Leigh and Edey

COMPANIES ACT 1981

TEXT AND COMMENTARY

Butterworths

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PREFACE

Company law has become increasingly technical in recent years, and the Companies Act 1981 is a very technical statute indeed. This little book is an attempt to unravel its complexities for practitioners whether they be lawyers or accountants, company secretaries, students and others. We hope that it will be found to be a clear, succinct and reliable guide. Our discussion is directed towards elucidating the meaning of the Act, and, because many of the matters dealt with in the Act are new, we have not dealt much with case law. We have, however, used Parliamentary debates and committee proceedings where they seemed to be helpful in explaining the structure and purpose of various parts of the Act. We venture to hope that our account is faithful to the definitive text of the Act.

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PART I

INTRODUCTORY

1. The Companies Act 1981 was conceived as a relatively modest measure, directed towards implementing the E.E.C. Fourth Directive relating to company accounts.[1] Initially, and during its Parliamentary passage more and more bits were added; the abolition of the Register of Business Names, investigations and inspections (much elaborated during its passage), merger relief, concert parties (including the replacement of disclosure provisions of the Companies Act 1967), and miscellaneous items, some of which amended sections of the 1980 Act which have already been found to be deficient.

[1] Fourth Council Directive of 25 July 1978, OJ L222/11.

2. It is impossible not to be disquieted by the way in which this Act progressed through Parliament. Undoubtedly, as government spokesmen intimated, substantial parts of it were the subject of consultation with the City and with industry. Nonetheless, its progress was not orderly. Important parts were added late in the Parliamentary process, and extensive amendments were being canvassed even after the Bill had been through the House of Lords and all stages save Third Reading, in the House of Commons. The Companies Act 1980, which suffered the same treatment, has already had to be revised. We cannot believe that much is gained by haste; the measure has been stitched together, and it is clear from remarks in Committee that members did not always have the time necessary to digest provisions as technical as those to be found anywhere in English law. That is not to criticise the draftsman, who did well under the circumstances.

3. Some parts of the Act are quite new. So far as the accounting provisions are concerned, they derive mainly from the Fourth Directive which may be looked to for the purposes of interpretation.[1] The concert party provisions replace disclosure provisions of the CA 1967 and add to them the distinctive concert party sections; a scheme which says much for the draftsman's ingenuity. Whether the provisions, however acceptable as an intellectual exercise, will prove to be enforceable, is quite another question. We would guess not. Merger relief amends parts of the CA 1948, as do the inspection provisions contained in the Act. Along the way, the government took the opportunity of making improvements to the Companies Acts which had been advocated by the Jenkins Committee as long ago as 1962.[2] In some respects, though, it is clear that we all suffer from tunnel vision; the fraudulent trading provisions of CA 1948, section 332 and, above all, the prohibition against a company providing financial assistance for the purchase of its own shares, contained in CA 1948, section 54, have been revised. But, especially in the latter case, it does not seem to have been considered whether much of the inevitable elaboration to which this gives rise might not have been avoided had we a proper law of fraud of a wide and functional sort. Examples abound abroad; in France the offence of *abus de biens sociaux* protects against directors who divert corporate assets to their own use.[3] Similar results are produced by section 124 of the Australian uniform companies acts which makes breaches of duty criminal. Without arguing for the letter of either measure, it is surely appropriate to suggest that some of these matters should be approached from the vantage point of the reform of the criminal law of fraud generally, and not company law as such.

[1] *McArthys Ltd v Smith* [1981] 1 All ER 111.
[2] 1962, Cmnd 1749.
[3] Eg see C. Pinoteau, "Délit d'abus des biens et du credit de la societé; 1969 1 Gaz Pal (Doctrine) 165; H. Launais, "L'abus des biens et du credit de la societé", 1960 1 Gaz Pal (Doctrine) 44.

4. Further reflections of this sort are for a very different type of book. We leave the pulpit at this point. The order of treatment which we have adopted follows that of the Act for the most part, although we have occasionally changed the order of treatment where that seemed advisable. We have referred to provisions of the Fourth Directive where this was necessary to explain the text.

