

COMPANIES (CONSOLIDATED ACCOUNTS) ACT**Repealed by Act. 2014-19 as from 1.11.2014****Principal Act**

Act. No. 1999-28	<i>Commencement</i>	1.4.2000
	<i>Assent</i>	28.10.1999

Amending enactments	Relevant current provisions	Commencement date
Act. 2005-24 2005-56*	Sch. 2 Long title, ss. 1(2), 2(4), 2(4)(a), 4(5), 5(2), 6(1) & (4), 7, 7A, 7B, 7C, 8(2)(b) & (3), 8A, 9(1), (2), (3), (4) & (5), 11(5)(b), 11A, 12, 13(2)(a), 15, Schs. 2 & 3	31.3.2005 1.12.2005
2009-23	s. 11B(1)(c)	5.11.2009 ¹
LN. 2010/009	ss. 7(1A), 11B, 14(3) & Sch.3	15.1.2010
2011/160	s. 9(2A)	22.9.2011

English sources:

None

EU Legislation/International Agreements involved:

Directive 78/660/EEC	Directive 2003/51/EC
Directive 83/349/EEC	Directive 2006/43/EC
Directive 84/253/EEC	Directive 2006/46/EC
Directive 86/635/EEC	Directive 2008/30/EC
Directive 91/674/EEC	Directive 2009/49/EC
Directive 93/22/EEC	Regulation No.1606/2002
Directive 2001/65/EC	

* *This Act has effect as respects companies' financial years which begin on or after 1 January 2005 but which have not ended before the date of publication.*

¹ *Commencement Notice LN. 2009/057*

1999-28
Repealed

Companies (Consolidated Accounts)

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1999-28
Repealed

Companies (Consolidated Accounts)

AN ACT TO PROVIDE FOR THE PREPARATION OF THE CONSOLIDATED ACCOUNTS OF COMPANIES IN ACCORDANCE WITH THE REQUIREMENTS OF EU LAW AND MODERN ACCOUNTING PRACTICE.

Title, application and commencement.

1.(1) This Act may be cited as the Companies (Consolidated Accounts) Act, 1999 and comes into operation on 1st April, 2000.

(2) This Act applies to the accounts of a company in respect of each financial year beginning on or after 1st April, 2000; but the amendments made by the Fair Value Accounting Act 2005 and the Companies (Consolidated Accounts) (Amendment) Act 2005 apply to the accounts of a company in respect of each financial year beginning on or after 1 January 2005 but which have not ended before—

- (a) 31 March 2005 in the case of the amendments made by the Fair Value Accounting Act 2005; and
- (b) the date of publication of the Companies (Consolidated Accounts) (Amendment) Act 2005 in the case of the amendments made by that Act.

PART I.

INTERPRETATION AND GENERAL.

Parent and subsidiary undertaking.

2. (1) The expressions “parent undertaking” and “subsidiary undertaking” shall be construed as follows; and a “parent company” means a parent undertaking which is a public company limited by shares or by guarantee or a private company limited by shares or by guarantee.

(2) An undertaking is a parent undertaking in relation to another undertaking, and the latter is a subsidiary undertaking, if—

- (a) it holds a majority of the voting rights in the undertaking;
- (b) it is a member of the undertaking and has the right to appoint or remove a majority of its board of directors;
- (c) it has the right to exercise a dominant influence over the undertaking—

- (i) by virtue of provisions contained in the undertaking's memorandum or articles;
 - (ii) by virtue of a control contract; or
 - (d) it is a member of the undertaking and controls alone, under an agreement with other shareholders or members, a majority of the voting rights in the undertaking.
- (3) For the purposes of subsection (2) an undertaking shall be treated as a member of another undertaking—
- (a) if any of its subsidiary undertakings is a member of that undertaking; or
 - (b) if any shares in that other undertaking are held by a person acting on behalf of the undertaking or any of its subsidiary undertakings.
- (4) An undertaking is also a parent undertaking in relation to another undertaking, (and the latter is a subsidiary undertaking), if—
- (a) it has the power to exercise, or actually exercises, dominant influence or control over it; or
 - (b) it and the subsidiary undertaking are managed on a unified basis.
- (5) A parent undertaking shall be treated as the parent undertaking of undertakings in relation to which any of its subsidiary undertakings are, or are to be treated as, parent undertakings; and references to its subsidiary undertakings shall be construed accordingly.
- (6) Schedule 1 contains provisions explaining expressions used in this section and otherwise supplementing this section.
- (7) This section applies notwithstanding section 175 of the Companies Act (meaning of subsidiary company).

Meaning of “undertaking” and related expressions.

- 3.(1) In this Act “undertaking” means—
- (a) a corporate body or partnership; or
 - (b) an unincorporated association carrying on a trade or business, with or without a view to profit.

- (2) In this Act references to shares—
- (a) in relation to an undertaking with a share capital, are to allotted shares;
 - (b) in relation to an undertaking with capital but no share capital, are to rights to share in the capital of the undertaking; and
 - (c) in relation to an undertaking without capital, are to interests—
 - (i) conferring any rights to share in the profits or liability to contribute to the losses of the undertaking; or
 - (ii) giving rise to an obligation to contribute to the debts or expenses of the undertaking in the event of a winding up.

(3) Other expressions appropriate to companies shall be construed, in relation to an undertaking which is not a company, as references to the corresponding persons, officers, documents or organs, as the case may be, appropriate to undertakings of that description.

This is subject to any specific provision providing for the definition of such expressions.

(4) References in this Act to “fellow subsidiary undertakings” are to undertakings which are subsidiary undertakings of the same parent undertaking but are not parent undertakings or subsidiary undertakings of each other.

(5) In this Act “group undertaking”, in relation to an undertaking, means an undertaking which is—

- (a) a parent undertaking or subsidiary undertaking of that undertaking; or
- (b) a subsidiary undertaking of any parent undertaking of that undertaking.

Participating interests.

4. (1) In this Act a “participating interest” means an interest held by an undertaking in the shares of another undertaking which it holds on a long-term basis for the purpose of securing a contribution to its activities by the exercise of control or influence arising from or related to that interest.

(2) A holding of 20 per cent or more of the shares of an undertaking shall be presumed to be a participating interest unless the contrary is shown.

(3) The reference in subsection (1) to an interest in shares includes—

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

and an interest or option falls within paragraph (a) or (b) even if the shares to which it relates are, until the conversion or the exercise of the option, unissued.

(4) For the purposes of this section an interest held on behalf of an undertaking shall be treated as held by it.

(5) *Omitted.*

(6) In the balance sheet and profit and loss formats set out in Schedules 2 and 3 to the Companies (Accounts) Act, 1999 “participating interest” does not include an interest in a group undertaking.

(7) For the purposes of this section as it applies in relation to the expression “participating interest”—

- (a) in those formats as they apply in relation to group accounts; and
- (b) in paragraph 18 of Schedule 2 (group accounts: undertakings to be accounted for as associated undertakings);

the references in subsections (1) to (4) to the interest held by, and the purposes and activities of, the undertaking concerned shall be construed as references to the interest held by, and the purposes and activities of, the group (within the meaning of paragraph 1 of Schedule 2).

Notes to the accounts.

5. (1) Information required by this Act to be given in notes to a company’s annual accounts may be contained in the accounts or in a separate document annexed to the accounts.

(2) References in this Act to a company’s annual accounts, or to a balance sheet or profit and loss account, include notes to the accounts giving information which is required by any provision made by or under the Companies Act or international accounting standards, and required or

allowed by any such provision to be given in a note to the company accounts.

Other definitions.

6. (1) In this Act, unless the context otherwise requires—

“annual report” in relation to a company means the directors’ report;

“balance sheet date” means the date as at which the balance sheet was made up;

“capitalisation” in relation to work or costs, means treating that work or those costs as a fixed asset;

“group” means a parent undertaking and its subsidiary undertakings;

“IAS Regulation” means EC Regulation No. 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards;

“included in the consolidation” in relation to group accounts, or “included in consolidated group accounts” means that the undertaking is included in the accounts by the method of full (and not proportional) consolidation, and references to an undertaking excluded from consolidation shall be construed accordingly;

“individual accounts” in relation to each financial year of a company means a balance sheet as at the last day of that year and a profit and loss account;

“international accounting standards” means the international accounting standards, within the meaning of the IAS Regulation, adopted from time to time by the European Commission in accordance with the Regulation; and

“profit and loss account”, in relation to a company that prepares IAS group accounts, includes an income statement or other equivalent financial statement required to be prepared by international accounting standards.

