INSURANCE BUSINESS (COMPANIES ACCOUNTS) REGULATIONS, 2000

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L.N. 103 of 2000

INSURANCE BUSINESS ACT

(CAP. 403)

Insurance Business (Companies Accounts) Regulations, 2000

IN exercise of the powers conferred by sections 20 and 64 of the Insurance Business Act, the Minister of Finance, after consultation with the Malta Financial Services Centre, has made the following regulations:

Citation and commencement.

1. (1) These regulations may be cited as the Insurance Business (Companies Accounts) Regulations, 2000.

(2) These regulations shall come into force on the 1st January, 2001.

Interpretation.

2. (1) In these regulations, unless the context otherwise requires -

"the Act" means the Insurance Business Act;

"authorised company" means a company whose head office is in Malta authorised under section 7 of the Act to carry on business of insurance;

"the Centre" means the Malta Financial Services Centre established by section 3 of the Malta Financial Services Centre Act and appointed under section 3 of the Act to be the Competent Authority for the purposes of the Act;

Cap. 330.

"group", in relation to business of insurance, means a group of companies where the parent company is an authorised company or where -

(a) the parent company's principal subsidiary undertakings are wholly or mainly authorised companies; and

(b) the parent company does not itself carry on any material business apart from the acquisition, management and disposal of interests in subsidiary undertakings:

Provided that, for the purposes of paragraphs (a) and (b) of the definition of this term -

(i) a parent company's principal subsidiary undertakings are the subsidiary undertakings of the company whose results or financial position would principally affect the figures shown in the group accounts, and

(ii) the management of interests in subsidiary undertakings includes the provisions of services to such undertakings;

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

"realised profits" and "realised losses", in relation to a company's accounts, shall be construed in accordance with paragraph (4) of regulation 6 of these regulations;

and the words and expressions which are also used in the Act have the same meanings as in the Act.

(2) References in these regulations to "long term fund or funds" shall be deemed to be references to technical provisions which an authorised company establishes and maintains under section 17 of the Act in respect of its long term business.

Drawing up of audited financial statements.

3. The audited financial statements which every authorised company is required to forward to the Centre under section 20 of the Act shall be drawn up in the Maltese or English language in accordance with the Companies Act, 1995 subject to such substitutions and modifications as are set out in regulations 4 and 5 of these regulations.

Act No. XXV of 1995.

Substitution of the Third Schedule to the Companies Act, 1995.

4. The requirements of the Third Schedule to the Companies Act, 1995, with respect to the individual accounts as to the form and content of the balance sheet and profit and loss account and as to additional information to be provided by way of notes to the accounts, shall be substituted by those of the First Schedule to these regulations:

Provided that, where the individual accounts are drawn up by an authorised company whose business is restricted to affiliated insurance, the requirements of the said First Schedule shall apply to those accounts subject to the modifications as are contained in the Second Schedule to these regulations.

Application of the Fourth Schedule to the Companies Act, 1995.

5. The requirements of the Fourth Schedule to the Companies Act, 1995, with respect to the consolidated accounts as to the form and content of the consolidated balance sheet and consolidated profit and loss account and as to additional information to be provided by way of notes to the consolidated accounts, shall apply in accordance with the provisions of Title I of the Third Schedule to these regulations subject to the modifications as are set out in Title II of the said Schedule.

Realised profits of authorised companies with long term business.

6. (1) Where an authorised company carries on business of insurance which includes long term business -

(a) any amount properly transferred to the profit and loss account of the company from a surplus in the long term fund or funds maintained by the company in respect of long term business, and

(b) any deficit in the long term fund or funds,

are to be (respectively) treated, for the purposes of these regulations, as a realised profit and a realised loss; and, subject to this, any profit or loss arising in that business is to be left out of account for those purposes.

(2) In paragraph (1) of this regulation -

(a) the reference to a surplus in any long term fund or funds of a company is to an excess of the assets representing the long term fund or funds over the liabilities of the company attributable to its long term business, as shown by an actuarial investigation, and

(b) the reference to a deficit in any long term fund or funds is to the excess of those liabilities over those assets, as so shown.

(3) In this regulation "actuarial investigation" means an investigation made under section 23 of the Act or in pursuance of a directive made by the Centre under any other provision of the Act.

(4) References in these regulations to "realised profits" and "realised losses", in relation to a company's accounts, are to such profits or losses of the company as fall to be treated as realised in accordance with principles generally accepted, at the time when the accounts are prepared, with respect to the determination for accounting purposes of realised profits or losses.

This is without prejudice to –

(a) the construction of any other expression (where appropriate) by reference to accepted accounting principles or practice, or

(b) any specific provision for the treatment of profits or losses of any description as realised.

Form and content of accounts in abridged form.

7. (1) The audited financial statements which every company authorised under section 7 of the Act to carry on business of insurance is required to publish in abridged form pursuant to section 20 of the Act shall be drawn up in the Maltese or English language and published in accordance with the provisions of the following paragraphs of this regulation.

(2) The financial statements in abridged form to be drawn up by -

(a) a company whose head office is in Malta shall be drawn up in accordance with the provisions of the Fourth Schedule to these regulations, and

(b) a company whose head office is in a country outside Malta shall be drawn up in accordance with specific alternative arrangements which do not detract materially from the provisions of the said Fourth Schedule as are agreed in writing between the company and the Centre

as to the form and content of the balance sheet (and the consolidated balance sheet) and profit and loss account (and the consolidated profit and loss account) and as to the additional general information to be published with those accounts.

(3) Where an authorised company is -

(a) a subsidiary company, the financial statements which are required to be published in abridged form are in respect of the companys individual accounts; and

(b) a parent company, such financial statements are in respect of the company's individual accounts as well as its consolidated accounts.

(4) Where in the case of a company whose head office is in a country outside Malta the financial statements are drawn up in a currency other than Maltese currency, the exchange rate between the

currency used and Maltese currency on the balance sheet date shall be stated and published and such rate shall be the official closing middle rate issued by the Central Bank of Malta for that date.

(5) Where the financial statements in abridged form are published in a local daily newspaper which is published in the Maltese language, the general information which is mentioned in Title II of the Fourth Schedule to these regulations shall be published in the Maltese language.

(6) The financial statements in abridged form and the general information mentioned in Title II of the Fourth Schedule to these regulations shall be published in an intelligible manner and clear print.

Transitory provisions.

8. (1) An authorised company may, with respect to a financial year commencing on or before 1st January, 1999, prepare such annual accounts as it would have been required to prepare under the Companies Act, 1995 had the substitutions and modifications to that Act effected by these regulations not been made.

(2) The substitutions and modifications effected by regulations 4 and 5 of these regulations shall, where a company prepares accounts under paragraph (1) of this regulation, be treated, as regards that company, as not having been made.

(3) Where an authorised company prepares accounts under paragraph (1) of this regulation, the provisions of sub-paragraph (a) of paragraph (2) of regulation 7 of these regulations shall be considered, as regards that company, as not having been made and the provisions of sub-paragraph (b) of paragraph (2) of the said regulation shall apply to such company as if the company where a company whose head office is in a country outside Malta.

Words and expressions used in the Companies Act, 1995.

9. In these regulations, words and expressions which are also used in the Companies Act, 1995, unless otherwise contradicted by the meanings given to them by the Act or in these regulations, shall have the same meanings as in that Act.

FIRST SCHEDULE

(Regulation 4)

FORM AND CONTENT OF INDIVIDUAL ACCOUNTS OF AUTHORISED COMPANIES AND GROUPS

TITLE I - GENERAL RULES AND FORMATS

GENERAL RULES

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

(a) every balance sheet of a company shall show the items listed in the balance sheet format set out immediately following paragraph 15 of this Schedule; and

(b) every profit and loss account of a company shall show the items listed in the profit and loss account format set out immediately following paragraph 18 so set out,

in either case in the order and under the headings and sub-headings given in the format.

(2) Sub-paragraph (1) of this paragraph is not to be read as requiring any item, or the heading or sub-heading for any item, to be distinguished by any letter or number assigned thereto in the format.

2. (1) Any item required in accordance with paragraph 1 of this Schedule to be shown in a company's balance sheet or profit and loss account may be shown in greater detail than so required.

