

SCHEDULE 3

Regulation 6(1)

INSURANCE COMPANIES: COMPANIES ACT INDIVIDUAL ACCOUNTS

PART 1

GENERAL RULES AND FORMATS

SECTION A

GENERAL RULES

- 1.—(1) Subject to the following provisions of this Schedule—
- (a) every balance sheet of a company must show the items listed in the balance sheet format in Section B of this Part, and
 - (b) every profit and loss account must show the items listed in the profit and loss account format in Section B.
- (2) References in this Schedule to the items listed in any of the formats in Section B are to those items read together with any of the notes following the formats which apply to those items.
- (3) The items must be shown in the order and under the headings and sub-headings given in the particular format, but—
- (a) the notes to the formats may permit alternative positions for any particular items, and
 - (b) the heading or sub-heading for any item does not have to be distinguished by any letter or number assigned to that item in the format used.
- 2.—(1) Any item required to be shown in a company's balance sheet or profit and loss account may be shown in greater detail than required by the particular format.
- (2) The 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 formats set out in Section B, save that none of the following may be treated as assets in any balance sheet—
- (a) preliminary expenses,
 - (b) expenses of, and commission on, any issue of shares or debentures, and
 - (c) costs of research.
- 3.—(1) The directors may combine items to which Arabic numbers are given in the balance sheet format set out in Section B (except for items concerning technical provisions and the reinsurers' share of technical provisions), and items to which lower case letters in parentheses are given in the profit and loss account format so set out (except for items within items I.1 and 4 and II.1, 5 and 6) if—
- (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 the financial year in question.
- (2) Where sub-paragraph (1)(b) applies—
- (a) the individual amounts of any items which have been combined must be disclosed in a note to the accounts, and
 - (b) any notes required by this Schedule to the items so combined must, notwithstanding the combination, be given.

4.—(1) Subject to sub-paragraph (2), the directors must not include a heading or sub-heading corresponding to an item in the balance sheet or profit and loss account format used if there is no amount to be shown for that item for the financial year to which the balance sheet or profit and loss account relates.

(2) Where an amount can be shown for the item in question for the immediately preceding financial year that amount must be shown under the heading or sub-heading required by the format for that item.

5.—(1) For every item shown in the balance sheet or profit and loss account the corresponding amount for the immediately preceding financial year must also be shown.

(2) Where that corresponding amount is not comparable with the amount to be shown for the item in question in respect of the financial year to which the balance sheet or profit and loss account relates, the former amount may be adjusted, and particulars of the non-comparability and of any adjustment must be disclosed in a note to the accounts.

6. Subject to the provisions of this Schedule, amounts in respect of items representing assets or income may not be set off against amounts in respect of items representing liabilities or expenditure (as the case may be), or vice versa.

7.—(1) The provisions of this Schedule which relate to long-term business apply, with necessary modifications, to business which consists of effecting or carrying out relevant contracts of general insurance 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.

(2) For the purposes of paragraph (1), a contract of general insurance is a relevant contract if the risk insured against relates to—

- (a) accident, or
- (b) sickness.

(3) Sub-paragraph (2) must be read with—

- (a) section 22 of the Financial Services and Markets Act 2000⁽¹⁾,
- (b) the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001⁽²⁾, and
- (c) Schedule 2 to that Act.

8. The company's directors must, in determining how amounts are presented within items in the profit and loss account and balance sheet, have regard to the substance of the reported transaction or arrangement, in accordance with generally accepted accounting principles or practice.

SECTION B

THE REQUIRED FORMATS⁽³⁾

Preliminary

⁽¹⁾ 2000 c.8.

⁽²⁾ S.I. 2001/544, as amended by S.I. 2001/3544, S.I. 2002/682, S.I. 2002/1310, S.I. 2002/1776, S.I. 2002/1777, S.I. 2003/1475, S.I. 2003/1476, S.I. 2003/2822, S.I. 2004/1610, S.I. 2004/2737, S.I. 2004/3379, S.I. 2005/593, S.I. 2005/1518, S.I. 2005/2114 and S.I. 2006/1969.

⁽³⁾ A number in brackets following any item is a reference to the note of that number in the notes following the formats.

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

(2) Where in respect of any item to which an Arabic number is assigned in the profit and loss account format, separate items are required to be shown, then a separate sub-total of those items must also be given in addition to any sub-total required by sub-paragraph (1).

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

- (a) the heading “Technical account — General business” is for business which consists of effecting or carrying out contracts of general business; and
- (b) the heading “Technical account — Long-term business” is for business which consists of effecting or carrying out contracts of long-term insurance.

