

## Membership of holding company

113. (1) Subject to section 114 and the other provisions of this Act, a company cannot be a member of a company which is its holding company, and any allotment or transfer of shares in a company to its subsidiary shall be void.

(2) Nothing in this section shall apply where the subsidiary is concerned as personal representative, or where it is concerned as trustee, unless the holding company or a subsidiary of it is beneficially interested under the trust and is not so interested only by way of security for the purposes of a transaction entered into by it in the ordinary course of a business which includes the lending of money.

(3) This section shall not prevent a subsidiary which on 5 May 1959 was a member of its holding company from continuing to be a member.

(4) This section shall not prevent a company which, at the date on which it becomes a subsidiary of another company is a member of that other company, from continuing to be a member.

(5) This section shall not prevent the subscription, acquisition or holding of shares in its parent public company by a company which is a member of an authorised market operator acting in its capacity as a professional dealer in securities in the normal course of its business.

(6) This section shall not prevent a subsidiary which is a member of its holding company from accepting and holding further shares in the capital of its holding company if—

(a) such further shares are allotted to it in consequence of a capitalisation by such holding company; and

(b) the terms of such capitalisation are such that the subsidiary is not thereby involved in any obligation to make any payment or to give other consideration for such further shares.

(7) Subject to subsection (2), a subsidiary which is a member of its holding company shall have no right to vote at meetings of the holding company or any class of members of it.

(8) The manner in which shares held (in the circumstances permitted by this section) in a holding company by the subsidiary are to be treated in—

(a) the subsidiary's entity financial statements is provided for in section 320 (2) (which also contains provision restricting the profits available for distribution by reference to the accounting treatment of such shares there provided); and

(b) the group financial statements, if any, of the holding company is provided for in section 320 (3).

(9) Subject to subsection (2), this section shall apply in relation to a nominee for the company firstly

referred to in subsection (1), as if references in this section to such a company included references to a nominee for it.

(10) Where a holding company makes an offer of shares to its members, it may sell, on behalf of a subsidiary, any such shares which the subsidiary could, but for this section, have taken by virtue of shares already held by it in the holding company and pay the proceeds of sale to the subsidiary.