(2) A company's balance sheet or profit and loss account may include an item representing or covering the amount of any asset or liability, income or expenditure not specifically covered by any of the items listed in the balance sheet or profit and loss account format set out respectively immediately following paragraphs 15 and 18 of this Schedule, but the following shall not be treated as assets in a company's balance sheet -

(a) expenses of and commission on any issue of shares or debentures; and

(b) costs of research.

Any additional items as aforesaid shall be included under either an existing heading or sub-heading or under a new heading or sub-heading as appropriate.

(3) Items to which Arabic numbers are assigned in the balance sheet format following paragraph 15 of this Schedule (except for items concerning technical provisions and the reinsurers' share of technical provisions), and items to which lower case letters in parentheses are assigned in the profit and loss account format following paragraph 18 so set out (except for items within items I.1 and 4 and II.1, 5 and 6) may be combined in a company's accounts for any financial year if either -

(a) their individual amounts are not material for the purpose of giving a true and fair view; or

(b) the combination facilitates the assessment of the state of affairs or profit or loss of the company for that year;

but in a case within indent (b) of this sub-paragraph the individual amounts of any items so combined shall be disclosed in the notes to the accounts and any notes required by this Schedule to the items so combined under that paragraph shall, notwithstanding the combination, be given.

(4) Save where there is a corresponding item for the preceding accounting period, a balance sheet or profit and loss account item for which there is no amount shall not be shown. In such case, the heading or sub-heading in respect of that item shall also not be shown if that item is the only one under such heading or sub-heading.

3. (1) In respect of every item shown in the balance sheet or profit and loss account or in the notes to the accounts, there shall also be shown the corresponding amount for the accounting period immediately preceding that to which the individual accounts relate.

(2) Where the corresponding amount is not comparable with the amount to be shown for the item in question in respect of the accounting period to which the balance sheet or profit and loss account relates, the former amount shall be adjusted and particulars of the adjustment and the reasons for it shall be disclosed in the notes to the accounts. Such adjustments shall be made in accordance with generally accepted accounting principles and practice.

4. Save as otherwise provided in this Schedule, or as may be permitted by generally accepted accounting principles and practice, any set-off between asset and liability items, or between income and expenditure items, shall be prohibited.

5. The provisions of this Schedule which relate to long term business shall apply, with necessary modifications, to business of insurance within classes 1 and 2 of Part 1 of the Third Schedule to the Act which -

(a) is transacted exclusively or principally according to the technical principles of long term business; and

(b) is a significant amount of the business of the company.

6. (1) In determining whether particular assets are to be shown as fixed assets or current assets reference shall be made to the purpose for which they are intended.

(2) Fixed assets shall comprise those assets which are intended to be held on a continuing basis in connection with the company's activities.

(3) Where an asset or liability relates to more than one layout item, its relationship to the other item or items shall be disclosed either under the item where it appears or in the notes to the accounts, if such disclosure is essential to the comprehension of the individual accounts.

(4) Own shares and shares in group undertakings may be shown only under the items prescribed for that purpose.

7. (1) "Provisions for other risks and charges" are intended to cover losses or debts the nature of which is clearly defined and which in the case of the balance sheet are either likely to be incurred, or certain to be incurred but uncertain as to amount or as to the date on which they will arise other than those provided for in notes 19 to 24 to the Balance Sheet foremat.

(2) "Provisions for other risks and charges" may not be used to adjust the values of assets.

8. "Associated undertaking" shall have the same meaning as is assigned to it by paragraph 21 of the Fourth Schedule to the Companies Act, 1995 as modified by the Third Schedule to the regulations; and any reference to the Third Schedule to that Act were a reference to the First Schedule to the regulations.

9. (1) Income and charges that arise otherwise than in the course of the company's ordinary activities shall be shown under "Extraordinary Income" and "Extraordinary Charges" contained in the Profit and Loss account format following paragraph 18 of this Schedule.

(2) Unless the income and charges referred to in sub-paragraph (1) of this paragraph are immaterial for the assessment of the results, explanations of their amount and nature shall be given in the notes to the accounts. The same shall apply to income and charges relating to another accounting period.

10. (1) Every profit and loss account of a company shall show the amount of the company's profit or loss on ordinary activities before taxation.

(2) Taxes on the profit or loss on ordinary activities and taxes on the extraordinary profit or loss may be shown in total as one item in the profit and loss account before "Other Taxes not shown under the preceding items" contained in the profit and loss account format following paragraph 18 of this Schedule. In such a case

"Profit or Loss on Ordinary Activities after Tax" shall be omitted from the profit and loss account format so set out.

(3) Where this derogation is applied there shall be disclosed in the notes to the accounts the extent to which the taxes on the profit or loss affect the profit or loss on ordinary activities and the extraordinary profit or loss.

11. Every profit and loss account of a company shall show separately as additional items -

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

(b) the aggregate amounts of -

(i) any dividends paid; and

(ii) any dividends proposed.

12. (1) The provisions of this Schedule shall be interpreted by reference to the application of generally accepted accounting principles and practice to give a true and fair view within the meaning of the Companies Act, 1995.

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

REQUIRED FORMATS FOR ACCOUNTS

Preliminary

13. (1) References in this Schedule to the balance sheet format or profit and loss account format are to the balance sheet format or profit and loss account format set out respectively immediately following paragraphs 15 and 18 of this Schedule and references to the items listed in either of the formats are to those items read together with any of the notes following the formats which apply to any of those items.

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

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

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

14. A number in brackets following any item in either of the formats set out respectively immediately following paragraphs 15 and 18 of this Schedule is a reference to the note of that number in the notes following the format.

15. In the profit and loss account format set out immediately following paragraph 18 of this Schedule -

(a) the heading "Technical account - General business" is for business of insurance within the classes of business specified in the Third Schedule to the Act; and

(b) the heading "Technical account - Long term business" is for business of insurance within the classes of business specified in the Second Schedule to the Act.

Balance Sheet Format

ASSETS

A. *Called up share capital not paid (1)*

B. *Intangible assets*

1. Formation expenses
2. Development costs
3. Concessions, patents, licences, trade marks and similar rights and assets *(2)*
4. Goodwill *(3)*
5. Payments on account

C. *Investments*

I. Land & buildings (including all rights on immovables) *(4)*

II. Investments in group undertakings and participating interests

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

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

IV. Deposits with ceding undertakings *(10)*

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

Da. *Reinsurers' share of technical provisions (12)*

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

E. *Debtors (13)*

I. Debtors arising out of direct insurance operations
1. Policy holders
2. Intermediaries

II. Debtors arising out of reinsurance operations

III. Other debtors

IV. Called up share capital not paid *(1)*

F. *Other assets*

I. Tangible assets
1. Plant and machinery
2. Fixtures, fittings, tools and equipment
3. Payments on account (other than deposits paid on land and buildings) and assets (other than buildings) in course of construction

II. Stocks
1. Raw materials and consumables
2. Work in progress

3. Finished goods and goods for resale

4. Payments on account

III. Cash at bank and in hand

IV. Own shares *(14)*

V. Other *(15)*

G. *Prepayments and accrued income*

I. Accrued interest and rent *(16)*

II. Deferred acquisition costs *(17)*

III. Other prepayments and accrued income

LIABILITIES

A. *Capital and reserves*

I. Called up share capital or equivalent funds

II. Share premium account

III. Revaluation reserve

IV. Reserves
1. Capital redemption reserve
2. Reserve for own shares
3. Reserves provided for by the articles of association
4. Other reserves

V. Profit and loss account

B. *Subordinated liabilities (18)*

Ba. *Fund for future appropriations (19)*

C. *Technical provisions*

1. Provision for unearned premiums *(20)*
   (a) gross amount
   (b) reinsurance amount *(12)*

2. Long term business provision *(20) (21) (26)*
   (a) gross amount
   (b) reinsurance amount *(12)*
3. Claims outstanding *(22)*
   (a) gross amount
   (b) reinsurance amount *(12)*
4. Provision for bonuses and rebates *(23)*
   (a) gross amount
   (b) reinsurance amount *(12)*
5. Equalisation provision *(24)*
6. Other technical provisions *(25)*
   (a) gross amount
   (b) reinsurance amount *(12)*

D. *Technical provisions for linked liabilities (26)*
   (a) gross amount
   (b) reinsurance amount *(12)*

E. *Provisions for other risks and charges (27)*
   1. Provisions for pensions and similar obligations
   2. Provisions for taxation
   3. Other provisions

F. *Deposits received from reinsurers (28)*

G. *Creditors (29)*

   I. Creditors arising out of direct insurance operations

   II. Creditors arising out of reinsurance operations

   III. Debenture loans *(30)*

   IV. Amounts owed to banks or credit institutions

   V. Other creditors including taxation and social security

H. *Accruals and deferred income*

Notes on the balance sheet format

(1) Called up share capital not paid

(Assets items A and E.IV)

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

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

(Assets item B.3)

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

(a) the assets were acquired for valuable consideration and are not required to be shown under goodwill; or

(b) the assets in question were created by the company itself.

