A SIMPLE GUIDE TO THE U.K. COMPANIES ACT 1981

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With the aim of harmonising company accounting in Europe, the European Economic Community published a document known as the Fourth Directive. This Directive is binding on all member states. As a result, the 1981 Companies Act was enacted in order to bring into U.K. Law the requirements of the Fourth Directive. The 1981 Act introduces some fundamental accounting changes. The chief changes may be summarised as the:

(1) setting of accounting principles.
(2) laying down of detailed valuation rules in U.K. for the first time.
(3) setting out of fixed formats in which accounts are to be drawn up.
(4) requiring of additional disclosures.
(5) increase in information in the directors' report.
(6) allowing of less detailed accounts by medium-sized and small companies.
(7) giving of financial assistance for the purchase by a company of its own shares.
(8) purchase and redemption by a company of its own shares.
(9) disclosure of interests in shares.

1. **Accounting Principles:**

(A) The Act sets out the accounting principles to be followed in the preparation of all accounts. These are:

i) The company is to be considered as a going concern.
ii) accounting policies are to be consistently applied.
iii) all items are to be prudently determined; in particular
   (a) only those profits which are regarded as realised by generally accepted accounting principles are to be included in the accounts.
   (b) all liabilities or losses which have arisen or are likely to arise should be taken into account.
iv) revenue and charges are to be included irrespective of the date of payment.
v) component parts of each asset and liability are to be treated separately and not as a whole.

(B) As one can see the first four of these principles agree with the fundamental accounting concepts already in practice, namely, the going concern concept, the consistency concept, the prudence concept and the accruals concept. The fifth principle (v above) is almost new since its forbids items being treated in aggregate. Henceforth, fixed assets and investments will have to be treated separately. This principle is familiar with regard to the valuation of stock, where individual stock items were valued separately and not as one global stock.

2. Valuation Rules:

(A) The Act lays down two sets of detailed rules for the valuation of particular assets and liabilities, namely,

i) The historical cost accounting rules. Here valuations are based on purchase, or in the case of manufacturing, on production cost.

ii) The alternative accounting rules. Here items are stated on a current cost basis, or in a more limited way, on a revaluation basis, or on other bases.

(B) Historical cost rules provide that assets are recorded in the accounts at their original purchase price or production cost. These may be reduced by appropriate depreciation provisions. Production cost means the purchase price of raw materials, plus other direct costs, plus a reasonable proportion of indirect costs that relate to the period of production, plus any interest on capital borrowed to finance the production of the asset in question.

(C) Fixed Assets must be reduced by provisions for depreciation computed in such a way as to write off their cost or price, less the estimated scrap value, over their useful lives. Fixed assets include intangible assets, long term investments with limited useful economic lives, and purchased goodwill. As regards purchased goodwill, this must be written off over a period estimated by the company's directors as its useful economic life. The directors must state the reasons for their estimated period.

(D) Stocks are to be valued under one of the following, whichever is appropriate to the company concerned.

i) First in, first out (FIFO)
ii) Last in, first out (LIFO)
iii) Weighted average
iv) Any similar method

(E) In addition to historical cost, assets may be valued at current cost or any other acceptable valuation. The rules allow companies to use current cost accounts as their main accounts. Also, they permit tangible fixed assets to be valued at market value, while investments at market value or at directors' value. If the revaluation creates a surplus (or deficit) this should be transferred to a revaluation reserve. This seems to be in direct conflict to the treatment of write downs under the historical cost rules, where any permanent reduction in value of any fixed asset has to be provided for by being charged to the profit and loss account and disclosed in the notes to the accounts.

(F) Where the alternative rules are used, depreciation based on the revalued amounts is to be used. However ,both the equivalent historical cost amounts (or any difference between historical cost and the revalued amounts) and the depreciation based on the historical cost must be disclosed.

It is accepted that some difficulty may be encountered when it becomes necessary to identify the historical cost of assets which had been revalued in the past.

3. Fixed Formats:

(A) Companies are free to use any one of two fixed formats, provided that once a particular format has been adopted it is not to be changed unless there are special reasons to do so. If a change does take place, then details of the change and the reasons for it must be disclosed in the accounts. These formats give the minimum details to be disclosed; thus, it is left at the discretion of the directors to give more, if they so wish. Comparative figures must be shown and no set offs are permitted between assets and liabilities or revenue and expenditure.

