

Subsidiary Legislation made under ss.6(1), 64(3), 150(1), 620(1), 621(1) and 627.

**Financial Services (Insurance Companies: Accounts Directive) Regulations
2020****LN.2020/014***Commencement* **15.1.2020**

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In exercise of the powers conferred upon the Minister under section 6(1), 64(3), 150(1), 620(1), 621(1) and 627 to the Financial Services Act 2019, as read with section 23(g)(i) of the Interpretation and General Clauses Act, and on the Government by section 23(g)(ii) of that Act and by all other enabling powers, the Minister and the Government have made the following Regulations.

Title and commencement.

1.(1) These regulations may be cited as the Financial Services (Insurance Companies: Accounts Directive) Regulations 2020.

(2) These Regulations come into operation on the day of publication.

Application

2. These Regulations apply to a regulated firm with a Part 7 permission to effect and carry out contracts of insurance under paragraph 24 of Schedule 2 to the Act in respect of its accounts in each financial year beginning on or after the date that these Regulations come into operation.

Interpretation.

3.(1) In these regulations, unless the context requires otherwise—

“the Act” means the Financial Services Act 2019;

“annual accounts” means — (a) the individual accounts required by regulation 5; and (b) any group accounts required by regulation 8; (but see also regulation 15 (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 19;

“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;

“fellow subsidiary undertakings” means a fellow subsidiary undertaking as defined under section 277(4) of the Companies Act 2014;

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

“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;

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

“group undertaking” means a group undertaking as defined under section 277(5) of the Companies Act 2014;

“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;

“insurance undertaking” means an insurance undertaking as defined under regulation 3(1) of the Financial Services (Insurance Companies) Regulations 2020;

“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;

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

“parent company” means a parent company as defined under section 276 of the Companies Act 2014;

“parent undertaking” means a parent undertaking as defined under section 276 of the Companies Act 2014;

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“participating interest” means a participating interest as defined in section 278 of the Companies Act 2014;

“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;

“provision for unexpired risks” means the amount set aside in addition to unearned premiums in respect of risks to be borne by the company after the end of the financial year, in order to provide for all claims and expenses in connection with insurance contracts in force in excess of the related unearned premiums and any premiums receivable on those contracts;

“Registrar” means the Registrar of Companies appointed under the Companies Act 2014;

“reinsurance undertaking” means a reinsurance undertaking as defined under regulation 3(1) of the Financial Services (Insurance Companies) Regulations 2020

“shares” means shares as defined in section 107, Part 9 of the Act;

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

“subsidiary undertaking” means a subsidiary undertaking as defined under section 276 of the Companies Act 2014;

“undertaking” means an undertaking as defined under section 277 of the Companies Act 2014.

(2) Where the context requires, expressions used in these Regulations which are defined in the Act or Part VII of the Companies Act are to have the same meaning as in those Acts.

(3) Any reference to a financial year of a company will be construed as a reference to a period in respect of which a profit and loss account of the company is made under section 240 of the Companies Act 2014.

(4) References in these Regulations to an insurance group are to a group where the parent company is an insurance company or where—

- (a) the parent company’s principal subsidiary undertakings are wholly or mainly insurance companies; and

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- (b) the parent company does not itself carry on any material business apart from the acquisition, management and disposal of interests in subsidiary undertakings.
- (5) For the purposes of sub-regulation (4) —
- (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
 - (b) the management of interests in subsidiary undertakings includes the provision of services to such undertakings.
- (6) For the purposes of these regulations a loan or advance (including a liability comprising a loan or advance) is treated as falling due for repayment, and an instalment of a loan or advance is 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.
- (7) 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.
- (8) 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 Section B 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.

(9) 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 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 will 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.

(10) 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; but without limiting-

- (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.

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

- (a) in the case of Insurance Regulations accounts, to the requirement under regulation 6 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.

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(12) 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.

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

Accounts to be kept in Gibraltar.

4.(1) An insurance undertaking or reinsurance undertaking that has its head office in Gibraltar must maintain in Gibraltar proper accounts and records in respect of its entire business.

(2) An insurer undertaking or reinsurance undertaking – (a) whose head office is not in an EEA State; and (b) which is not a Swiss general insurance company, must keep in Gibraltar proper accounts and records in respect of the business carried on in Gibraltar.

Duty to prepare individual accounts.

5.(1) The directors of every company must 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 6 ("Insurance 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 12 (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.

(5) If, having changed to preparing Insurance 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 first financial year for which such accounts are again prepared were the first IAS year.

Insurance Regulations accounts.

6.(1) Insurance 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 must constitute a composite whole.

(2) The balance sheet 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.

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

(4) Insurance Regulations accounts must 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.

(5) 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.

(6) 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.

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

IAS accounts.

7. Where the directors of a company prepare IAS 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.

8.(1) If at the end of a financial year a company is a parent company of an insurance group the directors, as well as preparing individual accounts for the year, must 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 9 ("Insurance 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.

(6) If, having changed to preparing Insurance Regulations group accounts following a relevant change of circumstance, the directors again prepare IAS 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 12 (exemption for parent companies included in accounts of larger group), 13 (parent companies included in non-EEA group accounts) and 14(5) (all subsidiary undertakings excluded from consolidation).

Insurance Regulations group accounts.

9.(1) Insurance Regulations group accounts be drawn up clearly and 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 must 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.

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

(4) Insurance 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.

(5) 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.

(6) 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.

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

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

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

IAS group accounts.

10. 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.

11.(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 accounts.

Exemption for parent companies included in accounts of larger group.

12.(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;
- (b) where that parent undertaking holds 90 per cent or more of the shares in the company and the remaining shareholders have approved the exemption;
- (c) 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 must be served at least 6 months before the end of the financial year before that 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 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

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provisions of the Accounting Directive or in accordance with international accounting standards;

- (c) that the company discloses in the notes to 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, within the period allowed for delivering its individual accounts, copies of those group accounts and of the parent undertaking’s annual report, together with the auditors’ report on them; and
- (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 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 will 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)(b) and (c) shares held by a wholly-owned subsidiary of the parent undertaking, or held on behalf of the parent undertaking or a wholly owned subsidiary, will 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 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.

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

13.(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;
- (b) where that parent undertaking holds 90 per cent or more of the shares in the company and the remaining shareholders have approved the exemption;
- (c) where that parent undertaking holds more than 50 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 6 months before the end of the financial year before that 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;

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- (b) that those accounts and, where appropriate, the group's annual report, are drawn up—
 - (i) in accordance with the provisions of the Accounting Directive;
 - (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 the EU Prospectus Regulation and the Transparency Directive;
- (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 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)(b) and (c), 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—

- (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.

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

(2) A subsidiary undertaking may be excluded from consolidation in Insurance 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 Insurance 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) 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 Article 22(1) of the Accounting Directive in the absence of which it would not be the parent company.

(4) 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 Insurance Regulations group accounts.

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

15.(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 must 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.

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

(2) Where the company is not required to prepare group accounts, the information specified in Part I of that Schedule must be given; and where the company is required to prepare group accounts, the information specified in Part II of that Schedule must 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 5 or 17 of that Schedule.

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

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

17.(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.

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

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.

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

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

Duty to prepare directors' reports.

19.(1) The directors of a company must for each financial year prepare a report (a "directors' report") complying with the general requirements of regulation 20 containing the business review specified in regulation 21 and, where applicable the non-financial information statement specified in regulation 23 and, when provided separately, the corporate governance statement specified in regulation 22.

(2) For a financial year in which—

- (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 regulations 20 and 21 and, where applicable the non-financial information statement specified in regulation 23 and, when provided separately, regulation 22, 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.

Directors' report: general requirements.

20.(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 must 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.

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Directors' report: business reviews.

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

- (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.

Director's report: corporate governance requirements.

22.(1) A company whose securities are admitted to trading on a regulated market must include a corporate governance statement in the directors' report. That statement must be included as a specific section of the directors' report and must 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 must also indicate where the relevant texts are publicly available and where sub-regulation (1)(c) applies, the company must 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 must 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 must explain its reasons for doing so.

(4) The statement referred to in sub-regulation (1) must, 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 398(1)(c), (d), (f), (h) and (i) of the Act;
- (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 must contain an explanation as to why this is the case.

- (5) The information required by this regulation—
- (a) may be set out in a separate report delivered to the Registrar under regulation 16 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 must express an opinion regarding the information prepared under sub-regulation (4)(a) and (4)(b), and must check that the information referred to in sub-regulations (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, 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,.
- (8) Despite Article 40 of the Accounting Directive, subsection (4)(e) does not apply to small and medium sized companies.

Directors’ report: Non-financial information statement.

- 23.(1) Subject to sub-regulation (2), a large company which is a public-interest entity must -
- (a) in the directors’ report include a non-financial information statement; or
 - (b) in the group directors’ report, a consolidated statement (a “group non-financial information statement”) relating to the companies included in the consolidation.
- (2) Sub-regulation (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) Sub-regulations (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 sub-regulation (6); or
- (b) a report that satisfies the requirements in sub-regulation (7).

(6) The requirements in this sub-regulation 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.

(7) The requirements in this sub-regulation are that-

- (a) the report is-
 - (i) a consolidated management report under article 29 of the Accounting Directive; or

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- (ii) such separate report as is referred to in article 19a(3) or article 29a(3) the Accounting Directive;
 - (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) of the Accounting Directive, as the case may be.
- (8) A company to which sub-regulations (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.

24.(1) The non-financial information statement referred to in regulation 23 must 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 sub-regulation (1) must 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 must 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 sub-regulation (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 sub-regulation (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 sub-regulation (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 sub-regulations (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 must, where appropriate, include references to, and additional explanations of, amounts included in the company's annual accounts.
- (7) If information required by sub-regulation (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 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 sub-regulation (1) to (7), the directors' report of which it is part is to be treated as complying with the requirements in-

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- (a) regulation 21(3); and
- (b) regulation 21(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.