(2) In sub-paragraph (1), references to—

- (a) contracts of general or long-term insurance, and
- (b) the effecting or carrying out of such contracts,

must be read with section 22 of the Financial Services and Markets Act 2000, the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001, and Schedule 2 to that Act.

Balance sheet format

ASSETS

A. Called up share capital not paid (1)

B. Intangible assets

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

C. Investments

I. Land and buildings (4)

II. Investments in group undertakings and participating interests

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

III. Other financial investments

- 1. Shares and other variable-yield securities and units in unit trusts

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

IV. Deposits with ceding undertakings (10)

D. Assets held to cover linked liabilities (11)

Da. Reinsurers' share of technical provisions (12)

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

E. Debtors (13)

I. Debtors arising out of direct insurance operations

1. Policyholders
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)

Draft Legislation: This is a draft item of legislation. This draft has since been made as a UK Statutory Instrument:
The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 No. 410

- 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
 - 1. Provisions for pensions and similar obligations
 - 2. Provisions for taxation
 - 3. Other provisions

- F. Deposits received from reinsurers (27)

- G. Creditors (28)
 - I. Creditors arising out of direct insurance operations
 - II. Creditors arising out of reinsurance operations
 - III. Debenture loans (29)
 - IV. Amounts owed to credit institutions
 - V. Other creditors including taxation and social security

- 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.2.)

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

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

(3) *Goodwill*

(Assets item B.3.)

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

(4) *Land and buildings*

(Assets item C.I.)

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

(5) *Debt securities and other fixed-income securities*

(Assets item C.III.2.)

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

Securities bearing interest rates that vary in accordance with specific factors, for example the interest rate on the inter-bank market or on the Euromarket, are also to 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 is to 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 policyholders for which the policy is the main security are to be included under "Other loans" and their amount must be disclosed in the notes to the accounts. Loans secured by mortgage are to 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 must be given in the notes to the accounts.

(8) Deposits with credit institutions

(Assets item C.III.6.)

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

(9) Other

(Assets item C.III.7.)

This item is to 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 is to 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 must be entered in the company's accounts as an investment, under the appropriate item.

(11) Assets held to cover linked liabilities

(Assets item D.)

In respect of long-term business, this item is to 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 is also to 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) and D.(b).

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

As regards the provision for unearned premiums, the reinsurance amounts must be calculated according to the methods referred to in paragraph 50 below 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 must 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 must be shown separately under this item.

(15) *Other*

(Assets item F.V.)

This item is to 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 is to 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 is to 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 52 below 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 50 below and shown under liabilities item C.I in the balance sheet.

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

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

There must be disclosed in the notes to the accounts—

- (c) how the deferral of acquisition costs has been treated (unless otherwise expressly stated in the accounts), and
- (d) where such costs are included as a deduction from the provisions at liabilities item C.I, the amount of such deduction, or
- (e) 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 is to 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

(Liabilities item Ba.)

This item is to 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 must 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 is to comprise the amount representing that part of gross premiums written which is estimated to be earned in the following financial year or to subsequent financial years.

(21) Long-term business provision

(Liabilities item C.2.)

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

(22) Claims outstanding

(Liabilities item C.3.)

This item is to 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 is to comprise amounts intended for policyholders 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 policyholders or contract beneficiaries or included in liabilities item Ba or in liabilities item C.2.

(24) Equalisation provision

(Liabilities item C.5.)

This item is to comprise the amount of any equalisation reserve maintained in respect of general business by the company, in accordance with the rules in section 1.4 of the Prudential Sourcebook for Insurers⁽⁴⁾ made by the Financial Services Authority under Part 10 of the Financial Services and Markets Act 2000.

This item is also to comprise any amounts which, in accordance with Council Directive [87/343/EEC](#) of 22nd June 1987⁽⁵⁾, are required to be set aside by a company to equalise fluctuations in loss ratios in future years or to provide for special risks.

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

(25) Other technical provisions

(Liabilities item C.6.)

This item is to comprise, inter alia, the provision for unexpired risks as defined in paragraph 91 below. Where the amount of the provision for unexpired risks is significant, it must be disclosed separately either in the balance sheet or in the notes to the accounts.

(26) Technical provisions for linked liabilities

(Liabilities item D.)

This item is to 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) must be included under liabilities item C.2.

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

(27) Deposits received from reinsurers

⁽⁴⁾ FSA 2006/42.

⁽⁵⁾ O.J. No. L185 of 4th July 1987, p.72.

(Liabilities item F.)

Where the company cedes reinsurance, this item is to 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 is to comprise the amount owed by the company by virtue of the deposit.

(28) *Creditors*

(Liabilities item G.)

