



# Companies Act 2006

## 2006 CHAPTER 46

### PART 18

#### ACQUISITION BY LIMITED COMPANY OF ITS OWN SHARES

### CHAPTER 3

#### REDEEMABLE SHARES

#### **687 Financing of redemption**

- (1) A private limited company may redeem redeemable shares out of capital in accordance with Chapter 5.
- (2) Subject to that, redeemable shares in a limited company may only be redeemed out of—
  - (a) distributable profits of the company, or
  - (b) the proceeds of a fresh issue of shares made for the purposes of the redemption.
- (3) Any premium payable on redemption of shares in a limited company must be paid out of distributable profits of the company, subject to the following provision.
- (4) If the redeemable shares were issued at a premium, any premium payable on their redemption may be paid out of the proceeds of a fresh issue of shares made for the purposes of the redemption, up to an amount equal to—
  - (a) the aggregate of the premiums received by the company on the issue of the shares redeemed, or
  - (b) the current amount of the company's share premium account (including any sum transferred to that account in respect of premiums on the new shares),whichever is the less.

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**Status:** Point in time view as at 01/08/2012.

**Changes to legislation:** Companies Act 2006, Section 687 is up to date with all changes known to be in force on or before 18 August 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)

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- (5) The amount of the company's share premium account is reduced by a sum corresponding (or by sums in the aggregate corresponding) to the amount of any payment made under subsection (4).
- (6) This section is subject to section 735(4) (terms of redemption enforceable in a winding up).

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