(B) The two basic formats for the profit and loss account are: one suitable for a retailing business and the other suitable for a manufacturing concern. Both formats may be presented either in a vertical or horizontal form. The two formats, in vertical form, are reproduced hereunder. In general, a profit and loss account must show:

i) profit or loss from ordinary activities before amounts transferred to or from reserves, and
ii) total amount of dividends paid or proposed.

PROFIT AND LOSS ACCOUNT

Retailing

1. Turnover
2. Cost of Sales
3. Gross Profit (Loss)
4. Distribution Costs
5. Administrative Expenses
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
10. Other interest receivable and similar income
11. Amounts wirtten off investments
12. Interest payable and similar charges
13. Tax on profit (loss) on ordinary activities
14. Profit (loss) on ordinary activities after tax
15. Extraordinary income
16. Extraordinary charges
17. Extraordinary profit (loss)
18. Tax on extraordinary profit (loss)
19. Other taxes not shown under above items.
20. Profit (loss) for the financial year

MANUFACTURING

1. Turnover.
2. Change in stocks of finished goods and work in progress.
3. Own work capitalised.

4. Other operating income.
5. i) Raw Materials and consumables.
   ii) Other external charges.
6. Staff costs: i) Wages and salaries
   ii) Social security costs
   iii) Other pension costs
7. i) Deprecation and other amounts written off tangible and intangible assets
   ii) 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.
12. Other interest receivable and similar income.
13. Amounts written off investments.
14. Interest payable and similar charges.
15. Tax on profit (loss) on ordinary activities.
16. Profit (loss) on ordinary activities after tax.
17. Extraordinary income.
18. Extraordinary charges.
19. Extraordinary profit (loss).
20. Tax on extraordinary profit (loss).
21. Other taxes not shown under the above items.
22. Profit (loss) for the financial year.

(C) The two basic formats for the Balance Sheet are one in vertical form and the other in horizontal form. There is basically no other difference between the two formats. Hereunder is the Balance Sheet format in vertical form.

BALANCE SHEET

(A) Called up shall capital not paid.

(B) Fixed Assets:

1. Intangible Assets:
   i) Development costs
   ii) Concessions, patents, licences, trade marks and similar rights and assets.
   iii) Goodwill.
   iv) Payments on account.
2. Tangible Assets:
   i) Land and buildings.
   ii) Plant and machinery.
   iii) Fixtures, fittings, tools and equipment.
   iv) Payments on account and assets in course of construction.
3. Investments:
   i) Shares in group companies.
   ii) Loans to group companies.
   iii) Shares in related companies.
   iv) Loans to related companies.
   v) Other investments other than loans.
   vi) Other loans.
   vii) Own shares.

(C) Current Assets:

1. Stocks:
   i) Raw materials and consumables.

ii) Work in progress.
iii) Finished goods and goods for resale.
iv) Payments on account.

2. Debtors:
i) Trade debtors.
ii) Amounts owed by group companies.
iii) Amounts owed by related companies.
iv) Other debtors.
v) Called up share capital not paid.
vi) Prepayments and accrued income.

3. Investments:
i) Shares in group companies.
ii) Own shares.
iii) Other investments.

4. Cash at bank and in hand.

(D) Prepayments and accrued income.

(E) Creditors: amounts falling due within one year.

i) Debenture loans.
ii) Bank loans and overdrafts.
iii) Payments received on account.
iv) Trade creditors.
v) Bills of exchange payable.
vi) Amounts owed to group companies.
vii) Amounts owed to related companies.
viii) Other creditors including taxation and social security.
ix) Accruals and deferred income.
x) Hire purchase, current instalments.

(F) Net Current Assets (liabilities)

(G) Total assets less current liabilities.

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

i) Debenture loans.
ii) Bank loans and overdrafts.
iii) Payments received on account.
iv) Trade creditors.
v) Bills of exchange payable.
vi) Amounts owed to group companies.
vii) Amounts owed to related companies.
viii) Other creditors including taxation and social security.
ix) Accruals and deferred income.
x) H.P. liabilities after one year.

(I) Provisions for liabilities and charges:

i) Pensions and similar obligations.
ii) Taxation, including deferred taxation.
iii) Other provisions.

