



STATUTORY INSTRUMENTS.

S.I. No. 262 of 2015



EUROPEAN UNION (INSURANCE UNDERTAKINGS: FINANCIAL
STATEMENTS) REGULATIONS 2015

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I, MICHAEL NOONAN, Minister for Finance, in exercise of the powers conferred on me by section 3 of the European Communities Act 1972 (No. 27 of 1972) and for the purpose of giving effect to Council Directive 91/674/EEC of 23 December 1991¹, hereby make the following regulations:

Citation and commencement

1. (1) These Regulations may be cited as the European Union (Insurance Undertakings: Financial Statements) Regulations 2015.

(2) These Regulations come into operation on 17 June 2015.

Interpretation

2. (1) In these Regulations—

“Bank” means the Central Bank of Ireland;

“insurance undertaking” has the same meaning as it has in section 275 of the Principal Act;

“Principal Act” means the Companies Act 2014 (No.38 of 2014);

“small or medium company” shall be construed in accordance with section 350 of the Principal Act;

“undertaking” means an insurance undertaking.

(2) A word or expression that is used in these Regulations and is also used in the Principal Act, and, in particular, in Part 6 of that Act, shall have in these Regulations the same meaning as it has in that Act (or Part) unless the contrary intention appears.

Application of Part 6 of Principal Act to insurance undertakings

3. (1) The provisions of Part 6 of the Principal Act shall apply to an insurance undertaking except to the extent that they are disapplied or modified by these Regulations.

(2) A reference in the Principal Act to any provision of Part 6 of that Act shall be construed, for the purposes of its application to an insurance undertaking, as a reference to that provision as applied by these Regulations.

¹OJ No. L 374, 31.12.1991, p. 7

Notice of the making of this Statutory Instrument was published in “Iris Oifigiúil” of 23rd June, 2015.

(3) A reference in Part 6 of the Principal Act to Schedule 3 to that Act shall be construed, for the purposes of its application to an insurance undertaking, as a reference to Schedule 1 to these Regulations.

(4) A reference in Part 6 of the Principal Act to Schedule 4 to that Act shall be construed, for the purposes of its application to an insurance undertaking, as a reference to Schedule 2 to these Regulations.

Application of section 293 (as applied by Regulation 3) of Principal Act to certain undertakings

4. (1) Section 293, as it applies by virtue of Regulation 3, of the Principal Act (obligation to prepare group financial statements) shall also apply to a holding undertaking:

- (a) which does not itself carry on any material business apart from the acquisition, management and disposal of interests in subsidiaries; and
- (b) whose principal subsidiaries are wholly or mainly insurance undertakings.

(2) In paragraph (1)—

- (a) the reference to the management of interests in subsidiaries includes a reference to the provision of services to subsidiaries; and
- (b) “principal subsidiaries”, in relation to a holding undertaking, means those subsidiaries of the undertaking whose results or financial position would principally affect the figures shown in the group financial statements.

Financial statements to be made available to public

5. (1) An insurance undertaking shall—

- (a) make available its financial statements prepared in accordance with section 290 or 293 of the Principal Act for public inspection at its head office, and
- (b) make available to the public copies of its financial statements on request at a price which does not exceed the cost of making the copy.

(2) A person who contravenes paragraph (1) shall be guilty of an offence and shall be liable on summary conviction to a class A fine or imprisonment for a term not exceeding 6 months or both.

Non-application of certain provisions of Principal Act to insurance undertakings

6. (1) An insurance undertaking shall not qualify as a small or medium company for the purposes of Chapter 14 of Part 6 of the Principal Act and any reference in that Part to a small or medium company shall be read as excluding a reference to an insurance undertaking.

(2) In addition to what is provided by paragraph (1), each provision of the Principal Act specified in the Table to this Regulation, in so far as it is not already disappplied by that Act to such an undertaking, shall not apply to an insurance undertaking.

(3) Section 357 of the Principal Act shall not apply to an insurance undertaking.

Table

Sections 297 and 298 (Exemption from consolidation: size of group)
Sections 358 to 364 (Audit exemption)
Section 365 (Dormant company audit exemption)
Section 377 (Small and medium sized companies)
Section 378 (Application of this Chapter in cases where audit exemption available, etc.)

Amendment of Central Bank Act 1942

7. Part 2 of Schedule 2 (as last amended by Regulation 4 (2) of the European Union (European Social Entrepreneurship Funds) Regulations 2015 (S.I. No.166 of 2015)) to the Central Bank Act 1942 (No.22 of 1942) is amended by inserting after the last item the following:

“

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Revocation of European Communities (Insurance Undertakings:Accounts) Regulations 1996

8. The European Communities (Insurance Undertakings: Accounts) Regulations 1996 (S.I. No. 23 of 1996) are revoked.

SCHEDULE 1ACCOUNTING PRINCIPLES, FORM AND CONTENT OF ENTITY
FINANCIAL STATEMENTS

PART I

CONSTRUCTION OF REFERENCES TO PROVISIONS OF THIS
SCHEDULE

1. (1) Without prejudice to the generality of section 9 of the Interpretation Act 2005 and its application to the body of these Regulations—
 - (a) a reference in this Schedule to a paragraph or Part is a reference to a paragraph or Part of this Schedule, unless it is indicated that a reference to some other enactment is intended;
 - (b) a reference in this Schedule to a section is a reference to the section of the Part in which the reference occurs, unless it is indicated that a reference to some other enactment is intended; and
 - (c) a reference in this Schedule to a subparagraph or clause is a reference to the subparagraph or clause of the provision in which the reference occurs, unless it is indicated that a reference to some other enactment is intended.
- (2) Provisions providing for the interpretation of certain expressions appearing in this Schedule are contained in *Part VII*.

PART II

GENERAL RULES AND FORMATS

SECTION A

GENERAL RULES

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

- (a) every balance sheet of an undertaking shall show the items listed in the balance sheet format set out in *Section B*; and
- (b) every profit and loss account of an undertaking shall show the items listed in the profit and loss account format so set out, in either case in the order and under the headings and sub-headings given in the format adopted.

(2) *Subparagraph (1)* shall not be read as requiring the heading or sub-heading for any item in the balance sheet, or profit and loss account, of an undertaking to be distinguished by any letter or number assigned to that item in the formats set out in *Section B*.

3. (1) Where, in accordance with *paragraph 2(1)*, an undertaking's balance sheet or profit and loss account for any financial year has been prepared by reference to one of the formats set out in *Section B*, the directors of the undertaking shall adopt the same format in preparing the financial statements for subsequent financial years unless, in their opinion, there are special reasons for a change.

(2) Where any change is made in the format adopted in preparing a balance sheet or profit and loss account of an undertaking, the reasons for the change, together with full particulars of the change, shall be given in a note to the financial statements in which the new format is first adopted.

4. (1) Any item required in accordance with paragraph 2 to be shown in the balance sheet or profit and loss account of an undertaking may be shown in greater detail than that required by the format adopted.

(2) The balance sheet, or profit and loss account, of an undertaking may include an item representing or covering the amount of any asset or liability or income or expenditure not otherwise covered by any of the items listed in the format adopted but the following shall not be treated as assets in the balance sheet of an undertaking—

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

(3) Items to which Arabic numbers are assigned in the balance sheet format set out in *Part B* (except for items concerning technical provisions and the reinsurers share of technical provisions), and items to which lower case letters are assigned in the profit and loss account format so set out (except for *items I.1, I.4, II.1, II.5 and II.6*) may be combined in an undertaking's financial statements for any financial year in any case where—

(a) the individual amounts of such items are not material to assessing the financial position or profit or loss of the undertaking for the financial year concerned, or

(b) the combination of such items facilitates that assessment.

(4) Where items are combined in an undertaking's financial statements pursuant to *subparagraph (3)(b)*, the individual amounts of any items so combined shall be disclosed in a note to the financial statements.

5. In respect of every item shown in the balance sheet, or profit and loss account, or notes thereto, of an undertaking, the corresponding amount for the financial year immediately preceding that to which the balance sheet or profit and loss account relates shall also be shown and, if that 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 may be adjusted, and particulars of the adjustment and the reasons therefor shall be given in a note to the financial statements.

6. (1) Subject to *subparagraph (2)*, a heading or sub-heading corresponding to an item listed in the format adopted in preparing the balance sheet or profit and loss account of an undertaking shall not be included in the balance sheet or profit and loss account, as the case may be, 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.

(2) *Subparagraph (1)* shall not apply in any case where an amount can be shown for the item in question in respect of the financial year immediately preceding that to which the balance sheet or profit and loss account relates, and that amount shall be shown under the heading or sub-heading required by the format adopted as aforesaid.

7. Amounts in respect of items representing assets or income may not be set off in the financial statements of an undertaking against amounts in respect of items representing liabilities or expenditure, as the case may be, or *vice versa*.

8. (1) Funds of a group pension fund, within the meaning of *points (iii) and (iv) of paragraph (3)(b) of Article 2 of the Insurance and Reinsurance Directive*, which an insurance undertaking administers in its own name but on behalf of third parties shall be shown in the balance sheet if the undertaking acquires legal title to the assets concerned and the total amount of such assets and liabilities shall be shown separately or in the notes to the financial statements, broken down according to the various assets and liabilities items.

(2) Assets acquired in the name of and on behalf of third parties shall not be shown in the balance sheet.

9. The provisions of this Schedule which relate to life assurance shall apply to health insurance written by undertakings which write only health insurance and which is transacted exclusively or principally according to the technical principles of life assurance.

10. (1) In the profit and loss account format set out below in Section B—

(a) the heading "Technical account — non-life business" is for those classes of direct insurance which are within the scope of the European Communities (Non-Life Insurance) Regulations, 1976 (S.I. No. 115 of 1976), the European Communities (Non-Life Insurance) Framework Regulations, 1994 (S.I. No. 359 of 1994) and for the corresponding classes of reinsurance business, and

(b) the heading "Technical account — life assurance business" is for those classes of direct insurance which are within the scope of the European Communities (Life Assurance) Regulations, 1984 (S.I. No. 57 of 1984), the European Communities (Life Assurance) Framework Regulations 1994 (S.I. No. 360 of 1994) and for the corresponding classes of reinsurance business.

(2) Undertakings whose activities consist wholly of reinsurance or whose activities consist of direct non-life insurance and reinsurance may use the format "Technical account — non-life business" for all of their business.

SECTION B

THE REQUIRED FORMATS FOR FINANCIAL STATEMENTS

Preliminary

11. References in this Part to the items listed in any of the formats set out in this Part are references to those items read together with any notes following the formats which apply to any of those items.

12. A number in brackets following any item in, or any heading to, any of the formats set out in this Part is a reference to the note of that number in the notes following the formats.

13. In the notes following the formats the heading of each note gives the required heading or sub-heading for the item to which it applies and a reference to any letters and numbers assigned to that item in the formats set out in this Part.

