Centraal Bureau voor de Statistiek

Explanatory note

Annual survey of Finances of Enterprises

Version 2.0

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1. Purpose of the questionnaire and recent amendments

Purpose of this questionnaire
The CBS (*Centraal Bureau voor de Statistiek*) uses the data from this questionnaire to compile the Dutch non-financial sector accounts.

In addition, the Statistical Office of the European Union (Eurostat) uses the data to compile the sector accounts of the Economic and Monetary Union (EMU) and the European Union (EU).

What has changed as a result of the cooperation between CBS and DNB?
In 2019, two questionnaires from CBS, the Quarterly Survey of Finances of Enterprises (KSFO) and the Annual Statistics of Finances of Large Enterprises (SFGO), and two from De Nederlandsche Bank (Direct reporting: DRA on a monthly and annual basis) were combined into one questionnaire per quarter. The changes resulting from this have been applied to the original annual questionnaire, the SFGO.

To the extent possible, this new questionnaire is based on statistical concepts according to the guidelines of Eurostat and the European Central Bank (ECB), while consistency with the annual accounts model ensures recognition from the accounting point of view. In a small number of cases, statistical terms are not fully consistent with the company accounting previously applied for the purpose of statistics of finances of enterprises (*Statistiek Financiën van Ondernemingen – SFO*). The main differences between statistical and accounting terms are:

- the maturity of receivables and payables is based on the original rather than the residual maturity,
- participating interests are taken to be holdings of 10% or more, and
- changes in assets and liabilities are based on operating income, i.e. net income or expenses excluding non-operating items such as impairments and unrealised gains.

Changes with effect from 2020
With effect from the statistical year 2020, the items 'Non-recurring income' and 'Non-recurring expenses' have been changed to the items 'Extraordinary income' and 'Extraordinary expenses'. Since 2020, the NOW scheme has come into effect. More information on the accounting of this scheme in the questionnaire can be found in sections 2.3.7, 5.2 and 5.4.

2. Key terms and areas for attention

2.1 General information

This chapter discusses key terms and areas for attention.

The questionnaire concerns the balance sheet and profit and loss account before profit appropriation. If the contacted enterprise has group companies based in **the Netherlands**, we would ask you to submit **consolidated** information for the Dutch group. This means that group companies based **abroad** must be excluded from the **consolidation**. The relationships with these group companies can be included in various sections under the item "foreign participating interests".

Reporting period
The reporting period concerns the calendar year 2020.
If your enterprise's financial year does not coincide with the calendar year, please report on the financial year that ends on a date between 1-4-2020 and 31-3-2021.

Currency unit
All amounts must be rounded off to the nearest EUR 1,000.

Figures that can be either positive or negative
For items where amounts can be either positive or negative (e.g. "minority interests" and "net reversals/impairments"), the figure must be preceded by a minus sign (-) for a negative value.

Structure and consolidation cluster
The questionnaire contains the most recent organisation structure, the top and all group companies based in the Netherlands, specifying the consolidation method and the percentage of the holding. If previous to or during the reporting period changes have occurred in the supplied organisation structure, CBS must be informed accordingly in the comments field of the questionnaire. Changes in the organisation structure must be reflected in the reported figures.

2.2 Key terms used

2.2.1 Consolidated report

The questionnaire requests data about the balance sheet and profit and loss account before profit appropriation. To the extent relevant, this involves the integral consolidated information for the contacted enterprise, including all group companies based in the Netherlands in which the parent company holds more than half of the voting capital or in which, under additional arrangements, the parent company has decisive control over the group company's management and financial policy. Relationships with any parent, subsidiary or sister company based abroad must be accounted for as a foreign group company.

Territory principle
The territory principle is decisive for the requested consolidation. The distinction between domestic and foreign legal forms of group companies is not relevant. This means that foreign legal entities based in the Netherlands must also be included in the consolidation. Conversely, any group company with a Dutch legal form which is based abroad must be excluded from the consolidation.

In addition, the description “based in the Netherlands” must be interpreted in spirit rather than in letter. For instance, a Dutch private limited liability company based in the Netherlands for legal purposes but conducting virtually all of its activities abroad on a permanent basis must be excluded from the consolidation and stated as a foreign group company.

