

LAWPACK

A practical guide to the procedures  
to follow and records to keep

# HOW TO RUN A LIMITED COMPANY

**SECOND  
EDITION**

**Includes  
new template  
Minutes and  
Resolutions**

**H M Williams  
Chartered Accountants**

This is an excerpt from Lawpack's book *How to Run a Limited Company*.

To find out more on the procedures limited company directors should follow and the limited company records you should keep, [click here](#).

How to Run a Limited Company  
by Lisa Sword and Hugh Williams  
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**For convenience (and for no other reason) 'him', 'he' and 'his' have been used throughout and should be read to include 'her', 'she' and 'her'.**

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# **A word of warning for those familiar with the statutory administration of limited companies**

Since 1 October 2009 there has been a sea-change in the way companies are formed and constituted. It might be helpful if we summarise the changes:

All of the familiar forms for filing at Companies House have changed. Old forms are no longer being accepted after 30 September 2009 and there are many new forms for procedures where, in the past, one used a more generic form, or generic form of wording.

The new Annual Return form is much longer.

The Memorandum is now an extremely short document – see sample enclosed.

The Standard Articles for small companies used to be known as Table A. Standard Articles will still be available but they are now known as Model Articles and can be found in Statutory Instrument 2008 No 3229.

There is no longer a term ‘authorised share capital’, but companies may opt to keep it. This means that directors can issue shares at their discretion, unless the company passes resolutions that impose restrictions.

You can now have a Single Member PLC.

Companies now have the power to state in their Articles what percentage of votes is required for certain changes.

Meetings may be conducted by phone, teleconferencing or email – or not at all.

A director can be resigned from office if he has been absent without permission from all directors’ meetings for six months.

The new form for incorporation IN01 is much more detailed than the forms it replaces. Electronic incorporation is expected to become the norm to cater for all this detail.

Statutory registers need only be kept for ten years.

There will be a new register of directors' residential addresses.

Accounts will have to be filed at Companies House one month earlier than hitherto – it is now normally nine months after the end of the financial year instead of ten.

Please be particularly warned that, as we say on page 54, the penalties for the late filing of company accounts have increased dramatically. Please make sure you file on time.

If you become a PROOF customer (the Registrar's PROtected Online Filing scheme), this should protect your company becoming a victim to corporate identity fraud.

As we have said, all this (and there's a lot more besides) marks a veritable sea-change in the way companies are administered. It is proving quite a headache for all involved in company administration and all we can say as we write in anticipation of what is likely to become a chaos as the new rules are implemented is 'Good luck!'.

## CHAPTER 1

---

# Introduction

---

### **What is a limited company?**

---

A limited company is a legal entity, separate from any individual involved. It is run by individuals who have specific responsibilities but it owns its own assets; it is liable for its own debts and those who use and run limited companies must always remember that, for example, the money in a company's bank account belongs to the company and not to the directors, nor to the shareholders.

Being a separate legal entity means that it must be run according to set rules and the government department primarily responsible for ensuring that a company adheres to those rules is Companies House.

Companies House, as we will see later, is a highly efficient organisation in Cardiff and, whenever help is needed with company administration, it is highly likely that you will find a prompt answer by calling it on 0303 1234 500.

---

### **What types of limited company are there?**

---

There are seven types of limited company:

**1. Private companies**

These are used mainly by small businesses and the way they need to be managed within company law is the main purpose of this book.

**2. Public companies**

These are used by larger businesses and, while they share a great number of the same secretarial procedures as private companies, we do not spend long in this book dealing with public companies.

### **3. Companies Limited by Guarantee**

This type of company has no share capital. Companies limited by guarantee are used mainly by charities and the way they are run is substantially the same as for private companies. The member's liability is limited to an amount the member has personally guaranteed to contribute to the assets of the company if it is wound up; this guarantee also applies for a period of one year after membership has ceased. As we go to press there are plans to introduce a new type of charitable structure called a Charitable Incorporated Organisation (CIO), which will report to the Charity Commission, not to Companies House. We understand that it will be easy for companies limited by guarantee to be converted into a CIO and plan to produce a book on their administration in the near future.

### **4. European Public Companies (EPCs)**

These may be useful for businesses operating in more than one EU member state. They may form part of a European Interest Grouping (EIG) but, as with EPCs, we do not deal with EIGs in this book.

### **5. Overseas companies**

These companies are, somewhat obviously, not registered in the UK and cannot be dealt with in this book.

### **6. Unlimited companies**

These are like normal companies but the members' liability is not limited. They do not have to file accounts at Companies House and they can be converted to limited and vice versa. Unlimited companies are relatively rare so they are not dealt with in this book.

