) Notwithstanding that an item in respect of " development costs " is included under " fixed assets " in the balance sheet formats set out in Part I of this Schedule, an amount may only be included in a company's balance sheet in respect of development costs in special circumstances.

SCH. 1
PART II

(2) If any amount is included in a company's balance sheet in respect of development costs the following information shall be given in a note to the accounts—

- (a) the period over which the amount of those costs originally capitalised is being or is to be written off ; and
- (b) the reasons for capitalising the development costs in question.

21.—(1) The application of paragraphs 17 to 19 above in relation to goodwill (in any case where goodwill is treated as an asset) is subject to the following provisions of this paragraph.

(2) Subject to sub-paragraph (3) below, the amount of the consideration for any goodwill acquired by a company shall be reduced by provisions for depreciation calculated to write off that amount systematically over a period chosen by the directors of the company.

(3) The period chosen shall not exceed the useful economic life of the goodwill in question.

(4) In any case where any goodwill acquired by a company is shown or included as an asset in the company's balance sheet the period chosen for writing off the consideration for that goodwill and the reasons for choosing that period shall be disclosed in a note to the accounts.

Current assets

22. Subject to paragraph 23 below, the amount to be included in respect of any current asset shall be its purchase price or production cost.

23.—(1) If the net realisable value of any current asset is lower than its purchase price or production cost the amount to be included in respect of that asset shall be the net realisable value.

(2) Where the reasons for which any provision for diminution in value was made in accordance with sub-paragraph (1) above have ceased to apply to any extent, that provision shall be written back to the extent that it is no longer necessary.

Miscellaneous and supplementary provisions

Excess of money owed over value received as an asset item

24.—(1) Where the amount repayable on any debt owed by a company is greater than the value of the consideration received in the transaction giving rise to the debt, the amount of the difference may be treated as an asset.

(2) Where any such amount is so treated—

- (a) it shall be written off by reasonable amounts each year and must be completely written off before repayment of the debt ; and
- (b) if the current amount is not shown as a separate item in the company's balance sheet it must be disclosed in a note to the accounts.

Assets included at a fixed amount

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25.—(1) Subject to sub-paragraph (2) below, assets which fall to be included—

(a) amongst the fixed assets of a company under the item “tangible assets”; or

(b) amongst the current assets of a company under the item “raw materials and consumables”;

may be included at a fixed quantity and value.

(2) Sub-paragraph (1) above applies to assets of a kind which are constantly being replaced, where—

(a) their overall value is not material to assessing the company’s state of affairs; and

(b) their quantity, value and composition are not subject to material variation.

Determination of purchase price or production cost

26.—(1) The purchase price of an asset shall be determined by adding to the actual price paid any expenses incidental to its acquisition.

(2) The production cost of an asset shall be determined by adding to the purchase price of the raw materials and consumables used the amount of the costs incurred by the company which are directly attributable to the production of that asset.

(3) In addition, there may be included in the production cost of an asset—

(a) a reasonable proportion of the costs incurred by the company which are only indirectly attributable to the production of that asset, but only to the extent that they relate to the period of production; and

(b) interest on capital borrowed to finance the production of that asset, to the extent that it accrues in respect of the period of production;

provided, however, in a case within paragraph (b) above, that the inclusion of the interest in determining the cost of that asset and the amount of the interest so included is disclosed in a note to the accounts.

(4) In the case of current assets distribution costs may not be included in production costs.

27.—(1) Subject to the qualification mentioned below, the purchase price or production cost of—

(a) any assets which fall to be included under any item shown in a company’s balance sheet under the general item “stocks”; and

(b) any assets which are fungible assets (including investments); may be determined by the application of any of the methods mentioned in sub-paragraph (2) below in relation to any such assets of the same class.

The method chosen must be one which appears to the directors to be appropriate in the circumstances of the company.

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(2) Those methods are—

- (a) the method known as “first in, first out” (FIFO);
- (b) the method known as “last in, first out” (LIFO);
- (c) a weighted average price; and
- (d) any other method similar to any of the methods mentioned above.

(3) Where in the case of any company—

- (a) the purchase price or production cost of assets falling to be included under any item shown in the company's balance sheet has been determined by the application of any method permitted by this paragraph; and
- (b) the amount shown in respect of that item differs materially from the relevant alternative amount given below in this paragraph;

the amount of that difference shall be disclosed in a note to the accounts.

(4) Subject to sub-paragraph (5) below, for the purposes of sub-paragraph (3)(b) above the relevant alternative amount, in relation to any item shown in a company's balance sheet, is the amount which would have been shown in respect of that item if assets of any class included under that item at an amount determined by any method permitted by this paragraph had instead been included at their replacement cost as at the balance sheet date.

(5) The relevant alternative amount may be determined by reference to the most recent actual purchase price or production cost before the balance sheet date of assets of any class included under the item in question instead of by reference to their replacement cost as at that date, but only if the former appears to the directors of the company to constitute the more appropriate standard of comparison in the case of assets of that class.

(6) For the purposes of this paragraph, assets of any description shall be regarded as fungible if assets of that description are substantially indistinguishable one from another.

Substitution of original stated amount where price or cost unknown

28. Where there is no record of the purchase price or production cost of any asset of a company or of any price, expenses or costs relevant for determining its purchase price or production cost in accordance with paragraph 26 above, or any such record cannot be obtained without unreasonable expense or delay, its purchase price or production cost shall be taken for the purposes of paragraphs 17 to 23 above to be the value ascribed to it in the earliest available record of its value made on or after its acquisition or production by the company.

SECTION C

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ALTERNATIVE ACCOUNTING RULES

Preliminary

29.—(1) The rules set out in section B above are referred to below in this Schedule as the historical cost accounting rules.

(2) Those rules, with the omission of paragraphs 16, 21 and 25 to 28, are referred to below in this Part of this Schedule as the depreciation rules; and references below in this Schedule to the historical cost accounting rules do not include the depreciation rules as they apply by virtue of paragraph 32 below.

30. Subject to paragraphs 32 to 34 below, the amounts to be included in respect of assets of any description mentioned in paragraph 31 below may be determined on any basis so mentioned.

Alternative accounting rules

31.—(1) Intangible fixed assets, other than goodwill, may be included at their current cost.

(2) Tangible fixed assets may be included at a market value determined as at the date of their last valuation or at their current cost.

(3) Investments of any description falling to be included under item B.III of either of the balance sheet formats set out in Part I of this Schedule may be included either—

(a) at a market value determined as at the date of their last valuation; or

(b) at a value determined on any basis which appears to the directors to be appropriate in the circumstances of the company;

but in the latter case particulars of the method of valuation adopted and of the reasons for adopting it shall be disclosed in a note to the accounts.

(4) Investments of any description falling to be included under item C.III of either of the balance sheet formats set out in Part I of this Schedule may be included at their current cost.

(5) Stocks may be included at their current cost.

Application of the depreciation rules

32.—(1) Where the value of any asset of a company is determined on any basis mentioned in paragraph 31 above, that value shall be or (as the case may require) be the starting point for determining the amount to be included in respect of that asset in the company's accounts, instead of its purchase price or production cost or any value previously so determined for that asset; and the depreciation rules shall apply accordingly in relation to any such asset with the substitution for any reference to its purchase price or production cost of a reference to the value most recently determined for that asset on any basis mentioned in paragraph 31.

(2) The amount of any provision for depreciation required in the case of any fixed asset by paragraph 18 or 19 above as it applies by virtue of sub-paragraph (1) above is referred to below in this paragraph as the adjusted amount, and the amount of any

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provision which would be required by that paragraph in the case of that asset according to the historical cost accounting rules as the historical cost amount.

(3) Where sub-paragraph (1) above applies in the case of any fixed asset the amount of any provision for depreciation in respect of that asset—

- (a) included in any item shown in the profit and loss account in respect of amounts written off assets of the description in question ; or
- (b) taken into account in stating any item so shown which is required by note (14) of the notes on the profit and loss account formats set out in Part I of this Schedule to be stated after taking into account any necessary provisions for depreciation or diminution in value of assets included under it ;

may be the historical cost amount instead of the adjusted amount, provided that the amount of any difference between the two is shown separately in the profit and loss account or in a note to the accounts.

Additional information to be provided in case of departure from historical cost accounting rules

33.—(1) This paragraph applies where the amounts to be included in respect of assets covered by any items shown in a company's accounts have been determined on any basis mentioned in paragraph 31 above.

(2) The items affected and the basis of valuation adopted in determining the amounts of the assets in question in the case of each such item shall be disclosed in a note to the accounts.

(3) In the case of each balance sheet item affected (except stocks) either—

- (a) the comparable amounts determined according to the historical cost accounting rules ; or
- (b) the differences between those amounts and the corresponding amounts actually shown in the balance sheet in respect of that item ;

shall be shown separately in the balance sheet or in a note to the accounts.

(4) In sub-paragraph (3) above, references in relation to any item to the comparable amounts determined as there mentioned are references to—

- (a) the aggregate amount which would be required to be shown in respect of that item if the amounts to be included in respect of all the assets covered by that item were determined according to the historical cost accounting rules ; and
- (b) the aggregate amount of the cumulative provisions for depreciation or diminution in value which would be permitted or required in determining those amounts according to those rules.

Revaluation reserve

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34.—(1) With respect to any determination of the value of an asset of a company on any basis mentioned in paragraph 31 above, the amount of any profit or loss arising from that determination (after allowing, where appropriate, for any provisions for depreciation or diminution in value made otherwise than by reference to the value so determined and any adjustments of any such provisions made in the light of that determination) shall be credited or (as the case may be) debited to a separate reserve (“the revaluation reserve”).

(2) Sub-paragraph (1) above applies in relation to any determination of the value of an asset of a company which takes place before the appointed day as it applies to any such determination taking place on or after that day.

(3) The amount of the revaluation reserve shall be shown in the company’s balance sheet under a separate sub-heading in the position given for the item “revaluation reserve” in Format 1 or 2 of the balance sheet formats set out in Part I of this Schedule, but need not be shown under that name.