(3) Goodwill

(Assets item B.4)

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

(4) Land and buildings

(Assets item C.I)

The amount of any land and buildings occupied by the company for its own activities shall be shown separately in the notes to the accounts.

(5) Debt securities and other fixed income securities

(Assets item C.III.2)

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

Securities bearing interest rates that vary in accordance with specific factors, for example the interest rate on the inter-bank market or on the Euromarket, shall also be regarded as debt securities and other fixed income securities and so be included under this item.

(6) Participation in investment pools

(Assets item C.III.3)

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

(7) Loans secured by mortgages and other loans

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

Loans to policy holders for which the policy is the main security shall be included under "Other loans" and their amount shall be disclosed in the notes to the accounts. Loans secured by mortgage 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 accounts.

(8) Deposits with banks or 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.III even if they bear interest.

(9) 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 must be disclosed in the notes to the accounts.

(10) Deposits with ceding undertakings

(Assets item C. IV)

Where the company accepts reinsurance this item 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 company shall be entered in the company's accounts as an investment, under the appropriate item.

(11) Assets held to cover linked liabilities

(Assets item D)

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

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

(12) 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) andD(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.

As regards the provisions for unearned premiums, the reinsurance amounts shall be calculated according to the methods referred to in paragraph 44 of this Schedule or in accordance with the terms of the reinsurance policy.

(13) Debtors

(Assets item E)

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

(14) Own shares

(Assets item F.IV)

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

(15) Other

(Assets item F.V)

This item shall comprise those assets which are not covered by Assets items F.I to IV. Where such assets are material they must be disclosed in the notes to the accounts.

(16) Accrued interest and rent

(Assets item 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.

(17) Deferred acquisition costs

(Assets item G.II)

This item shall comprise the costs of acquiring insurance policies which are incurred during a financial year but relate to a subsequent financial year ("deferred acquisition costs"), except in so far as -

(a) allowance has been made in the computation of the long term business provision made under paragraph 46 of this Schedule and shown under Liabilities item C2 or D in the balance sheet, for :

(i) the explicit recognition of such costs, or

(ii) the implicit recognition of such costs by virtue of the anticipation of future income from which such costs may prudently be expected to be recovered, or

(b) allowance has been made for such costs in respect of general business policies by a deduction from the provision for unearned premiums made under paragraph 44 in this Schedule and shown under Liabilities item C.I in the balance sheet.

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

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

There shall be disclosed in the notes to the accounts -

(a) how the deferral of acquisition costs has been treated (unless otherwise expressly stated in the accounts), and

(b) where such costs are included as a deduction from the provisions at Liabilities item C.1, the amount of such deduction, or

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

(18) Subordinated liabilities

(Liabilities item B)

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

(19) Fund for future appropriations

(Liablilites item Ba)

This item shall comprise all funds the allocation of which either to policyholders 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 in the profit and loss account.

(20) Provision for unearned premiums

(Liabilities item C.1)

In the case of long term business 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 in subsequent financial years.

(21) Long term business provision

(Liabilities item C.2)

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

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

(22) Claims outstanding

(Liabilities item C.3)

This item shall comprise the total estimated ultimate cost to the company of settling all claims arising from events which have occurred up to the end of the financial year

(including, in the case of general business, claims incurred but not reported) less amounts already paid in respect of such claims.

(23) Provision for bonuses and rebates

(Liabilities item C.4)

This item shall comprise amounts intended for policy holders or contract beneficiaries by way of bonuses and rebates as defined in Note *(5)* on the profit and loss account format to the extent that such amounts have not been credited to policy holders or contract beneficiaries or included in Liabilities item C.2.

(24) Equalisation provision

(Liabilities item C.5)

This item shall comprise the amount of any reserve maintained by the company under subsection (7) of section 17 of the Act.

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

(25) Other technical provisions

(Liabilities item C.6)

This item shall comprise, inter alia, the provision for unexpired risks as defined in paragraph (1) of regulation 2 of the regulations. Where the amount of the provision for unexpired risks is significant, it shall be disclosed separately either in the balance sheet or in the notes to the accounts.

(26) Technical provisions for linked liabilities

(Liabilities item D)

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

Any additional technical provisions constituted to cover death risks, operating expenses or other risks (such as benefits payable at the maturity date or guaranteed surrender values) 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.

(27) Provisions for other risks and charges

(Liabilities item E)

Provisions for other risks and charges may not exceed in amount the sums which are necessary.

The provisions shown under "Other Provisions" must be disclosed in the notes on the accounts if they are material.

(28) Deposits received from reinsurers

(Liabilities item F)

Where the company 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 company 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 company by virtue of the deposit.

(29) Creditors

(Liabilities item G)

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

(30) Debenture loans

(Liabilities item G.III)

The amount of any convertible loans shall be shown separately.

Special rules for balance sheet format

Additional items

16 (1) Every balance sheet of a company which carries on long term business shall show separately as an additional item the aggregate of any amounts included in Liabilities item A (capital and reserves) which are required not to be treated as realised profits under regulation 6 of the regulations.

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

Managed funds

17 (1) For the purposes of this paragraph "managed funds" are funds of a group pension fund -

(a) which fall within Class VII of the Second Schedule to the Act, and

(b) which the company administers in its own name but on behalf of others, and

(c) to which it has legal title.

(2) The company shall, in any case where assets and liabilities arising in respect of managed funds fall to be treated as assets and liabilities of the company, adopt the following accounting treatment: assets and liabilities representing managed funds are to be included in the company's balance sheet, with the notes to the accounts disclosing the total amount included with respect to such assets and liabilities in the balance sheet and showing the amount included under each relevant balance sheet item in respect of such assets or (as the case may be) liabilities.

Deferred acquisition costs

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

Profit and loss account format

I. *Technical account - General business*

1. Earned premiums, net of reinsurance

(a) gross premiums written *(1)*

(b) outward reinsurance premiums *(2)*

(c) change in the gross provision for unearned premiums

(d) change in the provision for unearned premiums, reinsurers' share

2. Allocated investment return transferred from the non-technical account (item III.6) *(10)*

2a. Investment income *(8) (10)*

(a) income from participating interests, with a separate indication of that derived from group undertakings

(b) income from other investments, with a separte indication of that derived from group undertakings

(aa) income from land and buildings

(bb) income from other investments

(c) value re-adjustments on investments

(d) gains on the realisation of investments

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

8. Other technical charges, net of reinsurance

8a. Investment expenses and charges *(8)*

(a) investment management expenses, including interest

(b) value adjustments on investments

(c) losses on the realisation of investments

9. Change in the equalisation provision

10. Sub-total (balance on the technical account for general business) (item III.1)

II. *Technical account - Long term business*

1. Earned premiums, net of reinsurance

(a) gross premiums written *(1)*

(b) outward reinsurance premiums *(2)*

(c) change in the provision for unearned premiums, net of reinsurance *(3)*

2. Investment income *(8) (10)*

(a) income from participating interests, with a separate indication of that derived from group undertakings

(b) income from other investments, with a separate indication of that derived from group undertakings