### **7. Community Interest Companies (CICs)**

These were started in 2004 to allow socially minded entrepreneurs to make profits for good causes. They pay tax, file accounts at Companies House but they cannot be a charity and so they cover a relatively rare sector and we do not deal with them in this book. The key thing to remember when preparing accounts for CICs is to give a very full description of the company's activities. There is a great deal of helpful information about these on the Companies House website: [www.companieshouse.gov.uk](http://www.companieshouse.gov.uk).

In addition to the above there are also:

### **8. Limited Liability Partnerships (LLPs)**

These are not companies as such but, for the purposes of administration, they have to follow broadly similar rules to those for private companies. As with unlimited companies we include reference to some of the LLP forms in this book.

## 9. Right to Manage Companies (RTMs) and Commonhold Associations (CAs)

Both of these were introduced in 2002 but they are all limited by guarantee and so please regard them all as such.

## 10. Single Member Companies

These are private companies that have just one shareholder. They are treated the same as all private companies. Companies limited by guarantee can also be Single Member Companies.

This book concentrates on the administration of private companies, although much of what follows will be applicable to some, if not all, of the other types.

---

## **When should I use a limited company?**

---

As accountants we are often asked this question and we usually say that it all depends.

Most people when setting out in business shouldn't think of forming a limited company. If you ask the people at Companies House, they will tell you that far too many companies are formed each year and either they are not even used and remain dormant, or those who run them find themselves in a jam (often of a tax nature) that would never have happened if they had traded as a sole trader or partnership.

In principle, most people should start in business on their own as a sole trader or in partnership with others. If the profits are small, they would pay less tax and enjoy less hassle and lower professional fees than if they trade through a limited company.

Again in principle, limited companies can be useful when profits approach £100,000 and especially when the proprietors do not wish to draw all of the profits out for their own personal use.

Another instance where incorporation might be sensible is if a number of individuals wish to go into business together and wish to take advantage of limited liability.

A further instance would be where someone wants to set up a business with a view to growing it and selling it. A limited company is easier to sell than, for example, a partnership, because, with a limited liability company, the whole business comes as a complete package and the accounts are more reliable from the purchaser's point of view.

As accountants we nearly always advise our clients to start off as sole traders and then incorporate at a later stage if and when the timing is right and the tax savings become more advantageous and appropriate.

In summary, the advantages of a company are:

- 1.** Limited liability. In theory and in law the shareholders are not personally liable for the debts of the company. The company can only ask shareholders to pay for their shares in full, if they have not already done so. The shareholder's responsibility is limited to this amount and this amount is determined when the shareholder agrees to buy shares. Should the business fail, the creditors cannot obtain possession of shareholders' assets, such as homes or cars, in settlement of debts. However, the directors may find themselves liable to pay the company's debts. Limited liability is the main reason why so many businesses are incorporated.
- 2.** Capital can be raised with relative ease because investors can buy shares in the company. This does not mean, however, that a new company can simply offer shares to the general public. Share offers are regulated by law.
- 3.** Subject to the Articles of Association, shares can be transferred to existing members and to family members as gifts or otherwise. It is possible to sell your shares to other people, but not in a general offer to the public. Investors in a private company do not receive the same protection as they would have if they were investing in companies listed on the Stock Exchange.
- 4.** Since the company is an independent legal entity, it does not cease to exist because one of the shareholders dies or retires. It is therefore easier to ensure the continuity of a company rather than of a partnership.

The disadvantages of a company are:

- 1.** It must comply with statutory rules and disclose information to the public.
- 2.** It is usually the most expensive form of business to organise and run, although a partnership can be equally expensive, especially a Limited Liability Partnership.
- 3.** Both the company and the individual shareholders and directors have to make Tax Returns.
- 4.** Record-keeping (such as keeping a minute book) can be more extensive for a company.
- 5.** Winding up a company and in many cases even changing its structure can be more complicated and expensive than for partnerships and sole traders.
- 6.** Please remember it's not your money. Any money in the company's bank account belongs to the company and it can only be taken out as a dividend or wage, or set against money you put into the business.

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## Should I form a private or a public company?

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A *public* company is defined as one where:

- It must have two directors, one of whom must be an individual; the other can be a corporate director.
- It has been registered with Companies House as such.
- Its name ends ‘...Public Limited Company’ or ‘PLC’.
- It must have a company secretary, who must be qualified in one or more ways.
- It cannot start in business until it has been issued with a trading certificate. To do this it must deliver form SH50 to Companies House.
- It can be re-registered as a private company by submitting form RR06.
- The Memorandum of Association states it to be public.
- It has an issued share capital of not less than £50,000.

All other companies are private companies.