25.(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 the Accounting Directive, as amended.

Director's duties.

26. 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 22 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.

27.(1) A company's annual accounts must 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 indicates, for the purposes of these Regulations, approval by the board of directors of the annual accounts as a whole.

(3) The directors of a company must 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.

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

(5) The directors of a company must 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 must ensure in relation to that report that —

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

28.(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 must also deliver, with those accounts, a full copy of the report of the person responsible for auditing the accounts.

(2) 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.

(3) 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.

(4) The auditor's report referred to in sub-regulation (3) 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."

(5) 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.

Administrative Penalties.

29.(1) Any administrative penalty imposed under section 152 of the Act for a contravention of a regulatory requirement by a person to whom these Regulations apply must be of an amount which does not exceed the higher of the following—

- (a) where the amount of the benefit derived as a result of the contravention can be determined, two times the amount of that benefit;
- (b) in the case of a legal person—
 - (i) £250,000; or
 - (ii) 5% of the total annual turnover according to the last available annual accounts approved by its management body;
- (c) in the case of an individual, £125,000.

(2) Where a legal person is a parent undertaking or a subsidiary of a parent undertaking which has to prepare consolidated financial accounts in accordance with the Accounting Directive, the relevant total turnover for the purpose of sub-regulation (1)(b) is the total annual turnover, or the corresponding type of income in accordance with the relevant accounting legislative acts, according to the last available consolidated annual accounts approved by the management body of the ultimate parent undertaking.

Period allowed for delivering accounts and reports.

30.(1) Subject to sub-regulation (2) the period allowed for complying with the requirements of regulations 27 and 28 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.

31.(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 27, 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 will be the relevant exchange rate on the balance sheet dates.

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

(5) For the purposes of regulation 32 any additional copy of the accounts delivered under sub-regulation (2) will be treated as statutory accounts of the company and references in regulation 32 to the auditors' report under regulation 28 will be read as references to the report on the annual accounts of which it is a copy.

Requirements in connection with publication of accounts.

32.(1) If a company publishes any of its statutory accounts, they must be accompanied by the relevant auditors' report required to be delivered to the Registrar under regulation 28(1).

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

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

- (a) that they are not the company's statutory accounts;

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- (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 28 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 28(2),

and it must not publish with the non-statutory accounts any auditors' report under regulation 28.

(4) For the purposes of this regulation a company is 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 27; and references to the publication by a company of "non-statutory accounts" are to the publication of—

- (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.

Revocation and saving.

33. The Insurance Companies (Accounts Directive) Regulations 1997 are revoked on the date these Regulations come into operation, but continue to apply in respect of the accounts of a regulated firm for any financial year that had started, but not ended, before this date.

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SCHEDULE 1

Regulation 6

FORM AND CONTENT OF ACCOUNTS OF INSURANCE COMPANIES

INDIVIDUAL ACCOUNTS

CHAPTER I

GENERAL RULES AND FORMATS

SECTION A

General rules.

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

- (a) every balance sheet of a company must show the items listed in the balance sheet format set out in Section B of this Chapter; and
- (b) every profit and loss account of a company must show the items listed in the profit and loss account format so set out,

in either case in the order and under the heading 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.

2.(1) 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.

(2) 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 or profit and loss account format set out in section B.

(3) Items to which Arabic numbers are assigned in the balance sheet format set out in Section B (except for items concerning technical provisions and the reinsurers' share of technical provisions), and items to which lower case letters in parentheses are assigned in the

profit and loss account format so set out (except for items within I.1 and 4 and II.1,5 and 6) 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 must be disclosed in a note to the accounts and any notes required by this Schedule to the items so combined under that paragraph must, notwithstanding the combination, be given.

(4) Subject to paragraph 3(3), a heading or sub-heading corresponding to an item listed in the 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.

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

(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 must be adjusted and particulars of the adjustment and the reasons for it given in a note to the accounts.

(3) Paragraph 2(4) 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 must be shown under the heading or sub-heading required by paragraph 1 for that item.

4. Subject to the provisions of this Schedule, 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.

5. Every profit and loss account of a company must show separately as additional items —

- (a) any amount set aside or proposed to be set aside to, or withdrawn or proposed to be withdrawn from, reserves;

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- (b) the total amount of any dividends paid and proposed; and
- (c) if it is not shown in the notes to the accounts, the total amount of any dividends proposed.

6. The provisions of this Schedule, which relate to long-term business apply, with necessary modifications, to business within Classes 1. Accident and 2. Sickness of paragraph 22(1) of Schedule 2 to the Act which—

- (a) is transacted exclusively or principally according to the technical principles of long term business; and
- (b) is a significant amount of the business of the company.

7. 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.

8. Where an asset or liability relates to more than one item in the balance sheet, the relationship of such asset or liability to the relevant items must be disclosed either under those items or in the notes to the accounts.

SECTION B

The required formats for accounts

Preliminary.

9.(1) References in this Schedule to the balance sheet format or profit and loss account format are to the balance sheet format or profit and loss account format set out below, and references to the items listed in either of the formats are to those items read together with any of the notes following the formats which apply to any of those items.

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

(3) Where in respect of any item to which an Arabic number is assigned in either format, the gross amount and reinsurance amount or reinsurers' share are required to be shown, a sub-total of those amounts must also be given.

(4) Where in respect of any item to which an Arabic number is assigned in the profit and loss account format, separate items are required to be shown, then a separate sub-total of those items must also be given in addition to any sub-total required by sub-paragraph (3).

10. A number in brackets following any item in either of the formats set out below is a reference to the note of that number in the notes following the format.

11. In the profit and loss account format set out below—

- (a) the heading “Technical account — General business” is for business within the classes of insurance specified in Part 5 of Schedule 2 to the Act; and
- (b) the heading “Technical account — Long term business” is for business within the classes of insurance specified in Part 5 of Schedule 2 to the Act.

Balance Sheet Format

ASSETS

- A. Called up share capital not paid (1).
- B. Intangible assets.
 - 1. Development costs.
 - 2. Concessions, patents, licences, trade marks and similar rights and assets (2).
 - 3. Goodwill (3).
 - 4. Payments on account.
- C. Investments
 - I. Land and buildings (4).
 - II. Investments in group undertakings and participating interests.
 - 1. Shares in group undertakings.
 - 2. Debt securities issued by, and loans to, group undertakings.

3. Participating interests.
4. Debt securities issued by, and loans to, undertakings in which the company has a participating interest.

III. Other financial investments.

1. Shares and other variable - yield securities and units in unit trusts.
2. Debt securities and other fixed income securities (5).
3. Participation in investment pools (6)
4. Loans secured by mortgages (7).
5. Other loans (7).
6. Deposits with credit institutions (8).
7. Other (9).

IV. Deposits with ceding undertakings (10).

D. Assets held to cover linked liabilities (11).

E. Reinsurers' share of technical provisions (12).

1. Provision for unearned premiums.
2. Long term business provision.
3. Claims outstanding.
4. Provisions for bonuses and rebates.
5. Other technical provisions.
6. Technical provisions for unit-linked liabilities.

F. Debtors (13)

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- I. Debtors arising out of direct insurance operations.
 - 1. Policy holders.
 - 2. Intermediaries.
 - II. Debtors arising out of reinsurance operations.
 - III. Other debtors.
 - IV. Called up share capital not paid (1).
- G. Other assets.
- I. Tangible assets.
 - 1. Plant and machinery.
 - 2. Fixtures, fittings, tools and equipment.
 - 3. Payments on account (other than deposits paid on land and buildings) and assets (other than buildings) in course of construction.
 - II. Stocks
 - 1. Raw materials and consumables.
 - 2. Work in progress.
 - 3. Finished goods and goods for resale.
 - 4. Payments on account.
 - III. Cash at bank and in hand.
 - IV. Own shares (14).
 - V. Other (15).
- H. Prepayments and accrued income.

- I. Accrued interest and rent (16).
- II. Deferred acquisition costs (17).
- III. Other prepayments and accrued income.

LIABILITIES

- A. Capital and reserves.
 - I. Called up share capital or equivalent funds.
 - II. Share premium account.
 - III. Revaluation reserve.
 - IV. Reserves.
 - 1. Capital redemption reserve.
 - 2. Reserve for own shares.
 - 3. Reserves provided for by the articles of association.
 - 4. Other reserves.
 - V. Profit and loss account.
- B. Subordinated liabilities (18).
- C. Fund for future appropriations (19).
- D. Technical provisions.
 - 1. Provision for unearned premiums (20).
 - (a) gross amount.
 - (b) reinsurance amount (12).

2. Long term business provision (20)(21)(26).
 - (a) gross amount.
 - (b) reinsurance amount (12).
3. Claims outstanding (22).
 - (a) gross amount.
 - (b) reinsurance amount (12).
4. Provision for bonuses and rebates (23).
 - (a) gross amount.
 - (b) reinsurance amount (12).
5. Equalisation provision (24).
6. Other technical provisions (25).
 - (a) gross amount.
 - (b) reinsurance amount (12).
- E. Technical provisions for linked liabilities (26).
 - (a) gross amount.
 - (b) reinsurance amount (12).
- F. Provisions for other risks.
 1. Provisions for pensions and similar obligations.
 2. Provisions for taxation.
 3. Other provisions.

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- G. Deposits received from reinsurers (27).
- H. Creditors (28).
 - I. Creditors arising out of direct insurance operations.
 - II. Creditors arising out of reinsurance operations.
 - III. Debenture loans (29).
 - IV. Amounts owed to credit institutions.
 - V. Other creditors including taxation and social security.
- I. Accruals and deferred income.