(aa) income from land and buildings

(bb) income from other investments

(c) value re-adjustments on investments

(d) gains on the realisation of investments

3. Unrealised gains on investments *(9)*

4. Other technical income, net of reinsurance

5. Claims incurred, net of reinsurance *(4)*

   (a) claims paid

      (aa) gross amount

      (bb) reinsurers' share

   (b) change in the provision for claims

      (aa) gross amount

      (bb) reinsurers' share

6. Change in other technical provisions, net of reinsurance, not shown under other headings

   (a) long term business provision, net of reinsurance *(3)*

      (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 charges *(8)*

   (a) investment management charges, including interest

   (b) value adjustments on investments

   (c) losses on the realisation of investments

10. Unrealised losses on investments *(9)*

11. Other technical charges, net of reinsurance

11a. Tax attributable to the long term business

12. Allocated investment return transferred to the non-technical account (item III. 4) *(10)*

12a. Tranfers to or from the fund for future appropriations

13. Sub-total (balance on the technical account - long term business) (item III. 2)

III. *Non-technical account*

1. Balance on the general business technical account (item I. 10)

2. Balance on the long term business technical account (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 re-adjustments on investments

(d) gains on the realisation of investments

3a. Unrealised gains on investments *(9)*

4. Allocated investment return transferred from the long term business technical account (item II.12) *(10)*

5. Investment charges *(8)*

(a) investment management charges, including interest

(b) value adjustments on investments

(c) losses on the realisation of investments

5a. Unrealised losses on investments *(9)*

6. Allocated investment return transferred to the general business technical account (item I.2) *(10)*

7. Other income

8. Other charges, including value adjustments

8a. Profit or loss on ordinary activities before tax

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 format

(1) Gross premiums written

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

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

This item shall comprise all amounts due during the financial year in respect of contracts of insurance 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 determined, where the premium calculation can be done only at the end of the year;

(b) single premiums, including annuity premiums, and, in long term business, single premiums resulting from bonus and rebate provisions in so far as they must be considered as premiums under the terms of the contract;

(c) additional premiums in the case of half-yearly, quarterly or monthly payments and additional payments from policy holders for expenses borne by the company;

(d) in the case of co-insurance, the company's portion of total premiums;

(e) reinsurance premiums due from ceding and retroceding insurance undertakings, including portfolio entries,

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

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

(2) Outward reinsurance premiums

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

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

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

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

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

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

(4) Claims incurred, net of reinsurance

(General business technical account: item I.4

Long term business technical account: item II.5)

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

These amounts shall include annuities, surrenders, entries and withdrawals of loss provisions to and from ceding insurance undertakings and reinsurers and external

and internal claims management costs and charges for claims incurred but not reported such as are referred to in sub-paragraph (2) paragraph 47 and paragraph 49 of this Schedule.

Sums recoverable on the basis of subrogation and salvage (within the meaning of paragraph 47 of this Schedule) 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 accounts, broken down by category and amount.

(5) Bonuses and rebates, net of reinsurance

(General business technical account: item I.6

Long term business 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 accounts.

(6) Acquisition costs

(General business technical account: item I.7.(a)

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

This item shall comprise the costs arising from the conclusion of contracts of insurance. They shall cover both direct costs, such as acquisition commissions or the cost of drawing up the insurance document or including the contract of insurance in

the portfolio, and indirect costs, such as advertising costs or the administrative expenses connected with the processing of proposals and the issuing of policies.

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

(7) Administrative expenses

(General business technical account: item I.7.(c)

Long term business 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.

(8) Investment income and charges
(General business technical account: items I.2a and 8a

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

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

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

(9) Unrealised gains and losses on investments

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

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

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

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

(10) Allocated investment return

(General business technical account: item I.2

Long term business technical account: item II.12

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

The allocated return may be transferred from one part of the profit and loss account to another.

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

Where part of the investment return disclosed in the long term business technical account is transferred to the non-technical account, the transfer to the non-technical account shall be deducted from item II.12 and added to item III.4.

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

TITLE II - ACCOUNTING PRINCIPLES AND RULES

ACCOUNTING PRINCIPLES

19. Items shown in the company's accounts shall be valued in accordance with the following general principles -

(a) the company must be presumed to be carrying on its business as a going concern;

(b) the methods of valuation must be applied consistently from one accounting period to another;

(c) valuation must be made on a prudent basis, and in particular:

(i) subject to note (9) on the profit and loss account format, only profits realised at the balance sheet date may be included in the profit and loss account,

(ii) account shall be taken of all foreseeable liabilities and potential losses arising in the course of the accounting period concerned or of a previous one, even if such liabilities or losses become apparent only between the date of the balance sheet and the date on which it is drawn up,

(iii) account must be taken of all depreciation whether the result of the accounting period is a loss or a profit;

(d) account must be taken of income and charges relating to the accounting period, irrespective of the date of receipt or payment of such income or charges;

(e) the components of asset and liability items must be valued separately;

(f) the opening balance sheet for each accounting period must correspond to the closing balance sheet for the preceding accounting period.

20. If it appears to the directors of the company that there are special reasons for departing from any of the principles stated above in preparing the company's accounts in respect of any financial year they may do so, but particulars of the departure, the reasons for it and its effect shall be given in a note to the accounts.

HISTORICAL COST ACCOUNTING RULES

Preliminary

21. Subject to paragraphs 32 to 41 of this Schedule, the amounts to be included in respect of all items shown in a company's accounts shall be determined in accordance with the rules set out in paragraphs 22 to 31 of this Schedule.

Valuation of assets

General rules

22. (1) Formation expenses shown as assets in the balance sheet shall be written off within a maximum period of five years.

(2) In so far as formation expenses have not been completely written off, no distribution of profits shall take place unless the amount of the reserves available for distribution and profits brought forward is at least equal to that of the expenses not written off.

(3) The amounts entered under "Formation Expenses" shall be explained in the notes to the accounts.

23. Subject to any provision for depreciation or diminution in value made in accordance with paragraph 24 or 25 of this Schedule, the amount to be included in respect of any asset in the balance sheet format shall be its purchase price or production cost.

24. (1) In the case of any asset included under Assets item B (intangible assets), C.I (land and buildings), F.I (tangible assets) or F.II (stocks) which has a limited useful economic life, the amount of -

(a) its purchase price or production 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 purchase price or production 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. Such provisions shall be charged in the profit and loss account.

(2) The purchase price of an asset shall be determined by adding to the actual price paid any expenses incidental to its acquisition.

(3) The production cost of an asset shall be determined by adding to the purchase price of the raw materials and consumables used, the amount of the costs incurred by the company which are directly attributable to the production of that asset.

(4) In addition to the costs specified in sub-paragraph (3) of this paragraph there may be included in the production cost of an asset -

(a) a reasonable proportion of the costs incurred by the company which are only indirectly attributable to the production of that asset, but only to the extent that they relate to the period of production; and

(b) interest on capital borrowed to finance the production of that asset, to the extent that it relates to the period of production. The inclusion of such interest and the amount thereof shall be disclosed in the notes to the accounts.

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

(2) Where an asset to which this paragraph applies has diminished in value, provisions for diminution in value may be made in respect of it and the amount to be included in respect of it may be reduced accordingly; and any such provisions which

are not shown in the profit and loss account shall be disclosed (either separately or in aggregate) in the notes to the accounts.

(3) Provisions for diminution in value shall be made in respect of any asset to which this paragraph applies if the reduction in its value is expected to be permanent (whether its useful economic life is limited or not), and the amount to be included in respect of it shall be reduced accordingly; and any such provisions which are not shown in the profit and loss account shall be disclosed (either separately or in aggregate) in the notes to the accounts.

(4) Where the reasons for which any provision was made in accordance with sub-paragraph (2) or (3) of this paragraph 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 sub-paragraph which are not shown in the profit and loss account shall be disclosed (either separately or in aggregate) in the notes to the accounts.

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

(2) If the net realisable value of an asset to which this paragraph applies, is lower than its cost, the amount to be included in respect of that asset shall be the net realisable value.

(3) Where the reasons for which any provision for diminution in value made in accordance with sub-paragraph (2) of this paragraph have ceased to apply to any extent, that provision shall be written back to the extent that it is no longer necessary.

Development costs

27. (1) Notwithstanding that amounts representing "development costs" may be included under Assets item B (intangible assets) in the balance sheet format, an amount may only be included in a company's balance sheet in respect of development costs in special circumstances.

(2) If any amount is included in a company's balance sheet in respect of development costs the following information shall be given in the notes to the accounts -

(a) the period over which the amount of those costs originally capitalised is being or is to be written off; and

(b) the reasons for capitalising the development costs in question.

Goodwill

28. (1) Where goodwill is treated as an asset the following provisions of this paragraph shall apply.

