

## Glossary

Below are the key legal terms used in this text.

Term	Definition
accounting reference date	Normally, the last day of the month on which the anniversary of the company falls.
accounting reference period	A company's first accounting reference period begins on the date of its incorporation and ends on its accounting reference date. Subsequent accounting reference periods are periods of twelve months beginning the day after the company's accounting reference date.
actual authority	A legal relationship between the principal and agent created by a consensual agreement to which they alone are parties
administration	A procedure that is designed to (i) rescue a company as a going concern; (ii) achieve a better result for the company's creditors than would be likely if the company were wound up, or; (iii) realize property in order to make a distribution to one or more secured or preferential creditors
administration order	A court order placing a company in administration
administrative restoration	An application made to the registrar of companies to have a dissolved company restored to the register
agency	A relationship that arises where one person (the principal) consents to another person (the agent) acting on the principal's behalf. This usually involves the agent effecting a contractual relationship between the principal and one or more third parties
agent	A person who acts on behalf of a principal, usually by effecting a contractual relationship between that principal and one or more third parties
allotted share capital	The total nominal value of shares that a company has allotted
allotment of shares	Shares are allotted when a person acquires an unconditional right to be included in the register of members in respect of the shares
allottee	A person to whom shares are allotted
alternate director	A person appointed to act as director in place of a director (e.g. where a director cannot attend a board meeting, or is incapacitated).
annual general meeting	A meeting of a public or traded company that must take place within a six-month period beginning on the day following the company's accounting reference date
annuity	A yearly payment of a sum of money
apparent authority	A legal relationship between the principal and a third party created by a representation made by the principal to the contractor, intended to be and in fact acted upon by the contractor, that the agent has authority to enter on behalf of the principal into the contract

articles of association	A company's principal constitutional document, which sets out the internal rules by which a company is to be run (e.g.
attribution	The process by which the acts or mental states of certain persons are regarded as the acts or mental states of a company
authorized share capital	The total nominal value of shares that may be allotted by a company
bare licensee	Someone who is permitted to be present on another's land, but is required to leave if the owner withdraws permission
beneficial ownership	The beneficial owner of shares is the person who ultimately owns or controls those shares
bidder	A person that makes a takeover bid
bonus shares	Shares allotted to existing shareholders and paid for out of the company's distributable profits
book debts	Sums of money owed to a bankrupt, partnership or company, usually for good supplied or services undertaken
called-up share capital	The paid-up share capital plus the amount called for or instalment due
call notice	A notice issued by the company which requires allottees of nil- or partly-paid shares to pay all or part of the unpaid amount on those shares
certificate of incorporation	A certificate issued to a company, which provides conclusive proof that the requirements for registration have been met and that the company is registered under the CA 2006
certificated shares	Shares in relation to which a share certificate is issued
charge	A form of security under which the creditor may appropriate the charged asset if the debtor defaults
chargee	A person to whom a charge is granted (also known as a chargeholder)
chargeholder	A person to whom a charge is granted (also known as a chargee)
chargor	The person who grants another person a charge
charterparty	A contract for the hiring of a ship
chair	The head of the board
chief executive officer	The head of the company
chief operating officer	A director responsible for ensuring that the organizational operation of the company is geared towards meeting the company's objectives, and complying with legal requirements and best practice
chief risk officer	A director responsible for participating in the company's risk-management processes
City Code on Takeovers and Mergers	A body of rules that establishes the framework within which takeovers are conducted (usually known as the Takeover Code)
codification	The process whereby law is restated in statute
cold-shouldering	A statement of the Takeover Panel stating that a person is not likely to comply with the Takeover Code

