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*Status: Point in time view as at 02/05/2007. This version of this chapter contains provisions that are not valid for this point in time.*

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# Companies Act 2006

## 2006 CHAPTER 46

### PART 17

#### A COMPANY'S SHARE CAPITAL

### CHAPTER 11

#### MISCELLANEOUS AND SUPPLEMENTARY PROVISIONS

#### **654 Treatment of reserve arising from reduction of capital**

- (1) A reserve arising from the reduction of a company's share capital is not distributable, subject to any provision made by order under this section.
- (2) The Secretary of State may by order specify cases in which—
  - (a) the prohibition in subsection (1) does not apply, and
  - (b) the reserve is to be treated for the purposes of Part 23 (distributions) as a realised profit.
- (3) An order under this section is subject to affirmative resolution procedure.

#### **Commencement Information**

- II** S. 654 wholly in force at 1.10.2008; s. 654 not in force at Royal Assent see s. 1300; s. 654 in force for specified purposes at 20.1.2007 by S.I. 2006/3428, **art. 3(3)** (subject to **art. 5, Sch. 1** and with **arts. 6, 8, Sch. 5**); s. 654 in force at 1.10.2008 in so far as not already in force by S.I. 2008/1886, **art. 2** (with **arts. 6, 7**)

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VALID FROM 01/10/2009

**655 Shares no bar to damages against company**

A person is not debarred from obtaining damages or other compensation from a company by reason only of his holding or having held shares in the company or any right to apply or subscribe for shares or to be included in the company's register of members in respect of shares.

VALID FROM 01/10/2009

**656 Public companies: duty of directors to call meeting on serious loss of capital**

- (1) Where the net assets of a public company are half or less of its called-up share capital, the directors must call a general meeting of the company to consider whether any, and if so what, steps should be taken to deal with the situation.
- (2) They must do so not later than 28 days from the earliest day on which that fact is known to a director of the company.
- (3) The meeting must be convened for a date not later than 56 days from that day.
- (4) If there is a failure to convene a meeting as required by this section, each of the directors of the company who—
  - (a) knowingly authorises or permits the failure, or
  - (b) after the period during which the meeting should have been convened, knowingly authorises or permits the failure to continue,
 commits an offence.
- (5) A person guilty of an offence under this section is liable—
  - (a) on conviction on indictment, to a fine;
  - (b) on summary conviction, to a fine not exceeding the statutory maximum.
- (6) Nothing in this section authorises the consideration at a meeting convened in pursuance of subsection (1) of any matter that could not have been considered at that meeting apart from this section.

**657 General power to make further provision by regulations**

- (1) The Secretary of State may by regulations modify the following provisions of this Part—
  - sections 552 and 553 (prohibited commissions, discounts and allowances),
  - Chapter 5 (payment for shares),
  - Chapter 6 (public companies: independent valuation of non-cash consideration),
  - Chapter 7 (share premiums),
  - sections 622 to 628 (redenomination of share capital),
  - Chapter 10 (reduction of capital), and
  - section 656 (public companies: duty of directors to call meeting on serious loss of capital).

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- (2) The regulations may—
  - (a) amend or repeal any of those provisions, or
  - (b) make such other provision as appears to the Secretary of State appropriate in place of any of those provisions.
- (3) Regulations under this section may make consequential amendments or repeals in other provisions of this Act, or in other enactments.
- (4) Regulations under this section are subject to affirmative resolution procedure.

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**Commencement Information**

- I2** S. 657 wholly in force at 1.10.2009; s. 657 not in force at Royal Assent, see s. 1300; s. 657 in force for specified purposes at 20.1.2007 by S.I. 2006/3428, art. 3(3) (subject to art. 5, Sch. 1 and with arts. 6, 8, Sch. 5); s. 657 otherwise in force at 1.10.2009 by S.I. 2008/2860, art. 3(k) (with arts. 5, 7, 8, Sch. 2) (as amended by S.I. 2009/1802, art. 18)

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