

Prohibition on pre-acquisition profits or losses being treated in holding company's financial statements as profits available for distribution

118. (1) Subject to subsections (3) and (4), any amount of the accumulated profits or losses attributable to any shares in a subsidiary for the time being held by a holding company or any other of its subsidiaries shall not, for any purpose, be treated in the holding company's financial statements as profits available for distribution so far as that amount relates to accumulated profits or losses for the period before the date on or as from which the shares were acquired by the company or any of its subsidiaries (which period is referred to in subsection (2) as the "pre-acquisition period").

(2) For the purpose of determining whether any profits or losses are to be treated as profits or losses for the pre-acquisition period, the profit or loss for any financial year of the subsidiary may, if it is not practicable to apportion it with reasonable accuracy by reference to the facts, be treated as accruing from day to day during that year and be apportioned accordingly.

(3) If the Summary Approval Procedure is followed in respect of such treatment, subsection (1) does not prohibit—

(a) the whole of the amount referred to in that subsection; or

(b) such proportion of that amount as is specified in the declaration referred to in section 205,

being treated as profits available for distribution by the holding company for the period, and the period only, referred to in section 202 (1)(a) (2) and (3)).

(4) Subsection (1) does not apply to the profits or losses attributable to shares in a subsidiary held by a holding company where those shares were acquired in a transaction to which section 72, 73 or 75 applies.