(J) Accruals and deferred income.

(K) Capital and reserves:

i) Called up share capital.
ii) Share premium account.
iii) Revaluation reserve.
iv) Other reserves:

(a) Capital redemption reserve.
(b) Reserve for own shares.
(c) Reserves provided for by the artices of association.
(d) Other reserves.

v) Profit and loss account.

4. Disclosures

(A) The disclosures required under the previous Companies Acts are restated in the 1981 Act. In addition, the Act lays down that the following disclosures are required by way of note to the accounts, and not merely stated in the directors' report.

i) the accounting policies used in the accounts.
ii) the replacement cost of stocks at the balance sheet date, if this is materially different from the historical cost as shown in the accounts.
iii) the analysis of turnover both by geographical market and by class of business activity.
iv) details by movements of all fixed assets, including intangible assets and long term investments, during the year.
v) details of shares and debentures allotted during the year.
vi) the period within which development costs are to be written off; also the reasons for capitalising such costs.
vii) the aggregate market value of listed investments: if, however, the market value is higher than the Stock Exchange value, both values have to be disclosed.
viii) details of any security given to creditors.
ix) details of any pension commitment, disclosing any amounts not provided.
x) details of other financial commitments not already provided for, and which are relevant to the company's affairs.
xi) the average number of employees in total and for each category. Also, wages and salaries, social security and other pension costs have to be disclosed.
xii) the historical cost of revalued assets.

5. Directors' Report

(A) With regard to the Directors' Report the following changes need to be known:

i) the report must contain "a fair review of the development of the business of the company and its subsidiaries during the financial year ... and of their position at the end of it ..."
ii) details of any acquisitions of the company's own shares made during the year must be disclosed in the report.
iii) statements, probably in broad terms, have to be disclosed, showing:
(a) particulars of important events occuring since the end of the year.
(b) an indication of likely future developments.
(c) an indication of research and development.

(B) Details of (a) turnover, (b) profit, (c) shares and debentures allotted during the year, and (d) employee numbers and costs are no longer required in the directors' report as these have now to be included in the notes to the accounts. Also, the disclosure of exports is no longer required. Furthermore, directors' interests in the company's shares can be included in the notes to the accounts, so that all financial information may be presented as one whole.

(C) The Act requires auditors to report any inconsistencies between the directors' report and the accounts.

6. Modified Accounts

(A) Small or medium-sized companies are allowed to file modified accounts with the Registrar of Companies; however, full statutory accounts must still be prepared for shareholders.

(B) A company is considered to be either small or medium-sized for a financial year if it satisfies for that year and the previous year at least two of the following:

SMALL		MEDIUM-SIZED
under £1,400,000	TURNOVER	under £5,750,000
,, 700,000	TOTAL ASSETS	,, 2,800,000
,, 50	AVERAGE NUMBER OF EMPLOYEES ON A WEEKLY BASIS	,, 250

(C) A small company needs to file neither the profit and loss account nor a directors' report. It is only required to file a modified balance sheet and notes referring to the following:

i) accounting policies
ii) share capital
iii) details of share allotments
iv) analysis of creditors and debtors
v) basis of exchange of foreign currencies.

(D) A medium-sized company enjoys only one exemption; it can file a modified profit and loss account, that is omitting details of turnover margins. A full balance sheet has to be filed.

(E) The auditors have to submit a special audit report confirming that the company in question is permitted to file modified accounts. Also, they have to set out a full audit report on the shareholders accounts.

(F) Public companies and certain other companies (banking, insurance and shipping) are not to be treated as small or medium-sized. Furthermore, certain banking, insurance and shipping companies may still prepare their accounts under the old rules. They are exempt from the Fourth Directive. There are also different rules for investment companies.

(G) A company is considered as dormant if during any period no accounting transaction occurs. Such a company is relieved from having its accounts audited if a special resolution to this effect is passed.

7. Financial Assistance

(A) Previously no company was permitted to buy its own shares or to provide any assistance for doing so. Now the 1981 Act allows, for the first time, a private company to assist the acquisition of its own shares, subject to adequate safeguards for creditors. On the other hand, it is still not permissible for a public company to provide such assistance. The Act, however, sets out general exception to this basic prohibition, followed by additional exceptions for private companies.