(2) Any reference to a financial year of a company shall be construed as a reference to a period in respect of which a profit and loss account of the company is made up under section 171 of the Companies Act.

(3) References in this Act to “realised profits” and “realised losses”, in relation to a company’s accounts, are to such profits or losses of the

company as fall to be treated as realised in accordance with principles generally accepted, at the time when the accounts are prepared, with respect to the determination for accounting purposes of realised profits or losses.

This is without prejudice to—

- (a) the construction of any other expression (where appropriate) by reference to accepted accounting principles or practice; or
- (b) any specific provision for the treatment of profits or losses of any description as realised.

(4) References in this Act to accounts giving a “true and fair view” are references—

- (a) in the case of Companies (Consolidated Accounts) Act accounts, to the requirement under section 7A that such accounts give a true and fair view; and
- (b) in the case of IAS group accounts, to the requirement under international accounting standards that such accounts achieve a fair presentation.

PART II.

PREPARATION OF GROUP ACCOUNTS.

Preparation of group accounts.

7.(1) If at the end of a financial year a company is a parent company the directors, as well as preparing individual accounts for the year, shall prepare consolidated accounts for the group for the year.

Those accounts are referred to in this Act as the company’s “group accounts”.

(1A) Directors drawing up the consolidated accounts pursuant to subsection (1) have collectively the duty to ensure that the consolidated accounts and, when provided separately, the corporate governance statement to be provided pursuant to section 8ZZAA of the Companies (Accounts) Act 1999 are drawn up and published in accordance with the requirements of this Act and, where applicable, in accordance with the international accounting standards adopted in accordance with the IAS Regulation.

(2) The group accounts of certain parent companies are required by Article 4 of the IAS Regulation to be prepared in accordance with international accounting standards (“IAS group accounts”).

- (3) The group accounts of other companies may be prepared—
- (a) in accordance with section 7A (“Companies (Consolidated Accounts) Act accounts”); or
 - (b) in accordance with international accounting standards (“IAS group accounts”).

This subsection is subject to the following provisions of this section.

(4) After the first financial year in which the directors of a parent company prepare IAS group accounts (“the first IAS year”), all subsequent group accounts of the company must be prepared in accordance with international accounting standards unless there is a relevant change of circumstance.

(5) There is a relevant change of circumstance if, at any time during or after the first IAS year—

- (a) the company becomes a subsidiary undertaking of another undertaking that does not prepare IAS group accounts;
- (b) the company ceases to be a company with securities admitted to trading on a regulated market; or
- (c) a parent undertaking of the company ceases to be an undertaking with securities admitted to trading on a regulated market.

In this subsection, “regulated market” has the same meaning as it has in Council Directive 93/22/EEC on investment services in the securities field.

(6) If, having changed to preparing group accounts in accordance with section 7A following a relevant change of circumstance, the directors again prepare IAS group accounts for the company, subsections (4) and (5) apply again as if the first financial year for which such accounts are again prepared were the first IAS year.

(7) This section is subject to the exemptions provided by sections 8 (exemption for parent companies included in accounts of larger group), 8A (parent companies included in non-EEA group accounts), 9(5) (all subsidiary undertakings excluded from consolidation) and 13 (small and medium sized groups).

Companies (Consolidated Accounts) Act Accounts.

7A.(1) Companies (Consolidated Accounts) Act accounts must be drawn up clearly and comprise—

- (a) a consolidated balance sheet dealing with the state of affairs of the parent company and its subsidiary undertakings; and
- (b) a consolidated profit and loss account dealing with the profit or loss of the parent company and its subsidiary undertakings.

(2) The accounts must give a true and fair view of the state of affairs as at the end of the financial year, and the profit or loss for the financial year, of the undertakings included in the consolidation as a whole, so far as concerns members of the company.

(3) Companies (Consolidated Accounts) Act accounts must comply with the provisions of Schedule 2 as to the form and content of the consolidated balance sheet and consolidated profit and loss account and with the provisions of Schedule 3 in relation to additional information to be provided in notes to the accounts.

(4) Where compliance with the provisions of Schedules 2 and 3, and the other provisions made by or under this Act, as to the matters to be included in a company's group accounts or in notes to those accounts, would not be sufficient to give a true and fair view, the necessary additional information shall be given in the accounts or a note to them.

(5) If in exceptional circumstances compliance with any of those provisions is inconsistent with the requirement to give a true and fair view, the directors shall depart from that provision to the extent necessary to give a true and fair view.

Details of any such departure, the reasons for it and its effect shall be given in a note to the accounts.

(6) The directors of a parent company shall secure that, except where in their opinion there are good reasons against it, the financial year of each of its subsidiary undertakings coincides with the company's own financial year.

(7) Sections 171, 178 and 182 of the Companies Act apply to the consolidated balance sheets and consolidated profit and loss accounts.

(8) Section 177 of the Companies Act applies to a consolidated balance sheet.

(9) Sections 4(7), 7, 8, 8A, 9, 10, 14, 15 and 16 of the Companies (Accounts) Act, 1999 apply to group accounts prepared under this section.

IAS group accounts.

7B. Where the directors of a parent company prepare IAS group accounts, they must state in the notes to those accounts that the accounts have been prepared in accordance with international accounting standards.

Consistency of accounts.

7C.(1) The directors of a parent company must secure that the individual accounts of—

- (a) the parent company; and
- (b) each of its subsidiary undertakings,

are all prepared using the same financial reporting framework, except to the extent that in their opinion there are good reasons for not doing so.

(2) Subsection (1) does not apply if the directors do not prepare group accounts for the parent company.

(3) Subsection (1) only applies to accounts of subsidiary undertakings that are required to be prepared under the Companies (Accounts) Act 1999.

(4) Subsection (1)(a) does not apply where the directors of a parent company prepare IAS group accounts and IAS individual accounts under the Companies (Accounts) Act, 1999.

Exemption for parent companies included in accounts of larger group.

8.(1) A company is exempt from the requirement to prepare group accounts if it is itself a subsidiary undertaking and its immediate parent undertaking is established under the law of a member State in the European Economic Area, where—

- (a) the company is a wholly-owned subsidiary of that parent undertaking; and
- (b) that parent undertaking holds more than 50 per cent of the shares in the company and notice requesting the preparation of group accounts has not been served on the company by shareholders holding in total—
 - (i) more than half of the remaining shares in the company;
or

- (ii) 5 per cent of the total shares in the company.

The notice shall be served no later than 6 months after the end of the financial year before that to which it relates.

- (2) A company is exempt if—
- (a) the company is included in consolidated accounts for a larger group drawn up to the same date, or to an earlier date in the same financial year, by a parent undertaking established under the law of a member State in the European Economic Area;
 - (b) those accounts are drawn up and audited, and that parent undertaking's annual report is drawn up, according to that law, in accordance with the provisions of Council Directive 83/349/EEC as amended or in accordance with international accounting standards;
 - (c) the company discloses in its individual accounts that it is exempt from the obligation to prepare and deliver group accounts;
 - (d) the company states in its individual accounts the name of the parent undertaking which draws up the group accounts referred to above and—
 - (i) if it has a registered office outside Gibraltar, the country in which it has its registered office; and
 - (ii) if it is unincorporated, the address of its principal place of business;
 - (e) under the Companies (Accounts) Act, 1999 the company delivers to the Registrar, within the period allowed for delivering its individual accounts, copies of those group accounts and of the parent undertaking's annual report, together with the auditors' report on them; and
 - (f) any document comprised in accounts and reports delivered in accordance with paragraph (e) is in a language other than English, there is annexed to the copy of that document delivered a translation of it into English, certified in accordance with rule 5 of the Companies Rules to be a correct translation.
- (3) The exemption does not apply to a company any of whose securities are admitted to trading on a regulated market of any EEA State within the

meaning of Council Directive 93/22/EEC on investment services in the securities field.

(4) Shares held by directors of a company for the purpose of complying with any share qualification requirement shall be disregarded in determining for the purposes of subsection (1)(a) whether the company is a wholly-owned subsidiary.

