



Department for
Business, Energy
& Industrial Strategy

Office of the Regulator of Community
Interest Companies: Information and
guidance notes

Chapter 8: Statutory obligations

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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 CIC 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 ordinary companies the directors of CICs are required to deliver copies of their accounts for each financial year 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) can lead to the prosecution of the directors and the imposition of civil penalties on the company

Given the principle of transparency 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.

8.1.3. Annual CIC Report with £15 fee

The directors of a CIC have an important additional obligation to prepare an annual CIC Report to be filed with their accounts. The purpose of the CIC 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 CIC 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.

Although the CIC 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.

Consideration of CIC Reports is an important element in the Regulator's monitoring role (see Chapter 4).

The CIC Regulations 2005 prescribe minimum requirements. These include:

- details of what the CIC has done to benefit the community;
- details of how it has consulted its stakeholders on its activities;
- details of dividends declared (or proposed) on shares and performance related interest paid and their compliance with the capping rules;
- information on the transfer of assets to another locked body or otherwise at less than market value for the benefit of the community.

A model of the CIC Report is provided by the Regulator..

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).

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 CIC Report

The accounts and the CIC Report are separate documents, but are subject to the same delivery dates and must be delivered together to the Registrar of Companies.

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.

8.1.6. Public Benefit Entities

On 22 November 2012, the Financial Reporting Council published FRS 100 and FRS 101. FRS 100 defined Public Benefit Entities as:

"An entity whose primary objective is to provide goods or services for the general public, community or social benefit and where any equity is provided with a view to supporting the entity's primary objectives rather than with a view to providing a financial return to equity providers, shareholders or members."

On 14 March 2014, the Council published FRS 102, which described the new accounting standards and additional disclosure requirements for all PBEs, which would take effect from 1 January 2015. This will include all charities but in practice this will make little difference as the PBE sections of FRS 102 will be fully reflected in their Statement of Recommend Practice (SORP).

It should be noted that not all community interest companies will need to comply with FRS 102 and each CIC will need to consider their individual circumstances. This is because the above definition looks at two factors; the delivery of goods or services and the provision of a financial return.

With regard to the first factor, a CIC's activities may not, in all circumstances, amount to providing goods or services. The activities may, for example, be awareness raising of a particular issue. It is also possible that, whilst continuing to meet the community interest test, the activities of a CIC may change and CICs will need to review their position each year.

With regard to the second factor we would, as a general rule, expect that CICs adopting:

- the limited by guarantee schedule 1 articles, **will need** to comply with FRS 102;
- the limited by shares schedule 2 articles, which only permits dividends to asset locked bodies; **will not need** to comply with FRS 102 because they can pay dividends albeit in a limited way. This model is however less straightforward because it is possible that the recipient of the dividend could be a charity that has been given shares. In such circumstances, it may be possible for a schedule 2 company to be considered a PBE because the equity held by the charity was not provided "*with a view to providing a financial return to equity providers*".

- the limited by shares schedule 3 articles, which permits dividend payments to private investors, **will not need** to comply with FRS 102.

It should be noted that this information is provided for guidance only and that the Regulator does not offer legal advice, or on the legal risks associated with particular proposed actions. The Regulator recommends that all CICs obtain independent professional advice with regard to their precise position under FRS 102.

8.2. Confirmation statement

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](#) booklets available on its website.

From 30 June 2016, the confirmation statement replaces the annual return. Every company must confirm the information we hold about it is correct by delivering a confirmation statement. If the information we hold is out of date the company must file the information needed to update its records before, or at the same time that it delivers the confirmation statement.

The statement confirms that all the information that the company is under a duty to tell us about under section 853A(2) of the Act for a relevant confirmation period has been delivered or is being delivered at the time the statement is made. This statement must be made at least once a year, but the company may choose to make a statement more regularly.

It's a criminal offence to not file your confirmation statement within 14 days of the end of the review period. If you don't do this, we may prosecute the company and its officers.

A company can make a confirmation statement at any time during the review period. The period covered by a specific confirmation statement is known as the confirmation period. A confirmation period can be shorter than the review period, but it cannot exceed the review period. It cannot be longer than 12 months. If a company makes a confirmation statement early, its next review period will start the day after the date of that confirmation statement.

For instance, if your company's review period ends on 31 December 2017 it cannot file a confirmation statement with a confirmation date later than this. But your company can choose to file a confirmation statement with an earlier confirmation date at any time before the end of a given review period. For example, if you choose to file a confirmation statement on 5 July 2017 for a confirmation period ending on 30 June 2017, your next review period will start on 1 July 2017 and end on 30 June 2018. Your next confirmation statement must have a confirmation date no later than 30 June 2018.

The confirmation statement 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 location of the registered office i.e. whether the company is in England and Wales, Wales or Scotland.

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 Registrar of Companies of the change on a form AD01.

The registered office is the official address of the company and must be carefully defined so that 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 the company stationery.

The registered office does not have to be the place of business and in practice most registered offices are the address of the company's accountants, lawyers or Registrar of Companies. 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.

8.3.2. Change of directors, company secretary or their details

The application for incorporation, Form IN01 gives details of the 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 Registrar of Companies 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 a legal requirement that the company ensures that 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.

8.3.3. Other obligation

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 of Companies or other bodies, such as, in the case of a listed company, 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 Filings GP3”).



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