

## Capital reduction factsheet (Applicable from 1 October 2008)

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The procedure for the capital reduction is as follows:

- A special resolution is passed to reduce the share capital
- it is supported by a solvency statement dated not more than 15 days before the date on which the resolution is passed

A solvency statement is a statement that each of the directors-

(a) has formed the opinion, as regards the company's situation at the date of the statement, that there is no ground on which the company could then be found to be unable to pay (or otherwise discharge) its debts; and

(b) has also formed the opinion-

- (i) if it is intended to commence the winding up of the company within twelve months of that date, that the company will be able to pay (or otherwise discharge) its debts in full within twelve months of the commencement of the winding up; or
- (ii) in any other case, that the company will be able to pay (or otherwise discharge) its debts as they fall due during the year immediately following that date.

In forming those opinions, the directors must take into account all of the company's liabilities (including any contingent or prospective liabilities).

Within 15 days after the resolution for reducing share capital is passed the company must deliver to the registrar-

- (a) a copy of the solvency statement (**see below**)
- (b) a statement of capital showing the changes (**Form SH19**).
- (c) a copy of the resolution itself (**see below**)
- (d) a statement by the directors confirming that the solvency statement was-
  - (i) made not more than 15 days before the date on which the resolution was passed, and
  - (ii) provided to members in accordance with the CA06.

The resolution does not take effect until those documents are registered.

### Notes

- The overriding rule is that a company may reduce its share capital **in any way it chooses**.
- The authorised share capital stays unchanged following a reduction in share capital.
- Share premium counts as part of the company's capital (s.610 CA2006)
- Share premium can be included in a capital reduction to a particular shareholder regardless of which member the share premium arose in respect of.
- A reserve created by a reduction in share capital is distributable.
- The reduction in share capital does not have to be made pro-rata to shareholdings.

Company Number: **xxxxxxx**

**THE COMPANIES ACT 1985  
(As amended by the Companies Act 1989 and 2006)**

**COMPANY LIMITED BY SHARES**

**WRITTEN RESOLUTION**

**OF**

**COMPANY NAME LIMITED**

**(the "Company")**

We, the undersigned, being a majority in number of the members and being a majority who together hold not less than the requisite percentage in nominal value of the shares giving a right to attend and vote at the meeting for the time being of the Company, hereby unanimously pass the following resolution and agree that the said resolution shall for all purposes be as valid and effective as if the same had been passed at a General Meeting of the company duly convened and held:

**IT IS RESOLVED:**

1. That the issued share capital of the Company be reduced from £X to £X with the reduction supported by a solvency statement (as attached), signed by each of the Company's directors, and that the balance of £X (being the amount of reduction in the total issued share capital) be repaid to [the respective shareholders] [pro-rata to their shareholdings] as being in excess of the company's requirements.

**[AND IF REQUIRED:-]**

*[2. That paragraph X of the memorandum of association be replaced as follows:*

*"The Company's share capital is £x comprised of x Ordinary Shares of £1 each."*

*3. That paragraph X of the articles of association be replaced as follows:*

*" The Company's share capital is £x divided into x Ordinary Shares of £1 each. The Ordinary Shares of £1 each will rank pari passu in all respects."*

\_\_\_\_\_  
Mr A...

\_\_\_\_\_  
Date

\_\_\_\_\_  
Mr B...

\_\_\_\_\_  
Date

\_\_\_\_\_  
Mr C...

\_\_\_\_\_  
Date

Company Number: **xxxxxxx**

**THE COMPANIES ACT 1985  
(As amended by the Companies Act 1989 and 2006)**

**COMPANY LIMITED BY SHARES**

**COMPANY NAME LIMITED**

**(the "Company")**

**SOLVENCY STATEMENT MADE IN ACCORDANCE WITH SECTIONS 642 AND 643 OF THE  
COMPANIES ACT 2006**

We, the undersigned, being together all of the Company's directors, confirm that in our opinion, as regards the Company's situation at the date of this statement, there is no ground on which the Company could be found to be unable to pay (or otherwise discharge) its debts; and

We have also formed the opinion—

\* (i) [if it is intended to commence the winding up of the company within twelve months of that date, that] the company will be able to pay (or otherwise discharge) its debts in full within twelve months of the commencement of the winding up; or

\* (ii) [in any other case, that] the company will be able to pay (or otherwise discharge) its debts as they fall due during the year immediately following that date.

In forming those opinions, we have taken into account all of the company's liabilities (including any contingent or prospective liabilities).

We understand that if the directors make a solvency statement without having reasonable grounds for the opinions expressed in it, and the statement is delivered to the registrar, an offence is committed by every director who is in default.

This statement was made on ..... by:

\_\_\_\_\_  
Mr A... (Director)

\_\_\_\_\_  
Mr B... (Director)

\_\_\_\_\_  
Mr C... (Director)

*\* delete as appropriate*

Company Number: **xxxxxxxx**

**THE COMPANIES ACT 1985  
(As amended by the Companies Act 1989 and 2006)**

**COMPANY LIMITED BY SHARES**

**COMPANY NAME LIMITED**

(the "Company")

**STATEMENT OF THE DIRECTORS MADE IN ACCORDANCE WITH SECTIONS 644(5) OF THE  
COMPANIES ACT 2006**

We, the undersigned, being together all of the Company's directors, confirm that the solvency statement made by us in accordance with sections 642 and 643 of the Companies Act 2006 on ..... was—

- (a) made not more than 15 days before the date on which the resolution was passed, and
- (b) provided to members in accordance with section 642(2) or (3).

This statement was made on ..... by:

\_\_\_\_\_  
Mr A... (Director)

\_\_\_\_\_  
Mr B... (Director)

\_\_\_\_\_  
Mr C... (Director)