

SCHEDULES

SCHEDULE 6

Sections 232, 233, 234.

PARTICULARS IN COMPANY ACCOUNTS OF LOAN AND OTHER TRANSACTIONS FAVOURING DIRECTORS AND OFFICERS

PART I

MATTERS TO BE DISCLOSED UNDER SECTION 232

- 1 Group accounts shall contain the particulars required by this Schedule of—
 - (a) any transaction or arrangement of a kind described in section 330 entered into by the company or by a subsidiary of the company for a person who at any time during the financial year was a director of the company or its holding company, or was connected with such a director;
 - (b) an agreement by the company or by a subsidiary of the company to enter into any such transaction or arrangement for a person who was at any time during the financial year a director of the company or its holding company, or was connected with such a director ; and
 - (c) any other transaction or arrangement with the company or a subsidiary of it in which a person who at any time during the financial year was a director of the company or its holding company had, directly or indirectly, a material interest
- 2 The accounts prepared by a company other than a holding company shall contain the particulars required by this Schedule of—
 - (a) any transaction or arrangement of a kind described in section 330 entered into by the company for a person who at any time during the financial year was a director of it or of its holding company or was connected with such a director;
 - (b) an agreement by the company to enter into any such transaction or arrangement for a person who at any time during the financial year was a director of the company or its holding company or was connected with such a director ; and
 - (c) any other transaction or arrangement with the company in which a person who at any time during the financial year was a director of the company or of its holding company had, directly or indirectly, a material interest.
- 3
 - (1) For purposes of paragraphs 1(c) and 2(c), a transaction or arrangement between a company and a director of it or of its holding company, or a person connected with such a director, is to be treated (if it would not otherwise be so) as a transaction, arrangement or agreement in which that director is interested.
 - (2) An interest in such a transaction or arrangement is not " material" for purposes of those sub-paragraphs if in the board's opinion it is not so ; but this is without prejudice to the question whether or not such an interest is material in a case where the board have not considered the matter.

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" The board " here means the directors of the company preparing the accounts, or a majority of those directors, but excluding in either case the director whose interest it is.

- 4 Paragraphs 1 and 2 do not apply, for the purposes of accounts prepared by a company which is, or is the holding company of, a recognised bank, in relation to a transaction or arrangement of a kind described in section 330 or an agreement to enter into such a transaction or arrangement, to which that recognised bank is a party.
- 5 Paragraphs 1 and 2 do not apply in relation to the following transactions, arrangements and agreements—
- (a) a transaction, arrangement or agreement between one company and another in which a director of the former or of its subsidiary or holding company is interested only by virtue of his being a director of the latter;
 - (b) a contract of service between a company and one of its directors or a director of its holding company, or between a director of a company and any of that company's subsidiaries ;
 - (c) a transaction, arrangement or agreement which was not entered into during the financial year and which did not subsist at any time during that year.
- 6 Paragraphs 1 and 2 apply whether or not—
- (a) the transaction or arrangement was prohibited by section 330;
 - (b) the person for whom it was made was a director of the company or was connected with a director of it at the time it was made;
 - (c) in the case of a transaction or arrangement made by a company which at any time during a financial year is a subsidiary of another company, it was a subsidiary of that other company at the time the transaction or arrangement was made.
- 7 Neither paragraph 1(c) nor paragraph 2 (c) applies in relation to any transaction or arrangement if—
- (a) each party to the transaction or arrangement which is a member of the same group of companies (meaning a holding company and its subsidiaries) as the company entered into the transaction or arrangement in the ordinary course of business, and
 - (b) the terms of the transaction or arrangement are not less favourable to any such party than it would be reasonable to expect if the interest mentioned in that sub-paragraph had not been an interest of a person who was a director of the company or of its holding company.
- 8 Neither paragraph 1(c) nor paragraph 2(c) applies in relation to any transaction or arrangement if—
- (a) the company is a member of a group of companies (meaning a holding company and its subsidiaries), and
 - (b) either the company is a wholly-owned subsidiary or no body corporate (other than the company or a subsidiary of the company) which is a member of the group of companies which includes the company's ultimate holding company was a party to the transaction or arrangement, and
 - (c) the director in question was at some time during the relevant period associated with the company, and

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- (d) the material interest of the director in question in the transaction or arrangement would not have arisen if he had not been associated with the company at any time during the relevant period.