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

(29) *Debenture loans*

(Liabilities item G.III.)

The amount of any convertible loans must be shown separately.

Special rules for balance sheet format

Additional items

11.—(1) Every balance sheet of a company which carries on long-term business must 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 section 843 of the 2006 Act.

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

Managed funds

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

- (a) the management of which constitutes long-term insurance business, 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 must, in any case where assets and liabilities arising in respect of managed funds fall to be treated as assets and liabilities of the company, adopt the following accounting treatment: assets and liabilities representing managed funds are to be included in the company’s balance sheet, with the notes to the accounts disclosing the total amount included with respect to such assets and liabilities in the balance sheet and showing the amount included under each relevant balance sheet item in respect of such assets or (as the case may be) liabilities.

Deferred acquisition costs

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

Profit and loss account format

- I. Technical account — General business
 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 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. 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 expenses and charges (8)
 - (a) investment management expenses, including interest
 - (b) value adjustments on investments
 - (c) losses on the realisation of investments

- 10. Unrealised losses on investments (9)
- 11. Other technical charges, net of reinsurance
- 11a. Tax attributable to the long-term business
- 12. Allocated investment return transferred to the non-technical account (item III.4)
- 12a. Transfers 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)
- 2a. Tax credit attributable to balance on the long-term business technical account
- 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 expenses and charges (8)

- (a) investment management expenses, including interest
- (b) value adjustments on investments
- (c) losses on the realisation of investments

- 5a. Unrealised losses on investments (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 is to comprise all amounts due during the financial year in respect of insurance contracts entered into regardless of the fact that such amounts may relate in whole or in part to a later financial year, and must include inter alia—

- (i) premiums yet to be determined, where the premium calculation can be done only at the end of the year;
- (ii) single premiums, including annuity premiums, and, in long-term business, single premiums resulting from bonus and rebate provisions in so far as they must be considered as premiums under the terms of the contract;
- (iii) additional premiums in the case of half-yearly, quarterly or monthly payments and additional payments from policyholders for expenses borne by the company;
- (iv) in the case of co-insurance, the company's portion of total premiums;
- (v) reinsurance premiums due from ceding and retroceding insurance undertakings, including portfolio entries,

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

The above amounts must 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 is to 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 must be added; portfolio withdrawals receivable must be deducted.

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

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

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

(4) Claims incurred, net of reinsurance

(General business technical account: item I.4.)

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

This item is to 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 must include annuities, surrenders, entries and withdrawals of loss provisions to and from ceding insurance undertakings and reinsurers and external and internal claims management costs and charges for claims incurred but not reported such as are referred to in paragraphs 53(2) and 55 below.

Sums recoverable on the basis of subrogation and salvage (within the meaning of paragraph 53 below) must be deducted.

Where the difference between—

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

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

(5) Bonuses and rebates, net of reinsurance

(General business technical account: item I.6.

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

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

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

(6) Acquisition costs

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

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

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

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

(7) Administrative expenses

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

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

This item must include the costs arising from premium collection, portfolio administration, handling of bonuses and rebates, and inward and outward reinsurance. They must 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) must also include policy renewal commissions.

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

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

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

(10) Allocated investment return

(General business technical account: item I.2.

Long-term business technical account: item II.2.

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 must 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 must be disclosed in the notes to the accounts.

PART 2
ACCOUNTING PRINCIPLES AND RULES
SECTION A
ACCOUNTING PRINCIPLES

Preliminary

14. The amounts to be included in respect of all items shown in a company's accounts must be determined in accordance with the principles set out in this Section.

15. But if it appears to the company's directors that there are special reasons for departing from any of those principles in preparing the company's accounts in respect of any financial year they may do so, in which case particulars of the departure, the reasons for it and its effect must be given in a note to the accounts.

Accounting principles

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

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

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

- (a) subject to note (9) on the profit and loss account format, only profits realised at the balance sheet date are to be included in the profit and loss account, and
- (b) all liabilities which have arisen in respect of the financial year to which the accounts relate or a previous financial year must be taken into account, including those which only become apparent between the balance sheet date and the date on which it is signed on behalf of the board of directors in accordance with section 414 of the 2006 Act (approval and signing of accounts).

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

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

Valuation

21.—(1) The amounts to be included in respect of assets of any description mentioned in paragraph 22 (valuation of assets: general) must be determined either—

- (a) in accordance with that paragraph and paragraph 24 (but subject to paragraphs 27 to 29), or
- (b) so far as applicable to an asset of that description, in accordance with Section C (valuation at fair value).