Notes on the Balance Sheet Format.

(1) Called up share capital not paid

(Assets items A and F.IV).

This item may be shown in either of the positions given in the format.

(2) Concessions, patents, licences, trades marks and similar rights and assets.

(Assets item B.2).

Amounts in respect of assets may only be included in a company's balance sheet under this item if either—

- (a) the assets were acquired for valuable consideration and are not required to be shown under goodwill; or
- (b) the assets in question were created by the company itself.

(3) Goodwill

(Assets item B.3).

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

(4) Land and buildings

(Assets item C.I.).

The amount of any land and buildings occupied by the company for its own activities must be shown separately in the Notes to the Accounts.

(5) Debt securities and other fixed income securities

(Assets item C.III.2).

This item comprises transferable debt securities and other transferable fixed income securities issued by credit institutions, other undertakings or public bodies, in so far as they are not covered by Assets item C.II.2 or C.II.4.

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, are also regarded as debt securities and other fixed income securities and so included under this item.

(6) Participation in investment pools

(Assets item C.III.3).

This item comprises shares held by the company in joint investments constituted by several undertakings or pension funds, the management of which has been entrusted to one of those undertakings or to one of those pension funds.

(7) Loans secured by mortgages and other loans

(Assets items C.III.4 and C.III.5).

Loans to policy holders for which the policy is the main security are included under "Other loans" and their amount disclosed in the Notes to the Accounts. Loans secured by mortgages are shown as such even where they are also secured by insurance policies. Where the amount of "Other loans" not secured by policies is material, an appropriate breakdown must be given in the Notes to the Accounts.

(8) Deposits with credit institutions

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(Assets item C.III.6).

This item comprises sums the withdrawal of which is subject to a time restriction. Sums deposited with no such restriction must be shown under Assets item F.III even if they bear interest.

(9) Other

(Assets item C.III.7).

This item comprises those investments which are not covered by Assets items C.III.1 to 6. Where the amount of such investments is significant, they must be disclosed in the Notes to the Accounts.

(10) Deposits with ceding undertakings

(Assets item C.IV).

Where the company accepts reinsurance, this item comprises amounts, owed by the ceding undertakings and corresponding to guarantees, which are deposited with those ceding undertakings or with third parties or which are retained by those undertakings.

These amounts may not be combined with other amounts owed by the ceding insurer to the reinsurer or set off against amounts owed by the reinsurer to the ceding insurer.

Securities deposited with ceding undertakings or third parties which remain the property of the company must be entered in the company's accounts as an investment, under the appropriate item.

(11) Assets held to cover linked liabilities

(Assets item D).

In respect of long term business, this item comprises investments made under long term policies under which the benefits payable to the policy holder are wholly or partly to be determined by reference to the value of, or the income from, property of any description (whether or not specified in the contract) or by reference to fluctuations in, or in an index of, the value of property of any description (whether or not so specified).

This item also comprises investments which are held on behalf of the members of a tontine and are intended for distribution among them.

(12) Reinsurance amounts

Assets item E: Liabilities items C.1(b),2(b),3(b),4(b) and 6(b) and D(b)).

The reinsurance amounts may be shown either under Assets item Da or under Liabilities items C.1(b),2(b),3(b),4(b) and 6(b) and D(b).

The reinsurance amounts comprise the actual or estimated amounts which, under contractual reinsurance arrangements, are deducted from the gross amounts of technical provisions.

As regards the provision for unearned premiums, the reinsurance amounts are calculated according to the methods referred to in paragraph 43 or in accordance with the terms of the reinsurance policy.

(13) Debtors

(Assets item F).

Amounts owed by group undertakings and undertakings in which the company has a participating interest must be shown separately as sub-items of Assets items F.I, II and III.

(14) Own shares

(Assets item G.IV).

The nominal value of the shares must be shown separately under this item.

(15) Other

(Assets item G.V).

This item comprises those assets which are not covered by Assets items G.I to IV. Where such assets are material they must be disclosed in the Notes to the Accounts.

(16) Accrued interest and rent

(Assets item H.I).

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This item comprises those items that represent interest and rent that have been earned up to the balance-sheet date but have not yet become receivable.

(17) Deferred acquisition costs

(Assets item H.II).

This item comprises the costs of acquiring insurance policies which are incurred during a financial year but relate to a subsequent financial year (“deferred acquisition costs”), except in so far as—

- (a) allowance has been made in the computation of the long term business provision made under paragraph 54 and shown under Liabilities item C.2 or D in the balance sheet, for—
 - (i) the explicit recognition of such costs; or
 - (ii) the implicit recognition of such costs by virtue of the anticipation of future income from which such costs may prudently be expected to be recovered; or
- (b) allowance has been made for such costs in respect of general business policies by a deduction from the provision for unearned premiums made under paragraph 52 and shown under Liabilities item D.1. in the balance sheet.

Deferred acquisition costs arising in general business must be distinguished from those arising in long term business.

In the case of general business, the amount of any deferred acquisition costs must be established on a basis compatible with that used for unearned premiums.

The Notes to the Accounts must disclose—

- (a) how the deferral of acquisition costs has been treated (unless otherwise expressly stated in the accounts); and
- (b) where such costs are included as a deduction from the provisions at Liabilities item D.1, the amount of such deduction; or

- (c) where the actuarial method used in the calculation of the provisions at Liabilities item D.2 or E has made allowance for the explicit recognition of such costs, the amount of the costs so recognised.

(18) Subordinated liabilities

(Liabilities item B).

This item comprises all liabilities in respect of which there is a contractual obligation that, in the event of winding up or of bankruptcy, they are to be repaid only after claims of all other creditors have been met (whether or not they are represented by certificates).

(19) Fund for future appropriations

(Liabilities item C).

This item comprises all funds the allocation of which either to policy holders or to shareholders has not been determined by the end of the financial year.

Transfers to and from this item must be shown in item II.12a in the Profit and Loss Account.

(20) Provision for unearned premiums

(Liabilities item D)

In the case of long term business the provision for unearned premiums may be included in Liabilities item D.2 rather than in this item.

The provision for unearned premiums comprises the amount representing that part of gross premiums written which is estimated to be earned in the following financial year or in subsequent financial years.

(21) Long term business provision

(Liabilities item D.2).

This item comprises the actuarially estimated value of the company's liabilities (excluding technical provisions included in Liabilities item E), including bonuses already declared and after deducting the actuarial value of future premiums.

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This item also comprises claims incurred but not reported, plus the estimated costs of settling such claims.

(22) Claims outstanding

(Liabilities item D.3).

This item comprises the total estimated ultimate cost to the company of settling all claims arising from events which have occurred up to the end of the financial year (including, in the case of general business, claims incurred but not reported) less amounts already paid in respect of such claims.

(23) Provision for bonuses and rebates

(Liabilities item D.4).

This item comprises amounts intended for policy holders or contract beneficiaries by way of bonuses and rebates as defined in Note (5) on the Profit and Loss Account format to the extent that such amounts have not been credited to policy holders or contract beneficiaries or included in Liabilities item C or in Liabilities item D.2.

(24) Equalisation provision

(Liabilities item D.5).

This item comprises the amount of any reserve maintained by the company under regulations made under the Act.

A company which otherwise constitutes reserves to equalise fluctuations in loss ratios in future years or to provide for special risks must disclose that fact in the Notes to the Accounts.

(25) Other technical provisions

(Liabilities item D.6).

This item comprises, inter alia, the provision for unexpired risks. Where the amount of the provision for unexpired risks is significant, it must be disclosed separately either in the Balance Sheet or in the Notes to the Accounts.

(26) Technical provisions for linked liabilities

(Liabilities item E).

This item comprises technical provisions constituted to cover liabilities relating to investment in the context of long term policies under which the benefits payable to policy holders are wholly or partly to be determined by reference to the value of, or the income from, property of any description (whether or not specified in the contract) or by reference to fluctuations in, or in an index of, the value of property of any description (whether or not so specified).

Any additional technical provisions constituted to cover death risks, operating expenses or other risks (such as benefits payable at the maturity date or guaranteed surrender values) will be included under Liabilities item D.2.

This item also comprises technical provisions representing the obligations of a tontine's organiser in relation to its members.

(27) Deposits received from reinsurers

(Liabilities item G).

Where the company cedes reinsurance, this item comprises amounts deposited by or withheld from other insurance undertakings under reinsurance contracts. These amounts may not be merged with other amounts owed to or by those other undertakings.

Where the company cedes reinsurance and has received as a deposit securities which have been transferred to its ownership, this item comprises the amount owed by the company by virtue of the deposit.

(28) Creditors

(Liabilities item H).

Amounts owed to group undertakings and undertakings in which the company has a participating interest must be shown separately as sub-items.

(29) Debenture loans

(Liabilities item H.III).

The amount of any convertible loans must be shown separately.

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Special rules for Balance Sheet Format

Additional items.

12.(1) Every balance sheet of a company which carries on long term business must show separately as an additional item the total of any amounts included in Liabilities item A (capital and reserves) which are required not to be treated as realised profits.

(2) A company which carries on long term business must show separately, in the balance sheet or in the notes to the accounts, the total amount of assets representing the long term fund valued in accordance with the provisions of this Schedule.

Managed funds.

13.(1) For the purposes of this paragraph “managed funds” are funds of a group pension fund—

- (a) which fall within Class VII of paragraph 23 of Schedule 2 to the Act;
- (b) which the company administers in its own name but on behalf of others; and
- (c) to which it has legal title.

(2) The company must, in any case where assets and liabilities arising in respect of managed funds fall to be treated as assets and liabilities of the company, adopt the following accounting treatment: assets and liabilities 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.

Deferred acquisition costs.

14. The cost of acquiring insurance policies which are incurred during a financial year but which relate to a subsequent financial year must be deferred in a manner specified in Note (17) on the balance sheet format.