(5) For the purposes of subsection (1)(b) shares held by a wholly owned subsidiary of the parent undertaking, or held on behalf of the parent undertaking or a wholly-owned subsidiary, shall be attributed to the parent undertaking.

(6) In subsection (3) “securities” includes—

- (a) shares and stock;
- (b) debentures, including debenture stock, loan stock, bonds, certificates of deposit and other instruments creating or acknowledging indebtedness;
- (c) warrants or other instruments entitling the holder to subscribe for securities falling within paragraph (a) or (b); and
- (d) certificates or other instruments which confer—
 - (i) property rights in respect of a security falling within paragraph (a), (b) or (c);
 - (ii) any rights to acquire, dispose of, underwrite or convert a security, being a right to which the holder would be entitled if he held any such security to which the certificate or other instrument relates; or
 - (iii) a contractual right (other than an option) to acquire any such security otherwise than by subscription.

Exemption for parent companies included in non-EEA group accounts.

8A.(1) A company is exempt from the requirement to prepare group accounts if it is itself a subsidiary undertaking and its parent undertaking is not established under the law of an EEA State, in the following cases—

- (a) where the company is a wholly owned subsidiary of that parent undertaking;

- (b) where that parent undertaking holds more than 50 per cent of the shares in the company and notice requesting the preparation of group accounts has not been served on the company by shareholders holding in aggregate—
 - (i) more than half of the remaining shares in the company, or
 - (ii) 5 per cent of the total shares in the company.

Such notice must be served not later than six months after the end of the financial year before that to which it relates.

(2) Exemption is conditional upon compliance with all of the following conditions—

- (a) that the company and all of its subsidiary undertakings are included in consolidated accounts for a larger group drawn up to the same date, or to an earlier date in the same financial year, by a parent undertaking;
- (b) that those accounts and, where appropriate, the group's annual report, are drawn up in accordance with the provisions of the Seventh Directive (83/349/EEC) as amended, or in a manner equivalent to consolidated accounts and consolidated annual reports so drawn up;
- (c) that the consolidated accounts are audited by one or more persons authorised to audit accounts under the law under which the parent undertaking which draws them up is established;
- (d) that the company discloses in its individual accounts that it is exempt from the obligation to prepare and deliver group accounts;
- (e) that the company states in its individual accounts the name of the parent undertaking which draws up the group accounts referred to above and—
 - (i) if it is incorporated outside Gibraltar, the country in which it is incorporated; and
 - (ii) if it is unincorporated, the address of its principal place of business;

- (f) that the company delivers to the Registrar, within the period allowed for delivering its individual accounts, copies of the group accounts and, where appropriate, of the consolidated annual report, together with the auditors' report on them; and
- (g) that if any document comprised in accounts and reports delivered in accordance with paragraph (f) is in a language other than English, there is annexed to the copy of that document delivered a translation of it into English, certified to be a correct translation.

(3) The exemption does not apply to a company any of whose securities are admitted to trading on a regulated market of any EEA State within the meaning of Council Directive 93/22/EEC on investment services in the securities field.

(4) Shares held by directors of a company for the purpose of complying with any share qualification requirement are disregarded in determining for the purposes of subsection (1)(a) whether the company is a wholly owned subsidiary.

(5) For the purposes of subsection (1)(b), shares held by a wholly-owned subsidiary of the parent undertaking, or held on behalf of the parent undertaking or a wholly-owned subsidiary, are attributed to the parent undertaking.

(6) In subsection (3), "securities" includes—

- (a) shares and stock;
- (b) debentures, including debenture stock, loan stock, bonds, certificates of deposit and other instruments creating or acknowledging indebtedness;
- (c) warrants or other instruments entitling the holder to subscribe for securities falling within paragraph (a) or (b); and
- (d) certificates or other instruments which confer—
 - (i) property rights in respect of a security falling within paragraph (a), (b) or (c);
 - (ii) any right to acquire, dispose of, underwrite or convert a security, being a right to which the holder would be entitled if he held any such security to which the certificate or other instrument relates; or

- (iii) a contractual right (other than an option) to acquire any such security otherwise than by subscription

Subsidiary undertakings included in the consolidation.

9. (1) In the case of Companies (Consolidated Accounts) Act accounts, subject to the exceptions authorised by this section, all the subsidiary undertakings of the parent company shall be included in the consolidation.

(2) A subsidiary undertaking may be excluded from consolidation in Companies (Consolidated Accounts) Act accounts if its inclusion is not material for the purpose of giving a true and fair view; but two or more undertakings may be excluded only if they are not material taken together.

(2A) Any parent undertaking which only has subsidiary undertakings that are not material for the purposes of section 7A(1) and (2), both individually and as a whole, shall, without prejudice to Articles 4(2), 5 and 6 of Council Directive 83/349 EEC, be exempted from the obligation imposed by section 7(1).

(3) In addition, a subsidiary undertaking may be excluded from consolidation in Companies (Consolidated Accounts) Act accounts if—

- (a) severe long-term restrictions substantially hinder the exercise of the rights of the parent company over the assets or management of that undertaking;
- (b) the information necessary for the preparation of group accounts cannot be obtained without disproportionate expense or undue delay; or
- (c) the interest of the parent company is held exclusively with a view to subsequent resale.

The reference in paragraph (a) to the rights of the parent company and the reference in paragraph (c) to the interest of the parent company are, respectively, to rights and interests held by or attributed to the company for the purposes of section 2 (definition of “parent undertakings”) in the absence of which it would not be the parent company.

(4) *Omitted.*

(5) A parent company is exempt from the requirement to prepare group accounts if under subsection (2), (2A) or (3) all of its subsidiary undertakings could be excluded from consolidation in Companies (Consolidated Accounts) Act accounts.

Treatment of individual profit and loss account where group accounts prepared.

10. (1) The following provisions apply to the individual profit and loss account of a parent company where—

- (a) the company is required to prepare group accounts in accordance with this Act; and
- (b) the notes to the company's individual balance sheet show the company's profit or loss for the financial year.

(2) The profit and loss account shall be approved by the board of directors but may be omitted from the company's annual accounts for the purposes of the other provisions of this Act or the Companies (Accounts) Act, 1999.

(3) The exemption conferred by this section shall be disclosed in the company's annual accounts.

Disclosure required in notes to accounts: related undertakings.

11. (1) The information specified in Schedule 3 shall be given in notes to a company's annual accounts.

(2) Where the company is not required to prepare group accounts, the information specified in Part I of Schedule 3 shall be given; and where the company is required to prepare group accounts, the information specified in Parts II and III of Schedule 3 shall be given.

(3) The information required by Schedule 3 need not be disclosed for an undertaking which—

- (a) is established under the law of a country outside the United Kingdom or Gibraltar; or
- (b) carries on business outside the United Kingdom or Gibraltar;

if in the opinion of the directors of the company the disclosure would be seriously prejudicial to the business of that undertaking, or to the business of the company or any of its subsidiary undertakings.

This subsection does not apply in relation to the information required under paragraph 5(2), 6, 10, 20 or 29 of Schedule 3.

(4) If advantage is taken of subsection (3), that fact shall be stated in a note to the company's annual accounts.

(5) If the directors of the company are of the opinion that the number of undertakings in respect of which the company is required to disclose information under any provision of Schedule 3 is such that compliance with that provision would result in information of excessive length being given, the information need only be given in respect of—

- (a) the undertakings whose results or financial position, in the opinion of the directors, principally affected the figures shown in the company's annual accounts; and
- (b) undertakings excluded from consolidation under section 9(3).

This subsection does not apply in relation to the information required under paragraph 10 of Schedule 3.

(6) If advantage is taken of subsection (5)—

- (a) the notes to the company's annual accounts shall include a statement that the information is given only with respect to such undertakings as are mentioned in that subsection; and
- (b) the full information (both that which is disclosed in the notes to the accounts and that which is not) shall be annexed to the company's next annual return.

For this purpose the "next annual return" means the one delivered to the Registrar after the accounts in question have been approved by the board of directors.

(7) If a company fails to comply with subsection (6)(b), the company and every officer of the company who is in default is liable on summary conviction to a fine up to level 3 on the standard scale.

Disclosure required in notes to annual accounts: particulars of staff.

11A. A company's group accounts must contain the disclosure required by section 7A of the Companies (Accounts) Act as if all the undertakings included in the consolidation were a single company.

