



Companies Act 2006

2006 CHAPTER 46

PART 18

ACQUISITION BY LIMITED COMPANY OF ITS OWN SHARES

CHAPTER 5

REDEMPTION OR PURCHASE BY PRIVATE COMPANY OUT OF CAPITAL

Requirements for payment out of capital

714 Directors' statement and auditor's report

- (1) The company's directors must make a statement in accordance with this section.
- (2) The statement must specify the amount of the permissible capital payment for the shares in question.
- (3) It must state that, having made full inquiry into the affairs and prospects of the company, the directors have formed the opinion—
 - (a) as regards its initial situation immediately following the date on which the payment out of capital is proposed to be made, that there will be no grounds on which the company could then be found unable to pay its debts, and
 - (b) as regards its prospects for the year immediately following that date, that having regard to—
 - (i) their intentions with respect to the management of the company's business during that year, and
 - (ii) the amount and character of the financial resources that will in their view be available to the company during that year,the company will be able to continue to carry on business as a going concern (and will accordingly be able to pay its debts as they fall due) throughout that year.

Status: Point in time view as at 20/01/2007.

*Changes to legislation: There are currently no known outstanding effects
for the Companies Act 2006, Section 714. (See end of Document for details)*

- (4) In forming their opinion for the purposes of subsection (3)(a), the directors must take into account all of the company's liabilities (including any contingent or prospective liabilities).
- (5) The directors' statement must be in the prescribed form and must contain such information with respect to the nature of the company's business as may be prescribed.
- (6) It must in addition have annexed to it a report addressed to the directors by the company's auditor stating that—
 - (a) he has inquired into the company's state of affairs,
 - (b) the amount specified in the statement as the permissible capital payment for the shares in question is in his view properly determined in accordance with sections 710 to 712, and
 - (c) he is not aware of anything to indicate that the opinion expressed by the directors in their statement as to any of the matters mentioned in subsection (3) above is unreasonable in all the circumstances.

Commencement Information

- II** S. 714 wholly in force at 1.10.2009; s. 714 not in force at Royal Assent, see s. 1300; s. 714 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. 714 otherwise in force at 1.10.2009 by S.I. 2008/2860, art. 3(1) (with arts. 5, 7, 8, Sch. 2) (as amended by S.I. 2009/1802, art. 18)

Status:

Point in time view as at 20/01/2007.

Changes to legislation:

There are currently no known outstanding effects for the Companies Act 2006, Section 714.