(B) The following main exceptions to the basic prohibitions apply to all companies, if:

i) the assistance is incidental to same larger purpose, is given in good faith and in the interests of the company.
ii) the ordinary business of the company is the lending of money, and the lending is effected in the ordinary course of business.
iii) the provision of money for the acquisition of fully paid shares is made under an employee share scheme.
iv) loans are made to employees (not directors) in order to enable them to buy fully paid shares in the company.

(C) Assistance may be given as in (Bii), (iii), and (iv) above, only if it does not reduce the company's net assets, or

if it does, the assistance is covered by distributable profits.

(D) There are also exceptions for those transactions which could be construed as financial assistance but which are allowed or required elsewhere; these are dividends, bonus issues, schemes of arrangement, etc.

(E) The following additional exceptions are granted to private companies, subject to certain safeguards. These exceptions apply where the assistance is given to a third party for the acquisition of:

i) its shares
ii) shares in its holding company, provided
   (a) the holding company is a private company.
   (b) any intermediate holding company is a private company.

(F) The safeguards referred to in E above are:

i) the company in general meeting must pass a special resolution approving the assistance. Where the assistance is for the acquisition of shares by a third party in the holding company, special resolutions are also required from that company and any intermediate holding company.
ii) all the directors must sign a statutory declaration that the company will remain solvent immediately after the giving of such assistance, and that it will remain so for the following year. In the case of a company assisting the acquisition of shares in its holding company, *all* the directors of the holding company (and *all* those of any intermediate holding company) must make a similar declaration about their company. The declaration must give details of the assistance to be given, the business of the company and the person to whom the assistance is to be given.
iii) the company's auditors must make a report stating that they had checked the affairs of the company, and in their opinion, there appears nothing in the director's declaration to be unreasonable.

8. **Purchase and Redemption of own Shares**

(A) The 1981 Act substantially alters existing company law with regard to repayments or reductions in capital. The new act allows

i) all companies to issue redeemable shares of any class and redeem them out of distributable profits or the proceeds of a fresh issue.
ii) all companies to buy their own shares for cancellation out of distributable profits or the proceeds of a fresh issue.
iii) private companies to redeem or buy their own shares for cancellation out of capital.

(B) Only fully paid shares may be redeemed or purchased by a company. However, a company can pay up any unpaid capital out of reserves, which are available for the purpose. Then the redeeming or purchasing can take place.

(C) Shares of any kind may be redeemed, not necessarily redeemable preference shares, provided that (a) the company has other shares which are not redeemable, and (b) the Articles of Association authorises such redemption or purchase.

(D) The overriding principle governing the redemption is that no loss of capital should take place. Therefore, shares may only be redeemed out of (a) distributable profits or (b) the proceeds of a fresh issue. In addition, if the redemption is out of profits, an appropriate amount must be transferred to a Capital Redemption Reserve.

(E) Any premium paid on redemption must be paid out of (a) distributable profits, or (b) the proceeds of a fresh issue of shares to the extent that the original shares were issued at a premium and that premium has not yet been utilised.

The old rules (now repealed) allowed the premium to be paid out of the share premium account. This is no longer possible, although redeemable preference shares issued before the 1981 Act came into force may still be redeemed under the old rules.

(F) Purchase of shares out of profits or a new issue.

1) Previously it was not possible for any company to buy its own shares, the reasons being that such a purchase would reduce the capital available for the protection of creditors, and to prevent a company from "trafficking" in its own shares. Now, under the 1981 Act both public and private companies may purchase their own fully paid shares either out of distributable profits or out of the proceeds of a new issue. As soon as such shares are purchased they have to be cancelled.
2) The purchase of shares is conditioned by the following:
   i) there must be an advance authorisation by the members of the company.
   ii) the purchase must follow the same accounting rules as for the redemption of shares. However, any costs other than the purchase price has to be paid out of distributable profits.

iii) the purchase cannot be effected if such a transaction results in the company having only redeemable shares in issue.

3) With regard to the advance authorisation by the members, this depends on whether the shares are bought through the Stock Exchange or through an Unlisted Securities Market; that is, a "*market-purchase*" or bought "*off the market*".