Branch offices and/or permanent establishments

Branch offices and permanent establishments of group companies based in the Netherlands that are active outside the Netherlands must be excluded from the consolidation and reported in the questionnaire as foreign group companies. Conversely, branch offices and/or permanent establishments of group companies based outside the Netherlands that are active in the Netherlands must be consolidated.

2.2.2 Domestic-foreign-domestic constructions

A domestic-foreign-domestic construction occurs when a domestic group company is a subsidiary of a foreign group company that is not to be included in the consolidation. This domestic group company should be included in the figures as follows. The equity of this domestic group company must be added to the equity of the company. Elimination of the equity of this group company on the item 'Participating interests foreign' is not desirable in this case. The receivables and debts that this domestic group company has with other domestic group companies, within the company that has been registered, must be eliminated.

In the item ' Changes and specifications Equity, incl. members capital code 266', the equity of this domestic group company must be allocated under the category 'Foreign companies'.

The result of the domestic group company, which has been included in the nominated company through this domestic-foreign-domestic construction, must be fully processed in the profit and loss account of the foreign group company. The item ‘Results of group companies and other participating interests foreign' of the company that has been contacted therefore also contains the result of the domestic group company.

2.2.3 Financial institutions

Financial institutions and special financial institutions (SFIs) are excluded from the consolidation and are accounted for under group companies and other domestic participating interests.

The term 'financial institution' means:

- Money-creating financial institutions, e.g. universal banks, banks organised on a cooperative basis and universal savings banks;
- Other financial institutions, e.g. mortgage banks, building societies, consumer credit institutions, repayment and hire-purchase finance institutions, bill brokers, investment funds and local government banks;
- Insurance companies; and
- Pension funds.
- Special financial institutions (SFIs).

2.3 Important points for attention

2.3.1 Change in accounting policy
If the enterprise changes its accounting policy (change in principles), the opening balance sheet in the questionnaire must be adjusted accordingly.

2.3.2 Acquisition or privatisation in the course of the financial year
If, during the course of the financial year, your addressed company was taken over, privatised or was sold, please contact CBS by telephone at +31 45 570 6973 or by email at statnfo@cbs.nl, to discuss whether and if so, which data must be provided.
If, during the course of the financial year, your addressed company has taken over or set up a group company in the Netherlands, this new group company must be consolidated into the closing figures of the balance sheet and into the profit and loss account from the date of acquisition or incorporation. If the contacted enterprise sold or wound up any group company based in the Netherlands, the relevant group company or companies must be consolidated only into the opening figures of the balance sheet and into the profit and loss account until the sale or winding-up date.

2.3.3 Temporary staff and other forms of hiring (self-employed without personnel)
Costs of temporary staff and other forms of hiring (self-employed without personnel) must be included under the item "Purchases and other operating costs" (codes 461 and 462) rather than under "Wages, salaries, social security contributions, pension costs and other personnel costs of salaried personnel" (code 455).
If, however, the contacted enterprise is a temporary staffing agency or if the consolidation includes one or more temporary staffing agencies, we would ask that you <u>do</u> include the costs of the deployed staff under the item "Wages, salaries, social security contributions, pension costs and other personnel costs of salaried personnel" (code 455).

2.3.4 Writing-off or cancelling loans
The write-off or cancellation of a loan must be processed in the profit and loss account under "Other financial income and expenses" (codes 520 and 525).

2.3.5 Reclassifications
Reclassifications are about positions that are moved from one reporting category to the other without real changes occurring. Reclassifications must be reported as "Other changes". For example shareholdings abroad exceeding 10% must be reported under main item 032 "Group companies and other participating interests foreign". If such shareholdings fall below the 10% limit, however, they must be reported under main item 162 "Securities". This results in a negative "Other change" under participating interests and a corresponding positive "Other change" under shareholdings.

2.3.6 Gains and losses on sale or disposal
Gains and losses on the sale or disposal of tangible and intangible fixed assets must be included in "(net) turnover and other operating income" (codes 446 and 447). Gains and losses on the sale or disposal of equity participations must be included under "Results of group companies and other participating interests" (codes 492 and 493) in the profit and loss account.

2.3.7 Subsidies

Subsidies concerning the NOW scheme and employment subsidies must not be deducted from wage costs (code 455) but must be included under "Income from grants, etc." (code 470). Repayment of unjustified NOW grants received should be deducted from the item 'Income from grants, etc.' (code 470). Other cost-reducing subsidies must be deducted from "Purchases and other operating costs" (codes 461 and 462).

