

Chapter 8: Statutory Obligations - Contents

8.1. Statutory obligations	2
8.1.1. Annual reporting requirements.....	2
8.1.2. Annual accounts	2
8.1.3. Annual community interest company report with £15 fee.....	3
8.1.4. Delivery of the accounts and community interest company report.....	4
8.1.5. Timing	4
8.2. Annual return	6
8.3.1. Change of registered office	7
8.3.2. Change of directors, company secretary or their details	7
8.3.3. Other obligations.....	8

8.1. Statutory obligations

These obligations are aimed at ensuring that the company maintains proper financial records, produces accounts and maintains statutory records such as registers of members and directors and provides Companies House with information to keep the public record up to date.

8.1.1. Annual reporting requirements

A community interest company (CIC) is required to prepare and deliver annually, to the Registrar of Companies:

- ❖ Accounts
- ❖ A community interest company report with a £15 filing fee (see Chapter 4).
- ❖ An annual return with a £15 filing fee (see Chapter 8.2 below)

8.1.2. Annual accounts

As with all other companies the directors of CICs are required to deliver copies of their accounts for each financial year (including a directors' report) to the Registrar of Companies who will place them on the public file.

The accounting requirements for a CIC are the same as those of other companies (the amount of detail, and the extent to which an audit is required varies with the size of the company, and according to whether it is public or private). These requirements are explained in the Companies House booklet "Life of a Company – Part 1 Annual Requirements GP2".

Failure to meet these requirements (and those relating to the CIC Report below) can lead to the prosecution of the directors and the imposition of civil penalties on the company (see the Companies House booklet: "Life of a Company – Part 1 Annual Requirements GP2").

Given the principle of transparency associated with CICs the Regulator considers that CICs should aspire to produce accounts and directors' reports that provide high quality information for shareholders and other stakeholders rather than simply complying with the minimum requirements. However, the objective of maximum transparency must be balanced against the cost of providing this information, which (subject to compliance with the statutory accounting requirements) should not be such as to detract from maximising the community benefits provided by the company.

8.1.3. Annual community interest company report with £15 fee

All the directors of a CIC have an important additional obligation to prepare an annual community interest company report to be filed with their accounts. The purpose of the report is to show that the CIC is still satisfying the Community Interest Test, and that it is engaging appropriately with its stakeholders in carrying out activities, which benefit the community.

The detailed form of the report will be a matter for the company but, as with the annual accounts, the Regulator considers that CICs should aspire to provide the fullest possible information rather than simply comply with the minimum requirements; as good practice it should, for example, outline how the CIC has ensured that the assets have been solely used for the benefit of the community the CIC serves.

Although the report is a separate document from the company accounts there is no reason why it should not be sent to shareholders and other stakeholders with the directors' report and annual accounts.

The CIC report is delivered to the Registrar who will file it on the public record and pass a copy to the Regulator.

Consideration of community interest company reports is an important element in the Regulator's monitoring role and in showing that the CIC continues to satisfy the Community Interest Test (see Chapter 4).

The Regulations prescribe minimum requirements. These include:

- ❖ Information on the remuneration of the directors such as the total aggregate pay of directors, details of the highest paid director (if the aggregate pay of directors exceeds £200,000) and the number of directors who have received share benefits. (This information does not have to be duplicated in the report if it is included in the accounts and the report states that the information may be found in the accounts)
- ❖ Details of what the CIC has done to benefit the community
- ❖ Details of how it has involved its stakeholders in its activities
- ❖ Details of dividends declared (or proposed) on shares and performance related interest paid and their compliance with the capping rules. (If such dividends or interest have been paid you should refer to the precise requirements in Regulations 27 and 28. and see also Chapter 6.

- ❖ Information on the transfer of assets to another asset locked body or otherwise at less than market value for the benefit of the community.

Please note a community interest company is not required to conduct a social audit.

A pro forma of the CIC report can be found using the “Forms” tab, or at annex C. This covers everything that a CIC may be required to include in its CIC report: not all CICs will be required to complete all sections of the form.

It is intended that it should be possible to complete a CIC report without recourse to professional advice (except to the extent that accountancy advice may be required in relation to the financial information sections). We recommend that the pro forma is used.

A model CIC report has been published on the Regulator’s website to assist you when completing your report. The level of reporting depends on the complexity of your organisation’s financial arrangements.

Information does not have to be duplicated in the CIC report if it is already included in the accounts, or a social audit. Simply cross-reference the CIC report and attach the accounts or social audit.