(4) The revaluation reserve shall be reduced to the extent that the amounts standing to the credit of the reserve are in the opinion of the directors of the company no longer necessary for the purpose of the accounting policies adopted by the company; but an amount may only be transferred from the reserve to the profit and loss account if either—

- (a) the amount in question was previously charged to that account; or
- (b) it represents realised profit.

(5) The treatment for taxation purposes of amounts credited or debited to the revaluation reserve shall be disclosed in a note to the accounts.

PART III**NOTES TO THE ACCOUNTS****Preliminary**

35. Any information required in the case of any company by the following provisions of this Part of this Schedule shall (if not given in the company’s accounts) be given by way of a note to those accounts.

Disclosure of accounting policies

36. The accounting policies adopted by the company in determining the amounts to be included in respect of items shown in the balance sheet and in determining the profit or loss of the company shall be stated (including such policies with respect to the depreciation and diminution in value of assets).

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37. Paragraphs 38 to 51 below require information which either supplements the information given with respect to any particular items shown in the balance sheet or is otherwise relevant to assessing the company's state of affairs in the light of the information so given.

Share capital and debentures

38.—(1) The following information shall be given with respect to the company's share capital—

- (a) the authorised share capital ; and
- (b) where shares of more than one class have been allotted, the number and aggregate nominal value of shares of each class allotted.

(2) In the case of any part of the allotted share capital that consists of redeemable shares, the following information shall be given—

- (a) the earliest and latest dates on which the company has power to redeem those shares ;
- (b) whether those shares must be redeemed in any event or are liable to be redeemed at the option of the company ; and
- (c) whether any (and, if so, what) premium is payable on redemption.

39. If the company has allotted any shares during the financial year, the following information shall be given—

- (a) the reason for making the allotment ;
- (b) the classes of shares allotted ; and
- (c) as respects each class of shares, the number allotted, their aggregate nominal value, and the consideration received by the company for the allotment.

40.—(1) With respect to any contingent right to the allotment of shares in the company the following particulars shall be given—

- (a) the number, description and amount of the shares in relation to which the right is exercisable ;
- (b) the period during which it is exercisable ; and
- (c) the price to be paid for the shares allotted.

(2) In sub-paragraph (1) above "contingent right to the allotment of shares" means any option to subscribe for shares and any other right to require the allotment of shares to any person whether arising on the conversion into shares of securities of any other description or otherwise.

41.—(1) If the company has issued any debentures during the financial year to which the accounts relate, the following information shall be given—

- (a) the reason for making the issue ;
- (b) the classes of debentures issued ; and
- (c) as respects each class of debentures, the amount issued and the consideration received by the company for the issue.

(2) Particulars of any redeemed debentures which the company has power to reissue shall also be given.

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(3) Where any of the company's debentures are held by a nominee of or trustee for the company, the nominal amount of the debentures and the amount at which they are stated in the accounting records kept by the company in accordance with section 12 of the Companies Act 1976 shall be stated.

Fixed assets

42.—(1) In respect of each item which is or would but for paragraph 3(4)(b) above be shown under the general item "fixed assets" in the company's balance sheet the following information shall be given—

- (a) the appropriate amounts in respect of that item as at the date of the beginning of the financial year and as at the balance sheet date respectively ;
- (b) the effect on any amount shown in the balance sheet in respect of that item of—
 - (i) any revision of the amount in respect of any assets included under that item made during that year on any basis mentioned in paragraph 31 above ;
 - (ii) acquisitions during that year of any assets ;
 - (iii) disposals during that year of any assets ; and
 - (iv) any transfers of assets of the company to and from that item during that year.

(2) The reference in sub-paragraph (1)(a) above to the appropriate amounts in respect of any item as at any date there mentioned is a reference to amounts representing the aggregate amounts determined, as at that date, in respect of assets falling to be included under that item either—

- (a) on the basis of purchase price or production cost (determined in accordance with paragraphs 26 and 27 above) ;
or
- (b) on any basis mentioned in paragraph 31 above ;

(leaving out of account in either case any provisions for depreciation or diminution in value).

(3) In respect of each item within sub-paragraph (1) above—

- (a) the cumulative amount of provisions for depreciation or diminution in value of assets included under that item as at each date mentioned in sub-paragraph (1)(a) ;
- (b) the amount of any such provisions made in respect of the financial year ;
- (c) the amount of any adjustments made in respect of any such provisions during that year in consequence of the disposal of any assets ; and
- (d) the amount of any other adjustments made in respect of any such provisions during that year ;

shall also be stated.

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43. Where any fixed assets of the company (other than listed investments) are included under any item shown in the company's balance sheet at an amount determined on any basis mentioned in paragraph 31 above, the following information shall be given—

- (a) the years (so far as they are known to the directors) in which the assets were severally valued and the several values ; and
- (b) in the case of assets that have been valued during the financial year, the names of the persons who valued them or particulars of their qualifications for doing so and (whichever is stated) the bases of valuation used by them.

44. In relation to any amount which is or would but for paragraph 3(4)(b) above be shown in respect of the item "land and buildings" in the company's balance sheet there shall be stated—

- (a) how much of that amount is ascribable to land of freehold tenure and how much to land of leasehold tenure ; and
- (b) how much of the amount ascribable to land of leasehold tenure is ascribable to land held on long lease and how much to land held on short lease.

Investments

45.—(1) In respect of the amount of each item which is or would but for paragraph 3(4)(b) above be shown in the company's balance sheet under the general item "investments" (whether as fixed assets or as current assets) there shall be stated—

- (a) how much of that amount is ascribable to listed investments ; and
- (b) how much of any amount so ascribable is ascribable to investments as respects which there has been granted a listing on a recognised stock exchange and how much to other listed investments.

(2) Where the amount of any listed investments is stated for any item in accordance with sub-paragraph (1)(a) above, the following amounts shall also be stated—

- (a) the aggregate market value of those investments where it differs from the amount so stated ; and
- (b) both the market value and the stock exchange value of any investments of which the former value is, for the purposes of the accounts, taken as being higher than the latter.

Reserves and provisions

46.—(1) Where any amount is transferred—

- (a) to or from any reserves ; or
- (b) to any provisions for liabilities and charges ; or
- (c) from any provision for liabilities and charges otherwise than for the purpose for which the provision was established ;

and the reserves or provisions are or would but for paragraph 3(4)(b) above be shown as separate items in the company's balance

sheet, the information mentioned in sub-paragraph (2) below shall be given in respect of the aggregate of reserves or provisions included in the same item.

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(2) That information is—

- (a) the amount of the reserves or provisions as at the date of the beginning of the financial year and as at the balance sheet date respectively ;
- (b) any amounts transferred to or from the reserves or provisions during that year ; and
- (c) the source and application respectively of any amounts so transferred.

(3) Particulars shall be given of each provision included in the item “ other provisions ” in the company’s balance sheet in any case where the amount of that provision is material.

Provision for taxation

47. The amount of any provisions for taxation other than deferred taxation shall be stated.

Details of indebtedness

48.—(1) In respect of each item shown under “ creditors ” in the company’s balance sheet there shall be stated—

- (a) the aggregate amount of any debts included under that item which are payable or repayable otherwise than by instalments and fall due for payment or repayment after the end of the period of five years beginning with the day next following the end of the financial year ; and
- (b) the aggregate amount of any debts so included which are payable or repayable by instalments any of which fall due for payment after the end of that period ;

and in the case of debts within paragraph (b) above the aggregate amount of instalments falling due after the end of that period shall also be disclosed for each such item.

(2) Subject to sub-paragraph (3) below, in relation to each debt falling to be taken into account under sub-paragraph (1) above, the terms of payment or repayment and the rate of any interest payable on the debt shall be stated.

(3) If the number of debts is such that, in the opinion of the directors, compliance with sub-paragraph (2) above would result in a statement of excessive length, it shall be sufficient to give a general indication of the terms of payment or repayment and the rates of any interest payable on the debts.

(4) In respect of each item shown under “ creditors ” in the company’s balance sheet there shall be stated—

- (a) the aggregate amount of any debts included under that item in respect of which any security has been given ; and
- (b) an indication of the nature of the securities so given.

(5) References above in this paragraph to an item shown under “ creditors ” in the company’s balance sheet include references.

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where amounts falling due to creditors within one year and after more than one year are distinguished in the balance sheet—

- (a) in a case within sub-paragraph (1) above, to an item shown under the latter of those categories ; and
- (b) in a case within sub-paragraph (4) above, to an item shown under either of those categories ;

and references to items shown under “creditors” include references to items which would but for paragraph 3(4)(b) above be shown under that heading.

49. If any fixed cumulative dividends on the company’s shares are in arrear, there shall be stated—

- (a) the amount of the arrears ; and
- (b) the period for which the dividends or, if there is more than one class, each class of them are in arrear.

Guarantees and other financial commitments

50.—(1) Particulars shall be given of any charge on the assets of the company to secure the liabilities of any other person, including, where practicable, the amount secured.

(2) The following information shall be given with respect to any other contingent liability not provided for—

- (a) the amount or estimated amount of that liability ;
- (b) its legal nature ; and
- (c) whether any valuable security has been provided by the company in connection with that liability and if so, what.

(3) There shall be stated, where practicable—

- (a) the aggregate amount or estimated amount of contracts for capital expenditure, so far as not provided for ; and
- (b) the aggregate amount or estimated amount of capital expenditure authorised by the directors which has not been contracted for.

(4) Particulars shall be given of—

- (a) any pension commitments included under any provision shown in the company’s balance sheet ; and
- (b) any such commitments for which no provision has been made ;

and where any such commitment relates wholly or partly to pensions payable to past directors of the company separate particulars shall be given of that commitment so far as it relates to such pensions.

(5) Particulars shall also be given of any other financial commitments which—

- (a) have not been provided for ; and
- (b) are relevant to assessing the company’s state of affairs.

(6) Commitments within any of the preceding sub-paragraphs undertaken on behalf of or for the benefit of—

(a) any holding company or fellow subsidiary of the company ;
or

(b) any subsidiary of the company ;

shall be stated separately from the other commitments within that sub-paragraph (and commitments within paragraph (a) above shall also be stated separately from those within paragraph (b) above).

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Miscellaneous matters

51.—(1) Particulars shall be given of any case where the purchase price or production cost of any asset is for the first time determined under paragraph 28 above.

