

# COMPANIES ACT 2006

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## EXPLANATORY NOTES

### COMMENTARY

#### **Part 15: Accounts and Reports**

##### *Chapter 4: Annual Accounts*

#### **Information to be given in notes to the accounts**

##### *Section 413: Information about directors' benefits: advances, credit and guarantees*

663. This section replaces section 232 of the 1985 Act as regards the disclosure of advances, credit and guarantees. Under section 232 of the 1985 Act, information on the following areas must be given in notes to a company's annual accounts:

- details of loans, quasi-loans, credit transactions and related guarantees and security between a company and its directors or persons connected with its directors;
- details of any other transactions or arrangements in which a director, indirectly or directly, has a material interest.

This can be seen as an extension of the internal disclosure of directors' interests required by section 317 of the 1985 Act.

664. **Section 413** sets out the new disclosure requirements in respect of (a) advances and credits granted by the company to its directors, and (b) guarantees of any kind entered into by the company on behalf of its directors. The wording of section 413 is much closer to that of articles 43(1)(13) and 34(13) of the Fourth (78/660/EEC) and Seventh (83/349/EEC) Company Law Directives.

665. The powers under section 396(3)(b) (Companies Act individual accounts) and section 404(3)(b) (Companies Act group accounts) will be used to require the disclosure of information about certain related party transactions in the notes to Companies Act accounts. Companies will no longer be required to disclose transactions made between the company and officers other than directors.

666. Under section 413(8) banks and the holding companies of credit institutions need only state (a) the amount of an advance or credit, and (b) in relation to a guarantee, the amount of the maximum liability that may be incurred by the company (or its subsidiary). In the light of the simplified disclosure regime for advances, credit and guarantees, sections 343 and 344 of the 1985 Act, which make special provision for financial institutions, are repealed.