PART II

THE ACCOUNTING REQUIREMENTS

5. This Act substantially modifies the accounting requirements for companies. The basic accounting requirements for companies are set out in Schedule 8 to the Companies Act 1948, as substituted by section 1 of this Act. Accounts prepared by any company in respect of any financial year beginning before the appointed day, and in respect of any financial year by any banking, insurance and shipping company may continue to be governed by the individual and group accounting provisions of the original Schedule 8 to the 1948 Act, now re-designated as Schedule 8A.[1] The basic accounting requirements of the new Schedule 8 are substantially relaxed in favour of small and medium-sized private companies. The details of the legislation are undeniably complicated.

[1] CA 1981, s 1(2) and s 17, and see Sch 2, para 1. For the definition of banking, insurance and shipping companies, see ibid, para 8. There are some minor amendments to Sch 8A.

General provisions

6. Section 1 substitutes a new section 149 in the CA 1948. The former section 149 becomes section 149A.[1] Public companies other than those exempted by the Act, and private companies so far as they do not benefit from the accounting exemptions, must comply with the new Schedule 8 to the Act 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.[2] The accounting documents must give a true and fair view of the company's state of affairs and profit and loss for the financial year, and this is a requirement which overrides the requirements of form and content in Schedule 8 and all other requirements of the Companies Acts as to matters to be included in the accounts.[3]

[1] CA 1981, s 1.
[2] CA 1948, s 149 (1).
[3] Ibid, s 149 (2) and (3).

7. Section 149(3)(a) and (b) thus provides that if the financial documents drawn up in accordance with Schedule 8 and other requirements of the Companies Acts would not suffice to present a true and fair view, the information necessary to do so must be included in the balance sheet or profit and loss account, or in a note to the accounts. Furthermore, if because of special circumstances in the case of any company, adherence to the Acts would prevent the financial documents from showing a true and fair view, the company shall, so far as is necessary to do so, depart from the requirements of the Acts. Particulars of any such departure, the reasons for it, and its effect, are to be given in a note to the accounts (s 149(4)).

8. New section 149(2) does not apply to group accounts, although the same basic standards do. Section 149(1) and (2) do not apply to a company's profit and loss account in consolidated form, complying with the requirements of the Act relating to consolidated profit and loss accounts, and showing how much of the consolidated profit and loss for the financial year is dealt with in the accounts of the company (s 149(5)). Where a company takes advantage of this provision, that fact is to be disclosed in a note to the group accounts (s 149(6)). References to a balance sheet or profit and loss account except where the context otherwise requires include any notes to the accounts giving information which is required by any provision of the Companies Acts 1948–81.[1] In the case of a company which does not trade for profit, references to the profit and loss account refer to its income and expenditure account.

[1] S 149(8)(a), which refers to matters required or allowed to be given in a note to the company's accounts. The reference must be to matters required to be shown. Where the new Schedule 8 applies, references in the Companies Acts to a note on the accounts or a document annexed thereto are now replaced generally by references to "a note to the accounts". (See, e.g., Sch 3, para 62 (a) and *passim* in CA 1981).

9. Non-compliance with these provisions is made an offence. Every director at the time when deficient or defective accounts are laid before the general meeting or delivered to the Registrar is guilty of an offence. If he is convicted on indictment, he is liable to a fine, the amount of which is in the court's discretion; if he is convicted on summary conviction, the statutory maximum applies (s 149(7)).[1] He has a defence if he can prove that he took all reasonable steps for securing compliance with the requirements in question. He will thus be required to prove on a balance of probabilities that he took such steps.[2] Whether he took reasonable steps will be a question of fact depending on the steps which he in fact took and the steps which, having regard to his precise position as director, it would be reasonable for him to take. An executive director, familiar with the details of the company's financial operations, might well be expected to know more of such matters as the company's internal accounting procedures, and therefore any concealed deficiencies in the accounts, than an outside director, or at least an outside director whose expertise is not ir financial matters.

[1] CA 1980, s 87(1); the sum is presently £1,000, but that figure is subject variation.
[2] *R v Carr-Briant* [1943] KB 607.

10. Section 2 deals with group accounts and substitutes a new section 152 in the CA 1948. The former section 152 becomes section 152A. Group accounts prepared by any holding company in respect of any financial year beginning before the appointed day, and in respect of any financial year by any holding company which is, or has as a subsidiary a banking company, insurance company or shipping company, may comply with the requirements of section 152A and Schedule 8A to the 1948 Act.[1] These categories of company are, as already noted, defined in para 8 of Schedule 2 to the CA 1981.