(2) The amounts to be included in respect of assets of any description mentioned in paragraph 24 (alternative valuation of fixed-income securities) may be determined—

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

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

- (a) are not assets of a description mentioned in paragraph 22 or 23, but

(b) are assets of a description to which Section C is applicable, may be determined in accordance with that Section.

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

SECTION B

CURRENT VALUE ACCOUNTING RULES

Valuation of assets: general

22.—(1) Subject to paragraph 24, investments falling to be included under assets item C (investments) must be included at their current value calculated in accordance with paragraphs 25 and 26.

(2) Investments falling to be included under assets item D (assets held to cover linked liabilities) must be shown at their current value calculated in accordance with paragraphs 25 and 26.

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

(2) 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 25 and 26 or at their current cost.

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

Alternative valuation of fixed-income securities

24.—(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 22 or their amortised value may be shown in the balance sheet, in which case the provisions of this paragraph apply.

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

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

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

(4) The amount of the difference referred to in sub-paragraph (3) may be written off in instalments so that it is completely written off when the securities are repaid, in which case there must 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 must be released to income in instalments over the period remaining until repayment, in which case there must 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 must be disclosed in the notes to the accounts.

(7) Where securities to which this paragraph applies which are not valued in accordance with paragraph 22 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”

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

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

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

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

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

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

(2) Market value means the price at which land and buildings could be sold under private contract between a willing seller and an arm’s length buyer on the date of valuation, it being assumed that the property is publicly exposed to the market, that market conditions permit orderly disposal and that a normal period, having regard to the nature of the property, is available for the negotiation of the sale.

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

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

(5) The lower value arrived at under sub-paragraph (4) must 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).

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

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

Application of the depreciation rules

27.—(1) Where—

- (a) the value of any asset of a company is determined in accordance with paragraph 22 or 23, and
- (b) in the case of a determination under paragraph 22, the asset falls to be included under assets item C.I,

that value must be, or (as the case may require) must be the starting point for determining, the amount to be included in respect of that asset in the company’s accounts, instead of its cost or any value previously so determined for that asset.

Paragraphs 36 to 41 and 43 apply accordingly in relation to any such asset with the substitution for any reference to its cost of a reference to the value most recently determined for that asset in accordance with paragraph 22 or 23 (as the case may be).

(2) The amount of any provision for depreciation required in the case of any asset by paragraph 37 or 38 as it applies by virtue of sub-paragraph (1) is referred to below in this paragraph as the adjusted amount, and the amount of any provision which would be required by that paragraph in the case of that asset according to the historical cost accounting rules is referred to as the historical cost amount.

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

Additional information to be provided

28.—(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 22 or 23.

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

(3) The purchase price of investments valued in accordance with paragraph 22 must be disclosed in the notes to the accounts.

(4) In the case of each balance sheet item valued in accordance with paragraph 23 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,

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

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

- (a) the 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

29.—(1) Subject to sub-paragraph (7), with respect to any determination of the value of an asset of a company in accordance with paragraph 22 or 23, the amount of any profit or loss arising from that determination (after allowing, where appropriate, for any provisions for depreciation or diminution in value made otherwise than by reference to the value so determined and any adjustments of any such provisions made in the light of that determination) must be credited or (as the case may be) debited to a separate reserve (“the revaluation reserve”).

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

(3) An amount may be transferred—

- (a) from the revaluation reserve—
 - (i) to the profit and loss account, if the amount was previously charged to that account or represents realised profit, or
 - (ii) on capitalisation,
- (b) to or from the revaluation reserve in respect of the taxation relating to any profit or loss credited or debited to the reserve.

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

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

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

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

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

SECTION C

VALUATION AT FAIR VALUE

Inclusion of financial instruments at fair value

30.—(1) Subject to sub-paragraphs (2) to (5), financial instruments (including derivatives) may be included at fair value.

(2) Sub-paragraph (1) does not apply to financial instruments that constitute liabilities unless—

- (a) they are held as part of a trading portfolio,
- (b) they are derivatives, or
- (c) they are financial instruments falling within paragraph (4).

(3) Except where they fall within paragraph (4), or fall to be included under assets item D (assets held to cover linked liabilities), sub-paragraph (1) does not apply to—

- (a) financial instruments (other than derivatives) held to maturity,
- (b) loans and receivables originated by the company and not held for trading purposes,
- (c) interests in subsidiary undertakings, associated undertakings and joint ventures,
- (d) equity instruments issued by the company,
- (e) contracts for contingent consideration in a business combination, or
- (f) other financial instruments with such special characteristics that the instruments, according to generally accepted accounting principles or practice, should be accounted for differently from other financial instruments.