Disclosure required in notes to annual accounts: arrangements not included in consolidated balance sheet and with related parties.

11B.(1) In addition to other information required under other provisions of this Act, the notes on the accounts must set out information in respect of the following matters—

- (a) the nature and business purpose of any arrangements that are not included in the consolidated balance sheet, and the financial impact of those arrangements, provided that the risks or benefits arising from such arrangements are material and in so far as the disclosure of such risks or benefits is necessary for assessing the financial position of the undertakings included in the consolidation taken as a whole; and
- (b) the transactions, save for intra-group transactions, entered into by the parent undertaking, or by other undertakings included in the consolidation, with related parties, including the amounts of such transactions, the nature of the related party relationship as well as other information about the transactions necessary for an understanding of the financial position of the undertakings included in the consolidation taken as a whole, if such transactions are material and have not been concluded under normal market conditions.

(2) For the purposes of subsection (1)(b), information about individual transactions may be aggregated according to their nature except where separate information is necessary for an understanding of the effects of the related party transactions on the financial position of the undertakings included in the consolidation taken as a whole.

(3) For the purposes of this Act, "Related party" has the same meaning as in international accounting standards adopted in accordance with the IAS Regulation

12. *Omitted.*

Exemption for small and medium-sized groups.

13. (1) A parent company need not prepare group accounts for a financial year in relation to which the group headed by that company qualifies as a small or medium-sized group and is not an ineligible group.

- (2) A group is ineligible if any of its members is—
 - (a) a company any of whose securities are admitted to trading on a regulated market of any EEA State within the meaning of Council Directive 93/22/EEC on investment services in the securities field;
 - (b) an authorised institution under the Banking Act²; or

² 1992-11

- (c) an insurance company to which the Insurance Companies Act³ applies.

(3) If the directors of a company propose to take advantage of the exemption conferred by this section, it is the auditors' duty to provide them with a report stating whether in their opinion the company is entitled to the exemption.

Qualification of group as small or medium-sized.

14. (1) A group is small or medium-sized in relation to a financial year if the qualifying conditions are met—

- (a) in the case of the parent company's first financial year, in that year; and
- (b) in the case of any subsequent financial year, in that year and the preceding year.

(2) A group shall be treated as qualifying as small or medium-sized in relation to a financial year—

- (a) if it so qualified in relation to the previous financial year under subsection (1); or was treated as so qualifying under paragraph (b); or
- (b) if it was treated as so qualifying in relation to the previous year by virtue of paragraph (a) and the qualifying conditions are met in the year in question.

(3) The qualifying conditions are met by a group in a year in which it satisfies two or more of the following requirements—

“Small group

- | | |
|----------------------------------|---|
| 1. Total turnover | Not more than £6.5 million net
(£6.72 million gross) |
| 2. Aggregate balance sheet total | Not more than £3.26 million net
(£3.9 million gross) |
| 3. Total number of employees | Not more than 50 |

Medium-sized group

³ 1953-10

- | | |
|----------------------------------|--|
| 1. Total turnover | Not more than £25.9 million net
(£31.1 million gross) |
| 2. Aggregate balance sheet total | Not more than £12.9 million net
(£15.5 million gross) |
| 3. Total number of employees | Not more than 250 |

(4) The total figures shall be ascertained by aggregating the relevant figures determined in accordance with Schedule 1 to the Companies (Accounts) Act, 1999 for each member of the group.

In relation to the total figures for turnover and balance sheet, “net” means with the set-offs and other adjustments required by Schedule 2 in the case of group accounts and “gross” means without those set-offs and adjustments; and a company may satisfy the relevant requirements on the basis of either the net or the gross figure.

(5) The figures for each subsidiary undertaking are to be those included in its accounts for the relevant financial year, that is—

- (a) if its financial year ends with that of the parent company, that financial year; and
- (b) if not, its financial year ending last before the end of the financial year of the parent company.

(6) If those figures cannot be obtained without disproportionate expense or undue delay, the latest available figures must be taken.

Offences.

15. A company, and every officer of the company who is in default, which fails to comply with any requirement of this Act (or, where applicable, of Article 4 of the IAS Regulation) is guilty of an offence and liable on summary conviction to a fine up to level 3 on the standard scale.

SCHEDULE 1

Section 2(6)

**PARENT AND SUBSIDIARY UNDERTAKINGS:
SUPPLEMENTARY PROVISIONS**

Introduction.

1. The provisions of this Schedule explain expressions used in section 2 and otherwise supplement that section.

Voting rights in an undertaking.

2.(1) In section 2(2)(a) and (d) the references to the voting rights in an undertaking are to the rights conferred on shareholders in respect of their shares or, in the case of an undertaking not having a share capital, on members, to vote at general meetings of the undertaking on all, or substantially all, matters.

(2) In relation to an undertaking which does not have general meetings at which matters are decided by the exercise of voting rights, the reference to holding a majority of the voting rights in the undertaking is to having the right under the constitution of the undertaking to direct the overall policy of the undertaking or to alter the terms of its constitution.

Right to appoint or remove a majority of the directors.

3. (1) In section 2(2)(b) the reference to the right to appoint or remove a majority of the board of directors is to the right to appoint or remove directors holding a majority of the voting rights at meetings of the board on all, or substantially all, matters.

(2) An undertaking has the right to appoint a directorship if—

(a) a person's appointment to it follows necessarily from his appointment as director of the undertaking; or

(b) the directorship is held by the undertaking itself.

(3) A right to appoint or remove which is exercisable only with the consent or concurrence of another person will be left out of account unless no other person has a right to appoint or, as the case may be, remove in relation to that directorship.

Right to exercise dominant influence.

4. (1) For the purposes of section 2(2)(c) an undertaking shall not be regarded as having the right to exercise a dominant influence over another undertaking unless it has a right to give directions with respect to the operating and financial policies of that other undertaking with which its directors are obliged to comply, whether or not they are for the benefit of that other undertaking.

(2) A “control contract” means a contract in writing conferring such a right which—

- (a) is of a kind authorised by the memorandum or articles of the undertaking in relation to which the right is exercisable; and
- (b) is permitted by the law under which that undertaking is established.

(3) This paragraph shall not be read as affecting the construction of the expression “actually exercises a dominant influence” in section 2(4)(a).

Rights which are exercisable only in certain circumstances or temporarily incapable of exercise.

5. (1) Rights which are exercisable only in certain circumstances shall be taken into account only—

- (a) when the circumstances have arisen, and for as long as they continue to exist; or
- (b) when the circumstances are within the control of the person having the rights.

(2) Rights which are normally exercisable but are temporarily incapable of exercise shall continue to be taken into account.

Rights held by one person on behalf of another.

6. Rights held by a person in a fiduciary capacity shall be treated as not held by him.

7. (1) Rights held by a person as nominee for another shall be treated as held by the other.

(2) Rights shall be regarded as held as nominee for another if they are exercisable only on his instructions or with his consent.

Rights attached to shares held by way of security.

8. (1) Rights attached to shares held by way of security shall be treated as held by the person providing the security—

- (a) where, apart from the right to exercise them for the purpose of preserving the value of the security, or of realising it, the rights are exercisable only in accordance with his instructions; and
- (b) where the shares are held in connection with the granting of loans as part of normal business activities and apart from the right to exercise them for the purpose of preserving the value of the security, or of realising it, the rights are exercisable only in his interests.

Rights attributed to parent undertaking.

9. (1) Rights shall be treated as held by a parent undertaking if they are held by any of its subsidiary undertakings.

(2) Nothing in paragraph 7 or 8 shall be construed as requiring rights held by a parent undertaking to be treated as held by any of its subsidiary undertakings.

(3) For the purpose of paragraph 8 rights shall be treated as being exercisable in accordance with the instructions or in the interests of an undertaking if they are exercisable in accordance with the instructions of or, as the case may be, in the interests of any group undertaking.

Disregard of certain rights.

10. The voting rights in an undertaking must be reduced by any rights not held by the undertaking itself.

Supplementary.

11. References in any provision of paragraphs 6 to 10 to rights held by a person include rights falling to be treated as held by him by virtue of any other provision of those paragraphs but not rights which by virtue of any such provision are to be treated as not held by him.

