

BANKING (ACCOUNTS DIRECTIVE) REGULATIONS

Regulations made under s.79.

**Subsidiary
1997/151****BANKING (ACCOUNTS DIRECTIVE)
REGULATIONS, 1997****(LN. 1997/151)****1.4.1998**

Amending enactments	Relevant current provisions	Commencement date
LN 1998/061	r.2(1)	23.7.1998
Act. 2005-24*	r.11A & Sch. 1	31.3.2005
LN. 2005/143♦	rr. 1(2), 2(1), (2), (10), (11) & (12), 3, 3A, 3B, 4, 4A, 4B, 5(2)(b) & (3), 5A, 6(1), (2), (3), (3)(c), (5) & (6), 8(5)(b), 8A, 9, 11, 11ZZA, 11ZZB, 12(1), (2), (3) & (4), 13(1), (2), (3), (4) & (5), 14(2), (3) & (4), 17(3)(d), 17A, Schs. 1 & 2	27.10.2005
2006/014	<i>Corrigendum</i>	
2010/010	rr. 11ZZAA, 11(1), (2) & (4) & 11B	15.1.2010
2010/055	rr. 11ZZAA(6) & Sch.1	29.3.2010
2015/117	rr. 2(1), (7)(d), (e), 3A(1)(c), (2), (2A), (3), 4A(1)(c), (2A), (3), (7), (8), 5(1)(aa), (b), (2)(a), (b), (c), (d), (3), (5), 5A(1), (aa), (b), 5A(2)(b), (e)(i), (3), (5), 6(3)(b), 8(5), (6), (7), 11A(2), 11B, 12(1), (2), (4), (6)(b), 13(1), (1A), 13(3), (4), (5), 15(1)(a), (2), 16(1), (2), (6), Schs. 1, 2, 3	20.7.2015 ¹
2016/238	rr. 2(1), 11(1), (2), (4), 11ZZAA(4)(c), (d), (e), (6), (7), (8), 11ZZC, 11ZZD, 11B, 13(2B)	6.12.2016 ²

* This Act has effect as respects companies' financial years which begin on or after 1 January 2005 but which have not ended before the date of publication.

♦ These Regulations have effect as respects companies' financial years which begin on or after 1 January 2005 but which have not ended before the date on which these Regulations come into operation.

¹ These Regulations have effect in relation to financial years beginning on or after 1 January 2016.

EU Legislation/International Agreements involved:

Directive 77/780/EEC	Directive 93/22/EEC
Directive 78/660/EEC	Regulation No.1606/2002
Directive 83/349/EEC	Directive 2003/51/EC
Directive 86/635/EEC	Directive 2006/46/EC
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² *The amendments made by these regulations apply in relation to the financial years of companies beginning on or after 1 January 2017.*

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DISCLOSURE OF EMOLUMENTS OF DIRECTORS

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In exercise of the powers conferred on him by section 79 of the Banking Act, 1992 and all other enabling powers, and for the purpose of transposing into the law of Gibraltar Council Directive 86/635, the Governor has made the following regulations –

Title.

1.(1) These Regulations may be cited as The Banking (Accounts Directive) Regulations 1997 and shall come into force on 1 April 1998.

(2) These Regulations apply to all licensed credit institutions whose financial year ends on or after that date; but the amendments made by the Banking (Accounts Directive) (Amendment) Regulations 2005 apply to the accounts of such institutions in respect of each financial year beginning on or after 1 January 2005 but which have not ended before the date that those Regulations came into operation.

(3) The Commissioner acting with the consent of the Minister with responsibility for financial services may exempt in whole or in part branches of credit institutions formed or incorporated outside the EEA.

Interpretation.

2.(1) In these Regulations, unless the context requires otherwise –

“annual accounts” means –

- (a) the individual accounts required by regulation 3; and
- (b) any group accounts required by regulation 4;

(but see also regulation 7 (treatment of individual profit and loss account where group accounts prepared));

“annual report”, in relation to a company, means the directors report required by regulation 11;

“balance sheet date” means the date as at which the balance sheet was made up;

“capitalisation”, in relation to work or costs, means treating that work or those costs as a fixed asset;

“company” means all persons to whom these Regulations apply;

“Directive 2013/34/EU” means Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual

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financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC, as amended from time to time;

“fellow subsidiary undertakings” means undertakings which are subsidiary undertakings of the same parent undertaking but are not parent undertakings or subsidiary undertakings of each other;

“financial fixed assets” means loans and advances and securities held as fixed assets, and, for the purpose of this definition, participating interests and shareholdings in group undertakings shall be regarded as financial fixed assets;

“fixed assets” means assets of a company which are intended for use on a continuing basis in the company’s activities, and “current assets” means assets not intended for such use;

“fungible assets” means assets of any description which are substantially indistinguishable one from another;

“group” means a parent undertaking and its subsidiary undertakings;

“group undertaking” means in relation to an undertaking, an undertaking which is –

- (a) a parent undertaking or subsidiary undertaking of that undertaking; or
- (b) a subsidiary undertaking of any parent undertaking of that undertaking;

“the “IAS Regulation” means Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards;

“included in the consolidation” in relation to group accounts, or “included in consolidated group accounts” means that the undertaking is included in the accounts by the method of full (and not proportional) consolidation, and references to an undertaking excluded from consolidation will be construed accordingly;

“individual accounts” in relation to each financial year of a company means a balance sheet as at the last day of that year and a profit and loss account;

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“international accounting standards” means the international accounting standards, within the meaning of the IAS Regulation, adopted from time to time by the European Commission in accordance with the Regulation;

“investment property” means land held to earn rent or for capital appreciation;

“lease” includes an agreement for a lease;

“listed security” means a security listed on a recognised stock exchange, or on any stock exchange of repute and the expression “unlisted security” will be construed accordingly;

“long lease” means a lease which has at least 50 years to run at the end of the financial year;

“parent company” shall be construed in accordance with section 276 of the Companies Act 2014;

“parent undertaking” shall be construed in accordance with section 276 of the Companies Act 2014;

“participating interest” means an interest held by an undertaking in the shares of another undertaking which it holds on a long-term basis for the purpose of securing a contribution to its activities by the exercise of control or influence arising from or related to that interest; a holding of 20% or more of the shares of an undertaking is presumed to be a participating interest unless the contrary is shown;

“profit and loss account” in relation to a company that prepares IAS accounts, includes an income statement or other equivalent financial statement required to be prepared by international accounting standards;

“public-interest entity” means a company-

- (a) which has any of its transferable securities admitted to trading on a regulated market of a Member State within the meaning of the Financial Services (Markets in Financial Instruments) Act 2006; or
- (b) designated by the Minister under the Financial Services (Auditors) Act 2009 as a public-interest entity;

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“Registrar” means the Registrar of Companies approved under the Companies Act;

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“repayable on demand” in connection with deposits, loans and advances, means those amounts which can at any time be withdrawn or demanded without notice or for which a maturity or period of notice of not more than 24 hours or one working day has been agreed;

“sale and repurchase transaction” means a transaction which involves the transfer by a credit institution or customer (“the transferor”) to another credit institution or customer (“the transferee”) of assets subject to an agreement that the same assets, or, in the case of fungible assets, equivalent assets, will subsequently be transferred back to the transferor at a specified price on a date specified or to be specified by the transferor, but the following shall not be regarded as sale and repurchase transactions, that is to say–

- (a) forward exchange transactions;
- (b) options;
- (c) transactions involving the issue of debt securities with a commitment to repurchase all or part of the issue before maturity; or
- (d) any similar transactions;

“sale and option to resell transaction” means a transaction which involves the transfer by a credit institution or customer (“the transferor”) to another credit institution or customer (“the transferee”) of assets subject to an agreement that the transferee is entitled to require the subsequent transfer of the same assets, or, in the case of fungible assets, equivalent assets, back to the transferor at the purchase price or another price agreed in advance on a date specified or to be specified;

“shares” means –

- (a) in relation to an undertaking with a share capital, the allotted shares;
- (b) in relation to an undertaking with capital but not share capital, rights to share in the capital of the undertaking; and
- (c) in relation to an undertaking without capital interests –

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- (i) conferring any right to share in the profits or liability to contribute to the losses of the undertaking; and
- (ii) giving rise to an obligation to contribute to the debts or expenses of the undertaking in the event of a winding up;

“short lease” means a lease which is not a long lease;

“subsidiary undertaking” shall be construed in accordance with section 276 of the Companies Act 2014;

“the Act” means the Financial Services (Banking) Act 1992; and

“undertaking” means –

- (a) a corporate body or partnership; or
- (b) an unincorporated association carrying on a trade or business with or without a view to a profit.

Words and phrases defined in the Financial Services (Banking) Act 1992 or Part VII of the Companies Act 2014 shall have the same meaning in these Regulations.

(2) Any reference to a financial year of a company shall be construed as a reference to a period in respect of which a profit and loss account of the company is made under section 171 of the Companies Act¹.

(3) References in these Regulations to a banking group are to a group where the parent company is a credit institution or where –

- (a) the parent company’s principal subsidiary undertakings are wholly or mainly credit institutions; and
- (b) the parent company does not itself carry on any material business apart from the acquisition, management and disposal of interests in subsidiary undertakings.

(4) For the purposes of sub-regulation (3) –

- (a) a parent company’s principal subsidiary undertakings are the subsidiary undertakings of the company whose results or financial position would principally affect the figures shown in the group accounts; and

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(b) the management of interests in subsidiary undertakings includes the provision of services to such undertakings.

(5) For the purposes of these Regulations a loan or advance (including a liability comprising a loan or advance) shall be treated as falling due for repayment, and an instalment of a loan or advance shall be treated as falling due for payment, on the earliest date on which the lender could require repayment or (as the case may be) payment, if he exercised all options and rights available to him.

(6) For the purposes of these Regulations amounts which in the particular context of any provision are not material may be disregarded for the purposes of that provision.

(7) For the purposes of these Regulations –

- (a) references in Schedule 1 to provisions for depreciation or diminution in value of assets are to any amount written off by way of providing for depreciation or diminution in value of assets;
- (b) any reference in the profit and loss account format or the notes set out in Chapters II and III of Schedule 1 to the depreciation of, or amounts written off, assets of any description is to any provision for depreciation or diminution in value of assets of that description;
- (c) references in Schedule 1 to provisions for other risks and charges are to any amount retained as reasonably necessary for the purpose of providing for any liability or loss which is either likely to be incurred, or certain to be incurred but uncertain as to amount or as to the date on which it will arise;
- (d) at the balance sheet date, a provision must represent the best estimate of the expenses likely to be incurred or, in the case of a liability, of the amount required to meet that liability; and
- (e) provisions must not be used to adjust the value of assets.

(8) For the purposes of these Regulations –

- (a) “social security costs” means any contributions by the company to any state social security or pension scheme, fund or other arrangement whatsoever;
- (b) “pension costs” includes any costs incurred by the company in respect of any pension scheme established for the purpose of

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providing pensions for persons currently or formerly employed by the company, any sums set aside for the future payment of pensions directly by the company to current or former employees and any pensions paid directly to such persons without having first been set aside; and

- (c) any amount stated in respect of “social security costs” or in respect of the item “wages and salaries” in the company’s profit and loss account shall be determined by reference to payments made or costs incurred in respect of all persons employed by the company during the financial year who are taken into account in determining the relevant annual number for the purposes of paragraph 27(1)(a) of Chapter III of Schedule 1.

(9) References in these Regulations to “realised profits” and “realised losses”, in relation to a company’s accounts, are to such profits or losses of the company as fall to be treated as realised in accordance with principles generally accepted, at the time when the accounts are prepared, with respect to the determination for accounting purposes of realised profits or losses.

This is without prejudice to –

- (a) the construction of any other expression (where appropriate) by reference to accepted accounting principles or practice; or
- (b) any specific provision for the treatment of profits or losses of any description as realised.

(10) References in these Regulations to accounts giving a “true and fair view” are references–

- (a) in the case of Banking Regulations accounts, to the requirement under regulation 3A to give a true and fair view;
- (b) in the case of IAS accounts, to the requirement under international accounting standards that such accounts achieve a fair presentation.

(11) Information required by these Regulations to be given in notes on the accounts may be contained in the accounts or in a separate document annexed to the accounts.

(12) References in these Regulations to a company’s accounts, or to a balance sheet or profit and loss account, include notes to the accounts giving information which is required by any provision of these Regulations or

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international accounting standards, and required or allowed by any such provision to be given in a note to company accounts.

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Duty to prepare individual accounts.

3.(1) The directors of every company shall prepare accounts for the company for each of its financial years.

Those accounts are referred to in these Regulations as the company's "individual accounts".

(2) A company's individual accounts may be prepared—

- (a) in accordance with regulation 3A ("Banking Regulations accounts"); or
- (b) in accordance with international accounting standards ("IAS accounts").

This sub-regulation is subject to the following provisions of this regulation and regulation 4C (consistency of accounts).

(3) After the first financial year in which the directors of a company prepare IAS accounts (the "first IAS year"), all subsequent individual accounts of the company must be prepared in accordance with international accounting standards unless there is a relevant change of circumstance.

(4) There is a relevant change of circumstance if, at any time during or after the first IAS year—

- (a) the company becomes a subsidiary undertaking of another undertaking that does not prepare IAS accounts;
- (b) the company ceases to be a company with securities admitted to trading on a regulated market; or
- (c) a parent undertaking of the company ceases to be an undertaking with securities admitted to trading on a regulated market.

In this sub-regulation "regulated market" has the same meaning as it has in Council Directive 93/22/EEC on investment services in the securities field.

(5) If, having changed to preparing Banking Regulations accounts following a relevant change of circumstance, the directors again prepare IAS accounts for the company, sub-regulations (3) and (4) apply again as if the

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first financial year for which such accounts are again prepared were the first IAS year.

Banking Regulations accounts.

3A.(1) Banking Regulations accounts must comprise—

- (a) a balance sheet as at the last day of the financial year;
- (b) a profit and loss account;
- (c) notes to the accounts;

and these documents together shall constitute a composite whole.

(2) The balance sheet and the notes to the accounts must give a true and fair view of the state of affairs of the company as at the end of the financial year; and the profit and loss account must give a true and fair view of the profit or loss of the company for the financial year.

(2A) Banking Regulations accounts must state the information prescribed under section 243(1A) of the Companies Act 2014.

(3) Banking Regulations accounts must be drawn up clearly and comply with the provisions of Schedule 1 as to the form and content of the balance sheet and profit and loss account and additional information to be provided by way of notes to the accounts.

(4) Where compliance with the provisions of that Schedule, and the other provisions of these Regulations as to the matters to be included in a company's accounts or in notes to those accounts, would not be sufficient to give a true and fair view, the necessary additional information must be given in the accounts or a note to them.

(5) If in special circumstances compliance with any of those provisions is inconsistent with the requirement to give a true and fair view, the directors must depart from that provision to the extent necessary to give a true and fair view.

(6) Particulars of any such departure, the reasons for it and its effect must be given in a note to the accounts.

IAS accounts.

3B. Where the directors of a company prepare IAS individual accounts, they must state in the notes to those accounts that the accounts have been prepared in accordance with international accounting standards.

Duty to prepare group accounts.

4.(1) If at the end of a financial year a company is a parent company the directors, as well as preparing individual accounts for the year, shall prepare consolidated accounts for the group for the year.

Those accounts are referred to in these Regulations as the company's "group accounts".

(2) The group accounts of certain parent companies are required by Article 4 of the IAS Regulation to be prepared in accordance with international accounting standards ("IAS group accounts").

(3) The group accounts of other companies may be prepared—

- (a) in accordance with regulation 4A ("Banking Regulations group accounts"); or
- (b) in accordance with international accounting standards ("IAS group accounts").

This sub-regulation is subject to the following provisions of this regulation.

(4) After the first financial year in which the directors of a parent company prepare IAS group accounts ("the first IAS year"), all subsequent group accounts of the company must be prepared in accordance with international accounting standards unless there is a relevant change of circumstance.

(5) There is a relevant change of circumstance if, at any time during or after the first IAS year—

- (a) the company becomes a subsidiary undertaking of another undertaking that does not prepare IAS group accounts;
- (b) the company ceases to be a company with securities admitted to trading on a regulated market; or
- (c) a parent undertaking of the company ceases to be an undertaking with securities admitted to trading on a regulated market.

In this sub-regulation "regulated market" has the same meaning as it has in Council Directive 93/22/EEC on investment services in the securities field.

(6) If, having changed to preparing Banking Regulations group accounts following a relevant change of circumstance, the directors again prepare IAS

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group accounts for the company, sub-regulations (4) and (5) apply again as if the first financial year for which such accounts are again prepared were the first IAS year.

(7) This regulation is subject to the exemptions provided by regulations 5 (exemption for parent companies included in accounts of larger group), 5A (parent companies included in non-EEA group accounts) and 6(5) (all subsidiary undertakings excluded from consolidation).

Banking Regulations group accounts.

4A.(1) Banking Regulations group accounts must comprise–

- (a) a consolidated balance sheet dealing with the state of affairs of the parent company and its subsidiary undertakings;
- (b) a consolidated profit and loss account dealing with the profit or loss of the parent company and its subsidiary undertakings;
- (c) notes to the group accounts;

and these documents together shall constitute a composite whole.

(2) The accounts must give a true and fair view of the state of affairs as at the end of the financial year, and the profit or loss for the financial year, of the undertakings included in the consolidation as a whole, so far as concerns members of the company.

(2A) Banking Regulations group accounts must state the information prescribed under section 243(1A) of the Companies Act 2014.

(3) Banking Regulations group accounts must be drawn up clearly and comply with the provisions of Schedule 2 as to the form and content of the consolidated balance sheet and consolidated profit and loss account and additional information to be provided by way of notes to the accounts.

(4) Where compliance with the provisions of that Schedule, and the other provisions of these Regulations as to the matters to be included in a company's group accounts or in notes to those accounts, would not be sufficient to give a true and fair view, the necessary additional information must be given in the accounts or in a note to them.

(5) If in special circumstances compliance with any of those provisions is inconsistent with the requirement to give a true and fair view, the directors must depart from that provision to the extent necessary to give a true and fair view.

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(6) Particulars of any such departure, the reasons for it and its effect must be given in a note to the accounts.

(7) The provisions of sections 240, 242 and 257 of the Companies Act 2014 apply to consolidated balance sheets and consolidated profit and loss accounts.

(8) The provisions of section 241 of the Companies Act 2014 apply to a consolidated balance sheet.

IAS group accounts.

4B. Where the directors of a parent company prepare IAS group accounts, they must state in the notes to those accounts that the accounts have been prepared in accordance with international accounting standards.