[1] CA 1981, s 17 and Sch 2, para 2.

11. Group accounts prepared under section 152 and Schedule 8 to the CA 1948, as substituted by this Act must give a true and fair view of the group's state of affairs, and again this is an overriding obligation.[1] The Secretary of State may on the application or with the consent of the company's directors, modify the requirements of Schedule 8 for the purpose of adapting them to the circumstances of the company (s 152(5)). This power is now less necessary in view of new sections 152(3) and 149(3) and (4). Both provisions give the "true and fair view" requirement overriding force, and require that information additional to the explicit statutory requirements be given where this is necessary to satisfy those requirements. Where the financial year of a subsidiary does not coincide with that of its holding company, the group accounts shall 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. The Secretary of State may direct otherwise, on the application of or with the consent of the holding company's directors (s 152(4)).

[1] CA 1948, s 152(2) and (3) as substituted by CA 1981, s 2.

Notes to the accounts

12. The CA 1981 also extends the reporting requirements upon companies in respect of their shareholdings in other such bodies corporate. Section 3(1) inserts a new subsection, (1A), in section 4 of the CA 1967, but this does not apply to Schedule 8A accounts (CA 1981, Sch 2, para 5(1)). Section 4(1) of the CA 1967 requires a company which holds shares of any class of equity capital in another body corporate, where these exceed in nominal value one-tenth of the nominal value of the issued shares of that class, to disclose its holdings in those shares, in the accounts (subsidiaries excepted).

13. Section 4(1A) of the CA 1967 applies to holdings in any body corporate which is not the subsidiary of the reporting company. It requires disclosure of ten per cent holdings in the allotted share capital of that body corporate.

The requirement thus applies to all share capital, whether equity capital or not, for example preference shares.

14. The result is that a company must report (a) if it holds one-tenth of the equity capital even though it holds less than one-tenth of the whole capital (CA 1967, s 4(1)), and (b) if it holds one-tenth of the total capital, even though it holds less than one-tenth of the equity share capital (CA 1967, s 4(1A)).

15. The matters to be reported are the same in either case, the other body corporate's name, country of registration (if different from the company's) if it is incorporated in Great Britain, and if it is incorporated outside Great Britain, the country in which it is incorporated, 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 (CA 1967, s 4(1) and (1A)).[1]

[1] CA 1981, s 3(2) contains consequential textual amendments to CA 1967, s 4.

16. Additional information is required (a) of holding companies and (b) of companies which must disclose particulars of one-tenth shareholdings in another body corporate under section 4(1A) of the CA 1967 where the shareholding exceeds in value one-fifth of the allotted share capital of that body (CA 1981, s 4(1) and (2)). This provision does not, however, apply to Schedule 8A accounts.[1]

[1] CA 1981, Sch 2, para 7(1).

17. The additional information required is the same in either case, namely the aggregate amount of the capital and reserves of that body corporate, and its profit and loss for the relevant financial year.[1] Body corporate here includes a subsidiary.

[1] CA 1981, s 4(3).

18. There is a series of exemptions from these requirements. Information in respect of a subsidiary need not be given where the company is at the end of its financial year the wholly-owned subsidiary of another company incorporated in Great Britain so that it need not prepare group accounts, or it prepares group accounts and either the accounts of the subsidiary are included in those group accounts, or the investment of the company in the shares of the subsidiary are included in, or in a note to, the accounts of the company by way of the equity method of valuation (CA 1981, s 4(4)). Similarly, information need not be given in respect of a shareholding in another body corporate 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 (ibid, s 4(5)).

19. The provisions in section 4(4) and (5) for use of the equity method of valuation are, prima facie, obscure. The equity method of valuation can be described thus: the investment is included in the company's accounts at cost, or at a valuation relating to the investment at the date of acquisition, increased, or decreased, by the investing company's interest in the increase or decrease in the post-acquisition profits and reserves of the body corporate whose shares comprise the investment.