BALANCE SHEET FORMAT

Assets

- A. Called up share capital not paid
- B. Intangible assets
 - 1. Development costs.
 - 2. Concessions, patents, licences, trademarks and similar rights and assets (1).
 - 3. Goodwill (2).
 - 4. Payments on account.
- C. Investments
 - I. Land and buildings (3)
 - 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 undertaking 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 (4)
 - 3. Participation in investment pools (5)
 - 4. Loans secured by mortgages (6)
 - 5. Other loans (6)
 - 6. Deposits with credit institutions (7)
 - 7. Other (8)
 - IV. Deposits with ceding undertakings (9)
- D. Investments for the benefit of life assurance policyholders who bear the investment risk (10)
- Da. Reinsurers' share of technical provisions (11)
 - 1. Provision for unearned premiums
 - 2. Life assurance provision
 - 3. Claims outstanding
 - 4. Provision for bonuses and rebates (unless shown under sub-item 2)
 - 5. Other technical provisions
 - 6. Technical provisions for life-assurance policies where the investment risk is borne by the policyholders
- E. Debtors (12)
 - I. Debtors arising out of direct insurance operations
 - 1. Policyholders
 - 2. Intermediaries
 - II. Debtors arising out of reinsurance operations
 - III. Other debtors
- F. Other assets
 - I. Tangible assets and stocks
 - 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.
 - 4. Raw materials and consumables
 - 5. Work in progress
 - 6. Finished goods and goods for resale
 - II. Cash at bank and in hand
 - III. Other (13)
- G. Prepayments and accrued income
 - I. Accrued interest and rent (14)

- II. Deferred acquisition costs (15)
- III. Other prepayments and accrued income

Liabilities

- A. Capital and reserves
 - I. Subscribed or called up share capital or equivalent funds (16)
 - II. Share premium account
 - III. Revaluation reserve
 - IV. Reserves (17)
 - (a) Other undenominated capital
 - (b) Reserve for own shares held (18)
 - (c) Reserves provided for by the articles of association
 - (d) Other reserves (Specify as necessary)
 - V. Profit or loss brought forward
 - VI. Profit or loss for the financial year
- B. Subordinated liabilities (19)
- Ba. Fund for future appropriations (20)
- C. Technical provisions (21)
 - 1. Provision for unearned premiums (22)
 - (a) gross amount
 - (b) reinsurance amount(-)(11)
 - 2. Life assurance provision: (22) (24) (28)
 - (a) gross amount
 - (b) reinsurance amount(-)(11)
 - 3. Claims outstanding: (25)
 - (a) gross amount
 - (b) reinsurance amount(-)(11)
 - 4. Provision for bonuses and rebates (unless shown under 2): (26)
 - (a) gross amount
 - (b) reinsurance amount(-)(11)
 - 5. Equalization provision (27)
 - 6. Other technical provisions: (23)
 - (a) gross amount
 - (b) reinsurance amount(-)(11)
- D. Technical provisions for life assurance policies where the investment risk is borne by the policyholders (28)
 - (a) gross amount
 - (b) reinsurance amount(-)(11)
- E. Other provisions
 - 1. Provisions for pensions and similar obligations
 - 2. Provisions for taxation
 - 3. Other provisions
- F. Deposits received from reinsurers (29)
- G. Creditors
 - I. Creditors arising out of direct insurance operations
 - II. Creditors arising out of reinsurance operations
 - III. Debenture loans (30)
 - IV. Amounts owed to credit institutions
 - V. Other creditors including tax and social welfare
- H. Accruals and deferred income

NOTES ON THE BALANCE SHEET FORMAT

- (1) Concessions, patents, licences, trademarks and similar rights and assets

(Assets item B.2)

Amounts in respect of assets shall only be included in an undertaking'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 undertaking itself.

- (2) Goodwill

(Assets item B.1)

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

- (3) Land and buildings

(Assets item C.I)

The amount of any land and buildings occupied by the undertaking for its own activities shall be shown separately.

- (4) Debt securities and other fixed income securities

(Assets item C.III.2)

This item shall comprise negotiable debt securities and other 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 Euro market, shall also be regarded as debt securities and other fixed income securities and so be included under this item.

- (5) Participation in investment pools

(Assets item C.III.3)

This item shall comprise shares held by the undertaking 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.

- (6) 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 shall be included under "Other loans" and their amount shall be disclosed in the notes to the financial statements. Loans guaranteed by mortgages shall be 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 shall be given in the notes to the financial statements.

(7) Deposits with credit institutions

(Assets item C.III.6)

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

(8) Other

(Assets item C.III.7)

This item shall comprise those investments which are not covered by *Assets items C.III.1* to 6. Where the amount of such investments is significant, they shall be disclosed in the notes to the financial statements.

(9) Deposits with ceding undertakings

(Assets item C.IV)

Where the undertaking accepts reinsurance this item shall comprise 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 undertaking accepting reinsurance shall be entered in the undertaking's financial statements as an investment, under the appropriate item.

(10) Investments for the benefit of life assurance policyholders who bear the investment risk.

(Assets item D)

In respect of life assurance this item shall comprise, on the one hand, investments the value of which is used to determine the value of or the return on policies relating to an investment fund, and on the other hand, investments serving as cover for liabilities which are determined by reference to an index.

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

(11) Reinsurance amounts

(Assets item Da)

(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 shall comprise the actual or estimated amounts which, under contractual reinsurance arrangements, are deducted from the gross amounts of technical provisions. Where reinsurance amounts are shown as assets under item Da, they shall be subdivided as shown. Notwithstanding *paragraph 4(3)* of this Schedule, these items shall not be combined. The disclosure of reinsurance amounts shall be in the same form from one accounting year to the next. If the directors decide that a change is necessary, the reason for that change should be disclosed in the notes together with a statement of what the position would have been had the original treatment been retained.

As regards the provision for unearned premiums, the reinsurance amounts shall be calculated according to the methods referred to in *paragraph 55* or in accordance with the terms of the reinsurance policy.

(12) Debtors

(Assets item E)

Amounts owed by group undertakings and undertakings in which the undertaking has a participating interest shall be shown separately as sub-items of *Assets items E.I, E.II and E.III*.

(13) Other

(Assets item F.III)

This item shall comprise those assets which are not covered by *Assets items F.I and F.II*. Where such assets are material they shall be disclosed in the notes to the financial statements.

(14) Accrued interest and rent

(Assets item G.I)

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

(15) Deferred acquisition costs

(Assets item G.II)

The costs of acquiring insurance policies which are incurred during the financial year but which relate to a subsequent financial year (referred to as "deferred acquisition costs") shall be treated as follows:

- (a) Costs incurred in respect of non-life business shall be disclosed under this item and shall be calculated on a basis compatible with that used for unearned premiums.
- (b) (i) Costs incurred in respect of life assurance business shall be deferred. Such deferral should be over such a period as is recognised to be prudent.
- (ii) Costs incurred in respect of life assurance may be either disclosed under this item on the balance sheet or may be deducted by a recognised actuarial method from the mathematical reserves: where the latter method is used. The amounts deducted from the provisions shall be disclosed in the notes to the financial statements.
- (iii) The method of treatment of deferred acquisition costs in the financial statements of a life assurance undertaking should be the same from one financial year to the next. If, in the opinion of the directors of the undertaking, a change is necessary, the reasons for that change should be disclosed in the notes together with a statement of what the position would have been had the original method been retained.

(16) Subscribed or called up capital or equivalent funds

(Liabilities item A.I)

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

Subscribed capital shall comprise all amounts which, in accordance with the legal structure of an insurance undertaking, are regarded in accordance with the Principal Act as equity share capital subscribed by the shareholders or other persons.

Called up capital shall comprise all amounts which, in accordance with the legal structure of an insurance undertaking, are regarded in accordance with the Principal Act as equity share capital subscribed and fully paid up or subscribed and partly paid up, to the extent paid up.

(17) Reserves

(Liabilities item A.IV)

Reserves shall be shown separately, as sub items of *Liabilities item A.IV* in the balance sheet except for the revaluation reserve, which shall be shown as a liability under *A.III*.

(18) Reserves for own Shares

(Liabilities item A.IV.2)

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

(19) Subordinated liabilities

(Liabilities item B)

This item shall comprise all liabilities, whether or not represented by certificates, 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 the claims of all other creditors have been met.

(20) Fund for future appropriations

(Liabilities item Ba)

This item shall comprise 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 shall be shown in *item II.12a* (Transfers to or from the fund for future appropriation) in the profit and loss account.

(21) Technical provisions

(Liabilities item C)

Paragraph 17(b) shall apply to the technical provisions, subject to *note (11)* and *Notes (22) to (27)*.

(22) Provision for unearned premiums

(Liabilities items C.1 and C.2)

In the case of life assurance the provision for unearned premiums may be included in *Liabilities item C.2* rather than in this item.

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

Where, in accordance with *note (23)* this item also includes the amount of the provision for unexpired risks, the description of the item shall be "Provision for unearned premiums and unexpired risks".

(23) Other technical provisions

(Liabilities item C.6).

This item shall include the provision for unexpired risks, being the amount set aside in addition to unearned premiums in respect of risks to be borne by the insurance undertaking 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. However, the provision for unexpired risks may be added to the provision for unearned premiums under *item C.1*. Where the amount of unexpired risks is material, it shall be disclosed separately in the notes to the financial statements.

Ageing reserves should be disclosed under this item.

(24) Life assurance provision

(Liabilities item C.2)

This item shall comprise the actuarially estimated value of the undertaking's liabilities including bonuses already declared and after deducting the actuarial value of future premiums, excluding amounts covered by *note (28)*.

(25) Claims outstanding

(Liabilities item C.3)

This item shall comprise the total estimated ultimate cost to the undertaking of settling all claims arising from events which have occurred up to the end of the financial year, whether reported or not, less amounts already paid in respect of such claims.

(26) Provision for bonuses and rebates

(Liabilities item C.4)

This item shall comprise amounts intended for policy holders or contract beneficiaries by way of bonuses and rebates as defined in *note (4)* to 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 Ba* or in *Liabilities item C.2*.

(27) Equalisation provision

(Liabilities item C.5)

This item shall comprise any amounts required by law to be set aside by an undertaking to equalise fluctuations in loss ratios in future years or to provide for special risks.

An undertaking which otherwise constitutes reserves, falling to be included under *Liabilities item A.IV* to equalise fluctuations in loss ratios in future years or to provide for special risks shall disclose that fact in the notes to the financial statements.

(28) Technical provisions for life assurance policies where the investment risk is borne by the policyholders

(Liabilities items D and C.2)

This item shall comprise technical provisions constituted to cover liabilities relating to investment in the context of the assurance policies for which the policy holder bears the risk, the value of or the return on which is determined by reference to investments or by reference to an index.

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) shall be included under *Liabilities item C.2*.

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

(29) Deposits received from reinsurers

(Liabilities item F)

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

(30) Debenture loans

(Liabilities item G.III)

The amount of any convertible loans must be shown separately.

PROFIT AND LOSS ACCOUNT FORMATS

I. Technical account — Non-life insurance

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 and in the gross provision for unexpired risks (+/-)(3)	.....	
(d) change in the provision for unearned premiums, reinsurers' share(+/-)(3)	.....	.....	.....
2. Allocated investment return transferred from the non- technical account (<i>item III.6</i>)(8)(9))			
(a) allocated by class of business	.....	
accident and health			
motor vehicle	.....	
marine, aviation and transit	.....	
fire and other damage to property	.....	
liability business	.....	
credit and suretyship	.....	
other classes	.....	
(b) total:		.....
3. Other technical income, net of reinsurance		.....
4. 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(-)	.....	.....	.....
5. Changes in other technical provisions, net of reinsurance, not shown under other headings (+/-)			
6. Bonuses and rebates, net of reinsurance (5)		.....
7. Net operating expenses:			
(a) acquisition costs (6)	.....	
(b) change in deferred acquisition costs(+/-)	.....	
(c) administrative expenses (7)	.....	
(d) reinsurance commissions and profit participation(+/-)	.....	.....
7a. Investment charges. (8)			
(a) By class of business:			
accident and health	.....	
motor vehicle	.....	
marine, aviation and transit	.....	
fire and other damage to property	.....	
liability business	.....	
credit and suretyship	.....	
other classes	.....	
(aa) investment management expenses, including interest	.....	
(bb) value adjustments on investments		.....
(cc) losses on the realisation of investments	.....	
(b) total:		.....
8. Other technical charges, net of reinsurance		.....
9. Change in the equalisation provision(+/-)		.....
10. Sub-total (balance on the technical account for non-life insurance business) (<i>item III.1</i>)		.....

