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## EXPLANATORY NOTE

*(This note is not part of the Order)*

This Order prescribes the form in which a solvency statement must be made when a private company proposes to reduce its share capital in reliance on the statement without getting a court order.

The Order also provides that when a company reduces its share capital, the prohibition on distribution in section 654(1) of the Companies Act 2006 does not apply unless, where the reduction is confirmed by court order, the court orders that it is not distributable. That, however, does not affect the operation of anything to the contrary in—

- an order of, or undertaking to, the court,
- the resolution for, or any other resolution relevant to, the reduction, or
- the company's memorandum or articles.

A full regulatory impact assessment of the effect that this instrument will have on the costs of business and the voluntary sector is available electronically at [www.berr.gov.uk](http://www.berr.gov.uk) and is annexed to the Explanatory Memorandum which is available alongside the instrument on the OPSI website. Copies have also been placed in the libraries of both Houses of Parliament.