(2) Where any outstanding loans made under the authority of section 42(6)(b) or (c) or 43 of the Companies Act 1981 are included under any item shown in the company's balance sheet, the aggregate amount of those loans shall be disclosed for each item in question.

(3) The aggregate amount which is recommended for distribution by way of dividend shall be stated.

Information supplementing the profit and loss account

52. Paragraphs 53 to 57 below require information which either supplements the information given with respect to any particular items shown in the profit and loss account or otherwise provides particulars of income or expenditure of the company or of circumstances affecting the items shown in the profit and loss account.

Separate statement of certain items of income and expenditure

53.—(1) Subject to the following provisions of this paragraph, each of the amounts mentioned below shall be stated.

(2) The amount of the interest on or any similar charges in respect of—

(a) bank loans and overdrafts, and loans made to the company (other than bank loans and overdrafts) which—

(i) are repayable otherwise than by instalments and fall due for repayment before the end of the period of five years beginning with the day next following the end of the financial year ; or

(ii) are repayable by instalments the last of which falls due for payment before the end of that period ; and

(b) loans of any other kind made to the company.

This sub-paragraph does not apply to interest or charges on loans to the company from group companies, but, with that exception, it applies to interest or charges on all loans, whether made on the security of debentures or not.

(3) The amounts respectively set aside for redemption of share capital and for redemption of loans.

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(4) The amount of income from listed investments.

(5) The amount of rents from land (after deduction of ground rents, rates and other outgoings).

This amount need only be stated if a substantial part of the company's revenue for the financial year consists of rents from land.

(6) The amount charged to revenue in respect of sums payable in respect of the hire of plant and machinery.

(7) The amount of the remuneration of the auditors (taking "remuneration", for the purposes of this sub-paragraph, as including any sums paid by the company in respect of the auditors' expenses).

Particulars of tax

54.—(1) The basis on which the charge for United Kingdom corporation tax and United Kingdom income tax is computed shall be stated.

(2) Particulars shall be given of any special circumstances which affect liability in respect of taxation of profits, income or capital gains for the financial year or liability in respect of taxation of profits, income or capital gains for succeeding financial years.

(3) The following amounts shall be stated—

- (a) the amount of the charge for United Kingdom corporation tax ;
- (b) if that amount would have been greater but for relief from double taxation, the amount which it would have been but for such relief ;
- (c) the amount of the charge for United Kingdom income tax ; and
- (d) the amount of the charge for taxation imposed outside the United Kingdom of profits, income and (so far as charged to revenue) capital gains.

These amounts shall be stated separately in respect of each of the amounts which is or would but for paragraph 3(4)(b) above be shown under the following items in the profit and loss account, that is to say "tax on profit or loss on ordinary activities" and "tax on extraordinary profit or loss".

Particulars of turnover

55.—(1) If in the course of the financial year the company has carried on business of two or more classes that, in the opinion of the directors, differ substantially from each other, there shall be stated in respect of each class (describing it)—

- (a) the amount of the turnover attributable to that class ; and
- (b) the amount of the profit or loss of the company before taxation which is in the opinion of the directors attributable to that class.

(2) If in the course of the financial year the company has supplied markets that, in the opinion of the directors, differ substantially from each other, the amount of the turnover attributable to each such market shall also be stated.

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In this paragraph "market" means a market delimited by geographical bounds.

(3) In analysing for the purposes of this paragraph the source (in terms of business or in terms of market) of turnover or (as the case may be) of profit or loss, the directors of the company shall have regard to the manner in which the company's activities are organised.

(4) For the purposes of this paragraph—

- (a) classes of business which, in the opinion of the directors, do not differ substantially from each other shall be treated as one class ; and
- (b) markets which, in the opinion of the directors, do not differ substantially from each other shall be treated as one market ;

and any amounts properly attributable to one class of business or (as the case may be) to one market which are not material may be included in the amount stated in respect of another.

(5) Where in the opinion of the directors the disclosure of any information required by this paragraph would be seriously prejudicial to the interests of the company, that information need not be disclosed, but the fact that any such information has not been disclosed must be stated.

Particulars of staff

56.—(1) The following information shall be given with respect to the employees of the company—

- (a) the average number of persons employed by the company in the financial year ; and
- (b) the average number of persons so employed within each category of persons employed by the company.

(2) The average number required by sub-paragraph (1)(a) or (b) above shall be determined by dividing the relevant annual number by the number of weeks in the financial year.

(3) The relevant annual number shall be determined by ascertaining for each week in the financial year—

- (a) for the purposes of sub-paragraph (1)(a) above, the number of persons employed under contracts of service by the company in that week (whether throughout the week or not) ;
- (b) for the purposes of sub-paragraph (1)(b) above, the number of persons in the category in question of persons so employed ;

and, in either case, adding together all the weekly numbers.

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(4) In respect of all persons employed by the company during the financial year who are taken into account in determining the relevant annual number for the purposes of sub-paragraph (1)(a) above there shall also be stated the aggregate amounts respectively of—

- (a) wages and salaries paid or payable in respect of that year to those persons ;
- (b) social security costs incurred by the company on their behalf ;
and
- (c) other pension costs so incurred ;

save in so far as those amounts or any of them are stated in the profit and loss account.

(5) The categories of persons employed by the company by reference to which the number required to be disclosed by sub-paragraph (1)(b) above is to be determined shall be such as the directors may select, having regard to the manner in which the company's activities are organised.

Miscellaneous matters

57.—(1) Where any amount relating to any preceding financial year is included in any item in the profit and loss account, the effect shall be stated.

(2) Particulars shall be given of any extraordinary income or charges arising in the financial year.

(3) The effect shall be stated of any transactions that are exceptional by virtue of size or incidence though they fall within the ordinary activities of the company.

General

58.—(1) Where sums originally denominated in foreign currencies have been brought into account under any items shown in the balance sheet or profit and loss account, the basis on which those sums have been translated into sterling shall be stated.

(2) Subject to sub-paragraph (3) below, in respect of every item stated in a note to the accounts the corresponding amount for the financial year immediately preceding that to which the accounts relate shall also be stated and where the corresponding amount is not comparable, it shall be adjusted and particulars of the adjustment and the reasons for it shall be given.

(3) Sub-paragraph (2) above does not apply in relation to any amounts stated by virtue of any of the following provisions, that is to say—

- (a) sections 3 and 4 of the Companies Act 1967 (statement in notes to a company's accounts of proportion of share capital of subsidiaries or certain other bodies corporate held by that company, etc.) ;
- (b) sections 54 and 56 of the Companies Act 1980 (particulars of certain loans etc. to directors and others to be disclosed in notes to a company's accounts) ; and
- (c) paragraphs 42 and 46 above.

PART IV

SCH. 1

SPECIAL PROVISIONS WHERE THE COMPANY IS A HOLDING OR
SUBSIDIARY COMPANY**Company's own accounts**

59. Where a company is a holding company or a subsidiary of another body corporate and any item required by Part I of this Schedule to be shown in the company's balance sheet in relation to group companies includes—

- (a) amounts attributable to dealings with or interests in any holding company or fellow subsidiary of the company ;
- or
- (b) amounts attributable to dealings with or interests in any subsidiary of the company ;

the aggregate amounts within paragraphs (a) and (b) above respectively shall be shown as separate items, either by way of subdivision of the relevant item in the balance sheet or in a note to the company's accounts.

60.—(1) Subject to sub-paragraph (2) below, where the company is a holding company, the number, description and amount of the shares in and debentures of the company held by its subsidiaries or their nominees shall be disclosed in a note to the company's accounts.

(2) Sub-paragraph (1) above does not apply in relation to any shares or debentures—

- (a) in the case of which the subsidiary is concerned as personal representative ; or
- (b) in the case of which it is concerned as trustee ;

provided that in the latter case neither the company nor any subsidiary of the company is beneficially interested under the trust, otherwise than by way of security only for the purposes of a transaction entered into by it in the ordinary course of a business which includes the lending of money.

**Consolidated accounts of holding company
and subsidiaries**

61. Subject to paragraphs 63 and 66 below, the consolidated balance sheet and profit and loss account shall combine the information contained in the separate balance sheets and profit and loss accounts of the holding company and of the subsidiaries dealt with by the consolidated accounts, but with such adjustments (if any) as the directors of the holding company think necessary.

62. Subject to paragraphs 63 to 66 below and to Part V of this Schedule, the consolidated accounts shall, in giving the information required by paragraph 61 above, comply so far as practicable with the requirements of this Schedule and with the other requirements of the Companies Acts 1948 to 1981 as if they were the accounts of an actual company.

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63. The following provisions shall not, by virtue of paragraphs 61 and 62 above, apply for the purpose of the consolidated accounts, that is to say—

- (a) section 196 of this Act ;
- (b) sections 4 and 6 to 8 of the Companies Act 1967 ;
- (c) sections 54 and 56 of the Companies Act 1980 (so far as they relate to accounts other than group accounts); and
- (d) section 4 of the Companies Act 1981.

64. Paragraph 62 above is without prejudice to any requirement of the Companies Acts 1948 to 1981 which applies (otherwise than by virtue of paragraph 61 or 62 above) to group accounts.

65.—(1) Notwithstanding paragraph 62 above, the consolidated accounts prepared by a holding company may deal with an investment of any member of the group in the shares of any other body corporate by way of the equity method of accounting in any case where it appears to the directors of the holding company that that body corporate is so closely associated with any member of the group as to justify the use of that method in dealing with investments by that or any other member of the group in the shares of that body corporate.

(2) In this paragraph, references to the group, in relation to consolidated accounts prepared by a holding company, are references to the holding company and the subsidiaries dealt with by the accounts.

66. Notwithstanding paragraphs 61 and 62 above, paragraphs 17 to 19 and 21 above shall not apply to any amount shown in the consolidated balance sheet in respect of goodwill arising on consolidation.

67. In relation to any subsidiaries of the holding company not dealt with by the consolidated accounts paragraphs 59 and 60 above shall apply for the purpose of those accounts as if those accounts were the accounts of an actual company of which they were subsidiaries.