II. Technical account — Life assurance 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) (9)		
(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 readjustments on investments	.....	.....
(d) gains on the realisation of investments	.....	.....
3. Unrealised gains on investments (10)	.....
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. Changes in other technical provisions, net of reinsurance, not shown under other headings(+/-):		
(a) Life assurance provision, net of reinsurance (3)		
(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 (10)	.....
11. Other technical charges, net of reinsurance	.....
11a. Tax attributable to the life assurance business	.....
12. Allocated investment return transferred to the non-technical account (-) (item III.4) (9)	.....
12a. Transfers to or from the fund for future appropriations	.....
13. Subtotal (balance on the technical account life assurance business) (item III.2)	.....
III. Non-technical account		
1. Balance on the technical account — non-life insurance business (item I.10)	.....
2. Balance on the technical account — life assurance business (item II.13)	.....
3. 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 readjustments on investments	.....
(d) gains on the realisation of investments	.....	.....
3a. Unrealised gains on investments (10)		.....
4. Allocated investment return transferred from the life		.....
assurance technical account (<i>item II.12</i>) (9)		
5. Investment charges: (8)		
(a) investment management expenses, including interest	.....
(b) value adjustments on investments	.....
(c) losses on the realisation of investments	.....	.....
5a. Unrealised losses on investments (10)		.....
6. Allocated investment return transferred to the non-life		.....
insurance technical account (<i>item I.2</i>) (9)		
7. Other income		.....
8. Other charges including value adjustments		.....
9. Tax on profit or loss on ordinary activities		.....
10. Profit or loss on ordinary activities after tax		.....
11. Extraordinary income		.....
12. Extraordinary charges		.....
13. Extraordinary profit or loss		.....
14. Tax on extraordinary profit or loss		.....
15. Other taxes not shown under the preceding items		.....
16. Profit or loss for the financial year		.....

NOTES ON THE PROFIT AND LOSS ACCOUNT FORMATS

(1) Gross premiums written

(Non-life insurance technical account: *item I.1. (a)*)(Life assurance technical account: *item II.1. (a)*)

This item shall comprise 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 shall include inter alia:

- (a) premiums yet to be written, where the premium calculation can be done only at the end of the year;
- (b) single premiums including annuity premiums and, in life assurance business, single premiums resulting from bonus and rebate provisions in so far as they shall be considered as premiums under the terms of the contract;
- (c) additional premiums in the case of half-yearly, quarterly or monthly payments and additional payments from policyholders for expenses borne by the undertaking;
- (d) in the case of co-insurance, the undertaking's portion of total premiums;
- (e) reinsurance premiums due from ceding and retroceding insurance undertakings, including portfolio entries, after deduction of—
 - (i) portfolio withdrawals credited to ceding and retroceding insurance undertakings, and
 - (ii) cancellations.

The amounts to which this note relates shall not include the amounts of taxes or duties levied with premiums.

(2) Outward reinsurance premiums

(Non-life insurance technical account: *item I.1. (b)*)(Life assurance technical account: *item II.1. (b)*)

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

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

(Non-life insurance technical account: *items I.1. (c) and I.1. (d)*)

(Life assurance technical account: *items II.1. (c) and II.6. (a)*)

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

(4) Claims incurred, net of reinsurance

(Non-life insurance technical account: *item I.4*)

(Life assurance technical account: *item II.5*)

This item shall comprise all payments made in respect of the financial year including the provision for claims but excluding the provision for claims for the preceding financial year.

These amounts shall include annuities, surrenders, entries and withdrawals of loss provisions to and from ceding insurance undertakings and reinsurers, external and internal claims management costs and charges for claims incurred but not reported such as are referred to in *paragraphs 58(3) and 60* (Valuation Rules) of this Schedule.

Sums recoverable on the basis of subrogation and salvage within the meaning of *sub-paragraph (7)* of the said *paragraph 58* shall 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 shall be shown in the notes to the financial statements, broken down by category and amount.

(5) Bonuses and rebates, net of reinsurance

(Non-life insurance technical account: *item I.6*)

(Life assurance technical account: *item II.7*)

Bonuses shall comprise all amounts chargeable for the financial year which are paid or payable to policyholders 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 shall 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 shall be disclosed separately in the notes to the financial statements.

(6) Acquisition costs

(Non-life insurance technical account: *item I.7. (a)*)

(Life assurance technical account: *item II.8. (a)*)

This item shall comprise the costs arising from the conclusion of insurance contracts. They shall 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 life assurance, policy renewal commissions shall be included under *item II.8. (c)* in the life assurance technical account.

(7) Administrative expenses

(Non-life insurance technical account; *item I.7. (c)*)

(Life assurance technical account: *item II.8. (c)*)

This item shall include the costs arising from premium collection, portfolio administration, handling of bonuses and rebates, and inward and outward reinsurance. They shall, in particular, include 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) shall also include policy renewal commissions in respect of life assurance.

(8) Investment income and charges

(Non-life insurance technical account: *items I.2 and I.7a.*)

(Life assurance technical account: *items II.2 and II.9*)

(Non-technical account: *items III.3 and III.5*)

- (a) Investment income and charges relating to non-life insurance shall be disclosed in the non-technical account. Investment income and those charges attributable to the non-life technical account shall be allocated to that account by class of business, grouped as in the Revenue Account of the annual returns submitted in accordance with the European Communities (Non-life Insurance Accounts) Regulations 1995 (S.I. No. 202 of 1995). The proportion of this and the basis on which they have been allocated as between the various classes shall be disclosed in the notes to the financial statements.

- (b) Investment income and charges relating to life assurance shall be disclosed in the life assurance technical account.
- (c) In the case of an undertaking carrying on both life assurance and non-life insurance business, investment income and charges shall, to the extent that they are directly connected with the carrying on of the life-assurance business be disclosed in the life assurance technical account.

(9) Allocated investment return

(Non-life insurance technical account: *item I.2*)

(Life assurance technical account: *item II.12*)

(Non-technical account: *items III.4 and III.6*)

Where part of the investment return is transferred to the non-life insurance technical account, the transfer from the non-technical account shall be deducted from *item III.6* and added to *item I.2*.

Part of the investment return disclosed in the life assurance technical account may (to the extent that it is not attributable in the life assurance fund) be transferred to the non-technical account. The amount transferred shall be deducted from *item III.12* and added to *item III.4*.

In the case of non-life insurance, allocated return may be transferred from one part of the profit and loss account to another in accordance with best accounting practices. The amount and reasons for such transfers and the bases on which they are made shall be disclosed in the notes to the financial statements.

(10) Unrealised gains and losses on investments

(Life assurance technical account: *items II.3 and III.10.*)

(Non-technical account: *items III.3a and III.5a.*)

Variations between the valuation of investments at their current value or by means of one of the methods referred to in *paragraph 34 of Schedule 3* to the Principal Act and their valuation at purchase price shall be treated as follows:

- (a) where they relate to investments shown as assets under *D* of the balance sheet format they shall be fully disclosed in *items II.3 and II.10* in the profit and loss account.
- (b) in a life assurance business those which do not fall under *paragraph (a)* of this note may be disclosed in full or in part in *items II.3 and II.10* in the profit and loss account.
- (c) in non-life insurance business they may be disclosed in full or in part in *items III.3a and III.5a* in the profit and loss account.

In the case of both *paragraphs (b) and (c)* of this note, where a partial disclosure is made, that shall be disclosed in the notes to the financial statements, together with the full amount of the unrealised gains or losses, as the case may be, and the reasons for which the partial disclosure was made.

PART III

ACCOUNTING PRINCIPLES AND VALUATION RULES

SECTION A

ACCOUNTING PRINCIPLES

Preliminary

14. Subject to *paragraph 21*, the amounts to be included in the financial statements of an undertaking in respect of the items shown shall be determined in accordance with the principles set out in *paragraphs 15 to 20*.

Accounting principles

15. The undertaking shall be presumed to be carrying on business as a going concern.

16. Accounting policies shall be applied consistently from one financial year to the next.

17. The amount of any item in the financial statements shall be determined on a prudent basis and in particular—

- (a) only profits realised at the financial year end date shall be included in the profit and loss account; and
- (b) all liabilities which have arisen in the course of the financial year to which the financial statements relate or of a previous financial year shall be taken into account, even if such liabilities only become apparent between the financial year end date and the date on which the financial statements are signed under *section 324* of the Principal Act.

18. All income and charges relating to the financial year to which the financial statements relate shall be taken into account without regard to the date of receipt or payment.

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

20. The presentation of amounts within items in the profit and loss account and balance sheet shall have regard to the substance of the reported transaction or arrangement in accordance with applicable accounting standards.

Departure from the accounting principles

21. If it appears to the directors of an undertaking that there are special reasons for departing from any of the principles stated above in preparing the undertaking's financial statements in any particular year, they may so depart, but particulars of the departure, the reasons for it and its effect on the balance sheet and profit and loss account of the undertaking shall be stated in a note to the financial statements.

SECTION B

HISTORICAL COST ACCOUNTING RULES

Preliminary

22. Subject to Sections C and D, the amounts to be included in respect of all items shown in an undertaking's financial statements shall be determined in accordance with the rules set out in *paragraphs 23 to 35*.

FIXED ASSETS

General rules

23. (1) Subject to any provision for depreciation or diminution in value made in accordance with *paragraph 24 or 25* the amount to be included in respect of any fixed asset shall be its cost.

(2) Where investments are shown as provided in *subparagraph (1)*, their current value shall be disclosed on the balance sheet or in the notes to the financial statements.

Rules for depreciation and diminution in value

24. In the case of any asset included under *Assets item B* (intangible assets), *C.I* (investments: land and buildings) or *F.I* (tangible assets and stocks) in the balance sheet format (set out in *Section B of Part II of this Schedule*) which has a limited useful economic life, the amount of—

(a) its cost; or

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

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

25. (1) Where an asset falling to be included under *Assets item C.II, C.III, C.IV* or *F.III* in the balance sheet format (set out in *Section B of Part II of this Schedule*) 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 separately in

the profit and loss account shall be disclosed (either separately or in aggregate) in a note to the financial statements.

(2) Provisions for diminution in value shall be made in respect of any fixed asset which has diminished in value if the reduction of its value is expected to be permanent (whether it's useful economic life is limited or not), and the amount to be included in respect of it shall be reduced accordingly; and any such provisions which are not shown separately in the profit and loss account shall be disclosed (either separately or in aggregate) in a note to the financial statements.

(3) Where the reasons for which any provision was made in accordance with *subparagraph (1) or (2)* have ceased to apply to any extent, that provision shall be written back to the extent that it is no longer necessary; and any amounts written back in accordance with this subparagraph which are not shown separately in the profit and loss account shall be disclosed (either separately or in aggregate) in a note to the financial statements.

Development costs

26. (1) Notwithstanding that an item in respect of “development costs” is included under *Assets item B.1* in the balance sheet format set out in *Part II*, an amount may only be included in an undertaking’s balance sheet in respect of that item in special circumstances.

(2) If an amount is included in an undertaking’s balance sheet in respect of development costs, the following information shall be given in a note to the financial statements—

- (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 costs in question.

Goodwill

27. (1) The application of *paragraphs 23 to 25* in relation to goodwill (in any case where goodwill is treated as an asset) is subject to the following provisions of this paragraph.

(2) Subject to *subparagraph (3)*, the amount of the consideration for any goodwill acquired by an undertaking shall be reduced by provisions for depreciation calculated to write off that amount systematically over a period chosen by the directors of the undertaking.

