

Most private limited companies in the UK have their share capital denominated in £ sterling. However, it may be more advantageous or appropriate for a company to have its shares denominated in another currency. This may be the case for certain shareholders (or prospective shareholders) whose income stream, or part of it, is denominated in another currency. It may also be the case; namely that a company is based overseas and the company now wishes to change its share capital from one currency to another, a company may wish to redenominate its shares.

There may also be tax and/or accounting implications of a redenomination. This guidance does not address these issues nor does it cover the implications of a redenomination. Specialist tax and/or accounting advice should be sought.

The Companies Act 2006 (CA 2006) states that shares in a limited company may be denominated in any currency and that different classes of shares may be denominated in different currencies.

If a company's shares are initially denominated in a currency other than £, the CA 2006 provides a specific procedure for changing the currency by ordinary resolution.

Redenomination does not affect the rights of shareholders (including entitlement to dividends in a particular currency).

This guidance only refers to the process of redenomination for private limited companies. A public limited company may also redenominate its shares but the process is slightly different and requires specialist legal advice.

The process to redenominate shares is as follows:

1. **Check Articles of Association**

A company's articles may contain a provision which restricts the company's power to redenominate. The articles must be checked first to see if there is a restriction in place before effecting a redenomination.

2. **Board Meeting**

A board meeting should be held to consider the proposed redenomination. The board must resolve the proposed conditions which must be satisfied before the redenomination takes effect. If this is not the case, the board must resolve that the relevant conditions are not satisfied.

3. **Convene a general meeting**

Section 622 CA 2006 allows a company to change the currency of its shares by ordinary resolution. This can be passed at a general meeting of the shareholders. A general meeting must be called to the members to consider the proposed resolution.

and Wales will have their share capital denominated in £ sterling. However, it may be more advantageous or appropriate for a company to have its shares denominated in another currency. This may be the case for certain shareholders (or prospective shareholders) whose income stream, or part of it, is denominated in another currency. It may also be the case; namely that a company is based overseas and the company now wishes to change its share capital from one currency to another, a company may wish to redenominate its shares.

There may also be tax and/or accounting implications of a redenomination. This guidance does not address these issues nor does it cover the implications of a redenomination. Specialist tax and/or accounting advice should be sought.

The Companies Act 2006 (CA 2006) states that shares in a limited company may be denominated in any currency. It also states that different classes of shares may be denominated in different currencies.

If a company's shares are initially denominated in a currency other than £, the CA 2006 provides a specific procedure for changing the currency from that currency to another by ordinary resolution.

Redenomination does not affect the rights of shareholders (including entitlement to dividends in a particular currency).

This guidance only refers to the process of redenomination for private limited companies. A public limited company may also redenominate its shares but the process is slightly different and requires specialist legal advice.

The company must have the power to redenominate. The articles of association must be checked first to see if there is a restriction in place before effecting a redenomination.

A board meeting should be held to consider the proposed redenomination. The board must resolve the proposed conditions which must be satisfied before the redenomination takes effect. If this is not the case, the board must resolve that the relevant conditions are not satisfied.

**Ordinary resolution**

Section 622 CA 2006 allows a company to change the currency of its shares by ordinary resolution. This can be passed at a general meeting of the shareholders or at a general meeting of the shareholders by written resolution distributed to the members to consider the proposed redenomination and pass the relevant resolution.

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#### 4. **Exchange at appropriate rate**

Conversion must be made at the rate of exchange as determined by section 622 and specified in the ordinary resolution; and must be either:

- a rate prevailing on the day of the resolution; or
- a rate determined by the average of rates prevailing on each consecutive day of the period of 28 days ending on the day of the resolution.

The day or period specified in the resolution must be a period of 28 days ending on the day before the resolution is passed.

#### 5. **Calculation of new nominal value**

For each class of share, the new nominal value of each share is calculated by:

- taking the aggregate nominal value of all the shares of that class;
- translating that amount into the new currency at the rate of exchange specified in the resolution; and
- dividing that amount by the number of shares in the class.

#### 6. **Effect of redenomination**

The redenomination takes effect on the day on which the resolution is passed or on such later day as may be specified in the resolution. The resolution will however lapse if it has not taken effect at the end of the period of 28 days beginning on the day on which the resolution is passed.

As mentioned above, a resolution for redenomination does not affect any entitlement to dividends or voting rights. In addition, references to the nominal value of the shares in any deeds, instruments or documents must be construed as references to the new nominal value as exists after the redenomination. The resolution does not affect any entitlement to dividends or voting rights. In addition, references to the nominal value of the shares in any deeds, instruments or documents must be construed as references to the new nominal value as exists after the redenomination.

#### 7. **File a copy of the resolution**

A resolution under section 622 of the Companies Act 2006 applies; i.e. a copy of the resolution must be sent to the registrar within 15 days of the date it was passed.

#### 8. **Notice to Registrar – Form SH14**

A company is also required to submit a notice to the registrar within one month of the date on which the resolution was passed. The notice must be included within form SH14 (Notice to Registrar of Redenomination of Shares) and must state the date on which the resolution was passed. The notice must be included within form SH14 (Notice to Registrar of Redenomination of Shares) and must state the date on which the resolution was passed.

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9. **Register of Members and**

The register of members should be amended to change any headings that are now incorrect and change the nominal value of the shares. All share certificates in issue should be amended or replaced. New or amended certificates should be issued.

change any headings that are now incorrect and change the nominal value of the shares. All share certificates in issue should be amended or replaced. New or amended certificates should be issued.

10. **Reduction of Capital**

After redenomination, the nominal value of the shares should be rounded to a number of decimal places not exceeding two. A resolution to reduce its share capital in accordance with section 626(1) CA 2006 (s.626 CA 2006). There is no requirement for a solvency statement or a statement of capital. Such a reduction does not affect any liability in respect of the shares.

After redenomination, the nominal value of the shares may be an amount expressed in pence or pounds. Within three months of the passing of the resolution, the company must be allowed to pass a special resolution to reduce its share capital in accordance with section 626(1) CA 2006 (s.626 CA 2006). There is no requirement for a solvency statement or a statement of capital. Such a reduction does not affect any liability in respect of the shares.

As above, this is a resolution of the company. It must be filed with the registrar at Companies House within 15 days of the passing of the special resolution. In addition, the company must file form SH15 (Notice of reduction of capital) following the passing of the resolution to reduce capital was passed. The company must also file a statement of capital (this is included within form SH15).

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The company must also file a statement of capital confirming that the reduction of capital complies with section 626(4) CA 2006 (i.e. that the reduction complies with the requirements of section 626(4) CA 2006).

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11. **Redenomination Reserve**

If a company reduces its share capital, the amount by which the share capital is reduced must be transferred to a "redenomination reserve". This reserve is used to pay up shares to be allotted to members as fully paid bonus shares.

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