Group accounts not prepared as consolidated accounts

68. Group accounts which are not prepared as consolidated accounts, together with any notes to those accounts, shall give the same or equivalent information as that required to be given by consolidated accounts by virtue of paragraphs 61 to 67 above.

Provisions of general application

69.—(1) This paragraph applies where the company is a holding company and either—

- (a) does not prepare group accounts ; or
- (b) prepares group accounts which do not deal with one or more of its subsidiaries ;

and references below in this paragraph to the company's subsidiaries shall be read in a case within paragraph (b) above as references to such of the company's subsidiaries as are excluded from the group accounts.

(2) Subject to the following provisions of this paragraph—

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- (a) the reasons why the subsidiaries are not dealt with in group accounts ; and
- (b) a statement showing any qualifications contained in the reports of the auditors of the subsidiaries on their accounts for their respective financial years ending with or during the financial year of the company, and any note or saving contained in those accounts to call attention to a matter which, apart from the note or saving, would properly have been referred to in such a qualification, in so far as the matter which is the subject of the qualification or note is not covered by the company's own accounts and is material from the point of view of its members ;

shall be given in a note to the company's accounts.

(3) Subject to the following provisions of this paragraph, the aggregate amount of the total investment of the holding company in the shares of the subsidiaries shall be stated in a note to the company's accounts by way of the equity method of valuation.

(4) Sub-paragraph (3) above shall not apply where the company is a wholly owned subsidiary of another body corporate incorporated in Great Britain if there is included in a note to the company's accounts a statement that in the opinion of the directors of the company the aggregate value of the assets of the company consisting of shares in, or amounts owing (whether on account of a loan or otherwise) from, the company's subsidiaries is not less than the aggregate of the amounts at which those assets are stated or included in the company's balance sheet.

(5) In so far as information required by any of the preceding provisions of this paragraph to be stated in a note to the company's accounts is not obtainable, a statement to that effect shall be given instead in a note to those accounts.

(6) The Secretary of State may, on the application or with the consent of the company's directors, direct that in relation to any subsidiary sub-paragraphs (2) and (3) above shall not apply or shall apply only to such extent as may be provided by the direction.

(7) Where in any case within sub-paragraph (1)(b) above the group accounts are consolidated accounts, references above in this paragraph to the company's accounts and the company's balance sheet respectively shall be read as references to the consolidated accounts and the consolidated balance sheet.

70. Where a company has subsidiaries whose financial years did not end with that of the company the following information shall be given in relation to each such subsidiary (whether or not dealt with in any group accounts prepared by the company) by way of a note to the company's accounts or (where group accounts are prepared) to the group accounts, that is to say—

- (a) the reasons why the company's directors consider that the subsidiaries' financial years should not end with that of the company ; and

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- (b) the dates on which the subsidiaries' financial years ending last before that of the company respectively ended or the earliest and latest of those dates.

PART V

SPECIAL PROVISIONS WHERE THE COMPANY IS AN INVESTMENT COMPANY

71.—(1) Paragraph 34 above shall not apply to the amount of any profit or loss arising from a determination of the value of any investments of an investment company on any basis mentioned in paragraph 31(3) above.

(2) Any provisions made by virtue of paragraph 19(1) or (2) above in the case of an investment company in respect of any fixed asset investments need not be charged to the company's profit and loss account provided they are either—

- (a) charged against any reserve account to which any amount excluded by sub-paragraph (1) above from the requirements of paragraph 34 above has been credited ; or
(b) shown as a separate item in the company's balance sheet under the sub-heading "other reserves".

(3) For the purposes of this paragraph, as it applies in relation to any company, "fixed asset investment" means any asset falling to be included under any item shown in the company's balance sheet under the subdivision "investments" under the general item "fixed assets".

72.—(1) Any distribution made by an investment company which reduces the amount of its net assets to less than the aggregate of its called-up share capital and undistributable reserves shall be disclosed in a note to the company's accounts.

1980 c. 22.

(2) In sub-paragraph (1) above "net assets" has the same meaning as in the Companies Act 1980 and "undistributable reserves" has the same meaning as in section 40 of that Act.

73. A company shall be treated as an investment company for the purposes of this Part of this Schedule in relation to any financial year of the company if—

- (a) during the whole of that year it was an investment company as defined by section 41(3) of the Companies Act 1980 (which deals with distributions by investment companies); and
(b) it was not at any time during that year prohibited under subsection (5) of that section (no distribution where capital profits have been distributed, etc.) from making a distribution by virtue of subsection (1) of that section.

74. Where a company entitled to the benefit of any provision contained in this Part of this Schedule is a holding company, the reference in paragraph 62 above to consolidated accounts complying

with the requirements of the Companies Acts 1948 to 1981 shall, in relation to consolidated accounts of that company, be construed as referring to those requirements in so far only—

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- (a) as they apply to the separate accounts of that company ; and
- (b) as they apply otherwise than by virtue of paragraphs 61 and 62 above to any group accounts prepared by that company.

PART VI

INTERPRETATION OF SCHEDULE

Assets : fixed or current

75. For the purposes of this Schedule, assets of a company shall be taken to be fixed assets if they are intended for use on a continuing basis in the company's activities, and any assets not intended for such use shall be taken to be current assets.

Balance sheet date

76. For the purposes of this Schedule, "balance sheet date", in relation to a balance sheet, means the date as at which the balance sheet was prepared.

Called-up share capital

77. For the purposes of this Schedule, "called-up share capital" has the meaning given by section 87(1) of the Companies Act 1980. 1980 c. 22.

Capitalisation

78. References in this Schedule to capitalising any work or costs are references to treating that work or those costs as a fixed asset.

Fellow subsidiary

79. For the purposes of this Schedule, a body corporate shall be treated as a fellow subsidiary of another body corporate if both are subsidiaries of the same body corporate but neither is the other's.

Group companies

80. For the purposes of this Schedule, "group company", in relation to any company, means any body corporate which is that company's subsidiary or holding company, or a subsidiary of that company's holding company.

Historical cost accounting rules

81. References in this Schedule to the historical cost accounting rules shall be read in accordance with paragraph 29 above.

Leases

82. In this Schedule—

"long lease" means a lease in the case of which the portion of the term for which it was granted remaining unexpired at the end of the financial year is not less than fifty years ;

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“ short lease ” means a lease which is not a long lease ; and
“ lease ” includes an agreement for a lease.

Listed investments

83. In this Schedule, “ listed investment ” means an investment as respects which there has been granted a listing on a recognised stock exchange, or on any stock exchange of repute (other than a recognised stock exchange) outside Great Britain.

Loans

84. For the purposes of this Schedule, a loan shall be treated as falling due for repayment, and an instalment of a loan shall be treated as falling due for payment, on the earliest date on which the lender could require repayment or (as the case may be) payment, if he exercised all options and rights available to him.

Materiality

85. Amounts which in the particular context of any provision of this Schedule are not material may be disregarded for the purposes of that provision.

Notes to the accounts

86. Notes to a company’s accounts may be contained in the accounts or in a separate document annexed to the accounts.

Provisions

87.—(1) References in this Schedule to provisions for depreciation or diminution in value of assets are references to any amount written off by way of providing for depreciation or diminution in value of assets.

(2) Any reference in the profit and loss account formats set out in Part I of this Schedule to the depreciation of, or amounts written off, assets of any description is a reference to any provision for depreciation or diminution in value of assets of that description.

88. References in this Schedule to provisions for liabilities or charges are references to any amount retained as reasonably necessary for the purpose of providing for any liability or loss 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.

Purchase price

89. References in this Schedule (however expressed) to the purchase price of any asset of a company or of any raw materials or consumables used in the production of any such asset shall be read as including references to any consideration (whether in cash or otherwise) given by the company in respect of that asset or in respect of those materials or consumables (as the case may require).

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90. 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 of any description as realised ;

it is hereby declared for the avoidance of doubt that references in this Schedule to realised profits, in relation to a company's accounts, are references to such profits of the company as fall to be treated as realised profits for the purposes of those accounts in accordance with principles generally accepted with respect to the determination for accounting purposes of realised profits at the time when those accounts are prepared.

Related companies

91.—(1) For the purposes of this Schedule, “related company”, in relation to any company, means any body corporate (other than one which is a group company in relation to that company) in which that company holds on a long-term basis a qualifying capital interest for the purpose of securing a contribution to that company's own activities by the exercise of any control or influence arising from that interest.

(2) In this paragraph “qualifying capital interest” means, in relation to any body corporate, an interest in shares comprised in the equity share capital of that body corporate of a class carrying rights to vote in all circumstances at general meetings of that body corporate, and “equity share capital” has the meaning given by section 154(5) of this Act.

(3) Where—

- (a) a company holds a qualifying capital interest in a body corporate ; and
- (b) the nominal value of any relevant shares in that body corporate held by that company is equal to twenty per cent. or more of the nominal value of all relevant shares in that body corporate ;

it shall be presumed to hold that interest on the basis and for the purpose mentioned in sub-paragraph (1) above, unless the contrary is shown.

In this sub-paragraph “relevant shares” means, in relation to any body corporate, any such shares in that body corporate as are mentioned in sub-paragraph (2) above.

Scottish land tenure

92. In the application of this Schedule to Scotland, “land of freehold tenure” means land in respect of which the company is the proprietor of the *dominium utile* or, in the case of land not held on feudal tenure, is the owner ; “land of leasehold tenure” means land of which the company is the tenant under a lease ; and the reference to ground-rents, rates and other outgoings includes a reference to feu-duty and ground annual.

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PART VI

Staff costs

93. In this Schedule—

“social security costs” means any contributions by the company to any state social security or pension scheme, fund or arrangement; and

“pension costs” includes any other contributions by the company for the purposes of any pension scheme established for the purpose of providing pensions for persons employed by the company, any sums set aside for that purpose and any amounts paid by the company in respect of pensions without first being so set aside;

and any amount stated in respect of either of the above items or in respect of the item “wages and salaries” in the company’s profit and loss account shall be determined by reference to payments made or costs incurred in respect of all persons employed by the company during the financial year who are taken into account in determining the relevant annual number for the purposes of paragraph 56 (1)(a) above.