(3) The period chosen shall not exceed the useful economic life of the goodwill in question.

(4) In any case where any goodwill acquired by an undertaking is shown or included as an asset in the undertaking’s balance sheet, the period chosen for

writing off the consideration for that goodwill and the reasons for choosing that period shall be disclosed in a note to the financial statements.

28. *Paragraphs 29 and 30* apply to assets included under *Assets items E.I, E.II and E.III* (debtors) and *F.II* (cash at bank and in hand) in the balance sheet.

29. Subject to *paragraph 30*, the amount to be included in respect of any asset referred to in *paragraph 28* shall be its cost.

30. (1) If the net realisable value of any asset referred to in *paragraph 28* is lower than its cost, the amount to be included in respect of that asset shall be the net realisable value.

(2) Where the reasons for which any provision for diminution in value was made under *subparagraph (1)* have ceased to apply to any extent, that provision shall be written back to the extent that it is no longer necessary.

MISCELLANEOUS

Excess of money owed over value received as an asset item

31. (1) Where the amount repayable on any debt owed by an undertaking 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 exists—

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

DETERMINATION OF COST

32. (1) The cost of an asset that has been acquired by an insurance undertaking shall be determined by adding to the actual price paid any expenses incidental to its acquisition.

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

(3) In addition there may be included in the construction cost of an asset constructed by an insurance undertaking—

- (a) a reasonable proportion of the costs incurred by the insurance undertaking 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 *clause (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 financial statements.

33. (1) Subject to the qualification mentioned subsequently in this subparagraph, the cost of any assets which are fungible assets as defined in *subparagraph (6)* may be determined by the application of any of the methods mentioned in *subparagraph (2)* in relation to any such assets of the same class and the method chosen shall be one which appears to the directors to be appropriate in the circumstances of the undertaking.

(2) Those methods are—

- (a) the method known as “first in, first out” (FIFO);
- (b) a weighted average price; and
- (c) any other method similar to any of the methods mentioned above.

(3) Where, in the case of any undertaking—

- (a) the cost of assets falling to be included under any item shown in the undertaking’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 shall be disclosed in a note to the financial statements.

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

(5) The relevant alternative amount may be determined by reference to the most recent actual purchase price before the financial year end 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 undertaking to constitute the more appropriate approach in the case of assets of that class.

- (6) For the purpose of this paragraph, assets of any description shall be regarded as fungible if assets of that description are substantially indistinguishable from one another.

ASSETS INCLUDED AT A FIXED AMOUNT

34. (1) Subject to *subparagraph (2)*, assets which fall to be included under Assets item F.I (tangible assets and stocks) in the balance sheet format (set out in *Section B of Part II* of this Schedule) may be included at a fixed quantity and value.

(2) *Subparagraph (1)* applies to assets of a kind which are constantly being replaced, where—

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

SUBSTITUTION OF ORIGINAL STATED AMOUNT WHERE PRICE OR COST UNKNOWN

35. Where there is no record of the purchase price of any asset of an undertaking or of any price, expense or costs relevant for determining its cost in accordance with paragraph 32 or any such record cannot be obtained without unreasonable expense or delay, its cost shall be taken for the purposes of *paragraphs 23 to 30* to be the value ascribed to it in the earliest available record of its value made on or after its acquisition or construction by the undertaking.

SECTION C

ALTERNATIVE ACCOUNTING RULES

Preliminary

36. (1) The rules set out in *Section B* are referred to subsequently in this Schedule as the historical cost accounting rules.

(2) Those rules, with the omission of *paragraphs 22, 27 and 32 to 35*, are referred to subsequently in this Part as the depreciation rules; and references subsequently in this Schedule to the historical cost accounting rules do not include the depreciation rules as they apply by virtue of *paragraph 43*.

37. Subject to *paragraphs 43 to 45*, the amounts to be included in respect of assets of any description mentioned in *paragraph 38* may be determined on any basis so mentioned.

Alternative accounting rules

38. (1) Investments falling to be included under *Assets item C* (investments) may be included at their current value calculated in accordance with *paragraphs 41 and 42*.

(2) Investments falling to be included under *Assets item D* (unit-linked investments) shall be shown at their current value.

39. (1) Intangible assets, other than goodwill, and assets falling to be included under *Assets item F.II* (cash at bank and in hand) and *F.III* (other) may be included at their current cost.

(2) Assets falling to be included under *Assets item F.I* (tangible assets and stocks) in the balance sheet format (set out in *Section B* of *Part II* of this Schedule) may be included at a market value determined as at the date of their last valuation or at their current cost.

40. The same valuation method shall be applied to all investments included in any item denoted by an Arabic number or shown as assets under *Assets item C.I*.

Valuation of investments

41. (1) Subject to *subparagraph (5)* in the case of investments other than land and buildings, current value shall mean market value determined in accordance with this paragraph.

(2) Where investments are officially listed on an official stock exchange, market value shall mean 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 shall mean 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 financial statements are drawn up listed or unlisted investments have been sold or are to be sold within the short term, the market value shall be reduced by the actual or estimated realisation costs.

(5) Except where the equity method is applied all investments other than those referred to in *subparagraphs (2) and (3)* shall be valued on a basis which has prudent regard to the likely realisable value.

(6) In all cases the method of valuation shall be precisely described and the reason for adopting it disclosed in the notes to the financial statements.

42. (1) In the case of land and buildings, current value shall mean the market value on the date of valuation, where relevant, reduced as provided in *subparagraphs (4) and (5)*.

(2) Market value shall mean 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 shall be determined through the separate valuation of each land and buildings item, carried out at least every five years in accordance with generally accepted methods of valuation.

(4) Where the value of any land and buildings item has diminished since the preceding valuation under *subparagraph (3)*, an appropriate value adjustment shall be made and the lower value arrived at shall not be increased in subsequent balance sheets unless such increase results from a new determination of market value arrived at in accordance with *subparagraphs (2) and (3)*.

(5) Where on the date on which the financial statements are drawn up and buildings have been sold or are to be sold within the short term, the value arrived at in accordance with *subparagraphs (2) and (4)* shall be reduced by the actual or estimated realisation costs.

(6) 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 shall be deemed to be its current value.

(7) The method by which the current value of land and buildings has been arrived at and their breakdown by financial year of valuation shall be disclosed in the notes to the financial statements.

Application of depreciation rules

43. (1) Where the value of any asset of an undertaking is determined on any basis mentioned in *paragraph 38* (in the case of assets falling to be included under *assets item C.1*) or *paragraph 39*, that value shall be, or (as the case may require) be the starting point for determining, the amount to be included in respect of that asset in the undertaking's financial statements, instead of its cost or any value previously so determined for that asset; and the depreciation rules shall 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 on any basis mentioned in *paragraphs 38 or 39* (as the case may be).

(2) The amount of any provision for depreciation required in the case of any fixed asset by *paragraph 24 or 25* as it applies by virtue of *subparagraph (1)* is referred to subsequently 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 *subparagraph (1)* applies in the case of any fixed asset, the amount of any provision for depreciation in respect of that asset included in any item shown in the profit and loss account in respect of amounts written off assets of the description in question may be the historical cost amount instead of the adjusted amount, provided that, if the amount of the provision for depreciation is the historical cost amount, the amount of any difference between the two shall be shown separately in the profit and loss account or in a note to the financial statements.

Additional information in case of departure from historical cost accounting rules

44. (1) This paragraph applies where the amounts to be included in respect of assets covered by any items shown in an undertaking’s financial statements have been determined on any basis mentioned in *paragraphs 38 or 39*.

(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 shall be disclosed in a note to the financial statements.

(3) The purchase price of investments valued in accordance with *paragraph 38* shall be disclosed in the notes to the financial statements.

(4) In the case of each balance sheet item valued in accordance with *paragraph 39* either—

- (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,

shall be shown separately in the balance sheet or in a note to the financial statements.

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

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

Revaluation Reserve

45. (1) With respect to any determination of the value of an asset of an undertaking on any basis mentioned in *paragraph 38*, 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) shall be credited or (as the case may be) debited to a separate reserve (referred to in this paragraph as the “revaluation reserve”), except in so far as it has already been recognised in the life assurance technical account or the non-technical account in accordance with *note (10)* to the profit and loss account.

(2) The amount of the revaluation reserve shall be shown in the undertaking’s balance sheet under Liabilities *item A.III* in the balance sheet format (set out in *Section B* of *Part II* of this Schedule).

(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 it represents realised profit; or

(ii) on capitalisation;

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

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

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

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

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

SECTION D

FAIR VALUE ACCOUNTING RULES

Inclusion of financial instruments at fair value

46. (1) Subject to *subparagraphs (2) to (4)* and *paragraph 47*, financial instruments, including derivative financial instruments, may be accounted for at fair value.

(2) Subject to *paragraph 49*, *subparagraph (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 derivative financial instruments.

(3) *Subparagraph (1)* does not apply to—

- (a) financial instruments (other than derivative financial instruments) held to maturity;
- (b) loans and receivables originated by the undertaking and not held for trading purposes;
- (c) interests in subsidiary undertakings, associated undertakings and joint ventures;
- (d) equity instruments issued by the undertaking;
- (e) contracts for contingent consideration in a business combination; and
- (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) If the fair value of a financial instrument cannot be determined reliably by any of the methods described in *paragraph 48*, *subparagraph (1)* does not apply to that financial instrument and it shall be measured using the accounting rules set out in *Section B* or *C*.

(5) In this paragraph—

“associated undertaking” has the meaning given to it by *paragraph 24* of *Schedule 2*;

“joint venture” has the meaning given to it by *paragraph 23* of *Schedule 2*.

47. (1) Financial instruments which constitute liabilities, other than such instruments referred to in *subparagraphs (2)(a) and (b) of paragraph 46*, may be accounted for by an undertaking at fair value if—

- (a) they are accounted for in accordance with international accounting standards as adopted by the Commission Regulation on or before 5 September 2006; and
- (b) the associated disclosure requirements, provided for in international financial reporting standards, are made.

(2) Financial instruments referred to in *paragraph 46(3)* may be accounted for by an undertaking at fair value if—

- (a) they are accounted for in accordance with international accounting standards as adopted by the Commission Regulation, on or before 5 September 2006; and
- (b) the associated disclosure requirements, provided for in international financial reporting standards, are made.

(3) In this paragraph “Commission Regulation” means Commission Regulation (EC) No. 1126/2008 of 3 November 2008².

Methods for determining fair value

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

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

(4) If neither *subparagraph (2)* nor *(3)* applies, the fair value of the financial instrument is to be a value resulting from generally accepted valuation models and techniques.

(5) Any valuation models and techniques used for the purposes of *subparagraph (4)* shall ensure a reasonable approximation of the market value.

Inclusion of hedged items at fair value

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

²OJ No. L 320, 29.11.2008, p. 1

Other assets that may be included at fair value

50. (1) This paragraph applies to—

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

that, under relevant international financial reporting standards, may be included in financial statements at fair value.

(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 relevant international financial reporting standards.

Accounting for changes in fair value of financial instruments

51. (1) This paragraph applies where a financial instrument is valued at fair value in accordance with *paragraph 46* or *49* or where an asset is valued in accordance with *paragraph 50*.

(2) Notwithstanding *paragraph 17*, but subject to *subparagraphs (3) and (4)*, a change in the fair value of the financial instrument or of the investment property or living animal or plant shall be included in the profit and loss account.

