

ICSA Guidance on Statement of Capital

Contents

If using online, click on the headings below to go to the related sections.

- 1 Problem with statements of capital
- 2 Advice

Appendix A: The FAQ on the statement of capital requirement from the Department of Business, Innovation and Skills



1 Problem with statements of capital

- 1.1 As noted in the ICSA press release of 9 September 2009, a problem with sections of the Companies Act 2006 relating to the statement of capital has been identified by ICSA Software, the software subsidiary of the Institute of Chartered Secretaries and Administrators.
- 1.2 From 1 October 2009, a statement of capital will be required by the Companies Act (either as a stand-alone filing at Companies House, or as an integral part of another form) at many stages in a company's life – on formation, with each annual return and as part of the filing for almost all share transactions performed by the company (allotments, alterations to share capital etc). A company will also be required to provide any member with a current statement of capital on request.
- 1.3 The requirements for statements of capital are typically as follows:
- (a) the total number of shares of the company;
 - (b) the aggregate nominal value of those shares;
 - (c) for each class of shares:
 - (i) prescribed particulars of the rights attached to the shares;
 - (ii) the total number of shares of that class; and
 - (iii) the aggregate nominal value of shares of that class; and
 - (d) the amount paid up and the amount (if any) unpaid on each share (whether on account of the nominal value of the share or by way of premium).
- 1.4 The problem is with (d) and the requirement for this disclosure to be on an amount paid/unpaid per share basis, including share premium. To meet this requirement share premium records would have to be, and would have to have been, tracked for each share. As share premium may differ from share issue to share issue, a company may over time have a number of share issues, within the same share class, with different paid up amounts. Shares may also have been the subject of one or more corporate actions (buy-backs, redemptions, share splits, and consolidations).

Companies with a simple share history are unlikely to experience any problem in completing the requirement for the amounts paid up on each share. Many older and/or larger companies will not have tracked share premium on a per share basis; in addition, where the share premium account has been used, e.g. on a reduction, there is no requirement to attribute this use to particular shares. For these reasons, it may therefore be difficult or impossible for some companies to provide a single amount per share as the amount paid up on all the shares in a particular class of shares.

2 Advice

- 2.1 The Department of Business, Innovation and Skills (BIS) will, in the longer term, review whether a change to Companies House forms or the Companies Act 2006 is necessary. In the meantime, as stated in its FAQ on this subject on the BIS website (see [Appendix A](#)), BIS has confirmed that companies will have to do what they can to complete this element of the statement of capital. There is a recognition by BIS that companies will have to 'provide numbers ... that provide a pragmatic allocation of their share premium reserve between shares or classes of shares.'

2.2 Companies that have the relevant information can group shares (within the same share class) by each unique paid up (or unpaid) amount, including share premium, to the extent this is possible. These aggregate values would fall to be disclosed on the statement of capital on a line by line basis. It is recognised this may result in several, or possibly many, entries with different paid up amounts, all for the same share class.

2.3 To the extent that it is not possible for a company to disclose the required details for all of its shares in a particular class on the basis set out in 2.2 above (e.g. where shares have been treated as mutually interchangeable within a particular class and only an aggregated record of share premium history has been kept or where the share premium account has been reduced without being allocated to particular shares), companies could instead take the aggregate amount of the share premium account at the date the return is completed, and divide it by the number of related shares in issue.

If there is more than one class of shares issued at a premium, the share premium account needs to be allocated between those classes. For, example, a company might wish to do this by allocating its share premium account on the basis of the number of shares in issue for each share class as a percentage of the total number of relevant shares in issue (i.e. the aggregate number of shares in issue for those classes where some/all of the shares have been issued at a premium). A company should adopt another method if it believes it better allocates the total share premium between the relevant share classes.

2.4 The key point is that companies should complete the form in as much detail as they can. Some suggestions as to how companies might approach this are given in 2.2 and 2.3 above. On a practical note, it is important that companies do not leave any parts of the form blank, as this will lead to an automatic rejection by Companies House.

September 2009



Appendix A

This is the FAQ posted by BIS on its website under 'FAQ Companies Act 2006':

Q. How can I fill in the statement of capital (e.g. in my annual return) if I cannot identify the premium on individual shares?

A. The statement of capital requirement in the Companies Act 2006 is intended to provide a snapshot of a company's capital structure. A statement of capital is required each year in the annual return, and whenever a company changes its capital.

We are aware that one of the details required to be included in the statement of capital can cause problems for certain companies that have a complex history of allotting shares and managing their capital structure. In particular, we understand that in certain circumstances it may not be possible or meaningful for a company to identify the amount of premium paid up on each share.

We are working with the Institute of Chartered Secretaries and Administrators (ICSA), who first drew this to our attention, and with other stakeholders to seek a resolution of this problem.

In the meantime, we hope that companies with complex capital histories will do what they can to provide numbers in their statements of capital that provide a pragmatic allocation of their share premium reserve between shares or classes of shares. ICSA has published guidance on this (available on their website www.icsa.org.uk), explaining the problem and outlining a recommended approach.

When completing a statement of capital, in the annual return form or elsewhere, it is important that a company does not leave blank the field for the amount paid up on each share, or the form will be rejected by Companies House's system.

[BACK TO THE TOP](#)

The information given in this Guidance Note is provided in good faith with the intention of furthering the understanding of the subject matter. Whilst we believe the information to be accurate at the time of publication, ICSA and its staff cannot, however, accept any liability for any loss or damage occasioned by any person or organisation acting or refraining from action as a result of any views expressed therein. If the reader has any specific doubts or concerns about the subject matter they are advised to seek legal advice based on the circumstances of their own situation.