common seal	An embossed stamp, bearing the name of the company, that can be used as the company's 'signature' to enter into contracts and execute documents
Companies House	An executive agency of BEIS responsible for, <i>inter alia</i> , incorporating and dissolving companies, sorting information on companies, and making this information available to the public
company voluntary arrangement	An insolvency procedure under which a company enters into a binding agreement with its creditors
constitution	In the corporate context, a series of documents (notably the articles of association) that set out the internal rules by which a company is to be run
contractual capacity	The extent to which a person is able to enter into contracts
corporate capacity	The company's ability to enter into contracts (i.e. the company's contractual capacity)
corporate representative	Where a company (A) holds shares in another company (B), then A can authorize a person (the corporate representative) to act as its representative at any meeting of B.
class rights	Rights granted to different classes of share
creditor	A person to whom a debt is owed
cross-listing	Where a single company lists its shares on multiple stock markets
debenture	A document that creates or acknowledges a debt
debt capital	Capital raised through borrowing (also known as loan capital)
debtor	A person who owes a debt to another
debt securities	Tradeable financial instruments that a company can issue in order to raise finance – the persons to whom debt securities are issued are creditors and not usually members
<i>de facto</i> director	A person who acts as a director, but has not been validly appointed as a director
default	The word 'default' can refer to: <ul style="list-style-type: none"> <li>• a failure to perform a legally obligated act;</li> <li>• a debtor failing to pay back a loan, or instalment of a loan</li> </ul>
deferred debts	Debts which are subordinated to other debts of the company
deferred shares	Shares that provide that their holders are not entitled to a dividend or surplus assets upon liquidation unless the ordinary shareholders have first been paid
<i>de jure</i> director	A person who has been validly appointed as a director
dematerialization	The process of converting certificated shares into uncertificated shares
director	Any person occupying the position of director, by whatever name called (CA 2006, s 250)
dissolution	The process by which the existence of a company or LLP is brought to an end
dividend	The distribution of all or part of a company's profits to its members, usually determined at x pence per share
equity capital	Capital raised by selling shares (also known as share capital)

equity securities	Equity securities are (i) ordinary shares in the company; or (ii) rights to subscribe for, or to convert securities into, ordinary shares in the company
estop	To deny the exercise of a right
Euroclear UK and Ireland Ltd	A company that has been approved to run a system that enables securities to be transferred without a written instrument
express actual authority	Authority given to a director by express words (e.g. when a board of directors pass a resolution which authorises two of their number to sign cheques)
extraordinary general meeting	A meeting of the company that is not an annual general meeting. Note that this term is no longer used under the CA 2006
final dividend	A dividend paid out once the final accounts have been prepared (i.e. paid following the end of the company's financial year)
finance director	A director responsible for managing the financial risks of the company
Financial Conduct Authority	The UK regulator for financial services firms and financial markets
financial year	A company's financial year begins on the day of its first accounting reference period and ends with the last day of that period, or some other date not more than seven days before or after that period, as the directors may determine. Subsequent financial years begin on the day following the end of the previous financial year, and end on the last day of its next accounting reference period, or some other date not more than seven days before or after that period, as the directors may determine.
fixed charge	A charge taken over a specific asset that restricts the chargor's ability to deal with that asset. If the debtor defaults, the chargeholder can usually seize the charged asset and sell it to recover the sum owed
floating charge	A charge, usually taken over a class of assets or the entire undertaking of the company, that floats over the charged asset until some specified event occurs, at which point it becomes fixed
forfeiture of shares	Shares that are forfeited become the property of the company, and can be sold, re-allotted or disposed of as the company sees fit
Form IN01	The application form to register a company
fully-paid shares	Shares allotted with the full nominal value being due on allotment
gearing	The ratio of a company's debt capital to its share capital
golden share	A share which gives its holder the ability to outvote all other shares
Hearings Committee	The body that reviews appeals of the decisions of the Panel Executive of the Takeover Panel
hostile takeover	A takeover bid that the target's board believes should not be accepted
implied actual authority	Authority that the law deems to have been bestowed by the company upon the director as a result of their dealings, circumstances, or relationship
incorporation	The process by which a company or limited liability partnership is created