(4) Financial instruments that, under international accounting standards adopted by the European Commission on or before 5th September 2006 in accordance with the IAS Regulation, may be included in accounts at fair value, may be so included, provided that the disclosures required by such accounting standards are made.

(5) If the fair value of a financial instrument cannot be determined reliably in accordance with paragraph 31, sub-paragraph (1) does not apply to that financial instrument.

(6) In this paragraph—

“associated undertaking” has the meaning given by paragraph 19 of Schedule 6 to these Regulations; and

“joint venture” has the meaning given by paragraph 18 of that Schedule.

Determination of fair value

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

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

(3) If a reliable market cannot readily be identified for the financial instrument but can be identified for its components or for a similar instrument, its fair value is determined by reference to the market value of its components or of the similar instrument.

(4) If neither sub-paragraph (2) nor (3) applies, the fair value of the financial instrument is a value resulting from generally accepted valuation models and techniques.

(5) Any valuation models and techniques used for the purposes of sub-paragraph (4) must ensure a reasonable approximation of the market value.

Hedged items

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

Other assets that may be included at fair value

33.—(1) This paragraph applies to—

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

that, under international accounting standards, may be included in accounts at fair value.

(2) Such investment property and such living animals and plants may be included at fair value, provided that all such investment property or, as the case may be, all such living animals and plants are so included where their fair value can reliably be determined.

(3) In this paragraph, “fair value” means fair value determined in accordance with relevant international accounting standards.

Accounting for changes in value

34.—(1) This paragraph applies where a financial instrument is valued in accordance with paragraph 30 or 32 or an asset is valued in accordance with paragraph 33.

(2) Notwithstanding paragraph 18 in this Part of this Schedule, and subject to sub-paragraphs (3) and (4), a change in the value of the financial instrument or of the investment property or living animal or plant must be included in the profit and loss account.

(3) Where—

- (a) the financial instrument accounted for is a hedging instrument under a hedge accounting system that allows some or all of the change in value not to be shown in the profit and loss account, or
- (b) the change in value relates to an exchange difference arising on a monetary item that forms part of a company’s net investment in a foreign entity,

the amount of the change in value must be credited to or (as the case may be) debited from a separate reserve (“the fair value reserve”).

- (4) Where the instrument accounted for—
- (a) is an available for sale financial asset, and
 - (b) is not a derivative,

the change in value may be credited to or (as the case may be) debited from the fair value reserve.

The fair value reserve

35.—(1) The fair value reserve must be adjusted to the extent that the amounts shown in it are no longer necessary for the purposes of paragraph 34(3) or (4).

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

SECTION D

HISTORICAL COST ACCOUNTING RULES

Valuation of assets

General rules

36.—(1) The rules in this Section are “the historical cost accounting rules”.

(2) Subject to any provision for depreciation or diminution in value made in accordance with paragraph 37 or 38, the amount to be included in respect of any asset in the balance sheet format is its cost.

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

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

38.—(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.

(3) Provisions for diminution in value must be made in respect of any asset to which this paragraph applies if the reduction in its value is expected to be permanent (whether its useful economic life is limited or not), and the amount to be included in respect of it must be reduced accordingly.

(4) Any provisions made under sub-paragraph (2) or (3) which are not shown in the profit and loss account must be disclosed (either separately or in aggregate) in a note to the accounts.

39.—(1) Where the reasons for which any provision was made in accordance with paragraph 38 have ceased to apply to any extent, that provision must be written back to the extent that it is no longer necessary.

(2) Any amounts written back in accordance with sub-paragraph (1) which are not shown in the profit and loss account must be disclosed (either separately or in aggregate) in a note to the accounts.

40.—(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 is the net realisable value.

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

Development costs

41.—(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 must be given in a note 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

42.—(1) The application of paragraphs 36 to 39 in relation to goodwill (in any case where goodwill is treated as an asset) is subject to the following.

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

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

(4) In any case where any goodwill acquired by a company is included as an asset in the company’s balance sheet, there must be disclosed in a note to the accounts—

- (a) the period chosen for writing off the consideration for that goodwill, and
- (b) the reasons for choosing that period.

Miscellaneous and supplementary provisions

Excess of money owed over value received as an asset item

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

(2) Where any such amount is so treated—

- (a) it must be written off by reasonable amounts each year and must be completely written off before repayment of the debt, and
- (b) if the current amount is not shown as a separate item in the company’s balance sheet, it must be disclosed in a note to the accounts.

Assets included at a fixed amount

44.—(1) Subject to sub-paragraph (2), 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) 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

45.—(1) The cost of an asset that has been acquired by the company is to be determined by adding to the actual price paid any expenses incidental to its acquisition.