Consistency of accounts.

4C.(1) The directors of a parent company must secure that the individual accounts of—

- (a) the parent company; and
- (b) each of its subsidiary undertakings,

are all prepared using the same financial reporting framework, except to the extent that in their opinion there are good reasons for not doing so.

(2) Sub-regulation (1) does not apply if the directors do not prepare group accounts for the parent company.

(3) Sub-regulation (1) only applies to accounts of subsidiary undertakings that are required to be prepared under these Regulations.

(4) Sub-regulation (1)(a) does not apply where the directors of a parent company prepare IAS group accounts and IAS individual accounts.

Exemption for parent companies included in accounts of larger group.

5.(1) A company is exempt from the requirement to prepare group accounts if it is itself a subsidiary undertaking and its immediate parent undertaking is established under the law of Gibraltar or a member State of the European Economic Area, in the following cases—

- (a) where the company is a wholly-owned subsidiary of that parent undertaking;

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- (aa) where that parent undertaking holds 90 per cent or more of the shares in the company and the remaining shareholders have approved the exemption;
- (b) where that parent undertaking holds more than 50 per cent (but less than 90 per cent) of the shares in the company and notice requesting the preparation of group accounts has not been served on the company by shareholders holding in total at least 5 per cent of the total shares in the company.

That notice shall be served at least 6 months before the end of the financial year to which it relates.

(2) Exemption is conditional upon compliance with the following conditions –

- (a) that the company and all of its subsidiary undertakings are included in consolidated accounts for a larger group drawn up to the same date, or to an earlier date in the same financial year, by a parent undertaking established under the law of Gibraltar or a member State of the European Economic Area;
- (b) that those accounts are drawn up and audited, and that parent undertaking's annual report is drawn up, according to that law, in accordance with the provisions of the Directive 2013/34/EU or in accordance with international accounting standards;
- (c) that the company discloses in its individual accounts that it is exempt from the obligation to prepare and deliver group accounts;
- (d) that the company states in the notes to its individual accounts the name of the parent undertaking which draws up the group accounts referred to above and –
 - (i) the address of the undertaking's registered office (whether in or outside Gibraltar); and
 - (ii) if it is unincorporated, the address of its principal place of business;
- (e) that the company delivers to the registrar, in accordance with regulation 12 and within the period permitted by regulation 15, copies of those group accounts and the parent undertaking's annual report together with the auditor's report on them; and

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(f) that if any document comprised in accounts and reports delivered in accordance with paragraph (e) is in a language other than English, there is annexed to the copy of that document delivered a translation of it into English, certified in accordance with rule 5 of the Companies Rules to be a correct translation.

(3) The exemption does not apply to a company any of whose securities are admitted to trading on a regulated market as defined in the Financial Services (Markets in Financial Instruments) Act 2006 where that regulated market is in Gibraltar or an EEA State.

(4) Shares held by directors of a company for the purpose of complying with any share qualification requirement shall be disregarded in determining for the purposes of sub-regulation (1)(a) whether the company is a wholly-owned subsidiary.

(5) For the purposes of sub-regulation (1)(aa) and (b) shares held by a wholly-owned subsidiary of the parent undertaking, or held on behalf of the parent undertaking or a wholly-owned subsidiary, shall be attributed to the parent undertaking.

(6) In sub-regulation (3) “securities” includes –

- (a) shares and stock;
- (b) debentures, including debenture stock, loan stock, bonds, certificates of deposit and other instruments creating or acknowledging indebtedness;
- (c) warrants or other instruments entitling the holder to subscribe for securities falling within (a) or (b); and
- (d) certificates or other instruments which confer –
 - (i) property rights in respect of a security falling within paragraph (a), (b) or (c);
 - (ii) any right to acquire, dispose of, underwrite or convert a security, being a right to which the holder would be entitled if he held any such security to which the certificate or other instrument relates; or
 - (iii) a contractual right (other than an option) to acquire any such security otherwise than by subscription.

Exemption for parent companies included in non-EEA group accounts.

5A.(1) A company is exempt from the requirement to prepare group accounts if it is itself a subsidiary undertaking and its parent undertaking is not established under the law of Gibraltar or an EEA State, in the following cases—

- (a) where the company is a wholly-owned subsidiary of that parent undertaking;
- (aa) where that parent undertaking holds 90 per cent or more of the shares in the company and the remaining shareholders have approved the exemption;
- (b) where that parent undertaking holds more than 50 per cent (but less than 90 per cent) of the shares in the company and notice requesting the preparation of group accounts has not been served on the company by shareholders holding in aggregate at least 5 per cent of the total shares in the company.

Such notice must be served at least six months before the end of the financial year to which it relates.

(2) Exemption is conditional upon compliance with all of the following conditions—

- (a) that the company and all of its subsidiary undertakings are included in consolidated accounts for a larger group drawn up to the same date, or to an earlier date in the same financial year, by a parent undertaking;
- (b) that those accounts and, where appropriate, the group's annual report, are drawn up—
 - (i) in accordance with the provisions of Directive 2013/34/EU;
 - (ii) in accordance with international accounting standards;
 - (iii) in a manner equivalent to consolidated accounts and consolidated annual reports so drawn up; or
 - (iv) in a manner equivalent to international accounting standards as determined in accordance with Commission Regulation (EC) No 1569/2007 of 21 December establishing a mechanism for the determination of equivalence of accounting standards applied by third country issuers of securities pursuant to Directives

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2003/71/EC and 2004/109/EC of the European Parliament and of the Council;

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- (c) that the consolidated accounts are audited by one or more persons authorised to audit accounts under the law under which the parent undertaking which draws them up is established;
- (d) that the company discloses in its individual accounts that it is exempt from the obligation to prepare and deliver group accounts;
- (e) that the company states in its individual accounts the name of the parent undertaking which draws up the group accounts referred to above and—
 - (i) the address of the undertaking's registered office; and
 - (ii) if it is unincorporated, the address of its principal place of business;
- (f) that the company delivers to the Registrar, within the period allowed for delivering its individual accounts, copies of the group accounts and, where appropriate, of the consolidated annual report, together with the auditors' report on them; and
- (g) that if any document comprised in accounts and reports delivered in accordance with paragraph (f) is in a language other than English, there is annexed to the copy of that document delivered a translation of it into English, certified to be a correct translation.

(3) The exemption does not apply to a company any of whose securities are admitted to trading on a regulated market as defined in the Financial Services (Markets in Financial Instruments) Act 2006 where that regulated market is in Gibraltar or an EEA State.

(4) Shares held by directors of a company for the purpose of complying with any share qualification requirement are disregarded in determining for the purposes of sub-regulation (1)(a) whether the company is a wholly-owned subsidiary.

(5) For the purposes of sub-regulation (1)(aa) and (b), shares held by a wholly-owned subsidiary of the parent undertaking, or held on behalf of the parent undertaking or a wholly-owned subsidiary, are attributed to the parent undertaking.

(6) In sub-regulation (3), "securities" includes—

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- (a) shares and stock;
- (b) debentures, including debenture stock, loan stock, bonds, certificates of deposit and other instruments creating or acknowledging indebtedness;
- (c) warrants or other instruments entitling the holder to subscribe for securities falling within paragraph (a) or (b); and
- (d) certificates or other instruments which confer—
 - (i) property rights in respect of a security falling within paragraph (a), (b) or (c);
 - (ii) any right to acquire, dispose of, underwrite or convert a security, being a right to which the holder would be entitled if he held any such security to which the certificate or other instrument relates; or
 - (iii) a contractual right (other than an option) to acquire any such security otherwise than by subscription.

Subsidiary undertakings included in the consolidation.

6.(1) In the case of Banking Regulations group accounts, subject to the exceptions authorised by this regulation, all the subsidiary undertakings of the parent company shall be included in the consolidation.

(2) A subsidiary undertaking may be excluded from consolidation in Banking Regulations group accounts if its inclusion is not material for the purpose of giving a true and fair view; but two or more undertakings may be excluded only if they are not material taken together.

(3) In addition, a subsidiary undertaking may be excluded from consolidation in Banking Regulations group accounts where –

- (a) severe long-term restrictions substantially hinder the exercise of the rights of the parent company over the assets or management of that undertaking;
- (b) extremely rare circumstances mean that the information necessary for the preparation of group accounts cannot be obtained without disproportionate expense or undue delay; or
- (c) subject to sub-regulation (4), the interest of the parent company is held exclusively with a view to subsequent resale.

The reference in paragraph (a) to the rights of the parent company and the reference in paragraph (c) to the interest of the parent company are, respectively, to rights and interests held by or attributed to the company for the purposes of section 2(32) of the Act in the absence of which it would not be the parent company.

(4) Sub-regulation 3(c) does not apply where the interest of the parent company is temporarily held as a result of a financial assistance operation with a view to the reorganisation or rescue of the subsidiary undertaking. In such a case, the accounts of the subsidiary undertaking shall be attached to the accounts of the parent company and the notes to those accounts shall contain information on the nature and terms of the financial assistance operation.

(5) A parent company is exempt from the requirement to prepare group accounts if under sub-regulation (2) or (3) all of its subsidiary undertakings could be excluded from consolidation in Banking Regulations group accounts.

(6) *Omitted.*

Treatment of individual profit and loss account where group accounts prepared.

7.(1) The following provisions apply with respect to the individual profit and loss account of a parent company where –

- (a) the company is required to prepare and does prepare group accounts in accordance with these Regulations; and
- (b) the notes to the company's individual balance sheet show the company's profit or loss for the financial year.

(2) The profit and loss account shall be approved by the board of directors but may be omitted from the company's annual accounts for the purposes of the subsequent provisions of these Regulations.

(3) The exemption conferred by this regulation is conditional upon its being disclosed in the company's annual accounts that the exemption applies.

Disclosure required in notes to accounts: related undertakings.

8.(1) The information specified in Schedule 3 shall be given in notes to a company's annual accounts.

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(2) Where the company is not required to prepare group accounts, the information specified in Part I of that Schedule shall be given; and where the company is required to prepare group accounts, the information specified in Part II of that Schedule shall be given.

(3) The information required by Schedule 3 need not be disclosed with respect to an undertaking which –

(a) is established under the law of a country outside the United Kingdom or Gibraltar; or

(b) carries on business outside the United Kingdom or Gibraltar;

if in the opinion of the directors of the company the disclosure would be seriously prejudicial to the business of that undertaking, or to the business of the company or any of its subsidiary undertakings, and the Commissioner agrees that the information need not be disclosed.

This sub-regulation does not apply in relation to the information required under paragraph 6 or 19 of that Schedule.

(4) Where advantage is taken of sub-regulation (3), that fact shall be stated in a note to the company's annual accounts.

Disclosure required in notes to annual accounts: particulars of staff.

8A.(1) The following information with respect to the employees of the company must be given in notes to the company's annual accounts–

(a) the average number of persons employed by the company in the financial year; and

(b) the average number of persons so employed within each category of persons employed by the company.

(2) The average number required by sub-regulation (1)(a) or (b) is determined by dividing the relevant annual number by the number of months in the financial year.

(3) The relevant annual number is determined by ascertaining for each month in the financial year–

(a) for the purposes of sub-regulation (1)(a), the number of persons employed under contracts of service by the company in that month (whether throughout the month or not);

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- (b) for the purposes of sub-regulation (1)(b), the number of persons in the category in question of persons so employed,

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and, in either case, adding together all the monthly numbers.

(4) In respect of all persons employed by the company during the financial year who are taken into account in determining the relevant annual number for the purposes of sub-regulation (1)(a) there must also be stated the aggregate amounts respectively of—

- (a) wages and salaries paid or payable in respect of that year to those persons;
- (b) social security costs incurred by the company on their behalf; and
- (c) other pension costs so incurred.

This does not apply in so far as those amounts, or any of them, are stated elsewhere in the company's accounts.

(5) For the purposes of sub-regulation (1)(b), the categories of person employed by the company are such as the directors may select, having regard to the manner in which the company's activities are organised.

(6) This regulation applies in relation to group accounts as if the undertakings included in the consolidation were a single company.

9 *Omitted.*

Additional disclosures required in notes to accounts:— emoluments and other benefits of directors and others.

10. The information specified in Schedule 4 shall be given in notes to a company's annual accounts.

Duty to prepare directors' reports.

11.(1) The directors of a company shall for each financial year prepare a report (a "directors' report") complying with the general requirements of regulation 11ZZA containing the business review specified in regulation 11ZZB and, where applicable the non-financial information statement specified in regulation 11ZZC and, when provided separately, the corporate governance statement specified in regulation 11ZZAA.

- (2) For a financial year in which—

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- (a) the company is a parent company; and
- (b) the directors of the company prepare group accounts;

the directors' report must be a consolidated report (a "group directors report") relating, to the extent specified in the following provisions of regulations 11ZZA and 11ZZB and, where applicable the non-financial information statement specified in regulation 11ZZC, and, when provided separately, regulation 11ZZAA, to the company and its subsidiary undertakings included in the consolidation.

(3) A group directors' report may, where appropriate, give greater emphasis to the matters that are significant to the company and its subsidiary undertakings included in the consolidation, taken as a whole.

(4) If a directors' report does not comply with the provisions of regulations 11ZZA, 11ZZB and, where applicable regulation 11ZZC and, when provided separately, regulation 11ZZAA relating to the preparation and contents of the report, every director of the company who—

- (a) knew that it did not comply or was reckless as to whether it complied; and
- (b) failed to take all reasonable steps to secure compliance with the provision in question,

is guilty of an offence and liable to a fine.

Directors' report: general requirements.

11ZZA.(1) The directors' report for a financial year must state—

- (a) the names of the persons who, at any time during the financial year, were directors of the company;
- (b) the principal activities of the company in the course of the year; and
- (c) the amount (if any) that the directors recommend should be paid by way of dividend.

(2) In relation to a group directors' report sub-regulation (1)(b) has effect as if the reference to the company was a reference to the company and its subsidiary undertakings included in the consolidation.

(3) The report must give an indication of—

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- (a) any important events which have occurred since the end of the last financial year;
 - (b) the company's likely future developments;
 - (c) activities in the field of research and development; and
 - (d) the existence of any branches of the company.
- (4) Where in a financial year any shares in the company–
- (a) are acquired by the company by forfeiture or surrender in lieu of forfeiture; or
 - (b) are made subject to a lien or other charge lawfully taken (whether expressly or otherwise) by the company,

the directors' report for that year shall give the information required by sub-regulation (5).

- (5) Where sub-regulation (4) applies, the report must give–
- (a) the number and nominal value of the shares so acquired by the company, acquired by another person in such circumstances and so charged respectively during that year;
 - (b) the maximum number and nominal value of shares which having been so acquired by the company, acquired by another person in such circumstances or so charged (whether or not during that year), are held at any time by the company or that other person during that year;
 - (c) the number and nominal value of the shares so acquired by the company, acquired by another person in such circumstances or so charged (whether or not during that year) which are disposed of by the company or that other person or cancelled by the company during that year;
 - (d) where the number and nominal value of the shares of any particular description are stated in pursuance of any of the preceding paragraphs, the percentage of the called up share capital which shares of that description represent;
 - (e) where any of the shares have been so charged, the amount of the charge in each case; and

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- (f) where any of the shares have been disposed of by the company or the persons who acquired them in such circumstances for money or money's worth, the amount or value of the consideration in each case.

Director's report: corporate governance requirements.

11ZZAA.(1) A company whose securities are admitted to trading on a regulated market within the meaning of the Financial Services (Markets in Financial Instruments) Act 2007 shall include a corporate governance statement in the directors' report. That statement shall be included as a specific section of the directors' report and shall contain at least a reference to—

- (a) the corporate governance code to which the company is subject; or
- (b) the corporate governance code which the company may have voluntarily decided to apply; or
- (c) all relevant information about the corporate governance practices applied beyond the requirements under Gibraltar law.

(2) Where sub-regulation (1)(a) and (b) apply, the company shall also indicate where the relevant texts are publicly available and where sub-regulation (1)(c) applies, the company shall make its corporate governance practices publicly available.

(3) To the extent to which a company departs from a corporate governance code referred to under sub-regulation (1)(a) or (b), it shall provide an explanation as to which parts of the corporate governance code it departs from and the reasons for doing so. Where the company has decided not to apply any provisions of a corporate governance code referred to under sub-regulation (1)(a) or (b), it shall explain its reasons for doing so.

(4) The statement referred to in sub-regulation (1) shall, in addition, contain the following matters—

- (a) a description of the main features of the company's internal control and risk management systems in relation to the financial reporting process;
- (b) the information required pursuant to section 18(1)(c), (d), (f), (h) and (i) of the Financial Services (Takeover Bids) Act 2006, where the company is subject to that Act;

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- (c) unless the information is already fully provided for, the operation of the shareholder meeting and its key powers, and a description of shareholders' rights and how they can be exercised;
 - (d) the composition and operation of the administrative, management and supervisory bodies and their committees; and
 - (e) a description of the diversity policy applied in relation to the company's administrative, management and supervisory bodies with regard to aspects such as, for instance age, gender or education and professional backgrounds, the objectives of that diversity policy, how it has been implemented and the results in the reporting period. If no such policy is applied, the statement shall contain an explanation as to why this is the case.
- (5) The information required by this section—
- (a) may be set out in a separate report delivered to the Registrar under regulation 12 together with the directors' report, or by means of a reference in the directors' report where such document is publicly available on the company's website;
 - (b) in the event of a separate report, may contain a reference to the directors' report in the corporate governance statement where the information required in sub-regulation (4)(b) is made available.
- (6) The statutory auditor or audit firm shall express an opinion regarding the information prepared under subregulation (4)(a) and (4)(b), and shall check that the information referred to in subregulations (1), (2), (3), (4)(c), (4)(d) and (4)(e) has been provided.
- (7) Companies which have only issued securities other than shares admitted to trading on a regulated market, within the meaning of the Financial Services (Markets in Financial Instruments) Act 2007, may choose not to apply the provisions of sub-regulations (1) to (3), (4)(c), (4)(d) and (4)(e), unless such companies have issued shares which are traded in a multilateral trading facility, within the meaning of the Financial Services (Markets in Financial Instruments) Act 2007.
- (8) Notwithstanding article 40 of Directive 2013/34/EU, subsection (4)(e) shall not apply to small and medium sized companies.

Directors' report: business reviews.

11ZZB.(1) The directors' report for a financial year must contain—

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- (a) a fair review of the business of the company; and
- (b) a description of the principal risks and uncertainties facing the company.

(2) The review required is a balanced and comprehensive analysis of–

- (a) the development and performance of the business of the company during the financial year; and
- (b) the position of the company at the end of the year,

consistent with the size and complexity of the business.