Profit and Loss Account Format

I. TECHNICAL ACCOUNT - GENERAL BUSINESS.

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1. Earned premiums, net of reinsurance.
 - (a) gross premiums written (1).
 - (b) outward reinsurance premiums (2).
 - (c) change in the gross provision for unearned premiums.
 - (d) change in the provision for unearned premiums, reinsurers' share.
2. Allocated investment return transferred from the non-technical account (item III.9)(10).
3. Investment income (8) (10).
 - (a) income from participating interests, with a separate indication of that derived from group undertakings.
 - (b) income from other investments, with a separate indication of that derived from group undertakings.
 - (aa) income from land and buildings.
 - (bb) income from other investments.
 - (c) value re-adjustments on investments.
 - (d) gain on the realisation of investments.
4. Other technical income, net of reinsurance.
5. Claims incurred, net of reinsurance (4).
 - (a) claims paid.
 - (aa) gross amount
 - (bb) reinsurers' share.
 - (b) change in the provision for claims.

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- (aa) gross amount.
 - (bb) reinsurers' share.
6. Changes in other technical provisions, net of reinsurance, not shown under other headings.
7. Bonuses and rebates, net of reinsurance (5).
8. Net operating expenses.
- (a) acquisition costs (6).
 - (b) change in deferred acquisition costs.
 - (c) administrative expenses (7).
 - (d) reinsurance commissions and profit participation.
9. Other technical charges, net of reinsurance.
10. Investment expenses and charges (8).
- (a) investment management expenses, including interest.
 - (b) value adjustments on investments.
 - (c) losses on the realisation of investments.
11. Change in the equalisation provision.
12. Sub-Total (balance on the technical account for general business) (item III.1).
- II. TECHNICAL ACCOUNT - LONG TERM BUSINESS.**
1. Earned premiums, net of reinsurance.
- (a) gross premiums written (1).
 - (b) outward reinsurance premiums (2).

- (c) change in the provision for unearned premiums, net of reinsurance (3).
2. Investment income (8) (10).
- (a) income from participating interests, with a separate indication of that derived from group undertakings.
 - (b) income from other investments, with a separate indication of that derived from group undertakings.
 - (aa) income from land and buildings.
 - (bb) income from other investments.
 - (c) value re-adjustments on investments.
 - (d) gains on realisation of investments.
3. Unrealised gains on investments (9).
4. Other technical income, net of reinsurance.
5. Claims incurred, net of reinsurance (4).
- (a) claims paid.
 - (aa) gross amount.
 - (bb) reinsurers' share.
 - (b) change in the provision for claims.
 - (aa) gross amount.
 - (bb) reinsurers' share.
6. Change in other technical provisions, net of reinsurance, not shown under other headings.
- (a) long term business provision, net of reinsurance (3).

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- (aa) gross amount.
 - (bb) reinsurers' share.
 - (b) other technical provisions, net of reinsurance.
7. Bonuses and rebates, net of reinsurance (5).
8. Net operating expenses.
- (a) acquisition costs (6).
 - (b) change in deferred acquisition costs.
 - (c) administrative expenses (7).
 - (d) reinsurance commissions and profit participation.
9. Investment expenses and charges (8).
- (a) investment management expenses, including interest.
 - (b) value adjustments on investments.
 - (c) losses on the realisation of investments.
10. Unrealised losses on investments (9).
11. Other technical charges, net of reinsurance.
12. Tax attributable to the long term business.
13. Allocated investment return transferred to the non-technical account (item III.6).
14. Transfers to or from the fund for future appropriations.
15. Sub-Total (balance on the technical account — long term business) (item III.2).
- III. NON-TECHNICAL ACCOUNT.

1. Balance on the general business technical account — (item I.12).
2. Balance on the long term business technical account — (item II.15).
3. Tax credit attributable to balance on the long term business technical account.
4. Investment income (8).
 - (a) income from participating interests, with a separate indication of that derived from group undertakings.
 - (b) income from other investments, with a separate indication of that derived from group undertakings.
 - (aa) income from land and buildings.
 - (bb) income from other investments.
 - (c) value re-adjustments on investments.
 - (d) gains on the realisation of investments.
5. Unrealised gains on investments (9).
6. Allocated investment return transferred from the long term business technical account (item II.13)(10).
7. Investment expenses and charges (8).
 - (a) investment management expenses, including interest.
 - (b) value adjustments on investments.
 - (c) losses on the realisation of investments.
8. Unrealised losses on investments (9).
9. Allocated investment return transferred to the general business technical account (item I.2)(10).
10. Other income.

11. Other charges, including value adjustments.
12. Profit or loss on ordinary activities before tax.
13. Tax on profit or loss on ordinary activities.
14. Profit or loss on ordinary activities after tax.
15. Extraordinary income.
16. Extraordinary charges.
17. Extraordinary profit or loss.
18. Tax on extraordinary profit or loss.
19. Other taxes not shown under the preceding items.
20. Profit or loss for the financial year.

Notes on the Profit and Loss Account Format

(1) Gross premiums written

(General business technical account: item I.1(a).

Long term business technical account: item II.1(a)).

This item comprises all amounts due during the financial year in respect of insurance contracts entered into regardless of the fact that such amounts may relate in whole or in part to a later financial year, and includes inter alia —

- (i) premiums yet to be determined, where the premium calculation can be done only at the end of the year;
- (ii) single premiums, including annuity premiums, and, in long term business, single premiums resulting from bonus and rebate provisions in so far as they must be considered as premiums under the terms of the contract;

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- (iii) additional premiums in the case of half-yearly, quarterly or monthly payments and additional payments from policy holders for expenses borne by the company;
- (iv) in the case of co-insurance, the company's portion of total premiums; and
- (v) reinsurance premiums due from ceding and retroceding insurance undertakings, including portfolio entries;

after deduction of cancellations and portfolio withdrawals credited to ceding and retroceding insurance undertakings.

The above amounts do not include the amounts of taxes or duties levied with premiums.

(2) Outward reinsurance premiums

(General business technical account: item I.1(b).

Long term business technical account: item II.1(b)).

This item comprises all premiums paid or payable in respect of outward reinsurance contracts entered into by the company. Portfolio entries payable on the conclusion or amendment of outward reinsurance contracts must be added; portfolio withdrawals receivable must be deducted.

(3) Change in the provision for unearned premiums, net of reinsurance

(Long term business technical account: items II.1(c) and II.6(a)).

In the case of long term business, the change in unearned premiums may be included either in item II.1(c) or in item II.6(a) of the long term business technical account.

(4) Claims incurred, net of reinsurance

(General business technical account: item I.5.

Long term business technical account: item II.5).

This item comprises all payments made in respect of the financial year with the addition of the provision for claims (but after deducting the provision for claims for the preceding financial year).

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These amounts include annuities, surrenders, entries and withdrawals of loss provisions to and from ceding insurance undertakings and reinsurers and external and internal claims management costs and charges for claims incurred but not reported such as are referred to in paragraphs 55(2) and 57.

Sums recoverable on the basis of subrogation and salvage (within the meaning of paragraph 55) must be deducted.

Where the difference between—

- (a) the loss provision made at the beginning of the year for outstanding claims incurred in previous years; and
- (b) the payments made during the year on account of claims incurred in previous years and the loss provision shown at the end of the year for such outstanding claims,

is material, it must be shown in the Notes to the Accounts, broken down by category and amount.

(5) Bonuses and rebates, net of reinsurance

(General business technical account: item I.7.

Long term business technical account: item II.7).

Bonuses comprise all amounts chargeable for the financial year which are paid or payable to policy holders and other insured parties or provided for their benefit, including amounts used to increase technical provisions or applied to the reduction of future premiums, to the extent that such amounts represent an allocation of surplus or profit arising on business as a whole or a section of business, after deduction of amounts provided in previous years which are no longer required.

Rebates comprise such amounts to the extent that they represent a partial refund of premiums resulting from the experience of individual contracts.

Where material, the amount charged for bonuses and that charged for rebates must be disclosed separately in the Notes to the Accounts.

(6) Acquisition costs

(General business technical account: item I.8(a))

Long term business technical account: item II.8(a)).

This item comprises the costs arising from the conclusion of insurance contracts. They cover both direct costs, such as acquisition commissions or the cost of drawing up the insurance document or including the insurance contract in the portfolio, and indirect costs, such as advertising costs or the administrative expenses connected with the processing of proposals and the issuing of policies.

In the case of long term business, policy renewal commissions must be included under item II.8(c) in the long term business technical account.

(7) Administrative expenses

(General business technical account: item I.8(c)).

Long term business technical account: item II.8(c).

This item includes the costs arising from premium collection, portfolio administration, handling of bonuses and rebates, and inward and outward reinsurance. They include in particular staff costs and depreciation provisions in respect of office furniture and equipment in so far as these need not be shown under acquisition costs, claims incurred or investment charges.

Item II.8.(c) also includes policy renewal commissions.

(8) Investment income, expenses and charges

(General business technical account: items I.3a and 10a)

Long term business technical account: item II.2 and 9.

Non-technical account: items III.4 and 7).

Investment income, expenses and charges must, to the extent that they arise in the long term fund, be disclosed in the long term business technical account. Other investment income, expenses and charges must either be disclosed in the non-technical account or attributed between the appropriate technical and non-technical accounts. Where the company makes such an attribution it must disclose the basis for it in the Notes to the Accounts.

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(9) Unrealised gains and losses on investments

(Long term business technical account: items II.3 and 10.

Non-technical account: items III.5 and 8).

In the case of investments attributed to the long term fund, the difference between the valuation of the investments and their purchase price or, if they have previously been valued, their valuation as at the last Balance Sheet date, may be disclosed (in whole or in part) in item II.3 or II.10 (as the case may be) of the long term business technical account, and in the case of investments shown as assets under Assets item D (assets held to cover linked liabilities) must be so disclosed.