Transport companies receiving subsidies for ticket purposes must record this contribution in their turnover (codes 446 and 447).

2.3.8 Changes in balance sheet items during the year as a result of fair value adjustments, e.g. impairments

- **Intangible fixed assets**
  Changes during the year fair value adjustments must be included under balance sheet item "Revaluation". In the profit and loss account, the changes must be reflected in the item "Net Reversals / Impairments" (code 468).
  Existing **negative goodwill** must be credited to the reserve in the opening balance sheet.

- **Tangible fixed assets**
  Changes during the year reflecting fair value adjustments must be included under the balance sheet item "Revaluation". In the profit and loss account, the changes must be reflected under the item "Net Reversals / Impairments" (code 468).

- **Group companies and other participating interests domestic**
  Changes during the year reflecting fair value adjustments must be included under the balance sheet item "Revaluation". In the profit and loss account, the change must be reflected in "Results of group companies and other participating interests domestic" (code 492).

- **Group companies and other participating interests foreign**
  Changes during the year reflecting fair value adjustments must be included under the balance sheet item "Revaluation". In the profit and loss account, these changes must be reflected in "Results of group companies and other participating interests foreign" (code 493).

2.3.9 Preference shares

Preference shares must be presented as loan capital. Preference share dividend distributions must be included in "Interest expenses" (codes 510 and 515).
If the shareholders' meeting can block a dividend distribution or repayment indefinitely, this qualifies as "Paid-up and called-up capital" (code 250). Preference share dividend distributions must be included under the item "Changes and specifications in equity, including members' capital" (code 266).

2.3.10 Release of revaluation reserve

Any "realised revaluation reserve" must not be released to the profit and loss account but be credited directly to the item "Retained earnings and other reserves" (code 265).

2.3.11 Pensions

Fair-value changes in pensions must be credited/debited directly to the item "Retained earnings and other reserves" (code 265).

3. Balance sheet, assets

3.1 Tangible and intangible assets (codes 005, 006 and 009)

Immovable property must be reported separately under the item "tangible fixed assets". Your enterprise must report "immovable property located abroad" if it buys or sells immovable property abroad directly, i.e. not via a foreign subsidiary. These are always premises "not in use by the company", as non-resident parts of the reporting enterprise may not be included in the consolidation. If the immovable property is managed by a foreign subsidiary, it must be reported under "foreign participating interests". Units held in investment funds specialising in immovable property must be reported as equity investments.

3.2 Group companies and other participating interests (codes 027 and 032)

Group companies and other participating interests domestic (code 027)
The value of domestic group companies and domestic other participating interests excluded from the consolidation must be included under this item.

Your enterprise must report non-consolidated domestic group companies if it has one or more group companies classified as financial institutions or as insurance companies generally servicing a broad audience. Reference is made to section 2, "Basic principles", for a comprehensive description of the term "financial institutions".

"Other domestic participating interests" are domestic minority interests.

Group companies and other participating interests foreign (code 032)
The value of the shareholdings of all group companies based abroad must be included under this item, as they are entirely excluded from the consolidated statement.

Any other foreign minority interests must also be included in this item.

Shareholdings are not limited to transactions involving a physical cash flow but also include:

- exchange of shares
- transfer of assets and/or liabilities (in exchange for shares)
- conversion of dividends, loans or current account into shares.

3.3 Long-term receivables and investments (codes 056 to 065)

As opposed to the customary procedure, the short-term proportion of long-term receivables and investments (i.e. the repayment obligations) must also be included in this item, because of the transition from residual to original maturity.

Derivatives (code 056)
The total value of derivatives placed on the assets side of the balance sheet must be reported here. Detailed information on derivatives, including off-balance derivatives will be requested as a separate block; see chapter 7 of these notes.

3.4 Inventories and short-term receivables (codes 091 to 135)

Inventories (code 091)
The volume of work in progress and stocks of raw materials and consumables, finished goods and goods for resale, excluding prepayments on inventories must be reported here. Instalments invoiced for work in progress must be deducted from inventories.

Short-term receivables excluding repayment obligations (codes 112 to 135)
The transition from residual to original maturity implies that repayment obligations must be reported under the item "long-term receivables".

Short-term receivables from group companies and other participating interests (codes 112 and 113)
The enterprise's short-term receivables from group companies and other participating interests must be reported here. Examples include trade receivables, current account balances and money-market loans.