4) If it is a "market-purchase" the authorisation has to be obtained through the members in general meeting. Such an authority may be general, or specific, and it may be subject to conditions. It may be varied, revoked or renewed by the company in general meeting. It must specify the:
   i) maximum number of shares to be bought.
   ii) minimum and maximum prices at which the shares could be bought.
   iii) expiry date of the authorisation, which should not exceed eighteen months after the passing of the resolution.

5) If it is an "off the market purchase" the advance authorisation must be obtained by a special resolution at a general meeting. 75% of the votes cast at the meeting are needed for the approval of such a resolution. A copy of the purchase contract, or a written memorandum of its terms ,must be available for inspection by the members at least fifteen days before the date of the meeting, and at the meeting itself. Furthermore, the names of the members holding the shares which are to be bought must be specified. In the case of an "off the market purchase" by a public company the resolution must set the time limit for the completion of the purchase, which limit should not exceed eighteen months.

6) The Registrar of Companies must be informed within 28 days of any purchase by the company of its own shares. The information must specify the:
   i) number and nominal value of each class of shares bought.
   ii) date on which they were received by the company.

   In the case of a public company the information must contain the following additional details:
   iii) aggregate amount paid for the shares.
   iv) maximum and minimum prices paid for the shares in each class.

7) A copy of the purchase contract must be retained for a period of ten years so that members may inspect it, in the case of a public company the contract is to be available for the public as well.

(G) Purchase or Redemption out of Capital

1) The 1981 Act has brought about one of the major changes to existing company law. This is the innovation where a private company can now redeem or buy its own shares for cancellation out of capital. This means that shares can be bought or redeemed even where the distributable profits and/or the proceeds of a new issue are lower than the purchase price of the shares. This difference between the

redemption or purchase price and the sum of the distributable profits and the proceeds of a new issue is termed "the permissible capital payment" and thus it represents a reduction of capital.

2) The permissible capital payment has to be approved by a special resolution at a general meeting; its approval depending on a simple majority, but the votes of those shares which are the subject of the resolution have to be ignored, unless they are against the resolution.

The following is a suggested guide as to how the Profit and loss account and the Balance Sheet may be presented.

SUNNY SIDE LIMITED

Profit and Loss account for the year ended 31 March 1983

	Notes	1983 £	1982 £
Turnover	2	600,500	565,000
Cost of Sales		460,000	435,000
		140,500	130,000
Distribution and Administrative Expenses	3	101,500	90,900
		39,000	39,100
Other operating income	4	2,000	1,700
		41,000	40,800
Income from Fxed Asset Investments	5	1,465	1,550
		42,465	42,350
Interest payable on loan	6	1,200	1,600
Profit on ordinary activities before tax		41,265	40,750
Taxation on ordinary activities	7	20,632	20,375
Profit on ordinary activities after tax		20,633	20,375
Extraordinary charges after tax	8	2,400	
Profit for the year		18,233	20,375
Dividends	9	10,800	8,400
Retained profit for year		7,433	11,975
Retained profit brought forward from last year		22,075	10,100
Retained profit carried forward		29,508	22,075

SUNNY SIDE LIMITED

Balance Sheet as at 31 March 1983

	Notes	1983		1982	
		£	£	£	£
Tangible Assets	11		35,995		43,680
Investments	12		14,000		16,000
			49,995		59,680
Current Assets:					
Stock (goods for resale)	13	25,690		20,130	
Debtors	14	18,370		17,954	
Cash & Bank		25,469		5,247	
		69,529		43,331	
Creditors:					
Amounts falling due within one year	15	22,016		18,936	
Net Current Assets			47,513		24,395
Total assets less current liabilities			97,508		84,075
Creditors falling due after one year	16		8,000		12,000
			89,508		72,075
Fixed Assets:					
Capital Reserves:					
Called up Share Capital	17		60,000		50,000
Profit and Loss Account			29,508		22,075
			89,508		72,075

The following notes form part of the accounts:

1. Accounting Policies:
   a. There were no changes in the accounting policies during the year.
   b. The financial statements have been prepared on the historical cost accounting basis.
   c. Depreciation is provided to write off the cost, or valuation, less the estimated residual values of all fixed assets over their expected useful lives. Depreciation is calculated as shown hereunder:

Leaseholds	3%	per annum
Fixtures	10%	p.a.
Vehicles	20%	p.a.

   d. Stocks are stated at the lower of cost and net realisable value.
2. Turnover:
   a. Turnover represents sales to outside customers.