In the case of other investments, the difference between the valuation of the investments and their purchase price or, if they have previously been valued, their valuation as at the last Balance Sheet date, may be disclosed (in whole or in part) in item III.3a or III.5a (as the case may require) of the non-technical account.

(10) Allocated investment return

(General business technical account: items I.2 and 3.

Long term business technical account: item II.2.

Non-technical account: items III.6 and 9).

The allocated return may be transferred from one part of the Profit and Loss Account to another.

Where part of the investment return is transferred to the general business technical account, the transfer from the non-technical account must be deducted from item III.9 and added to item I.2.

Where part of the investment return disclosed in the long term business technical account is transferred to the non-technical account, the transfer to the non-technical account must be deducted from item II.13 and added to item III.6.

The reasons for such transfers (which may consist of a reference to any relevant statutory requirement) and the bases on which they are made must be disclosed in the Notes to the Accounts.

CHAPTER II

ACCOUNTING PRINCIPLES AND RULES

SECTION A

ACCOUNTING PRINCIPLES

Preliminary.

15. Subject to paragraph 22, the amounts to be included in respect of all items shown in a company's accounts will be determined in accordance with the principles set out in paragraphs 16 to 21.

Accounting principles.

16. The company will be presumed to be carrying on business as a going concern.

17. Accounting policies and measurement bases must be applied consistently within the same accounts and from one financial year to the next.

18. The amount of any item must be determined on a prudent basis, and in particular —

- (a) subject to note (9) on the profit and loss account format, 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 must be taken into account, including those which only become apparent between the balance sheet date and the date on which it is signed on behalf of the board of directors;
- (c) all provisions for diminution of value must be recognised, whether the result of the financial year is a profit or a loss.

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

20. In determining the total amount of any item, the amount of each individual asset or liability that falls to be taken into account must be determined separately.

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21. The opening balance sheet for each financial year must correspond to the closing balance sheet for the preceding financial year.

Departure from accounting principles.

22. If it appears to the directors of a company that there are special reasons for departing from any of the principles stated above 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 must be given in a note to the accounts.

23.(1) The amounts to be included in respect of assets of any description mentioned in paragraph 24 (valuation of assets: general) are determined either—

- (a) in accordance with that paragraph and paragraph 26 (but subject to paragraphs 27 to 29); or
- (b) so far as applicable to an asset of that description, in accordance with Section C (valuation at fair value).

(2) The amounts to be included in respect of assets of any description mentioned in paragraph 26 (alternative valuation of fixed income securities) may be determined—

- (a) in accordance with that paragraph (but subject to paragraphs 27 to 29); or
- (b) so far as applicable to an asset of that description, in accordance with Section C.

(3) The amounts to be included in respect of assets which—

- (a) are not assets of a description mentioned in paragraph 24 or 25; but
- (b) are assets of a description to which Section C is applicable,

may be determined in accordance with that Section.

(4) Subject to sub-paragraphs (1) to (3), the amounts to be included in respect of all items shown in a company's accounts are determined in accordance with Section D.

SECTION B

CURRENT VALUE ACCOUNTING RULES

Valuation of assets: general.

24.(1) Subject to paragraph 26, investments falling to be included under Assets item C (investments) must be included at their current value calculated in accordance with paragraphs 27 and 28.

(2) Investments falling to be included under Assets item D (assets held to cover linked liabilities) must be shown at their current value calculated in accordance with paragraphs 27 and 28.

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

(2) Assets falling to be included under Assets item G.I (tangible assets) and G.IV (own shares) in the balance sheet format may be shown at their current value calculated in accordance with paragraphs 27 and 28 or at their current cost.

(3) Items falling to be included under Assets item G.II (stocks) may be shown at current cost.

Alternative valuation of fixed-income securities.

26.(1) This paragraph applies to debt securities and other fixed-income securities shown as assets under Assets items C.II (investments in group undertakings and participating interests) and C.III (other financial investments).

(2) Securities to which this paragraph applies may either be valued in accordance with paragraph 24 or their amortised value may be shown in the balance sheet, in which case the provisions of this paragraph apply.

(3) Subject to sub-paragraph (4), where the purchase price of securities to which this paragraph applies exceeds the amount repayable at maturity, the amount of the difference —

(a) must be charged to the profit and loss account, and

(b) must be shown separately in the balance sheet or in the notes to the accounts.

(4) The amount of the difference referred to in sub-paragraph (3) may be written off in instalments so that it is completely written off when the securities are repaid, in which case the balance sheet or the notes to the accounts must show separately the difference between the purchase price (less the total amount written off) and the amount repayable at maturity.

(5) Where the purchase price of securities to which this paragraph applies is less than the amount repayable at maturity, the amount of the difference must be released to income in instalments over the period remaining until repayment, in which case the balance sheet or the notes to the accounts must show separately the difference between the purchase price (plus the total amount released to income) and the amount repayable at maturity.

(6) Both the purchase price and the current value of securities valued in accordance with this paragraph must be disclosed in the notes to the accounts.

(7) Where securities to which this paragraph applies which are not valued in accordance with paragraph 24 are sold before maturity, and the proceeds are used to purchase other securities to which this paragraph applies, the difference between the proceeds of sale and their book value may be spread uniformly over the period remaining until the maturity of the original investment.

Meaning of “current value”.

27.(1) Subject to sub-paragraph (5), in the case of investments other than land and buildings, current value means market value determined in accordance with this paragraph.

(2) In the case of listed investments, market value means the value on the balance sheet date or, when the balance sheet date is not a stock exchange trading day, on the last stock exchange trading day before that date.

(3) Where a market exists for unlisted investments, market value means the average price at which such investments were traded on the balance sheet date or, when the balance sheet date is not a trading day, on the last trading day before that date.

(4) Where, on the date on which the accounts are drawn up, listed or unlisted investments have been sold or are to be sold within the short term, the market value must be reduced by the actual or estimated realisation costs.

(5) Except where the equity method of accounting is applied, all investments other than those referred to in sub-paragraphs (2) and (3) must be valued on a basis which has prudent regard to the likely realisable value.

28.(1) In the case of land and buildings, current value means the market value on the date of valuation, where relevant reduced as provided in sub-paragraphs (4) and (5).

(2) Market value means the price at which land and buildings could be sold under private contract between a willing seller and an arm's length buyer on the date of valuation, it being

assumed that the property is publicly exposed to the market, that market conditions permit orderly disposal and that a normal period, having regard to the nature of the property, is available for the negotiation of the sale.

(3) The market value must be determined through the separate valuation of each land and buildings item, carried out at least every five years in accordance with generally recognised methods of valuation.

(4) Where the value of any land and buildings item has diminished since the preceding valuation under sub-paragraph (3), an appropriate value adjustment must be made.

(5) The lower value arrived at under sub-paragraph (4) may only be increased in subsequent balance sheets if such increase results from a new determination of market value arrived at in accordance with sub-paragraphs (2) and (3).

(6) Where, on the date on which the accounts are drawn up, land and buildings have been sold or are to be sold within the short term, the value arrived at in accordance with sub-paragraphs (2) and (4) must be reduced by the actual or estimated realisation costs.

(7) Where it is impossible to determine the market value of a land and buildings item, the value arrived at on the basis of the principle of purchase price or production cost will be deemed to be its current value.

Application of depreciation rules.

29.(1) Where—

- (a) the value of any asset of a company is determined in accordance with paragraph 24 or 25, and
- (b) in the case of a determination under paragraph 24, the asset falls to be included under Assets item C.I,

that value will 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 paragraphs 39 to 43 and 45 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 24 or 25 (as the case may be).

(2) The amount of any provision for depreciation required in the case of any asset by paragraph 40 or 41 as it applies by virtue of sub-paragraph (1) is referred to below in this paragraph 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 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.

30.(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 24 or 25.

(2) The 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) The purchase price of investments valued in accordance with paragraph 24 must be disclosed in the notes to the accounts.

(4) In the case of each balance sheet item valued in accordance with paragraph 25 either —

- (a) the comparable amounts determined according to the historical cost accounting rules (without any provision for depreciation or diminution in value); or
- (b) the difference between those amounts and the corresponding amounts actually shown in the balance sheet in respect of that item,

must be shown separately in the balance sheet or in a note to the accounts.

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

- (a) the total 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 total 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.

31.(1) Subject to sub-paragraph (7), with respect to any determination of the value of an asset of a company in accordance with paragraph 24 or 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 reference to the value so determined and any adjustments of any such provisions made in the light of that determination) must be credited or (as the case may be) debited to a separate reserve (“the revaluation reserve”).

(2) The amount of the revaluation reserve must be shown in the company’s balance sheet under Liabilities item A.III, but need not be shown under the name “revaluation reserve”.

(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; or

(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 must 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 must not be reduced except as mentioned in this paragraph.

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

(7) This paragraph does not apply to the difference between the valuation of investments and their purchase price or previous valuation shown in the long term business technical account or the non-technical account in accordance with note (9) on the profit and loss account format.

SECTION C - FAIR VALUE ACCOUNTING

Inclusion of financial instruments at fair value.

32.(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) Except where they fall to be included under Assets item D (assets held to cover linked liabilities), sub-paragraph (1) does not apply to—

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

(4) 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.

(5) If the fair value of a financial instrument cannot be determined reliably in accordance with paragraph 33, sub-paragraph (1) does not apply to that financial instrument.

(6) 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.

33.(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.

(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.

34. 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.

35.(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.

36.(1) This paragraph applies where a financial instrument is valued in accordance with paragraph 32 or 34 or an asset is valued in accordance with paragraph 35.