(3) The review must, to the extent necessary for an understanding of the development, performance or position of the business of the company, include–

- (a) analysis using financial key performance indicators; and
- (b) where appropriate, analysis using other key performance indicators, including information relating to environmental matters and employee matters.

(4) The review must, where appropriate, include reference to, and additional explanations of, amounts included in the annual accounts of the company.

(5) In this regulation, “key performance indicators” means factors by reference to which the development, performance or position of the business of the company can be measured effectively.

(6) In relation to a group directors’ report this regulation has effect as if the references to the company were references to the company and its subsidiary undertakings included in the consolidation.

Directors’ report: Non-financial information statement.

11ZZC.(1) Subject to subregulation (2), a large company which is a public-interest entity shall-

- (a) in the directors’ report include a non-financial information statement; or

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- (b) in the group directors' report, a consolidated statement (a "group non-financial information statement") relating to the companies included in the consolidation.
- (2) Subregulation (1) applies where-
- (a) the company is not a parent company in that financial year, the company employs 500 or more employees; or
 - (b) the company is a parent company at any time within that financial year, the aggregate number of employees for a group headed by that company in that financial year is 500 or more.
- (3) The number of employees means the average number of persons employed by the company in the year, determined as follows-
- (a) find for each month in the financial year the number of persons employed under contracts of service by the company in that month (whether throughout the month or not);
 - (b) add together the monthly totals; and
 - (c) divide by the number of months in the financial year.
- (4) The aggregate number of employees for a group is ascertained by aggregating the relevant figures determined in accordance with subsection (3) for each member of the group.
- (5) Subregulations (1) and (2) do not apply if the company is a subsidiary company at the end of that financial year and is included in-
- (a) a directors' group report of a parent company of the company that satisfies the requirements in subsection (6); or
 - (b) a report that satisfies the requirements in subsection (7).
- (6) The requirements in this subregulation are that-
- (a) the directors' group report relates to companies that include the company and its subsidiary companies, if any;
 - (b) the report is prepared for a financial year of the parent company that ends at the same time as, or before the end of, the company's financial year; and
 - (c) the report includes a group non-financial information statement in respect of all the companies included in the consolidation.

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- (7) The requirements in this subregulation are that-
- (a) the report is-
 - (i) a consolidated management report under article 29 of Directive 2013/34/EU; or
 - (ii) such separate report as is referred to in article 19a(3) or article 29a(3) of Directive 2013/34/EU;
 - (b) the report is the report of a parent company of the company established under the law of a Member State;
 - (c) the report relates to companies that include the company and its subsidiary companies, if any; and
 - (d) the report includes such information as is required by article 19a (non-financial statement) or article 29a (consolidated non-financial statement), as the case may be.
- (8) A company to which subregulations (1) and (2) do not apply may include a non-financial information statement in its directors' report or, as the case may be, a group non-financial information statement in its group directors' report.

Contents of the non-financial information statement.

11ZZD.(1) The non-financial information statement referred to in regulation 11ZZC shall provide information to the extent necessary for an understanding of the company's-

- (a) development;
- (b) performance; and
- (c) position and impact of its activity.

(2) The information required by subregulation (1) shall include information relating to-

- (a) environmental matters (including the impact of the company's business on the environment);
- (b) the company's employees;
- (c) social matters;

- (d) respect for human rights; and
 - (e) anti-corruption and anti-bribery matters.
- (3) The statement shall include-
- (a) a brief description of the company's business model;
 - (b) a description of the policies pursued by the company in relation to the matters mentioned in subregulation (2) and any due diligence processes implemented by the company in pursuance of those policies;
 - (c) a description of the outcome of those policies;
 - (d) a description of the principal risks relating to the matters mentioned in subregulation (2) arising in connection with the company's operations and, where relevant and proportionate-
 - (i) a description of its business relationships, products and services which are likely to cause adverse impacts in those areas of risk; and
 - (ii) a description of how it manages the principal risks; and
 - (e) a description of the non-financial key performance indicators relevant to the company's business.
- (4) In subregulation (3)(e), "key performance indicators" means factors by reference to which the development, performance or position of the company's business, or the impact of the company's activity, can be measured effectively.
- (5) If the company does not pursue policies in relation to one or more of the matters mentioned in subregulations (2) and (3), the non-financial information statement must provide a clear and reasoned explanation for the company not doing so.
- (6) The non-financial information statement shall, where appropriate, include references to, and additional explanations of, amounts included in the company's annual accounts.
- (7) If information required by subregulation (1) to (6) to be included in the non-financial information statement is published by the company by means of a national, EU-based or international reporting framework, the

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non-financial information statement must specify the framework or frameworks used, instead of including that information.

(8) If a non-financial information statement complies with subregulation (1) to (7), the directors' report of which it is part is to be treated as complying with the requirements in-

- (a) regulation 11ZZB(3); and
- (b) regulation 11ZZB(4), so far as relating to the provision mentioned in paragraph (a).

(9) In relation to a group non-financial information statement, this section has effect as if the references to the company were references to the company and its subsidiary undertakings included in the consolidation.

(10) Nothing in this regulation requires the disclosure of information about impending developments or matters in the course of negotiation if the disclosure would, in the opinion of the directors, be seriously prejudicial to the commercial interests of the company, provided that the non-disclosure does not prevent a fair and balanced understanding of the company's development, performance or position or the impact of the company's activity.

Financial instruments.

11A.(1) In relation to the use of financial instruments by a company and by its subsidiary undertakings, the directors' report must contain an indication of-

- (a) the financial risk management objectives and policies of the company and its subsidiary undertakings included in the consolidation, including the policy for hedging each major type of forecasted transaction for which hedge accounting is used; and
- (b) the exposure of the company and its subsidiary undertakings included in the consolidation to price risk, credit risk, liquidity risk and cash flow risk,

unless such information is not material for the assessment of the assets, liabilities, financial position and profit or loss of the company and its subsidiary undertakings included in the consolidation.

(2) In sub-regulation (1) the expressions "hedge accounting", "price risk", "credit risk", "liquidity risk" and "cash flow risk" have the same meaning as they have in Directive 2013/34/EU.

Director's duties.

11B. The Directors of a company have collectively the duty to ensure that the annual accounts, the directors' report, the group directors' report and, where applicable the non-financial information statement or group non-financial information statement and, when provided separately, the corporate governance statement to be provided pursuant to regulation 11ZZAA are drawn up and filed with the Registrar or made available to the public in accordance with the requirements of these Regulations, and, where applicable, in accordance with the international accounting standards adopted in accordance with the IAS Regulation.

Approval of accounts and delivery to the Registrar.

12. (1) A company's annual accounts shall be approved by the board of directors and signed on behalf of the board in accordance with section 241 of the Companies Act 2014.

(2) Signature of the balance sheet in accordance with section 241 of the Companies Act 2014 shall indicate, for the purposes of these Regulations, approval by the board of directors of the annual accounts as a whole.

(3) If annual accounts are approved which do not comply with the requirements of these Regulations or, where applicable, of Article 4 of the IAS Regulation, every director of the company who is party to their approval and who knows that they do not comply or is reckless as to whether they comply is guilty of an offence and liable to a fine.

For this purpose every director of the company at the time the accounts are approved shall be taken to be a party to their approval unless he shows that he took all reasonable steps to prevent their being approved.

(4) The directors of a company shall in respect of each financial year deliver to the Registrar a copy of the annual accounts and the directors' report or group directors' report for that financial year.

(5) The information supplied in accordance with sub-regulation (4) shall be signed as required by sub-regulation (1).

(6) The directors of a company shall also deliver to the Registrar its annual report, but may choose as an alternative to make the report available at the registered office of the company in Gibraltar and in such a case shall ensure in relation to that report that—

- (a) it is made available to the public; and

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- (b) it is possible to obtain a copy of all or part of it upon request at a price not exceeding its administrative cost.

Auditors' reports.

13.(1) Where the directors of a company deliver to the Registrar the annual accounts and directors' report or group directors' report for a financial year, they shall also deliver, with those accounts, a full copy of the report of the person responsible for auditing the accounts.

(1A) The annual accounts and directors' report delivered under sub-regulation (1) must be delivered in the same layout and with the same text as that used by the person responsible for auditing the accounts when drawing up his opinion.

(2) The auditors must state in their report whether in their opinion the information given in the directors' report for the financial year for which the annual accounts are prepared is consistent with those accounts.

(2B) The auditor's report referred to in subregulation (2) is not required to contain information related to the non-financial information statement or the group non-financial information statement, as the case may be.

(3) In addition to the information required by section 257 of the Companies Act 2014, the auditors' report must comply with the requirements of section 258 of the Companies Act 2014.

Offences.

14. (1) If a requirement of regulation 12 or 13 is not complied with before the end of the relevant period ascertained in accordance with regulation 15, every person who immediately before the end of that period was a director of the company is guilty of an offence and liable—

- (a) on summary conviction to a fine at level 5 on the standard scale;
- (b) on second or subsequent conviction to a fine of one tenth of the amount at level 5 on the standard scale for each day on which the contravention is continued.

(2) Without prejudice to the separate provision made in regulations 8(7) and 17(6), a person who contravenes any other requirement imposed on him under these Regulations (or, where applicable, of Article 4 of the IAS Regulation) is guilty of an offence and liable on summary conviction to a fine at level 5 on the standard scale.

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(3) It is a defence for a person charged with an offence under sub-regulation (1) or (2) to prove that he took all reasonable steps for securing that the requirements of these Regulations (or, where applicable, of Article 4 of the IAS Regulation) would be complied within proper time.

(4) In any proceedings under this regulation it is not a defence to prove that a document necessary to comply with a requirement of these Regulations (or, where applicable, of Article 4 of the IAS Regulation) was in fact prepared.

(5) Sub-regulations (1) and (2) have effect notwithstanding section 23(b) of the Interpretation and General Clauses Act.

Period allowed for delivering accounts and reports.

15. (1) Subject to sub-regulation (2) the period allowed for complying with the requirements of regulations 12 and 13 is –

- (a) for a private company, 12 months after the end of the relevant financial year; and
- (b) for a public company, 10 months after the end of that year.

(2) If the relevant financial year is the company's first, the period allowed is 12 months after the end of the financial year.

Delivery and publication of accounts in euros.

16. (1) The amounts set out in the annual accounts of a company may also be shown in the same accounts translated into euros.

(2) When complying with regulation 12, the directors of a company may deliver to the Registrar an additional copy of the company's annual accounts in which the amounts have been translated into euros.

(3) The exchange rate for the translation shall be the relevant exchange rate on the balance sheet dates.

(4) The exchange rate used shall be disclosed in the notes to the accounts.

(5) For the purposes of regulation 17 any additional copy of the accounts delivered under sub-regulation (2) shall be treated as statutory accounts of the company and references in regulation 17 to the auditors' report under regulation 13 shall be read as references to the report on the annual accounts of which it is a copy.

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Requirements in connection with publication of accounts.

17.(1) If a company publishes any of its statutory accounts, they shall be accompanied by the relevant auditors' report required to be delivered to the Registrar under regulation 13(1).

(2) A company which is required to prepare group accounts for a financial year shall only publish its statutory individual accounts for that year with its statutory group accounts.

(3) If a company publishes non-statutory accounts, it shall publish with them a statement indicating –

- (a) that they are not the company's statutory accounts;
- (b) whether statutory accounts dealing with any financial year with which the non-statutory accounts purport to deal have been delivered to the Registrar;
- (c) whether the company's auditors have made a report under regulation 13 on the statutory accounts for any such financial year; and
- (d) whether any such auditors' report—
 - (i) was qualified or unqualified, or included a reference to any matters to which the auditors drew attention by way of emphasis without qualifying the report; or
 - (ii) contained a statement under regulation 13(2),

and it shall not publish with the non-statutory accounts any auditors' report under regulation 13.

(4) For the purposes of this regulation a company shall be regarded as publishing a document if it publishes, issues or circulates it or otherwise makes it available for public inspection in a manner calculated to invite members of the public generally, or any class of members of the public, to read it.

(5) References in this regulation to a company's statutory accounts are to its individual or group accounts for a financial year as required to be delivered to the Registrar under regulation 12; and references to the publication by a company of "non-statutory accounts" are to the publication of –

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- (a) any balance sheet or profit and loss account relating to, or purporting to deal with, a financial year of the company; or
- (b) an account in any form purporting to be a balance sheet or profit and loss account for the group consisting of the company and its subsidiary undertakings relating to, or purporting to deal with, a financial year of the company;

otherwise than as part of the company's statutory accounts.

(6) A company which contravenes any provision of this regulation, and any officer of it who is in default, is guilty of an offence and liable on summary conviction to a fine at level 3 on the standard scale.

Branch accounts.

17A.(1) This regulation shall apply to all recognised institutions under the Act and those licensees exempted by the Commissioner from producing accounts under regulation 1(3).

(2) Branches of credit institutions and financial institutions having their head offices in an EEA State shall publish, in accordance with Article 44 of Directive 86/635/EEC the documents referred to therein (annual accounts, consolidated accounts, annual report, consolidated report, opinions of the person responsible for auditing the annual accounts and consolidated accounts).

(3) The documents referred to in sub-regulation (2) shall be drawn up and audited in the manner required by the law of the State in which the credit institution or financial institution has its head office in accordance with Directive 86/635/EEC.

(4) Branches of credit institutions and financial institutions having their head office in an EEA State shall not be required to publish annual accounts relating to their own activities.

(5) Branches of credit institutions and financial institutions having their head offices other than in an EEA State shall publish the documents specified in sub-regulation (2), drawn up and audited in the manner required by the law of the State of the head office, in accordance with the provisions set out therein.

(6) Where the documents referred to in sub-regulation (5) are in conformity with, or equivalent to, documents drawn up in accordance with Directive 86/635/EEC and the condition of reciprocity for EEA credit institutions and financial institutions is fulfilled in the state in which the head office is situated, branches of credit institutions and financial

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institutions having their head office in that state shall not be required to publish annual accounts relating to their own activities.

(7) In cases other than those referred to in sub-regulation (6), branches shall publish annual accounts relating to their own activities in accordance with the provisions, in so far as is practicable, these Regulations.

(8) The documents provided for in this Regulation shall be available to the general public in the English language and the cost of providing such copies shall not exceed the administrative cost of producing that copy.

Repeal of Banking Act (Bank Accounts) Regulations 1995.

18. The Banking Act (Bank Accounts) Regulations 1995 are repealed from the date of entry into force of these Regulations, but will continue to apply to those companies whose financial year ends before the date of entry into force of these Regulations.

SCHEDULE 1

Regulation 3A

FORM AND CONTENT OF ACCOUNTS OF CREDIT INSTITUTIONS

INDIVIDUAL ACCOUNTS

CHAPTER I

GENERAL RULES AND FORMATS

PART I

General rules.

1.(1) Subject to the following provisions of this Schedule –

- (a) every balance sheet of a company shall show the items listed in the balance sheet format set out in Chapter II of this Schedule; and
- (b) every profit and loss account of a company shall show the items listed in either of the profit and loss account format so set out;

in either case in the order and under the headings and sub-headings given in the format.

(2) Sub-paragraph (1) is not to be read as requiring the heading or sub-heading for any item to be distinguished by any letter or number assigned to that item in the format.

(3) Where the heading of an item in the format adopted contains any wording in square brackets, that wording may be omitted if not applicable to the company.

Consistency of Format.

2.(1) Where in accordance with paragraph 1, a company's profit and loss account for any financial year has been prepared by reference to one of the formats set out in Chapter II, the directors of the company shall adopt the same format in preparing the profit and loss account for subsequent financial years of the company unless in their opinion there are special reasons for a change.

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(2) Particulars of any change in the format adopted in preparing a company's profit and loss account in accordance with sub-paragraph (1) shall be disclosed, and the reasons for the change shall be explained in a note to the accounts in which the new format is first adopted.

(3) Any item required in accordance with paragraph 1 to be shown in a company's balance sheet or profit and loss account may be shown in greater detail than so required.

(4) A company's balance sheet or profit and loss account may include an item representing or covering the amount of any asset or liability, income or expenditure not specifically covered by any of the items listed in the balance sheet format provided or the profit and loss account format adopted, but the following may not be treated as assets in any company's balance sheet –

- (a) preliminary expenses,
- (b) expenses of and commission on any issue of shares or debentures, and
- (c) costs of research.

(5) Items to which lower case letters are assigned in any of the formats set out in Chapter II may be combined in a company's accounts for any financial year if either –

- (a) their individual amounts are not material for the purpose of giving a true and fair view; or
- (b) the combination facilitates the assessment of the state of affairs or profit or loss of the company for that year;

but in a case within paragraph (b) the individual amounts of any items so combined shall be disclosed in a note to the accounts and any notes required by these Regulations to the items so combined shall, notwithstanding the combination, be given.

(6) Subject to paragraph 4(3), a heading or sub-heading corresponding to an item listed in the balance sheet format and profit and loss account format adopted in preparing a company's balance sheet or profit and loss account need not be included if there is no amount to be shown for that item in respect of the financial year to which the balance sheet or profit and loss account relates.

Content of profit and loss account.

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3. Every profit and loss account of a company shall show separately as additional items –

- (a) any amount set aside as proposed to be set aside to, or withdrawn or proposed to be withdrawn from, reserves;
- (b) the aggregate amount of any dividends paid and proposed; and
- (c) if it is not shown in the notes to the accounts, the aggregate amount of any dividends proposed.

Comparative Amounts.

4.(1) In respect of every item shown in the balance sheet or profit and loss account, there shall be shown or stated the corresponding amount for the financial year immediately preceding that to which the account relates.

(2) Where the corresponding amount is not comparable with the amount to be shown for the item in question in respect of the financial year to which the balance sheet or profit and loss account relates, the former amount shall be adjusted and particulars of the adjustments and the reasons for it shall be given in a note to the accounts.

(3) Paragraph 2(6) does not apply in any case where an amount can be shown for the item in question in respect of the financial year immediately preceding that to which the balance sheet or profit and loss account relates, and that amount shall be shown under the heading or subheading required by paragraph 1 for that item.

Setting off.

5.(1) Subject to the following provisions of this paragraph and without prejudice to note 5 to the balance sheet format, amounts in respect of items representing assets or income may not be set off against amounts in respect of items representing liabilities or expenditure (as the case may be), or vice versa.

(2) Charges required to be included in –

- (a) profit and loss account format 1, items 11(a) and 11(b); or
- (b) format 2, items A7(a) and A7(b);

may, however, be set off against income required to be included in –

- (c) format 1, items 12(a) and 12(b); or

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(d) format 2, items B 5 (a) and B 5 (b);

and the resulting figure shown as a single item (in format 2 at position A7 if negative and at position B 5 if positive).