Trade receivables (codes 115 and 120)
This item covers trade receivables other than receivables from group companies or other participating interests (for this, see the item 'short-term receivables from group companies and other participating interests', codes 112 and 113). Forward receivables and unbilled trade receivables must also be reported under this item.

Pensions (code 127)
The balances ensuing from your pension scheme as well as the outstanding claim in pension contributions must be reported here.

Other short-term receivables (codes 130and135)
Money-market loans, unless the counterparty is a group company or other participating interest, must be reported here.

3.5 Securities (code 162)

This item covers investments that can be converted into liquid assets in the short term, excluding term deposits (codes 175 and 190) (see explanatory notes to "Liquid assets"). This item includes equity, debt securities and other negotiable instruments as participations in money market funds or other investment funds. Short-term investments also include commercial paper.

3.6 Liquid assets (codes 170 to 193)

Cash, term deposits and bank accounts must be reported under this item.

Term deposits (codes 175 and 190)
This item covers all term deposits, irrespective of the original maturity.

Bank accounts (codes 180 and 193)
This item includes bank accounts held with third parties (i.e. when there is no group company or other participating interest). For the reporting of intra-group bank accounts, see the item 'short-term receivables from group companies and other participating interests' (code 112 and 113).

This item also includes current account balances at insurance companies and pension funds.

It is not permitted to offset current account balances at banks against debts (liability item "Bank accounts", codes 390 and 395), not even with one and the same bank.

4. Balance sheet, liabilities

4.1 Third-party interests (codes 269 and 271)

As a rule, group companies based in the Netherlands are consolidated in full. If the interest is less than 100%, the value of third-party interests is recognised under the item 'Third-party interests domestic'.

If a foreign company has an interest in one of the group companies established in the Netherlands and the interest is less than 100%, the value of the third party interest is booked on the item 'Third-party interests foreign'.

4.2 Equalisation accounts, grants, etc. (code 275)

This item covers the value of grants, etc. imputable to future financial years.

4.3 Provisions (code 280)

Both short-term and long-term provisions must be reported under this item. Deferred tax liabilities and employee benefits must also be reported under this item.

4.4 Non-current liabilities (codes 307 to 333)

As opposed to what is customary, the short-term proportion of long-term liabilities (i.e. the repayment obligations) must also be included in this item, because of the transition from residual to original maturity.

Debt paper, including bond loans (code 314)
Debt paper also includes commercial paper.

Derivatives (code 318)
The total value of derivatives placed on the liabilities side of the balance sheet must be reported here. Detailed information on derivatives, including off-balance derivatives will be requested as a separate block; see chapter 7 of these notes.

4.5 Current liabilities (codes 377 to 415)

Current liabilities to group companies and other participating interests (codes 377 and 378)
Current liabilities (original maturity < 1 year) to group companies and other participating interests, e.g. trade payables, current account balances payable and money-market loans must be reported under this item.

Trade payables (codes 380 and 385)
This item covers trade payables other than payables to group companies or other participating interests (for this, see the item 'Current liabilities to group companies and other participating interests', codes 377 and 378). Forward payables and unbilled trade payables must also be reported under this item.

Bank accounts (codes 390 and 395)
This item also includes current account balances payable to insurance companies and pension funds.

It is not permitted to offset current account balances payable to banks against balances (asset item “Bank accounts”, codes 180 and 193), not even with one and the same bank.

Pensions (code 407)
The liabilities ensuing from your pension scheme as well as the outstanding amounts owing in pension contributions must be reported here.

Other current liabilities (codes 410 and 415)
Money-market loans must also be recorded here, unless the counterparty is a group company or other participating interest. Other advance payments received, excluding invoiced instalments on work in progress must also be reported here.

5. Profit and loss statement

5.1 (Net) turnover and other operating income (codes 446 to 450)

(Net) turnover includes:
a. the amounts charged to third parties for goods supplied and services provided, after deduction of rebates and discounts; "third parties" also include:
   - the foreign parent company;
   - other group companies based abroad (subsidiaries and sister companies);
   - participating interests over which the enterprise cannot exercise predominant control;
b. the increase or decrease in the stocks of finished goods and the volume of work in progress on the closing balance sheet relative to the opening balance sheet;
c. cost price increasing taxes, such as excise duties.