(2) Notwithstanding paragraph 18 of Chapter II 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
- (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.

37.(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 36(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 32 to 37.

38.(1) This paragraph applies for the purposes of the interpretation of paragraphs 32 to 37 of this Schedule.

(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 the Accounting Directive, as amended.

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

(5) Sub-paragraph (4) does not apply to value adjustments made in respect of goodwill.

SECTION D**HISTORICAL COST ACCOUNTING RULES**

Valuation of assets.

General Rules.

39. Subject to any provision for depreciation or diminution in value made in accordance with paragraph 40 or 41, the amount to be included in respect of any asset in the balance sheet format must be its cost.

40. In the case of any asset included under Assets item B (intangible assets), C.I (land and buildings), G.I (tangible assets) or G.II (stocks) 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,

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

41.(1) This paragraph applies to any asset included under Assets item B (intangible assets), C (investments), G.I (tangible assets) or G.IV (own shares).

(2) Where an asset to which this paragraph applies 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 any such provisions which are not shown in the profit and loss account must be disclosed (either separately or in total) in a note to the accounts.

(3) Provisions for diminution in value must be made in respect of any asset to which this paragraph applies 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 will be reduced accordingly; and any such provisions which are not shown in the profit and loss account must be disclosed (either separately or in total) in a note to the accounts.

(4) Where the reasons for which any provision was made in accordance with sub-paragraph (1) or (2) have ceased to apply to any extent, that provision must be written back to the extent that it is no longer necessary; and any amounts written back in accordance with this sub-paragraph which are not shown in the profit and loss account must be disclosed (either separately or in total) in a note to the accounts.

42.(1) This paragraph applies to assets included under Assets items F.I, II and III (debtors) and G.III (cash at bank and in hand) in the balance sheet.

(2) If the net realisable value of an asset to which this paragraph applies 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 must be written back to the extent that it is no longer necessary.

Development Costs.

43.(1) Where this is in accordance with generally accepted accounting principles or practice, development costs may be included under assets item B (intangible assets) 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.

44.(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 sub-paragraph (2) must not exceed ten years.

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

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

Miscellaneous and supplemental.

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

45.(1) Where the amount repayable on 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 is so treated—

- (a) it must be written off by reasonable amounts each year and be 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 must be disclosed in a note to the accounts.

Assets included at a fixed amount.

46.(1) Subject to the following sub-paragraph, assets which fall to be included under Assets item G.I (tangible assets) in the balance sheet format may be included at a fixed quantity and value.

(2) Sub-paragraph (1) applies to assets of a kind which are constantly being replaced, where—

- (a) their overall value is not material to assessing the company's state of affairs; and
- (b) their quantity, value and composition are not subject to material variation.

Determination of cost.

47.(1) The cost of an asset that has been acquired by the company must 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 must 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, there may be included in the cost of an asset constructed by the company—

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- (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, in a case within sub-paragraph (b), 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.

48.(1) Subject to the qualification mentioned below, the cost of any assets which are fungible assets 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.

The method chosen must be one which appears to the directors to be appropriate in the circumstances of the company.

(2) Those methods are—

- (a) the method known as “first in, first out” (FIFO);
- (b) the method known as “last in, first out” (LIFO);
- (c) a weighted average price; and
- (d) any other method 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 given below in this paragraph,

the amount of that difference must 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

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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 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.

49. 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 47, or any such record cannot be obtained without unreasonable expense or delay, its cost will be taken for the purposes of paragraphs 39 to 44 to be the value given to it in the earliest available record of its value made on or after its acquisition by the company.

SECTION E

RULES FOR DETERMINING PROVISIONS

Preliminary.

50. Provisions which are to be shown in a company's accounts must be determined in accordance with paragraphs 51 to 60.

Technical provisions.

51. The amount of technical provisions must at all times be sufficient to cover any liabilities arising out of insurance contracts as far as can reasonably be foreseen.

Provision for unearned premiums.

52.(1) The provision for unearned premiums must in principle be computed separately for each insurance contract, save that statistical methods (and in particular proportional and flat rate methods) may be used where they may be expected to give approximately the same results as individual calculations.

(2) Where the pattern of risk varies over the life of a contract, this must be taken into account in the calculation methods.

Provision for unexpired risks.

53. The provision for unexpired risks must be computed on the basis of claims and administrative expenses likely to arise after the end of the financial year from contracts concluded before that date, in so far as their estimated value exceeds the provision for unearned premiums and any premiums receivable under those contracts.

Long term business provision.

54.(1) The long term business provision must in principle be computed separately for each long term contract, save that statistical or mathematical methods may be used where they may be expected to give approximately the same results as individual calculations.

(2) A summary of the principal assumptions in making the provision under sub-paragraph (1) must be given in the notes to the accounts.

(3) The computation must be made annually by a Fellow of the Institute or Faculty of Actuaries on the basis of recognised actuarial methods, with due regard to the actuarial principles laid down in Financial Conglomerates Directive.

Provisions for claims outstanding**General business.**

55 (1) A provision must in principle be computed separately for each claim on the basis of the costs still expected to arise, save that statistical methods may be used if they result in an adequate provision having regard to the nature of the risks.

(2) This provision must also allow for claims incurred but not reported by the balance sheet date, the amount of the allowance being determined having regard to past experience as to the number and magnitude of claims reported after previous balance sheet dates.

(3) All claims settlement costs (whether direct or indirect) must be included in the calculation of the provision.

(4) Recoverable amounts arising out of subrogation or salvage must be estimated on a prudent basis and either deducted from the provision for claims outstanding (in which case if the amounts are material they must be shown in the notes to the accounts) or shown as assets.

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(5) In sub-paragraph (4), “subrogation” means the acquisition of the rights of policy holders with respect to third parties, and “salvage” means the acquisition of the legal ownership of insured property.

(6) Where benefits resulting from a claim must be paid in the form of an annuity, the amounts to be set aside for that purpose will be calculated by recognised actuarial methods, and paragraph 56 does not apply to such calculations.

(7) Implicit discounting or deductions, whether resulting from the placing of a current value on a provision for an outstanding claim which is expected to be settled later at a higher figure or otherwise effected, is prohibited.

56.(1) Explicit discounting or deductions to take account of investment income is permitted, subject to the following conditions -

- (a) the expected average interval between the date for the settlement of claims being discounted and the accounting date must be at least four years;
- (b) the discounting or deductions must be effected on a recognised prudential basis;
- (c) when calculating the total cost of settling claims, the company must take account of all factors that could cause increases in that cost;
- (d) the company must have adequate data at its disposal to construct a reliable model of the rate of claims settlements;
- (e) the rate of interest used for the calculation of present values must not exceed a rate prudently estimated to be earned by assets of the company which are appropriate in magnitude and nature to cover the provisions for claims being discounted during the period necessary for the payment of such claims, and must not exceed either —
 - (i) a rate justified by the performance of such assets over the preceding five years; or
 - (ii) a rate justified by the performance of such assets during the year preceding the balance sheet date.

(2) When discounting or effecting deductions, the company must, in the notes to the accounts, disclose—

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- (a) the total amount of provisions before discounting or deductions;
- (b) the categories of claims which are discounted or from which deductions have been made; and
- (c) for each category of claims, the methods used, in particular the rates used for the estimates referred to in sub-paragraph (1)(d) and (e), and the criteria adopted for estimating the period that will elapse before the claims are settled.

Long term business.

57. The amount of the provision for claims must be equal to the sums due to beneficiaries, plus the costs of settling claims.

Accounting on a non-annual basis.

58.(1) Either of the methods described in paragraphs 59 and 60 may be applied where, because of the nature of the class or type of insurance in question, information about premiums receivable or claims payable (or both) for the underwriting years is insufficient when the accounts are drawn up for reliable estimates to be made.

(2) The use of either of the methods referred to in sub-paragraph (1) must be disclosed in the notes to the accounts together with the reasons for adopting it.

(3) Where one of the methods referred to in sub-paragraph (1) is adopted, it must be applied systematically in successive years unless circumstances justify a change.

(4) In the event of a change in the method applied, the effect on the assets, liabilities, financial position and profit or loss must be stated in the notes to the accounts.

(5) For the purpose of this paragraph and paragraph 59, “underwriting year” means the financial year in which the insurance contracts in the class or type of insurance in question commenced.

59.(1) The excess of the premiums written over the claims and expenses paid in respect of contracts commencing in the underwriting year must form a technical provision included in the technical provision for claims outstanding shown in the balance sheet under Liabilities item D.3.

(2) The provision may also be computed on the basis of a given percentage of premiums written where such a method is appropriate for the type of risk insured.

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(3) If necessary, the amount of this technical provision must be increased to make it sufficient to meet present and future obligations.

(4) The technical provision constituted under this paragraph must be replaced by a provision for claims outstanding estimated in accordance with paragraph 46 as soon as sufficient information has been gathered and not later than the end of the third year following the underwriting year.

(5) The length of time that elapses before a provision for claims outstanding is constituted in accordance with sub-paragraph (4) must be disclosed in the notes to the accounts.

60.(1) The figures shown in the technical account or in certain items within it must relate to a year, which wholly or partly precedes the financial year (but by no more than 12 months).

(2) The amounts of the technical provisions shown in the accounts must if necessary be increased to make them sufficient to meet present and future obligations.

(3) The length of time by which the earlier year to which the figures relate precedes the financial year and the magnitude of the transactions concerned must be disclosed in the notes to the accounts.

CHAPTER III

NOTES TO THE ACCOUNTS

Preliminary.

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

(2) 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.

(3) Subject to sub-paragraph (4), in respect of every item stated in a note to the accounts—

- (a) the corresponding amount for the financial year immediately preceding that to which the accounts relate must also be stated; and
- (b) where the corresponding amount is not comparable, that amount will be adjusted and particulars of the adjustment and the reasons for it must be given.