initial public offering	The first time a company offers to sell its share to the public
institutional investors	Large bodies (such as banks, pension funds, insurance companies) that purchase significant amounts of shares
interim dividend	A dividend paid out before the company's final accounts have been prepared (i.e. paid during a company's financial year)
internal audit	An audit that provides an independent assurance that an organization's risk management, governance, and internal control processes are operating effectively.
<i>intra vires</i>	'Within one's powers'
issued share capital	The total nominal value of shares that a company has issued
issuing of shares	Shares are issued when a person's name is entered into the register of members in respect of those shares
lien	The right to hold the property of another person until that person satisfies an obligation
limited liability	In a limited liability company, the liability of the members is limited in the event of the company's liquidation. Where a company is limited by shares (as most are), the members' liability will be limited to the amount that is unpaid on their shares. In a company limited by guarantee, the members' liability is limited to the amount stated in the statement of guarantee
liquidation	The process by which the company's assets are collected and realized, its debts and liabilities paid, and the remainder distributed to persons so entitled. The company is then dissolved
liquidator	A person appointed to liquidate a company
listed company	A company that has a class of its securities listed on the UK's official list
listing hearing	The process whereby the FCA reviews a company's application for listing
loan capital	Capital raised through borrowing (also known as debt capital)
<i>mala fides</i>	'Bad faith'
mandatory offer	An offer to purchase the shares of all shareholders that must be made by a person who acquires an interest in shares that carry at least 30 per cent of the company's voting rights
market capitalisation	The amount of shares a company has issued multiplied by its current share price
materialization	The process of converting uncertificated shares into certificated shares
member	The term 'member' can refer to: <ul style="list-style-type: none"> <li>• a partner of a limited liability partnership, or;</li> <li>• a person who falls within the definition of a company member under s 112 of the CA 2006</li> </ul>
memorandum of association	A document that states that the subscribers (i) wish to form a company and (ii) agree to become members of the company and, in the case of a company with a share capital, to take at least one share each

<i>mens rea</i>	'Guilty mind.' The mental element of a criminal offence (e.g. intent to commit).
minimum share capital	The minimum share capital that a public company is required to have allotted (currently £50,000)
misfeasance	The improper or unlawful performance of a lawful act
model articles	Articles that can be used by a company if it does not wish to register its own articles (model articles can also be used alongside registered articles)
mortgage	A form of security whereby the debtor transfers legal title of the secured asset to the creditor, on the condition that title will be transferred back to the debtor once its obligations have been fulfilled
negotiable instrument	A document that places an obligation upon one person to pay a sum of money to another, and which can be transferred by delivery
nil-paid shares	Shares with no payment due on allotment, and the full price being due at some point in the future
nominal value	The fixed value attached to shares in a limited company
non-possessory security	Where the creditor takes security over an asset of the debtor, but the borrower retains possession of the asset and can continue to make use of it (although this usage may be restricted)
objects clause	A clause in a company's articles that sets out the purposes for which the company was formed.
'off the shelf' company	A company that is created (usually by an incorporation or company formation agent) with a view to later being sold to someone who does not wish to create their own company
offer document	A document that sets out specified information regarding a takeover offer
offer for sale	A form of public offer under which the company allots the shares to an investment bank, and the bank then offers them for sale to the public
offer for subscription	A form of public offer under which the company directly offers its shares for sale to the public
offer period	A period that begins with the announcement of a takeover offer or a possible takeover offer
official list	A rights issue under which existing shareholders do not have the ability to sell their right to buy shares to another person.
open offer	A rights issue that does not provide an existing shareholder with ability to sell the right to buy the shares under the rights issue
operator	A person who runs a relevant system under which uncertificated shares can be transferred
ordinary shares	Shares other than shares that, as respect dividends and capital, carry a right to participate only up to a specified amount in a distribution (CA 2006, s 560(1))
overdraft	An agreement between a bank and debtor under which the debtor can withdraw more from its current account than it has deposited into it
paid-up share capital	The combined total of nominal share capital that has been paid to the company