(2) Subject to sub-paragraph (3) of this paragraph, the amount of the consideration for any goodwill acquired by a company shall be reduced by provisions for amortisation calculated to write off that amount systematically over a period chosen by the directors of the company.

(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 a company is shown or included as an asset in the company'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 the notes to the accounts.

Miscellaneous and supplemental

Assets included at a fixed amount

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

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

(a) their overall value is not material to assessing the company's state of affairs; and

(b) their quantity, value and composition are not subject to material variation.

Determination of cost

30. (1) Subject to the qualification mentioned in sub-paragraph (3) of this paragraph, the cost of any assets which are fungible assets may be determined by the application of any of the methods mentioned in sub-paragraph (2) of this paragraph in relation to any such assets of the same class.

(2) The methods referred to in sub-paragraph (1) of this paragraph are -

(a) the method known as "first in, first out" (FIFO);

(b) the weighted average price method; and

(c) any other method similar to any of the methods mentioned above.

(3) The method actually chosen for the purposes of this paragraph shall be the one which appears to the directors to be appropriate in the circumstances of the company.

(4) Where in the case of any company -

(a) the purchase price or production cost of assets falling to be included under any item shown in the company's balance sheet has been determined by the application of any method permitted by this paragraph; and

(b) the amount shown in respect of that item differs materially from the relevant alternative amount given in sub-paragraph (5) of this paragraph,

the amount of that difference shall be disclosed in the notes to the accounts.

(5) Subject to sub-paragraph (6) of this paragraph, for the purposes of indent (b) of sub-paragraph (4) of this paragraph, the relevant alternative amount, in relation to any item shown in a company'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 balance sheet date.

(6) The relevant alternative amount may be determined by reference to the most recent actual purchase price or production cost before the balance sheet date of assets of any class included under the item in question instead of by reference to their replacement cost as at that date, but only if the former appears to the directors of the company to constitute the more appropriate standard of comparison in the case of assets of that class.

Excess of money owed over value received as an asset item

31. (1) Where the amount repayable on any debt owed by a company is greater than the value of the consideration received in the transaction giving rise to the debt, the amount of the difference may be treated as an asset.

(2) Where any amount as referred to in sub-paragraph (1) of this paragraph is treated as an asset -

(a) it shall be written off by reasonable amounts each year;

(b) it shall be completely written off before repayment of the debt; and

(c) if the current amount is not shown as a separate item in the company's balance sheet it shall be disclosed in the notes to the accounts.

CURRENT VALUE ACCOUNTING RULES

Preliminary

32. Subject to paragraphs 39, 40 and 41 of this Schedule -

(a) the amounts to be included in respect of assets of any description mentioned in paragraph 34 of this Schedule shall be determined in accordance with that paragraph; and

(b) subject to paragraph 33 of this Schedule, the amounts to be included in respect of assets of any description mentioned in paragraph 35 of this Schedule so set out may be determined in accordance with that paragraph or the rules set out in paragraphs 21 to 31 of this Schedule ("the historical cost accounting rules").

33. The same valuation method shall be applied to all investments included in any item in the balance sheet format which is denoted by an Arabic number.

Valuation of assets: general

34. (1) Subject to paragraph 36 of this Schedule, investments falling to be included under Assets item C (investments) shall be included at their current value calculated in accordance with paragraphs 37 and 38 of this Schedule.

(2) Investments falling to be included under Assets item D (assets held to cover linked liabilities) shall be shown at their current value calculated in accordance with paragraphs 37 and 38 of this Schedule.

35. Assets falling to be included under Assets items F.I (tangible assets) and F.IV (own shares) in the balance sheet format may be shown at their current value calculated in accordance with paragraphs 37 and 38 of this Schedule or at their current cost.

Alternative valuation of fixed-income securities

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

(2) Securities to which this paragraph applies may either be valued in accordance with paragraph 34 of this Schedule or their amortised value may be shown in the balance sheet, in which case the provisions of this paragraph apply.

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

the amount of the difference -

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

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

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

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

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

(7) Where securities to which this paragraph applies which are not valued in accordance with paragraph 34 of this Schedule are sold before maturity, and the proceeds are used to purchase other securities to which this paragraph applies, the difference between the proceeds of sale and their book value may be spread uniformly over the period remaining until the maturity of the original investment.

Meaning of "current value"

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

(2) In the case of listed investments, 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 accounts 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 of accounting is applied, all investments, other than those referred to in sub-paragraphs (2) and (3) of this paragraph, shall be valued on a basis which has prudent regard to the likely realisable value.

38. (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 sub-paragraphs (4) and (5) of this paragraph.

(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 recognised methods of valuation.

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

(5) The lower value arrived at under sub-paragraph (4) of this paragraph shall not be increased in subsequent balance sheets unless such increase results from a new determination of market value arrived at in accordance with sub-paragraphs (2) and (3) of this paragraph.

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

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

Application of the depreciation rules

39. (1) Where -

(a) the value of any asset of a company is determined in accordance with paragraph 34 or 35 of this Schedule, and

(b) in the case of a determination under paragraph 34 of this Schedule, the asset falls to be included under Assets item C.I,

that value shall be the starting point for determining the amount to be included in respect of that asset in the company's accounts, instead of its purchase price or production cost or any value previously so determined for that asset; and paragraphs 23 to 27 and 31 of this Schedule shall apply accordingly in relation to any such asset with the substitution for any reference to its purchase price or production cost by a reference to the value most recently determined for that asset in accordance with paragraph 34 or 35 of this Schedule.

(2) The amount of any provision for depreciation required in the case of any asset by paragraph 24 or 25 of this Schedule as it applies by virtue of sub-paragraph (1) of this paragraph is referred to in sub-paragraph (3) of this paragraph as the "adjusted amount", and the amount of any provision which would be required in respect of that asset according to the historical cost accounting rules is referred to as the "historical cost amount".

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

Additional information to be provided

40. (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 34 or 35 of this Schedule.

(2) The items affected and the basis of valuation adopted in determining the amounts of the assets in question in the case of each of such item shall be disclosed in the notes to the accounts.

(3) The purchase price of investments valued in accordance with paragraph 34 of this Schedule shall be disclosed in the notes to the accounts.

(4) In the case of each balance sheet item valued in accordance with paragraph 35 of this Schedule either -

(a) the comparable amounts determined according to the historical cost accounting rules (without any provision for depreciation or diminution in value), or

(b) the 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 the notes to the accounts.

(5) In sub-paragraph (4) of this paragraph, 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

41. (1) Subject to sub-paragraph (7) of this paragraph, with respect to any determination of the value of an asset of a company in accordance with paragraph 34 or 35 of this Schedule, the amount of any profit or loss arising from that determination shall be credited or, as the case may be, debited to a separate reserve to be called "the revaluation reserve", after allowing, where appropriate, for any provisions for depreciation or diminution in value made otherwise than by reference to the value so determined and for any adjustments of any such provisions made in the light of that determination.

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

(3) The revaluation reserve shall be reduced to the extent that the amounts standing to the credit of the reserve are, in the opinion of the directors of the company, no longer necessary for the purpose of the accounting policies adopted by the company; but an amount may only be transferred from that reserve to the profit and loss account if -

(a) the amount in question was previously charged to that account, or

(b) it represents realised profit.

(4) Any amounts transferred from the revaluation reserve to the profit and loss account in accordance with the provisions of sub-paragraph (3) of this paragraph shall be shown separately in the profit and loss account.

(5) Notwithstanding the provisions of sub-paragraph (3) of this paragraph, the balance standing to the credit of the revaluation reserve may be capitalised in whole or in part at any time.

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

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

RULES FOR DETERMINING PROVISIONS

Preliminary

42. Provisions which are to be shown in a company's accounts shall be determined in accordance with paragraphs 43 to 53 of this Schedule.

Technical provisions

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

Provision for unearned premiums

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

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

Provision for unexpired risks

45. 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.

Long term business provision

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

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

(3) The computation shall be made annually by an approved actuary appointed by the company under the Act, on the basis of recognised actuarial methods, with due regard to the actuarial principles set out in Part X of the Insurance Business (Companies Assets and Liabilities) Regulations, 2000.

Provisions for claims outstanding

General business

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

(2) This provision 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.

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

(4) 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 accounts) or shown as assets.