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

- (a) paragraphs 68 and 69 of this Schedule;
- (b) paragraph 11 of Schedule 2;
- (c) paragraphs 2, 7(2), 15, 18(1)(d), 19(2) and (3), 21(2) and 24(2) of Schedule 3;
and
- (d) paragraph 6 of Schedule 4.

General

Disclosure of accounting policies.

62. 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 must be stated (including such accounting policies with respect to the depreciation and diminution in value of assets).

63. It must 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 must be given.

Sums denominated in foreign currencies.

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

Information supplementing the balance sheet

Share capital and debentures.

65.(1) The following information must be given with respect to the company's share capital—

- (a) the authorised share capital; and

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(b) where shares of more than one class have been allotted, the number and total 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 must be given —

- (a) the earliest and latest dates on which the company has power to redeem those shares;
- (b) whether those shares must 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.

66. If the company has allotted any shares during the financial year, the following information must be given —

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

67.(1) With respect to any contingent right to the allotment of shares in the company the following particulars must 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 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.

Assets.

68.(1) In respect of any assets of the company included in Assets item B (intangible assets), C.I (land and buildings) and C.II (investments in group undertakings and participating

interests) in the company's balance sheet the following information must 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; and
- (b) the effect on any amount included in Assets item B 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 25;
 - (ii) acquisitions during that year of any assets;
 - (iii) disposals during that year of any assets; and
 - (iv) any transfers of 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 assets (included in an assets item) as at any date there mentioned is a reference to amounts representing the total amounts determined, as at that date, in respect of 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 47 and 48); or
- (b) on any basis permitted by paragraph 24 or 25;

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

(3) In addition, in respect of any assets of the company included in any assets item in the company's balance sheet, there must 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.

Reserves and provisions.

69.(1) Where any amount is transferred—

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

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

(2) That information 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 reserves or provisions during that year; and
- (c) the source and application respectively of any amounts so transferred.

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

Provision for taxation.

70. The amount of any provision for deferred taxation must be stated separately from the amount of any provision for other taxation.

Details of indebtedness.

71.(1) In respect of each item shown under “creditors” in the company’s balance sheet there must be stated the total of the following amounts, that is to say—

- (a) the amount of any debts included under that item which are payable or repayable otherwise than by instalments and fall due for payment or repayment after the end of the period of five years beginning with the day next following the end of the financial year; and
- (b) in the case of any debts so included which are payable or repayable by instalments, the amount of any instalments which fall due for payment after the end of that period.

(2) Subject to sub-paragraph (3), in relation to each debt falling to be taken into account under sub-paragraph (1), the terms of payment or repayment and the rate of any interest payable on the debt must be stated.

(3) If the number of debts is such that, in the opinion of the directors, compliance with sub-paragraph (2) would result in a statement of excessive length, it will be sufficient to give a general indication of the terms of payment or repayment and the rates of any interest payable on the debts.

(4) In respect of each item shown under “creditors” in the company’s balance sheet there must be stated—

- (a) the total amount of any debts included under that item in respect of which any security has been given by the company; and
- (b) an indication of the nature of the securities so given.

(5) References in this paragraph to an item shown under “creditors” in the company’s balance sheet include references, where amounts falling due to creditors within one year and after more than one year are distinguished in the balance sheet—

- (a) in a case within sub-paragraph (1), to an item shown under the latter of those categories; and
- (b) in a case within sub-paragraph (4), to an item shown under either of those categories,

and references to items shown under “creditors” include references to items which would but for paragraph 2(3)(b) be shown under that heading.

72. If any fixed cumulative dividends on the company’s shares are in arrears, there must 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.

Guarantees and other financial commitments.

73.(1) Particulars must be given of any charge on the assets of the company to secure the liabilities of any person including the amount secured.

(2) Particulars and the total amount of any financial commitments, guarantees and contingencies (excluding those which arise out of insurance contracts) that are not included in the balance sheet must be disclosed.

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

(4) The total amount of any commitments within sub-paragraph (2) concerning pensions must be separately disclosed.

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

(6) Where any commitment within sub-paragraph (4) or (5) relates wholly or partly to pensions payable to past directors of the company, separate particulars must be given of that commitment.

(7) The total amount of any commitments, guarantees and contingencies within sub-paragraph (2) 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.

(8) There must be provided particulars relating to 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.

(9) There must be provided particulars relating to transactions which have been entered into with related parties, 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.

Miscellaneous matters

74.(1) Particulars must be given of any case where the cost of any asset is for the first time determined under paragraph 49.

(2) The total amount which is recommended for distribution by way of dividend must be stated.

Information supplementing the profit and loss account

Particulars of business.

75.(1) As regards general business a company must disclose—

- (a) gross premiums written;
- (b) gross premiums earned;
- (c) gross claims incurred;
- (d) gross operating expenses, and

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(e) the reinsurance balance.

(2) The amounts required to be disclosed by sub-paragraph (1) must be broken down between direct insurance and reinsurance acceptances, if reinsurance acceptances amount to 10 per cent or more of gross premiums written.

(3) Subject to sub-paragraph (4), the amounts required to be disclosed by sub-paragraphs (1) and (2) with respect to direct insurance must be further broken down into the following groups of classes—

- (a) accident and health;
- (b) motor (third party liability);
- (c) motor (other classes);
- (d) marine, aviation and transport;
- (e) fire and other damage to property;
- (f) third-party liability;
- (g) credit and suretyship;
- (h) legal expenses;
- (i) assistance, and
- (j) miscellaneous,

where the amount of the gross premiums written in direct insurance for each group exceeds 10 million euros.

(4) The company must in any event disclose the amounts relating to the three largest groups of classes in its business.

76.(1) As regards long term business, the company must disclose —

- (a) gross premiums written, and

(b) the reinsurance balance.

(2) Subject to sub-paragraph (3)—

- (a) gross premiums written must be broken down between those written by way of direct insurance and those written by way of reinsurance; and
- (b) gross premiums written by way of direct insurance must be broken down —
 - (i) between individual premiums and premiums under group contracts;
 - (ii) between periodic premiums and single premiums; and
 - (iii) between premiums from non-participating contracts, premiums from participating contracts and premiums from contracts where the investment risk is borne by policy holders.

(3) Disclosure of any amount referred to in sub-paragraph (2)(a) or (2)(b)(i),(ii) or (iii) is not required if it does not exceed 10 per cent of the gross premiums written or (as the case may be) of the gross premiums written by way of direct insurance.

77.(1) Subject to sub-paragraph (2), there must be disclosed as regards both general and long term business the total gross direct insurance premiums resulting from contracts concluded by the company—

- (a) in the country of its head office, whether Gibraltar or an EEA State;
- (b) in Gibraltar, if its head office is in an EEA State;
- (c) in any EEA States, if its head office is in Gibraltar; and
- (d) in other countries.

(2) Disclosure of any amount referred to in sub-paragraph (1) is not required if it does not exceed 5 per cent of total gross premiums.

Commissions.

78. There must be disclosed the total amount of commissions for direct insurance business accounted for in the financial year, including acquisition, renewal, collection and portfolio management commissions.

Miscellaneous matters.

79.(1) Where any amount relating to any preceding financial year is included in any item in the profit and loss account, the effect must 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) The effect must be stated of any transactions that are exceptional by virtue of size or incidence though they fall within the ordinary activities of the company.

Information about fair value of assets and liabilities.

80.(1) This paragraph applies where financial instruments have been valued in accordance with paragraphs 32, 34 or 35 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) in the case of financial instruments, their purchase price, the items affected and the basis of valuation;
- (c) for each category of financial instrument or other asset, the fair value of the assets in that category and the changes in value—
 - (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
- (d) 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—

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- (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.

81. 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 33 of this Schedule; and
- (b) the extent and nature of the derivatives.

82.(1) Sub-paragraph (2) applies if—

- (a) the company has financial fixed assets that could be included at fair value by virtue of paragraph 32 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 41(2) of this Schedule.

(2) There must be stated—

- (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.

83.(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 35 of this Schedule.

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(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 sub-paragraph (3), references in relation to any item to the comparable amounts determined in accordance with that sub-paragraph 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.

84. 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.

85. 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.

Fees.

86. 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 must be stated.

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87. Where used in this Chapter, the expressions defined in paragraph 38 of this Schedule have the same meaning as in that paragraph.

ANNEX 1

ACCOUNTING CLASSES

Accounting Class	Corresponding group of classes Schedule 1.	Corresponding business classes	general
1. Accident and health	accident and health	1(other than 1(p)),2	
2. Motor	Motor (third part liability) motor (other classes)	1(p), 10 3	
3. Aviation	} marine, aviation	1(p), 5, 11	
4. Marine	} and transport	1(p), 6, 12	
5. Transport	}	7	
6. Property	fire and other damage to property	4,8,9	
7. Third part liability	third party liability	13	
8. Miscellaneous and pecuniary	credit and suretyship, legal expenses, assistance, miscellaneous	14, 15, 16, 17, 18	
9. None-proportional treaty			
10. Proportional treaty			
11. Marine, aviation and transport treaty			

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In this Annex, “general business class 1(p)” means the effecting and carrying out of contracts of insurance against risks of death of or injury to passengers which normally fall within general business class 1, to the extent than an insurer has elected to attribute such risks to accounting class 2, 3 or 4, as appropriate.

SCHEDULE 2

Regulation 9

FORM AND CONTENT OF ACCOUNTS OF INSURANCE GROUPS

CONSOLIDATED ACCOUNTS

General Rules.

1.(1) Group accounts must comply so far as practicable with the provisions of Schedule 1 modified as mentioned in paragraph 24 as if the undertakings included in the consolidation (“the group”) were a single company.

