



Companies Act 1985

1985 CHAPTER 6

PART VIII

DISTRIBUTION OF PROFITS AND ASSETS

Supplementary

277 Consequences of unlawful distribution

- (1) Where a distribution, or part of one, made by a company to one of its members is made in contravention of this Part and, at the time of the distribution, he knows or has reasonable grounds for believing that it is so made, he is liable to repay it (or that part of it, as the case may be) to the company or (in the case of a distribution made otherwise than in cash) to pay the company a sum equal to the value of the distribution (or part) at that time.
- (2) The above is without prejudice to any obligation imposed apart from this section on a member of a company to repay a distribution unlawfully made to him; but this section does not apply in relation to—
 - (a) financial assistance given by a company in contravention of section 151, or
 - (b) any payment made by a company in respect of the redemption or purchase by the company of shares in itself.
- (3) Subsection (2) of this section is deemed included in Chapter VII of Part V for purposes of the Secretary of State's power to make regulations under section 179.

278 Saving for provision in articles operative before Act of 1980

Where immediately before 22nd December 1980 a company was authorised by a provision of its articles to apply its unrealised profits in paying up in full or in part unissued shares to be allotted to members of the company as fully or partly paid bonus shares, that provision continues (subject to any alteration of the articles) as authority for those profits to be so applied after that date.

279 Distributions by special category companies

Where a company's accounts relevant for the purposes of this Part are special category, sections 265 to 275 apply with the modifications shown in Schedule 11.

280 Definitions for Part VIII

- (1) The following has effect for the interpretation of this Part.
- (2) " Capitalisation", in relation to a company's profits, means any of the following operations (whenever carried out)—
 - (a) applying the profits in wholly or partly paying up un issued shares in the company to be allotted to members of the company as fully or partly paid bonus shares, or
 - (b) transferring the profits to capital redemption reserve.
- (3) References to profits and losses of any description are (respectively) to profits and losses of that description made at any time and, except where the context otherwise requires, are (respectively) to revenue and capital profits and revenue and capital losses.

281 Saving for other restraints on distribution

The provisions of this Part are without prejudice to any enactment or rule of law, or any provision of a company's memorandum or articles, restricting the sums out of which, or the cases in which, a distribution may be made.