



Banc Ceannais na hÉireann  
Central Bank of Ireland

Eurosystem

2008

## Guidance on the treatment of Foreign Exchange Movements/Retranslations for Non-Life Returns



There are three instances where Foreign Exchange Movements or Retranslation occurs in the non-life annual returns. They are as follows:

- (i) Foreign Exchange movement occurring on Premium Income and Claims Provisions;
- (ii) Foreign Exchange retranslation on Capital; and
- (iii) Foreign Exchange Retranslation on Retained Profits carried forward.

(i) Foreign Exchange movement occurring on Premium Income and Claims Provisions

This will appear on the Revenue Account as a "Foreign Exchange Gain/Loss" at Line 17 and will be calculated as part of the Underwriting Profit/Loss which will then transfer to the Profit and Loss Account (Form 1) and will appear on Form 14 as part of the "Non allocated profits in respect of the last financial year" – Line 1.4.2.

(ii) Foreign Exchange retranslation on Capital

This is a Foreign Exchange retranslation of the issued Capital and reflects a decrease/increase in the exchange rate of Capital originally issued in a different currency against the original Euro equivalent. It will appear on the Balance Sheet (Form 10) as an "Exchange Reserve". On the Form 14, this figure should appear as a "Statutory Reserve" at Line 1.3.1.

(iii) Foreign Exchange Retranslation on Retained Profits carried forward

This is a Foreign Exchange retranslation of the "Opening Retained Profit" figure on the Profit and Loss Account (Form 11) and reflects a decrease/increase in the value of the Retained Profits carried forward from the previous year. The retranslation will arise due to differences in the exchange rate used to calculate Retained Profits (held in a foreign currency) at the start of the Financial Year as compared to what they are worth at the end of the financial period in question. The difference will appear on the Form 11 (after the "Profit retained for the Year" and the "Opening Retained Profit" figures) and will be added or subtracted to give the "Profits Retained".

On the Form 14, the actual figure for the "Opening Retained Profit" on the Form 11 should appear at Line 1.4.1 ("Balance Carried forward from previous years"); the actual figure for the "Profit retained for the Year" should appear on Form 14 at Line 1.4.2 ("Non allocated profits in respect of the last financial year"); and the "Foreign Exchange Retranslation" figure on the Form 11 should appear on the Form 14 at Line 1.7. ("Other Items (please specify)").



T +353 1 224 4000    F +353 1 894 4631    [www.centralbank.ie](http://www.centralbank.ie)    [insurance@centralbank.ie](mailto:insurance@centralbank.ie)



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**Bosca OP 11517, Duga Spencer, Baile Átha Cliath 1, Éire  
PO. Box No 11517, Spencer Dock, Dublin 1, Ireland**