- (3) Charges required to be included in –
- (a) profit and loss account format 1, item 13; or
 - (b) format 2, item A8;

may also be set off against income required to be included in –

- (c) format 1, item 14; or
- (d) format 2, item B6;

and the resulting figure shown as a single item (in format 2 at position A8 if negative and at position B6 if positive).

Pledged Assets.

6. (1) Assets shall be shown under the relevant balance sheet headings even where the company has pledged them as security for its own liabilities or for those of third parties or has otherwise assigned them as security to third parties.

(2) A company may not include in its balance sheet assets pledged or otherwise assigned to it as security unless such assets are in the form of cash in the hands of the company.

Trust Funds.

7. Assets acquired in the name of and on behalf of third parties may not be shown in the balance sheet.

General Rules.

7A. The directors of a company must, in determining how amounts are presented within items in the profit and loss account and balance sheet, have regard to the substance of the reported transaction or arrangement, in accordance with generally accepted accounting principles or practice.

Required formats for accounts.

8.(1) References in these Regulations to the balance sheet format or to profit and loss account formats are to the balance sheet format or profit and

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loss account format set out in Chapter II and references to the items listed in any of the formats are to those items read together with any of the notes following the formats which apply to any of those items.

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(2) The requirement imposed by paragraph 1 to show the items listed in any such format in the order adopted in the format is subject to any provision in the notes following the formats for alternative positions for any particular items.

Reference to Notes.

9. A number in brackets following any item in any of the formats set out in Chapter II is a reference to the note of that number in the notes following the format.

PART II **ACCOUNTING PRINCIPLES**

Accounting principles.

10. (1) Subject to paragraph 11, the amounts to be included in respect of all items shown in a company's accounts shall be determined in accordance with the principles set out in this paragraph.

(2) The company is presumed to be carrying on business as a going concern.

(3) Accounting policies and measurement bases shall be applied consistently within the same accounts and from one financial year to the next.

(4) The amount of any item shall be determined on a prudent basis, and in particular –

- (a) only profits realised at the balance sheet date may be included in the profit and loss account;
- (b) all liabilities which have arisen in respect of the financial year to which the accounts relate or a previous financial year shall be taken into account, including those which only become apparent between the balance sheet and the date on which it is signed on behalf of the board of directors in pursuance of the provisions of section 241 of the Companies Act 2014, and
- (c) all provisions for diminution of value must be recognised, whether the result of the financial year is a profit or loss.

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(5) All income and charges relating to the financial year to which the accounts relate shall be taken into account, without regard to the date of receipt or payment.

(6) In determining the aggregate amount of any item the amount of each individual asset or liability that falls to be taken into account shall be determined separately.

(7) The opening balance sheet for each financial year shall correspond to the closing balance sheet for the preceding financial year.

Departure from the accounting principles.

11. If it appears to the directors of a company that there are special reasons for departing from any of the principles stated in paragraph 10 in preparing the company's accounts in respect of any financial year, they may do so but particulars of the departure, the reasons for it and its effect shall be given in a note to the accounts.

**PART III
VALUATION RULES****Valuation rules - preliminary.**

12. Subject to paragraphs 24 to 28, the amounts to be included in respect of all items shown in a company's accounts shall be determined in accordance with the rules set out in paragraphs 13 to 23.

Fixed Assets General Rules.

13.(1) Subject to any provision for depreciation or diminution in value made in accordance with sub-paragraph (2) or (3), the amount to be included in respect of any fixed asset shall be its cost.

(2) In the case of any fixed asset which has a limited useful economic life, the amount of –

- (a) its cost; or
- (b) where it is estimated that any such asset will have a residual value at the end of the period of its useful economic life, its cost less that estimated residual value;

shall be reduced by provisions for depreciation calculated to write off that amount systematically over the period of the asset's useful economic life.

(3) Where a fixed asset investment –

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- (a) of a description falling to be included under Assets items 7 (Participating interests) or 8 (Shares in group undertakings) in the balance sheet format; or
- (b) any other holding of securities held as a financial fixed asset;

has diminished in value, provisions for diminution in value may be made in respect of it and the amount to be included in respect of it may be reduced accordingly, and provisions made under this paragraph must be charged to the profit and loss account and disclosed separately in a note to the accounts if they have not been shown separately in the profit and loss account.

(4) Provisions for diminution in value shall be made in respect of any fixed asset which has diminished in value if the reduction in its value is expected to be permanent (whether its useful economic life is limited or not), and the amount to be included in respect of it shall be reduced accordingly, and provisions made under this paragraph must be charged to the profit and loss account and disclosed separately in a note to the accounts if they have not been shown separately in the profit and loss account.

(5) Where the reasons for which any provision was made in accordance with sub-paragraph (3) or (4) have ceased to apply to any extent, that provision shall be written back to the extent that it is no longer necessary, and any amounts written back in accordance with this sub-paragraph must be recognised in the profit and loss account and disclosed separately in a note to the accounts if not shown separately in the profit and loss account.

(6) Subparagraph (5) shall not apply to value adjustments made in respect of goodwill.

Development costs.

13A.(1) Where this is in accordance with generally accepted accounting principles or practice, development costs may be included under assets item 9 in the balance sheet format.

(2) If any amount is included in a company's balance sheet in respect of development costs, the note on accounting policies must include the following information—

- (a) the period over which the amount of those costs originally capitalised is being or is to be written off; and
- (b) the reasons for capitalising the development costs in question.

Intangible assets.

13B.(1) Intangible assets must be written off over the useful economic life of the intangible asset.

(2) Where in exceptional cases the useful life of intangible assets cannot be reliably estimated, such assets must be written off over a period chosen by the directors of the company.

(3) The period referred to in subparagraph (2) must not exceed 10 years.

(4) There must be disclosed in a note to the accounts the period referred to in subparagraph (2) and the reasons for choosing that period.

(5) In this paragraph, intangible assets include goodwill.

14. *Deleted*

15. *Deleted*

Intangible and tangible fixed assets.

16. Assets included in Assets items 9 (Intangible fixed assets) and 10 (Tangible fixed assets) in the balance sheet format shall be valued as fixed assets.

Other Fixed assets.

17. Assets falling to be included in the balance sheet, other than those the valuation of which is specifically dealt with in any other paragraph, shall be valued as fixed assets where they are intended for use on a continuing basis in the company's activities.

Financial Fixed assets.

18. (1) Debt securities, including fixed income securities, held as financial fixed assets shall be included in the balance sheet at an amount equal to their maturity value plus any premium, or less any discount, on their purchase, subject to the following provisions of this paragraph.

(2) The amount included in the balance sheet with respect to such securities purchased at a premium shall be reduced at each financial year on a systematic basis so as to write the premium off over the period to the maturity date of the security and the amounts so written off shall be charged to the profit and loss account for the relevant financial years.

(3) The amount included in the balance sheet with respect to such securities purchased at a discount shall be increased each financial year on a

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systematic basis so as to extinguish the discount over the period to the maturity date of the security and the amounts by which the amount is increased shall be credited to the profit and loss account for the relevant years.

(4) The notes to the accounts shall disclose the amount of any un-amortised premium or discount not extinguished which is included in the balance sheet by virtue of sub-paragraph (1).

(5) For the purposes of this paragraph “premium” means any excess of the amount paid for a security over its maturity value and “discount” means any deficit of the amount paid for a security over its maturity value.

Current Assets.

19.(1) Subject to the provisions of sub-paragraphs (2) to (5), the amount to be included in respect of loans and advances, debt or other fixed income securities and equity shares or other variable yield securities not held as financial fixed assets is their cost.

(2) If the net realisable value of any asset referred to in sub-paragraph (1) is lower than its cost, the amount to be included in respect of that asset is the net realisable value.

(3) Where the reasons for which any provision for diminution in value was made in accordance with sub-paragraph (2) have ceased to apply to any extent, that provision shall be written back to the extent that the provision is no longer necessary.

(4) Subject to sub-paragraphs (2) and (3), the amount to be included in the balance sheet in respect of transferable securities not held as financial fixed assets may be the higher of their cost or their market value at the balance sheet date.

(5) The difference between the cost of any securities included in the balance sheet at a valuation under sub-paragraph (4) and their market value shall be shown (in aggregate) in the notes to the accounts.

Excess of money owed over value received as an asset item.

20.(1) Where the amount repayable of any debt owed by a company is greater than the value of the consideration received in the transaction giving rise to the debt, the amount of the difference may be treated as an asset.

(2) Where any such amount as is provided for in sub-paragraph (1) is treated as that sub-paragraph provides –

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- (a) it shall be written off by reasonable amounts each year and completely written off before repayment of the debt; and
- (b) if the current amount is not shown as a separate item in the company's balance sheet it shall be disclosed in a note to the accounts.

Determination of cost.

21.(1) The cost of an asset that has been acquired by the company shall be determined by adding to the actual price paid any expenses incidental to its acquisition and then subtracting any incidental reductions in the cost of acquisition.

(2) The cost of an asset constructed by the company shall be determined by adding to the purchase price of the raw materials and consumables used the amount of the costs incurred by the company which are directly attributable to the construction of that asset.

(3) In addition to the costs falling within sub-paragraphs (1) and (2), there may be included in the cost of an asset constructed by the company –

- (a) a reasonable proportion of the costs incurred by the company which are only indirectly attributable to the construction of that asset, but only to the extent that they relate to the period of construction; and
- (b) interest on capital borrowed to finance the construction of that asset, to the extent that it accrues in respect of the period of construction;

provided, however, that the inclusion of the interest in determining the cost of that asset and the amount of the interest so included is disclosed in a note to the accounts.

Cost of fungible assets.

22.(1) Subject to the qualification that the method chosen shall be one which appears to the directors to be appropriate in the circumstances of the company, the cost of any assets which are fungible assets (including investments) may be determined by the application of any of the methods mentioned in sub-paragraph (2) in relation to any such assets of the same class.

- (2) The methods referred to in sub-paragraph (1) are –
 - (a) the method known as “first in, first out” (FIFO);

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- (b) the method known as “last in, “first out” (LIFO);
 - (c) a weighted average price; and
 - (d) any other method similar to any of the methods reflecting generally accepted best practice.
- (3) Where, in the case of any company –
- (a) the cost of assets falling to be included under any item shown in the company’s balance sheet has been determined by the application of any method permitted by this paragraph; and
 - (b) the amount shown in respect of that item differs materially from the relevant alternative amount specified in sub-paragraph (4),

the amount of that difference shall be disclosed in a note to the accounts.

(4) Subject to sub-paragraph (5), for the purposes of sub-paragraph (3)(b), the relevant alternative amount, in relation to any item shown in a company’s balance sheet, is the amount which would have been shown in respect of that item if assets of any class included under that item at an amount determined by any method permitted by this paragraph had instead been included at their replacement cost as at the balance sheet date.

(5) The relevant alternative amount referred to in sub-paragraph (4) may be determined by reference to the most recent actual purchase price before the balance sheet date of assets of any class included under the item in question instead of by reference to their replacement cost as at that date, but only if the former appears to the directors of the company to constitute the more appropriate standard of comparison in the case of assets of that class.

Substitution of original amount where price or cost unknown.

23. Where there is no record of the purchase price of any asset acquired by a company or of any price, expenses or costs relevant for determining its cost in accordance with paragraph 21, or any such record cannot be obtained without unreasonable expense or delay, the cost of the asset shall be taken for the purposes of paragraphs 13 to 19 to be the value ascribed to it in the earliest available record of its value made on or after its acquisition by the company.

PART IV

ALTERNATIVE ACCOUNTING RULES

Alternative accounting rules - preliminary.

24. (1) References to the historical cost accounting rules do not include the depreciation rules as they apply by virtue of paragraph 26.

(2) Subject to paragraphs 26 to 28, the amounts to be included in respect of assets of any description mentioned in paragraph 25 may be determined on any basis so mentioned.

Alternative accounting rules.

25.(1) Intangible fixed assets, other than goodwill, may be included at their current cost.

(2) Tangible fixed assets may be included at a market value determined as at the date of their last valuation or at their current cost.

(3) Investments of any description falling to be included under Assets items 7 (Participating interests) or 8 (Shares in group undertakings) of the balance sheet format and any other securities held as financial fixed assets may be included either –

- (a) at a market value determined as at the date of their last valuation; or
- (b) at a value determined on any basis which appears to the directors to be appropriate in the circumstances of the company;

but where the value is that provided for in paragraph (b), particulars of the method of valuation adopted and of the reasons for adopting it shall be disclosed in a note to the accounts.

Application of the depreciation rules.

26.(1) Where the value of any asset of a company is determined in accordance with paragraph 25, that value shall be, or (as the case may require) be the starting point for determining, the amount to be included in respect of that asset in the company's accounts, instead of its cost or any value previously so determined for that asset, and the depreciation rules apply accordingly in relation to any such asset with the substitution for any reference to its cost of a reference to the value most recently determined for that asset in accordance with paragraph 25.

(2) The amount of any provision for depreciation required in the case of any fixed asset by sub-paragraphs (2) or (3) of paragraph 13 as it applies by

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virtue of sub-paragraph (1) of this paragraph is referred to in this regulation as the “adjusted amount”, and the amount of any provision which would be required by that paragraph in the case of that asset according to the historical cost accounting rules is referred to as the “historical cost amount”.

(3) Where sub-paragraph (1) applies in the case of any fixed asset the amount of any provision for depreciation in respect of that asset included in any item shown in the profit and loss account in respect of amounts written off assets of the description in question may be the historical cost amount instead of the adjusted amount, provided that the amount of any difference between the two is shown separately in the profit and loss account or in a note to the accounts.

Additional information to be provided in case of departure from historical cost accounting rules.

27.(1) This paragraph applies where the amounts to be included in respect of assets covered by any items shown in a company’s accounts have been determined in accordance with paragraph 25.

(2) The items in the accounts affected and the basis of valuation adopted in determining the amounts of the assets in question in the case of each such item shall be disclosed in the note on accounting policies.

(3) In the case of each balance sheet item affected, the comparable amounts determined according to the historical cost accounting rules must be shown in a note to the accounts.

(4) In sub-paragraph (3), references in relation to any item to the comparable amounts determined as there mentioned are references to—

- (a) the aggregate amount which would be required to be shown in respect of that item if the amounts to be included in respect of all the assets covered by that item were determined according to the historical cost accounting rules; and
- (b) the aggregate amount of the cumulative provisions for depreciation or diminution in value which would be permitted or required in determining those amounts according to those rules.

Revaluation reserve.

28.(1) With respect to any determination of the value of an asset of a company in accordance with paragraph 25, the amount of any profit or loss arising from that determination (after allowing, where appropriate, for any provisions for depreciation or diminution in value made otherwise than by

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reference to the value so determined and any adjustments of any such provisions made in the light of that determination) shall be credited or (as the case may be) debited to a separate reserve (“the revaluation reserve”).

(2) The amount of the revaluation reserve shall be shown in the company’s balance sheet under Liabilities item 11 in the balance sheet format.

(3) An amount may be transferred,

(a) from the revaluation reserve –

(i) to the profit and loss account, if the amount was previously charged to that account or represents realised profit; or

(ii) on capitalisation,

(b) to or from the revaluation reserve in respect of the taxation relating to any profit or loss credited or debited to the reserve,

and the revaluation reserve shall be reduced to the extent that the amounts transferred to it are no longer necessary for the purposes of the valuation method used.

(4) In sub-paragraph (3)(a)(ii) “capitalisation” in relation to an amount standing to the credit of the revaluation reserve, means applying it in wholly or partly paying up unissued shares in the company to be allotted to members of the company as fully or partly paid shares.

(5) The revaluation reserve may not be reduced except as mentioned in this paragraph.

(6) The treatment for taxation purposes of amounts credited or debited to the revaluation reserve shall be disclosed in a note to the accounts.

Assets and liabilities denominated in foreign currencies.

29.(1) Subject to the provisions of sub-paragraphs (2) to (7), amounts to be included in respect of assets and liabilities denominated in foreign currencies shall be in sterling (or the currency in which the accounts are drawn up) after translation at an appropriate spot rate of exchange prevailing at the balance sheet date.

(2) If they are not covered or not specifically covered in either the spot or forward currency markets, an appropriate rate of exchange prevailing on the date of purchase may be used for assets held as financial fixed assets and

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assets to be included under Assets items 9 (Intangible fixed assets) and 10 (Tangible fixed assets) in the balance sheet format.

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(3) An appropriate spot rate of exchange prevailing at the balance sheet date shall be used for translating uncompleted spot exchange translations.

(4) An appropriate forward rate of exchange prevailing at the balance sheet date shall be used for translating uncompleted forward exchange transactions.

(5) This paragraph does not apply to any assets or liabilities held, or any transactions entered into, for hedging purposes or to any assets or liabilities which are themselves hedged.

(6) Subject to sub-paragraph (7), any difference between the amount to be included in respect of an asset or liability under sub-paragraphs (1) to (4) and the book value, after translation into sterling (or the currency in which the accounts are drawn up) at an appropriate rate, of that asset or liability shall be credited or, as the case may be, debited to the profit and loss account.

(7) In the case of assets held as financial fixed assets, of assets to be included under Assets items 9 (Intangible fixed assets) and 10 (Tangible fixed assets) in the balance sheet format and of transactions undertaken to cover such assets, any such difference as is referred to in sub-paragraph (6) may be deducted from or credited to any non-distributable reserve available for the purpose.

FAIR VALUE ACCOUNTING

Inclusion of financial instruments at fair value.

30.(1) Subject to sub-paragraphs (2) to (4), financial instruments (including derivatives) may be included at fair value.

(2) Sub-paragraph (1) does not apply to financial instruments which constitute liabilities unless—

- (a) they are held as part of a trading portfolio; or
- (b) they are derivatives.

(3) Sub-paragraph (1) does not apply to—

- (a) financial instruments (other than derivatives) held to maturity;

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- (b) loans and receivables originated by the company and not held for trading purposes;
- (c) interests in subsidiary undertakings, associated undertakings and joint ventures;
- (d) equity instruments issued by the company;
- (e) contracts for contingent consideration in a business combination;
- (f) other financial instruments with such special characteristics that the instruments, according to generally accepted accounting principles or practice, should be accounted for differently from other financial instruments.

(3A) Financial instruments which under international accounting standards may be included in accounts at fair value, may be so included, provided that the disclosures required by such accounting standards are made.

(4) If the fair value of a financial instrument cannot be determined reliably in accordance with paragraph 31, sub-paragraph (1) does not apply to that financial instrument.