The particulars required by this Part

- 9 (1) Subject to the next paragraph, the particulars required by this Part are those of the principal terms of the transaction, arrangement or agreement
- (2) Without prejudice to the generality of sub-paragraph (1), the following particulars are required—
- (a) a statement of the fact either that the transaction, arrangement or agreement was made or subsisted (as the case may be) during the financial year ;
 - (b) the name of the person for whom it was made and, where that person is or was connected with a director of the company or of its holding company, the name of that director;
 - (c) in a case where paragraph 1(c) or 2(c) applies, the name of the director with the material interest and the nature of that interest;
 - (d) in the case of a loan or an agreement for a loan or an arrangement within section 330(6) or (7) of this Act relating to a loan—
 - (i) the amount of the liability of the person to whom the loan was or was agreed to be made, in respect of principal and interest, at the beginning and at the end of the financial year;
 - (ii) the maximum amount of that liability during that year;
 - (iii) the amount of any interest which, having fallen due, has not been paid ; and
 - (iv) the amount of any provision (within the meaning of Schedule 4 to this Act) made in respect of any failure or anticipated failure by the borrower to repay the whole or part of the loan or to pay the whole or part of any interest on it;
 - (e) in the case of a guarantee or security or an arrangement within section 330(6) relating to a guarantee or security—
 - (i) the amount for which the company (or its subsidiary) was liable under the guarantee or in respect of the security both at the beginning and at the end of the financial year;
 - (ii) the maximum amount for which the company (or its subsidiary) may become so liable : and
 - (iii) any amount paid and any liability incurred by the company (or its subsidiary) for the purpose of fulfilling the guarantee or discharging the security (including any loss incurred by reason of the enforcement of the guarantee or security); and
 - (f) in the case of any transaction, arrangement or agreement other than those mentioned in sub-paragraphs (d) and (e), the value of the transaction or arrangement or (as the case may be) the value of the transaction or arrangement to which the agreement relates.
- 10 In paragraph 9(2) above, sub-paragraphs (c) to (f) do not apply in the case of a loan or quasi-loan made or agreed to be made by a company to or for a body corporate which is either—
- (a) a body corporate of which that company is a wholly-owned subsidiary or

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- (b) a wholly-owned subsidiary of a body corporate of which that company is a wholly-owned subsidiary, or
 - (c) a wholly-owned subsidiary of that company,
- if particulars of that loan, quasi-loan or agreement for it would not have been required to be included in that company's annual accounts if the first-mentioned body corporate had not been associated with a director of that company at any time during the relevant period.

Transactions excluded from section 232

- 11 (1) In relation to a company's accounts for a financial year, compliance with this Part is not required In the case of transactions of a kind mentioned in the following subparagraph which are made by the company or a subsidiary of it for a person who at any time during that financial year was a director of the company or of its holding company, or was connected with such a director, if the aggregate of the values of each transaction, arrangement or agreement so made for that director or any person connected with him, less the amount (if any) by which the liabilities of the person for whom the transaction or arrangement was made has been reduced, did not at any time during the financial year exceed £5,000.
- (2) The transactions in question are—
- (a) credit transactions.
 - (b) guarantees provided or securities entered into in connection with credit transactions,
 - (c) arrangements within subsection (6) or (7) of section 330 relating to credit transactions.
 - (d) agreements to enter into credit transactions.
- 12 In relation to a company's accounts for a financial year, compliance with this Part is not required by virtue of paragraph 1(c) or 2(c) in the case of any transaction or arrangement with a company or any of its subsidiaries in which a director of the company or its holding company had, directly or indirectly, a material interest if—
- (a) the value of each transaction or arrangement within paragraph 1(c) or 2(c) (as the case may be) in which that director had (directly or indirectly) a material interest and which was made after the commencement of the financial year with the company or any of its subsidiaries, and
 - (b) the value of each such transaction or arrangement which was made before the commencement of the financial year less the amount (if any) by which the liabilities of the person for whom the transaction or arrangement was made have been reduced,
- did not at any time during the financial year exceed in the aggregate £1,000 or, if more, did not exceed £5,000 or 1 per cent of the value of the net assets of the company preparing the accounts in question as at the end of the financial year, whichever is the less.
- For this purpose a company's net assets are the aggregate of its assets, less the aggregate of its liabilities ("liabilities" to include any provision for liabilities or charges within paragraph 89 of Schedule 4).
- 13 Section 345 of this Act (power of Secretary of State to alter gums by statutory instrument subject to negative resolution in Parliament) applies as if the money sums specified in paragraph 11 or 12 above were specified in Part X.