(3) Where—

- (a) the financial instrument accounted for is a hedging instrument under a system of hedge accounting 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 an undertaking’s net investment in a foreign entity;

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

The fair value reserve

52. (1) An amount shall be transferred—
- (a) from the fair value reserve to the profit and loss account if the related asset is impaired, transferred or disposed of; or
 - (b) from the fair value reserve in respect of tax relating to any amount transferred under *clause (a)*.
- (2) The fair value reserve shall be adjusted when amounts therein are no longer necessary for the purposes of *paragraph 51(3)* or *(4)*.
- (3) The fair value reserve shall not be reduced except as provided for in this paragraph.
- (4) The treatment for taxation purposes of amounts credited or debited to the fair value reserve shall be disclosed in a note to the financial statements.

PART IV

General Rules

53. (1) This paragraph applies to debt securities and other fixed income securities shown as assets under *items C.II* and *C.III* of the balance sheet format (set out in *Section B* of *Part II* of this Schedule) which have not been valued at market value.
- (2) The amount included in the balance sheet in respect of these assets shall be their purchase price.
- (3) Where the purchase price of these assets exceeds the amount repayable at maturity, the amount of the difference shall be charged to the profit and loss account or reduced each financial year on a systematic basis, in accordance with best accounting practice, so that it is completely written off when the securities are repaid. That difference shall be shown separately in the balance sheet or in the notes to the financial statements.
- (4) Where the purchase price of these assets is less than the amount repayable at maturity, the amount of the difference may be released to income in instalments over the period remaining until repayment. That difference shall be shown separately in the balance sheet or in the notes to the financial statements.

Technical provisions

54. The amount of technical provisions shall 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

55. (1) Subject to *subparagraph (2)*, the provision for unearned premiums shall be computed separately for each insurance contract.

(2) Notwithstanding *subparagraph (1)* statistical methods, in particular proportional and flat rate methods, may be used where they may be expected to give approximately the same results as would be obtained if individual calculations were made under *subparagraph (1)*.

(3) In classes of insurance where the pattern of risk varies over the life of a contract, this shall be taken into account in the calculation methods.

Provision for unexpired risks

56. (1) The provision for unexpired risks shall 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.

(2) In this paragraph, "unexpired risks" has the same meaning as it has in *note (23)* to the balance sheet format which is set out in *Section B of Part II* of this *Schedule*.

Life assurance

57. (1) Subject to *subparagraph (2)*, the life assurance provision shall be computed separately for each life assurance contract.

(2) Notwithstanding *subparagraph (1)*, statistical or mathematical methods may be used where they may be expected to give approximately the same results as would be obtained if individual calculations were made under *subparagraph (1)*.

(3) A summary of the principal assumptions in making the provision under *subparagraph (1)* or *(2)* shall be given in the notes to the financial statements.

(4) The computation shall be made on the basis of recognised actuarial methods annually by a Fellow Member of the Society of Actuaries in Ireland, with due regard to the actuarial principles laid down in the Insurance and Reinsurance Directive.

PROVISIONS FOR CLAIMS OUTSTANDING

Non-life insurance

58. (1) Subject to *subparagraph (2)*, a provision for claims outstanding shall be computed separately for each case on the basis of the costs still expected to arise.

(2) Notwithstanding *subparagraph (1)*, statistical methods may be used if they result in an adequate provision for claims outstanding having regard to the nature of the risks.

(3) A provision for claims outstanding shall 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.

(4) All claims settlement costs shall be included in the calculation of the provision for claims outstanding, irrespective of their origin.

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

(6) Where benefits resulting from a claim are required to be paid in the form of annuity, the amounts to be set aside for that purpose shall be calculated by recognised actuarial methods.

(7) In *subparagraph (5)*—

"salvage" means the acquisition of the legal ownership of insured property:

"subrogation" means the acquisition of the rights of policy holders with respect to third parties.

59. (1) There shall be no implicit discounting or deductions (including by way of financial reinsurance), whether resulting from the placing of a present value on a provision for an outstanding claim which is expected to be settled later at a higher figure or otherwise effected.

(2) The Bank may, on application by the undertaking concerned, permit explicit discounting or deductions (including by way of financial reinsurance) to take account of investment income subject to compliance with the following conditions and any other conditions which the Bank may from time to time consider necessary:

- (a) the expected date for the settlement of claims shall be on average at least four years after the accounting date;
- (b) the discounting or deduction shall be effected on a recognised prudential basis: any change in that basis shall be notified, in advance, to the Bank;
- (c) when calculating the total cost of settling claims, an undertaking shall take account of all factors that could cause increases in that cost;
- (d) an undertaking shall 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 value shall not exceed a prudent estimate of the investment income from assets invested as a provision for claims during the period necessary for the payment of such claims and that rate shall not exceed either of the following:
 - (i) a rate derived from the investment income from such assets over the preceding five years:
 - (ii) a rate derived from the investment income from such assets during the year preceding the balance sheet date.

(3) When discounting or effecting deductions, an undertaking shall, in the notes to its financial statements, disclose the total amount of provisions before discounting or deduction, the categories of claims which are discounted or from which deductions have been made and, for each category of claims, the methods used, in particular the rates used for the estimates referred to in the *clauses (c) and (e) of subparagraph (2)*, and the criteria adopted for estimating the period that will elapse before the claims are settled.

Life assurance business

60. The amount of the provision for claims shall—

- (a) be equal to the sums due to beneficiaries, plus the costs of settling claims,
- (b) include the provision for claims incurred but not reported, and
- (c) be disclosed under *Liabilities item C.2*.

Non-life insurance business

61. Any equalisation provision established under article 14(8) of the European Communities (Non-Life Insurance) Regulations 1976 (S.I. No. 115 of 1976), shall be valued in accordance with the provisions of those Regulations.

Accounting on a non-annual basis

62. (1) Where, because of the nature of the class or type of insurance in question, information relating to premiums receivable or claims payable or to both in respect of the underwriting year is, when the annual financial statements are drawn up, insufficient for accurate estimates to be made, then either of the methods set out in the Table to this paragraph may be adopted and applied.

(2) The method adopted shall be disclosed in the notes to the financial statements together with the reasons for adopting it.

(3) The method adopted shall be applied systematically in successive years unless circumstances justify a change and where there is a change in the method

applied, the effect on the assets, liabilities, financial position and profit or loss shall be disclosed in the notes to the financial statements.

(4) In this paragraph and the Table hereto "underwriting year" means the financial year in which the insurance contracts in the class or type of insurance in question commenced.

Table

Method 1

- (a) The excess of the premiums written over the claims and expenses paid in respect of contracts commencing in the underwriting year shall form a technical provision included in the technical provision for claims outstanding shown in the balance sheet under *Liabilities item C.3*.
- (b) The provision may also be computed on the basis of a given percentage of the premiums written where such a method is appropriate for the type of risk insured.
- (c) If necessary, the amount of this technical provision shall be increased to make it sufficient to meet present and future obligations.
- (d) The technical provision constituted under this method shall be replaced by a provision for claims outstanding estimated in accordance with *paragraphs 58 to 60* as soon as sufficient information has been gathered and not later than the end of the third year following the underwriting year.
- (e) The length of time that elapses before a provision for claims outstanding is constituted in accordance with *paragraph (d)* of this method shall be disclosed in the notes to the financial statements.

Method 2

- (a) The figures shown in the technical account or in certain items within it shall relate to a year which wholly or partly precedes the financial year but by no more than 12 months.
- (b) The amounts of the technical provisions shown in the financial statements shall, if necessary, be increased to make them sufficient to meet present and future obligations.
- (c) 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 shall be disclosed in the notes to the financial statements.

PART V

INFORMATION REQUIRED BY WAY OF NOTES TO FINANCIAL STATEMENTS

Preliminary

63. Any information required in the case of any undertaking by the following provisions of this Part shall (if not given in the undertaking's financial statements) be given by way of a note to those financial statements.

Information supplementing the balance sheet

64. *Paragraphs 65 to 80* require information which either supplements the information given with respect to any particular items shown in the balance sheet or is otherwise relevant to assessing the undertaking's financial position in the light of the information so given.

Debentures

65. (1) If the undertaking has issued any debentures during the financial year to which the financial statements relate, the following information shall be given:

- (a) the reason for making the issue,
- (b) the classes of debentures issued, and
- (c) as respects each class of debentures, the amount issued and the consideration received by the undertaking for the issue.

(2) Particulars of any redeemed debentures which the undertaking has power to reissue shall also be given.

(3) Where any of the undertaking's debentures are held by a nominee of or trustee for the undertaking, the nominal amount of the debentures and the amount at which they are stated in the accounting records kept by the undertaking in accordance with *section 281* of the Principal Act shall be stated.

Assets

66. (1) In respect of any assets of the undertaking included in *Assets item B* (intangible assets), *C.I* (land and buildings) and *C.II* (investments in group undertakings and participating interests) in the undertaking's balance sheet, for each of the items the following information shall be given separately—

- (a) the appropriate amounts in respect of that item as at the date of the beginning of the financial year and as at the financial year end date respectively;
- (b) the effect on any amount included in *Assets item B* in respect of that item of—

- (i) any revision of the amount in respect of any assets included under that item made during that year on any basis mentioned in *paragraph 39*;
- (ii) acquisitions during that year of any assets;
- (iii) disposals during that year of any assets; and
- (iv) any transfers of assets of the undertaking to and from that item during that year.

(2) The reference in *subparagraph (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 aggregate amounts determined, as at that date, in respect of assets falling to be included under that item either—

- (a) on the basis of cost (determined in accordance with *paragraphs 32 and 33*); or
 - (b) on any basis mentioned in *paragraph 38 or 39*;
- (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 undertaking included in any assets item in the undertaking's balance sheet, there shall be stated (by reference to each such item)—

- (a) the cumulative amount of provisions for depreciation or diminution in value of assets included under that item as at each date mentioned in *subparagraph (1)(a)*;
- (b) the amount of any such provisions made in respect of the financial year concerned;
- (c) the amount of any adjustments made in respect of any such provisions during that year in consequence of the disposal of any assets; and
- (d) the amount of any other adjustments made in respect of any such provisions during that year.

67. Where any assets of the undertaking (other than listed investments) are included under any item shown in the undertaking's balance sheet at an amount determined on any basis mentioned in *paragraph 38 or 39*, the following information shall be given—

- (a) the years (so far as they are known to the directors) in which the assets were severally valued and the several values; and
- (b) in the case of assets that have been valued during the financial year, the names of the persons who valued them or particulars of their

qualifications for doing so and (in either case) the bases of valuation used by them.

68. In relation to any amount which is included under *Assets item C.I* (land and buildings) the following shall be stated:

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

Investments

69. (1) In respect of the amount of each item which is shown in the undertaking's balance sheet under *Assets item C* (investments) there shall be stated how much of that amount is ascribable to listed investments.

(2) Where the amount of any listed investments is stated for any item in accordance with *subparagraph (1)*, the following amounts shall also be stated—

- (a) the aggregate market value of those investments where it differs from the amount so stated;
- (b) how much of any amount so ascribable is ascribable to investments in respect of which there has been granted a listing on a recognised stock exchange and how much to other listed investments; and
- (c) both the market value and stock exchange value of any investments of which the former value is, for the purposes of the financial statements, taken as being higher than the latter.

Information about fair valuation of assets and liabilities

70. (1) This paragraph applies where financial instruments have been included at fair value by virtue of *paragraph 46* or *49*.

(2) There shall be stated—

- (a) the significant assumptions underlying the valuation models and techniques where fair values have been determined in accordance with *paragraph 48(5)*;
- (b) for each category of financial instrument the fair value of the financial instruments in that category and the amounts—
 - (i) included in the profit and loss account; and
 - (ii) credited or debited to the fair value reserve;

in respect of instruments in that category;

- (c) for each class of derivative financial instrument, the extent and nature of the instruments including significant terms and conditions that may affect the amount, timing and certainty of future cash flows; and
- (d) a table showing movements in the fair value reserve during the financial year.

