

Share capital terminology

Issued share capital	Issued share capital comprises share capital that has actually been issued, released or sold by the company.
Paid up share capital	The amount which shareholders have actually paid on the shares issued.
Called up share capital	The amount of unpaid share capital which has been called for from shareholders but not yet paid.
Uncalled share capital	The amount of unpaid share capital that has not yet been called for from shareholders and therefore also remains unpaid.
Statutory pre-emption rights	New shares are offered to existing shareholders in proportion to their existing shareholding. Raises new funds. Purpose is not to dilute individual member shareholding.

Bonus issues	Carried out by using some of the company's reserves to issue fully paid shares to existing shareholders in proportion to their shareholdings. Do not raise any new funds. Also referred to as scrip or capitalisation issue.
Rights issues	New shares offered to existing shareholders in proportion to their shareholdings. Raise new funds. Shares usually offered at discount to current market value (but not at discount to nominal value).

Treasury Shares

Created when a company purchases its own shares from distributable profits. The shares do not have to be cancelled so 10% of the shares can be held 'in treasury' which means they can be re-issued without the usual formalities.

Liability or equity?

- Preference shares are classified as liabilities if the company has an obligation to redeem the preference shares.
- Irredeemable debt is classified as a liability due to the obligation to make perpetual interest payments.
- Compound instruments eg convertible loan notes are classified into a debt AND an equity element.