Panel on Takeovers and Mergers	The body responsible for regulating takeovers and mergers in the UK (usually known as the Takeover Panel)
partly-paid shares	Shares allotted with less than the full nominal value being due on allotment, and the remainder due later
partnership	A partnership (often known as a 'general' or 'ordinary' partnership is defined as 'the relation which subsists between persons carrying on a business in common with a view of profit' (PA 1890, s 1(1))
passporting	A prospectus approved in one EEA Member State will be regarded as approved in any other EEA Member State
<i>persona ficta</i>	'Fictional person'
Phoenix company	A company with the same (or very similar) name to a company that has been liquidated, and which is set up by the directors of the liquidated company
placing	Where a company (or a bank acting on its behalf) offers its shares to a person or limited group of persons
pledge	A form of security under which the creditor takes possession of an asset of the debtor
possessory security	Where the creditor has physical possession of an asset belonging to the debtor, on the condition that the asset is returned once the debtor pays off the debt owed
pre-emption right	A right granted to existing shareholders under which newly-issued shares must first be offered to them in proportion to their existing holdings
preference shares	Shares which grant 'preferential' rights to their holder (e.g. a pre-determined fixed dividend payable before a dividend is paid to the ordinary shareholders)
preferential debts	Those debts that statute ranks as being prioritized to all other debts, except debts secured by fixed charge and liquidation expenses
premium listing	A listing of equity shares that requires compliance with a series of rules that go beyond the EU requirements (i.e. beyond the rules that apply to a standard listing)
pre-pack administration	An arrangement under which the sale of all or part of the company's assets or business is negotiated with a purchaser prior to an administrator being appointed, and the administrator effects the sale immediately on, or shortly after, being appointed
price-earnings ratio	A method of valuing a company, calculated by dividing the company's share price by its earnings per share
<i>prima facie</i>	'At first appearance'
principal	The word 'principal' can refer to: <ul style="list-style-type: none"> <li>• a person on whose behalf an agent acts</li> <li>• in a loan agreement, the repayment of the sum borrowed</li> </ul>
private Act	A private Act of Parliament is one that affects specific groups of persons, organizations or localities
private company	Any company that is not a public company

promoter	A person engaged in the formation of a company, who usually goes on to become a director of that company
prospectus	A document, issued by a company that offers transferable securities to the public, that provides information about the company and the securities to be offered
proxy	A person appointed to attend, speak or vote at general meetings on behalf of a member
public Act	A public Act of Parliament is one that that deals with matters of public interest that affect the general population
public company	A company limited by shares, or limited by guarantee and having a share capital, the certificate of incorporation of which states that it is a public company
public interest entity	Entities whose transferable securities are admitted to trading on a regulated market within an EU Member State (e.g. a UK listed company). Credit institutions and insurance undertakings also constitute PIEs.
<i>qua</i>	'in the capacity of'
quorum	The minimum number of qualifying persons required to be present in order to transact business
quoted company	A company whose share capital (i) has been included on the official list; (ii) is officially listed in a EEA State, or; (iii) is admitted to dealing on the New York Stock Exchange or Nasdaq
recognized investment exchange	An organization that has been authorized by the FCA to provide certain services (notably to act as a stock exchange)
redeemable shares	Shares that offer their holder temporary membership, and can be bought back by the company, usually upon the company or holder's insistence
redenomination	The process of converting shares having a fixed nominal value in one currency to having a fixed nominal value in another currency
registered company	A company incorporated by registration
registered office	An address where communications and notices to the company can be sent, and where certain company documents can be inspected or deposited
registration document	The part of a prospectus that provides information on the issuer of the relevant securities
registration number	A unique number allocated to each company when it is incorporated
regulatory information service	An authorized body whose function is to disseminate information to the public
relevant system	A computer-based system, and procedures, which enable title to units of a security to be evidenced and transferred without a written instrument, and which facilitate supplementary and incidental matters'