A private company has the following features or advantages:

- Only one shareholder is required.
- Only one director is required. If there is only one director, he must be a real person and not another company. As a firm of chartered accountants we advise the appointment of at least more than one shareholder or director because, if a single shareholder/director dies, who is there to administer the company and decide its future?
- The shareholder(s) and director(s) may be the same person. If this is the case, then all resolutions must be in writing.
- A private company does not require a trading certificate.
- There are no minimal capital requirements.
- The hassle surrounding private companies is generally less than that surrounding public companies.

A private company may be converted into a public company and vice versa.

## CHAPTER 2

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# Company formation

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### How do I form a limited company?

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To form, or incorporate, a company you need to send the following documents to Companies House:

- Form IN01 (available from the Companies House website [www.companieshouse.gov.uk](http://www.companieshouse.gov.uk)).
- The completed Memorandum of Association (see sample in Appendix 2).
- The company's constitution (known as its 'Articles of Association') unless you decide to adopt the Model Articles (see Appendix 2.2). In this case you do not need to submit the company's proposed Articles and you mark form IN01 accordingly.

You can submit the forms either by post or electronically.

### Electronic incorporation

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As mentioned, you can form a company by post (with aid of guidance notes GP1 from the Companies House website) but it is now far more common for companies to be created using the internet. There are two main ways to do this:

#### 1. New company electronic incorporations

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If you want a brand new company tailored to your circumstances (and this is what most people want), you need to approach a company formation agent offering this type of service. It is not only the most popular form of incorporation, but also the fastest (in most cases same day incorporation). It is now recognised as the most convenient way to create a company.

If this sounds like what you would like to do, type 'electronic incorporation' into any recognised search engine and tens of company formation agents offering this service will appear. If you are unsure which company to use, you could ask your accountant or visit the Companies House website as it has some recommendations.

A few things to note for electronic incorporation are:

- Directors and secretaries will need to provide extra information for security purposes, such as various letters or numbers of the following: eye colour, National Insurance number, father's first name, town of birth, passport number and home phone number.
- Most formation agents have safeguards in place to make sure the company is accepted first time.
- If you were to incorporate online, there are various packages that can be bought depending on your needs. Generally, the cheapest package that can be bought is just for companies that will be left dormant; the medium package will suit most people's needs. The most expensive package usually includes paper copies of the Articles of Association and an incorporation certificate sent to you by post.
- With the cheaper options you may not get a proper incorporation certificate; you will receive an electronic version which will have to be printed off onto a certain quality paper.

## 2. Off-the-shelf companies

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This way is less common than the above and therefore more for your information. Off-the-shelf companies are companies that have already been incorporated but currently lie dormant and have never traded. These will then be sold to a member of the public for a set fee, usually along with the forms to change the company name, directors, secretary, year end, share ownership and registered office.

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### **I want to form a limited company but it all seems so daunting. Who can I get to help me with all this?**

---

We would suggest that you ask a firm of chartered accountants to deal with it for you but make sure that they quote for the work before they begin so you know what it will all cost and what they are going to do for you.

Before you instruct someone else to form your company for you, you should look at our suggested pre-incorporation checklist in Appendix 1.1 where we list all of the things you should have sorted out in your mind before giving instructions. This will save time and it might also save you fees.

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## **What do I need to have decided before forming a limited company?**

---

These are the following matters that should have been decided before instructing whoever it is that is going to form the company. They are broadly similar to the pre-incorporation checklist in Appendix 1.1, namely:

- The company name.
- What the company is going to do.
- Who will be the shareholders?
- How much money or other assets will each shareholder invest?
- Are all the shareholders to have the same class of shares or will there be different classes?
- If there are to be different classes, what are they to be? (If this sounds confusing, then don't worry; most companies are formed with say 100 ordinary shares and the shareholders involved decide how many shares each is to hold.)
- Who are the directors going to be?
- Who is the managing director going to be? You don't have to have a managing director.
- The accounting year end.
- Where will the registered office be situated? This is usually the same as the place of business.

Having listed the above essential matters it is also extremely prudent for those who are to join together in business to discuss and decide the following practical matters, which we call an Investors' Aspiration Form (see Appendix 1.2):

Each person should openly declare:

- What he hopes this business will achieve.
- Why he thinks this business will be successful.
- What he will bring to the business.
- How much time he will devote to the business.
- What he would like to do in the business.
- What he does not want to do in the business.
- Who will be the business' boss.
- Whether he will be prepared to bring more money to the business should it be necessary to do so.