Turnover

94. For the purposes of this Schedule “turnover”, in relation to any company, means the amounts derived from the provision of goods and services falling within the company’s ordinary activities, after deduction of—

- (a) trade discounts;
- (b) value added tax; and
- (c) any other taxes based on the amounts so derived.

Wholly owned subsidiaries

95. In this Schedule, “wholly owned subsidiary” has the same meaning as it has for the purposes of section 150 of this Act.

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SCHEDULE 2

PREPARATION OF ACCOUNTS UNDER SCHEDULE 8A TO THE 1948 ACT
Accounts which may be prepared under section 149A or 152A of and Schedule 8A to 1948 Act

1. Accounts prepared under section 1 of the 1976 Act—

(a) in respect of any financial year beginning before the appointed day for the purposes of Part I of this Act by any company;

(b) in respect of any other financial year by any banking company, insurance company or shipping company;

may comply with the requirements of section 149A of and Schedule 8A to the 1948 Act (instead of section 149 and Schedule 8).

2. Group accounts prepared under section 1 of the 1976 Act (taken with section 150 of the 1948 Act)—

(a) in respect of any financial year beginning before the appointed day for the purposes of Part I of this Act by any holding company;

(b) in respect of any other financial year, by any holding company which is, or has as a subsidiary, a banking company, insurance company or shipping company ;

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may comply with the requirements of section 152A of and Schedule 8A to the 1948 Act (instead of section 152 and Schedule 8).

3. Subject to the following provisions of this Schedule, any reference in any enactment or other document to section 149 or 152 of or Schedule 8 to the 1948 Act shall in relation to any Schedule 8A accounts be construed, where the context requires, as a reference to section 149A or 152A of (as the case may be) or Schedule 8A to the 1948 Act, respectively.

Modification of 1948 Act

4.—(1) In sections 149A(2) and 152A(3) of the 1948 Act for the words “the Eighth Schedule” and in section 149A(3) of that Act for the words “Eighth Schedule” in each place where they occur there shall be substituted the words “Schedule 8A”.

(2) The amendment made to section 157(1) of the 1948 Act by section 13 of this Act shall not apply in relation to any directors’ report attached in compliance with section 157 to any Schedule 8A accounts ; and for the purposes of the application of that section to any such report, “reserves” has the meaning given by paragraph 27 of Schedule 8A to the 1948 Act.

(3) The proviso to section 163 of the 1948 Act shall continue to apply in relation to any directors’ report attached in compliance with section 157 of that Act to any Schedule 8A accounts.

(4) In Schedule 8A—

(a) in paragraph 2(a), the word “preference” shall cease to have effect ;

(b) in paragraph 8(1)(c) for the words from “provisos (b) and (c)” to the end there shall be substituted the words “section 42(6)(b) or (c) or 43 of the Companies Act 1981 ;” ;

(c) in paragraph 11(2A)—

(i) after the word “are” in the first place where it occurs, there shall be inserted the words “purchased or are” ; and

(ii) the following paragraph shall be inserted immediately before paragraph (a)—

“(aa) the number and nominal value of the shares so purchased, the aggregate amount of the consideration paid by the company for such shares and the reasons for their purchase ;” ;

(d) in paragraph 12(1)(d), for the word “provided”, there shall be substituted the words “set aside” ;

(e) in paragraph 18, for the words “this Act and the Companies Act 1967” there shall be substituted the words “the Companies Acts 1948 to 1981” ;

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- (f) in paragraph 19, after the words “ the Companies Act 1967 ” there shall be inserted the words “ and sections 54 and 56 of the Companies Act 1980 (so far as they relate to accounts other than group accounts) ” ;
- (g) the following paragraph shall be inserted after paragraph 19—
 “ 19A. Paragraph 18 above is without prejudice to any requirement of the Companies Acts 1948 to 1981 which applies (otherwise than by virtue of paragraph 17 or 18 above) to group accounts. ” ;
- (h) in paragraph 26 for the words from “ this Act ” to the end there shall be substituted the words “ the Companies Acts 1948 to 1981 shall, in relation to consolidated accounts of that company, be construed as referring to those requirements in so far only—
 (a) as they apply to the separate accounts of that company ; and
 (b) as they apply (otherwise than by virtue of paragraphs 17 and 18 above) to the group accounts prepared by that company. ” ; and
- (i) paragraph 25(3) shall cease to have effect.

(5) In relation to accounts prepared in respect of a financial year beginning on or after the appointed day for the purposes of Part I of this Act—

- (a) for the references in paragraph 23(1) and (2) of Schedule 8A to a banking or discount company there shall be substituted references to a banking company within the meaning of this Schedule which satisfies the Secretary of State that it ought to be treated for the purposes of Schedule 8A as a banking company ; and
- (b) paragraphs 23(3) and 24(2) and (3) of that Schedule shall not apply.

Modification of 1967 Act

5.—(1) In section 4 of the 1967 Act the following subsection shall be inserted after subsection (1A) (which is inserted by section 3 of this Act)—

“ (1B) Subsection (1A) of this section shall not apply in relation to any Schedule 8A accounts.”

(2) In section 11(1) of the 1967 Act for the words from “ to be shown ” to the end there shall be substituted the words “ to be given in a note to the company’s accounts is given in a note to any Schedule 8A accounts prepared by the company in respect of any financial year, the corresponding amount for the immediately preceding financial year shall be included in that note.”.

(3) In section 14(3)(a) of the 1967 Act for the words “ Schedule 8 ” there shall be substituted the words “ Schedule 8A ”.

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(4) The amendments made to section 16 of the 1967 Act by section 13 of this Act and the repeal of subsections (1)(b) and (2) of that section by section 16(2)(b) of this Act shall not apply in relation to any directors' report attached, in compliance with section 157 of the 1948 Act, to any Schedule 8A accounts; and in subsection (2) of that section and in section 17 for the words "Schedule 8" there shall be substituted the words "Schedule 8A".

(5) Sections 16A and 23A of the 1967 Act (which were inserted by sections 14 and 15 of this Act) shall not apply in relation to any directors' report attached in compliance with section 157 of the 1948 Act to any Schedule 8A accounts.

(6) Section 22 of the 1967 Act shall continue to apply in relation to any directors' report attached in compliance with section 157 of the 1948 Act to any Schedule 8A accounts.

(7) The amendment made to section 56(2) of the 1967 Act by paragraph 33 of Schedule 3 to this Act shall not apply in relation to any Schedule 8A accounts; and the following subsection shall be inserted in section 56 after subsection (2)—

"(2A) References in this Part of this Act to Schedule 8A accounts are references to accounts prepared in pursuance of paragraph 1 or 2 of Schedule 2 to the Companies Act 1981 which state that they are prepared in compliance with section 149A or 152A of and Schedule 8A to the principal Act."

Modification of 1980 Act

6.—(1) In sections 5(10)(b)(ii) and 43 (8) (c) of the 1980 Act for the words "Schedule 8" there shall be substituted the words "Schedule 8A".

(2) Sections 39(8) and 41(11) of the 1980 Act shall continue to have effect for the purposes of any Schedule 8A accounts.

(3) Section 42A of the 1980 Act (which was inserted by section 84 of this Act) shall not apply in relation to any Schedule 8A accounts.

(4) The amendments made by paragraphs 45(1)(a), 46, 47(a)(i), (b) and (d) and 62 of Schedule 3 to this Act to sections 39(4), 41(2), 43 and 87 of the 1980 Act respectively (and the consequential repeals in section 43 made in Schedule 4 to this Act) shall not have effect in relation to any Schedule 8A accounts; and, without prejudice to paragraph 3 above, references in those provisions (as they have effect by virtue of this paragraph) to Schedule 8 to the 1948 Act shall be construed as references to Schedule 8A.

Modification of this Act

7.—(1) Section 4 of this Act shall not apply in relation to any Schedule 8A accounts.

(2) Where the accounts of a company in respect of any financial year are Schedule 8A accounts, the directors of that company shall not be entitled by virtue of section 6 or 10 of this Act to deliver to the registrar modified accounts or modified group accounts in respect of that financial year.

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Interpretation

8. In this Schedule—

1979 c. 37. “banking company” means a company which is recognised as a bank for the purposes of the Banking Act 1979 or is a licensed institution within the meaning of that Act;

1974 c. 49. “insurance company” means a company to which Part II of the Insurance Companies Act 1974 applies;

“shipping company” means a company which or a subsidiary of which owns ships or includes among its activities the management or operation of ships and which satisfies the Secretary of State that it ought in the national interest to be treated for the purposes of Schedule 8A to the 1948 Act as a shipping company;

and references to Schedule 8A accounts are references to accounts prepared in pursuance of paragraph 1 or 2 above which state that they are prepared in compliance with section 149A or 152A of and Schedule 8A to the 1948 Act.

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SCHEDULE 3

MINOR AND CONSEQUENTIAL AMENDMENTS

Companies Act 1948 (c. 38)

1. The Companies Act 1948 shall have effect subject to the following modifications.

2. In sections 1, 4, 5, 10 and 149A and regulations 73A and 80 of Table A for the words “the Companies Acts 1948 to 1980”, in each place where they occur, there shall be substituted the words “the Companies Acts 1948 to 1981”.

3. In section 106 (registration of charges on property in England of companies incorporated outside England) for the word “England”, in the third place where it occurs, there shall be substituted the words “Great Britain”.

4. In both section 124 and section 125 the following subsection shall be substituted for subsection (3)—

“(3) If a company fails to comply with this section, the company and every officer of the company who is in default shall be liable on summary conviction to a fine not exceeding the statutory maximum or on conviction after continued contravention to a default fine not exceeding one-tenth of the statutory maximum.”

This paragraph shall not have effect in relation to any offence committed before the appointed day.

5. In section 150(3) (group accounts not complying with requirements of Act), after the word “Act” there shall be inserted the words “and with the other requirements of the Companies Acts 1948 to 1981 as to the matters to be included in or in a note to those accounts”.