8.1.4. Delivery of the accounts and community interest company report

The accounts and the community interest company report are separate documents, but are subject to the same delivery dates and must be delivered together to the Registrar of Companies with a fee (please see the Companies House website www.companieshouse.gov.uk).

8.1.5. Timing

The accounting period for a company, and time in which the accounts and CIC Report must be delivered to the Registrar of Companies, are determined by the company’s accounting reference date.

It should be noted that the issue of a new certificate of incorporation on conversion of an existing company to a CIC does not change the accounting reference date. This means that where a company is converted a CIC Report will be required for the accounting period in which the conversion took place even if the company was a CIC for only a short time during that period.

These aspects are dealt with in the Companies House booklet “Life of a Company – Part 1 Annual Requirements GP2”

8.1.6. Performance measuring tools

We have added a new section to our “links” to other sites on our website called “[Performance measuring tools](#)”, * which may be of interest. If you are aware of other sites, which may help other social enterprises please let us know by e-mailing cicregulator@companieshouse.gov.uk.

* It is our policy to obtain permission to link to other web sites. We are not responsible for the content, or reliability of the linked web sites. Listing should not be taken as endorsement of any kind. We cannot guarantee that these links will work all of the time and we have no control over the availability of linked pages.

The Regulator of Community Interest Companies
Room 3.68, Companies House, Crown Way, Cardiff, CF14 3UZ.
Tel: 029 2034 6228 (Voicemail) Fax: 029 2034 6229 E-mail:
cicregulator@companieshouse.gov.uk www.cicregulator.gov.uk

8.2. Annual return

This Chapter only touches on some of the most important obligations.

Like all other limited companies CICs have a number of continuing obligations. These are dealt with in the [Companies House](http://www.companieshouse.gov.uk) booklets available on its website www.companieshouse.gov.uk.

The annual return must be submitted every year within 28 days of the made up date which is the anniversary of the date of incorporation or the made up date of previous returns. [Companies House](http://www.companieshouse.gov.uk) will send an annual return form to the company's registered office about 14 days before the made up date with the existing information held by them printed on it and full instructions on its completion.

The annual return is in effect a snap shot as at the made up date of the essential information about the company.

8.3. Other requirements

8.3.1. Change of registered office

The application for incorporation, form IN01, establishes the situation of the registered office i.e. whether the company is domiciled in England and Wales, Wales or Scotland and the RO must be within the area so designated.

In addition, the Form IN01 gives details of the actual address of the registered office and whenever you change this address you must notify the Registrars of the change on a form AD01.

The registered office is the official address of the company and must be carefully defined so that all important communications can be posted to it and people who wish to deliver documents by hand can do so without difficulty. The fact that the address is the registered office of the company must be displayed on the premises. Various statutory documents and records must be available at the address for public inspection and the address should be included in your company stationery.

The registered office does not have to be the place of business and in practice most ROs are the address of the company's accountants, lawyers or registrars. Failure to comply with the requirement to notify changes in the address of the registered office could result in the company not becoming aware of important information sent to it which could have serious legal consequences. Please see: Companies House booklet [Directors and secretaries Guide](#).

8.3.2. Change of directors, company secretary or their details

The application for incorporation, form IN01 gives details of the first directors and if applicable, the company secretary.

A director or secretary may resign, or their details (such as name and address) may change and new people may be appointed. All these changes must be notified to the Registrars on the appropriate form:

- Form AP01 notifies the appointment of a director who is a natural person;
- Form AP02 notifies the appointment of a corporate director;
- Form AP03 notifies the appointment of a secretary who is a natural person;
- Form AP04 notifies the appointment of a corporate secretary;
- Form CH01 notifies the change of details of a director who is a natural person;

- Form CH02 notifies the change of details of a corporate director;
- Form CH03 notifies the change of details a secretary who is a natural person;
- Form CH04 notifies the change of details a corporate secretary;
- TM01 notifies the termination of a director; and
- TM02 notifies the termination of a secretary.

It is important (as well as being a legal requirement) that the company and the people concerned ensure that these changes are notified to the Registrar in order to maintain the integrity of the public record and to ensure that the public are aware of who is responsible for the management of the company and, for example, former officers are not held responsible for the acts of their successors.

8.3.3. Other obligations

There are many other events in the life of a company (such as the granting of a mortgage or the issue of shares) which require notification to the Registrar or other bodies, such as, the Stock Exchange. These are beyond the scope of these notes but generally arise from matters in which you will normally be using the services of your professional advisers (some are covered in relevant Companies House booklets, such as, “Life of the Company – Part 2 Event Driven Requirements GP3”).