Revision Summary Chapter 21

Shares and capital maintenance

• Shares are items of personal property that provide their holders with certain rights, but provide no proprietary rights over the company's assets.

• All shares have a fixed nominal value, and this can be used to calculate the company's issued capital, paid-up capital, called-up capital, and uncalled capital.

• Generally, when a company allots shares, it must first offer them to existing shareholders (this is known as a 'pre-emption right').

• A public company will not be issued with a trading certificate unless the nominal value of its allotted share capital is not less than £50,000.

• All companies may reduce their capital by passing a special resolution, which is then confirmed by the court. Private companies need not obtain court approval provided that a statement of solvency supports the special resolution.

• Companies are generally prohibited from purchasing their own shares, but may do so where the shares are redeemable shares, or where the procedures relating to market and off-market purchases are complied with.

• Subject to certain exceptions, public companies are normally prohibited from providing financial assistance for the acquisition of their shares. Private companies are free to provide such financial assistance.

• Distributions (for example, dividends) must be made only out of profits available for the purpose.