(5) In this paragraph—

“associated undertaking” has the meaning given by paragraph 18 of Schedule 2;

“joint venture” has the meaning given by paragraph 17 of Schedule 2.

Determination of fair value.

31.(1) The fair value of a financial instrument is determined in accordance with this paragraph.

(2) If a reliable market can readily be identified for the financial instrument, its fair value is determined by reference to its market value.

(3) If a reliable market cannot readily be identified for the financial instrument but can be identified for its components or for a similar instrument, its fair value is determined by reference to the market value of its components or of the similar instrument.

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(4) If neither sub-paragraph (2) nor (3) applies, the fair value of the financial instrument is a value resulting from generally accepted valuation models and techniques.

(5) Any valuation models and techniques used for the purposes of sub-paragraph (4) must ensure a reasonable approximation of the market value.

Inclusion of hedged items at fair value.

32. A company may include any assets and liabilities that qualify as hedged items under a fair value hedge accounting system, or identified portions of such assets or liabilities, at the amount required under that system.

Other assets that may be included at fair value.

32A.(1) This paragraph applies to—

- (a) investment property; and
- (b) living animals and plants.

(2) Such investment property and such living animals and plants may be included at fair value, provided that all such investment property or, as the case may be, all such living animals and plants are so included where their fair value can reliably be determined.

(3) In this paragraph, “fair value” means fair value determined in accordance with generally accepted accounting principles or practice.

Accounting for changes in value

33.(1) This paragraph applies where a financial instrument is valued in accordance with paragraph 30 or 32 or an asset is valued in accordance with paragraph 32A.

(2) Notwithstanding paragraph 10 of Chapter 1 of Schedule 1 (Accounting principles), and subject to sub-paragraphs (3) and (4) below, a change in the value of the financial instrument or of the investment property or living animal or plant must be included in the profit and loss account.

(3) Where—

- (a) the financial instrument accounted for is a hedging instrument under a hedge accounting system that allows some or all of the change in value not to be shown in the profit and loss account; or

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- (b) the change in value relates to an exchange difference arising on a monetary item that forms part of a company's net investment in a foreign entity,

the amount of the change in value must be credited to or (as the case may be) debited from a separate reserve (the "fair value reserve").

- (4) Where the instrument accounted for—
- (a) is an available for sale financial asset; and
 - (b) is not a derivative,

the change in value may be credited to or (as the case may be) debited from the fair value reserve.

The fair value reserve.

34.(1) The fair value reserve must be adjusted to the extent that the amounts shown in it are no longer necessary for the purposes of paragraph 33(3) or (4).

(2) The treatment for taxation purposes of amounts credited or debited to the fair value reserve must be disclosed in a note to the accounts.

Interpretation of paragraphs 30 to 34.

35.(1) This paragraph applies for the purposes of the interpretation of paragraphs 30 to 34 of Chapter 1, Part IV of Schedule 1.

(2) References to "derivatives" include commodity-based contracts that give either contracting party the right to settle in cash or in some other financial instrument, except when such contracts—

- (a) were entered into for the purpose of, and continue to meet, the company's expected purchase, sale or usage requirements;
- (b) were designated for such purpose at their inception; and
- (c) are expected to be settled by delivery of the commodity.

(3) The expressions listed in sub-paragraph (4) have the same meaning as they have in Directive 2013/34/EU.

(4) Those expressions are "available for sale financial asset", "business combination", "commodity-based contracts", "derivative", "equity instrument", "exchange difference", "fair value hedge accounting system",

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“financial fixed asset”, “financial instrument”, “foreign entity”, “hedge accounting”, “hedge accounting system”, “hedged items”, “hedging instrument”, “held for trading purposes”, “held to maturity”, “monetary item”, “receivables”, “reliable market” and “trading portfolio”.

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CHAPTER II**LAYOUT OF BALANCE SHEET
PART I - FORMAT****Assets.**

1. Cash and balances at central or post office banks: (1).
2. Treasury bills and other eligible bills: (2), (17) –
 - (a) Treasury bills and similar securities;
 - (b) Other eligible bills.
3. Loans and advances to credit institutions: (3), (17) –
 - (a) repayable on demand;
 - (b) other loans and advances.
4. Loans and advances to customers: (4), (17).
5. Debt securities including fixed-income securities: (5), (17) –
 - (a) issued by public bodies;
 - (b) issued by other borrowers.
6. Equity shares and other variable-yield securities.
7. Participating interests.
8. Shares in group undertakings.
9. Intangible fixed assets: (6).
10. Tangible fixed assets: (7).
11. Called-up capital not paid: (8).

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12. Own shares: (9).
13. Other assets.
14. Called up capital not paid: (8).
15. Prepayments and accrued income.

*Total Assets***Liabilities.**

1. Amounts owed to credit institutions: (10), (17) –
 - (a) repayable on demand;
 - (b) with agreed maturity dates or periods of notice.
2. Amounts owed to customers: (11), (17) –
 - (a) repayable on demand;
 - (b) with agreed maturity dates or period of notice.
3. Debts evidenced by certificates: (12), (17) –
 - (a) bonds and medium term notes;
 - (b) others.
4. Other liabilities.
5. Accruals and deferred income.
6. Provisions for liabilities–
 - (a) provisions for pensions and similar obligations;
 - (b) provisions for tax;
 - (c) other provisions.
7. Subordinated liabilities: (13), (17).
8. Called up share capital: (14).
9. Share premium account.

10. Reserves.
11. Revaluation reserve.
12. Profit and loss account.

Total liabilities

Memorandum items.

- (1) Contingent liabilities –
 - (a) acceptances and endorsements: (15)(1);
 - (b) guarantees and assets pledged as collateral security: (15)(2);
 - (c) other contingent liabilities.
- (2) Commitments: (16).
 - (a) commitments arising out of sale and option to resell transaction;
 - (b) other commitments.

PART II

**NOTES ON THE BALANCE SHEET FORMAT AND MEMORANDUM
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Cash and balances at central or post office banks: (Assets item 1).

1.(1) Cash in hand comprises all currency including foreign notes and coins.

(2) Only those balances which may be withdrawn without notice and which are deposited with central or post office banks of the country or countries in which the credit institution is established may be included in this item. All other claims on central or post office banks shall be shown under Assets items 3 or 4.

Treasury bills and other eligible bills: (Assets item 2).

2. (1) This item comprises treasury bills and similar debt instruments issued by public bodies which are eligible for refinancing with central banks of the country or countries in which the credit institution is established. Any

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treasury bill or similar debt instrument not so eligible shall be included as a debt security.

(2) This item comprises all bills purchased to the extent that they are eligible, under national law, for refinancing with the central banks of the country or countries in which the company is established.

Loans and advances to credit institutions: (Assets item 3).

3. This item comprises all loans and advances to domestic or foreign credit institutions made by the credit institution arising out of banking transactions. However loans and advances to credit institutions represented by debt securities or other fixed income securities shall be included under debt securities.

Loans and advances to customers: (Assets item 4).

4. This item comprises all types of assets in the form of claims on domestic and foreign customers other than credit institutions, regardless of their actual designations.

The only exception is loans and advances represented by debt securities or any other security, which shall be shown under debt securities.

Debt securities [including fixed-income securities]: (Assets item 5).

5.(1) This item comprises negotiable debt securities including fixed-income securities issued by credit institutions, by other undertakings or by public bodies; such securities issued by the latter, however, shall be included only if they are not to be shown under Treasury bills and other eligible bills.

(2) Securities bearing interest rates that vary in accordance with specific factors, for example the interest rate on the inter-bank market or on the Euromarket, shall also be regarded as debt securities including fixed-income securities.

(3) Only repurchased and negotiable own-debt securities may be included in debt securities issued by other borrowers.

Intangible fixed assets: (Assets item 9).

6.(1) This item comprises –

- (a) development costs;
- (b) concessions, patents, licences, trade marks and similar rights and assets;

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(c) goodwill; and

(d) payments on account.

(2) Amounts may, however, be included in respect of (b) only if the assets were acquired for valuable consideration or the assets in question were created by the company itself.

(3) Amounts representing goodwill may only be included to the extent that the goodwill was acquired for valuable consideration.

(4) There shall be disclosed, in a note to the accounts, the amount of any goodwill included in this item.

Tangible Fixed assets: (Assets item 10).

7.(1) This item comprises –

- (a) land and buildings;
- (b) plant and machinery;
- (c) fixtures and fittings, tools and equipment; and
- (d) payments on account and assets in the course of construction.

(2) There shall be disclosed in a note to the accounts the amount included in this item with respect to land and buildings occupied by the company for its own activities.

Called up capital not paid: (Assets items 11 and 14).

8. The two positions shown for this item are alternatives.

Own shares: (Assets item 12).

9. The nominal value of the shares held shall be shown separately under this item.

Amounts owed to credit institutions: (Liabilities item 1).

10. (1) This item includes all amounts arising out of banking transactions owed to other domestic or foreign credit institutions by the credit institution drawing up the balance sheet, regardless of their actual designations.

The only exception is liabilities represented by debt securities or by any other security, which shall be shown under Liabilities item 3.

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(2) For the purposes of this paragraph credit institutions comprise all undertakings on the list published in the Official Journal of the European Communities pursuant to Article 3 (7) of Directive 77/780/EEC, as well as central banks and official domestic and international banking organisations and all private and public undertakings which are not established in the Community but which satisfy the definition in Article 1 of Directive 77/780/EEC.

Amounts owed to customers: (Liabilities item 2).

11. This item includes all amounts owed to creditors that are not credit institutions within the meaning of the note in paragraph 10(2), regardless of their actual designations.

The only exception is liabilities represented by debt securities or by any other security, which shall be shown under Liabilities item 3.

Debts evidenced by certificates: (Liabilities item 3).

12.(1) This item includes both debt securities and debts for which negotiable certificates have been issued, in particular deposit receipts, “bons de caisse” and liabilities arising out of own acceptances and promissory notes.

(2) Only acceptances which a credit institution has issued for its own re-financing and in respect of which it is the first party liable (“drawee”) may be treated as own acceptances.

Subordinated liabilities: (Liabilities item 7).

13. This item comprises all liabilities in respect of which there is a contractual obligation that, in the event of winding up or bankruptcy, they are to be repaid only after the claims of other creditors have been met.

Called up share capital: (Liabilities item 8).

14. The amount of allotted share capital and the amount of called up share capital which has been paid shall be shown separately.

Contingent liabilities: (Memorandum item 1).

15.(1) This item comprises all transactions whereby the company has underwritten the obligations of a third party.

Liabilities arising out of the endorsement of rediscounted bills shall be included. Acceptances other than own acceptances shall also be included.

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(2) This item includes all guarantee obligations incurred and assets pledged as collateral security on behalf of third parties, particularly in respect of sureties and irrevocable letters of credit.

Commitments: (Memorandum item 2).

16. This item includes every irrevocable commitment which could give rise to a credit risk.

Commitments arising out of sale and option to resell transactions include commitments entered into by a credit institution in the context of sale and option to resell transactions.

Claims on, and liabilities to, undertakings in which a participating interest is held or group undertakings: (Assets items 2 to 5, Liabilities items 1 to 3 and 7).

17.(1) The following information shall be given either by way of subdivision of the relevant items or by way of notes to the accounts.

(2) The amount of the following shall be shown for each of Asset items 2 to 5 –

- (a) claims on group undertakings included therein; and
- (b) claims on undertakings in which the company has a participating interest included therein.

(3) The amount of the following shall be shown for each of Liabilities items 1, 2, 3 and 7 –

- (a) liabilities to group undertakings included therein; and
- (b) liabilities to undertakings in which the company has a participating interest included therein.

PART III FURTHER DISCLOSURE

Subordinated assets.

1. (1) The amount of any assets that are subordinated shall be shown either as a subdivision of any relevant asset item or in the notes to the accounts; in the latter case disclosure shall be by reference to the relevant asset item or items in which the assets are included.

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(2) In the case of Assets items 2 to 5 in the balance sheet format, the amounts required to be shown by note (17) to the format as sub-items of those items shall be further subdivided so as to show the amount of any claims included therein that are subordinated.

(3) For this purpose, assets are subordinated if there is a contractual obligation to the effect that, in the event of winding up or bankruptcy, they are to be repaid only after the claims of other creditors have been met, whether or not a ranking has been agreed between the subordinated creditors concerned.

Syndicated loans.

2.(1) Where a company is a party to a syndicated loan transaction the company shall include only that part of the total loan which it itself has funded.

(2) Where a company is a party to a syndicated loan transaction and has agreed to reimburse (in whole or in part) any other party to the syndicate any funds advanced by that party or any interest thereon upon the occurrence of any event, including the default of the borrower, any additional liability by reason of such a guarantee shall be included as a contingent liability in Memorandum item 1, sub-item (2).

Sale and repurchase transactions.

3.(1) The following rules apply where a company is a party to a sale and repurchase transaction.

(2) Where the company is the transferor of the assets under the transaction –

- (a) the assets transferred shall, notwithstanding the transfer, be included in its balance sheet;
- (b) the purchase price received by it shall be included in its balance sheet as an amount owed to the transferee; and
- (c) the value of the assets transferred shall be disclosed in a note to its accounts.

(3) Where the company is the transferee of the assets under the transaction it may not include the assets transferred in its balance sheet but the purchase price paid by it to the transferor shall be so included as an amount owed by the transferor.

Sale and option to resell transactions.

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4.(1) The following rules apply where a company is a party to a sale and option to resell transaction.

(2) Where the company is the transferor of the assets under the transaction it may not include in its balance sheet the assets transferred but it shall enter under Memorandum item 2 an amount equal to the price agreed in the event of repurchase.

(3) Where the company is the transferee of the assets under the transaction it shall include those assets in its balance sheet.

Managed funds.

5.(1) For the purposes of this paragraph “managed funds” are funds which the company administers in its own name but on behalf of others and to which it has legal title.

(2) The company shall, in any case where claims and obligations arising in respect of managed funds fall to be treated as claims and obligations of the company, adopt the following accounting treatment, that is to say, claims and obligations representing managed funds are to be included in the company’s balance sheet, with the notes to the accounts disclosing the total amount included with respect to such assets and liabilities in the balance sheet and showing the amount included under each relevant balance sheet item in respect of such assets or (as the case may be) liabilities.

PART IV**FORMAT OF PROFIT AND LOSS ACCOUNT****FORMAT 1 - VERTICAL LAYOUT**

1. Interest receivable: (1) –
 - (a) interest receivable and similar income arising from debt securities (and other fixed income securities);
 - (b) other interest receivable and similar income.
2. Interest payable: (2).
3. Dividend income –
 - (a) income from equity shares and other variable-yield securities;
 - (b) income from participating interests;
 - (c) income from shares in group undertakings.

4. Fees and commissions receivable: (3).
5. Fees and commissions payable: (4).
6. Dealing [profits] [losses]: (5).
7. Other operating income.
8. Administrative expenses –
 - (a) staff costs –
 - (i) wages and salaries;
 - (ii) social security costs;
 - (iii) other pension costs;
 - (b) other administrative expenses.
9. Depreciation and amortisation: (6).
10. Other operating charges.
11. Provisions –
 - (a) provisions for bad and doubtful debts: (7);
 - (b) provisions for contingent liabilities and commitments: (8).
12. Adjustments to provisions –
 - (a) adjustments to provisions for bad and doubtful debts: (9);
 - (b) adjustments to Provisions for contingent liabilities and commitments: (10).
13. Amounts written off fixed asset investments: (11).
14. Adjustments to amounts written off fixed asset investments: (12).
15. [Profit] [loss] on ordinary activities before tax.
16. Tax on [profit] [loss] on ordinary activities.
17. [Profit] [loss] on ordinary activities after tax.

18. Extraordinary income.
19. Extraordinary charges.
20. Extraordinary [profit] [loss].
21. Tax on extraordinary [profit] [loss].
22. Extraordinary [profit] [loss] after tax.
23. Other taxes not shown under the preceding items.
24. [Profit] [loss] for the financial year.

FORMAT 2 - HORIZONTAL LAYOUT

A. Charges.

1. Interest payable: (2).
2. Fees and commissions payable: (4).
3. Dealing losses: (5).
4. Administrative expenses –
 - (a) staff costs –
 - (i) wages and salaries;
 - (ii) social security costs;
 - (iii) other pension costs;
 - (b) other administrative expenses.
5. Depreciation and amortisation: (6).
6. Other operating charges.
7. Provisions –
 - (a) provisions for bad and doubtful debts: (7);
 - (b) provisions for contingent liabilities and commitments: (8).

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8. Amounts written off fixed asset investments: (11).
9. Profit on ordinary activities before tax.
10. Tax on [profit] [loss] on ordinary activities.
11. Profit on ordinary activities after tax.
12. Extraordinary charges.
13. Tax on extraordinary [profit] [loss].
14. Extraordinary loss after tax.
15. Other taxes not shown under the preceding items.
16. Profit for the financial year.

B. Income.

1. Interest receivable: (1) –
 - (a) interest receivable and similar income arising from debt securities and other fixed income securities;
 - (b) other interest receivable and similar income.
2. Dividend income –
 - (a) income from equity shares and other variable-yield securities;
 - (b) income from participating interests;
 - (c) income from shares in group undertakings.
3. Fees and commissions receivable: (3).
4. Dealing profits: (5).
5. Adjustments to provisions –
 - (a) adjustments to provisions for bad and doubtful debts: (9);
 - (b) adjustments to provisions for contingent liabilities and commitments: (10).
6. Adjustments to amounts written off fixed assets investments:(12).

7. Other operating income.
8. Loss on ordinary activities before tax.
9. Loss on ordinary activities after tax.
10. Extraordinary income.
11. Extraordinary profit after tax.
12. Loss for the financial year.

PART V
NOTES ON THE PROFIT AND LOSS ACCOUNT
FORMATS

Interest receivable: (Format 1, item 1; Format 2, item B1)

1. This item includes all income arising out of banking activities, including—
 - (a) income from assets included in Assets items 1 to 5 in the balance sheet format, however calculated;
 - (b) income resulting from covered forward contracts spread over the actual duration of the contract and similar in nature to interest; and
 - (c) fees and commissions receivable similar in nature to interest and calculated on a time basis or by reference to the amount of the claim (but not other fees and commissions receivable).

Interest payable: (Format 1, item 2, Format 2, item A1)

2. This item includes all expenditure arising out of banking activities, including:
 - (a) charges arising out of liabilities included in Liabilities items 1, 2, 3 and 7 in the balance sheet format, however calculated;
 - (b) charges resulting from covered forward contracts, spread over the actual duration of the contract and similar in nature to interest; and

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- (c) fees and commissions payable similar in nature to interest and calculated on a time basis or by reference to the amount of the liability (but not other fees and commissions payable).

