

SCHEDULE 6

COMPANIES ACT GROUP ACCOUNTS

PART 1

GENERAL RULES

Acquisition and merger accounting

11.—(1) The merger method of accounting is as follows.

(2) The assets and liabilities of the undertaking acquired must be brought into the group accounts at the figures at which they stand in the undertaking's accounts, subject to any adjustment authorised or required by this Schedule.

(3) The income and expenditure of the undertaking acquired must be included in the group accounts for the entire financial year, including the period before the acquisition.

(4) The group accounts must show corresponding amounts relating to the previous financial year as if the undertaking acquired had been included in the consolidation throughout that year.

(5) There must be set off against the aggregate of—

- (a) the appropriate amount in respect of qualifying shares issued by the parent company or its subsidiary undertakings in consideration for the acquisition of shares in the undertaking acquired, and
- (b) the fair value of any other consideration for the acquisition of shares in the undertaking acquired, determined as at the date when those shares were acquired,

the nominal value of the issued share capital of the undertaking acquired held by the parent company and its subsidiary undertakings.

(6) The resulting amount must be shown as an adjustment to the consolidated reserves.

(7) In sub-paragraph (5)(a) “qualifying shares” means—

- (a) shares in relation to which any of the following provisions applies (merger relief), and in respect of which the appropriate amount is the nominal value—
 - (i) section 131 of the Companies Act 1985⁽¹⁾,
 - (ii) Article 141 of the Companies (Northern Ireland) Order 1986⁽²⁾, or
 - (iii) section 612 of the 2006 Act, or
- (b) shares in relation to which any of the following provisions applies (group reconstruction relief), and in respect of which the appropriate amount is the nominal value together with any minimum premium value within the meaning of that section—
 - (i) section 132 of the Companies Act 1985⁽³⁾,
 - (ii) Article 142 of the Companies (Northern Ireland) Order 1986⁽⁴⁾, or
 - (iii) section 611 of the 2006 Act.

(1) Section 131 is prospectively repealed by the 2006 Act.

(2) Article 141 is prospectively repealed by the 2006 Act.

(3) Section 132 is prospectively repealed by the 2006 Act.

(4) Article 142 is prospectively repealed by the 2006 Act.