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SCHEDULES :

SCHEDULE 8

SHARE OPTION AND SHARE INCENTIVE SCHEMES

PART I

GENERAL

Profit-sharing schemes

- 1 Where an acquisition of shares or of an interest in shares in a body corporate is made as mentioned in subsection (1) of the principal section and the acquisition is made in pursuance of such arrangements as are mentioned in subsection (8) of that section, then, if the arrangements were made or modified after 22nd March 1973, subsections (2)(b) and (3)(b) of that section shall not be sufficient to exclude the application of subsections (4) and (7) of that section unless—
- (a) the arrangements satisfy the condition stated in paragraph 2 below; and
 - (b) the shares comply with paragraph 3 of Part II of the principal Schedule and satisfy the condition stated in paragraph 3 below.
- 2 The condition referred to in paragraph 1(a) above is that the, arrangements allow every full-time employee of the company concerned who—
- (a) has been a full-time employee of that company for a continuous period of not less than five years ; and
 - (b) is chargeable to tax in respect of his employment under Case I of Schedule E ; and
 - (c) is not less than twenty-five years old ;
- to acquire shares or interests in shares of the same class on similar terms.
- 3 The condition referred to in paragraph 1(b) above is that the shares—
- (a) are not subject to such restrictions as will or may result in the person acquiring the shares or an interest in the shares obtaining a benefit through an increase, subsequent to the acquisition, of the value or the value to him of the shares or interest; and
 - (b) cannot (whether by one transaction or a series of transactions) be exchanged for or converted into shares which are subject to such restrictions.

Acquisition of shares on normal terms

- 4 (1) In relation to an acquisition of shares in a body corporate made after 22nd March 1973 the principal section shall have effect as if—
- (a) the following were substituted for paragraph (c) of subsection (2):—

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- “(c) the acquisition was an acquisition of shares and either of the following conditions was satisfied immediately after the acquisition, namely—
- (i) that the shares were not subject to such restrictions as are specified in subsection (2A) below, and were not exchangeable for shares subject to such restrictions, and the majority of the available shares of the same class was acquired otherwise than as mentioned in subsection (1) above ; or
 - (ii) that the shares were not subject to such restrictions as are specified in paragraph (a) or (b) of subsection (2A) below, and were not exchangeable for shares subject to such restrictions, and the majority of the available shares of the same class were acquired by persons who were or had been employees or directors of, or of a body controlled by, the body in which they were shares and who were together able as holders of the shares to control that body.

For the purposes of this paragraph shares in a body are available shares if they are not held by or for the benefit of an associated company of that body ; and shares are exchangeable for other shares if (whether by one transaction or a series of transactions) they can be exchanged for or converted into the other shares”; and

- (b) the following were inserted after subsection (2):—

“(2A) The restrictions referred to in subsection (2) above are—

- (a) restrictions not attaching to all shares of the same class ; or
 - (b) restrictions ceasing or liable to cease at some time after the acquisition ; or
 - (c) restrictions depending on the shares being or ceasing to be held by directors or employees of any body corporate (other than such restrictions imposed by a company's articles of association as require shares to be disposed of on ceasing to be so held);”and
- (c) in subsection (6)(c) for the words from " any restriction" to " class " there were substituted the words " such restrictions as are specified in subsection (2A) above.

- (2) Subsection (4) of the principal section shall not apply, and shall be deemed never to have applied, to an acquisition of shares made before 23rd March 1973 if the condition specified in sub-paragraph (ii) of subsection (2)(c) (as substituted by sub-paragraph (1) of this paragraph) was satisfied immediately after the acquisition.

Shares subject to restrictions

- 5 Subject to paragraph 7 below, in determining for the purposes of the principal section, the principal Schedule and this Schedule (including any valuation made for those purposes) whether shares which, or interests in which, have been acquired after 18th October 1972 or are acquired or to be acquired by any person are subject to any restrictions, there shall be regarded as a restriction attaching to the shares

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any contract, agreement, arrangement or condition by which his freedom to dispose of the shares or any interest in them or to exercise any right conferred by them is restricted or by which such a disposal or exercise may result in any disadvantages to him or a person connected with him, except where the restriction is imposed as a condition of a loan which is not a related loan as defined by paragraph 6 below.

- 6 (1) Subject to sub-paragraph (2) below, a loan made to any person is a related loan for the purposes of paragraph 5 above if it is made, arranged, guaranteed or in any way facilitated by the body corporate of which he is a director or employee, or by an associated company of that body or, if that body or an associated company of it is a close company, by any person having a material interest in the close company ; and a loan made to a person connected with another person is a related loan for the purposes of paragraph 5 above if it would be such a loan had it been made to that other person.
- (2) A loan made to a person by the body corporate or associated company mentioned in sub-paragraph (1) above, or by a person having such a material interest as is mentioned therein, is not a related loan for the purposes of paragraph 5 above if the body or person making the loan carries on a business of making personal loans and the loan is made in the ordinary course of that business.

- 7 For the purposes of subsection (2)(c) of the principal section, shares acquired by any person shall not, by virtue of paragraph 5 above, be regarded as subject to any restriction by reason only of any contract, agreement, arrangement or condition providing for either or both of the following, that is to say—

- (a) the deposit of the shares with trustees as security for a loan repayable not later than seven years after the acquisition nor later than the time when that person ceases to hold the office or employment by virtue of which he obtained the right or was given the opportunity to acquire the shares ; and
- (b) the disposal of the shares, when that person ceases to hold that office or employment, to a person nominated in accordance with the contract, agreement, arrangement or condition ;

if, in the case of sub-paragraph (a) above, he acquired the shares at market value and, in the case of sub-paragraph (b) above, he is required to dispose of them at a price not exceeding their market value.

Transitional provisions

- 8 In so far as paragraphs 5 and 6 above apply in relation to a share option scheme or share incentive scheme they shall so apply notwithstanding that the scheme was approved before the commencement of this Act; but in relation to a scheme so approved the power of the Board under paragraph 4 of Part I of the principal Schedule to withdraw their approval shall not be exercised by reason only that by virtue of this paragraph a condition ceases to be satisfied, if before 6th April 1974 the scheme is varied so as to satisfy the condition.

Minimum price of shares

- 9 In paragraph 5 of Part IV of the principal Schedule the words from " and where part of the price " to the end of sub-paragraph (1) and, in sub-paragraph (2)(b), the words " and that price" and the words from " both " to " thereof and " shall be omitted.