- When he would like to retire from the business.
- What he hopes to earn from the business each year.
- What dividends he would hope to be paid.
- What benefits he would like the business to provide, for example, a car, mobile phone, etc.
- What he would like to happen to his shares in the event of his early death.
- Who should sign cheques, etc.
- Over what level of payment should a cheque have more than one signature.
- Where the business should bank.
- Whether accounts should be prepared more frequently than annually.
- Which firm of accountants should be appointed.
- Whether there should be a shareholders' agreement

We have included this list as a suggested procedure for you to consider and we further recommend that you copy the pages from Appendix 1.2 and get all of those who will be working with you in the company to fill in his own copy, get someone knowledgeable and independent such as your accountant to review them and say if he thinks your replies indicate whether you are going to work together well and are likely to get on and agree on how to run the business.

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## **Shareholders' agreement**

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It is usually prudent to have a shareholders' agreement prepared by a solicitor. In case you don't know what a shareholders' agreement is, or its purpose, it is the equivalent of a partnership agreement in the case of a partnership. A shareholders' agreement sets out how the shareholders have agreed to work together. We provide a list of the main headings to be found in a typical shareholders' agreement in Appendix 1.3.

Once this formal legal document is signed, it formalises the relationship of the shareholders and, in effect, makes legally binding those aspects that we suggest all participants declare on their 'aspiration form'.

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## **What do I have to do in connection with the business name?**

---

First of all there are two types of name you need to be aware of: the company name and the business name, or trading name.

The company name is the formal name of the company and it will be registered at Companies House under that name. The business or trading name is the name under which you wish

your company to trade and this may or may not be the same as the company name. In case you are unsure what this paragraph actually means, the company name of the company that has published this book is 'Lawpack Publishing Ltd', although, if you visit their website you will tend to see just their business or trading name of 'Lawpack'. In this case the trading name is similar to the company name but the same would apply if Lawpack were to refer to its products as being published by a completely different name such as 'Helpful Books' or something similar.

If you want to change your trading name, you will find the suggested wording to use in Appendix 1.36d. If you want to change your company name, please see the end of this chapter and Appendix 3.1.

The registrar of companies (Companies House) is more concerned with company names than business or trading names because the company name is the one that will appear on all of its records and forms; nonetheless, neither the company name nor the business name may infringe the rules regarding company names, which can be found in its booklets available from the Companies House website under 'guidance notes'.

The first thing you need to ensure after you have selected a name for your company is that the name does not already exist. You can check this by looking at your local telephone directory, doing a search on the internet or, above all, going to the Companies House website and seeing if your choice is already being used. Go to [www.companieshouse.gov.uk](http://www.companieshouse.gov.uk), select 'WebCheck' and type in the name you want. Select 'Company Name Availability Search'; this will give you prior notification if your preferred name will be rejected.

Your choice of name will have to be approved by Companies House before your company can be registered and this means that, apart from avoiding a name that is already in use, you must also avoid using certain sensitive words and names that you will find listed in the above-mentioned booklets. For example, words such as 'British' and 'Royal' are highly unlikely to be accepted.

If in any doubt, one way to proceed would be to submit the name to Companies House and see whether it's acceptable.

If you are simply, and always, going to trade under the full company name, then all you need do is display that name formally, accurately and clearly at all of your places of business. This is not only a legal requirement but also only common sense to tell your customers, etc. that that is your place of business. In other words, if you display your full name clearly on the outside of your business premises, that will suffice for this particular legal requirement. Otherwise ensure that the name of your company is clearly displayed on the front door of your business premises.

While doing this, if appropriate, you should also display another form stating that that place is the situation of the registered office of your business. We show you how to do this in Appendix 1.4a and 1.4b.

If you are going to trade under a different business name, then you should display the Notice

of Particulars of Ownership form, as shown in Appendix 1.4a, in the reception or equivalent area of your business premises. The particular layout of this form does not have to be used; you can prepare your own form but it must use this precise wording.

If the registered office of your company is not at your own trading address (e.g. you might decide to ask your accountants if they will be the place of your registered office), then, while you would not have to display the notice stating the situation of the registered office – that would have to be done by your accountants – you would still have to display the Notice of Particulars of Ownership form if you are trading under a separate business name that's not the same as the name registered at Companies House.

If you have a company name that you wish to protect, then, by registering it at Companies House, you can be sure nobody else will use it. You may also wish to have the comfort of protecting it as a trademark with the Intellectual Property Office, see [www.ipo.gov.uk](http://www.ipo.gov.uk).

You should be aware that there is no longer a separate register of business (trading) names.

Once you have decided on a definite name then it (together with the word 'limited') must appear on all your stationery, emails, advertising, websites, etc.

If you have bought a company and want to change its name, please see Appendix 3.1 for how to do that.

---

## **When a limited company is formed, what happens and what forms do I need to deal with?**

---

### Certificate of Incorporation

Before we describe what you should do with this form, it might be more sensible if we start by suggesting that you set up a special ring-bound file, which might be called 'Your Company Name – Statutory Books' because once you have set this up with ten divider tabs (and we show you a suggested contents sheet for this file in Appendix 1.29) the rest of the items in this section can be easily filed away.