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

(6) Where benefits resulting from a claim must be paid in the form of annuity, the amounts to be set aside for that purpose shall be calculated by recognised actuarial methods, and paragraph 48 of this Schedule shall not apply to such calculations.

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

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

(a) the expected average interval between the date for the settlement of claims being discounted and the accounting date shall be at least four years,

(b) the discounting or deductions shall be effected on a recognised prudential basis,

(c) when calculating the total cost of settling claims, the company shall take account of all factors that could cause increases in that cost,

(d) the company 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 values shall not exceed a rate prudently estimated to be earned by assets of the company which are appropriate in magnitude and nature to cover the provisions for claims being discounted during the period necessary for the payment of such claims, and shall not exceed either:

(i) a rate justified by the performance of such assets over the preceding five years, or

(ii) a rate justified by the performance of such assets during the year preceding the balance sheet date.

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

(a) the total amount of provisions before discounting or deductions,

(b) the categories of claims which are discounted or from which deductions have been made,

(c) for each category of claims, the methods used, in particular the rates used for the estimates referred to in indents (d) and (e) of sub-paragraph (1) of this paragraph and the criteria adopted for estimating the period that will elapse before the claims are settled.

Long term business

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

Equalisation reserves

50. The amount of any reserve maintained under subsection 7 of section 17 of the Act shall be determined in accordance with Part VIII of the Insurance Business (Companies Assets and Liabilities) Regulations, 2000.

Accounting on a non-annual basis

51. (1) Either of the methods described in paragraphs 52 and 53 of this Schedule may be applied where, because of the nature of the class or type of business in question, information about premiums receivable or claims payable (or both) for the underwriting years is insufficient when the accounts are drawn up for reliable estimates to be made.

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

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

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

(5) For the purposes of this paragraph and paragraph 52 of this Schedule, "underwriting year" means the financial year in which the contracts of insurance in the class or type of business in question commenced.

52. (1) 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.

(2) 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.

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

(4) The technical provision constituted under this paragraph shall be replaced by a provision for claims outstanding estimated in accordance with paragraph 47 of this Schedule as soon as sufficient information has been gathered and not later that the end of the third year following the underwriting year.

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

53. (1) 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).

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

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

TITLE III - NOTES TO THE ACCOUNTS

Preliminary

54. Any information required in the case of any company by the provisions of this paragraph shall, if not given in the balance sheet or the profit and loss account, be given by way of the notes to the accounts. The information in respect of the following matters shall be provided as a minimum -

General

(a) The valuation methods applied to the various items in the individual accounts, and the methods employed in calculating the provisions for depreciation and diminution in value. For items included in the individual accounts which are or were originally expressed in foreign currency, the basis of translation used to express them in Maltese liri shall be disclosed;

Share capital and debentures

(b) The number and the nominal value of the shares subscribed during the accounting period within the limits of the authorised capital;

(c) Where there is more than one class of shares, the number and the nominal value for each class, in respect of both the authorised and the issued shares;

(d) The existence of any participation certificates, convertible debentures or similar securities or rights, with an indication of their number and the rights they confer;

(e) Information concerning the acquisition by a company of its own shares, either itself or through a person acting in his own name but on the company's behalf, relating to :

(i) the reasons for acquisitions made during the accounting period,

(ii) the number and nominal value of the shares acquired and disposed of during the accounting period and the proportion of the issued share capital which they represent,

(iii) in the case of acquisition or disposal for a value, the consideration for the shares,

(iv) the number and nominal value of all the shares acquired and held by the company and the proportion of the issued share capital which they represent;

Particulars of partnerships

(f) The name, registered office and the type of each of the partnerships of which the company is a member with unlimited liability; provided that this information may be omitted if it is not material;

Assets

(g) Information 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, relating to:

(i) the amount of the purchase price or production cost, leaving out therefrom the depreciation or diminution in value in respect of those assets included in those items, as at the date of the beginning of the accounting period and as at the balance sheet date respectively;

(ii) the effect on any amount included in Assets item B in respect of those assets of -

(aa) acquisitions during that period of any assets,

(bb) disposals during that period of any assets, and

(cc) any transfers of assets of the company to and from the item during that period;

(h) In addition, in respect of any asset 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 indent (i) of sub-paragraph (g) of this paragraph;

(b) the amount of any such provisions made in respect of the accounting period;

(c) the amount of any adjustments made in respect of any such provisions during that period 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 period;

Details of indebtedness

(i) Amounts owed by the company and becoming due and payable after more than five years as well as the company's entire debts covered by valuable security furnished by the company with an indication of the nature and form of the security. This information shall be disclosed separately for each creditors' item, as provided for in the balance sheet format set out in Title I of this Schedule;

Financial commitments

(j) The total amount of any financial commitments that are not included in the balance sheet, in so far as this information is of assistance in assessing the financial position. Any commitments concerning pensions and group undertakings shall be disclosed separately;

Particulars of business

(k) (i) As regards general business of insurance, a company shall disclose -

(aa) gross premiums written

(bb) gross premiums earned

(cc) gross claims incurred

(dd) gross operating expenses

(ee) the reinsurance balance;

(ii) The amounts required to be disclosed by indent (i) of this sub-paragraph shall be broken down between direct business of insurance and reinsurance acceptances, if reinsurance acceptances amount to 10 per centum or more of gross premiums written;

(iii) Subject to indent (iv) of this sub-paragraph, the amounts required to be disclosed by indents (i) and (ii) of this sub-paragraph with respect to direct business of insurance shall be further broken down into the following groups of classes -

(aa) accident and health

(bb) motor (third party liability)

(cc) motor (other classes)

(dd) marine, aviation and transport

(ee) fire and other damage to property

(ff) third party liability

(gg) credit and suretyship

(hh) legal expenses

(ii) assistance

(jj) miscellaneous,

where the amount of the gross premiums written in direct business of insurance for each such group exceeds five million Maltese liri;

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

(l) (i) As regards long term business of insurance, the company shall disclose -

(aa) gross premiums written

(bb) the reinsurance balance;

(ii) Subject to indent (iii) of this sub-paragraph -

(aa) gross premiums written shall be broken down between those written by way of direct business of insurance and those written by way of reinsurance; and

(bb) gross premiums written by way of direct business of insurance shall be broken down -

(aaa) between individual premiums and premiums under group contracts,

(bbb) between periodic premiums and single premiums, and

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

(iii) Disclosure of any amount referred to indent (ii)(aa) or (bb)(aaa), (bbb) or (ccc) of this sub-paragraph shall not be required if it does not exceed 10 per centum of the gross premiums written or (as the case may be) of the gross premiums written by way of direct business of insurance;

(m) (i) Subject to indent (ii) of this sub-paragraph, there shall be disclosed as regards both general business and long term business of insurance the total gross direct business premiums resulting from contracts concluded by the company :-

(aa) in or from Malta, and

(bb) in or from a country outside Malta;

(ii) Disclosure of any amount referred to in indent (i) of this sub-paragraph shall not be required if it does not exceed 5 per centum of total gross premiums;

Commissions

(n) There shall be disclosed the total amount of commissions for direct business of insurance accounted for in the accounting period, including acquisition, renewal, collection and portfolio management commissions;

Particulars of staff

(o) (i) The average number of persons employed during the accounting period, broken down by categories and, if they are not disclosed separately in the profit and loss account, the staff costs relating to the accounting period;

(ii) 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 (o)(i) there shall also be stated the aggregate amounts respectively of –

(aa) wages and salaries paid or payable in respect of that year to those persons; and

(bb) social security costs incurred by the company on their behalf;

Particulars of tax

(p) The difference between the tax charged for the accounting period and for earlier accounting periods and the amount of tax payable in respect of those periods, provided that this difference is material for purposes of future taxation. This amount may also be disclosed in the balance sheet as a cumulative amount under a separate item with an appropriate heading;

Particulars of directors

(q) (i) The aggregate amount of the emoluments granted in respect of the accounting period to the directors of a company for their services as directors of that company or for their services as directors of any of its subsidiary undertakings, while acting as directors of that company; and

(ii) The aggregate amount of any other emoluments granted in respect of the accounting period to the directors of a company for their services in connection with the management of the affairs of the company or any of its subsidiary undertakings, while acting as directors of that company; and shown separately from the aggregate amount of emoluments referred to in indent (i) of this sub-paragraph; and

