

SCHEDULE 1

Form and Content of Accounts of Insurance Companies and Groups

Part 1

INDIVIDUAL ACCOUNTS

CHAPTER III

NOTES TO THE ACCOUNTS

Preliminary

54. information required in the case of any company by the following provisions of this Part shall be given by way of a note to its accounts, unless otherwise provided.

General

Disclosure of accounting policies

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

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

Sums denominated in foreign currencies

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

Information supplementing the balance sheet

Share capital and debentures

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

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

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

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

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

- (a) the reason for making the allotment;

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

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

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

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

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

- (a) the 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 company for the issue.

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

(3) where any of the company’s debentures are held by a nominee of or trustee for the company, the nominal amount of the debentures and the amount at which they are stated in the accounting records kept by the company in accordance with Article 229 shall be stated.

Assets

62.—(1) In respect of any assets of the company included in Assets items B (intangible assets), C.I (land and buildings) and C.II (investments in group undertakings and participating interests) in the company’s balance sheet the following information shall be given by reference to each such item—

- (a) the appropriate amounts in respect of those assets included in the item as at the date of the beginning of the financial year and as at the balance sheet date respectively;
- (b) the effect on any amount included in Assets item B in respect of those assets of—
 - (i) any determination during that year of the value to be ascribed to any of those assets in accordance with paragraph 23;
 - (ii) acquisitions during that year of any assets;
 - (iii) disposals during that year of any assets; and
 - (iv) any transfers of assets of the company to and from the item during that year.

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

- (a) on the basis of cost (determined in accordance with paragraphs 39 and 40); or
- (b) on any basis permitted by paragraph 22 or 23,

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

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

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

63. Where any assets of the company (other than listed investments) are included under any item shown in the company's balance sheet at an amount determined on any basis mentioned in paragraph 22 or 23, the following information shall be given—

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

64. In relation to any amount which is included under Assets item C.I (land and buildings) there shall be stated—

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

Investments

65. In respect of the amount of each item which is shown in the company's balance sheet under Assets item C (investments) there shall be stated—

- (a) how much of that amount is ascribable to listed investments; and
- (b) how much of any amount so ascribable is ascribable to investments as respects which there has been granted a listing on a recognised investment exchange other than an overseas investment exchange within the meaning of the Financial Services Act 1986 and how much to other listed investments.

Reserves and provisions

66.—(1) Where any amount is transferred—

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

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

(2) That information is—

- (a) the amount of the reserves or provisions as at the date of the beginning of the financial year and as at the balance sheet date respectively;

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- (b) any amounts transferred to or from the reserves or provisions during that year; and
- (c) the source and application respectively of any amounts so transferred.

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

Provision for taxation

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

Details of indebtedness

68.—(1) In respect of each item shown under “creditors” in the company'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 five years beginning with the day next following the end of the financial year; and
- (b) the aggregate amount of any debts so included which are payable or repayable by instalments any of which fall due for payment after the end of that period;

and in the case of debts within sub-paragraph (b) the aggregate amount of instalments falling due after the end of that period shall also be disclosed for each such item.

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

(3) If the number of debts is such that, in the opinion of the directors, compliance with sub-paragraph (2) would result in a statement of excessive length, it 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 company'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 by the company; and
- (b) an indication of the nature of the securities so given.

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

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

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

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

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

Guarantees and other financial commitments

70.—(1) Particulars shall be given of any charge on the assets of the company 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;
- (c) whether any valuable security has been provided by the company 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 pension commitments included under any provision shown in the company'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 pensions payable to past directors of the company separate particulars shall be given of that commitment so far as it relates to such pensions.

(5) 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 company's state of affairs.

(6) Commitments within any of the preceding sub-paragraphs undertaken on behalf of or for the benefit of—

- (a) any parent undertaking or fellow subsidiary undertaking, or
- (b) any subsidiary undertaking of the company,

shall be stated separately from the other commitments within that sub-paragraph, and commitments within paragraph (a) shall also be stated separately from those within paragraph (b).