The Certificate of Incorporation sent by Companies House (and we show you an example in Appendix 2.4) is the legal proof that your company exists and is free to start trading. This should be filed under Tab 1 of your folder.

If you need a new Certificate of Incorporation, because, say, the original has been mislaid, you can get this online through Companies House Direct, or call 0303 1234 500.

### Memorandum and Articles – what are they?

The Memorandum and Articles have changed considerably as a result of the 2006 Companies Act; indeed, the Memorandum is a shadow of its former self.

The Memorandum is now extremely short and simple and we give you an example in Appendix 2.1.

The Articles can be more or less anything you want, so long as they abide by the law; however, the most sensible thing to do is to use the Standard Articles that the government has provided for this purpose. They used to be called Table A, but are now known as Model Articles. We include a copy of these in Appendix 2.2 and under normal circumstances we suggest that new companies adopt these Articles. They are free and, being Model Articles, do not have to be registered at Companies House.

However, do be aware that Model Articles do not allow your company to have features such as:

- partly paid shares – your shares must be paid in full;
- different classes of shares – you can only have one class;
- alternate directors – see chapter 3.

If you want any of these and some other features to be available to your company, then you can form the company with the Model Articles, but you will have to amend them as per Appendix 3.2.

In other words you can use one of three types of Articles:

1. Model Articles
2. Amended Model Articles
3. Bespoke Articles

There are three variations of the Model Articles available:

1. Suitable for private companies
2. Suitable for companies limited by guarantee
3. Suitable for public limited companies

### The statutory books

The statutory books are official records of the company that hardly anyone ever sees; so if you have not heard of them, don't be too downhearted.

They are the records of the names and addresses of the shareholders plus details of their holdings, the details of the directors, the details of the company secretary, if one has been appointed, plus a number of other records which should be kept either on paper, in a book or electronically.

We give suggested layouts for these records under 'suggested procedures' and, because we recommend that the records, whether kept electronically or not, should be kept in hard copy

form as well, we suggest that they are filed in an A4 ring-binder with ten divider cards that we have mentioned. If you keep all the statutory books in one of these, it would be as well to use our suggested contents sheet at the front so you know what's in the file and where to find it.

The statutory books should be kept at the company's registered office, but if you want to change their location then file form AD02 or AD03 or possibly AD04.

All of the statutory books, with the exception of the directors' private addresses, should be available for inspection by members and indeed by anyone else, free of charge.

---

## **What do I have to do once the company has been formed?**

---

When a company has been formed you will find that you are sent an incorporation certificate. Our first suggestion is that you start an A4 ring-binder which you call your company's statutory books. The Certificate of Incorporation will be filed under Tab 1.

You will also have (or have to create using the template in this book – see Appendix 1) the following registers:

- Register of shareholders
- Register of directors
- Register of secretaries (if you appoint one)
- Register of charges (if your company is taking out a mortgage)
- Register of debenture holders (if there are to be any)
- Register of directors' residential addresses (which is not to be made public)
- Register of seals (if you are going to use a seal)

You should then:

- Issue the share certificates.
- Display the company's registered name (see above).
- Display the company's business or trading name if that is not the same as the registered name (see above).
- Write to your suppliers and customers advising them of the change in status, if your business has been a sole trader or partnership and you have incorporated it.
- Hold the first board meeting to consider matters such as:
  - appointing additional directors (chapter 3);
  - appointing a chairman/managing director;

- appointing a secretary (chapter 4);
  - appointing auditors/accountants (chapter 13);
  - changing accounting reference date (chapter 12);
  - whether or not to use a seal (chapter 8).
- Inform the tax, PAYE and VAT authorities.
  - Open a bank account (if applicable); see Appendix 1.28d. You will not be able to continue trading using a bank account that had been used by a sole trader or partnership. One of the first activities will be the banking of the money that has been invested in the company's shares.
  - Create the company's stationery (chapter 14).
  - Put a suitable signature into your email system.

