Guidance Notes – [redacted] tion & Sub-Division

Shares must have a monetary va [redacted] his is known as a par or nominal value, e.g. 1p, 10p, £1. This nomi [redacted] ered with Companies House when the company is first incorporated [redacted] ot issue shares for less than this nominal amount.

Companies may however wish to [redacted] he nominal value of their shares. Therefore a company with a shar [redacted] d into 100 shares of £1 each may consolidate and sub-divide its sha [redacted] 000 10p shares, 10,000 1p shares or 10 £10 shares. This means alt [redacted] res in issue without changing the overall amount of share capital in [redacted] solidation or sub-division of share capital.

1. **Consolidation (or reverse [redacted]**

   A consolidation of share [redacted] g the par value of each share. Therefore shares of a sma [redacted] combined to become shares of a larger nominal amount. Fo [redacted] f 10p each could be consolidated into one share of 100p. [redacted] educes the number of shares a company has in issue and [redacted] hanges a set number of existing shares for a set number of [redacted]

2. **Sub-division (or share sp [redacted]**

   A sub-division of share cap [redacted] e par value of each share. Shares of a larger nominal value [redacted] f a smaller nominal amount. For example, one 100p share c [redacted] shares.

3. **Why consolidate or sub-c [redacted]**

   Traded public companies [redacted] or sub-divide shares for market reasons where shares trac [redacted] er too “heavy” or too “light”. This clearly will not be relevant [redacted] any. The reason that a SME might wish to undertake a cons [redacted] of its share capital could be for example, as part of a cap [redacted] to eliminate unusual amounts, to eliminate very small share [redacted] share reorganisation following the departure of a shareholder [redacted] rrival of new shareholders.

4. **Procedure to consolidate [redacted]**

   The procedure to consolida [redacted] s is governed by sections 618 and 619 of the Companies Act [redacted] meeting will need to be convened to recommend an appropri [redacted] members. A general meeting will then be convened or more [redacted] any, a written resolution circulated to members.

   Note that the Companies A [redacted] the type of resolution required to consolidate or sub-divide s [redacted] shareholders’ ordinary resolution is considered sufficient pr [redacted] in the company’s articles either requiring a higher majority [redacted] st check the company’s articles of association before consic [redacted] One resolution can be used to authorise both a consolidat [redacted]

Simply-Docs' package of d[redacted]ard minute to propose the ordinary resolution and a sharehold[redacted] The ordinary resolution has been drafted on the basis that:

- It is for use by a private [redacted]lass of shares where all the shares are fully paid up;[redacted]
- There are no restrictions[redacted]s preventing or restricting a consolidation or sub-divi[redacted]
- There are no conditions [redacted]ation or sub-division; and
- The proposed consolida[redacted]ot result in any fractional entitlements. Fractional [redacted]governed by a company's articles of association and some[redacted]w shares being issued to round holdings up to the neare[redacted]

However fractional entitlem[redacted]l of the following issues; conditional consolidation o[redacted]t are not fully paid, multiple classes of shares and varia[redacted]mean that there are additional legal and procedural compl[redacted]considered during this process. These are all beyond the s[redacted]e and it is recommended that independent legal advice is[redacted]

Share certificates and register of m[redacted]

The register of members should b[redacted]s of the new number of shares and their nominal value.

All existing share certificates shou[redacted] amendment or cancellation. New share certificates should then be is[redacted]

Filing

The Registrar of Companies mus[redacted]y sub-division or consolidation of share capital. Form SH02 should[redacted] House within one month of the consolidation or sub-division.