SCHEDULE 2

Section 7A(3) and (4)

FORM AND CONTENT OF GROUP ACCOUNTS

General rules.

1. (1) Group accounts must comply so far as practicable with the provisions of Schedules 2, 3, 6 and 7 to the Companies (Accounts) Act, 1999 as if the undertakings included in the consolidation (“the group”) were a single company.

(2) Where a company is a parent company or a subsidiary undertaking and any item required by Schedule 2 to that Act to be shown in the company’s balance sheet in relation to group undertakings includes—

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

the total amounts within (a) and (b) respectively must be shown as separate items, either by way of sub-division of the relevant item or in a note to the company’s accounts.

(3) For the purposes of subparagraph (2) as it applies to group accounts—

- (a) any subsidiary undertakings of the parent company not included in the consolidation shall be treated as subsidiary undertakings of the group; and
- (b) if the parent company is itself a subsidiary undertaking, the group shall be treated as a subsidiary undertaking of any parent undertaking of that company, and the reference to fellow-subsidiary undertakings shall be construed accordingly.

2. (1) The consolidated balance sheet and profit and loss account must incorporate in full the information contained in the individual accounts of the undertakings included in the consolidation, subject to the adjustments authorised or required by the following provisions of this Schedule and to such other adjustments (if any) as may be appropriate in accordance with generally accepted accounting principles or practice.

(2) If the financial year of a subsidiary undertaking included in the consolidation differs from that of the parent company, the group accounts must be made up—

- (a) from the accounts of the subsidiary undertaking for its last financial year before the end of the parent company's financial year, provided it ended no more than 3 months before the parent company's; or
- (b) from interim accounts prepared by the subsidiary undertaking as at the end of the parent company's financial year.

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

(2) If it appears to the directors of the parent company that there are special reasons for departing from subparagraph (1) they may do so, but details of any departure, the reasons for it and its effect must be given in a note to the accounts.

(3) The adjustments referred to in this paragraph need not be made if they are not material for the purpose of giving a true and fair view.

4. Any differences of accounting rules as between a parent company's individual accounts for a financial year and its group accounts must be disclosed in a note to the latter accounts and the reasons for the difference given.

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

Elimination of group transactions.

6. (1) Debts and claims between undertakings included in the consolidation, and income and expenditure relating to transactions between such undertakings, must be eliminated in preparing the group accounts.

(2) Where profits and losses resulting from transactions between undertakings included in the consolidation are included in the book value of assets, they must be eliminated in preparing the group accounts.

(3) The elimination required by subparagraph (2) may be effected in proportion to the group's interest in the shares of the undertakings.

(4) Subparagraphs (1) and (2) need not be complied with if the amounts concerned are not material for the purpose of giving a true and fair view.

(5) Where there are special circumstances which would entail undue expense, stocks may be combined in the group accounts.

Acquisition accounting.

7. (1) The following provisions apply where an undertaking becomes a subsidiary undertaking of the parent company.

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

8. An acquisition shall be accounted for by the acquisition method of accounting.

9. (1) The acquisition method of accounting is as follows.

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

In this paragraph the “identifiable” assets or liabilities of the undertaking acquired means the assets or liabilities which are capable of being disposed of or discharged separately, without disposing of a business of the undertaking.

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

(4) The interest of the parent company and its subsidiary undertakings in the adjusted capital and reserves of the undertaking acquired shall be set off against the acquisition cost of the interest in the shares of the undertaking held by the parent company and its subsidiary undertakings. For this purpose—

(a) “the acquisition cost” means the amount of any cash consideration and the fair value of any other consideration, together with such amount (if any) in respect of fees and other expenses of the acquisition as the company may determine; and

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

(5) The resulting amount (if positive) shall be treated as goodwill, and (if negative) as consolidation difference.

10. (1) Where a group is acquired, paragraph 9 applies with the following adaptations.

(2) References to the undertaking acquired shall be construed as references to the group, and references to the assets and liabilities, income and expenditure and capital and reserves of the undertaking acquired shall be construed as references to the assets and liabilities, income and expenditure and capital and reserves of the group after making the set-offs and other adjustments required by this Schedule in the case of group accounts.

11. (1) The following information with respect to acquisitions taking place in the financial year shall be given in a note to the accounts.

(2) The name of the undertaking acquired or, where a group was acquired, the name of the parent undertaking of that group must be stated, and in relation to an acquisition which significantly affects the figures shown in the group accounts, the following further information must be given.

(3) The composition and fair value of the consideration for the acquisition given by the parent company and its subsidiary undertakings shall be stated.

(4) The profit or loss of the undertaking or group acquired shall be stated—

- (a) for the period from the beginning of the financial year (and the date that year began) of the undertaking or group, up to the date of the acquisition; and
- (b) for the previous financial year of that undertaking or parent undertaking;

(5) The book values immediately prior to the acquisition, and the fair values at the date of acquisition, of each class of assets and liabilities of the undertaking or group acquired shall be stated in tabular form, including a statement of the amount of any goodwill or negative consolidation difference arising on the acquisition, together with an explanation of any significant adjustments made.

(6) In ascertaining for the purposes of subparagraph (4) or (5) the profit or loss of a group, the book values and fair values of assets and liabilities of a group or the amount of the assets and liabilities of a group, the set-offs and other adjustments required by this Schedule in the case of group accounts must be made.

12. (1) A note to the accounts shall state the cumulative amount of goodwill resulting from acquisitions in that and earlier financial years which has been written off.

(2) That figure shall be shown net of any goodwill attributable to subsidiary undertakings or business disposed of prior to the balance sheet date.

13. Where during the financial year there has been a disposal of an undertaking or group which significantly affects the figures shown in the group accounts, a note to the accounts shall state—

- (a) the name of that undertaking or, as the case may be, of the parent undertaking of that group; and
- (b) the extent to which the profit or loss shown in the group accounts is attributable to profit or loss of that undertaking or group.

14. The information required by paragraph 11, 12 or 13 need not be disclosed with respect to an undertaking which—

- (a) is established under the law of a country outside the United Kingdom or Gibraltar; or
- (b) carries on business outside the United Kingdom or Gibraltar;

if in the opinion of the directors of the parent company the disclosure would be seriously prejudicial to the business of the parent company or any of its subsidiary undertakings.

Minority interests.

15. (1) The formats in the Schedules to the Companies (Accounts) Act, 1999 have effect in relation to group accounts with the following additions.

(2) In the Balance Sheet Formats a further item headed “Minority interests” is added—

- (a) in Format 1, either after item J or at the end (after item K); and
- (b) in Format 2, under the general heading “LIABILITIES”, between items A and B;

and that item shall include the amount of capital and reserves attributable to shares in subsidiary undertakings included in the consolidation held by or on

behalf of persons other than the parent company and its subsidiary undertakings.

(3) In the Profit and Loss Account Formats a further item headed “Minority interests” is added—

- (a) in Format 1, between items 14 and 15;
- (b) in Format 2, between items 16 and 17;
- (c) in Format 3, between items 7 and 8 in both sections A and B;
and
- (d) in Format 4, between items 9 and 10 in both sections A and B;

and that item shall include the amount of any profit or loss on ordinary activities attributable to shares in subsidiary undertakings included in the consolidation held by or on behalf of persons other than the parent company and its subsidiary undertakings.

(4) In the Profit and Loss Account Formats a further item headed “Minority interests” is inserted—

- (a) in Format 1, between items 18 and 19;
- (b) in Format 2, between items 20 and 21;
- (c) in Format 3, between items 9 and 10 in section A and between items 8 and 9 in section B; and
- (d) in Format 4, between items 11 and 12 in section A and between items 10 and 11 in section B;

and that item shall include the amount of any profit or loss on extraordinary activities attributable to shares in subsidiary undertakings included in the consolidation held by or on behalf of persons other than the parent company and its subsidiary undertakings.

16. *Omitted.*

Joint ventures.

17. (1) Where an undertaking included in the consolidation manages another undertaking jointly with one or more undertakings not included in the consolidation, that other undertaking (“the joint venture”) may be dealt with in the group accounts by the method of proportional consolidation, if it is not—

- (a) a corporate body; or
- (b) a subsidiary undertaking of the parent company.

(2) The provisions of this Schedule relating to the preparation of consolidated accounts apply, with any necessary modifications, to proportional consolidation under this paragraph.

