

**SECOND SUPPLEMENT TO THE GIBRALTAR
GAZETTE**

No. 3757 of 15 January, 2010

LEGAL NOTICE NO. 9 OF 2010.

INTERPRETATION AND GENERAL CLAUSES ACT

**COMPANIES (CONSOLIDATED ACCOUNTS) (AMENDMENT)
REGULATIONS 2010**

In exercise of the powers conferred on it by section 23(g)(ii) of the Interpretation and General Clauses Act, and in order to amend the Companies (Consolidated Accounts) Act 1999 so as to transpose into the law of Gibraltar Article 2 of Directive 2006/46/EC of the European Parliament and of the Council of 14 June 2006 amending Council Directives 78/660/EEC on the annual accounts of certain types of companies, 83/349/EEC on consolidated accounts, 86/635/EEC on the annual accounts and consolidated accounts of banks and other financial institutions and 91/674/EEC on the annual accounts and consolidated accounts of insurance undertakings, the Government has made the following Regulations—

Title and commencement.

1. These Regulations may be cited as the Companies (Consolidated Accounts) (Amendment) Regulations 2010 and shall come into operation on the day of publication.

Amendments to the Companies (Consolidated Accounts) Act 1999.

2.(1) The Companies (Consolidated Accounts) Act 1999 is amended in accordance with the provisions of this regulation.

(2) Section 7 is amended by inserting after subsection (1) the following subsection—

“(1A) Directors drawing up the consolidated accounts pursuant to subsection (1) have collectively the duty to ensure that the consolidated accounts and, when provided separately, the corporate governance statement to be provided pursuant to section 8ZZAA of the Companies (Accounts) Act 1999 are drawn up and published in accordance with the requirements

of this Act and, where applicable, in accordance with the international accounting standards adopted in accordance with the IAS Regulation.”.

(3) The following is inserted after section 11A–

“Disclosure required in notes to annual accounts: arrangements not included in consolidated balance sheet and with related parties.

11B.(1) In addition to other information required under other provisions of this Act, the notes on the accounts must set out information in respect of the following matters–

- (a) the nature and business purpose of any arrangements that are not included in the consolidated balance sheet, and the financial impact 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 undertakings included in the consolidation taken as a whole; and
 - (b) the transactions, save for intra-group transactions, entered into by the parent undertaking, or by other undertakings included in the consolidation, with related parties, including the amounts of such transactions, the nature of the related party relationship as well as other information about the transactions necessary for an understanding of the financial position of the undertakings included in the consolidation taken as a whole, if such transactions are material and have not been concluded under normal market conditions.
- (2) For the purposes of subsection (1)(b), information about individual transactions may be aggregated according to their nature except where separate information is necessary for an understanding of the effects of the related party transactions on the financial position of the undertakings included in the consolidation taken as a whole.

(3) For the purposes of this Act, "Related party" has the same meaning as in international accounting standards adopted in accordance with the IAS Regulation".

(4) Section 14(3) is amended by substituting for the table, the following table—

“Small group

1. Total turnover	Not more than £6.5 million net (£6.72 million gross)
2. Aggregate balance sheet total	Not more than £3.26 million net (£3.9 million gross)
3. Total number of employees	Not more than 50

Medium-sized group

1. Total turnover	Not more than £25.9 million net (£31.1 million gross)
2. Aggregate balance sheet total	Not more than £12.9 million net (£15.5 million gross)
3. Total number of employees	Not more than 250”.

(5) Part II of Schedule 3 is amended by inserting after paragraph 32 the following paragraph—

“Risk management systems.

33.(1) A consolidated annual report shall give a description of the main features of the group's internal control and risk management systems in relation to the process for preparing consolidated accounts, where an undertaking has its securities admitted to trading on a regulated market within the meaning of the Financial Services (Markets in Financial Instruments) Act 2007. In the event that the consolidated annual report and the directors' report are presented as a single report, this

information must be included in the section of the report containing the corporate governance statement as provided for in section 8ZZAA of the Companies (Accounts) Act 1999.

- (2) Where the information required by section 8ZZAA of the Companies (Accounts) Act 1999 is set out in a separate report published together with the directors' report in the manner prescribed by that Act, the information provided under subsection (1) shall also form part of that separate report, which shall be audited in accordance with the provisions of this Act."

Dated 15th January, 2010.

P R CARUANA QC,
Chief Minister.

EXPLANATORY MEMORANDUM

These Regulations amend the Companies (Consolidated Accounts) Act 1999 in order to transpose Article 2 of Directive 2006/46/EC of the European Parliament and of the Council of 14 June 2006.

The Directive introduces a number of amendments intended to enhance confidence in financial statements and annual reports published by European companies. The following are the principal provisions of the Directive:

- An extension of the Member State option to permit/require fair value accounting for financial instruments in local (non-IFRS) GAAP¹ to all instruments permitted to be fair valued in accordance with International Financial Reporting Standards;
- New disclosure requirements in relation to off-balance sheet arrangements and related party transactions;
- A requirement for companies admitted to trading on a regulated market to produce an annual corporate governance statement;
- A requirement that the directors are collectively responsible for preparing and publishing the annual accounts and the annual (directors') report;
- A Member State option to increase the maximum thresholds for availing of various reporting exemptions for small and medium-sized companies and groups to new maximum amounts.

¹ Reference to International Financial Reporting Standards (IFRS)/International Accounting Standards (IAS)