## APPENDIX 1

# Suggested procedures and templates

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## 1.1 | Pre-incorporation checklist

*Please complete in capital letters*

Preferred name \_\_\_\_\_

What will the company be doing? \_\_\_\_\_

Issued share capital                      £ \_\_\_\_\_

*This is the sum that will have to be paid for the shares.*

*Please note below how many shares are to be issued to each shareholder.*

Accounting year end                      \_\_\_\_\_

*This will normally be the anniversary of the end of the month in which the company is first registered. Leave this line blank if you are not bothered by which year end the company has.*

*'Additional information', see page 75*

### **Names of shareholders**

Name \_\_\_\_\_

Address \_\_\_\_\_

Phone \_\_\_\_\_

No of shares to be issued to this shareholder \_\_\_\_\_

No	Detail

Name \_\_\_\_\_

Address \_\_\_\_\_

Phone \_\_\_\_\_

No of shares to be issued to this shareholder \_\_\_\_\_

No	Detail

Name \_\_\_\_\_

Address \_\_\_\_\_

Phone \_\_\_\_\_

No of shares to be issued to this shareholder \_\_\_\_\_

No	Detail

**1.1 | Pre-incorporation checklist (cont)**

		No	Detail
Name	_____		
Address	_____		
	_____		
Phone	_____		
No of shares to be issued to this shareholder	_____		

**Names of directors and please indicate who is to be the chairman**

		No	Detail
Name	_____		
Nationality	_____ Date of birth _____		
Address	_____		
	_____		
Phone	_____		
Occupation	_____		

		No	Detail
Name	_____		
Nationality	_____ Date of birth _____		
Address	_____		
	_____		
Phone	_____		
Occupation	_____		

**Name of the company secretary (if applicable)**

		No	Detail
Name	_____		
Nationality	_____ Date of birth _____		
Address	_____		
	_____		
Phone	_____		
Occupation	_____		

**Address of the registered office. *This can't be a PO Box number.***

Address \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

## 1.1 | Pre-incorporation checklist (cont)

### **Additional information needed for all directors, all shareholders and the company secretary**

Please select three of the following and enter both number and detail against the appropriate name above.

1. First three letters of town of birth
2. First three letters of mother's maiden name
3. First three letters of father's first forename
4. Last three digits of home telephone number
5. Last three digits of National Insurance number
6. Last three digits of passport number
7. First three letters of eye colour

## 1.2 | Investors' aspiration form

### How well are the intended participators going to work together?

We suggest that everyone takes a copy of this list and writes his answers down for an independent and knowledgeable person to review and report on how well it appears everyone will work together in the new business:

Name of person completing this form	
<b>Questions</b>	<b>Answers</b>
What do I hope this business will achieve?	
Why do I think this business will be successful?	
What will I bring to the business in terms of opening capital for shares and any other assets?	
How much time will I devote to the business?	
What would I like to do in the business?	
What title would I like to have?	
What do I not want to do in the business?	
Who do I think the boss of the business should be?	
Will I be prepared to bring more money to the business should it be necessary to do so?	
When would I like to retire from the business?	
What do I hope to earn from the business each year?	
What dividends I would hope to be paid?	
What benefits would I like the business to provide? E.g. a car, mobile phone.	
What would I like to happen to my shares in the event of my early death?	
Who should sign cheques, etc.?	
Over what level of payment should a cheque have more than one signature?	
Where should the business bank?	
Should accounts be prepared more frequently than annually?	
Which firm of accountants should be appointed?	
Should there be a shareholders' agreement?	

## 1.2 | Investors' aspiration form (cont)

Signed \_\_\_\_\_ Date \_\_\_\_\_

Once the copies of these forms are complete, hand them to your chosen reviewer for him to look at, compare and then give his candid opinion of whether the people involved are likely to work well together, as well as to highlight where any potential difficulties appear to lie. The sort of person we have in mind to conduct this review might be a partner in the company's chosen firm of chartered accountants.

### 1.3 | Likely headings in a shareholders' agreement

Date \_\_\_\_\_ 20\_\_\_\_\_

**Shareholder 1** \_\_\_\_\_

and

**Shareholder 2** \_\_\_\_\_

and others if appropriate

#### **SHAREHOLDERS' AGREEMENT**

Relating to

**ABC Limited**

#### **Parties**

1. Shareholder 1 of (address) and
2. Shareholder 2 of (address)
3. Etc. i.e. further shareholders, if appropriate

The agreement will then contain sections such as the following:

#### **1. Definitions**

1. Articles      The Articles of Association of the company
2. Shares      The ordinary shares of the company
3. Board      The board of directors of the company

#### **2. The business of the company**

The shareholders agree that the business of the company shall be XYZ. The shareholders agree to co-operate with each other in the running and operation of the company to achieve the company's objects and to act reasonably and in good faith.

#### **3. Management practice**

Who will be responsible for which aspects of the company (production, marketing, administration, finance, etc.)