Associated undertakings.

18. (1) An “associated undertaking” means an undertaking in which an undertaking included in the consolidation has a participating interest and over whose operating and financial policy it exercises a significant influence, and which is not—

- (a) a subsidiary undertaking of the parent company; or
- (b) a joint venture dealt with in accordance with paragraph 17.

(2) Where an undertaking holds 20 per cent or more of the voting rights in another undertaking, it shall be presumed to exercise a significant influence over it unless the contrary is shown.

(3) The voting rights in an undertaking means the rights conferred on shareholders in respect of their shares or, in the case of an undertaking not having a share capital, on members, to vote at general meetings of the undertaking on all, or substantially all, matters.

(4) The provisions of paragraphs 5 to 11 of Schedule 1 apply in determining for the purposes of this paragraph whether an undertaking holds 20 per cent or more of the voting rights in another undertaking.

19. (1) The formats set out in the Schedules to the Companies (Accounts) Act, 1999 have effect in relation to group accounts with the following modifications.

(2) In the Balance Sheet Formats the items headed “Participating interest”, that is—

- (a) in Format 1, item B.111.3; and
- (b) in Format 2, item B.111.3 under the heading “ASSETS”

are replaced by two items, “Interests in associated undertakings” and “Other participating interests”.

(3) In the Profit and Loss Account Formats, the items headed “Income from participating interests”, that is—

- (a) in Format 1, item 8;
- (b) in Format 2, item 10;
- (c) in Format 3, item B.4; and
- (d) in Format 4, item B.6;

are replaced by two items, “Income from interests in associated undertakings” and “Income from other participating interests”.

20. (1) The interest of an undertaking in an associated undertaking, and the amount of profit or loss attributable to such an interest, shall be shown by the equity method of accounting (including dealing with any goodwill arising in accordance with paragraphs 1 to 3 and 5 of section A of Part II of Schedule 4 to the Companies (Accounts) Act, 1999).

(2) Where the associated undertaking is itself a parent undertaking, the net assets and profits or losses to be taken into account are those of the parent and its subsidiary undertakings (after making any consolidation adjustments).

(3) The equity method of accounting need not be applied if the amounts in question are not material for the purpose of giving a true and fair view.

SCHEDULE 3

Sections 7A(3) and (4)

DISCLOSURE OF INFORMATION: RELATED UNDERTAKINGS

PART I

COMPANIES NOT REQUIRED TO PREPARE GROUP ACCOUNTS

Subsidiary undertakings.

1. The following information shall be given where at the end of the financial year the company has subsidiary undertakings—

- (a) the name of each subsidiary undertaking;
- (b) for each subsidiary undertaking—
 - (i) if it has its registered office outside the United Kingdom or Gibraltar, the country in which it has its registered office; or
 - (ii) if it is unincorporated, the address of its principal place of business;
- (c) the reason why the company is not required to prepare group accounts; and
- (d) if that reason is that all the subsidiary undertakings of the company fall within the exclusions provided for in section 9, with respect to each subsidiary undertaking which of those exclusions applies.

Holdings in subsidiary undertakings.

2. (1) In relation to shares of each class held by the company in a subsidiary undertaking the following shall be shown—

- (a) the identity of the class; and
- (b) the proportion of the nominal value of the shares of that class represented by those shares.

(2) The shares held by or for the company itself shall be distinguished from those attributed to the company which are held by or for a subsidiary undertaking.

Financial information about subsidiary undertakings.

3. (1) For each subsidiary undertaking the following shall be shown—

(a) the total amount of its capital and reserves as at the end of its relevant financial year; and

(b) its profit or loss for that year.

(2) The information in subparagraph (1) need not be given if—

(a) the company is exempt by virtue of section 8 from the requirement to prepare group accounts (parent company included in accounts of larger group);

(b) the subsidiary undertaking is not required by any provision made by or under the Companies Act to deliver to the Registrar a copy of its balance sheet for its relevant financial year and does not otherwise publish that balance sheet in Gibraltar or elsewhere; and

(c) the company's holding is less than 50 per cent of the nominal value of the shares in the undertaking.

(4) Information otherwise required by this paragraph need not be given if it is not material.

(5) For the purposes of this paragraph the “relevant financial year” of a subsidiary undertaking is—

(a) if its financial year ends with that of the company, that year; and

(b) if not, its financial year ending last before the end of the company's financial year.

Financial years of subsidiary undertakings.

4. Where the financial year of one or more subsidiary undertakings did not end with that of the company, there shall be shown in relation to each such undertaking—

- (a) the reasons why the company's directors consider that its financial year should not end with that of the company; and
- (b) the date its latest financial year ended.

Instead of the dates required by subparagraph (b) being given for each subsidiary undertaking the earliest and latest of those dates may be given.

Further information about subsidiary undertakings.

5. (1) There shall be shown—

- (a) any qualifications contained in the auditors' reports on the accounts of subsidiary undertakings for financial years ending with or during the financial year of the company; and
- (b) any note or saving contained in such accounts to call attention to a matter which, apart from the note or saving, would properly have been referred to in such a qualification;

insofar as the matter which is the subject of the qualification or note is not covered by the company's own accounts and is material from the point of view of its members.

(2) The amount of the total investment of the company in the shares of subsidiary undertakings shall be stated by way of the equity method of valuation, unless—

- (a) the company is exempt from the requirement to prepare group accounts by virtue of section 8; and
- (b) the directors state their opinion that the total value of the assets of the company consisting of shares in, or amounts owing (whether on account of a loan or otherwise) from, the company's subsidiary undertakings is not less than the total of the amounts at which those assets are stated or included in the company's balance sheet.

(3) In so far as information required by this paragraph is not obtainable, a statement to that effect shall be given instead.

Shares and debentures of company held by subsidiary undertakings.

6. (1) The number, description and amount of the shares in and debentures of the company held by or on behalf of its subsidiary undertakings shall be shown.

(2) Subparagraph (1) does not apply in relation to shares or debentures in the case of which the subsidiary undertaking is concerned as personal representative or, subject to subparagraph (3), as trustee.

(3) The exception for shares or debentures in relation to which the subsidiary undertaking is concerned as trustee does not apply if the company, or any subsidiary undertaking of the company, is beneficially interested under the trust, otherwise than by way of security only for the purposes of a transaction entered into by it in the ordinary course of a business which includes the lending of money.

Significant holdings in undertaking other than subsidiary undertakings.

7. (1) The information required by paragraphs 8 and 9 shall be given where at the end of the financial year the company has a significant holding in an undertaking which is not a subsidiary undertaking of the company.

(2) A holding is significant for this purpose if—

- (a) it amounts to 10 per cent or more of the nominal value of any class of shares in the undertaking; or
- (b) the amount of the holding (as stated or included in the company's accounts) exceeds one-tenth of the amount (as so stated) of the company's assets.

8. (1) There shall be stated—

- (a) the name of the undertaking;
- (b) if the undertaking has its registered office outside Gibraltar, the country in which it has its registered office; and
- (c) if it is unincorporated, the address of its principal place of business.

(2) There shall also be stated—

- (a) the identity of each class of shares in the undertaking held by the company; and
- (b) the proportion of the nominal value of the shares of that class represented by those shares.

9. (1) Where the company has a significant holding in an undertaking amounting to 20 per cent or more of the nominal value of the shares in the undertaking, there shall also be stated—

- (a) the total amount of the capital and reserves of the undertaking as at the end of its relevant financial year; and
- (b) its profit or loss for that year.

(2) That information need not be given if—

- (a) the company is exempt by virtue of section 8 from the requirement to prepare group accounts; and
- (b) the investment of the company in all undertakings in which it has such a holding as is mentioned in subparagraph (1) is shown, in total, in the notes to the accounts by way of the equity method of valuation.

(3) That information need not be given in respect of an undertaking if—

- (a) the undertaking is not required by any provision made by or under the Act to deliver to the Registrar a copy of its balance sheet for its relevant financial year and does not otherwise publish that balance sheet in Gibraltar or elsewhere; and
- (b) the company's holding is less than 50 per cent of the nominal value of the shares in the undertaking.

(4) Information otherwise required by this paragraph need not be given if it is not material.

(5) For the purposes of this paragraph the “relevant financial year” of an undertaking is—

- (a) if its financial year ends with that of the company, that year; and
- (b) if not, its financial year ending last before the end of the company's financial year.

