



# British Steel Act 1988

## 1988 CHAPTER 35

### *Financial provisions relating to the successor company*

#### **7 Financial structure of the successor company.**

- (1) If the aggregate nominal value of the securities of the successor company issued in pursuance of section 3 is for the time being less than the amount of the Corporation's public dividend capital extinguished by virtue of section 2(3), a sum equal to the amount of the difference shall be carried by the successor company to a reserve ("the statutory reserve").
- (2) The statutory reserve may only be applied by the successor company in paying up unissued shares of the company to be allotted to its members as fully paid bonus shares, except to the extent that the Secretary of State directs, with the consent of the Treasury—
  - (a) that it may be applied in writing off unrealised losses of the company arising from the revaluation of any of its fixed assets, or
  - (b) that it may be applied as if it were profits available for distribution within the meaning of [F<sup>1</sup>section 830 of the Companies Act 2006] (distributions to be made out of profits);and the application of any amount in pursuance of paragraph (a) above shall be treated for the purposes of [F<sup>2</sup>Part 23 of that Act (distributions)] as a reduction or reorganisation of capital duly made by the successor company.
- (3) No direction shall be given by the Secretary of State under subsection (2) above at a time when the successor company has ceased to be wholly owned by the Crown.
- (4) Notwithstanding subsection (2) above, no part of the statutory reserve shall count as an undistributable reserve of the successor company for the purposes of [F<sup>3</sup>section 831(4)(d) of the Companies Act 2006] (restriction on distribution of assets); but, for the purpose of determining under [F<sup>4</sup>section 831] whether the successor company may make a distribution at any time, any amount for the time being standing to the credit of the statutory reserve (excluding any amount which is authorised to be, but has not yet been, applied as mentioned in subsection (2)(b) above) shall be treated for the purposes of [F<sup>5</sup>section 831(4)(c)] as if it were unrealised profits of the company.

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- (5) For the purposes of any statutory accounts of the successor company—
- (a) all the property, rights and liabilities to which the Corporation was entitled or subject immediately before the end of the Corporation's last financial year ending before the appointed day shall be taken to have been vested in the successor company by virtue of section 1 above, and to have been so vested immediately after the end of that year; and
  - (b) the value or amount (as at the time of vesting) of any asset or liability of the Corporation taken to have been vested in the successor company by virtue of paragraph (a) shall be taken to be the value or (as the case may be) the amount assigned to that asset or liability for the purposes of the corresponding statement of accounts prepared by the Corporation in respect of the financial year referred to in paragraph (a).
- (6) For the purposes of any statutory accounts of the successor company the amount to be included in respect of any item shall be determined as if anything done by the Corporation (whether by way of acquiring, revaluing or disposing of any asset or incurring, revaluing or discharging any liability, or by carrying any amount to any provision or reserve, or otherwise) had been done by the successor company.
- Accordingly (but without prejudice to the generality of the preceding provision)—
- (a) the amount to be included from time to time in any reserves of the successor company as representing its accumulated realised profits shall be determined as if any profits realised and retained by the Corporation had been realised and retained by the company; and
  - (b) the amount to be included in any such accounts as representing the accumulated realised losses of the successor company shall be determined as if any losses realised by the Corporation had been realised by the company.
- (7) For the purposes of [<sup>F6</sup>Part 23 of the Companies Act 2006] any reduction in the Corporation's public dividend capital under section 2(1) above shall be treated as if it had been a reduction or reorganisation of capital duly made by the successor company in which there was written off an amount of accumulated realised losses of the successor company equal to the amount of the reduction under section 2(1).
- (8) References in this section to the statutory accounts of the successor company are references to any accounts prepared by the successor company for the purposes of any provision of [<sup>F7</sup>the Companies Act 2006] (including group accounts).

#### Textual Amendments

- F1** Words in s. 7(2)(b) substituted (6.4.2008) by [The Companies Act 2006 \(Consequential Amendments etc\) Order 2008 \(S.I. 2008/948\)](#), art. 2(2), **Sch. 1 para. 153(2)(a)** (with arts. 6, 11, 12)
- F2** Words in s. 7(2) substituted (6.4.2008) by [The Companies Act 2006 \(Consequential Amendments etc\) Order 2008 \(S.I. 2008/948\)](#), art. 2(2), **Sch. 1 para. 153(2)(b)** (with arts. 6, 11, 12)
- F3** Words in s. 7(4) substituted (6.4.2008) by [The Companies Act 2006 \(Consequential Amendments etc\) Order 2008 \(S.I. 2008/948\)](#), art. 2(2), **Sch. 1 para. 153(3)(a)** (with arts. 6, 11, 12)
- F4** Words in s. 7(4) substituted (6.4.2008) by [The Companies Act 2006 \(Consequential Amendments etc\) Order 2008 \(S.I. 2008/948\)](#), art. 2(2), **Sch. 1 para. 153(3)(c)** (with arts. 6, 11, 12)
- F5** Words in s. 7(4) substituted (6.4.2008) by [The Companies Act 2006 \(Consequential Amendments etc\) Order 2008 \(S.I. 2008/948\)](#), art. 2(2), **Sch. 1 para. 153(3)(b)** (with arts. 6, 11, 12)
- F6** Words in s. 7(7) substituted (6.4.2008) by [The Companies Act 2006 \(Consequential Amendments etc\) Order 2008 \(S.I. 2008/948\)](#), art. 2(2), **Sch. 1 para. 153(4)** (with arts. 6, 11, 12)

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**F7** Words in s. 7(8) substituted (6.4.2008) by The Companies Act 2006 (Consequential Amendments etc) Order 2008 (S.I. 2008/948), art. 2(2), **Sch. 1 para. 153(5)** (with arts. 6, 11, 12)

**Changes to legislation:**

There are currently no known outstanding effects for the British Steel Act 1988, Section 7.