71. Where the undertaking has derivative financial instruments that it has not accounted for at fair value, there shall 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 48*; and
- (b) the extent and nature of the derivatives.

72. Where—

- (a) an undertaking has financial assets which could be included at fair value by virtue of *paragraph 46*;
- (b) those assets are included in the undertaking's financial statements at an amount in excess of their fair value; and
- (c) the undertaking has not made provision for the diminution in value of those assets in accordance with *paragraph 25(1)*;

there shall be stated—

- (i) the amount at which either the individual assets or appropriate groupings of those assets is stated in the undertaking's financial statements;
- (ii) the fair value of those assets or groupings; and
- (iii) 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 financial statements will be recovered.

Information where investment property and living animals and plants included at fair value

73. (1) This paragraph applies where the amounts to be included in an undertaking's financial statements in respect of investment property or living animals and plants have been determined in accordance with *paragraph 50*.

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

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

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

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

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

Dividends, reserves and provisions for liabilities

74. (1) The profit and loss account reserve of an undertaking for a financial year shall show—

- (a) the aggregate amount of dividends paid in the financial year (other than dividends for which a liability existed at the immediately preceding financial year end date);
- (b) the aggregate amount of dividends the undertaking is liable to pay at the financial year end date (other than dividends for which a liability existed at the immediately preceding financial year end date);
- (c) separately, any transfer between the profit and loss account reserve and other reserves;
- (d) any other increase or reduction in the balance on the profit and loss account reserve since the immediately preceding financial year end date;
- (e) the profit or loss brought forward at the beginning of the financial year; and
- (f) the profit or loss carried forward at the end of the financial year.

(2) The aggregate amount of dividends proposed by the directors for approval of the members at the next general meeting shall be stated in a note to the financial statements.

75. (1) Where any amount is transferred—

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

and the reserves or provisions for liabilities are or would, but for *paragraph 4(3)(b)*, be shown as separate items in the undertaking's balance sheet, the information mentioned in *subparagraph (2)* shall be given in respect of each such reserve or provisions for liabilities.

- (2) That information is—
 - (a) the amount of the reserves or provisions for liabilities as at the date of the beginning of the financial year and as at the financial year end date respectively;
 - (b) any amount transferred to or from the reserves or provisions for liabilities during that year; and
 - (c) the source and application respectively of any amounts so transferred.
- (3) Particulars shall be given of each provision included in *Liabilities item E.3* (other provisions for liabilities) in the undertaking's balance sheet in any case where the amount of that provision is material.

Provision for taxation

76. The amount of any provision for deferred taxation shall be shown separately from the amount of any provision for other taxation.

Details of indebtedness

77. (1) In respect of each item shown under "creditors" in the undertaking's balance sheet there shall be stated—
- (a) the aggregate 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 5 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 *subparagraph (3)*, in relation to each debt falling to be taken into account under *subparagraph (1)*, the terms of payment or repayment and the rate of any interest payable on the debt shall be stated.
- (3) If the number of debts is such that, in the opinion of the directors, compliance with *subparagraph (2)* would result in a statement of excessive length,

it shall 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 undertaking’s balance sheet there shall be stated—

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

(5) References in *subparagraph (1)* to an item shown under “creditors” in the undertaking’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 *subparagraph (1)*, to an item shown under the latter of those categories; and
- (b) in a case within *subparagraph (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 4(3)(b)*, be shown under that heading.

78. If any fixed cumulative dividends on the undertaking’s shares are in arrears, there shall be stated, distinguishing between those shares presented as a liability and other shares—

- (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

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

(2) The following information shall be given with respect to any other contingent liability not provided for (other than a contingent liability arising out of an insurance contract):

- (a) the amount or estimated amount of that liability;
- (b) its legal nature; and
- (c) whether any valuable security has been provided by the undertaking in connection with that liability and, if so, what.

(3) There shall be stated, where practicable—

- (a) the aggregate amount or estimated amount of contracts for capital expenditure, so far as not provided for; and
 - (b) the aggregate amount or estimated amount of capital expenditure authorised by the directors which has not been contracted for.
- (4) Particulars shall be given of:
- (a) any unfunded retirement benefit commitments included under any provision shown in the undertaking's balance sheet; and
 - (b) any such commitments for which no provision has been made;

and, where any such commitment relates wholly or partly to retirement benefits payable to past directors of the undertaking, separate particulars shall be given of that commitment so far as it relates to such retirement benefits.

- (5) The following information shall also be given:
- (a) the nature of every retirement benefit scheme operated by, or on behalf of, the undertaking including information as to whether or not each scheme is a defined benefit scheme or a defined contribution scheme;
 - (b) whether each such scheme is externally funded or internally financed;
 - (c) whether any retirement benefit costs and liabilities are assessed in accordance with the advice of a professionally qualified actuary and, if so, the date of the most recent relevant actuarial valuation;
 - (d) whether and, if so, where any such actuarial valuation is available for public inspection.
- (6) Particulars shall also be given of any other financial commitments, other than commitments arising out of insurance contracts, which—
- (a) have not been provided for; and
 - (b) are relevant to assessing the undertaking's financial position.

Miscellaneous matters

80. Particulars shall be given of any case where the cost of any asset is for the first time determined under *paragraph 35*.

Information supplementing the profit and loss account

81. *Paragraphs 82 to 88* require information which either supplements the information given with respect to any particular items shown in the profit and loss account or otherwise provides particulars of income or expenditure of the undertaking or of circumstances affecting the items shown in the profit and loss account.

Separate statement of certain items of income and expenditure

82. Each of the following amounts shall be stated—
- (a) the amount of interest on or any similar charges in respect of—
 - (i) bank loans and overdrafts made to the undertaking;
 - (ii) loans to the undertaking from group undertakings;
 - (iii) loans of any other kind made to the undertaking;
 and
 - (b) the amount of income from listed and unlisted investments.

Particulars of tax

83. (1) The basis on which the charge for corporation tax, income tax and other taxation on profits (whether payable in or outside the State) is computed shall be stated.

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

- (3) The following amounts shall be stated:
- (a) the amount of the charge for corporation tax;
 - (b) if the amount of the charge to corporation tax would have been greater but for relief from double taxation, the amount which it would have been but for such relief;
 - (c) the amount of the charge for income tax; and
 - (d) the amount of the charge for taxation payable outside the State of profits, income and (so far as charged to revenue) capital gains.

(4) The amounts referred to in *subparagraph (3)* shall be stated separately in respect of each of the amounts which is or would, but for *paragraph 4(3)(b)*, be shown under the following items in the profit and loss account, that is to say *item III.9* (tax on profit or loss on ordinary activities) and *item III.14* (tax on extraordinary profit or loss).

Particulars of business

84. (1) As regards non-life insurance, the notes to the financial statements shall disclose—

- (a) gross premiums written,

- (b) gross premiums earned,
- (c) gross claims incurred,
- (d) gross operating expenses, and
- (e) the reinsurance balance.

(2) The amounts required to be disclosed by *subparagraph (1)* shall 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 *subparagraph (4)*, the amounts required to be disclosed by *subparagraphs (1)* and *(2)* with respect to direct insurance shall 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 such group exceeds ten million euro.

(4) The amounts relating to the three largest groups of classes in an undertaking's business shall in any event be disclosed.

85. (1) As regards life assurance, the notes to the financial statements shall disclose—

- (a) gross premiums written, and
- (b) the reinsurance balance.

(2) The notes relating to gross premiums written shall be broken down between direct insurance and reinsurance acceptances, where reinsurance acceptances amount to 10 *per cent* or more of gross premiums written, and within direct insurance shall be broken down to indicate—

- (a) (i) individual premiums,
- (ii) premiums under group contracts,
- (b) (i) periodic premiums,
- (ii) single premiums,
- (c) (i) premiums from non-participating contracts,
- (ii) premiums from participating contracts,
- (iii) premiums from contracts where the investment risk is borne by policy holders.

(3) Disclosures of any amount required by *clause (a), (b) or (c)* of subparagraph (2) shall not be required where that amount does not exceed 10 per cent of the gross premiums written in direct insurance.

86. (1) Subject to *subparagraph (2)*, there shall be disclosed as regards both non-life insurance and life assurance the total gross direct insurance premiums resulting from contracts concluded by the undertaking—

- (a) in the EEA state where there is situated its head office,
- (b) in the other EEA states, and
- (c) in other countries.

(2) Disclosure of any figure referred to in *subparagraph (1)* above shall not be required if it does not exceed 5 *per cent* of total gross premiums.

Commissions

87. There shall be disclosed the total amount of commissions of any kind for direct insurance business accounted for in the financial year, including acquisition, renewal, collection and portfolio management commission.

Miscellaneous matters

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

(2) Particulars shall be given of any extraordinary income or changes arising in the financial year.

(3) The effect shall be stated on any transactions that are exceptional by virtue of size or incidence though they fall within the ordinary activities of the undertaking.

(4) Any amount expended on research and development in the financial year, and any amount committed in respect of research and development in subsequent years, shall be stated.

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

Related party transactions

89. (1) Particulars shall be given in the notes to the financial statements of an undertaking of transactions which have been entered into with related parties by the undertaking if such transactions are material and have not been concluded under normal market conditions and the particulars shall include the amount of such transactions, the nature of the related party relationship and other information about the transactions which is necessary for an understanding of the financial position of the undertaking.

(2) The provision of particulars and other 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 undertaking.

(3) *Subparagraph (1)* shall not apply to transactions which are entered into between 2 or more members of a group if any subsidiary undertaking which is party to the transaction is wholly owned by such a member.

(4) A word or expression that is used in this paragraph and is also used in Directive 2006/46/EC of the European Parliament and the Council of 14 June 2006³ has the same meaning in this paragraph that it has in that Directive.

General

90. Where sums originally denominated in foreign currencies have been brought into account under any items shown in the balance sheet or profit and loss account, the basis on which those sums have been translated into euro or, if different, the functional currency of the undertaking, shall be stated.

PART VI

SPECIAL PROVISIONS WHERE AN UNDERTAKING IS A HOLDING UNDERTAKING OR SUBSIDIARY UNDERTAKING

Entity financial statements

91. (1) This Part applies where the undertaking is a holding undertaking, whether or not it is itself a subsidiary undertaking.

³OJ No. L 224, 16.08.2006, p. 1

(2) Where an undertaking is a holding undertaking shall have or a subsidiary undertaking and any item required by *Part II* to be shown in the undertaking's balance sheet, in relation to group undertakings, includes—

- (a) amounts attributable to dealings with or interests in any holding undertaking or fellow subsidiary undertaking; or
- (b) amounts attributable to dealings with or interests in any subsidiary undertaking of the undertaking;

the aggregate amounts within *clauses (a) and (b)*, respectively, shall be shown as separate items, either by way of subdivision of the relevant item in the balance sheet or in a note to the undertaking's financial statements.

Guarantees and other financial commitments in favour of group undertakings

92. Commitments within any of the subparagraphs of *paragraph 79* (guarantees and other financial commitments) which are undertaken on behalf of or for the benefit of—

- (a) any holding undertaking or fellow subsidiary undertaking; or
- (b) any subsidiary undertaking of the undertaking;

shall be stated separately from the other commitments within that subparagraph, and commitments within *clause (a)* shall also be stated separately from those within *clause (b)*.

93. (1) Subject to *subparagraph (2)*, where the undertaking is a holding undertaking, the number, description and amount of the debentures of the undertaking held by its subsidiary undertakings or their nominees shall be disclosed in a note to the undertaking's financial statements.