Membership of certain undertakings.

10. (1) The information required by this paragraph shall be given where at the end of the financial year the company is a member of a qualifying undertaking.

- (2) There shall be stated–
 - (a) the name and legal form of the undertaking; and
 - (b) the address of the undertaking’s registered office (whether in or outside Gibraltar) or, if it does not have such an office, its head office (whether in or outside Gibraltar).
- (3) Information otherwise required by subparagraph (2) need not be given if it is not material.
- (4) In this paragraph “qualifying undertaking” means a qualifying partnership or a qualifying company.

Parent undertaking drawing up accounts for larger group.

11. (1) Where the company is a subsidiary undertaking, the following information shall be given with respect to the parent undertaking of–

- (a) the largest group of undertakings for which group accounts are drawn up and of which the company is a member; and
 - (b) the smallest such group of undertakings.
- (2) There shall be stated–
- (a) the name of the parent undertaking;
 - (b) if the undertaking has its registered office outside Gibraltar, the country in which it has its registered office; and
 - (c) if it is unincorporated, the address of its principal place of business.

(3) If copies of the group accounts referred to in subparagraph (1) are available to the public, the addresses from which copies of the accounts can be obtained must be given.

Identification of ultimate parent company.

12. (1) Where the company is a subsidiary undertaking, the following information shall be given about the company (if any) regarded by the directors as being the company’s ultimate parent company–

- (a) the name of that company; and

- (b) the country in which it is incorporated, if it is incorporated outside Gibraltar and that country is known to the directors.

(2) In this paragraph “company” includes any corporate body.

Construction of references to shares held by company.

13. (1) References in this Part to shares held by a company shall be construed as follows.

(2) For the purposes of paragraphs 2 to 5 (information about subsidiary undertakings)–

- (a) the company shall be treated as holding any shares held by a subsidiary undertaking, or by a person acting for the company or a subsidiary undertaking; but
- (b) the company shall not be treated as holding any shares held for a person other than the company or a subsidiary undertaking.

(3) For the purposes of paragraphs 7 to 9 (information about undertakings other than subsidiary undertakings)–

- (a) the company shall be treated as holding shares held for it by any person; but
- (b) the company shall not be treated as holding shares held for a person other than the company.

(4) For the purposes of any of those provisions, shares held by way of security shall be treated as held by the person providing the security–

- (a) where apart from the right to exercise them for the purpose of preserving the value of the security, or of realising it, the rights attached to the shares are exercisable only in accordance with his instructions; and
- (b) where the shares are held in connection with the granting of loans as part of normal business activities and apart from the right to exercise them for the purpose of preserving the value of the security, or of realising it, the rights attached to the shares are exercisable only in his interests.

PART II.
COMPANIES REQUIRED TO PREPARE GROUP ACCOUNTS.

Introductory.

14. In this Part “the group” means the group consisting of the parent company and its subsidiary undertakings.

Subsidiary undertakings.

15. (1) The following information shall be given with respect to the undertakings which are subsidiary undertakings of the parent company at the end of the financial year—

- (a) the name of each undertaking;
- (b) if the undertaking has its registered office outside Gibraltar, the country in which it has its registered office; and
- (c) if it is unincorporated, the address of its principal place of business.

(2) It shall also be stated whether the subsidiary undertaking is included in the consolidation and, if it is not, the reasons for excluding it from consolidation shall be given.

(3) It shall be stated with respect to each subsidiary undertaking by virtue of which of the conditions specified in section 2(2) or (4) it is a subsidiary undertaking of its immediate parent undertaking. That information need not be given if the relevant condition is that specified in subsection 2(2)(a) (holding of a majority of the voting rights) and the immediate parent undertaking holds the same proportion of the shares in the undertaking as it holds voting rights.

Holdings in subsidiary undertakings.

16. (1) The following information shall be given with respect to the shares of a subsidiary undertaking held—

- (a) by the parent company; and
- (b) by the group;

and the information under heads (a) and (b) must (if different) be shown separately.

(2) The proportion of the nominal value of the shares of that class represented by those shares shall be given.

Financial information about subsidiary undertakings not included in the consolidation.

17. (1) Each subsidiary undertaking not included in the consolidation shall disclose—

- (a) the total amount of its capital and reserves as at the end of its relevant financial year; and
- (b) its profit or loss for that year.

(2) That information need not be given if the group's investment in the undertaking is included in the accounts by way of the equity method of valuation or if—

- (a) the undertaking is not required by any provision made by or under the Companies Act to deliver to the Registrar a copy of its balance sheet for its relevant financial year and does not otherwise publish that balance sheet in Gibraltar or elsewhere; and
- (b) the holding of the group is less than 50 per cent of the nominal value of the shares in the undertaking.

(3) Information otherwise required by this paragraph need not be given if it is not material.

(4) For the purposes of this paragraph the “relevant financial year” of a subsidiary undertaking is—

- (a) if its financial year ends with that of the company, that year; and
- (b) if not, its financial year ending last before the end of the company's financial year.

Further information about subsidiary undertakings excluded from consolidation.

18. (1) The following information shall be given about subsidiary undertakings excluded from consolidation.

(2) There shall be disclosed—

- (a) any qualifications contained in the auditors' reports on the accounts of the undertaking for financial years ending with or during the financial year of the company; and

- (b) any note or saving contained in such accounts to call attention to a matter which, apart from the note or saving, would properly have been referred to in such a qualification,

insofar as the matter which is the subject of the qualification or note is not covered by the consolidated accounts and is material from the point of view of the members of the parent company.

(3) In so far as information required by this paragraph is not obtainable, a statement to that effect shall be given.

Financial years of subsidiary undertakings.

19. Where the financial year of one or more subsidiary undertakings did not end with that of the company, there shall be stated in relation to each such undertaking—

- (a) the reasons why the company's directors consider that its financial year should not end with that of the company; and
- (b) the date its latest financial year ended.

Instead of the dates required by subparagraph (b) being given for each subsidiary undertaking the earliest and latest of those dates may be given.

Shares and debentures of company held by subsidiary undertakings.

20. (1) The number, description and amount of the shares in and debentures of the company held by or on behalf of its subsidiary undertakings shall be disclosed.

(2) Subparagraph (1) does not apply in relation to shares or debentures in the case of which the subsidiary undertaking is concerned as personal representatives or, subject to subparagraph (3), as trustee.

(3) The exception for shares or debentures in relation to which the subsidiary undertaking is concerned as trustee does not apply if the company or any of its subsidiary undertakings is beneficially interested under the trust, otherwise than by way of security only for the purposes of a transaction entered into by it in the ordinary course of a business which includes the lending of money.

Joint ventures.

21. (1) The following information shall be given where an undertaking is dealt with in the consolidated accounts by the method of proportional

consolidation in accordance with paragraph 17 of Schedule 2 (joint ventures)–

- (a) the name of the undertaking;
- (b) the address of the principal place of business of the undertaking;
- (c) the factors on which joint management of the undertaking is based; and
- (d) the proportion of the capital of the undertaking held by undertakings included in the consolidation.

(2) Where the financial year of the undertaking did not end with that of the company, the date on which a financial year of the undertaking last ended before that date shall be given.

Associated undertakings.

22. (1) The following information shall be given where an undertaking included in the consolidation has an interest in an associated undertaking–

- (a) the name of the associated undertaking;
- (b) if the undertaking has its registered office outside Gibraltar, the country in which it has its registered office; and
- (c) if it is unincorporated, the address of its principal place of business.

(2) The following information shall be given about the shares of the undertaking held–

- (a) by the parent company; and
- (b) by the group,

and the information under heads (a) and (b) shall be shown separately.

(3) Information shall be given about–

- (a) the identity of each class of shares held; and
- (b) the proportion of the nominal value of the shares of that class represented by those shares.

(4) In this paragraph “associated undertaking” has the meaning given by paragraph 18 of Schedule 2; and the information required by this paragraph shall be given notwithstanding that paragraph 20(3) of that Schedule (materiality) applies in relation to the accounts themselves.

Other significant holdings of parent company or group.

23. (1) The information required by paragraph 24 and 25 shall be given where at the end of the financial year the parent company has a significant holding in an undertaking which is not one of its subsidiary undertakings and does not fall within paragraph 21 (joint ventures) or paragraph 22 (associated undertakings).