Other operating income is income other than from the enterprise's regular business operations, e.g.:
- tangible and intangible fixed assets created by the enterprise itself for the purpose of its own business operations, including work on existing tangible and intangible fixed assets performed by the enterprise itself that considerably extend their useful life;
- non-recurring income from leasing property, land, plant and equipment;
- receipts for labour force made available;
- income from letting residential property to employees;
- income from licences, royalties and the like;
- capitalised interest on tangible fixed assets under construction;
- profit or loss on the disposal of tangible and intangible fixed assets.

5.2 Costs (codes 455 to 465)

Wages, salaries, social security contributions, pension costs and other personnel costs of salaried personnel (code 455)
This item covers all benefits paid to employees on the payroll, irrespective of the number of hours worked. These include all actual payments and benefits to which employees are entitled as remuneration for the work performed, including employer social security and pension contributions.

Pension costs also include the employer's allocation to the pension provision.

Subsidies concerning the NOW scheme and **employment subsidies** must not be deducted from wage costs but must be included under "income from grants, etc." (code 470). Repayment of unjustified NOW grants received should be deducted from the item 'Income from grants, etc.' (code 470).However, sickness benefits received must be deducted from wage costs. Wage costs include commuting expense allowances.
Other staff costs include supplementary payments to benefits under social security legislation, employer's contributions towards non-mandatory health insurance, study expense allowances, course fees and the like. Costs of insourced and temporary staff must be included under "Purchases and other operating costs" (codes 461 and 462). See also the explanatory notes on temporary staff in section 2, "Basic principles".

Amortisation/depreciation of intangible and tangible fixed assets (codes 458 and 459)
Amortisation/depreciation in the profit and loss account must be equal to amortisation/depreciation specified in the balance sheet changes in intangible and

tangible fixed assets (code 621). Gains and losses on the disposal of tangible and intangible fixed assets must be recognised as other operating income, under "(Net) turnover and other operating income" (codes 446 to 450).

Purchases and other operating costs (codes 461 to 465)
This item covers the raw materials and consumables used and the cost of goods for resale included in net turnover (code 450). "Other operating expenses" include all costs except those related to wages (code 455), amortisation/depreciation (code 460), net reversals/impairments (code 468), interest expenses (codes 510 and 515) and other financial expenses (codes 520 and 525).

They also cover:
- price-increasing taxes to be remitted, e.g. excise duties, included in the net turnover figures;
- costs of insourced and temporary staff;
- additions to provisions, excluding deferred taxes and pensions.

5.3 Net reversals/impairments (code 468)
This item represents the balance of impairments of tangible and intangible fixed assets and reversed impairments.

5.4 Income from grants, etc. (code 470)
Grants, etc. credited to the result must be recognised separately under this item. This income must not be included in corporation tax. Subsidies concerning the NOW scheme and employment subsidies and third-party contributions must also be recognised under this item. Repayment of unjustified NOW grants received should be deducted from this item.

5.5 Financial income and expenses (codes 492 to 525)

Results of group companies and other participating interests (codes 492 and 493)
Net profits or losses from group companies and other participating interests must be reported here. This is profit or loss net of taxes and any shares of third parties. Please also refer to the "Basic principles" here, in particular the explanatory notes on consolidated annual figures. Gains and losses on the sale or disposal of shareholdings must also be recognised under "Results of group companies and other participating interests" (codes 492 and 493). Fair-value changes, e.g. impairments, relating to the participating interests must also be included under these items.
If participating interests are valued on the balance sheet at purchase price, the dividends received or receivable must be reported under these items.

Interest income (codes 500 and 505)
It is not permitted to offset interest income against interest expenses, not even with one and the same bank.

Interest expenses (codes 510 and 515)
It is not permitted to offset interest expenses against interest income, not even with one and the same bank. Capitalised interest on tangible fixed assets under construction may not be deducted from the interest expenses but must be recognised under "(net) turnover and other operating income" (codes 446 to 450).

Other financial income and expenses (codes 520 and 525)
Exchange difference arising from foreign-currency denominated transactions, receivables and payables must be recorded here (code 525). Loans written-off or cancelled must also be recognised under these items.

5.6 Extraordinary income and expenses (codes 530 and 535)

The amount that must be stated and explained separately pursuant to the new financial reporting legislation in effect since 2016 must be reported here. This item covers income and expenses of an exceptional scale or nature.