(2) *Subparagraph (1)* does not apply in relation to any debentures—

- (a) in the case of which the subsidiary undertaking is concerned as personal representative; or
- (b) in the case of which it is concerned as trustee;

provided that in the latter case neither the undertaking nor a subsidiary undertaking of the undertaking 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.

94. (1) Where an undertaking is a subsidiary undertaking, the information specified in *subparagraphs (2), (3) and (4)* shall be stated with respect to the holding undertaking of—

- (a) the largest group of undertakings for which group financial statements are drawn up and of which the undertaking is a member; and

- (b) the smallest such group of undertakings.
- (2) The name of the holding undertaking shall be stated.
- (3) There shall be stated—
 - (a) if the holding undertaking is incorporated, the country in which it is incorporated; or
 - (b) if it is unincorporated, the address of its principal place of business.
- (4) If copies of the group financial statements referred to in *subparagraph (1)* are available to the public, there shall be stated the addresses from which copies of the financial statements can be obtained.

Provisions of general application

95. (1) This paragraph applies where an undertaking is a holding undertaking and either—

- (a) does not prepare group financial statements; or
- (b) prepares group financial statements which do not deal with one or more of its subsidiary undertakings;

and references in this paragraph to subsidiary undertakings shall be read, in a case within *clause (b)*, as references to such of the subsidiary undertakings of the undertaking concerned as are excluded from the group financial statements.

(2) Subject to the following provisions of this paragraph, there shall be given in the notes to the undertaking's entity financial statements—

- (a) the reasons why subsidiary undertakings are not dealt with in group financial statements; and
- (b) a statement—
 - (i) showing any qualifications contained in the reports of the statutory auditors of the subsidiary undertakings on their financial statements for their respective financial years ending with or during the financial year of the undertaking; and
 - (ii) of any note or saving contained in those financial statements to call attention to a matter which, apart from the note or saving, would properly have been referred to in such a qualification;

in so far as the matter which is the subject of the qualification or note is not covered by the undertaking's entity financial statements and is material from the point of view of its members.

(3) Subject to the following provisions of this paragraph, the aggregate amount of the total investment of the holding undertaking in the shares of the

subsidiary undertakings shall be stated in a note to the undertaking's entity financial statements by way of the equity method of accounting.

(4) In so far as information required by any of the preceding provisions of this paragraph to be stated in a note to the undertaking's entity financial statements is not obtainable, a statement to that effect shall be given instead in a note to those entity financial statements.

(5) Where, in any case within *subparagraph (1)(b)*, the undertaking prepares group financial statements, references in the preceding subparagraphs to the undertaking's entity financial statements shall be read as references to the group financial statements.

96. Where an undertaking has subsidiary undertakings whose financial years did not end with that of the undertaking, the following information shall be given in relation to each such subsidiary undertaking (whether or not dealt with in any group financial statements prepared by the undertaking) by way of a note to the undertaking's entity financial statements or (where group financial statements are prepared) to the group financial statements, that is to say—

- (a) the reasons why the undertaking's directors consider that the subsidiary undertakings' financial years should not end with that of the undertaking; and
- (b) the dates on which the subsidiary undertakings' financial years ending last before that of the undertaking respectively ending or the earliest and latest of those dates.

97. References in this Part to shares held by an undertaking shall be construed as being held or not being held by that undertaking in accordance with the rules set out in *section 7* of the Principal Act.

PART VII

INTERPRETATION OF CERTAIN EXPRESSIONS IN THIS SCHEDULE

General

98. The following definitions apply for the purposes of this Schedule and its interpretation:

"fellow subsidiary undertaking" shall have the same meaning as in *section 275* of the Principal Act;

"group" means a holding undertaking and its subsidiary undertakings;

"group undertaking" has the meaning assigned to it by *section 275* of the Principal Act;

“Insurance and Reinsurance Directive” means Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009⁴;

"lease" includes an agreement for a lease;

"long lease" means a lease in the case of which the portion of the term for which it was granted remaining unexpired at the end of the financial year is not less than 50 years;

"short lease" means a lease which is not a long lease.

Assets: fixed or current

99. For the purposes of this Schedule, assets of an undertaking shall be taken to be fixed assets if they are intended for use on a continuing basis in the undertaking's activities, and any assets not intended for such use shall be taken to be current assets.

Capitalisation

100. References in this Schedule to capitalising any work or costs are references to treating that work or those costs as a fixed asset.

Investment property

101. In this Schedule “investment property” means land or buildings (or both) held to earn rentals or for capital appreciation (or both).

Listed investments

102. In this Schedule, “listed investments” means investments as respects which there has been granted a listing on—

- (a) any regulated market or other stock exchange in the State;
- (b) any regulated market or other stock exchange of repute in any other EEA state; or
- (c) any stock exchange of repute in a state that is not an EEA state.

Loans

103. For the purposes of this Schedule, a loan shall be treated as falling due for payment, and an instalment of a loan shall be treated as falling due for payment, on the earliest date on which the lender could require repayment or (as the case may be) payment, if the lender exercised all options and rights available to him or her.

Materiality

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

⁴OJ L 335, 17.12.2009, p. 1

Provisions

105. (1) References in this Schedule to provisions for depreciation or diminution in value of assets are references to any amount written off by way of providing for depreciation or diminution in value of assets.

(2) Any reference in the profit and loss account formats set out in *Part II* to the depreciation of, or amounts written off, assets of any description is a reference to the movement in any provision for depreciation or diminution in value of assets of that description.

106. References in this Schedule to provisions for liabilities are references to any amount retained as reasonably necessary for the purpose of providing for any liability the nature of which is clearly defined and which exists at the financial year end date but, as respects the amount of which or the date on which it will be settled, there is uncertainty.

Purchase price

107. References in this Schedule (however expressed) to the purchase price of an asset of an undertaking or of any raw materials or consumables used in the production of any such asset shall be read as including references to any consideration (whether in cash or otherwise) given by the undertaking in respect of that asset or in respect of those materials or consumables (as the case may require).

SCHEDULE 2

ACCOUNTING PRINCIPLES, FORM AND CONTENT OF GROUP
FINANCIAL STATEMENTS

PART I

CONSTRUCTION OF REFERENCES TO PROVISIONS OF THIS
SCHEDULE

1. Without prejudice to the generality of *section 9* of the Interpretation Act 2005 and its application to the body of these Regulations—

- (a) a reference in this Schedule to a paragraph or Part is a reference to a paragraph or Part of this Schedule, unless it is indicated that a reference to some other enactment is intended; and
- (b) a reference in this Schedule to a subparagraph or clause is a reference to the subparagraph or clause of the provision in which the reference occurs, unless it is indicated that a reference to some other enactment is intended.

PART II

GENERAL RULES AND FORMATS

GENERAL RULES

2. (1) Group financial statements shall comply, except for any necessary modifications to take account of differences between group financial statements and entity financial statements, with the provisions of *Schedule 1* as if the undertakings included in the consolidation (the “group”) were a single undertaking.

(2) In particular, for the purposes of *note (12)* of the balance sheet format, set out in *Part II* of *Schedule 1*, and *paragraphs 91* and *92* of *Schedule 1* (dealings with or interests in group undertakings) as it applies to group financial statements—

- (a) any subsidiary undertakings of the holding undertaking not dealt with in the group financial statements shall be treated as a subsidiary undertaking of the group; and
- (b) if the holding undertaking is itself a subsidiary undertaking, the group shall be treated as a subsidiary undertaking of any holding undertaking of that undertaking, and the reference to fellow subsidiary undertakings shall be read accordingly.

3. (1) The group balance sheet and group profit and loss account shall consolidate in full the information contained in the separate balance sheets and profit and loss accounts of the holding undertaking and of the subsidiary undertakings included in the consolidation, subject to the adjustments required or permitted by the following provisions of this Schedule and to such other adjustments (if any) as may be appropriate in accordance with generally accepted accounting practice.

(2) If the financial year of a subsidiary undertaking dealt with in the group financial statements differs from that of the holding undertaking, the group financial statements shall be drawn up—

- (a) from the entity financial statements of the subsidiary undertaking for its financial year last ending before the end of the holding undertaking’s financial year provided that the financial year ended no more than 3 months before that of the holding undertaking; or
- (b) where an undertaking’s balance sheet date precedes the group balance sheet by more than three months, but not more than six months, from interim financial statements drawn up by the subsidiary undertaking as at the end of the holding undertaking’s financial year.

AMENDMENTS TO FORMATS IN *SCHEDULE 1**Minority interest*

4. (1) In the Balance Sheet Format set out in *Part II* of *Schedule 1* a further item headed "Minority interests" shall be added as *Liabilities item Aa*.

(2) The amount to be shown under the heading "Minority Interest" referred to in *subparagraph (1)* shall be the amount of share capital and reserves attributable to shares in subsidiary undertakings consolidated in the group financial statements held by or on behalf of persons other than the holding undertaking and its subsidiary undertakings.

5. (1) In applying the Profit and Loss Formats set out in *Part II* of *Schedule 1* to group financial statements a separate item under the heading "Minority Interest" shall be shown in the non-technical account as *item 10a*.

(2) The amount to be shown under the heading "Minority Interest" in accordance with *subparagraph (1)* shall be the amount of any profit or loss for the year attributable to shares in subsidiary undertakings consolidated in the group financial statements held by or on behalf of persons other than the holding undertaking and its subsidiary undertakings.

(3) In the Profit and Loss Account Format a further item headed "Minority interests" shall be added in the non-technical account as *item 13a* and under that item shall be shown the amount of any profit or loss on extraordinary activities attributable to shares in subsidiary undertakings included in the consolidation held by or on behalf of persons other than the holding undertaking and its subsidiary undertakings.

6. For the purposes of *paragraphs 4(3)* of *Schedule 1* (power to combine items) the additional items required by *paragraphs 4* and *5* shall be treated as items to which a letter is assigned.

7. Investment income and charges attributable to life assurance shall be shown in the technical account. Investment income and charges attributable to non-life business may be disclosed in the non-technical account.

Other changes

8. (1) The formats in *Schedule 1* shall have effect in relation to group financial statements with the following modifications.

(2) In the Balance Sheet Format Assets *item C.II.3* (Participating Interests) shall be replaced by two items headed "Interests in associated undertakings" and "Other participating interests".

(3) In the Profit and Loss Account Formats, the following items, that is—

(a) *item I.2(a)* of the technical account — non-life insurance,

(b) *item II.2(a)* of the technical account — life assurance business, and

(c) *item III.3(a)* of the non-technical account

shall be replaced by 2 items, “Income from interests in associated undertakings” and “Income from other participating interests”.

PART III

ACCOUNTING PRINCIPLES AND VALUATION RULES

ACCOUNTING PRINCIPLES

General

9. (1) In determining the amounts to be included in the group financial statements, the accounting principles and valuation rules contained in *Part III* of *Schedule 1* shall apply and shall be applied consistently within those group financial statements.

(2) *Subparagraph (1)* shall not apply to those liabilities items the valuation of which, by the insurance undertakings included in group financial statements, is based on the application of provisions specific to insurance undertakings nor to those assets items changes in the values of which also affect or establish policyholders’ rights.

(3) Where *subparagraph (2)* applies, that fact shall be disclosed in the notes to the group financial statements.

10. (1) Subject to *subparagraph (2)*, a holding undertaking shall apply the same methods of valuation in drawing up its group financial statements as it applies in drawing up its entity financial statements.

(2) *Subparagraph (1)* shall not apply where, in the opinion of the directors, a departure from that paragraph is necessary for the purpose of giving a true and fair view.

(3) Where there is any application of *subparagraph (2)*, the particulars of the departure and the reasons therefor shall be disclosed in the notes to the group financial statements.

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

(2) 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.

