



Companies Act 1985

1985 CHAPTER 6

PART XXVI

INTERPRETATION

736 " Holding company ", " subsidiary " and " wholly-owned subsidiary "

- (1) For the purposes of this Act, a company is deemed to be a subsidiary of another if (but only if)—
- (a) that other either—
 - (i) is a member of it and controls the composition of its board of directors, or
 - (ii) holds more than half in nominal value of its equity share capital, or
 - (b) the first-mentioned company is a subsidiary of any company which is that other's subsidiary.

The above is subject to subsection (4) below in this section.

- (2) For purposes of subsection (1), the composition of a company's board of directors is deemed to be controlled by another company if (but only if) that other company by the exercise of some power exercisable by it without the consent or concurrence of any other person can appoint or remove the holders of all or a majority of the directorships.
- (3) For purposes of this last provision, the other company is deemed to have power to appoint to a directorship with respect to which any of the following conditions is satisfied—
- (a) that a person cannot be appointed to it without the exercise in his favour by the other company of such a power as is mentioned above, or
 - (b) that a person's appointment to the directorship follows necessarily from his "appointment as director of the other company, or
 - (c) that the directorship is held by the other company itself or by a subsidiary of it.
- (4) In determining whether one company is a subsidiary of another—

Status: This is the original version (as it was originally enacted).

- (a) any shares held or power exercisable by the other in a fiduciary capacity are to be treated as not held or exercisable by it,
 - (b) subject to the two following paragraphs, any shares held or power exercisable—
 - (i) by any person as nominee for the other (except where the other is concerned only in a fiduciary capacity), or
 - (ii) by, or by a nominee for, a subsidiary of the other (not being a subsidiary which is concerned only in a fiduciary capacity),are to be treated as held or exercisable by the other,
 - (c) any shares held or power exercisable by any person by virtue of the provisions of any debentures of the first-mentioned company or of a trust deed for securing any issue of such debentures are to be disregarded,
 - (d) any shares held or power exercisable by, or by a nominee for, the other or its subsidiary (not being held or exercisable as mentioned in paragraph (c)) are to be treated as not held or exercisable by the other if the ordinary business of the other or its subsidiary (as the case may be) includes the lending of money and the shares are held or the power is exercisable as above mentioned by way of security only for the purposes of a transaction entered into in the ordinary course of that business.
- (5) For purposes of this Act—
- (a) a company is deemed to be another's holding company if (but only if) the other is its subsidiary, and
 - (b) a body corporate is deemed the wholly-owned subsidiary of another if it has no members except that other and that other's wholly-owned subsidiaries and its or their nominees.
- (6) In this section " company " includes any body corporate.