Fees and Commissions receivable: (Format 1, item 4; Format 2, item B3)

3. This item comprises income in respect of all services supplied by the company to third parties, but not fees or commissions required to be included under interest receivable (Format 1, item 1; Format 2, item B1).

In particular the following fees and commissions receivable shall be included (unless required to be included under interest receivable) –

- (a) fees and commissions for guarantees, loan administration on behalf of other lenders and securities transactions;
- (b) fees, commissions and other income in respect of payment transactions, account administration charges and commissions for the safe custody and administration of securities;
- (c) fees and commissions for foreign currency transactions and for the sale and purchase of coin and precious metals; and
- (d) fees and commissions charged for brokerage services in connection with savings and insurance contracts and loans.

Fees and commissions payable: (Format 1, item 5; Format 2, item A2)

4. This item comprises charges for all services rendered to the company by third parties but not fees or commissions required to be included under interest payable (Format 1, item 2; Format 2, item A1).

In particular the following fees and commissions payable shall be included (unless required to be included under interest payable) –

- (a) fees and commissions for guarantees, loan administration and securities transactions;
- (b) fees, commissions and other charges in respect of payment transactions, account administration charges and commissions for the safe custody and administration of securities;
- (c) fees and commissions for foreign currency transactions and for the sale and purchase of coin and precious metals; and

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- (d) fees and commissions for brokerage services in connection with savings and insurance contracts and loans.

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Dealing [profits] [losses]: (Format 1, item 6; Format 2, items B4 and A3)

5. This item comprises –

- (a) the net profit or net loss on transactions in securities which are not held as financial fixed assets together with amounts written off or written back with respect to such securities, including amounts written off or written back as a result of the application of paragraph 20(4) of Part I of this Schedule;
- (b) the net profit or loss on exchange activities, save in so far as the profit or loss is included in interest receivable or interest payable (Format 1, items 1 or 2; Format 2, items B1 or A1); and
- (c) the net profits and losses on other dealing operations involving financial instruments, including precious metals.

Depreciation and amortisation: (Format 1, item 9; Format 2, item A5)

6. This item comprises depreciation and other amounts written off in respect of balance sheet Assets 9 and 10.

Provisions: Provisions for bad and doubtful debts: (Format 1, item 11(a); Format 2, item A7(a))

7. This item comprises charges for amounts written off and for provisions made in respect of loans and advances shown under balance sheet Assets items 3 and 4.

Provisions: Provisions for contingent liabilities and commitments: (Format 1, item 11(b); Format 2, item A7(b))

8. This item comprises charges for provisions for contingent liabilities and commitments of a type which would, if not provided for, be shown under Memorandum items 1 and 2.

Adjustments to provisions: Adjustments to provisions for bad and doubtful debts: (Format 1, item 12(a); Format 2, item B5(a))

9. This item includes credits from the recovery of loans that have been written off, from other advances written back following earlier write off and from the reduction of provisions previously made with respect to loans and advances.

Adjustments to provisions: Adjustments to provisions for contingent liabilities and commitments: (Format 1, item 12(b); Format 2, item BS(b))

10. This item comprises credits from the reduction of provisions previously made with respect to contingent liabilities and commitments.

Amounts written off fixed asset investments: (Format 1, item 13; Format 2, item A8)

11. This item comprises amounts written off in respect of assets which are transferable securities held as financial fixed assets, participating interests and shares in group undertakings and which are included in Assets items 5 to 8 in the balance sheet format.

Adjustments to amounts written off fixed asset investments: (Format 1, item 14; Format 2, item B6)

12. This item includes amounts written back following earlier write off and provisions in respect of assets which are transferable securities held as financial fixed assets, participating interests and group undertakings and which are included in Assets items 5 to 8 in the balance sheet format.

CHAPTER III

NOTES TO THE ACCOUNTS

Preliminary.

1.(1) Any information required in the case of a company by the following provisions of this Schedule shall be given by way of a note to the accounts.

(1A) These notes must be presented in the order in which, where relevant, the items to which they relate are presented in the balance sheet and in the profit and loss account.

(2) Subject to sub-paragraph (3), in respect of every item stated in a note to the accounts the corresponding amount for the financial year immediately preceding that to which the accounts relate shall also be stated and where the corresponding amount is not comparable, it shall be adjusted and particulars of the adjustment and the reasons for it given.

(3) Sub-paragraph (2) does not apply to –

(a) paragraphs 7 and 8 of this Chapter;

Disclosure of accounting policies.

2. (1) The accounting policies adopted by the company in determining the amounts to be included in respect of items shown in the balance sheet and in determining the profit or loss of the company shall be stated (including such policies with respect to the depreciation and diminution in value of assets).

(2) It shall be stated whether the accounts have been prepared in accordance with applicable accounting standards and particulars of any material departure from those standards and the reasons for it shall be given.

Sums denominated in foreign currencies.

3. Where any sums originally denominated in foreign currencies have been brought into account under any items shown in the balance sheet format of the profit and loss account formats, the basis on which those sums have been translated into sterling (or the currency in which the accounts are drawn up) shall be stated.

Share capital.

4.(1) The following information shall be given with respect to the company's share capital –

- (a) the authorised share capital; and
- (b) where shares of more than one class have been allotted, the number and aggregate nominal value of shares of each class allotted.

(2) In the case of any part of the allotted share capital that consists of redeemable shares, the following information shall be given –

- (a) the earliest and latest dates on which the company has power to redeem those shares;
- (b) whether those shares will be redeemed in any event or are liable to be redeemed at the option of the company or of the shareholder; and
- (c) whether any (and, if so, what) premium is payable on redemption.

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(3) If the company has allotted its shares during the financial year, the following information shall be given –

- (a) the classes of shares allotted; and
- (b) as respects each class of shares, the number allotted, their aggregate nominal value and the consideration received by the company for the allotment.

Contingent rights to the allotment of shares.

5.(1) With respect to any contingent right to the allotment of shares in the company the following particulars shall be given –

- (a) the number, description and amount of the shares in relation to which the right is exercisable;
- (b) the period during which it is exercisable; and
- (c) the price to be paid for the shares allotted.

(2) In sub-paragraph (1) “contingent right to the allotment of shares” means any option to subscribe for shares and any other right to require the allotment of shares to any person whether arising on the conversion into shares of securities of any other description or otherwise.

Debentures.

6. (1) If the company has issued any debentures during the financial year to which the accounts relate, the following information shall be given –

- (a) the classes of debentures issued; and
- (b) as respects each class of debentures, the amount issued and the consideration received by the company for the issue.

(2) Where any of the company’s debentures are held by a nominee of or trustee for the company, the nominal amount of the debentures and the amount at which they are stated in the accounting records kept by the company in accordance with section 114 of the Companies Act¹ shall be stated.

Fixed Assets.

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7.(1) In respect of any fixed assets of the company included in any assets item in the company's balance sheet the following information shall be given by reference to each such item –

- (a) the appropriate amounts in respect of those assets included in the item as at the date of the beginning of the financial year and as at the balance sheet date respectively;
- (b) the effect on any amount included in the item in respect of those assets of –
 - (i) any determination during that year of the value to be ascribed to any of those assets in accordance with paragraph 14 of Chapter I;
 - (ii) acquisitions during that year of any fixed assets;
 - (iii) disposals during that year of any fixed assets; and
 - (iv) any transfers of fixed assets of the company to and from the item during that year.

(2) The reference in sub-paragraph (1)(a) to the appropriate amounts in respect of any fixed assets (included in an asset item) as at any date there mentioned is a reference to amounts representing the aggregate amounts determined, as at that date, in respect of fixed assets falling to be included under the item on either of the following bases, that is to say–

- (a) on the basis of cost (determined in accordance with paragraphs 21 and 22 of Chapter I); or
- (b) on any basis permitted by paragraph 25 of that Chapter;

(leaving out of account in either case any provisions for depreciation or diminution in value).

(3) In addition, in respect of any fixed assets of the company included in any assets item in the company's balance sheet, there shall be stated (by reference to each such item) –

- (a) the cumulative amount of provisions for depreciation or diminution in value of those assets included under the item as at each date mentioned in sub-paragraph (1)(a);
- (b) the amount of any such provisions made in respect of the financial year;

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- (c) the amount of any adjustments made in respect of any such provisions during that year in consequence of the disposal of any of those assets; and
- (d) the amount of any other adjustments made in respect of any such provisions during that year.

(4) The requirements of this paragraph need not be complied with to the extent that a company takes advantage of the option of setting off charges and income afforded by paragraph 5(3) of Chapter 1.

Additional information regarding fixed assets.

8. Where any fixed assets of the company (other than listed investments) are included under any item shown in the company's balance sheet at an amount determined in accordance with paragraph 25 of Chapter I the following information shall be given –

- (a) the years (so far as they are known to the directors) in which the assets were severally valued and the several values; and
- (b) in the case of assets that have been valued during the financial year, the names of the persons who valued them or particulars of their qualifications for doing so and (whichever is stated) the bases of valuation used by them.

Tangible fixed assets.

9. In relation to any amount which is included under Assets item 10 in the balance sheet format (Tangible fixed assets) with respect to land and buildings there shall be stated –

- (a) how much of that amount is ascribable to land of freehold tenure and how much to land of leasehold tenure; and
- (b) how much of the amount ascribable to land of leasehold tenure is ascribable to land held on long lease and how much to land held on short lease.

Participating Interests.

10. There shall be disclosed separately the amount of –

- (a) any participating interest; and
- (b) any shares in group undertakings that are held in credit institutions.

Reserves and provisions.

11.(1) Where any amount is transferred –

- (a) to or from any reserves;
- (b) to any provisions for liabilities; or
- (c) from any provisions for liabilities otherwise than for the purpose for which the provision was established;

and the reserves or provisions are or would but for paragraph 6(3) be shown as separate items in the company's balance sheet, the information mentioned in sub-paragraph (2) shall be given in respect of the aggregate of reserves or provisions included in the same item in tabular form.

(2) That information referred to in sub-paragraph (1) is –

- (a) the amount of the reserves or provisions as at the date of the beginning of the financial year and as at the balance sheet date respectively;
- (b) any amounts transferred to or from the reserve or provisions during that year; and
- (c) the source and application respectively of any amounts so transferred.

(3) Particulars shall be given of each provision included in Liabilities item 6(C) (Other provisions) in the company's balance sheet in any case where the amount of that provision is material.

Provision for taxation.

12. The amount of any provision for deferred taxation shall be stated separately from the amount of any provision for other taxation.

Maturity analysis.

13.(1) A company shall disclose separately for each of Assets items 3(b) and 4 and Liabilities items 1(b), 2(b) and 3(b) the aggregate amount of the loans and advances and liabilities included in those items broken down into the following categories –

- (a) those repayable in not more than three months;

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- (b) those repayable in more than three months but not more than one year;
- (c) those repayable in more than one year but not more than five years;
- (d) those repayable in more than five years,

from the balance sheet date.

(2) A company shall also disclose the aggregate amounts of all loans and advances falling within Assets item 4 (Loans and advances to customers) which –

- (a) are repayable on demand; or
- (b) being for an indeterminate period, are repayable upon short notice.

(3) For the purposes of sub-paragraph (1), where a loan or advance or liability is repayable by instalments, each such instalment is to be treated as a separate loan or advance or liability.

Debt and other fixed income securities.

14. A company shall disclose the amount of debt and fixed income securities included in Assets item 5 (Debt securities and other fixed income securities) and the amount of such securities included in Liabilities item 3(a) (Bonds and medium term notes) that (in each case) will become due within one year of the balance sheet date.

Subordinated liabilities.

15.(1) The following information shall be disclosed in relation to any borrowing included in Liabilities item 7 (Subordinated liabilities) that exceeds 10 per centum of the total for that item, that is to say –

- (a) its amount;
- (b) the currency in which it is denominated;
- (c) the rate of interest and the maturity date (or the fact that it is perpetual);
- (d) the circumstances in which early repayment may be demanded;
- (e) the terms of the subordination; and

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- (f) the existence of any provisions whereby it may be converted into capital or some other form of liability and the terms of any such provisions.

(2) The general terms of any other borrowings included in Liabilities item 7 shall also be stated.

Fixed cumulative dividends.

16. If any fixed cumulative dividends on the company's shares are in arrears, there shall be stated –

- (a) the amount of the arrears; and
- (b) the period for which the dividends or, if there is more than one class, each class of them, are in arrears.

Details of assets charged.

17.(1) There shall be disclosed in relation to each liabilities and memorandum item of the balance sheet format, the aggregate amount of any assets of the company which have been charged to secure any liability or potential liability included thereunder, the aggregate amount of the liabilities or potential liabilities so secured and an indication of the nature of the security given.

(2) Particulars shall also be given of any other charge on the assets of the company to secure the liabilities of any other person including, where practicable, the amount secured.

Guarantees and other financial commitments.

18.(1) Particulars and the total amount of any financial commitments, guarantees and contingencies that are not included in the balance sheet must be disclosed.

(2) An indication of the nature and form of any valuable security given by the company in respect of commitments, guarantees and contingencies within subparagraph (1) must be given.

(3) The total amount of any commitments within subparagraph (1) concerning pensions must be separately disclosed.

(4) Particulars must be given of pension commitments which are included in the balance sheet.

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(5) Where any commitment within subparagraph (3) or (4) relates wholly or partly to pensions payable to past directors of the company separate particulars must be given of that commitment.

(6) The total amount of any commitments, guarantees and contingencies within subparagraph (1) which are undertaken on behalf of or for the benefit of—

- (a) any parent undertaking or fellow subsidiary undertaking of the company,
- (b) any subsidiary undertaking of the company, or
- (c) any undertaking in which the company has a participating interest ,

must be separately stated and those within each of paragraphs (a), (b) and (c) must also be stated separately from those within any other of those paragraphs.

(7) There must be disclosed the nature and amount of any contingent liabilities and commitments included in Memorandum items 1 and 2 which are material in relation to the company's activities.

Memorandum items: Group undertakings.

19.(1) With respect to contingent liabilities required to be included under Memorandum item I in the balance sheet format, there shall be stated in a note to the accounts the amount of such contingent liabilities incurred on behalf of or for the benefit of –

- (a) any parent undertaking or fellow subsidiary undertaking; or
- (b) any subsidiary undertaking,

of the company, and in addition the amount incurred in respect of the undertakings referred to in paragraph (a) shall be stated separately from the amount incurred in respect of the undertakings referred to in paragraph (b).

(2) With respect to commitments required to be included under Memorandum item 2 in the balance sheet format, there shall be stated in a note to the accounts the amount of such commitments undertaken on behalf of or for the benefit of –

- (a) any parent undertaking or fellow subsidiary undertaking; or
- (b) any subsidiary undertaking,

of the company and in addition the amount incurred in respect of the undertakings referred to in paragraph (a) shall be stated separately from the amount incurred in respect of the undertakings referred to in paragraph (b).

Transferable securities.

20.(1) There shall be disclosed for each of Assets items 5 to 8 in the balance sheet format the amount of transferable securities included under those items that are listed and the amount of those that are unlisted.

(2) In the case of each amount shown in respect of listed securities under sub-paragraph (1) above, there shall also be disclosed the aggregate market value of those securities, if different from the amount shown.

(3) There shall also be disclosed for each of Assets items 5 and 6 the amount of transferable securities included under those items that are held as financial fixed assets and the amount of those that are not so held, together with the criterion used by the directors to distinguish those held as financial fixed assets.

Leasing transactions.

21. The aggregate amount of all property (other than land) leased by the company to other persons shall be disclosed, broken down so as to show the aggregate amount included in each relevant balance sheet item.

Assets and liabilities denominated in a currency other than sterling (or the currency in which the accounts are drawn up).

22.(1) The aggregate amount, in sterling (or the currency in which the accounts are drawn up), of all assets denominated in a currency other than sterling (or the currency used), together with the aggregate amount, in sterling (or the currency used), of all liabilities so denominated, shall be disclosed.

(2) For the purposes of this paragraph an appropriate rate of exchange prevailing at the balance sheet date shall be used to determine the amounts concerned.

Sundry assets and liabilities.

23. Where any amount shown under either of the following items is material, particulars shall be given of each type of asset or liability included therein, including an explanation of the nature of the asset or liability and the amount included with respect to assets or liabilities of that type, that is to say –

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- (a) Assets item 13 (Other assets);
- (b) Liabilities item 4 (Other liabilities).

Unmatured forward transactions.

24.(1) The following shall be disclosed with respect to unmatured forward transactions outstanding at the balance sheet date –

- (a) the categories of such transactions, by reference to an appropriate system of classification;
- (b) whether, in the case of each such category, they have been made, to any material extent, for the purpose of hedging the effects of fluctuations in interest rates, exchange rates and market prices or whether they have been made, to any material extent for dealing purposes.

(2) Transactions falling within sub-paragraph (1) shall include all those in relation to which income or expenditure is to be included in –

- (a) format 1, item 6 or format 2, items B4 or A3 (Dealing [profits] [losses]),
- (b) format 1, items 1 or 2, or format 2, items B1 or A1, by virtue of notes (1)(b) and (2)(b) to the profit and loss account formats (forward contracts, spread over the actual duration of the contract and similar in nature to interest).

Particulars of tax.

25.(1) Particulars shall be given of any special circumstances which affect liability in respect of taxation of profits, income or capital gains for the financial year or liability in respect of taxation of profits, income or capital gains for succeeding financial years.

(2) The following amounts shall be stated –

- (a) the amount of the charge to tax in Gibraltar;
- (b) if that amount would have been greater but for relief from double taxation, the amount which it would have been but for such relief; and
- (c) the amount of the charge for taxation imposed outside Gibraltar of profits, income and (so far as charged to revenue) capital gains.

These amounts shall be stated separately in respect of each of the amounts which is shown under the following items in the profit and loss account, that is to say format 1 item 16, format 2 item A10 (Tax on [profit][loss] on ordinary activities) and format 1 item 21, format 2 item A13 (Tax on extraordinary [profit][loss]).

Particulars of income.

26.(1) A company shall disclose, with respect to income included in the following items in the profit and loss account formats, the amount of that income attributable to each of the geographical markets in which the company has operated during the financial year—

- (a) format 1 item 1, format 2 item B1 (Interest receivable);
- (b) format 1 item 3, format 2 item B2, (Dividend income);
- (c) format 1 item 4, format 2 item B3 (Fees and commissions receivable);
- (d) format 1 item 6, format 2 item B4 (Dealing profits); and
- (e) format 1 item 7, format 2 item B7 (Other operating income).