(2) In particular, for the purposes of paragraph 71(6) of Schedule 1 as it applies to group accounts—

- (a) any subsidiary undertakings of the parent company not included in the consolidation must be treated as subsidiary undertakings of the group; and
- (b) if the parent company is itself a subsidiary undertaking, the group must 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 must 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.

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

(3) If the financial year of a subsidiary undertaking included in the consolidation does not end with that of the parent company, the group accounts must 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
- (b) from interim accounts prepared by the subsidiary undertaking as at the end of the parent company’s financial year.

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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 must be adjusted so as to accord with the rules used for the group accounts.

(2) Sub-paragraph (1) does not apply to those liabilities items the valuation of which by the undertakings included in a consolidation is based on the application of provisions applying only to insurance undertakings, nor to those asset items changes in the values of which also affect or establish policy holders' rights.

(3) Where sub-paragraph (2) applies, that fact must be disclosed in the notes on the consolidated accounts.

(4) 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 must be given in a note to the accounts.

(5) 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 must 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, must 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 must 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 —

- (a) where a transaction has been concluded according to normal market conditions and a policy holder has rights in respect of that transaction, or
- (b) if the amounts concerned are not material for the purpose of giving a true and fair view.

(5) Where advantage is taken of sub-paragraph (4)(a) that fact must be disclosed in the notes to the accounts, and where the transaction in question has a material effect on the assets, liabilities, financial position and profit and loss of all the undertakings included in the consolidation that fact must also be so disclosed.

Acquisition accounting.

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

(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 must 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 must 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 must be brought into the group accounts only as from the date of the acquisition.

(4) There must 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—

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“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 at that date.

(5) The resulting amount (if positive) must 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 Chapter II Section A 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 must 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 must be stated, and in relation to an acquisition which significantly affects the figures shown in the group accounts, the following further information must be given.

(3) The composition and fair value of the consideration for the acquisition given by the parent company and its subsidiary undertakings must 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 must 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 must be made in ascertaining for the purposes of sub-paragraph (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 must 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 must 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 must state—

- (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.

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(2) In the Balance Sheet Format, a further item headed “Non-controlling interest” is added under the general heading “LIABILITIES”, between items A and B, and under that item must 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 interest” is added between items 10 and 11 in section III, and under that item must 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.

(4) In the Profit and Loss Account Format a further item headed “Non-controlling interest” is added between items 14 and 15 in section III, and under that item must 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.

(5) Paragraph 2(3) of Schedule 1 does not apply in relation to the additional items required by the foregoing provisions of this paragraph.

Joint ventures.

16.(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.

17.(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 16.

(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.

18.(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 C.II.3 (participating interests) is replaced by two items, “Interests in associated undertakings” and “Other participating interests”.

(3) In the Profit and Loss Account Format, items II.2(a) and III.4(a) (income from participating interests, with a separate indication of that derived from group undertakings) are each replaced by the following items—

- (a) “Income from participating interests other than associated undertakings, with a separate indication of that derived from group undertakings”, which must be shown as items II.2(a) and III.3(a), and
- (b) “Income from associated undertakings”, which must be shown as items II.2 (aa) and III.4(aa).

19.(1) The interest of an undertaking in an associated undertaking, and the amount of profit or loss attributable to such an interest, must be shown by the equity method of accounting (including dealing with any goodwill arising in accordance with paragraphs 39 to 41 and 43 of Schedule 1).

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(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.

Deferred tax balances.

20. 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.

Related party transactions.

21. Paragraph 73(9) of Schedule 1 applies to transactions which the parent company, or other undertakings included in the consolidation, have entered into with related parties, unless they are intra-group transactions.

Modifications of Schedule 1 for purposes of paragraph 1.

22.(1) For the purposes of paragraph 1, Schedule 1 is modified as follows.

(2) In the case of general business, investment income, expenses and charges may be disclosed in the non-technical account rather than in the technical account.

(3) In the case of subsidiary undertakings which are not authorised to carry on long term business in Gibraltar, notes (8) and (9) to the profit and loss account format have effect as if references to investment income, expenses and charges arising in the long term fund or to investments attributed to the long term fund were references to investment income, expenses and charges or (as the case may be) investments relating to long term business.

(4) In the case of subsidiary undertakings which do not have a head office in Gibraltar, the computation required by paragraph 54 must be made annually by an actuary or other specialist in the field on the basis of recognised actuarial methods.

(5) The information required by paragraphs 75 to 78 need not be shown.

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SCHEDULE 3

Regulation 16

DISCLOSURE OF INFORMATION: RELATED UNDERTAKINGS

PART I

COMPANIES NOT REQUIRED TO PREPARE GROUP ACCOUNTS

Subsidiary undertakings.

1.(1) The information required by this sub-paragraph and by sub-paragraphs (2) and (3) must be given where at the end of the financial year the company has subsidiary undertakings—

- (a) the name of each subsidiary 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 reason why the company is not required to prepare group accounts must be stated.

(3) If the reason is that all the subsidiary undertakings of the company fall within the exclusions provided for in regulation 14, it must be stated with respect to each subsidiary undertaking which of those exclusions applies.

Holdings in subsidiary undertakings.

2.(1) There must 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 must 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) There must be disclosed with respect to each subsidiary undertaking -

- (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 company is exempt by virtue of regulation 11 from the requirement to prepare group accounts (parent company included in accounts of larger group).

(3) That information need not be given if the company's investment in the subsidiary undertaking is included in the company's accounts by way of the equity method of valuation.

(4) That information need not be given if—

- (a) 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
- (b) the company's holding is less than 50 per cent of the nominal value of the shares in the undertaking.

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

(6) 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
- (b) that undertaking's financial year does not end with that of the company;

there must 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 must 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 must 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 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 accounts) exceeds one-fifth of the amount (as so stated) of the company's assets.

7.(1) There must 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) There must 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 must 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 company is exempt by virtue of regulation 12 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 —
- (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.

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

(2) There must 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 sub-paragraph (2) need not be given if it is not material.

Parent undertaking drawing up accounts for larger group.

10.(1) Where the company is a subsidiary undertaking, the following information must 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 must 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.

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

Identification of ultimate parent company.

11.(1) Where the company is a subsidiary undertaking, the following information must 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 that is outside Gibraltar and known to the directors.

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

Constructions of references to shares held by company.

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

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

- (a) shares held on the company's behalf by any person will be attributed to the company; but
- (b) shares held on behalf of a person other than the company will not be treated as held by 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 the security, or of realising it, the rights attached to the shares are exercisable only in his interests.

PART II

COMPANIES REQUIRED TO PREPARE GROUP ACCOUNTS

Introductory.

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

Subsidiary undertakings.

14.(1) The information required by this sub-paragraph and by sub-paragraphs (2) and (3) must 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 must also be stated whether the subsidiary undertaking is included in the consolidation and, if it is not, the reasons for excluding it from consolidation must be given.

(3) It must be stated with respect to each subsidiary undertaking by virtue of which of the conditions specified in Article 22 of the Accounting Directive it is a subsidiary undertaking of its immediate parent undertaking.

That information need not be given if the relevant condition is that specified in Article 22(1) (a) of the Accounting Directive (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.

15.(1) The following information must be given with respect to the shares of a subsidiary undertaking held—

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

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

(2) There must 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.

16.(1) There must 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

17.(1) The number, description and amount of the shares in the company held by or on behalf of its subsidiary undertakings must 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.

18.(1) The following information must be given where an undertaking is dealt with in the consolidated accounts by the method of proportional consolidation in accordance with paragraph 16 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.

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(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 must be stated.

Associated undertakings.

19.(1) The following information must be given where an undertaking included in the consolidation has an interest in an associated undertaking—

- (a) the name of the associated 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 must 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) must be shown separately.

(3) There must 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 17 of Schedule 2; and the information required by this paragraph must be given notwithstanding that paragraph 19(3) of that Schedule (materially) applies in relation to the accounts themselves.

Other significant holdings of parent company or group.

20.(1) The information required by paragraphs 21 and 22 must 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 18 (joint ventures) or paragraph 19 (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).

21.(1) There must 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 must 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.

22.(1) There must 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

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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.

23.(1) The information required by paragraphs 23 and 24 must be given where at the end of the financial year the group has a significant holding in 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).

24.(1) There must 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 must 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.

25.(1) There must 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
- (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.

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

(2) There must 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 sub-paragraph (2) need not be given if it is not material.

Parent undertaking drawing up accounts for larger group.

27.(1) Where the parent company is itself a subsidiary undertaking, the following information must 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 must 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 must also be stated.

Identification of ultimate parent company.

28.(1) Where the parent company is itself a subsidiary undertaking, the following information must 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.

29.(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 15, 19(2) and (3) and 20 to 22 —

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

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SCHEDULE 4

Regulation 18

DISCLOSURE OF INFORMATION - EMOLUMENTS AND OTHER BENEFITS OF DIRECTORS AND OTHERS

Without limiting the application of sections 246 and 248 of, and Schedule 16 to, the Companies Act 2014, the notes to the accounts of an institution to which Part II of Schedule 3 applies must disclose the amount of emoluments paid to or receivable by any person for the following matters.

1. The total amount of directors' emoluments must be shown.
2. Directors' emoluments are those paid to or receivable by any person in respect of—
 - (a) his services as a director of the company; or
 - (b) his services while director of the company—
 - (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.
3. There must also be shown, separately, the total amount within paragraph 2(a) and 2(b)(i) and the total amount within paragraph 2(b)(ii).
4. 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.

5. The total amount of directors' or past directors' retirement pensions must be shown, and the amount so shown must distinguish between retirement pensions in respect of services as director, whether of the company or any of its subsidiary undertakings, and other pensions.

6. The amounts of advances and credits granted to the directors of the parent undertaking by that undertaking or one of its subsidiary undertakings must 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.