5.7 Corporation tax (code 545)

The net amount in Dutch corporation tax paid or refunded in the current year must be reported here. It is not permitted to offset subsidies against corporation tax. These must be recognised separately in "Income from grants, etc." code 470.

5.8 Share of third parties in group profit or loss (code 555)

This item concerns the share of third parties in the profit or loss after tax of the group companies based in the Netherlands that are included in the consolidated figures and in which the holding percentage is less than 100%.

6. Changes in balance sheet items and specifications

6.1 Changes in tangible and intangible assets (codes 005, 006 and 009)

If group companies were consolidated or deconsolidated in the course of the year, and there is no question of a real purchase or sale, the corresponding change must be recorded under "other changes".

Opening/closing balance
The opening balance should correspond to the closing balance of the previous year.

Acquisitions of intangible and tangible fixed assets
Gross fixed investment must be recorded here. Any related investment grants must be included under "Other changes".

Book value of sales of intangible and tangible assets
Sold as well as decommissioned or scrapped intangible and tangible fixed assets must be included here.

Amortisation/depreciation of intangible and tangible assets
Amortisation/depreciation in the profit and loss account must be equal to amortisation/depreciation specified in the balance sheet changes in intangible and tangible fixed assets.

Exchange differences
Exchange rate changes must be included under this item.

Revaluation, value adjustments on intangible and tangible fixed assets
Fair-value changes, e.g. impairments, must also be included under this item.

Other changes
This item covers all other changes in intangible and tangible fixed assets, e.g. changes arising from consolidation, deconsolidation and write-off of investment grants.

Sale value of intangible and tangible fixed assets
The actual gross sale value must be reported here, i.e. not the gain or loss relative to the book value. Gains and losses on the disposal of tangible and intangible fixed assets must be recognised as other operating income in the profit and loss account.

Income from immovable property (only in respect of immovable property)
This item concerns income from leasing or letting of immovable property.

6.2 Changes; group companies and other participating interests (codes 027 and 032)

Group companies and other participating interests domestic (code 027)
The value of domestic group companies and domestic other participating interests excluded from the consolidation must be included under this item.
Your enterprise must report non-consolidated domestic group companies if it has one or more group companies classified as financial institutions or as insurance companies generally servicing a broad audience. For a comprehensive description of the term

“financial institutions”, we refer you to the “Key terms and areas for attention” section of this document.

“Other domestic participating interests” concerns domestic minority interests.

Group companies other participating interests foreign (code 032)
The value of the shareholdings of all group companies based abroad must be reported under this item, as they are entirely excluded from the consolidated statement.

Any other foreign interests and minority interests must also be included under this item.

Shareholdings are not limited to transactions involving a physical cash flow but also include:

- exchange of shares
- transfer of assets and/or liabilities (in exchange for shares)
- conversion of dividends, loans or current account into shares.

Category participating interest
Shareholdings must be broken down into the following categories:

- Non-consolidated group companies
- Other minority interest greater than or equal to 10% (outside the global group)

Opening/closing balance
The opening balance should correspond to the closing balance of the previous year.

Acquisitions/sales
Under this item you must also include:

- capital contributions to resident and non-resident subsidiaries;
- hedging of losses at (= deemed capital contributions to) resident and non-resident subsidiaries;
- contribution of working capital to non-resident branch offices;
- share capital repayments;
- conversion of loans into shares, stock dividend conversion, etc.

Net result excl. non-operational results
The enterprise’s profit or loss from operating activities after taxes, excluding non-recurring income and expenses and before profit appropriation must be reported under this item. Gains and losses arising from value adjustments to assets due to, e.g., exchange rate changes, fair value change, revaluations (impairments), depreciation or amortisation (of financial assets or liabilities) must not be reflected under this item but in “Exchange differences” or “Revaluation”. Non-recurring income and expenses must be recognised in “other changes”. Non-recurring income and expenses include non-recurring gains and losses on the sale of participating interests.

In a net asset valuation, the total results reported will therefore deviate from the results of group companies and other participating interests in the profit and loss account, as the latter <u>does</u> include non-operating items.

If a participating interest was valued at historical cost and the actual profit or loss is not available, the declared dividends must also be stated in the “net result excl. non-operational results” column in order to balance the report.

