

## SCHEDULE 1

### Form and Content of Accounts of Banking Companies and Groups

## Alternative Accounting Rules

### *Preliminary*

39.—(1) The rules set out in paragraphs 24 to 38 are referred to below in this Schedule as the historical cost accounting rules.

(2) Paragraphs 24 to 27 and 31 to 35 are referred to below in this section of this Part as the depreciation rules; and references below in this Schedule to the historical cost accounting rules do not include the depreciation rules as they apply by virtue of paragraph 42.

40. Subject to paragraphs 42 to 44, the amounts to be included in respect of assets of any description mentioned in paragraph 41 may be determined on any basis so mentioned.

### *Alternative accounting rules*

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

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

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

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

but in the latter case particulars of the method of valuation adopted and of the reasons for adopting it shall be disclosed in a note to the accounts.

(4) Securities of any description not held as financial fixed assets (if not valued in accordance with paragraph 34) may be included at their current cost.

### *Application of the depreciation rules*

42.—(1) Where the value of any asset of a company is determined in accordance with paragraph 41, that value shall be, or (as the case may require) be the starting point for determining, the amount to be included in respect of that asset in the company's accounts, instead of its cost or any value previously so determined for that asset; and the depreciation rules 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 in accordance with paragraph 41.

(2) The amount of any provision for depreciation required in the case of any fixed asset by paragraph 25 or 26 as it applies by virtue of sub-paragraph (1) is referred to 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".

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

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

43.—(1) This paragraph applies where the amounts to be included in respect of assets covered by any items shown in a company's accounts have been determined in accordance with paragraph 41.

(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 accounts.

(3) In the case of each balance sheet item affected 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 accounts.

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

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

***Revaluation reserve***

44.—(1) With respect to any determination of the value of an asset of a company in accordance with paragraph 41, 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 ("the revaluation reserve").

(2) The amount of the revaluation reserve shall be shown in the company's balance sheet under Liabilities item 11 in the balance sheet format, but need not be shown under that name.

(3) An amount may be transferred from the revaluation reserve:

- (a) to the profit and loss account, if the amount was previously charged to that account or represents realised profit, or
- (b) on capitalisation;

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

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

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

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

*ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES*

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

(2) An appropriate rate of exchange prevailing on the date of purchase may however be used for assets held as financial fixed assets and assets to be included under Assets items 9 (Intangible fixed assets) and 10 (Tangible fixed assets) in the balance sheet format, if they are not covered or not specifically covered in either the spot or forward currency markets.

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

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

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

46.—(1) Subject to sub-paragraph (2), any difference between the amount to be included in respect of an asset or liability under paragraph 45 and the book value, after translation into sterling (or the currency in which the accounts are drawn up) at an appropriate rate, of that asset or liability shall be credited or, as the case may be, debited to the profit and loss account.

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