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Interpretation

- 14 The following provisions of this Act apply for purposes of this Part of this Schedule—
- (a) section 331(2), (5) and (7), as regards the meaning of "guarantee", "recognised bank" and "credit transaction";
 - (b) section 331(9), as to the interpretation of references to a transaction or arrangement being made "for" a person;
 - (c) section 340, in assigning values to transactions and arrangements, and
 - (d) section 346, as to the interpretation of references to a person being "connected with" a director of a company.

PART II

MATTERS TO BE DISCLOSED UNDER SECTION 233

- 15 This Part of this Schedule applies in relation to the following classes of transactions, arrangements and agreements—
- (a) loans, guarantees and securities relating to loans, arrangements of a kind described in subsection (6) or (7) of section 330 of this Act relating to loans and agreements to enter into any of the foregoing transactions and arrangements;
 - (b) quasi-loans, guarantees and securities relating to quasi-loans arrangements of a kind described in either of those subsections relating to quasi-loans and agreements to enter into any of the foregoing transactions and arrangements;
 - (c) credit transactions, guarantees and securities relating to credit transactions, arrangements of a kind described in either of those subsections relating to credit transactions and agreements to enter into any of the foregoing transactions and arrangements.
- 16 (1) To comply with this Part of this Schedule, the accounts must contain a statement, in relation to transactions, arrangements and agreements made as mentioned in section 233(1), of—
- (a) the aggregate amounts outstanding at the end of the financial year under transactions, arrangements and agreements within sub-paragraphs (a), (b) and (c) respectively of paragraph 15 above, and
 - (b) the numbers of officers for whom the transactions, arrangements and agreements falling within each of those sub-paragraphs were made.
- (2) This paragraph does not apply to transactions, arrangements and agreements made by the company or any of its subsidiaries for an officer of the company if the aggregate amount outstanding at the end of the financial year under the transactions, arrangements and agreements so made for that officer does not exceed £2,500.
- (3) Section 345 of this Act (power of Secretary of State to alter money sums by statutory instrument subject to negative resolution in Parliament) applies as if the money sum specified above in this paragraph were specified in Part X.
- 17 The following provisions of this Act apply for purposes of this Part—
- (a) section 331(2), (3), (5) and (7), as regards the meaning of "guarantee", "quasi-loan", "recognised bank" and "credit transaction", and

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(b) section 331(9), as to the interpretation of references to a transaction or arrangement being made " for" a person;
 and "amount outstanding" means the amount of the outstanding liabilities of the person for whom the transaction, arrangement or agreement was made or, in the case of a guarantee or security, the amount guaranteed or secured.

PART III

MATTERS TO BE DISCLOSED UNDER SECTION 234 (RECOGNISED BANKS)

- 18 This Part of this Schedule applies in relation to the same classes of transactions, arrangements and agreements as does Part II.
- 19 To comply with this Part, the accounts must contain a statement, in relation to such transactions, arrangements and agreements made as mentioned in section 234(1), of—
- (a) the aggregate amounts outstanding at the end of the financial year under transactions, arrangements and agreements within sub-paragraphs (a), (b) and (c) respectively of paragraph 15 of this Schedule, and
 - (b) the numbers of persons for whom the transactions, arrangements and agreements falling within each of those sub-paragraphs were made.
- 20 For the purposes of the application of paragraph 19 in relation to loans and quasi-loans made by a company to persons connected with a person who at any time is a director of the company or of its holding company, a company which a person does not control is not connected with him.
- 21 The following provisions of this Act apply for purposes of this Part—
- (a) section 331(3), as regards the meaning of " quasi-loan ";
 - (b) section 331(9), as to the interpretation of references to a transaction or arrangement being made " for" a person; and
 - (c) section 346, as to the interpretation of references to a person being connected with a director, or to a director controlling a company;
- and "amount outstanding" means the amount of the outstanding liabilities of the person for whom the transaction, arrangement or agreement was made or, in the case of a guarantee or security, the amount guaranteed or secured.