response circular	A document setting out the target board's opinion on the takeover offer
restoration	The process by which a dissolved company is restored back to the register of companies
restrictive covenant	A term, usually found in a contract or deed, that restricts the actions of one or more of the parties subject to it.
retention of title clause	A clause in a contract for the sale of goods that provides the seller will retain title to the goods until they are fully paid for
rights issue	An offer to sell shares that is made to the company's existing shareholders
royal charter	A document issued by, or on behalf of, the monarch that grants certain rights to a person, place or body
scheme of arrangement	A compromise or arrangement between a company and (i) its creditors, or any class of them; or (ii) its members, or any class of them
scrip dividend	A dividend under which members can choose between receiving a cash dividend or a dividend in the form of newly issued and fully paid-up shares
secured borrowing	Where a creditor lends money and takes some form of security over an asset or assets of the debtor
secured creditor	A creditor who has taken some form of security over a debt owed to him
securities	Shares or debentures (CA 2006, s 755(5))
securities note	The part of a prospectus that sets out details of the securities to be admitted to trading on the market
sell-out rights	The ability of a shareholder to compel a bidder to purchase his shares
shadow director	A person in accordance with whose direction or instructions the directors of a company are accustomed to act (CA 2006, s 251(1))
share	An item of property that confers upon its holder rights and obligations as set out in law and the company's constitution
share capital	Capital raised by selling shares (also known as equity capital)
share certificate	A certificate delivered to a shareholder following an issue of certificated shares that provides <i>prima facie</i> evidence as to the title of those shares
shareholder	A person who holds a share
shareholders' agreement	An agreement entered into by two or more shareholders (the company may also be a party) that establishes rules regarding the relationship between the members, and/or the company
share premium	The amount that a share is sold for in excess of its nominal value
share warrant	A document stating that its holder is entitled to the shares specified in the document
sole proprietorship	A sole individual carrying out some form of business activity on their own account (i.e. a self-employed person)
special resolution	A vote of the members which is passed by a majority of not less than 75 per cent
specific performance	A court order compelling a person to fulfil an obligation under a contract

squeeze-out rights	The ability of a bidder to compel the remaining shareholders to sell their shares
stamp duty	A tax payable on documents that effect transfers of certain assets or property (e.g. shares)
standard listing	A listing of shares which requires compliance with the minimum EU directive standards
statement of capital	A statement that sets out details regarding the company's share capital and its shareholders (see s 10 of the CA 2006)
statement of compliance	A document, included with the application for registering a company, under which the promoter(s) state that the CA 206's requirements regarding registration have been complied with
statement of guarantee	A statement that sets out how much the members of a company limited by guarantee must pay in the event of the company's liquidation (see s 11 of the CA 2006)
statutory audit	The audit of a company's annual accounts that it is legally required to undertake.
statutory auditor	An auditor who conducts a company's statutory audit.
stay	The temporary or permanent suspension of legal proceedings
surety	A person who offers security for the debts of another
takeover	A transaction under which one company acquires sufficient shares in another company to give it control
Takeover Appeal Board	A body that hears appeals of the decisions of the Hearings Committee
takeover bid	Where a person makes an offer to all the shareholders of a company to purchase their shares
target	A company that is subject to a takeover bid (also known as the 'offeree')
term loan	A loan under which the company borrows a sum of money from a debtor, with repayment of the sum borrowed plus interest being due by a specified date
thing	An asset other than land
thing in action	An intangible thing (e.g. a share in a company)
thing in possession	A tangible thing
title	A person's right of ownership over property
trading certificate	A certificate, issues by Companies House to a public company, that allows the company to commence business and to exercise borrowing powers (see s 761 of the CA 2006)
transfer of shares	Where shares pass from one person to another, other than through the operation of law (e.g. where they are sold)
transmission of shares	Where shares pass from one person to another through the operation of law (e.g. where a shareholder dies, or is declared bankrupt)
transmittee	A person to whom shares are transmitted
treasury shares	Shares held by the company 'in treasury', which can be sold, transferred or cancelled by the company

UK Listing Authority	A title bestowed upon the body responsible for securities regulation. In the UK, this body is the FCA. Note that the FCA has stated that it intends to no longer use the term 'UK Listing Authority'
<i>ultra vires</i>	'Beyond one's powers'
uncalled share capital	The amount that a company can call on in relation to unpaid shares
uncertificated shares	Shares in respect of which a share certificate is not issued
unissued share capital	The nominal value of shares that a company can issue before it reaches its authorized share capital
unregistered company	A company that was not incorporated by registration (e.g. a company incorporated by royal charter or Act or Parliament)
unsecured borrowing	Where a creditor lends money and does not take some form of security over an asset or assets of the debtor
unsecured creditor	A creditor who has not taken any security in respect to a debt owed
<i>ut res magis valeat quam pereat</i>	'It is better for a thing to have effect than to be made void'
vicarious liability	Where a person is liable for the unlawful acts or omissions of another person
winding up	Another name for liquidation
winding up order	A court order that provides that a company is to be wound up