Declared gross dividends
Gross dividends (before deduction of any dividend tax) declared by your enterprise’s non-resident participating interest(s) during the reporting period must be reported under this item. If the declared dividends were not effectively received in the same reporting period,

you must include a short-term receivable from the subsidiary for the period between the declaration and the actual receipt, unless the receivable forms part of the current account balance between the parties involved and recognised as such. Declared dividends relating to gains from the participating interest's non-operating activities, e.g. a non-recurring gain on the sale of a participating interest, must not be accounted for as dividends but must be reported as a disposal under "sales" for the same amount in dividends, less the dividend tax (i.e. on a net basis).

Exchange differences
Exchange rate changes must be included under this item.

Revaluation
Fair-value changes, e.g. impairments, must also be included in this item.

Other changes
All other causes of balance sheet changes must be included under this item, e.g. reclassifications or non-recurring income or expenses.

Sale value of group companies and other participating interests
The sale value of the participating interests sold must be reported under this item, which usually is the book value increased or reduced by any gain or loss on sale, respectively.

6.3 Changes in equity, including members' capital (code 266)

Category shareholder
Equity participations must be broken down into the following categories:

- Foreign companies.
  - Capital interests in the enterprise held by foreign enterprises (foreign participation).
- Other shareholders.
  - Capital interests in the company by other shareholders. This includes, for example, the entire equity of a Dutch BV.

Opening/closing balance
This item concerns paid-up and called-up capital and all reserves.
For cooperatives, it covers members' capital and all reserves.

Transfers to/from capital
"Contributions and withdrawals" in respect of equity participations in residents in the reporting period must be reported on a gross basis, i.e. contributions and withdrawals separately.
This item covers contributions to and withdrawals from share capital, i.e. paid-up and called-up capital and share premium reserve. For cooperatives, it covers contributions to and withdrawals from the members' capital. Transfers to and from share capital also include:

- capital contributions by non-resident shareholder(s);
- hedging of losses (= deemed capital contributions) by non-resident shareholder(s);
- contribution of working capital to the Dutch branch office by the foreign parent company;
- share capital repayments to your non-resident shareholder(s);
- conversion of loans into shares, stock dividend conversion, etc.

Net result excl. non-operational results
The enterprise's profit or loss from operating activities after taxes, excluding non-recurring income and expenses and before profit appropriation must be reported under this item. Gains and losses arising from value adjustments to assets due to for example exchange rate changes, fair-value change, revaluations (impairments), depreciation or amortisation (of financial assets or liabilities) must not be reflected under this item but in "exchange differences" or "revaluation". Non-recurring income and expenses must be recognised under "other changes". Non-recurring income and expenses include non-recurring gains and losses on the sale of participating interests.

The result reported will therefore deviate from the net result in the profit and loss account, as the latter <u>does</u> include non-operating items.

Declared gross dividends and other distributions
In this item, you must report the gross dividends (before deduction of any dividend tax) declared in the reporting period by your enterprise's non-resident shareholder(s) whose equity holdings are regarded as a participating interest. If the declared dividends were not effectively distributed in the same reporting period, you must include a short-term payable to the parent company for the period between the declaration and the actual payment, unless the payable forms part of the current account balance between the parties involved and is recognised as such. Declared dividends relating to gains from your enterprise's non-operating activities, e.g. a non-recurring gain on the sale of a participating interest, must not be accounted for as dividends but must be reported as a disposal under "sales" for the same amount in dividends less the dividend tax (i.e. on a net basis).

Exchange differences
Exchange rate changes must be included under this item.

Revaluation
In addition to asset revaluations (revaluation reserve), this item also covers transfers to and from the provision for tax liabilities and amortisation of goodwill.

Other changes
All other causes of balance sheet changes must be included under this item, e.g. reclassifications and changes in other reserves required by law.

7. Derivatives

Derivatives are financial instruments that are linked to other specific financial instruments, a specific indicator, or a specific commodity of which the specific financial risks (e.g. interest rate, exchange rate, capital costs, commodity price, credit risk, etc.) can be traded on the financial markets independently. Derivatives enable financial market participants to swap these financial risks with other entities that are prepared to take on the concomitant risks, usually without the underlying assets actually being traded. Off-balance derivatives also fall within the scope of this reporting framework.

Derivatives must meet the following requirements:
a. they are linked to a financial or non-financial asset, a group of assets, or an index;
b. they can either be traded or offset in the market, and
c. no repayable principal amount is provided.