(iii) The fact that the company has during the accounting period purchased or maintained any such insurance as is referred to in subsection (2) of section 148 of the Companies Act, 1995 and the aggregate amount of premiums paid in respect thereof;

In this indent emoluments shall include the remuneration for the services of the directors referred to herein and all fees, percentages, gifts, compensation for loss of office and other similar payments; as well as any commitments arising or entered into in respect of retirement pensions, superannuation allowances, gratuities or other similar commitments in favour of former directors of the company referred to herein;

The commitments arising or entered into in respect of retirement pensions, superannuation allowances, gratuities or other similar commitments in favour of former directors of the company shall be shown separately from the other emoluments;

For the purpose of this sub-paragraph, "officer," as is referred to in subsection (2) of section 148 in the Companies Act, 1995 has the same meaning as is assigned to it by that Act;

(r) The amount of advances and credits granted to directors of a company with indications of the interest rates, main conditions and any amounts repaid, as well as commitments entered into on their behalf by way of guarantees of any kind. The said commitment shall be shown separately;

Particulars of group undertakings

(s) The name and the registered office of the undertaking which draws up the consolidated accounts of the largest body of undertakings of which the company forms part as a subsidiary undertaking;

(t) The name and the registered office of the undertaking which draws up the consolidated accounts of the smallest body of undertakings of which the company forms part as a subsidiary undertaking; and

(u) Where the parent undertakings referred to in sub-paragraph(s) and (t) of this paragraph are not registered in Malta, the place where copies of the consolidated accounts referred to in these sub-paragraphs may be obtained, provided that they are available to the public.

Dealings with or interests in group undertakings

55. (1) If at the end of its accounting period, the company has one or more subsidiary undertakings or participating interests in other undertakings, the following information shall, where applicable, be given with respect to each such undertaking -

(a) the kind, name and registered or principal office of each undertaking;

(b) in relation to the shares of each class of each undertaking held by the company, the identity of each class and the proportion of the nominal value of the issued shares of that class represented by the shares held as at the end of the undertaking's relevant accounting period; and

(c) the aggregate amount of the capital and reserves of each undertaking as at the end of its relevant accounting period, and its profit or loss for that period.

(2) For the purposes of sub-paragraph (1) of this paragraph, the relevant accounting period is -

(a) if the accounting period of the undertaking ends with that of the company giving the information in its notes to the accounts, that accounting period; and

(b) if not, the undertaking's accounting period ending last before the end of the accounting period of the company giving that information.

(3) The provisions of sub-paragraph (1) of this paragraph are subject to the exceptions and other provisions contained in paragraphs 56 and 57 of this Schedule.

56. (1) The information otherwise required by indent (c) of sub-paragraph (1) of paragraph 55 of this Schedule need not be given in respect of a subsidiary undertaking of a company if -

(a) the accounts of the subsidiary undertaking are included in the consolidated accounts, or

(b) the investment of the company in the shares of the subsidiary undertaking is included in the consolidated accounts, or in the notes to the consolidated accounts, by way of the equity method of accounting.

(2) The information otherwise required by indent (c) of sub-paragraph (1) of paragraph 55 so set out need not be given in respect of another undertaking in which the company holds shares if the company's investment in those shares is included in the individual accounts, or in the notes to the accounts, by way of the equity method of accounting.

(3) The information otherwise required by indent (c) of sub-paragraph (1) of paragraph 55 of this Schedule need not be given in respect of any undertaking if -

(a) the undertaking is not required by any provision of the Companies Act to deliver a copy of its balance sheet for its relevant accounting period mentioned in paragraph 55 of this Schedule and does not otherwise publish that balance sheet in Malta or elsewhere; and

(b) the shares held by the company, either directly or indirectly, in that undertaking amount to less than one half in nominal value of the undertaking's issued share capital.

(4) Information otherwise required by sub-paragraph (1) of paragraph 55 of this Schedule need not be given if it is not material.

(5) References in this paragraph and in paragraph 55 of this Schedule to shares of undertakings shall include references to beneficial interests in undertakings where the capital of such undertakings is not divided into shares.

57. (1) The information referred to in paragraphs 55 and 56 of this Schedule may be disclosed in a separate statement which is to be filed with the Registrar of Companies together with the individual accounts of the company in accordance with section 181 of the Companies Act, 1995. A copy of that statement shall also be filed with the Centre together with the company's audited financial statements.

(2) Where the information referred to in sub-paragraph (1) of this paragraph is disclosed in a separate statement this fact shall be disclosed in the notes to the accounts.

(3) The information referred to in paragraphs 55 and 56 of this Schedule may be omitted when it appears to the directors that its nature is such that they would be seriously prejudicial to any of the undertakings affected by these provisions and the Registrar, with the concurrence of the Centre, agrees that the information need not be disclosed.

(4) Where any information is omitted from the notes to the accounts by virtue of the provisions of sub-paragraph (3) of this paragraph that fact shall be disclosed in the notes to the accounts.

Guarantees and other financial commitments

58. (1) Particulars shall be given in the notes to the accounts 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 a contract of insurance) -

(a) the amount or estimated amount of that liability;

(b) its legal nature; and

(c) whether any valuable security has been provided by the company in connection with that liability and if so, what valuable security has been so provided.

(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 also be given of any other financial commitments, other than commitments arising out of contracts of insurance, which -

(a) have not been provided for; and

(b) are relevant to assessing the company's state of affairs.

(5) Commitments within any of the preceding sub-paragraphs of this paragraph 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 indent (a) of this sub-paragraph shall also be stated separately from those within indent (b) thereof.

(6) Reference in this paragraph to "fellow subsidiary undertakings" is reference to undertakings which are subsidiary undertakings of the same parent undertaking but are not parent undertakings or subsidiary undertakings of each other.

Reserves and provisions

59. (1) Where any amount is transferred -

(a) to or from any reserves; or

(b) to any provision 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 shown as separate items in the company's balance sheet or in the notes to the accounts, the information mentioned in sub-paragraph (2) of this paragraph shall be given in respect of the aggregate of reserves or provisions included in the same item.

(2) That information to which reference is made in sub-paragraph (1) of this paragraph is -

(a) the amount of the reserves or provisions as at the date of the beginning of the accounting period and as at the balance sheet date respectively;

(b) any amounts transferred to or from the reserves or provisions during that period; and

(c) the source and application respectively of any amounts so transferred.

TITLE IV – TRANSITIONAL ARRAGEMENT

60. (1) If, when individual accounts are drawn up in accordance with the provisions of this Schedule for the first time, the purchase price or production cost of a fixed asset cannot be determined without undue expense or delay, the net book amount at the beginning of the accounting period may be treated as the purchase price or production cost.

(2) Any application of sub-paragraph (1) of this paragraph shall be disclosed in the notes to the accounts.

SECOND SCHEDULE

(Regulation 4)

MODIFICATIONS OF THE FIRST SCHEDULE TO THE REGULATIONS FOR PURPOSES OF PROVISO TO REGULATION 4 THEREOF

1. In this Schedule, "the Schedule" means the First Schedule to the regulations.

2. For the purposes of the proviso to regulation 4 of the regulations, "modification" -

(a) in relation to a balance sheet format, shall mean a concise version of the balance sheet, showing only those items to which a letter or Roman number is assigned in the balance sheet format set out immediately following paragraph 15 of the Schedule but such version shall, in all other respects, correspond to the full balance sheet;

(b) in relation to a profit and loss account format, shall mean a concise version of the profit and loss account, showing only those items under sub-heading III (Non-technical account) to which an Arabic number is assigned in the profit and loss account format set out immediately following paragraph 18 of the Schedule;

(c) in relation to notes to the accounts, shall mean a concise version of the notes to the accounts contained in Title III of the Schedule set out immediately following paragraph 53 of the Schedule, omitting the disclosures set out in sub-paragraphs (d) and (i) to (q) of paragraph 54 of the Schedule. The notes to the accounts shall however disclose the information specified in sub-paragraph (i) of the said paragraph 54 in total for all the items concerned.