- (2) A holding is significant for this purpose if—
- (a) it amounts to 10 per cent or more of the nominal value of any class of shares in the undertaking; or
 - (b) the amount of the holding (as stated or included in the company’s individual accounts) exceeds one-tenth of the amount of its assets (as so stated).

24. (1) The information required is—

- (a) the name of the undertaking;
- (b) if the undertaking has its registered office outside Gibraltar, the country in which it has its registered office; and
- (c) if it is unincorporated, the address of its principal place of business.

(2) The following information shall be given about the shares of the undertaking held by the parent company—

- (a) the identity of each class of shares held; and
- (b) the proportion of the nominal value of the shares of that class represented by those shares.

25. (1) Where the company has a significant holding in an undertaking amounting to 20 per cent or more of the nominal value of the shares in the undertaking, the accounts must contain—

- (a) the total amount of the capital and reserves of the undertaking as at the end of its relevant financial year; and

- (b) its profit or loss for that year.
- (2) That information need not be given in respect of an undertaking if—
 - (a) the undertaking is not required by any provision made by or under the Companies Act to deliver to the Registrar a copy of its balance sheet for its relevant financial year and does not otherwise publish that balance sheet in Gibraltar or elsewhere; and
 - (b) the company's holding is less than 50 per cent of the nominal value of the shares in the undertaking.
- (3) Information otherwise required by this paragraph need not be given if it is not material.
- (4) For the purposes of this paragraph the “relevant financial year” of an undertaking is—
 - (a) if its financial year ends with that of the company, that year; and
 - (b) if not, its financial year ending last before the end of the company's financial year.

26. (1) The information required by paragraphs 27 and 28 shall be given where at the end of the financial year the group has a significant holding in an undertaking which is not a subsidiary undertaking of the parent company and does not fall within paragraph 21 (joint ventures) or paragraph 22 (associated undertakings).

- (2) A holding is significant for this purpose if—
 - (a) it amounts to 10 per cent or more of the nominal value of any class of shares in the undertaking; or
 - (b) the amount of the holding (as stated or included in the group accounts) exceeds one-tenth of the amount of the group's assets (as so stated).

27. (1) The information required is—

- (a) the name of the undertaking;
- (b) if the undertaking has its registered office outside Gibraltar, the country in which it has its registered office; and

(c) if it is unincorporated, the address of its principal place of business.

(2) The following information shall be given about the shares of the undertaking held by the group—

- (a) the identity of each class of shares held; and
- (b) the proportion of the nominal value of the shares of that class represented by those shares.

28. (1) Where the holding of the group amounts to 20 per cent or more of the nominal value of the shares in the undertaking, there must also be stated—

- (a) the total amount of the capital and reserves of the undertaking as at the end of its relevant financial year; and
- (b) its profit or loss for that year.

(2) That information need not be given if—

- (a) the undertaking is not required by any provision made by or under the Companies Act to deliver to the Registrar a copy of its balance sheet for its relevant financial year and does not otherwise publish that balance sheet in Gibraltar or elsewhere; and
- (b) the holding of the group is less than 50 per cent of the nominal value of the shares in the undertaking.

(3) Information otherwise required by this paragraph need not be given if it is not material.

(4) For the purposes of this paragraph the “relevant financial year” of an undertaking is—

- (a) if its financial year ends with that of the parent company, that year; and
- (b) if not, its financial year ending last before the end of the parent company’s financial year.

Parent company’s or group’s membership of certain undertakings.

29. (1) The information required by this paragraph shall be given where at the end of the financial year the parent company or group is a member of a qualifying undertaking.

(2) The information required is—

- (a) the name and legal form of the undertaking; and
- (b) the address of the undertaking's registered office (whether in or outside Gibraltar) or, if it does not have such an office, its head office (whether in or outside Gibraltar).

(3) The information required by subparagraph (2) need not be given if it is not material.

(4) In this paragraph “qualifying undertaking” means a qualifying partnership or a qualifying company.

Parent undertaking drawing up accounts for larger group.

30. (1) Where the parent company is itself a subsidiary undertaking, the following information shall be given about that parent company which heads—

- (a) the largest group of undertakings for which group accounts are drawn up and of which that company is a member; and
- (b) the smallest such group of undertakings.

(2) There shall be stated—

- (a) the name of that parent undertaking;
- (b) the country in which it has its registered office, if that is outside Gibraltar; and
- (c) if it is unincorporated, the address of its principal place of business.

(3) If copies of the group accounts referred to in subparagraph (1) are available to the public, the addresses from which copies of the accounts can be obtained shall also be given.

Identification of ultimate parent company.

31. (1) Where the parent company is itself a subsidiary undertaking, the following information shall be given about the company (if any) regarded by the directors as being that company's ultimate parent company—

- (a) the name of that company; and
- (b) the country in which it has its registered office, if that office is outside Gibraltar and the country is known to the directors.

(2) In this paragraph “company” includes any corporate body.

Construction of references to shares held by parent company or group.

32. (1) References in this Part to shares held by the parent company or the group shall be construed as follows.

(2) For the purposes of paragraphs 16, 22(4) and (5) and 23 to 25 (information about holdings in subsidiary and other undertakings)—

- (a) the parent company shall be treated as holding shares held for it by any person; but
- (b) the parent company shall not be treated as holding shares held for a person other than the company.

(3) References to shares held by the group are to any shares held by or for the parent company or any of its subsidiary undertakings; but any shares held for a person other than the parent company or any of its subsidiary undertakings shall not be treated as held by the group.

(4) Shares held by way of security shall be treated as held by the person providing the security—

- (a) where apart from the right to exercise them for the purpose of preserving the value of the security, or of realising it, the rights attached to the shares are exercisable only in accordance with his instructions; and
- (b) where the shares are held in connection with the granting of loans as part of normal business activities and apart from the right to exercise them for the purpose of preserving the value of the security, or of realising it, the rights attached to the shares are exercisable only in his interests.

Risk management systems.

33.(1) A consolidated annual report shall give a description of the main features of the group's internal control and risk management systems in relation to the process for preparing consolidated accounts, where an undertaking has its securities admitted to trading on a regulated market within the meaning of the Financial Services (Markets in Financial Instruments) Act 2007. In the event that the consolidated annual report and the directors' report are presented as a single report, this information must be included in the section of the report containing the corporate governance statement as provided for in section 8ZZAA of the Companies (Accounts) Act 1999.

(2) Where the information required by section 8ZZAA of the Companies (Accounts) Act 1999 is set out in a separate report published together with the directors' report in the manner prescribed by that Act, the information provided under subsection (1) shall also form part of that separate report, which shall be audited in accordance with the provisions of this Act.

PART III. EMOLUMENTS OF DIRECTORS AND STAFF COSTS.

1. Without prejudice to sections 199 and 202 of the Companies Act the notes to the accounts of a company to which Part II applies shall disclose the following matters—

- (a) *Omitted;*
- (b) *Omitted;*
- (c) the amount of emoluments paid to or receivable by any person for—
 - (a) his services as a director of the company; or
 - (b) his services while director of the company—
 - (i) as director of any of its subsidiary undertakings; or
 - (ii) otherwise in connection with the management of the affairs of the company or any of its subsidiary undertakings.

2. The total amount within paragraph 3(a) and (b)(i) and the total amount within paragraph 3(b)(ii) shall be shown separately.

3. For the purposes of this Part, the “emoluments” of a person include—

- (a) fees and percentages;
- (b) sums paid by way of expenses allowance (so far as those sums are chargeable to income tax in Gibraltar);
- (c) contributions paid for him under any pension scheme; and
- (d) the estimated money value of any benefits received by him otherwise than in cash,

and the emoluments in respect of a person's accepting office as director shall be treated as emoluments in respect of his services as director.

4. The total amount of directors' or past directors' retirement pensions shall be shown, and the amount so shown shall distinguish between retirement pensions in respect of services as director, whether of the company or any of its subsidiaries, and other pensions.

5. The amounts of advances and credits granted to the directors of the parent undertaking by that undertaking or one of its subsidiary undertakings shall be shown, with indications of the interest rates, main conditions and any amounts repaid, as well as commitments entered into on their behalf by way of guarantees of any kind with an indication of the total for each category.