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

(3) In addition, there may be included in the cost of an asset constructed by the company—

- (a) a reasonable proportion of the costs incurred by the company which are only indirectly attributable to the construction of that asset, but only to the extent that they relate to the period of construction, and
- (b) interest on capital borrowed to finance the construction of that asset, to the extent that it accrues in respect of the period of construction,

provided, however, in a case within paragraph (b), that the inclusion of the interest in determining the cost of that asset and the amount of the interest so included is disclosed in a note to the accounts.

46.—(1) The cost of any assets which are fungible assets may be determined by the application of any of the methods mentioned in sub-paragraph (2) in relation to any such assets of the same class, provided that the method chosen is one which appears to the directors to be appropriate in the circumstances of the company.

(2) Those methods are—

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

(3) Where in the case of any company—

- (a) the cost of assets falling to be included under any item shown in the company's balance sheet has been determined by the application of any method permitted by this paragraph, and
- (b) the amount shown in respect of that item differs materially from the relevant alternative amount given below in this paragraph,

the amount of that difference must be disclosed in a note to the accounts.

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

(5) The relevant alternative amount may be determined by reference to the most recent actual purchase price before the balance sheet date of assets of any class included under the item in question

instead of by reference to their replacement cost as at that date, but only if the former appears to the directors of the company to constitute the more appropriate standard of comparison in the case of assets of that class.

Substitution of original amount where price or cost unknown

47.—(1) This paragraph applies where—

- (a) there is no record of the purchase price of any asset acquired by a company or of any price, expenses or costs relevant for determining its cost in accordance with paragraph 45, or
- (b) any such record cannot be obtained without unreasonable expense or delay.

(2) In such a case, the cost of the asset must be taken, for the purposes of paragraphs 36 to 42, to be the value ascribed to it in the earliest available record of its value made on or after its acquisition by the company.

SECTION E

RULES FOR DETERMINING PROVISIONS

Preliminary

48. Provisions which are to be shown in a company's accounts are to be determined in accordance with this Section.

Technical provisions

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

Provision for unearned premiums

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

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

Provision for unexpired risks

51. The provision for unexpired risks (as defined in paragraph 91) must be computed on the basis of claims and administrative expenses likely to arise after the end of the financial year from contracts concluded before that date, in so far as their estimated value exceeds the provision for unearned premiums and any premiums receivable under those contracts.

Long-term business provision

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

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

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

in Directive [2002/83/EC](#) of the European Parliament and of the Council of 5th November 2002 concerning life assurance⁽⁶⁾.

Provisions for claims outstanding

General business

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

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

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

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

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

(6) Where benefits resulting from a claim must be paid in the form of annuity, the amounts to be set aside for that purpose must be calculated by recognised actuarial methods, and paragraph 54 does not apply to such calculations.

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

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

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

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

(6) O.J. L345 of 19th December 2002, p.1.

- (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 sub-paragraph (1)(d) and (e), and the criteria adopted for estimating the period that will elapse before the claims are settled.

Long-term business

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

Equalisation reserves

56. The amount of any equalisation reserve maintained in respect of general business by the company, in accordance with the rules in section 1.4 of the Prudential Sourcebook for Insurers made by the Financial Services Authority under Part 10 of the Financial Services and Markets Act 2000⁽⁷⁾, must be determined in accordance with such rules.

Accounting on a non-annual basis

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

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

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

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

(5) For the purposes of this paragraph and paragraph 58, “underwriting year” means the financial year in which the insurance contracts in the class or type of insurance in question commenced.

58.—(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 must be increased to make it sufficient to meet present and future obligations.

(4) The technical provision constituted under this paragraph must be replaced by a provision for claims outstanding estimated in accordance with paragraph 53 as soon as sufficient information has been gathered and not later than the end of the third year following the underwriting year.

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

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

(7) FSA 2006/42.

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

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

PART 3

NOTES TO THE ACCOUNTS

Preliminary

60. Any information required in the case of any company by the following provisions of this Part of this Schedule must (if not given in the company's accounts) be given by way of a note to the accounts.

General

Disclosure of accounting policies

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

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

Sums denominated in foreign currencies

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

Reserves and dividends

64. There must be stated—

- (a) any amount set aside or proposed to be set aside to, or withdrawn or proposed to be withdrawn from, reserves,
- (b) the aggregate amount of dividends paid in the financial year (other than those for which a liability existed at the immediately preceding balance sheet date),
- (c) the aggregate amount of dividends that the company is liable to pay at the balance sheet date, and
- (d) the aggregate amount of dividends that are proposed before the date of approval of the accounts, and not otherwise disclosed under sub-paragraph (b) or (c).