20. These provisions are inserted in order to meet the requirements of Article 43(1) of the 4th Directive. Those of section 4(4) and (5) are inserted in order to take advantage of Article 61 in the application of those requirements (see Cmnd 7654, para 45). The provisions are not relevant to the treatment of what the Accounting Standard 1 (SSAP 1) would regard as associated companies, because the latter involve voting equity interests and effective participation in policy decisions. The definition of related company in CA 1981, Schedule 1, para 91 conforms to this standard and refers to what Article 17 of the 4th Directive describes as "participating interests", which have to be given separate treatment in the Formats, as discussed below.

21. The information required by section 4 need not be given in respect of a body corporate incorporated outside Great Britain which is not an oversea company (that is a company incorporated outside Great Britain but which has a place of business within Great Britain) and which does not otherwise publish a balance sheet in Great Britain or elsewhere, and 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 (CA 1981, s 4(6)).[1]

[1] The relevant sections are CA 1948, s 406, CA 1976, ss 1, 9 and 44(1), and CA 1981, s 4(6).

22. This foreign shareholding exemption is obviously a narrow one. If the body corporate does publish its balance sheet anywhere, or the British company holds a fifty per cent interest or more in the nominal value of its allotted share capital, the financial information noted above must be furnished.

23. Information otherwise required by the section need not be given if it is not material (CA 1981, s 4(7)). The directors determine this matter, subject to the possibility of prosecution if they err, but subject to the defence of having taken reasonable steps to secure compliance, noted above (CA 1948, s 149(7)).

24. Section 4(8) of the CA 1981 applies where information concerning subsidiaries or other bodies corporate, which would otherwise be required under CA 1967, sections 3(1) or 4(1A), and hence under CA 1981, section 4(1) or (2), is omitted. It only applies, however, where the information is omitted under sub-section (4), of either section 3 or 4 of the CA 1967, not generally. That is the case where particulars may be omitted to avoid giving particulars of excessive length, except in the case of subsidiaries, etc., carrying on businesses the results of the carrying on of which principally affect the profit or loss or assets of the company. Such particulars as are given in the company's accounts or in a note to them under CA 1981, section 4, are to be annexed to the annual return first made by the company after copies of its accounts have been laid before it in general meeting. So too is any information which would have been required by the section, but for the above exempting provision of sections 3(4) or 4(4) of the CA 1967. CA 1981, section 4(8) thus appears to read as if once information has been omitted under either CA 1967, section 3(4) or 4(4), the directors have to annex data to the annual return for all the subsidiaries or investments, even those for whom data has been provided in the accounts or in a note.

25. A company which is in default of this obligation commits a summary conviction offence, and is liable 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 (CA 1981, s 4(9)). This applies also to officers in default.

26. Whether a company is to be treated as holding shares is answered by applying the tests for subsidiary status contained in CA 1948, section 154(3), as modified by CA 1981, section 4(10). Broadly, the effect is to disregard shares held in a fiduciary capacity, or shares held or a power exercisable by virtue of provisions in a debenture or debenture trust deed, or shares held or a power exercisable by another company or its subsidiary as security where the ordinary business of the company or subsidiary includes money-lending. Shares held by another as nominee for the reporting company are of course taken into account in determining whether the requisite interest exists.

PART III

THE ACCOUNTING SCHEDULES: SCHEDULE I

27. Schedule 1 replaces the existing Schedule 8 of the 1948 Act. Many of the provisions in the old Schedule remain, some in amended form, but the new Schedule 8 breaks with precedent by requiring, in compliance with the Fourth Directive of the EEC, specific formats for balance sheets and profit and loss accounts, and laying down principles and rules for the valuation of assets and the calculation of profit. Alternative rules permit the use of current cost accounting and the revaluation of particular assets under "modified" historical cost accounting. Taken in conjunction with Part III of the 1980 Act, the new rules will be relevant in determining the amount of legally distributable profit.

General rules

28. Every balance sheet must show the items listed in one or other of the two balance sheet formats, and every profit and loss account must show the items listed in one or other of the four profit and loss formats. The formats are set out in Section B of Part I of the Schedule. Subject to the exceptions below for the items denoted by Arabic numbers, the order given in the formats must be followed and the headings and sub-headings in the formats must be used.[1] The items need not however be lettered or numbered as they are in the formats.[2] The more important or main headings in the formats are identified by capital letters or Roman numbers and these headings must not be altered. The items that are identified by Arabic numbers may however be rearranged if the special nature of the company's business requires it.[3]

[1] CA 1981, Sch 1, para 1(1).
[2] Ibid, Sch 1, para 1(2).
[3] Ibid, Sch 1, para 3(3).