(2) In analysing for the purpose of this paragraph the source of any income, the directors shall have regard to the manner in which the company's activities are organised.

(3) For the purposes of this paragraph, markets which do not differ substantially from each other are treated as one market.

(4) Where in the opinion of the directors the disclosure of any information required by this paragraph would be seriously prejudicial to the interests of the company, that information need not be disclosed but the fact that any such information has not been disclosed shall be stated.

27. *Omitted.*

Management and agency services.

28. A company providing any management and agency services to customers shall disclose that fact, if the scale of such services is material in the context of its business as a whole.

Subordinated liabilities.

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29. Any amounts charged to the profit and loss account representing charges incurred during the year with respect to subordinated liabilities shall be disclosed.

Sundry income and charges.

30. Where any amount to be included in any of the following items is material, particulars shall be given of each individual component of the figure, including an explanation of their nature and amount –

- (a) in format –
 - (i) Items 7 and 10 (Other operating income and charges);
 - (ii) Items 18 and 19 (Extraordinary income and charges);
- (b) in format 2 –
 - (i) Items A6 and B7 (Other operating charges and income);
 - (ii) Items A12 and B10 (Extraordinary charges and income).

Miscellaneous matters.

31.(1) Where any amount relating to any preceding financial year is included in any item in the profit and loss account, the effect shall be stated.

(2) The amount, nature and effect of any individual items of income or expenditure which are of exceptional size or incidence must be stated.

(3) Particulars shall be given of any case where the cost of any asset is for the first time determined under paragraph 23 of Chapter I.

Information about fair value of assets and liabilities.

32.(1) This paragraph applies where financial instruments have been valued in accordance with paragraphs 30, 32 or 32A of Chapter I, Part IV of this Schedule.

- (2) There must be stated–
 - (a) the significant assumptions underlying the valuation models and techniques used to determine the fair value of the financial instruments or other assets;
 - (b) for each category of financial instrument or other asset, the fair value of the assets in that category and the changes in value–

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- (i) included in the profit and loss account; or
 - (ii) credited to or (as the case may be) debited from the fair value reserve, in respect of those assets; and
 - (c) for each class of derivatives, the extent and nature of the instruments, including significant terms and conditions that may affect the amount, timing and certainty of future cash flows.
- (3) Where any amount is transferred to or from the fair value reserve during the financial year, there must be stated in tabular form—
- (a) the amount of the reserve as at the date of the beginning of the financial year and as at the balance sheet date respectively;
 - (b) the amount transferred to or from the reserve during the year; and
 - (c) the source and application respectively of the amounts so transferred.
33. Where the company has derivatives that it has not included at fair value, there must be stated for each class of such derivatives—
- (a) the fair value of the derivatives in that class, if such a value can be determined in accordance with paragraph 31 of Chapter I, Part IV of this Schedule; and
 - (b) the extent and nature of the derivatives.
- 34.(1) Sub-paragraph (2) applies if—
- (a) the company has financial fixed assets that could be included at fair value by virtue of paragraph 30 of Chapter I, Part IV of this Schedule;
 - (b) the amount at which those assets are included under any item in the company's accounts is in excess of their fair value; and
 - (c) the company has not made provision for diminution in value of those assets in accordance with paragraph 13 of Chapter I, Part III of this Schedule.
- (2) There must be stated—

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- (a) the amount at which either the individual assets or appropriate groupings of those individual assets are included in the company's accounts;
- (b) the fair value of those assets or groupings; and
- (c) the reasons for not making a provision for diminution in value of those assets, including the nature of the evidence that provides the basis for the belief that the amount at which they are stated in the accounts will be recovered.

34A.(1) This paragraph applies where the amounts to be included in a company's accounts in respect of investment property or living animals and plants have been determined in accordance with paragraph 32A of Chapter I of Part IV of this Schedule.

(2) The balance sheet items affected and the basis of valuation adopted in determining the amounts of the assets in question in the case of each such item must be disclosed in a note to the accounts.

(3) In the case of investment property, for each balance sheet item affected there must be shown, either separately in the balance sheet or in a note to the accounts—

- (a) the comparable amounts determined according to the historical cost accounting rules; or
- (b) the differences between those amounts and the corresponding amounts actually shown in the balance sheet in respect of that item.

(4) In subparagraph (3), references in relation to any item to the comparable amounts determined in accordance with that subparagraph are references to—

- (a) the aggregate amount which would be required to be shown in respect of that item if the amounts to be included in respect of all the assets covered by that item were determined according to the historical cost accounting rules; and
- (b) the aggregate amount of the cumulative provisions for depreciation or diminution in value which would be permitted or required in determining those amounts according to those rules.

Appropriations.

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34B. Particulars must be given of the proposed appropriation of profit or treatment of loss or, where applicable, particulars of the actual appropriation of the profits or treatment of the losses.

Post balance sheet events.

34C. The nature and financial effect of material events arising after the balance sheet date which are not reflected in the profit and loss account or balance sheet must be stated.

35. Where used in this Chapter, the expressions defined in paragraph 35 of Chapter I, Part IV of this Schedule have the same meaning as in that Chapter.

36. Subject to Part III of the Act, in addition to the information required under this Schedule and the Act, the notes on the accounts must disclose information on the following matters at least—

- (a) the nature and business purpose of the company's arrangements that are not included in the balance sheet and the financial impact on the company of those arrangements, provided that the risks or benefits arising from such arrangements are material and in so far as the disclosure of such risks or benefits is necessary for assessing the financial position of the company;
- (b) transactions which have been entered into with related parties, as defined in the IAS Regulation, by the company, including the amount of such transactions, the nature of the related party relationship and other information about the transactions necessary for an understanding of the financial position of the company, if such transactions are material and have not been concluded under normal market conditions. Information about individual transactions may be aggregated according to their nature except where separate information is necessary for an understanding of the effects of related party transactions on the financial position of the company:

provided that—

- (a) *Deleted*
- (b) transactions entered into between two or more members of a group are exempt from the provisions of this paragraph provided that subsidiaries which are party to the transaction are wholly owned by such a member.

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Fees.

36A. The total fees for the financial year charged by each statutory auditor or audit firm for the statutory audit of the annual accounts, the total fees charged for other assurance services, the total fees charged for tax advisory services and the total fees charged for other non-audit services shall be stated.

SCHEDULE 2

Regulation 4A

FORM AND CONTENT OF ACCOUNTS OF
BANKING GROUPS

CONSOLIDATED ACCOUNTS

General Rules.

1.(1) Group accounts shall comply so far as practicable with the provisions of Schedule 1 as if the undertakings included in the consolidation (“the group”) were a single company.

(2) In particular, for the purposes of paragraph 18(4) of Chapter III of Schedule 1 as it applies to group accounts –

- (a) any subsidiary undertakings of the parent company not included in the consolidation shall be treated as subsidiary undertakings of the group; and
- (b) if the parent company is itself a subsidiary undertaking, the group shall be treated as a subsidiary undertaking of any parent undertaking of that company, and the reference to fellow-subsidiary undertakings will be construed accordingly.

2.(1) The consolidated balance sheet and profit and loss account shall incorporate in full the information contained in the individual accounts of the undertakings included in the consolidation, subject to the adjustments authorised or required by the following provisions of this Schedule and to such other adjustments (if any) as may be appropriate in accordance with generally accepted accounting principles or practice.

(1A) Group accounts must be drawn up as at the same date as the accounts of the parent company.

(2) If the financial year of a subsidiary undertaking included in the consolidation does not end with that of the parent company, the group accounts shall be made up –

- (a) from the accounts of the subsidiary undertaking for its financial year last ending before the end of the parent company’s financial year, provided that year ended no more than six months before that of the parent company; or

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(b) from interim accounts prepared by the subsidiary undertaking as at the end of the parent company's financial year.

3.(1) Where assets and liabilities to be included in the group accounts have been valued or otherwise determined by undertakings according to accounting rules differing from those used for the group accounts, the values or amounts shall be adjusted so as to accord with the rules used for the group accounts.

(2) If it appears to the directors of the parent company that there are special reasons for departing from sub-paragraph (1) they may do so, but particulars of any such departure, the reasons for it and its effect shall be given in a note to the accounts.

(3) The adjustments referred to in this paragraph need not be made if they are not material for the purpose of giving a true and fair view.

4. Any differences of accounting rules as between a parent company's individual accounts for a financial year and its group accounts shall be disclosed in a note to the latter accounts and the reasons for the difference given.

5. Amounts which in the particular context of any provision of this Schedule are not material may be disregarded for the purposes of that provision.

Elimination of group transactions.

6.(1) Debts and claims between undertakings included in the consolidation, and income and expenditure relating to transactions between such undertakings, shall be eliminated in preparing the group accounts.

(2) Where profits and losses resulting from transactions between undertakings included in the consolidation are included in the book value of assets, they shall be eliminated in preparing the group accounts.

(3) The elimination required by sub-paragraph (2) may be effected in proportion to the group's interest in the shares of the undertakings.

(4) Sub-paragraphs (1) and (2) need not be complied with if the amounts concerned are not material for the purpose of giving a true and fair view.

Acquisition accounting.

7.(1) The following provisions apply where an undertaking becomes a subsidiary undertaking of the parent company.

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(2) That event is referred to in those provisions as an “acquisition”, and references to the “undertaking acquired” will be construed accordingly.

8. An acquisition shall be accounted for by the acquisition method of accounting.

9.(1) The acquisition method of accounting is as follows.

(2) The identifiable assets and liabilities of the undertaking acquired shall be included in the consolidated balance sheet at their fair values as at the date of acquisition.

In this paragraph the “identifiable” assets or liabilities of the undertaking acquired means the assets or liabilities which are capable of being disposed of or discharged separately, without disposing of a business of the undertaking.

(3) The income and expenditure of the undertaking acquired shall be brought into the group accounts only as from the date of the acquisition.

(4) There shall be set off against the acquisition cost of the interest in the shares of the undertaking held by the parent company and its subsidiary undertakings the interest of the parent company and its subsidiary undertakings in the adjusted capital and reserves of the undertaking acquired.

For this purpose –

“the acquisition cost” means the amount of any cash consideration and the fair value of any other consideration, together with such amount (if any) in respect of fees and other expenses of the acquisition as the company may determine; and

“the adjusted capital and reserves” of the undertaking acquired means its capital and reserves at the date of the acquisition after adjusting the identifiable assets and liabilities of the undertaking to fair values as at that date.

(5) The resulting amount (if positive) shall be treated as goodwill, and (if negative), as a negative consolidation difference.

(6) Negative goodwill may be transferred to the consolidated profit and loss account where such a treatment is in accordance with the principles and rules of Part II of Chapter I of Schedule 1.

10. (1) Where a group is acquired, paragraph 9 applies with the following adaptations.

(2) References to the undertaking acquired will be construed as references to the group; and references to the assets and liabilities, income and expenditure and capital and reserves of the undertaking acquired will be construed as references to the assets and liabilities, income and expenditure and capital and reserves of the group after making the set-offs and other adjustments required by this Schedule in the case of group accounts.

11.(1) The following information with respect to acquisitions taking place in the financial year shall be given in a note to the accounts.

(2) The name of the undertaking acquired or, where a group was acquired, the name of the parent undertaking of that group shall be stated, and in relation to an acquisition which significantly affects the figures shown in the group accounts, the following further information shall be given.

(3) The composition and fair value of the consideration for the acquisition given by the parent company and its subsidiary undertakings shall be stated.

(4) The book values immediately prior to the acquisition, and the fair values at the date of acquisition, of each class of assets and liabilities of the undertaking or group acquired shall be stated in tabular form, including a statement of the amount of any goodwill or negative consolidation difference arising on the acquisition, together with an explanation of any significant adjustments made.

(5) The set-offs and other adjustments required by this Schedule in the case of group accounts shall be made in ascertaining for the purposes of subparagraph (4) the profit or loss of a group, the book values and fair values of assets and liabilities of a group or the amount of the assets and liabilities of a group.

12.(1) A note to the accounts shall also state the cumulative amount of goodwill resulting from acquisitions in that and earlier financial years which has been written off otherwise than in the consolidated profit and loss account for that or any earlier financial year.

(2) The figure shall be shown net of any goodwill attributable to subsidiary undertakings or businesses disposed of prior to the balance sheet date.

13. Where during the financial year there has been a disposal of an undertaking or group which significantly affects the figure shown in the group accounts, a note to the accounts shall state –

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- (a) the name of that undertaking or, as the case may be, of the parent undertaking of that group, and
- (b) the extent to which the profit or loss shown in the group accounts is attributable to profit or loss of that undertaking or group.

14. The information required by paragraph 11, 12 or 13 need not be disclosed with respect to an undertaking which –

- (a) is established under the law of a country outside the United Kingdom or Gibraltar, or
- (b) carries on business outside the United Kingdom or Gibraltar;

if in the opinion of the directors of the parent company the disclosure would be seriously prejudicial to the business of that undertaking or to the business of the parent company or any of its subsidiary undertakings and the Commissioner agrees that the information need not be disclosed.

Non-controlling interests.

15. (1) The formats set out in Schedule 1 have effect in relation to group accounts with the following additions.

(2) In the Balance Sheet Format, a further item headed “Non-controlling interests” is added under the general heading “LIABILITIES”, between items 7 and 8 or after item 12, and under that item shall be shown the amount of capital and reserves attributable to shares in subsidiary undertakings included in the consolidation held by or on behalf of persons other than the parent company and its subsidiary undertakings.

(3) In the Profit and Loss Account Format a further item headed “Non-controlling interests” is added –

- (a) in Format 1, between items 17 and 18; or
- (b) in Format 2, between items A11 and A12 or between items B9 and B10,

and under that item shall be shown the amount of any profit or loss on ordinary activities attributable to shares in subsidiary undertakings included in the consolidation held by or on behalf of persons other than the parent company and its subsidiary undertakings.

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(4) In the Profit and Loss Account Format a further item headed “Non-controlling interests” is added –

- (a) in Format 1, between items 22 and 23; or
- (b) in Format 2, between items A14 and A15 or between items B11 and B12,

and under that item shall be shown the amount of any profit or loss on extraordinary activities attributable to shares in subsidiary undertakings included in the consolidation held by or on behalf of persons other than the parent company and its subsidiary undertakings.

16. *Omitted.*

Joint ventures.

17. (1) Where an undertaking included in the consolidation manages another undertaking jointly with one or more undertakings not included in the consolidation, that other undertaking (“the joint venture”) may, if it is not –

- (a) a corporate body; or
- (b) a subsidiary undertaking of the parent company;

be dealt with in the group accounts by the method of proportional consolidation.

(2) The provisions of this Schedule relating to the preparation of consolidated accounts apply, with any necessary modifications, to proportional consolidation under this paragraph.

(3) In addition to the disclosure of the average number of employees employed during the financial year, there must be a separate disclosure in the notes to the accounts of the average number of employees employed by undertakings that are proportionately consolidated.

Associated undertakings.

18. (1) An “associated undertaking” means an undertaking in which an undertaking included in the consolidation has a participating interest and over whose operating and financial policy it exercises a significant influence, and which is not –

- (a) a subsidiary undertaking of the parent company; or
- (b) a joint venture dealt with in accordance with paragraph 17.

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(2) Where an undertaking holds 20 per cent. or more of the voting rights in another undertaking, it is presumed to exercise such an influence over it unless the contrary is shown.

(3) The voting rights in an undertaking means the rights conferred on shareholders in respect of their shares or, in the case of an undertaking not having a share capital, on members, to vote at general meetings of the undertaking on all, or substantially all, matters.

19. (1) The formats set out in Schedule 1 have effect in relation to group accounts with the following modifications.

(2) In the Balance Sheet Format, Asset item 7 (participating interests) is replaced by two items, “Interests in associated undertakings” and “Other participating interests”.

(3) In the Profit and Loss Account Format, items 3(b) in Format 1 and B2(b) in Format 2 (income from participating interests, with a separate indication of that derived from group undertakings) are each replaced by the following items –

- (a) “Income from associated undertakings”, which shall be shown as items 3(b) in Format 1 and B2(b) in Format 2;
- (b) “Income from participating interests other than associated undertakings, with a separate indication of that derived from group undertakings”, which shall be shown as items 3(bb) in Format 1 and B2(bb) in Format 2.

20. (1) The interest of an undertaking in an associated undertaking, and the amount of profit or loss attributable to such an interest, shall be shown by the equity method of accounting.

(2) Where the associated undertaking is itself a parent undertaking, the net assets and profits or losses to be taken into account are those of the parent and its subsidiary undertakings (after making any consolidation adjustments).

(3) The equity method of accounting need not be applied if the amounts in question are not material for the purpose of giving a true and fair view.

Related party transactions.

20A. Paragraph 36(b) of Chapter III of Schedule 1 applies to transactions which the parent company, or other undertakings included in the

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consolidation, have entered into with related parties, unless they are intra-group transactions.

Foreign currency translation.

21. Any difference between –

- (a) the amount included in the consolidated accounts for the previous financial year with respect to any undertaking included in the consolidation or the group's interest in any associated undertaking, together with the amount of any transactions undertaken to cover any such interest; and
- (b) the opening amount for the financial year in respect of those undertakings and in respect of any such transactions,

arising as a result of paragraph 22 of Chapter III of Schedule 1 may be credited to (where (a) is less than (b)), or deducted from (where (a) is greater than (b)), consolidated reserves.

22. Any income and expenditure of undertakings included in the consolidation and associated undertakings in a foreign currency may be translated for the purposes of the consolidated accounts at the average rates of exchange prevailing during the financial year.

Deferred tax balances.

23. Deferred tax balances must be recognised on consolidation where it is probable that a charge to tax will arise within the foreseeable future for one of the undertakings included in the consolidation.

SCHEDULE 3

Regulation 8(1)

DISCLOSURE OF INFORMATION: RELATED UNDERTAKINGS

PART I

COMPANIES NOT REQUIRED TO PREPARE GROUP ACCOUNTS

Subsidiary undertakings.

1. The following shall be given where at the end of the financial year the company has subsidiary undertakings –

- (a) the name of each subsidiary undertaking;
- (b) for each subsidiary undertaking;
 - (i) the address of the undertaking's registered office (whether in or outside Gibraltar); or
 - (ii) if it is unincorporated, the address of its principal place of business;
- (c) the reason why the company is not required to prepare group accounts; and
- (d) if that reason is that all the subsidiary undertakings of the company fall within the exclusions provided for in regulation 6, with respect to each subsidiary undertaking which of those exclusions applies.

Holdings in subsidiary undertakings.