#### **4. Spending restrictions and cheque signatures**

#### **5. Managing the business (what must not be done unless agreed by a majority of shareholders)**

**1.3 | The likely headings in a shareholders' agreement (cont)**

- 6. Accounts – responsibility for preparing**
- 7. Other contracts – if appropriate – e.g. directors' service contracts**
- 8. Continuance – length of agreement**
- 9. Partnership – that this agreement is not a partnership deed**
- 10. Assignment of responsibilities – whether this is allowed**
- 11. Arbitration – resolving disputes**
- 12. Confidentiality**
- 13. Waiver or amendment of terms within this agreement**
- 14. Managing the business (what must not be done unless agreed by majority of shareholders)**

In witness whereof the parties to this agreement have duly executed this agreement on the day and year written above.

**Signed by Shareholder 1** \_\_\_\_\_

Witnessed by \_\_\_\_\_

Address \_\_\_\_\_

\_\_\_\_\_

**Signed by Shareholder 2** \_\_\_\_\_

Witnessed by \_\_\_\_\_

Address \_\_\_\_\_

\_\_\_\_\_

**1.4a | Notices | Particulars of ownership**

**Notice of Particulars of Ownership**

As required by section 1202 of the Companies Act 2006

---

*[Insert name of business]*

Proprietors

---

*[Insert name of proprietors]*

Address within the United Kingdom at which documents may be  
effectively served on the proprietor in relation to the business

---

---

---

*[Insert full address]*

**1.4b | Notices | Situation of registered office**

Welcome to

---

Ltd

You are now at 123 High Street

Anytown

Anyshire

AN12 3YZ

This is the address of our registered office.

---

Secretary

## 1.5a | How to pay a dividend

The directors pass a board minute that might be worded:

'That an interim dividend of x pence per share for the year ended [*date*] be declared payable on \_\_\_/\_\_\_/20\_\_\_ to shareholders registered as such on the register at close of business on \_\_\_/\_\_\_/20\_\_\_.'

Once this has been done:

- A list of the dividends payable must be drawn up.
- You should check to see if there have been any requests for dividends to be paid to someone other than a shareholder.
- You should also check to see if anyone has chosen to waive (i.e. not receive) his dividend.
- It may be a good idea to open a new bank account for dividend payments.
- Perhaps some dividends can be paid by bank transfer or other automated means.
- Prepare the cheques that are needed.
- Prepare the dividend vouchers (see sample 5b).
- Send out dividend vouchers and cheques.

It is no longer normal practice to close the shareholders' register while this procedure is followed.

**1.5b | Dividend tax voucher****Statement to accompany dividend cheque showing tax credit**

Company name \_\_\_\_\_ Limited

Company number \_\_\_\_\_

Registered office address \_\_\_\_\_

Date \_\_\_\_\_

Dear Sir or Madam

Holder of \_\_\_\_\_ (ordinary) shares

An interim/final dividend\* at the rate of [x] pence per share on the (ordinary) shares of the company has been duly declared for the year ended \_\_\_\_\_ [date].

We enclose a cheque for £ \_\_\_\_\_

**Or**

We have today paid to your bank to the credit of your account the sum of £ \_\_\_\_\_ being the amount of the dividend due in respect of your above shareholding.

The rate of dividend payable is £ \_\_\_\_ : \_\_\_\_ p per (ordinary) shares.

There is a tax credit associated with this dividend equal to £ \_\_\_\_\_.

This dividend together with the associated tax credit is equivalent to a gross amount of £ \_\_\_\_\_.

*This statement should be retained and will be accepted by HM Revenue & Customs as evidence of a tax credit.*

Signed

\_\_\_\_\_  
Secretary

\*An interim dividend is one paid during a financial year. A final dividend is one paid after the end of a financial year.

**1.6 | Waiver and release of dividend**

I, \_\_\_\_\_  
of \_\_\_\_\_, the registered holder  
of [number] \_\_\_\_\_ ordinary shares of £ \_\_\_\_\_ each, in the capital of  
\_\_\_\_\_ Limited, (the Company).

- (i) waive all right to participate by reason of my ordinary shares as noted above in all dividends whether interim, final or otherwise declared by the Company or its directors; and
- (ii) release into the Company such sums as would have been payable from time to time by way of dividend on my ordinary shares as noted above.

Please apply this waiver and release to all dividends attributable to me and declared until I revoke this waiver by notice in writing to the Company at its registered office provided that such dividends shall be declared and become payable within 12 months of the date of this notice.

Date \_\_\_\_\_

Signed \_\_\_\_\_

\_\_\_\_\_  
Shareholder's signature

\_\_\_\_\_  
Witness' signature

\_\_\_\_\_  
Shareholder's name in full

\_\_\_\_\_  
Witness' name in full

Address \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_  
Occupation

## 1.7 | Dividend mandate

### Request for payment of interest or dividends

Name of company in which shares are held \_\_\_\_\_ Limited.