Dealings with or interests in group undertakings

71. Where a company is a parent company or a subsidiary undertaking and any item required by this Part to be shown in the company's balance sheet in relation to group undertakings includes—

- (a) amounts attributable to dealings with or interests in any parent undertaking or fellow subsidiary undertaking, or
- (b) amounts attributable to dealings with or interests in any subsidiary undertaking of the company,

the aggregate amounts within paragraphs (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 company's accounts.

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Miscellaneous matters

72.—(1) Particulars shall be given of any case where the cost of any asset is for the first time determined under paragraph 41.

(2) Where any outstanding loans made under the authority of Article 163(4)(b), (bb) or c) or Article 165 (various cases of financial assistance by a company for purchase of its own shares) are included under any item shown in the company's balance sheet, the aggregate amount of those loans shall be disclosed for each item in question.

(3) The aggregate amount which is recommended for distribution by way of dividend shall be stated.

Information supplementing the profit and loss account

Separate statement of certain items of income and expenditure

73.—(1) Subject to the following provisions of this paragraph, each of the amounts mentioned below shall be stated.

(2) The amount of the interest on or any similar charges in respect of—

(a) bank loans and overdrafts, and loans made to the company (other than bank loans and overdrafts) which—

(i) are repayable otherwise than by instalments and fall due for repayment before the end of the period of five years beginning with the day next following the end of the financial year; or

(ii) are repayable by instalments the last of which falls due for payment before the end of that period; and

(b) loans of any other kind made to the company.

This sub-paragraph does not apply to interest or charges on loans to the company from group undertakings, but, with that exception, it applies to interest or charges on all loans, whether made on the security of debentures or not.

(3) The amount respectively set aside for redemption of share capital and for redemption of loans.

(4) The amount of income from listed investments.

(5) The amount charged to revenue in respect of sums payable in respect of the hire of plant and machinery.

Particulars of tax

74.—(1) The basis on which the charge for United Kingdom corporation tax and United Kingdom income tax is computed shall be stated.

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

(3) The following amounts shall be stated—

(a) the amount of the charge for United Kingdom corporation tax;

(b) if that amount would have been greater but for relief from double taxation, the amount which it would have been but for such relief;

(c) the amount of the charge for United Kingdom income tax; and

(d) the amount of the charge for taxation imposed outside the United Kingdom of profits, income and (so far as charged to revenue) capital gains.

Those amounts shall be stated separately in respect of each of the amounts which is shown under the following items in the profit and loss account, that is to say item III.9 (tax on profit or loss on ordinary activities) and item III. 14 (tax on extraordinary profit or loss).

Particulars of business

75.—(1) As regards general business a company 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 sub-paragraph (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 sub-paragraph (4), the amounts required to be disclosed by sub-paragraphs (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 10 million ECUs.

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

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

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

(2) Subject to sub-paragraph (3) below—

- (a) gross premiums written shall be broken down between those written by way of direct insurance and those written by way of reinsurance; and
- (b) gross premiums written by way of direct insurance shall be broken down—
 - (i) between individual premiums and premiums under group contracts;
 - (ii) between periodic premiums and single premiums; and

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(iii) between premiums from non-participating contracts, premiums from participating contracts and premiums from contract where the investment risk is borne by policy holders.

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

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

- (a) in the member State of its head office,
- (b) in the other member States, and
- (c) in other countries.

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

Commissions

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

Particulars of staff

79.—(1) The following information shall be given with respect to the employees of the company—

- (a) the average number of persons employed by the company in the financial year; and
- (b) the average number of persons so employed within each category of persons employed by the company.

(2) The average number required by sub-paragraph (1)(a) or (b) shall be determined by dividing the relevant annual number by the number of weeks in the financial year.

(3) The relevant annual number shall be determined by ascertaining for each week in the financial year—

- (a) for the purposes of sub-paragraph (1)(a), the number of persons employed under contracts of service by the company in that week (whether throughout the week or not); and
- (b) for the purposes of sub-paragraph (1)(b), the number of persons in the category in question of persons so employed;

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

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

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

save in so far as those amounts or any of them are stated in the profit and loss account.

(5) The categories of person employed by the company by reference to which the number required to be disclosed by sub-paragraph (1)(b) is to be determined shall be such as the directors may select, having regard to the manner in which the company's activities are organised.

Miscellaneous matters

80.—(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 charges arising in the financial year.

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