29. Companies must adhere to the same formats from financial year to year unless in the directors' opinion there are special reasons for a change, in which case particulars of the change must be disclosed, and the reasons explained, in a note to the accounts in the new format.[1]

[1] CA 1981, Sch 1, para 2.

30. Items may be shown in greater detail than required by the format adopted.[1] Items not otherwise covered in the formats may be included, subject to the restriction that the following may not be included as assets in any balance sheet: preliminary expenses; commission and other expenses on any issue of shares or debentures; and costs of research.[2] Any such items will therefore have to be written off to profit and loss account. These exclusions are in effect additions to the valuation rules which appear elsewhere in the Schedule, and are new to British company law. Research is not defined, and this may sometimes cause difficulty. Accounting practice already excludes capitalisation of expenditure on research which falls within the terms of accounting standard SSAP 13.

[1] CA 1981, Sch 1, para 3(1).
[2] Ibid, Sch 1, para 3(2).

31. Items denoted in the formats by Arabic numbers may be combined if their combination facilitates the assessment of the state of affairs or the profit or loss of the company, or if their individual amounts are not material to that assessment. Where the former case applies the individual amounts of any items so combined must be disclosed in a note to the accounts.[1]

[1] CA 1981, Sch. 1, para 3(4).

32. A heading or sub-heading in the formats is not to be included in the accounts if there is no amount relating to it for the financial year or the immediately preceding financial year.[1]

[1] CA 1981, Sch 1, paras 3(5) and 4(3).

33. Corresponding amounts for each item for the immediately preceding financial year are to be shown in the balance sheet and profit and loss account.[1] Where the preceding amounts are not comparable they are to be adjusted. The particulars of, and reasons for, the adjustment are to be disclosed in a note to the accounts.[2] These requirements are extended, with specified exceptions, to amounts stated in notes to the accounts.[3]

[1] CA 1981, Sch 1, para 4(1).
[2] Ibid, Sch 1, para 4(2).
[3] Ibid, Sch 1, para 58(2) and (3).

34. Items of the formats representing assets may not be set-off against items representing liabilities. Similarly items of income and expenditure may not be set off against one another.[1] It appears however that this rule does not prevent the deduction from stocks of payments received on account of orders.[2]

[1] CA 1981, Sch 1, para 5.
[2] Ibid, Sch 1, Part I, note (8).

35. The required formats are to be read in conjunction with the notes that follow them in Section B of Part I of Schedule 1. In certain cases the formats and the notes allow alternative positions for balance sheet items.[1]

[1] CA 1981, Sch 1, para 6.

The balance sheet formats

36. Balance sheet Format 1 is in the vertical "narrative" or "columnar" form in which liabilities are deducted from assets, with sub-totals thrown up for net current assets (or liabilities) and for total assets less current liabilities. Balance sheet Format 2 is in the older horizontal "debit and credit" form, with assets listed on one side and liabilities on the other, capital and reserves being included under the general heading of liabilities. The total of assets (before deduction of any liabilities) has special significance in relation to the accounting exemption provisions, which require reference to the aggregate amounts of items specified in the formats.[1] It is noteworthy that, contrary to normal British practice, the amount of called up but unpaid share capital is treated as an asset in the formats, and is included in the aggregate which may determine whether the accounting exemption provisions apply.

[1] CA 1981, s 8 (9).

37. The main headings in the balance sheet formats, i.e. those that are preceded by capital letters or Roman numbers and so may not be re-arranged or combined, as set out in Format 1, are as follows:

A. Called up share capital not paid. (This item can alternatively be shown as an Arabic number sub-heading under the main head of debtors).

B. *Fixed assets*
   I. Intangible assets
   II. Tangible assets
   III. Investments

C. *Current assets*
   I. Stocks
   II. Debtors
   III. Investments
   IV. Cash at bank and in hand

D. Prepayments and accrued income. (This item can alternatively be shown as an Arabic number sub-heading under debtors. Though it is listed separately when shown under D, it is to be deducted with other current assets when arriving at the sub-total F, net current assets or liabilities, below).