(3) If, in the opinion of the directors of the holding undertaking, there are special reasons for departing from *subparagraph (1)* they may do so but particulars of any such departure, the reasons therefor and its effect shall be stated in the notes to the group financial statements.

12. Any differences of accounting rules as between a holding undertaking's entity financial statements for a financial year and its group financial statements shall be disclosed in a note to the latter financial statements and the reasons for the difference given.

Preparing the consolidation

13. (1) Group financial statements shall show the assets, liabilities and financial position as at the end of the financial year and the profit or loss for the financial year of the holding undertaking and the undertakings included in the consolidation as if they were a single undertaking.

(2) In particular—

- (a) debts and claims between the undertakings included in the consolidation shall be eliminated in preparing the group financial statements;
- (b) income and expenditure relating to transactions between the undertakings included in the consolidation shall be eliminated in preparing the group financial statements;
- (c) where profits and losses resulting from transactions between the undertakings included in the consolidation are included in the book values of assets, they shall be eliminated in preparing the group financial statements;

but *clauses (a) to (c)* need not be complied with where the amounts involved are not material for the purpose of giving a true and fair view.

14. (1) The methods of consolidation shall be applied consistently from one financial year to the next.

(2) If, in the opinion of the directors of the holding undertaking, there are special reasons for departing from *subparagraph (1)* they may do so but particulars of any such departure, the reasons therefor and its effect shall be stated in the notes to the group financial statements.

Accounting for an acquisition

15. (1) *Paragraphs 16 to 19* apply where an undertaking becomes a subsidiary undertaking of the holding undertaking.

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

16. An acquisition shall be accounted for by the acquisition method of accounting unless the conditions for accounting for it as a merger as set out in *paragraph 18* are satisfied and the merger method of accounting is adopted.

17. (1) The acquisition method of accounting is as described in *subparagraphs (2) to (6)*.

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

(3) In *subparagraph (2)* “identifiable assets or liabilities” means the assets or liabilities which are capable of being disposed of or discharged separately, without disposing of a business of the undertaking.

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

(5) There shall be calculated the difference between the acquisition cost of the interest in the shares of the acquired undertaking incurred by the undertakings included in the group financial statements, and the interest of the undertakings included in the group financial statements in the adjusted capital and reserves of the undertaking acquired.

(6) For the foregoing purpose—

“acquisition cost” means the amount of any cash consideration and the fair value of any other consideration, together with such amounts (if any) in respect of fees and other expenses of the acquisition as the holding undertaking may determine to have been incurred in relation to the acquisition;

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

(7) The resulting amount, if positive, shall be treated as goodwill and the provisions of *Schedule 1* in relation to goodwill shall apply.

(8) The resulting amount, if negative, shall be treated as a negative consolidation difference.

18. The conditions for accounting for an acquisition as a merger are —

(a) that at least 90 *per cent* of the nominal value of the equity shares in the undertaking acquired is held by or on behalf of the undertakings consolidated in the group financial statements,

(b) that the proportion referred to in *clause (a)* was attained pursuant to the arrangement providing for the issue of equity shares by the undertakings consolidated in the group financial statements,

- (c) that the fair value of any consideration other than the issue of equity shares given pursuant to the arrangement by the undertakings consolidated in the group financial statements did not exceed 10 *per cent* of the nominal value of the equity shares issued.

19. (1) The merger method of accounting is as set out in *subparagraphs* (2) to (6).

(2) The assets and liabilities of the undertaking acquired shall be brought into the group financial statements at the amount at which they stand in the acquired undertaking's financial statements, subject to any adjustment authorised or required by this Part.

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

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

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

- (a) the appropriate amount in respect of shares issued by the undertakings consolidated in the group financial statements as part of the arrangement referred to in *paragraph 18(b)* in consideration for the acquisition of shares in the acquired undertaking; and
- (b) the fair value of any other consideration for the acquisition of shares in the acquired undertaking, determined as at the date when those shares were acquired;

the nominal value of the issued share capital of the acquired undertaking held by the undertakings consolidated in the group financial statements.

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

20. (1) Where a group is acquired, *paragraphs 15 to 19* apply with the following adaptations.

(2) References to shares of the acquired undertaking shall be read as references to shares of the holding undertaking of the group acquired.

(3) Other references to the acquired undertaking shall be read as references to the group acquired; and references to the assets and liabilities, income and expenditure and capital and reserves of the acquired undertaking shall be read 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 Part in the case of group financial statements.

Changes in the composition of the group

21. If the composition of the undertakings consolidated in the group financial statements has changed significantly in the course of a financial year, the group financial statements must include information which makes the comparison of successive sets of group financial statements meaningful.

Differences in tax treatment

22. Account shall be taken in the group financial statements of any difference arising on consolidation between the tax chargeable for the financial year and for preceding financial years and the amount of tax paid or payable in respect of those years, provided that it is probable that an actual charge to tax will arise within the foreseeable future for one of the undertakings dealt with in the group financial statements.

ACCOUNTING FOR JOINT VENTURES AND ASSOCIATES IN
GROUP FINANCIAL STATEMENTS

Joint ventures

23. (1) Where a holding undertaking or one of its subsidiary undertakings consolidated in the group financial statements manages another undertaking jointly with one or more undertakings not consolidated in the group financial statements, that other undertaking (the “joint venture”) may, if it is not—

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

be proportionally consolidated in the group financial statements in proportion to the rights in its capital held by the holding undertaking or the subsidiary undertakings consolidated in the group financial statements, as the case may be.

(2) The provisions of this Schedule relating to the preparation of consolidated financial statements shall apply, with any necessary modifications, to the inclusion of joint ventures in the consolidated financial statements by proportional consolidation in accordance with *subparagraph (1)*.

Associated undertakings

24. (1) In paragraph 25 “associated undertaking” means an undertaking in which an undertaking consolidated in the group financial statements 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 holding undertaking; or
- (b) a joint venture proportionally consolidated in accordance with *paragraph 23*.

(2) Where an undertaking holds 20 *per cent* or more of the voting rights in another undertaking, it shall be 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.

(4) The provisions of *section 7(5)* and *(6)* of the Principal Act with respect to determining whether shares are held in a body corporate and with respect to reckoning the amount of voting rights held apply, with any necessary modifications, in determining for the purpose of this paragraph whether an undertaking holds 20 *per cent* or more of the voting rights in another undertaking.

25. (1) The interest of an undertaking consolidated in the group financial statements in an associated undertaking, and the amount of profit or loss attributable to such an interest, shall be shown in the group financial statements by way of the equity method of accounting including dealing with any goodwill arising in accordance with *paragraphs 23 to 25* and *paragraph 27* of *Schedule 1*.

(2) Where the associated undertaking is itself a holding undertaking, the net assets and profits or losses to be taken into account are those of the holding 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.

Participating interest

26. (1) In *paragraph 24* and this paragraph “participating interest” means an interest held by one undertaking in the equity shares of another undertaking which it holds on a long term basis for the purpose of securing a contribution to that undertaking’s own activities by the exercise of control or influence arising from or related to that interest.

(2) The reference in *subparagraph (1)* to an interest in equity shares includes—

- (a) an interest which is convertible into an interest in equity shares; and
- (b) an option to acquire equity shares or any such interest,

and an interest or option falls within *clause (a)* or *(b)* notwithstanding that the equity shares to which it relates are, until the conversion or the exercise of the option, unissued.

(3) The percentage of interest in equity shares held in an undertaking with share capital shall be the percentage that the nominal value of the shares held represents of the nominal value of the allotted share capital of that undertaking.

(4) Where an undertaking holds an interest in equity shares and such an interest represents 20 *per cent* or more of all such interests in the other undertaking it shall be presumed to hold that interest on the basis and for the purpose mentioned in *subparagraph (1)* unless the contrary is shown.

(5) For the purpose of this paragraph an interest held on behalf of an undertaking shall be treated as held by it.

(6) For the purpose of this paragraph as it applies in relation to "participating interest" in *section 7* of the Principal Act—

(a) there shall be attributed to an undertaking any interests held by any of its subsidiary undertakings, and

(b) the references in *subparagraph (1)* of this paragraph to the purpose and activities of an undertaking include the purpose and activities of any of its subsidiary undertakings and of the group as a whole.

(7) In the balance sheet and profit and loss formats set out in *Part II of Schedule 1*, "participating interest" does not include an interest in a group undertaking.

PART IV

INFORMATION REQUIRED BY WAY OF NOTES TO GROUP FINANCIAL STATEMENTS

27. Without prejudice to *paragraph 2*, the notes to the group financial statements shall, in addition to providing the information required by *Schedule 1*, also state the information required by *paragraphs 28* to *33*.

28. Where sums originally denominated in currencies, other than the currency in which the group financial statements are presented, have been brought into account under any items shown in the balance sheet or profit and loss account, the basis on which those sums have been translated into the currency in which the group financial statements are presented shall be stated.

29. In respect of the aggregate of the amounts shown in the group balance sheet under the heading "Creditors" there shall be stated the information required by *paragraph 77* of *Schedule 1* as if references in that paragraph to an undertaking were to the undertaking and its subsidiary undertakings taken as a whole.

30. In relation to each joint venture proportionately consolidated, there shall be stated the nature of the joint management arrangement and the factors on which the joint management of the undertaking is based.

31. (1) In relation to the resulting amounts referred to in *paragraphs 17(7)*, *(8)* and *19(6)*, there shall be stated in the notes to the group financial statements

the methods used in calculating those amounts and the reasons for any significant difference between such amounts for the financial year to which the group financial statements refer and those for the preceding financial year.

(2) In relation to acquisitions taking place in the financial year, there shall be stated in the notes to the group financial statements—

- (a) the name and registered office of the acquired undertaking, or where a group was acquired, the name and registered office of the holding undertaking of that group; and
- (b) whether the acquisition has been accounted for by the acquisition method or the merger method of accounting.

32. The information set out in *section 314* of the Principal Act shall also be given in respect of each undertaking which has been excluded from the group accounts by virtue of the application of *section 303* of the Principal Act.

33. (1) *Paragraph 89* (related party transactions) of *Schedule 1* shall, in the case of group financial statements, apply to all transactions entered into by the holding undertaking, or any subsidiary undertaking included in the consolidation, with related parties, being transactions of the kind referred to in that paragraph but not being intra-group transactions.

(2) A word or expression that is used in *subparagraph (1)* has the same meaning as it has in Directive 2006/46/EC.



Given under my Official Seal,
17 June 2015.

MICHAEL NOONAN,
Minister for Finance.

EXPLANATORY NOTE

(This note is not part of the Instrument and does not purport to be a legal interpretation)

These Regulations revoke the European Communities (Insurance Undertakings: Accounts) Regulations, 1996 (S.I. No. 23 of 1996) and may be cited as the European Communities (Insurance Undertakings: Financial Statements) Regulations 2015.

These Regulations provide that a similar structure to Part 6 of the Companies Act 2014 will be adopted in respect of accounting requirements for insurance undertakings.

These Regulations require insurance undertakings to prepare and to publish annually accounts (balance sheet, profit and loss account and notes), in accordance with the provisions of these Regulations. They also require (with provision for exceptions) insurance undertakings which have subsidiary undertakings or non-insurance holding companies, the most important of whose subsidiaries are insurance undertakings, to prepare and to publish group accounts in accordance with the provisions of these Regulations.

The Regulations contain provisions governing the preparation of accounts, including group accounts, the content of those accounts, their format and the valuation of items to be included. They specify information to be included in the notes to the accounts.

BAILE ÁTHA CLIATH
ARNA FHOILSIÚ AG OIFIG AN tSOLÁTHAIR
Le ceannach díreach ó
FOILSEACHÁIN RIALTAIS,
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