THIRD SCHEDULE

(Regulation 5)

CONSOLIDATED ACCOUNTS

TITLE I — THE FOURTH SCHEDULE TO THE COMPANIES ACT, 1995 TO APPLY THE FIRST SCHEDULE TO THE REGULATIONS WITH MODIFICATIONS

1. In this Schedule "the Schedule" means the Fourth Schedule to the Companies Act, 1995.

2. Paragraph 1 of the Schedule shall apply as follows -

(a) sub-paragraph (1) thereof shall apply as if reference to the provisions of the "Third Schedule" were a reference to the provisions of the" First Schedule to the regulations modified as mentioned in Title II of the Third Schedule thereto";

(b) sub-paragraph (2) thereof shall apply as if -

(i) for the words "without prejudice to sections 168 and 169 of this Act and to the provisions of this Schedule" there were substituted the words "without prejudice to the provisions of the Schedule as modified by the Third Schedule to the regulations";

(ii) reference to the provisions of "Part I of the Third Schedule" were a reference to the provisions of the "First Schedule to the regulations as modified by Title II of the Third Schedule thereto"; and

(c) sub-paragraph (3) thereof were omitted.

3. Sub-paragraph (5) of paragraph 3 of the Schedule shall apply as if the words "by more than three months," were substituted by the words "by more than six months,".

4. Paragraph 4 of the Schedule shall apply as if immediately after sub-paragraph (2) thereof there were added the following new sub-paragraphs -

"(2A) Sub-paragraph (2) of this paragraph shall not apply to those liabilities items the valuation of which by the undertakings included in a consolidation is based on the application of provisions applying only to authorised companies, nor to those assets items changes in the values of which also affect or establish policyholders' rights.

(2B) Where sub-paragraph (2A) of this paragraph applies, that fact shall be disclosed in the notes to the consolidated accounts.".

5. Paragraph 7 of the Schedule shall apply as if -

(a) Sub-paragraph (4) thereof were substituted by the following sub-paragraph:

"(4) Sub-paragraphs (2) and (3) of this paragraph need not be complied with -

(a) where a transaction has been concluded according to normal market conditions and a policyholder has rights in respect of that transaction, or

(b) if the amounts concerned are not material for the purpose of giving a true and fair view."; and

(c) immediately after sub-paragraph (4) thereof there were added the following new sub-paragraph:

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

6. Sub-paragraph (6) of paragraph 10 of the Schedule shall apply as if for the words "paragraph 19 of the Third Schedule." there were substituted the words "paragraph 28 of the First Schedule to the regulations.".

7. Paragraph 17 of the Schedule shall apply as if for the words "and the Registrar agrees" there were substituted the words "and the Registrar, with the concurrence of the Centre, agrees".

8. Sub-paragraphs (6) and (10) of paragraph 21 of the Schedule shall respectively apply as if reference to "the Third Schedule to this Act" were a reference to the "First Schedule to the regulations".

9. Sub-paragraph (9) of paragraph 22 of the Schedule shall apply as if reference to "the Third Schedule to this Act" were a reference to the "First Schedule to the regulations.".

10. Sub-paragraph (1) of paragraph 23 of the Schedule shall apply as if immediately after the words "filed with the Registrar" there were added the words "and the Centre".

11. Sub-paragraph (1) of paragraph 24 of the Schedule shall apply as if the words "and the Registrar agrees" there were substituted the words "and the Registrar, with the concurrence of the Centre, agrees".

TITLE II - MODIFICATIONS OF THE FIRST SCHEDULE TO THE REGULATIONS FOR PURPOSES OF TITLE I OF THIS SCHEDULE

1. For the purposes of Title I of this Schedule, the First Schedule to the regulations shall be modified as follows.

2. The information required by paragraph 16 thereof need not be given.

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

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

5. In the case of subsidiary undertakings whose head office is not in Malta, the computation required by paragraph 46 thereof shall be made annually by an actuary or other specialist in the field on the basis of recognised actuarial methods.

6. The information required by sub-paragraphs (k), (l), (m) and (n) of paragraph 54 thereof need not be shown.

FOURTH SCHEDULE

(Regulation 7)

FINANCIAL STATEMENTS IN ABRIDGED FORM OF AUTHORISED COMPANIES AND GROUPS

TITLE I - FORM AND CONTENT

1. (1) The financial statements in abridged form shall, as a minimum, show -

(a) the company's balance sheet showing the items listed in the balance sheet format set out immediately following paragraph 2 of this Schedule;

(b) the company's profit and loss account showing the items listed in the profit and loss account format set out immediately following the balance sheet format referred to in indent (a) of this sub-paragraph; and

(c) the auditor's report to the members of the company.

(2) The provisions of indents (a) and (b) of sub-paragraph (1) of this paragraph shall not apply with respect to a company whose head office is in a country outside Malta where the Centre has approved in writing alternative arrangements which do not detract materially from the objects of that sub-paragraph, and such arrangements have been carried out.

(3) Balance sheet format items and profit and loss account format items shall, as far as practicable, retain the order of preference given in their respective format.

2. (1) Any item required to be shown in a company's balance sheet or profit and loss account in accordance with sub-paragraph (1) of paragraph 1 of this Schedule may be shown in greater detail than so required.

(2) In respect of every item shown in the company's balance sheet or profit and loss account, there shall also be shown the corresponding amount for the accounting period immediately preceding that to which the accounts relate.

(3) Save where there is a corresponding item for the preceding accounting period, a balance sheet or profit and loss account item for which there is no amount shall not be shown.

Balance Sheet Format

ASSETS

Called up share capital not paid

Intangible assets

Investments

Assets held to cover linked liabilities

Debtors

Other assets

Prepayments and accrued income

LIABILITIES

Capital and reserves

Subordinated liabilities

Technical provisions

Technical provisions for linked liabilities

Provisions for other risks and charges

Deposits received from reinsurers

Creditors

Accruals and deferred income

Profit and Loss Account Format

Balance on the general business technical account

Balance on the long term business technical account

Investment income

Allocated investment return transferred from the long term business technical account

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Investment charges

Allocated investment return transferred to the general business technical account

Other income

Other charges, including value adjustments

Tax on profit or loss on ordinary activities

Profit or loss on ordinary activities after tax

Extraordinary income

Extraordinary charges

Extraordinary profit or loss

Tax on extraordinary profit or loss

Other taxes not shown under the preceding items

Profit or loss for the financial year

TITLE II - GENERAL INFORMATION

1. The information mentioned in the following paragraphs (and no other) shall be published by a company together with the financial statements in abridged form.

2. A statement that -

(a) the company is authorised by the Malta Financial Services Centre to carry on long term business or general business of insurance under the Insurance Business Act, 1998; and

(b) the financial statements in abridged form are published in accordance with section 20 of that Act.

3. The following particulars shall also be stated -

(a) in the case of a company whose head office is in Malta, the name of the company and its registered office;

(b) in the case of a company whose head office is in a country outside Malta, other than Lloyd's:

(i) the name of the company;

(ii) the registered office of the company in the country where the company is registered, incorporated or constituted;

(iii) the registered branch office of the company in Malta;

(iv) the name and address of the company's representative in Malta;

(v) the name and registered office of the company's authorised insurance agent or agents in Malta;

(c) in the case of Lloyd's:

(i) a statement that Lloyd's is the society and corporation incorporated by Lloyd's Act, 1871, of the United Kingdom, and regulated by or under Lloyd's Acts, 1871 to 1982, of the United Kingdom or any other law from time to time amending or re-enacting the same;

(ii) the registered office of the society and corporation;

(iii) a statement that Lloyd's is recognised for the purposes of the Insurance Business Act, 1998 as a Recognised Insurance Body;

(iv) the name and address of Lloyd's representative in Malta;

(v) a statement that members of Lloyd's carry on the business of insurance in Malta through authorised insurance agents or with enrolled insurance brokers.

4. A statement that -

(a) the audited financial statements of the company for that financial year are exhibited in Malta throughout the following twelve months in the branches, agencies and offices of the company and are available for public inspection during the normal office hours of the company or its agent or agents, as the case may be; and

(b) copies of such audited financial statements are available for purchase from the company's offices.

5. In the case of a company whose head office is in Malta, a statement that -

(a) the audited financial statements of the company for that financial year are also available for public inspection and purchase from the Registrar of Companies; and

(b) such statements are also exhibited and available for public inspection and purchase from the company's branches, agencies and offices outside Malta, if such be the case.