SCHEDULES

SCHEDULE 10

CONVERTIBLE SECURITIES

PART III

THE ISSUING COMPANY

25 (1) In a case where—

(a) a qualifying convertible security is redeemed, and

(b) the circumstances are such that paragraph 12 above applies in the case of the redemption,

sub-paragraph (2) below shall apply in relation to the company which issued the security.

(2) For the purposes of sections 338 and 494 of the Taxes Act 1988 (allowance of charges on income) the relevant amount shall be treated as if it were interest—

(a) falling within section 338(3)(b), and

(b) paid by the company in the accounting period in which the redemption occurs (and not as mentioned in the words of section 338(3) which follow paragraph (b)).

(3) In this paragraph "the relevant amount" means so much of the amount paid on the redemption as exceeds the issue price of the security.