6. In section 157(1) (directors' report to be attached to balance sheet) the words "(or under that section taken with section 150 of this Act)" shall cease to have effect. SCH. 3
7. In section 170(1) (liability to pay expenses of investigations)—
- (a) in paragraph (c), after the words "shall be liable" there shall be inserted the words "except where it was the applicant for the investigation and"; and
 - (b) in paragraph (d) for the words "the applicants" there shall be substituted the words "the applicant or applicants".
8. In section 172(3) (investigation of ownership of company) after the words "one hundred and sixty-four" there shall be inserted the words "(1)(a) and (b)".
9. In section 187 (restrictions on undischarged bankrupts acting as directors, etc.) after the words "acts as director" there shall be inserted the words "or liquidator" and after the words "is concerned in the" there shall be inserted the words "promotion, formation or".
10. In section 196 (particulars in accounts of directors' salaries, etc.)—
- (a) in subsection (1), for the words from the beginning to "there shall" there shall be substituted the words "There shall in a note to the accounts of a company prepared under section 1 of the Companies Act 1976";
 - (b) in subsection (6), after the words "shown in", in both places where they occur, there shall be inserted the words "a note to", and the words "or in a statement annexed thereto" shall cease to have effect.
- 11.—(1) In section 201 (directors' names and nationality to be printed on trade catalogues, etc.) the following subsection shall be substituted for subsection (1)—
- “(1)A company to which this section applies shall not state, in any form, the name of any of its directors (otherwise than in the text or as a signatory) on any business letter on which the company's name appears unless it states on the letter in legible characters the Christian name, or the initials thereof, and surname of every director of the company who is an individual and the corporate name of every corporate director.”
- (2) The following provisions of that section shall cease to have effect, that is to say—
- (a) the proviso to subsection (3) (consent of the Secretary of State required to proceedings in England and Wales); and
 - (b) in subsection (4), paragraph (c) (meaning of "show cards") and the reference to section 200(9)(d) of the 1948 Act (meaning of "former Christian name" and "former surname");
- and in subsection (4) for the words "(c) and (d)" there shall be substituted the words "and (c)".

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12. In section 365(1) (winding up rules) for the words "this Act", in both places where they occur, there shall be substituted the words "the Companies Acts 1948 to 1981".

13. In section 382 (companies capable of being registered under Part VIII of the 1948 Act)—

(a) in subsection (3), the following words shall be inserted after paragraph (b), that is to say, "and

(c) in an appropriate case, if the company wishes to be registered with the Welsh equivalent of "public limited company" or, as the case may be, "limited" as the last words or word of its name, a statement to that effect"; and

(b) at the end there shall be added the following subsection—

"(4) Any statement delivered to the registrar in pursuance of subsection (3) above shall be made in the prescribed form."

14. In paragraph (c) of section 384 (requirements for registration of joint stock companies) for sub-paragraph (iii) there shall be substituted the following sub-paragraphs—

(iii) where the company is to be registered as a public company, the name of the company with the addition, as the last words of the name, of the words "public limited company" or, if the company has delivered a statement under section 382(3)(c) of this Act to the registrar, "cwmni cyfyngedig cyhoeddus";

(iiia) where the company is to be registered as a private company, the name of the company with (subject to section 25 of the Companies Act 1981) the addition, as the last word of the name, of the word "limited" or, if the company has delivered a statement under section 382(3)(c) of this Act to the registrar, "cyfyngedig".

15. In section 407 (oversea companies to deliver certain documents to the registrar) the following subsection shall be inserted after subsection (2)—

"(2A) Oversea companies which after the commencement of paragraph 15 of Schedule 3 to the Companies Act 1981 establish a place of business within Great Britain shall within one month of the establishment of the place of business deliver to the registrar for registration a statutory declaration stating the date on which that place of business was established and made in the prescribed form by a director or secretary of the company or by any person whose name and address is included in the list delivered by the company to the registrar in pursuance of subsection (1)(c) of this section".

16. In section 424 (appointment of registrar, etc.)—

(a) in subsection (1) after the words "this Act" there shall be inserted the words "or the Companies Act 1980"; and

(b) in subsection (6) for the words “this Act or by the Companies Act 1976” there shall be substituted the words “the Companies Acts 1948 to 1981”.

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17. In section 450 (jurisdiction of stannaries court) for the words “this Act”, in each place where they occur, there shall be substituted the words “the Companies Acts 1948 to 1981”.

18. In section 451 (annual report by the Secretary of State) for the words “and the Companies Act 1980” there shall be substituted the words “the Companies Act 1980 and the Companies Act 1981 except sections 28 and 29.”.

19. In section 455 after the definition of “share warrant” there shall be inserted the following definition—

“ “statutory maximum” has the meaning given by section 87(1) of the Companies Act 1980 ; ”.

20. In Schedule 1, in regulation 3 of Table A for the words “section 58 of the Act, any preference shares” there shall be substituted the words “Part III of the Companies Act 1981, any shares”.

21. In Schedule 1, in both regulation 130 of Table A and Article 65 of Table C—

(a) for the words “section 14” there shall be substituted the words “sections 14 and 23A”; and

(b) the following words shall be added at the end, that is to say, “and sections 7 and 12 of the Companies Act 1981.”.

22. In Schedule 14 (application of Act to unregistered companies) for the words “one hundred and twenty-nine”, “one hundred and forty-seven” and “the Eighth Schedule” there shall be substituted respectively the words “one hundred and twenty-six”, “one hundred and forty-nine” and “Schedule 8 and Schedule 8A”.

Companies Act 1967 (c.81)

23. In sections 3(1), 4(1) and (2) and 5(1) of the 1967 Act (particulars to be included in company’s accounts) for the words “or in a note on, or statement annexed” there shall be substituted the words “a note”.

24. In sections 3(1) and (2) and 4(1) and (2) of the 1967 Act, for the word “issued” in each place where it occurs there shall be substituted the word “allotted”.

25. In section 6 of the 1967 Act—

(a) in subsection (1) for the words from the beginning to “there shall” there shall be substituted the words “There shall in a note to the accounts of a company prepared under section 1 of the Companies Act 1976”;

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- (b) in subsection (2) for the words “the said accounts or in a statement annexed thereto”, in each place where they occur, there shall be substituted the words “a note to the company’s accounts”; and
- (c) in subsection (6) after the words “shown in” there shall be inserted the words “a note to”.

26. In sections 7(1) and 8(1) of the 1967 Act for the words from the beginning to “there shall” there shall be substituted the words “There shall in a note to the accounts of a company prepared under section 1 of the Companies Act 1976”.

27. In section 14(3)(a) of the 1967 Act (auditors’ report) for the words “the Companies Acts 1948 to 1980” there shall be substituted the words “the Companies Acts 1948 to 1981”.

28. In sections 25, 27 and 29 of the 1967 Act (restrictions on directors’ dealing in options in securities of own companies and registration of their interests in such securities) any reference (however expressed) to any price paid, given or received in respect of any interest in shares or debentures shall be construed as including a reference to any consideration other than money given or received in respect of any such interest.

29.—(1) In section 28 of the 1967 Act (meaning of “interests in shares and debentures” for purposes of section 27 of that Act) the following subsections shall be substituted for subsections (1) to (4)—

“ (1) The provisions of this section shall apply in determining for the purposes of section 27 of this Act whether a person has an interest in shares or debentures.

(2) Any reference to an interest in shares or debentures shall be read as including a reference to any interest of any kind whatsoever in shares or debentures; and accordingly there shall be disregarded any restraints or restrictions to which the exercise of any right attached to the interest is or may be subject.

(3) Where any property is held on trust and any interest in shares or debentures is comprised in that property, any beneficiary of that trust who, apart from this subsection, does not have an interest in the shares or debentures shall be taken to have such an interest (but this subsection is without prejudice to the following provisions of this section).

(4) A person shall be taken to have an interest in shares or debentures if—

- (a) he enters into a contract for their purchase by him (whether for cash or other consideration); or
- (b) not being the registered holder, he is entitled to exercise any right conferred by the holding of those shares or debentures or is entitled to control the exercise of any such right.

(4A) A person shall be taken to be interested in shares or debentures if a body corporate is interested in them and—

- (a) that body corporate or its directors are accustomed to act in accordance with his directions or instructions ; or
- (b) he is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of that body corporate.

(4B) Where a person is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of a body corporate and that body corporate is entitled to exercise or control the exercise of any of the voting power at general meetings of another body corporate (the “relevant voting power”), then, for the purposes of subsection (4A)(b) above, the relevant voting power shall be taken to be exercisable by that person.

(4C) A person shall be taken to have an interest in shares or debentures if, otherwise than by virtue of having an interest under a trust—

- (a) he has a right to call for delivery of the shares or debentures to himself or to his order ; or
- (b) he has a right to acquire an interest in shares or debentures or is under an obligation to take an interest in shares or debentures ;

whether in any case the right or obligation is conditional or absolute.

(4D) For the purposes of subsection (4)(b) above, a person shall be taken to be entitled to exercise or control the exercise of any right conferred by the holding of shares or debentures if he has a right (whether subject to conditions or not) the exercise of which would make him so entitled or is under an obligation (whether so subject or not) the fulfilment of which would make him so entitled.

(4E) A person shall not by virtue of subsection (4)(b) above be taken to be interested in any shares or debentures by reason only that he has been appointed a proxy to vote at a specified meeting of a company or of any class of its members and at any adjournment of that meeting or has been appointed by a corporation to act as its representative at any meeting of a company or of any class of its members.

(4F) Without prejudice to subsection (2) above, rights or obligations to subscribe for any shares or debentures shall not be taken for the purposes of subsection (4C) above to be rights to acquire, or obligations to take, any interest in shares or debentures.”

(2) Subsection (3) of section 27 of the 1967 Act (periods during which any obligation imposed by that section must be fulfilled) shall not apply in relation to any obligation imposed on a director of a company by subsection (1)(a) of that section to notify the company of any interest of his in shares or debentures if that obligation arose

SCH. 3 on the appointed day by virtue only of the coming into force of sub-paragraph (1) above ; but the director must fulfil any such obligation—

(a) if he knows of the existence of that interest on the appointed day, within the period of ten days next following that day ;

(b) in any other case, within the period of five days next following the day on which the existence of that interest comes to his knowledge ;

(disregarding in reckoning that period any day that is a Saturday or Sunday or a bank holiday in any part of Great Britain).

