

## SCHEDULE 7

### MATTERS TO BE DEALT WITH IN DIRECTORS' REPORT

#### PART 1

##### MATTERS OF A GENERAL NATURE

###### **Introduction**

1. In addition to the information required by section 416 of the 2006 Act, the directors' report must contain the following information.

###### **Asset values**

2.—(1) If, in the case of such of the fixed assets of the company as consist in interests in land, their market value (as at the end of the financial year) differs substantially from the amount at which they are included in the balance sheet, and the difference is, in the directors' opinion, of such significance as to require that the attention of members of the company or of holders of its debentures should be drawn to it, the report must indicate the difference with such degree of precision as is practicable.

(2) In relation to a group directors' report sub-paragraph (1) has effect as if the reference to the fixed assets of the company was a reference to the fixed assets of the company and of its subsidiary undertakings included in the consolidation.

###### **Political donations and expenditure**

3.—(1) If—

(a) the company (not being the wholly-owned subsidiary of a company incorporated in the United Kingdom) has in the financial year—

- (i) made any political donation to any political party or other political organisation,
- (ii) made any political donation to any independent election candidate, or
- (iii) incurred any political expenditure, and

(b) the amount of the donation or expenditure, or (as the case may be) the aggregate amount of all donations and expenditure falling within paragraph (a), exceeded £2000,

the directors' report for the year must contain the following particulars.

(2) Those particulars are—

(a) as respects donations falling within sub-paragraph (1)(a)(i) or (ii)—

- (i) the name of each political party, other political organisation or independent election candidate to whom any such donation has been made, and
- (ii) the total amount given to that party, organisation or candidate by way of such donations in the financial year; and

(b) as respects expenditure falling within sub-paragraph (1)(a)(iii), the total amount incurred by way of such expenditure in the financial year.

(3) If—

(a) at the end of the financial year the company has subsidiaries which have, in that year, made any donations or incurred any such expenditure as is mentioned in sub-paragraph (1) (a), and

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- (b) it is not itself the wholly-owned subsidiary of a company incorporated in the United Kingdom,

the directors' report for the year is not, by virtue of sub-paragraph (1), required to contain the particulars specified in sub-paragraph (2).

But, if the total amount of any such donations or expenditure (or both) made or incurred in that year by the company and the subsidiaries between them exceeds £2000, the directors' report for the year must contain those particulars in relation to each body by whom any such donation or expenditure has been made or incurred.

(4) Any expression used in this paragraph which is also used in Part 14 of the 2006 Act (control of political donations and expenditure) has the same meaning as in that Part.

4.—(1) If the company (not being the wholly-owned subsidiary of a company incorporated in the United Kingdom) has in the financial year made any contribution to a non-EU political party, the directors' report for the year must contain—

- (a) a statement of the amount of the contribution, or
- (b) (if it has made two or more such contributions in the year) a statement of the total amount of the contributions.

(2) If—

- (a) at the end of the financial year the company has subsidiaries which have, in that year, made any such contributions as are mentioned in sub-paragraph (1), and
- (b) it is not itself the wholly-owned subsidiary of a company incorporated in the United Kingdom,

the directors' report for the year is not, by virtue of sub-paragraph (1), required to contain any such statement as is there mentioned, but it must instead contain a statement of the total amount of the contributions made in the year by the company and the subsidiaries between them.

(3) In this paragraph, "contribution", in relation to an organisation, means—

- (a) any gift of money to the organisation (whether made directly or indirectly);
- (b) any subscription or other fee paid for affiliation to, or membership of, the organisation; or
- (c) any money spent (otherwise than by the organisation or a person acting on its behalf) in paying any expenses incurred directly or indirectly by the organisation.

(4) In this paragraph, "non-EU political party" means any political party which carries on, or proposes to carry on, its activities wholly outside the member States.

### **Charitable donations**

5.—(1) If—

- (a) the company (not being the wholly-owned subsidiary of a company incorporated in the United Kingdom) has in the financial year given money for charitable purposes, and
- (b) the money given exceeded £2000 in amount,

the directors' report for the year must contain, in the case of each of the purposes for which money has been given, a statement of the amount of money given for that purpose.

(2) If—

- (a) at the end of the financial year the company has subsidiaries which have, in that year, given money for charitable purposes, and
- (b) it is not itself the wholly owned subsidiary of a company incorporated in the United Kingdom,

sub-paragraph (1) does not apply to the company.

But, if the amount given in that year for charitable purposes by the company and the subsidiaries between them exceeds £2000, the directors' report for the year must contain, in the case of each of the purposes for which money has been given by the company and the subsidiaries between them, a statement of the amount of money given for that purpose.

(3) Money given for charitable purposes to a person who, when it was given, was ordinarily resident outside the United Kingdom is to be left out of account for the purposes of this paragraph.

(4) For the purposes of this paragraph, "charitable purposes" means purposes which are exclusively charitable, and as respects Scotland a purpose is charitable if it is listed in section 7(2) of the Charities and Trustee Investment (Scotland) Act 2005(1).

### **Financial instruments**

**6.—**(1) In relation to the use of financial instruments by a company, the directors' report must contain an indication of—

(a) the financial risk management objectives and policies of the company, including the policy for hedging each major type of forecasted transaction for which hedge accounting is used, and

(b) the exposure of the company to price risk, credit risk, liquidity risk and cash flow risk, unless such information is not material for the assessment of the assets, liabilities, financial position and profit or loss of the company.

(2) In relation to a group directors' report sub-paragraph (1) has effect as if the references to the company were references to the company and its subsidiary undertakings included in the consolidation.

(3) In sub-paragraph (1) the expressions "hedge accounting", "price risk", "credit risk", "liquidity risk" and "cash flow risk" have the same meaning as they have in Council Directive [78/660/EEC](#) on the annual accounts of certain types of companies, and in Council Directive [83/349/EEC](#) on consolidated accounts(2).

### **Miscellaneous**

**7.—**(1) The directors' report must contain—

(a) particulars of any important events affecting the company which have occurred since the end of the financial year,

(b) an indication of likely future developments in the business of the company,

(c) an indication of the activities (if any) of the company in the field of research and development, and

(d) (unless the company is an unlimited company) an indication of the existence of branches (as defined in section 1046(3) of the 2006 Act) of the company outside the United Kingdom.

(2) In relation to a group directors' report paragraphs (a), (b) and (c) of sub-paragraph (1) have effect as if the references to the company were references to the company and its subsidiary undertakings included in the consolidation.

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(1) [2005 asp 10](#).

(2) O.J.L222 of 14.8.1978, page 11, and O.J. L193 of 18.7.1983, page 1, as amended in particular by Directives [2001/65/EEC](#) and [2003/51/EEC](#) of the European Parliament and of the Council (O.J. L238 of 27.12.2001, page 28, and O.J. L178 of 17.7.2003, page 16).

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