
Changes to legislation: There are currently no known outstanding effects for the Finance (No. 2) Act 1997, Cross Heading: Value of a disposal in profit-making terms. (See end of Document for details)

SCHEDULES

SCHEDULE 1

QUANTIFICATION OF A PRIVATISATION WINDFALL

Value of a disposal in profit-making terms

- 2 (1) Subject to paragraph 4 below, the value in profit-making terms of the disposal made on the occasion of a company's flotation is the amount produced by multiplying the average annual profit for the company's initial period by the applicable price-to-earnings ratio.
- (2) For the purposes of this paragraph the average annual profit for a company's initial period is the amount produced by the following formula—

$$A = 365 \times \frac{P}{D}$$

Where—

A is the average annual profit for the company's initial period;

P is the amount, ascertained in accordance with paragraph 5 below, of the total profits for the company's initial period; and

D is the number of days in the company's initial period.

- (3) For the purposes of this paragraph the applicable price-to-earnings ratio is 9.

Changes to legislation:

There are currently no known outstanding effects for the Finance (No. 2) Act 1997, Cross
Heading: Value of a disposal in profit-making terms.