2.(1) There shall be stated in relation to shares of each class held by the company in a subsidiary undertaking –

- (a) the identity of the class; and
- (b) the proportion of the nominal value of the shares of that class represented by those shares.

(2) The shares held by or on behalf of the company itself shall be distinguished from those attributed to the company which are held by or on behalf of a subsidiary undertaking.

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Financial information about subsidiary undertakings.

3. (1) For each subsidiary undertaking the following shall be shown –
- (a) the sum of paragraphs 1, 3, 4, 6 and 7 in Format 1 of Schedule 1; or
 - (b) the sum of paragraphs B1, B2, B3, B4 and B7 in Format 2 of Schedule 1.
- (2) The information in sub-paragraph (1) need not be given if –
- (a) the company is exempt by virtue of regulation 5 from the requirement to prepare group accounts (parent company included in accounts of larger group);
 - (b) the company’s investment in the subsidiary undertaking is included in the company’s account by way of the equity method of valuation; or
 - (c)
 - (i) the subsidiary undertaking is not required by any provision made by or under the Act or any other Act to deliver to the Registrar a copy of its balance sheet for its relevant financial year and does not otherwise publish that balance sheet in Gibraltar or elsewhere; and
 - (ii) the company’s holding is less than 50 per cent of the nominal value of the shares in the undertaking.
- (4) Information otherwise required by this paragraph need not be given if it is not material.
- (5) For the purposes of this paragraph the “relevant financial year” of a subsidiary undertaking is –
- (a) if its financial year ends with that of the company, that year; and
 - (b) if not, its financial year ending last before the end of the company’s financial year.

Financial years of subsidiary undertakings.

4. Where –
- (a) disclosure is made under paragraph 3(1) with respect to a subsidiary undertaking; and

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- (b) that undertaking's financial year does not end with that of the company,

there shall be stated in relation to that undertaking the date on which its last financial year ended (last before the end of the company's financial year).

Shares and debentures of company held by subsidiary undertakings.

5.(1) The number, description and amount of the shares in the company held by or on behalf of its subsidiary undertakings shall be disclosed.

(2) Sub-paragraph (1) does not apply in relation to shares in the case of which the subsidiary undertaking is concerned as personal representative or, subject as follows, as trustee.

(3) The exception for shares in relation to which the subsidiary undertaking is concerned as trustee does not apply if the company, or any subsidiary undertaking of the company, is beneficially interested under the trust, otherwise than by way of security only for the purposes of a transaction entered into by it in the ordinary course of a business which includes the lending of money.

Significant holdings in undertakings other than subsidiary undertakings.

6.(1) The information required by paragraphs 7 and 8 shall be given where at the end of the financial year the company has a significant holding in an undertaking which is not a subsidiary undertaking of the company.

(2) A holding is significant for this purpose if –

- (a) it amounts to 10 per cent or more of the nominal value of any class of shares in the undertaking; or
- (b) the amount of the holding (as stated or included in the company's accounts) exceeds one-fifth of the amount (as so stated) of the company's assets.

7. (1) There shall be stated –

- (a) the name of the undertaking;
- (b) the address of the undertaking's registered office (whether in or outside Gibraltar); and

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- (c) if it is unincorporated, the address of its principal place of business.
- (2) There shall also be stated –
- (a) the identity of each class of shares in the undertaking held by the company; and
 - (b) the proportion of the nominal value of the shares of that class represented by those shares.
8. (1) There shall also be stated –
- (a) the total amount of the capital and reserves of the undertaking as at the end of its relevant financial year; and
 - (b) its profit and loss for that year.
- (2) That information need not be given if –
- (a) the company is exempt by virtue of regulation 5 from the requirement to prepare group accounts (parent company included in accounts of larger group); and
 - (b) the investment of the company in all undertakings in which it has such a holding as is mentioned in sub-paragraph (1) is shown, in total, in the notes to the accounts by way of the equity method of valuation.
- (3) That information need not be given in respect of an undertaking if –
- (a) the undertaking is not required by any provision made by or under the Act or any other Act to deliver to the Registrar a copy of its balance sheet for its relevant financial year and does not otherwise publish that balance sheet in Gibraltar or elsewhere; and
 - (b) the company’s holding is less than 50 per cent of the nominal value of the shares in the undertaking.
- (4) Information otherwise required by this paragraph need not be given if it is not material.
- (5) For the purposes of this paragraph the “relevant financial year” of an undertaking is –

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- (a) if its financial year ends with that of the company, that year; and
- (b) if not, its financial year ending last before the end of the company's financial year.

Membership of certain undertakings.

8A.(1) The information required by this paragraph shall be given where at the end of the financial year the company is a member of an undertaking having unlimited liability.

(2) There shall be stated—

- (a) the name and legal form of the undertaking; and
- (b) the address of the undertaking's registered office (whether in or outside Gibraltar) or, if it does not have such an office, its head office (whether in or outside Gibraltar).

(3) Information otherwise required by subparagraph (2) need not be given if it is not material.

Parent undertaking drawing up accounts for larger group.

9.(1) Where the company is a subsidiary undertaking, the following information shall be given with respect to the parent undertaking of —

- (a) the largest group of undertakings for which group accounts are drawn up and of which the company is a member; and
- (b) the smallest such group of undertakings.

(2) There shall be stated —

- (a) the name of the parent undertaking;
- (b) the address of the undertaking's registered office (whether in or outside Gibraltar); and
- (c) if it is unincorporated, the address of its principal place of business.

(3) If copies of the group accounts referred to in sub-paragraph (1) are available to the public, the addresses from which copies of the accounts can be obtained shall be given.

Identification of ultimate parent company.

10. (1) Where the company is a subsidiary undertaking, the following information shall be given with respect to the company (if any) regarded by the directors as being the company's ultimate parent company –

- (a) the name of that company; and
- (b) the country in which it is incorporated, if it is incorporated outside Gibraltar and that country is known to the directors.

(2) In this paragraph “company” includes any corporate body.

Constructions of references to shares held by company.

11.(1) References in this Part to shares held by a company will be construed as follows.

(2) For the purposes of paragraphs 2 to 4 (information about subsidiary undertakings)–

- (a) the company will be treated as holding any shares held by a subsidiary undertaking, or by a person acting on behalf of the company or a subsidiary undertaking, but
- (b) the company will not be treated as holding any shares held for a person other than the company or a subsidiary undertaking.

(3) For the purposes of paragraphs 6 to 8 (information about undertakings other than subsidiary undertakings) –

- (a) the company will be treated as holding shares held for it by any person; but
- (b) the company will not be treated as holding shares held for a person other than the company.

(4) For the purposes of any of those provisions, shares held by way of security will be treated as held by the person providing the security –

- (a) where apart from the right to exercise them for the purpose of preserving the value of the security, or of realising it, the rights attached to the shares are exercisable only in accordance with his instructions; and
- (b) where the shares are held in connection with the granting of loans as part of normal business activities and apart from the right to exercise them for the purpose of preserving the value of

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the security, or of realising it, the rights attached to the shares are exercisable only in his interests.

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PART II

COMPANIES REQUIRED TO PREPARE GROUP ACCOUNTS

Introductory.

12. In this Part “the group” means the group consisting of the parent company and its subsidiary undertakings.

Subsidiary undertakings.

13.(1) The information required by this sub-paragraph and by sub-paragraphs (2) and (3) shall be given with respect to the undertakings which are subsidiary undertakings of the parent company at the end of the financial year –

- (a) the name of each undertaking;
- (b) the address of the undertaking’s registered office (whether in or outside Gibraltar); and
- (c) if it is unincorporated, the address of its principal place of business.

(2) It shall also be stated whether the subsidiary undertaking is included in the consolidation and, if it is not, the reasons for excluding it from consolidation shall be given.

(3) It shall be stated with respect to each subsidiary undertaking by virtue of which of the conditions specified in sections 2(32) or (34) of the Act it is a subsidiary undertaking of its immediate parent undertaking.

That information need not be given if the relevant condition is that specified in section 2(32)(a) of the Act (holding of a majority of the voting rights) and the immediate parent undertaking holds the same proportion of the shares in the undertaking as it holds voting rights.

Holdings in subsidiary undertakings.

14.(1) The following information shall be given with respect to the shares of a subsidiary undertaking held –

- (a) by the parent company; and

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(b) by the group;

and the information under (a) and (b) shall (if different) be shown separately.

(2) There shall be stated –

- (a) the identity of each class of shares held; and
- (b) the proportion of the nominal value of the shares of that class represented by those shares.

Financial information about subsidiary undertakings not included in the consolidation.

15.(1) There shall be shown with respect to each subsidiary undertaking not included in the consolidation –

- (a) the total amount of its capital and reserves as at the end of its relevant financial year; and
- (b) its profit or loss for that year.

(2) That information need not be given if the group's investment in the undertaking is included in the accounts by way of the equity method of valuation or if –

- (a) the undertaking is not required by any provision made by or under the Act or any other Act to deliver to the Registrar a copy of its balance sheet for its relevant financial year and does not otherwise publish that balance sheet in Gibraltar or elsewhere; and
- (b) the holding of the group is less than 50 per cent of the nominal value of the shares in the undertaking.

(3) Information otherwise required by this paragraph need not be given if it is not material.

(4) For the purposes of this paragraph the “relevant financial year” of a subsidiary undertaking is –

- (a) if its financial year ends with that of the company, that year; and
- (b) if not, its financial year ending last before the end of the company's financial year.

Shares and debentures of company held by subsidiary undertakings.

16.(1) The number, description and amount of the shares in the company held by or on behalf of its subsidiary undertakings shall be disclosed.

(2) Sub-paragraph (1) does not apply in relation to shares in the case of which the subsidiary undertaking is concerned as personal representative or, subject as follows, as trustee.

(3) The exception for shares in relation to which the subsidiary undertaking is concerned as trustee does not apply if the company or any of its subsidiary undertakings is beneficially interested under the trust, otherwise than by way of security only for the purposes of a transaction entered into by it in the ordinary course of a business which includes the lending of money.

Joint ventures.

17.(1) The following information shall be given where an undertaking is dealt with in the consolidated accounts by the method of proportional consolidation in accordance with paragraph 17 of Schedule 2 (joint ventures)–

- (a) the name of the undertaking;
- (b) the address of the undertaking's registered office (whether in or outside Gibraltar);
- (c) the factors on which joint management of the undertaking is based; and
- (d) the proportion of the capital of the undertaking held by undertakings included in the consolidation.

(2) If the financial year of the undertaking did not end on the same date as that of the company, the date on which the financial year of the undertaking last ended before that date shall be stated.

Associated undertakings.

18.(1) The following information shall be given where an undertaking included in the consolidation has an interest in an associated undertaking –

- (a) the name of the associated undertaking;

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- (b) the address of the undertaking's registered office (whether in or outside Gibraltar); and
- (c) if it is unincorporated, the address of its principal place of business.

(2) The following information shall be given with respect to the shares of the undertaking held –

- (a) by the parent company; and
- (b) by the group;

and the information under (a) and (b) shall be shown separately.

(3) There shall be stated –

- (a) the identity of each class of shares held; and
- (b) the proportion of the nominal value of the shares of that class represented by those shares.

(4) In this paragraph “associated undertaking” has the meaning given by paragraph 18 of Schedule 2; and the information required by this paragraph shall be given notwithstanding that paragraph 20(3) of that Schedule (materially) applies in relation to the accounts themselves.

Other significant holdings of parent company or group.

19.(1) The information required by paragraphs 20 and 21 shall be given where at the end of the financial year the parent company has a significant holding in an undertaking which is not one of its subsidiary undertakings and does not fall within paragraph 17 (joint ventures) or paragraph 18 (associated undertakings).

(2) A holding is significant for this purpose if –

- (a) it amounts to 20 per cent or more of the nominal value of any class of shares in the undertaking; or
- (b) the amount of the holding (as stated or included in the company's individual accounts) exceeds one-fifth of the amount of its assets (as so stated).

20.(1) There shall be stated –

- (a) the name of the undertaking;

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- (b) the address of the undertaking's registered office (whether in or outside Gibraltar); and
- (c) if it is unincorporated, the address of its principal place of business.

(2) The following information shall be given with respect to the shares of the undertaking held by the parent company –

- (a) the identity of each class of shares held; and
- (b) the proportion of the nominal value of the shares of that class represented by those shares.

21.(1) There shall also be stated –

- (a) the total amount of the capital and reserves of the undertaking at the end of its relevant financial year; and
- (b) its profit or loss for that year.

(2) That information need not be given in respect of an undertaking if –

- (a) the undertaking is not required by any provision made by or under the Act or any other Act to deliver to the Registrar a copy of its balance sheet for its relevant financial year and does not otherwise publish that balance sheet in Gibraltar or elsewhere; and
- (b) the company's holding is less than 50 per cent of the nominal value of the shares in the undertaking.

(3) Information otherwise required by this paragraph need not be given if it is not material.

(4) For the purposes of this paragraph the “relevant financial year” of an undertaking is –

- (a) if its financial year ends with that of the company, that year; and
- (b) if not, its financial year ending last before the end of the company's financial year.

22.(1) The information required by paragraphs 23 and 24 shall be given where at the end of the financial year the group has a significant holding in

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an undertaking which is not a subsidiary undertaking of the parent company and does not fall within paragraph 17 (joint ventures) or paragraph 18 (associated undertakings).

- (2) A holding is significant for this purpose if –
 - (a) it amounts to 20 per cent or more of the nominal value of any class of shares in the undertaking; or
 - (b) the amount of the holding (as stated or included in the group accounts) exceeds one-fifth of the amount of the group's assets (as so stated).
- 23.(1) There shall be stated –
- (a) the name of the undertaking;
 - (b) the address of the undertaking's registered office (whether in or outside Gibraltar); and
 - (c) if it is unincorporated, the address of its principal place of business.
- (2) The following information shall be given with respect to the shares of the undertaking held by the group –
- (a) the identity of each class of shares held; and
 - (b) the proportion of the nominal value of the shares of that class represented by those shares.
- 24.(1) There shall also be stated –
- (a) the total amount of the capital and reserves of the undertaking as at the end of its relevant financial year; and
 - (b) its profit or loss for that year.
- (2) That information need not be given if –
- (a) the undertaking is not required by any provision made by or under the Act or any other Act to deliver to the Registrar a copy of its balance sheet for its relevant financial year and does not otherwise publish that balance sheet in Gibraltar or elsewhere; and

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- (b) the holding of the group is less than 50 per cent of the nominal value of the shares in the undertaking.

(3) Information otherwise required by this paragraph need not be given if it is not material.

(4) For the purposes of this paragraph the “relevant financial year” of an outside undertaking is –

- (a) if its financial year ends with that of the parent company, that year; and
- (b) if not, its financial year ending last before the end of the parent company’s financial year.

Membership of certain undertakings.

24A.(1) The information required by this paragraph shall be given where at the end of the financial year the company is a member of an undertaking having unlimited liability.

(2) There shall be stated–

- (a) the name and legal form of the undertaking; and
- (b) the address of the undertaking’s registered office (whether in or outside Gibraltar) or, if it does not have such an office, its head office (whether in or outside Gibraltar).

(3) Information otherwise required by subparagraph (2) need not be given if it is not material.

Parent undertaking drawing up accounts for larger group.

25.(1) Where the parent company is itself a subsidiary undertaking, the following information shall be given with respect to that parent undertaking of the company which heads –

- (a) the largest group of undertakings for which group accounts are drawn up and of which that company is a member; and
- (b) the smallest such group of undertakings.

(2) There shall be stated –

- (a) the name of the parent undertaking;

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- (b) the address of the undertaking's registered office (whether in or outside Gibraltar); and
- (c) if it is unincorporated, the address of its principal place of business.

(3) If copies of the group accounts referred to in sub-paragraph (1) are available to the public, the addresses from which copies of the accounts can be obtained shall also be stated.

Identification of ultimate parent company.

26.(1) Where the parent company is itself a subsidiary undertaking, the following information shall be given with respect to the company (if any) regarded by the directors as being that company's ultimate parent company –

- (a) the name of that company; and
- (b) the country in which it has its registered office, if that is outside Gibraltar and known to the directors.

(2) In this paragraph "company" includes any corporate body.

Construction of references to shares held by parent company or group.

27.(1) References in this Part to shares held by the parent company or the group will be construed as follows.

(2) For the purposes of paragraphs 14, 18(2) and (3) and 19 to 21 –

- (a) shares held on the parent company's behalf by any person will be attributed to it; but
- (b) shares held on behalf of a person other than the company will not be treated as held by the company.

(3) References to shares held by the group are to any shares held by or on behalf of the parent company or any of its subsidiary undertakings; but any shares held on behalf of a person other than the parent company or any of its subsidiary undertakings will not be treated as held by the group.

(4) Shares held by way of security will be treated as held by the person providing the security –

- (a) where apart from the right to exercise them for the purpose of preserving the value of the security, or of realising it, the rights

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attached to the shares are exercisable only in accordance with his instructions; and

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- (b) where the shares are held in connection with the granting of loans as part of normal business activities and apart from the right to exercise them for the purpose of preserving the value of the security, or of realising it, the rights attached to the shares are exercisable only in his interests.

SCHEDULE 4

Regulation 10

DISCLOSURE OF EMOLUMENTS OF DIRECTORS

1. The notes to the accounts of an institution to which these Regulations apply shall disclose the amount of emoluments paid to or receivable by any person for –

- (a) his services as a director of the institution; or
- (b) his services while director of the institution –
- (i) as director of any of its subsidiary undertakings; or
- (ii) otherwise in connection with the management of the affairs of the company or any of its subsidiary undertakings.

2. The total amount within paragraph 1(a) and 1(b)(i) and the total amount within paragraph 1(b)(ii) shall be shown separately.

3. For the purposes of this Schedule, the “emoluments” of a person include–

- (a) fees and percentages;
- (b) sums paid by way of expenses allowance (so far as those sums are chargeable to income tax in Gibraltar);
- (c) contributions paid in respect of him under any pension scheme; and
- (d) the estimated money value of any benefits received by him otherwise than in cash;

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and emoluments in respect of a person's accepting office as director will be treated as emoluments in respect of his services as director.

4. The total amount of directors' or past directors' retirement pensions shall be shown, and the amount so shown shall distinguish between retirement pensions in respect of services as director, whether of the company or any of its subsidiary undertakings, and other pensions.

5. The amounts of advances and credits granted to the directors of the parent undertaking by that undertaking or one of its subsidiary undertakings shall be shown, with indications of the interest rates, main conditions and any amounts repaid, as well as commitments entered into on their behalf by way of guarantee of any kind with an indication of the total for each category.