	1983	1982
b. Analysis by activity:	£	£
Gents' Wear	451,650	392,000
Footwear	148,850	173,000
	600,500	565,000
Analysis by market:		
U.K.	326,990	400,675
Europe	273,510	164,325
	600,500	565,000
3. Distribution and Administrative Expenses:		
Distribution Costs	30,460	25,790
Administrative Expenses	71,040	65,110
	101,500	90,900
Distribution costs include:		
Depreciation on Vehicles	2,800	4,000
Administration Expenses include:		
Depreciation on leaseholds	585	585
Depreciation on fixtures, etc.	1,740	1,476
Loss on disposed vehicle	100	—
Auditors renumeration	3,000	2,600
4. Operating Income:		
Rent received from sublet	2,000	1,700
5. Income from fixed asset investment:		
Dividends received	1,465	1,550

6. Loan Interest:

The Loan, which carries 10% interest p.a. is repayable within five years.

7. Taxation:

Taxation is based on the profits for the year.	1983	1982
	£	£
Corporation tax at 50%	20,632	20,375
8. Extraordinary charges:		
Closing down of a retail branch	2,000	—
Damages, court case	400	
	2,400	—

9. Dividends:

				£	£
Preference	: paid			800	800
Ordinary	: interim	5%	6%	2,500	2,400
	: final proposed	15%	13%	7,500	5,200
				10,800	8,400

10. Employees:

Staff costs consist of:		
Wages and Salaries	70,250	66,293
Social security costs	7,336	7,237
Other pension costs	3,864	3,130
	81,450	76,660

The number of employees averaged 20 per week during the year.

	No.	No.
Office management	8	6
Sales & Distribution	12	8
	20	14

Directors' renumeration consists of	£	£
Fees	15,560	14,200
Other emoluments	2,540	3,000
Pensions to former directors	2,000	——
	20,100	17,200

11. Tangible Fixed Assets:

	Leaseholds	Fixtures, etc.	Vehicles	Total
At cost:	£	£	£	£
1 April 1982	19,500	14,760	20,000	54,260
Additions	——	2,640	——	2,640
	19,500	17,400	20,000	56,900
Disposals	——	——	(6,000)	(6,000)
Total at 31 March 1983	19,500	17,400	14,000	50,900

Depreciations:	£	£	£	£
1 April 1982	4,000	2,580	4,000	10,580
Disposals	—	—	(800)	(800)
	4,000	2,580	3,200	9,780
Provided during year	585	1,740	2,800	5,125
Total at 31 March 1983	4,585	4,320	6,000	14,905
Net book values at 31 March 1983	14,915	13,080	8,000	35,995
Net book values at 31 March 1982	15,500	12,180	16,000	43,680

12. Investments:

At cost:	£
1 April 1982	16,000
Additions	4,000
Disposals	(6,000)
Total at 31 March 1983	14,000

13. Stocks:
Stocks would amount to £28,720 if valued at net realisable value (1982 — £22,006)

14. Debtors:

	1983	1982
	£	£
Trade debtors	13,715	12,683
Prepayments and income due	4,655	5,271
	18,370	17,954

15. Creditors:

Amounts falling due within one year:		
Trade Creditors	9,761	8,854
Social security	599	632
Proposed dividends	7,500	5,200
Expense Accruals	156	256
Bank Loan	4,000	4,000
	22,016	18,936

16. Creditors falling due after one year:

	£	£
Bank Loan	8,000	12,000

The bank loan is at 10% p.a. interest and is repayable in annual instalments of £4,000 each. The current year's portion is shown under creditors falling due within one year.

17. Called up Share Capital

	Authorised		Issued (fully paid)	
	1983	1982	1983	1982
	£	£	£	£
8% Preference Shares of £1	10,000	10,000	10,000	10,000
Ordinary Shares of £1	60,000	60,000	50,000	40,000
	70,000	70,000	60,000	50,000

18. There is a contract for capital expenditure amounting to £16,000.

Author's note:

This contribution has been written with the sole purpose of meeting the minimum needs of 'A' level students. It is neither a comprehensive nor an authoritative exposition of the U.K. Companies Act 1981, to which reference must be made. For obvious reasons certain other provisions, the director's and the auditors' reports, and the statement of sources and application of funds have been omitted.

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