**Full name and address of the first-named holder.** *Where shares are in the name of a deceased holder, instructions signed by the executor(s) or administrator(s) should indicate the name of the deceased.*

First-named holder \_\_\_\_\_

Address \_\_\_\_\_

Account designation (if any) \_\_\_\_\_

Postcode \_\_\_\_\_

### Full name(s) of other holders (including deceased if applicable)

Second-named holder \_\_\_\_\_ Third-named holder \_\_\_\_\_

Fourth-named holder \_\_\_\_\_ Name of deceased \_\_\_\_\_  
(if applicable)

### Signatures of shareholder(s)

First-named holder \_\_\_\_\_ Second-named holder \_\_\_\_\_

Third-named holder \_\_\_\_\_ Fourth-named holder \_\_\_\_\_

*In the case of corporate shareholders the signatory should indicate the capacity in which they are signing (e.g. director).*

**Name and address of bank, building society or person:** \_\_\_\_\_

**Please pay future interest or dividends for the above company directly to the following or to any other bank/building society which that organisation may instruct.**

Name of institution/person you wish to pay your dividends to \_\_\_\_\_

Account name \_\_\_\_\_ Address \_\_\_\_\_

Branch sort code \_\_\_\_\_ Postcode \_\_\_\_\_

Account number \_\_\_\_\_ Building society  
reference/roll number \_\_\_\_\_  
(if applicable)

## 1.8 | Application form for shares

To the directors of \_\_\_\_\_ Limited.

I/we enclose a cheque for the sum of £ \_\_\_\_\_, being payment of \_\_\_\_\_ per share on application for [number] \_\_\_\_\_ preference/ordinary shares of £ \_\_\_\_\_ each in the capital of your company.

Please allot me/us with the appropriate number of shares.

I/we undertake and agree to accept either the above number of shares or any lesser number that may be allotted to me/us and I/we would be grateful if you would enter my/our name(s) on the register of members of the company as the holder(s) of the said shares.

Please send a letter of allotment in respect of these shares and, if appropriate, a cheque for any refund due to the first address written below.

I understand that any shares for which I apply but for which I have not paid in full may be forfeit.

Full name(s) \_\_\_\_\_

Address in full \_\_\_\_\_

Usual signature \_\_\_\_\_

### **Other joint holder(s)**

Full name(s) \_\_\_\_\_

Address in full \_\_\_\_\_

Usual signature \_\_\_\_\_

Please note that applications must be made in the names of individuals or corporations, and not in the name of partnerships.

This form, when completed, must be sent with a remittance for the amount payable on application to \_\_\_\_\_ [company secretary/other] at \_\_\_\_\_ [registered office address/or registrars' address] not later than \_\_\_\_\_ 20\_\_\_\_.

Cheques should be made payable to '\_\_\_\_\_ Limited' and crossed 'A/c payee only'.

Please note that no receipt will be issued for the payment, but an acknowledgement will be forwarded in due course either by letter of allotment in whole or in part, or by the issue of the share certificate, or by return of some or all of the application money.

## 1.9 | Letter of allotment

No \_\_\_\_\_ : in case of enquiry please quote this number.

This document is of value, it should be kept carefully. It will be exchanged for a share certificate in due course.

\_\_\_\_\_ **Limited**

Registered in England. Company registration

\_\_\_\_\_

Address of registered office

\_\_\_\_\_

To [*name of person applying for shares*] \_\_\_\_\_  
of [*address*] \_\_\_\_\_

In response to your application for shares in this company, the directors have allotted to you \_\_\_\_\_ [*number*] shares.

The amount required to pay up the said shares in full is £ \_\_\_\_\_. You have paid on application £ \_\_\_\_\_, leaving a balance due to you for which a cheque is enclosed for £ \_\_\_\_\_.

This letter of allotment is not renounceable, which means that you cannot transfer this allotment to another person. If you wish to transfer the shares, once the certificate has been issued to you, this should be done by means of a duly stamped transfer form. If you wish to do this, please ask us for a transfer form. Please be aware that, this being a private company, the directors have to approve the person to whom you propose to transfer any shares.

Pending the issue of share certificates, transfers will be certified at the registered office of the company against surrender of this letter of allotment duly received.

Share certificates will be ready for issue in exchange for letters of allotment duly received on or after \_\_\_\_\_ [*date*] at the registered office of the company.

By order of the board

\_\_\_\_\_

Secretary

**1.10 | Letter of regret**

From \_\_\_\_\_ Limited

To \_\_\_\_\_

of \_\_\_\_\_ [address]

Dear Sir or Madam

Thank you for applying for shares in the above company, but I regret to inform you that in view of the oversubscription you have not been successful and we are unable to offer you any shares.

I enclose a cheque for £\_\_\_\_\_ representing the sum that you paid with your application form.

Yours faithfully

\_\_\_\_\_

Secretary