E. Creditors: amounts falling due within one year

F. Net current assets/liabilities

G. Total assets less current liabilities

H. Creditors: amounts falling due after more than one year

I. Provisions for liabilities and charges

J. Accruals and deferred income. (This item can alternatively be shown as an Arabic number sub-heading under the appropriate main head of creditors).

K. *Capital and reserves*
- I. Called up share capital
- II. Share premium account
- III. Revaluation reserve
- IV. Other reserves
- V. Profit and loss account

38. The items "net current assets/liabilities" (F) and "total assets less current liabilities" (G) do not appear in Format 2. It will be noticed that when "accruals and deferred income" is shown as a capital letter item (J) it follows the items for "net current assets" and "total assets less current liabilities", though it will normally include amounts that are current. Similarly, "provisions for liabilities and charges" (I) appears after those items, though some amounts under this head too will often be current.

39. Assets must be either fixed or current. Fixed assets are defined as assets that are intended for use on a continuing basis in the company's activities. Any assets not so intended are current assets.[1] There is however an inconsistency in the layouts of the formats, in that where "called up share capital not paid" is not shown under C.II, debtors, it is to be shown by itself *above* the heading of B, fixed assets. Schedule 1 does not define current liabilities explicitly, but the arrangement in Format 1 suggests that they are to be taken as liabilities falling due within one year, though as already noted there are some apparent inconsistencies.

[1] CA 1981, Sch 1, para 75.

40. For the lists of detailed items to be shown under sub-headings denoted by Arabic numbers, reference should be made to the formats. Most of these items do not call for special comment, though it will be noted that the amount of detail to be shown represents a departure from normal British practice for published accounts. Certain items deserve special attention. The Roman number heading of intangible assets has the following Arabic number sub-headings: development costs; concessions, patents, licences, trade marks and similar rights and assets; goodwill; and payments on account (presumably in respect of any of the above items or others not specifically mentioned). Where development costs are included in the assets, the effect of the new section 42A(3) of CA 1980 will need to be considered when calculating the amount of distributable profits.[1] Concessions, patents, licences, trademarks and similar rights and assets may only be included in the balance sheet if they were acquired for valuable consideration and are not required to be shown under goodwill, or if they were created by the company itself.[2] Goodwill may only be included to the extent that it has been acquired for valuable consideration.[3] Here too what are in effect valuation or profit measurement rules have been written in by specifying what may appear in the formats.

[1] CA 1981, s 79; see also Sch 1, para 20.
[2] Ibid, Sch 1, Part I, note (2).
[3] Ibid, Sch 1, Part I, note (3).

41. Own shares of the company are to be included as assets (either fixed or current) under the main heading of investments. The nominal value of any such shares held must be shown separately.[1] For each item falling under the main heading of debtors, the amount falling due after more than one year is to be shown separately[2], though still appearing under current assets. Presumably any debts due to the company that qualify for inclusion as fixed assets are to be shown under the main head of investments in the fixed assets section.

[1] CA 1981, Sch 1, Part I, note (4).
[2] Ibid, Sch 1, Part I, note (5).

42. As already shown, Format 1 provides two main headings for creditors, one for items falling due within one year and one for amounts falling due after more than one year. Format 2 has no separate headings for these, but each item of creditors must be split in the same way and the aggregate for item C, creditors, must be similarly split.[1] This treatment is apparently not required for accruals and deferred income if these are shown separately as a capital letter item under D. Curiously too, there is no requirement to divide the items for provisions for liabilities and charges (I in Format 1 and B in Format 2) into those relating to more than one year and within one year respectively. The amount of creditors in respect of taxation and social security must be disclosed separately.[2]

[1] CA 1981, Sch 1, Part I, note (13).
[2] Ibid., Sch. 1, Part I, note (9).

43. Capital and reserves comprise five main sections: called up share capital, showing separately the amount allotted and the amount paid up;[1] share premium account; revaluation reserve (required where the alternative accounting rules are used)[2]; other reserves; and profit and loss account. Capital redemption reserve, reserve for own shares, and reserves provided for by the articles of association are sub-headings under 'other reserves'. The reserve for own shares is needed to allow for compliance with section 37(10) of the 1980 Act, under which a public company showing some of its