Information supplementing the balance sheet

Share capital and debentures

65.—(1) Where shares of more than one class have been allotted, the number and aggregate nominal value of shares of each class allotted must be given.

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

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

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

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

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

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

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

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

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

(2) Where any of the company’s debentures are held by a nominee of or trustee for the company, the nominal amount of the debentures and the amount at which they are stated in the accounting records kept by the company in accordance with section 386 of the 2006 Act (duty to keep accounting records) must be stated.

Assets

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

- (a) the appropriate amounts in respect of those assets included in the item as at the date of the beginning of the financial year and as at the balance sheet date respectively,
- (b) the effect on any amount included in assets item B in respect of those assets of—

- (i) any determination during that year of the value to be ascribed to any of those assets in accordance with paragraph 23,
- (ii) acquisitions during that year of any assets,
- (iii) disposals during that year of any assets, and
- (iv) any transfers of assets of the company to and from the item during that year.

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

- (a) on the basis of cost (determined in accordance with paragraphs 45 and 46), or
- (b) on any basis permitted by paragraph 22 or 23 ,

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

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

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

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

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

71. In relation to any amount which is included under assets item C.I (land and buildings) there must be stated—

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

Investments

72. In respect of the amount of each item which is shown in the company's balance sheet under assets item C (investments) there must be stated how much of that amount is ascribable to listed investments.

Information about fair value of assets and liabilities

73.—(1) This paragraph applies where financial instruments have been valued in accordance with paragraph 30 or 32.

(2) The items affected and the basis of valuation adopted in determining the amounts of the financial instruments must be disclosed.

(3) The purchase price of the financial instruments must be disclosed.

(4) There must be stated—

(a) the significant assumptions underlying the valuation models and techniques used, where the fair value of the instruments has been determined in accordance with paragraph 31(4),

(b) for each category of financial instrument, the fair value of the instruments in that category and the changes in value—

(i) included in the profit and loss account, or

(ii) credited to or (as the case may be) debited from the fair value reserve,

in respect of those instruments, and

(c) for each class of derivatives, the extent and nature of the instruments, including significant terms and conditions that may affect the amount, timing and certainty of future cash flows.

(5) Where any amount is transferred to or from the fair value reserve during the financial year, there must be stated in tabular form—

(a) the amount of the reserve as at the date of the beginning of the financial year and as at the balance sheet date respectively,

(b) the amount transferred to or from the reserve during that year, and

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

74. Where the company has derivatives that it has not included at fair value, there must be stated for each class of such derivatives—

(a) the fair value of the derivatives in that class, if such a value can be determined in accordance with paragraph 31, and

(b) the extent and nature of the derivatives.

75.—(1) This paragraph applies if—

(a) the company has financial fixed assets that could be included at fair value by virtue of paragraph 30,

(b) the amount at which those assets are included under any item in the company's accounts is in excess of their fair value, and

(c) the company has not made provision for diminution in value of those assets in accordance with paragraph 38(2) of this Schedule.

(2) There must be stated—

(a) the amount at which either the individual assets or appropriate groupings of those individual assets are included in the company's accounts,

(b) the fair value of those assets or groupings, and

(c) the reasons for not making a provision for diminution in value of those assets, including the nature of the evidence that provides the basis for the belief that the amount at which they are stated in the accounts will be recovered.

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

76.—(1) This paragraph applies where the amounts to be included in a company's accounts in respect of investment property or living animals and plants have been determined in accordance with paragraph 33.

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

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

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

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

Reserves and provisions

77.—(1) This paragraph applies where any amount is transferred—

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

and the reserves or provisions are or would but for paragraph 3(1) be shown as separate items in the company's balance sheet.

(2) The following information must be given in respect of the aggregate of reserves or provisions included in the same item—

- (a) the amount of the reserves or provisions as at the date of the beginning of the financial year and as at the balance sheet date respectively,
- (b) any amounts transferred to or from the reserves or provisions during that year, and
- (c) the source and application respectively of any amounts so transferred.

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

Provision for taxation

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

Details of indebtedness

79.—(1) In respect of each item shown under "creditors" in the company's balance sheet there must be stated the aggregate of the following amounts—

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

(b) in the case of any debts so included which are payable or repayable by instalments, the amount of any instalments which fall due for payment after the end of that period.

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

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

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

(a) the aggregate amount of any debts included under that item in respect of which any security has been given by the company, and

(b) an indication of the nature of the securities so given.

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

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

(b) in a case within sub-paragraph (4), to an item shown under either of those categories.