30. In section 44(2) of the 1967 Act (requirements of 1967 Act relating to registration to be satisfied in case of unlimited company re-registering as limited) for the words “this Act”, in both places where they occur, there shall be substituted the words “the Companies Acts 1948 to 1981”.

31. In section 46(5) of the 1967 Act (effect of change of name by company) for the words “Subsections (3) and (4) of section 18 of the principal Act” there shall be substituted the words “Subsections (6) and (7) of section 24 of the Companies Act 1981”.

32. In section 50(a) of the 1967 Act (admissibility of answers given in course of investigations under section 167 of the 1948 Act) for the words “as originally enacted” there shall be substituted the words “as amended by section 87 of the Companies Act 1981 (whether as it has effect in relation to an investigation under any of sections 164 to 166 of the principal Act”.

33. In section 56(2)(a) of the 1967 Act, for the words from “note” to “given” there shall be substituted the words “notes to the accounts in question giving information which is required by any provision of the Companies Acts 1948 to 1981 and required or allowed by any such provision to be given in a note to a company’s accounts”.

European Communities Act 1972 (c.68)

34. In section 9(3) (da) of the European Communities Act 1972 (notice to be given to registrar of documents delivered in pursuance of section 4(2) of the 1980 Act) for the words “written statement” there shall be substituted the words “statutory declaration”.

Insurance Companies Act 1974 (c.49)

35. In section 17(1) of the Insurance Companies Act 1974 (application of audit provisions of Companies Acts 1948 to 1980 to audits under that section) for the words “Companies Acts 1948 to 1980” there shall be substituted the words “Companies Acts 1948 to 1981”.

Companies Act 1976 (c.69)

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36. In section 29(1) of the 1976 Act (register of disqualification orders)—

- (a) for the words from “that a person” to “in the order” there shall be substituted the words “under section 188 of the Act of 1948 or section 9 of the Insolvency Act 1976;”; and
- (b) the words from “This subsection” to the end shall cease to have effect.

37. In section 37(1)(b) of the 1976 Act (fees payable for the inspection of documents kept by registrar) after the word “documents” there shall be inserted the words “or other material”.

38. In section 44(1) of the 1976 Act (interpretation) for the definition of “the Companies Acts” there shall be substituted the following definition—

“the Companies Acts” means the Companies Acts 1948 to 1981”.

Companies Act 1980 (c.22)

39. The Companies Act 1980 shall have effect subject to the following modifications.

40. In section 17(11) (interpretation of provisions relating to pre-emption rights)—

- (a) in the definition of “relevant employee shares” for the word “under” there shall be substituted the words “by a person who acquired them in pursuance of”; and
- (b) in the definition of “relevant shares” the following paragraph shall be substituted for paragraph (b)—
 - “(b) shares which are held by a person who acquired them in pursuance of an employees’ share scheme or, in the case of shares which have not been allotted, are to be allotted in pursuance of such a scheme;”;

and the following subsection shall be added at the end of that section—

“(13) In relation to any offer to allot any securities required by subsection (1) above or by any provision to which subsection (3) above applies references in this section (however expressed) to the holder of shares of any description shall be read as including references to any person who held shares of that description on any day within the period of twenty-eight days ending with the day immediately preceding the date of the offer.”.

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41. In section 21 (prohibition on allotment of shares at a discount) the following subsection shall be substituted for subsection (2)—

“(2) Where shares are allotted in contravention of subsection (1) above the allottee shall be liable to pay the company an amount equal to the amount of the discount and shall be liable to pay interest thereon at the appropriate rate.”.

42.—(1) In section 24 (valuation of non-cash consideration before allotment), for the words from the beginning of subsection (2) to “that class” there shall be substituted the words “(2) Subject to subsection (2A) below, subsection (1) above shall not apply to the allotment of shares by a company in connection with—

(a) an arrangement providing for the allotment of shares in that company on terms that the whole or part of the consideration for the shares allotted is to be provided by the transfer to that company or the cancellation of all or some of the shares, or of all or some of the shares of a particular class, in another company (with or without the issue to that company of shares, or of shares of any particular class, in that other company);”.

(2) The following subsection shall be inserted after subsection (2) of that section—

“(2A) Subsection (2)(a) above does not exclude the application of subsection (1) above to the allotment of shares by a company in connection with any such arrangement as is there mentioned unless it is open to all the holders of the shares in the other company in question or, where the arrangement applies only to shares of a particular class, to all the holders of shares in that other company of that class, to take part in the arrangement.

In determining whether that is the case, shares held by or by a nominee of the company proposing to allot the shares in connection with the arrangement, or by a nominee of a company which is that company’s holding company or subsidiary or a company which is a subsidiary of its holding company, shall be disregarded.”

(3) In subsection (3) of that section—

(a) for the words from the beginning to “those purposes” there shall be substituted the words “For the purposes of subsection (2)(b) above”; and

(b) after the word “shares”, in the last place where it occurs, there shall be inserted the words “or other securities”.

(4) The following subsection shall be inserted after subsection (11) of that section—

“(11A) It is hereby declared for the avoidance of doubt that subsection (1) above does not apply by reference to the application of an amount for the time being standing to the credit

of any of a company's reserve accounts or to the credit of its profit and loss account in paying up (to any extent) any shares allotted to members of the company or any premiums on any shares so allotted; and in relation to any such allotment references in this section to the consideration for the allotment do not include any such amount so applied."

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(5) In subsection (12) the following paragraph shall be inserted before paragraph (a)—

"(aa) in this section 'arrangement' means any agreement, scheme or arrangement (including an arrangement sanctioned in accordance with section 206 or 287 of the 1948 Act);".

43. In section 35 (acquisition of own shares by companies)—

(a) in subsection (1) for the words "Except as provided by subsection (2) below" there shall be substituted the words "Subject to the following provisions of this section";

(b) in subsection (2) the words from "and any company" to the end shall cease to have effect;

(c) in subsection (4)—

(i) for the words from the beginning to "purchasing" in paragraph (b) there shall be substituted the words "Subsection (1) above shall not apply in relation to—

(a) the redemption or purchase of any shares in accordance with Part III of the Companies Act 1981;

(aa) the acquisition of any shares in a reduction of capital duly made;

(b) the purchase of any"; and

(ii) for the words "by forfeiting shares or accepting a surrender" there shall be substituted the words "the forfeiture of any shares or the acceptance of any shares surrendered".

44. In section 37(1)(b) (treatment of shares acquired by company) after the words "acquired by the company" there shall be inserted the words ", otherwise than by any of the methods mentioned in section 35(4) above,".

45.—(1) In section 39(4) (certain provisions to be treated as realised losses for the purposes of determining profits available for distribution)—

(a) for the words "(within the meaning of Schedule 8 to the 1948 Act)" there shall be substituted the words "of any kind mentioned in paragraphs 87 and 88 of Schedule 8 to the 1948 Act"; and

(b) after the words "fixed assets" there shall be inserted the words "or of all the fixed assets other than goodwill".

SCH. 3 (2) The following subsection shall be inserted after that subsection—

“(4A) Subject to section 43(7A) of this Act, any consideration by the directors of a company of the value at any particular time of any fixed asset of the company shall be treated as a revaluation of that asset for the purposes of determining whether any such revaluation of the company’s fixed assets as is required for the purposes of the exception from subsection (4) above has taken place at that time ; but where any such assets which have not actually been revalued are treated as revalued for those purposes by virtue of this subsection that exception shall only apply if the directors are satisfied that their aggregate value at the time in question is not less than the aggregate amount at which they are for the time being stated in the company’s accounts.”.

46. In section 41(2) (definition of “ liabilities ”) for the words from “ (within the meaning ” to “ in question ” there shall be substituted the words “ for liabilities or charges (within the meaning of paragraph 88 of Schedule 8 to the 1948 Act) ”.

47. In section 43 (“ relevant accounts ” for the purposes of Part III of 1980 Act)—

(a) in subsection (2)—

(i) the words “ or filed ”, wherever occurring, shall cease to have effect ; and

(ii) in paragraph (b) for the word “ proper ” there shall be substituted the word “ reasonable ” ;

(b) in subsection (3)(d) the words from “ or delivered ” to the end shall cease to have effect ;

(c) the following subsection shall be inserted after subsection (7)—

“(7A) Where subsection (3)(a), (5)(a) or (6)(a) above applies to the relevant accounts, section 39(4A) of this Act shall not apply for the purposes of determining whether any revaluation of the company’s fixed assets affecting the amount of the relevant items as stated in those accounts has taken place, unless it is stated in a note to those accounts—

(a) that the directors have considered the value at any time of any fixed assets of the company without actually revaluing those assets ;

(b) that they are satisfied that the aggregate value of those assets at the time in question is or was not less than the aggregate amount at which they are or were for the time being stated in the company’s accounts ; and

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- (c) that the relevant items affected are accordingly stated in the relevant accounts on the basis that a revaluation of the company's fixed assets which by virtue of section 39(4A) included the assets in question took place at that time"; and
- (d) in subsection (8) in the definition of "relevant item", for the words "(within the meaning of Schedule 8 to the 1948 Act)" there shall be substituted the words "of any kind mentioned in paragraphs 87 and 88 of Schedule 8 to the 1948 Act"; and the words "or filed" and the words from "or as" to "applicable" shall cease to have effect.

48. In section 45—

- (a) in subsection (2) (meaning of "distribution") for paragraph (b) there shall be substituted the following paragraph—
 - "(b) 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 Part III of the Companies Act 1981 ;" ; and
- (b) in subsection (4) (meaning of "profits" and "losses" for purposes of Part III of the 1980 Act) for the words "except in relation to an investment company" there shall be substituted the words "except where the context otherwise requires".

49. In section 50 (exemption from the prohibitions of certain transactions, etc. contained in section 49) for subsection (1) there shall be substituted the following subsection—

- "(1) Where a relevant company is a member of a group of companies, subsection (1)(b)(ii) and (iii) of section 49 above shall not prohibit that relevant company from—
 - (a) making a loan or quasi-loan to another member of that group ; or
 - (b) entering into a guarantee or providing any security in connection with a loan or quasi-loan made by any person to another member of the group ;

by reason only that a director of one member of the group is associated with another.

