

## Holding by subsidiary of shares in its holding company

114. (1) Notwithstanding section 82 or 113, a company may, subject to the provisions of this section, acquire and hold shares in a company which is its holding company.

(2) The acquisition and holding by a subsidiary under subsection (1) of shares in its holding company shall be subject to the following conditions—

(a) the consideration for the acquisition of such shares shall be provided for out of the profits of the subsidiary available for distribution;

(b) upon the acquisition of such shares and for so long as the shares are held by the subsidiary—

(i) the subsidiary shall not exercise any voting rights in respect of the shares and any purported exercise of those rights shall be void;

(ii) the manner in which shares so held by the subsidiary are to be treated in—

(I) 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

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

(3) A contract for the acquisition (whether by allotment or transfer) by a subsidiary of shares in its holding company shall not be entered into without being authorised in advance both by the subsidiary and its holding company and the provisions of sections 105 and 107 shall apply, with the necessary modifications, to the granting, variation, revocation and release of such authority.

(4) For the purposes of this section and section 320, a subsidiary's profits available for distribution shall not include the profits attributable to any shares in the subsidiary for the time being held by the subsidiary's holding company, so far as they are profits for the period before the date on or from which the shares were acquired by the holding company.

(5) This section shall not apply to shares held by a subsidiary in its holding company in the circumstances permitted by section 113.

(6) No authorisation is required to be given under subsection (3) by any body corporate unless it is a company formed and registered under this Act or an existing company.

(7) Nothing in this section limits the operation of section 102 (4).