References to items shown under “creditors” include references to items which would but for paragraph 3(1)(b) be shown under that heading.

80. If any fixed cumulative dividends on the company’s shares are in arrear, there must be stated—

(a) the amount of the arrears, and

(b) the period for which the dividends or, if there is more than one class, each class of them are in arrear.

Guarantees and other financial commitments

81.—(1) Particulars must be given of any charge on the assets of the company to secure the liabilities of any other person, including, where practicable, the amount secured.

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

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

(b) its legal nature, and

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

(3) There must be stated, where practicable, the aggregate amount or estimated amount of contracts for capital expenditure, so far as not provided for.

(4) Particulars must be given of—

(a) any pension commitments included under any provision shown in the company’s balance sheet, and

(b) any such commitments for which no provision has been made,

and where any such commitment relates wholly or partly to pensions payable to past directors of the company separate particulars must be given of that commitment so far as it relates to such pensions.

(5) Particulars must also be given of any other financial commitments, other than commitments arising out of insurance contracts, that—

- (a) have not been provided for, and
- (b) are relevant to assessing the company's state of affairs.

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

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

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

Miscellaneous matters

82.—(1) Particulars must be given of any case where the cost of any asset is for the first time determined under paragraph 47.

(2) Where any outstanding loans made under the authority of section 682(2)(b), (c) or (d) of the 2006 Act (various cases of financial assistance by a company for purchase of its own shares) are included under any item shown in the company's balance sheet, the aggregate amount of those loans must be disclosed for each item in question.

Information supplementing the profit and loss account(8)

Separate statement of certain items of income and expenditure

83.—(1) Subject to sub-paragraph (2), there must be stated the amount of the interest on or any similar charges in respect of—

- (a) bank loans and overdrafts, and
- (b) loans of any other kind made to the company.

(2) Sub-paragraph (1) does not apply to interest or charges on loans to the company from group undertakings, but, with that exception, it applies to interest or charges on all loans, whether made on the security of debentures or not.

Particulars of tax

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

(2) The following amounts must be stated—

- (a) the amount of the charge for United Kingdom corporation tax,
- (b) if that amount would have been greater but for relief from double taxation, the amount which it would have been but for such relief,
- (c) the amount of the charge for United Kingdom income tax, and
- (d) the amount of the charge for taxation imposed outside the United Kingdom of profits, income and (so far as charged to revenue) capital gains.

(8) See regulation 6(2) for exemption for companies falling within section 408 of the 2006 Act (individual profit and loss account where group accounts prepared).

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

Particulars of business

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

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

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

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

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

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

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

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

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

(2) Subject to sub-paragraph (3)—

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

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

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

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

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

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

Commissions

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

Miscellaneous matters

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

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

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

Related party transactions

90.—(1) Particulars may be given of transactions which the company has entered into with related parties, and must be given if such transactions are material and have not been concluded under normal market conditions.

(2) The particulars of transactions required to be disclosed by sub-paragraph (1) must include—

- (a) the amount of such transactions,
- (b) the nature of the related party relationship, and
- (c) other information about the transactions necessary for an understanding of the financial position of the company.

(3) Information about individual transactions may be aggregated according to their nature, except where separate information is necessary for an understanding of the effects of related party transactions on the financial position of the company.

(4) Particulars need not be given of transactions entered into between two or more members of a group, provided that any subsidiary undertaking which is a party to the transaction is wholly-owned by such a member.

(5) In this paragraph, “related party” has the same meaning as in international accounting standards.

PART 4

INTERPRETATION OF THIS SCHEDULE

Definitions for this Schedule

- 91.** The following definitions apply for the purposes of this Schedule and its interpretation—
- “general business” means business which consists of effecting or carrying out contracts of general insurance;
 - “long-term business” means business which consists of effecting or carrying out contracts of long-term insurance;
 - “long-term fund” means the fund or funds maintained by a company in respect of its long-term business in accordance with rule 1.5.22 in the Prudential Sourcebook for Insurers made by the Financial Services Authority under Part 10 of the Financial Services and Markets Act 2000⁽⁹⁾;
 - “policyholder” has the meaning given by article 3 of the Financial Services and Markets Act 2000 (Meaning of “Policy” and “Policyholder”) Order 2001⁽¹⁰⁾;
 - “provision for unexpired risks” means the amount set aside in addition to unearned premiums in respect of risks to be borne by the company after the end of the financial year, in order to provide for all claims and expenses in connection with insurance contracts in force in excess of the related unearned premiums and any premiums receivable on those contracts.

⁽⁹⁾ FSA 2006/42.
⁽¹⁰⁾ S.I. 2001/2361.