In this subsection "group of companies" means a holding company and its subsidiaries."

50. In section 51 (calculation of "relevant amounts" for the purposes of section 50)—

- (a) in subsection (2)—
 - (i) at the beginning there shall be inserted the words "Subject to subsection (2A) below" ; and

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(ii) in paragraphs (b) and (c) for the words "by a subsidiary of its holding company" there shall be substituted the words "by that holding company or any of its subsidiaries"; and

(b) the following subsection shall be inserted after subsection (2)—

"(2A) Where the proposed transaction falls within section 50(4)(d) above and is one which a recognised bank proposes to enter into in pursuance of section 50(7) above (housing loans, etc.), any other transaction or arrangement which apart from this subsection would be a relevant transaction in relation to the proposed transaction shall be deemed not to be such a relevant transaction unless it was entered into in pursuance of section 50(7)."

51. In section 54—

(a) in subsection (1) (disclosure of arrangements between directors of holding companies and those companies or their subsidiaries) after the words "director of the company", in each place where they occur, there shall be inserted the words "or its holding company";

(b) the following subsection shall be inserted after subsection (2)—

"(2A) Particulars which are required by subsection (1) or (2) above to be contained in any accounts shall be given by way of notes to those accounts.";

(c) in subsection (6)(b) (exemption from subsections (1) and (2) of contracts of service between companies and their directors or the directors of their holding companies) after the words "holding company" there shall be inserted the words "or between a director of a company and any of that company's subsidiaries"; and

(d) in subsection (6)(c) for the word "or", in the second place where it occurs, there shall be substituted the word "and".

52. In section 56 (particulars of amounts outstanding to be included in accounts)—

(a) the following subsection shall be inserted after subsection (2)—

"(2A) Subsection (2) above does not apply, in relation to the accounts prepared by any company in respect of any relevant period, to transactions, arrangements and agreements made by the company or any of its subsidiaries for any officer of the company if the aggregate amount outstanding at the end of that period under the transactions, arrangements and agreements so made for that officer does not exceed £2,500."; and

(b) the following subsection shall be inserted after subsection (4)—

“(4A) Particulars which are required by subsection (2) or (4) above to be contained in any accounts shall be given by way of notes to those accounts.”.

53. In section 58 (transactions, etc. excluded from sections 54 and 57) the following subsection shall be substituted for subsection (3)—

“(3) Subsections (1)(c) and (2)(c) of section 54 above do not apply, in relation to any accounts prepared by a company in respect of any relevant period, to any transaction or arrangement with a company or any of its subsidiaries in which a director of the company or of its holding company had, directly or indirectly, a material interest if—

- (a) the value of each transaction or arrangement within subsection (1)(c) or (2)(c), as the case may be, in which that director had, directly or indirectly, a material interest and which was made after the commencement of that relevant period with the company or any of its subsidiaries ; and
- (b) the value of each such transaction or arrangement which was made before the commencement of that period less the amount (if any) by which the liabilities of the person for whom the transaction or arrangement was made have been reduced ;

did not at any time during the relevant period exceed in the aggregate £1,000 or, if more, did not exceed £5,000 or one per cent. of the value of the net assets of the company preparing the accounts in question as at the end of the relevant period for those accounts, whichever is the less.”.

54. In section 64(3) (circumstances in which directors are associated with companies) for the words from “and a trustee” to the end there shall be substituted the words “shall not be treated as connected with that director unless it is also connected with him by virtue of section 64(1)(c) or (d) above ; and a trustee of a trust the beneficiaries of which include or may include a body corporate with which a director is associated shall not be treated as connected with that director by reason only of that fact.”.

55. In section 64(4) (application of section 28 of the 1967 Act to section 64(3)) for the words “subsection (3)(b)” there shall be substituted the words “subsections (4A) and (4B)”.

56. In section 65(1) (interpretation of Part IV), the following paragraphs shall be substituted for paragraphs (b) and (c) of the definition of “relevant company”—

- “(b) is a subsidiary of a company which is not a private company ; or
- (c) is a subsidiary of a company which has as another subsidiary a company which is not a private company ; or

SCH. 3 (d) has as one of its subsidiaries a company which is not a private company.”.

57. In section 66(2) (consequential repeals of section 197 of the 1948 Act and section 16(1)(c) of the 1967 Act) after the words “section 16(1)(c)” there shall be inserted the words “and (3)”.

58. In section 67 (application of Part IV to unregistered companies) for “58” there shall be substituted “59”.

59. In section 72 (penalties for breach of sections 68 and 69 of the 1980 Act) for the words “or 69”, in both places where they occur, there shall be substituted the words “69 or 70”.

60. In section 78(4) (Welsh equivalents of certain words)—

(a) the word “and” in paragraph (c) shall cease to have effect ; and

(b) the following words shall be added at the end of paragraph (d), that is to say, “and

(e) the equivalent in Welsh of “unlimited” is “anghyfyngedig”.

61. In section 87(1) (general interpretation) for the definition of “the Companies Acts” there shall be substituted the following definition—

““the Companies Acts” means the Companies Acts 1948 to 1981 ;”.

62. In section 87(4) (construction of references to “balance sheet”, etc.)—

(a) the following paragraph shall be substituted for paragraph (a)—

“(a) any references to a balance sheet or to a profit and loss account shall include any note to the accounts in question giving information which is required by any provision of the Companies Acts and required or allowed by any such provision to be given in a note to a company’s accounts ;” ; and

(b) for the words from “(within the meaning of” to the end there shall be substituted the words “for liabilities or charges (within the meaning of paragraph 88 of Schedule 8 to the 1948 Act).”.

Transport Act 1981 (c.56)

63. In paragraph 10 of Schedule 6 to the Transport Act 1981 (amendments of the Harbours Act 1964) for each reference to the Companies Acts 1948 to 1980 there shall be substituted a reference to the Companies Acts 1948 to 1981.

SCHEDULE 4

Section 119.

REPEALS

Chapter	Short title	Extent of repeal
1916 c. 58. 1923 c. 4. 1947 c. 47. 11 & 12 Geo. 6. c. 38.	Registration of Business Names Act 1916. Fees (Increase) Act 1923. Companies Act 1947. Companies Act 1948.	The whole Act. Section 5. Sections 58 and 116. Section 5(6). Sections 17, 18 and 19. Section 54. In section 56(2) the words from "of any" to "or". Section 58. In section 62(1)(e) the word "preference". Section 156(3). In section 157(1), the words from "or under" to "this Act" and from "within" to the end. In section 163, the proviso. Section 165(1)(a)(i). Section 167(4). In section 174(1) the words from "and that" to "Act". Section 188(5). In section 196(6), the words "or in a statement annexed thereto". In section 201, the proviso to subsection (3) and, in subsection (4) paragraph (c). In section 283(4), the words "and delivered" in each place where they occur. In section 354, the words from "subject and" to "sections". Sections 388 and 389. In section 456, the word "fifty-eight". In Schedule 1,— Regulation 10 of Table A; in Regulation 88 of Table A and Article 38 of Table C, the words "or under section 28 of the Companies Act 1976". In Schedule 16, paragraph 4. Section 9. Section 12. In section 16, in subsection (1), paragraphs (b) and (d), and subsections (2) and (3). Sections 20 and 22. Sections 33 and 34. In section 54, the word "12(1)" in each place where it occurs.
1967 c. 81.	Companies Act 1967.	

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Chapter	Short title	Extent of repeal
1972 c. 68. 1976 c. 69.	European Communities Act 1972. Companies Act 1976.	<p>In section 9(3)(<i>dh</i>) the word "preference".</p> <p>In section 9(1) the words "(subject to any prescribed exceptions or modifications)".</p> <p>Sections 26, 27 and 28.</p> <p>In section 29(1), the words from "This subsection applies" to the end.</p> <p>Section 30(4).</p> <p>Section 32.</p> <p>Section 34(2).</p> <p>Section 36(3).</p> <p>Section 38(4).</p> <p>In Schedule 2, the paragraphs amending sections 13, 69, 98, 106E, 390 and 426 of the 1948 Act, Regulation 88 of Table A and Article 38 of Table C in Schedule 1 to that Act and Schedule 14 to that Act.</p>
1979 c. 37. 1980 c. 22.	Banking Act 1979. Companies Act 1980.	<p>Section 36(10).</p> <p>Section 39(8).</p> <p>In section 40(2)(<i>b</i>) and (3) the word "fund".</p> <p>Section 41(11).</p> <p>In section 43, in subsection (2), the words "or filed", wherever occurring; in subsection (3)(<i>d</i>) the words from "or delivered" to the end; and in subsection (8) the words "or filed" and from "or, as" to "applicable".</p> <p>In section 45(3) the word "fund".</p> <p>Section 81.</p> <p>In Schedule 2, the entries relating to sections 18, 19, 124, 125 and 200 of the 1948 Act.</p> <p>In Schedule 3, paragraphs 2, 5, 10, 13, 14, 19, 20(<i>a</i>), 24, 30, 36(6) and 46.</p>

Note:

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(a) The repeal by this Act of section 18(2) of the 1948 Act shall have effect subject to the saving in section 35(4) of this Act.

(b) The repeal by this Act of the proviso to section 163 of the 1948 Act shall have effect subject to the saving in paragraph 4(3) of Schedule 2 to this Act.

(c) The repeal by this Act of part of section 174(1) of the 1948 Act shall have effect subject to the saving in section 91(8) of this Act.

(d) The repeal by this Act of subsections (1)(b) and (2) of section 16 and section 22 of the 1967 Act shall have effect subject to the savings in paragraphs 5(4) and (6) of Schedule 2 to this Act.

(e) The repeal by this Act of section 16(3) of the 1967 Act shall have effect subject to the saving in section 66(2) of the 1980 Act.

(f) The repeal by this Act of section 27 of the 1976 Act shall have effect subject to the saving in section 83 of this Act.

(g) The repeal by this Act of sections 39(8) and 41(11) of the 1980 Act shall have effect subject to the saving in paragraph 6(2) of Schedule 2 to this Act.

(h) The repeals by this Act in section 43 of the 1980 Act shall have effect subject to the saving in paragraph 6(4) of Schedule 2 to this Act.

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