The value of a financial derivative is derived from the price of the underlying assets: the benchmark price. The benchmark price can pertain to a financial or non-financial asset, an interest rate, an exchange rate, another derivative or a spread between two prices. The derivative contract may also refer to an index, a basket of prices, or to other entities, such as emissions trading or weather conditions.

Collateral
Repayable margin deposits consisting of cash or other collateral deposited to protect counterparties against credit risk are not classified under derivatives. Collateral in the form of margin accounts held in cash at banks must be reported under "fixed term deposits". Margin accounts held at other institutions are classified under short-term loans issued.

Margin deposits not available on demand (also referred to as variation margin), which may reduce or offset asset or liability positions that may occur during the term of the contract, are treated as contract payments and classified as transactions in financial derivatives.

Type of derivative
This reporting framework distinguishes between the following types of derivatives:

- Written or bought options
  Options are contracts giving the holder the right, but not the obligation, to buy from or sell to the writer of the option an asset against a pre-agreed price within a specific period of time or on a specific date. Options include all types of contracts that against payment of a premium give the buyer the right (but not the obligation) to perform a pre-agreed transaction in the underlying value at an exercise price agreed in the contract. Options also include warrants, irrespective of their life. Swaptions, caps, floors and the like are also classified under options, until
  the moment they are exercised. After exercise, a new derivative contract must be reported. Subscription rights are also classified under options.

- Seller/buyer credit default swaps
  Credit default swaps are credit insurance contracts intended to hedge losses of the creditor (a buyer of a credit default swap) in case of:
  a. a credit event in connection with a reference unit, unconnected with a specific debt certificate or a specific loan;
  b. default on a specific debt instrument, usually a debt certificate or a loan. The buyer of a credit default swap (to be considered as the risk seller) makes a

series of premium payments to the seller of the credit default swap (to be considered as the risk buyer).

- Futures
  Futures are standardised exchange-traded contracts where the buyer undertakes to buy at a specified time in the future the underlying value at a future price agreed in the contract. Futures always have a binding nature and may consequently be viewed as exchange-traded term contracts. Futures are seldom exercised but are subject to "future-style margining" – a system whereby the contract value changes are traded daily (variation margin).

- Interest rate swaps
  Interest rate swaps involve a swap of different types of interest payments on a notional principal amount. Neither party pays nor receives the notional principal amount at any time. Examples of swapped types of interest rates are fixed and variable interest rates. Settlement often takes place by means of net payments to the amount of the current differential between the two interest rates described in the contract applied to the agreed notional principal amount.

- Forward rate agreements
  Forward rate agreements are agreements whereby, in order to hedge themselves against interest rate fluctuations, two parties agree to pay on a specific settlement date an amount in interest on a notional principal amount that is never effectively swapped. Such term contracts are usually settled by means of net payments. The payments are linked to the differential between the interest rate agreed in the term contract and the market interest rate prevailing at the moment of settlement.

- Cross-currency interest rate swaps
  In cross-currency interest rate swaps the interest rates are swapped in specific currencies as well as in underlying amounts. These swapped amounts are not classified as loans, but as spot transactions and forward transactions. The market value of the forward contract must be included in the market value of the swap.

- Forward foreign exchange contracts
  A forward foreign exchange contract is an agreement to swap one currency against another at a contractually agreed exchange rate at an agreed date in the future.

- Other term contracts
  These are other derivatives contracts that cannot be classified under one of the above categories, such as total return swaps and equity swaps.

Opening/closing balance
Derivatives must be carried at market or fair value. For exchange-traded derivatives this is their commercial value established on the stock exchange. If no commercial value is available, the buying or selling rate may be used as an alternative. For futures contracts, an approximation of the market value applying a generally accepted pricing model may be used. The underlying value (e.g. the notional amount for swaps) may not be reported anywhere.

Receipts/ payments
Paid and received premiums must be recognised under this item, as well as cash settlements upon exercise or termination before expiry. In case of actual delivery of an option, the value of the option contract at the time of expiration must be recognised

under "receipts" (bought option) or "payments" (written option). The delivery itself, in as far as relevant, must not be recognised here, but elsewhere.

Revaluation
The value of financial derivatives may vary according to the value changes, or the volatility in the price of the underlying instrument, or alternatively as the time of execution or the expiry date approaches. All these value changes must be classified as revaluations.

Other changes
All other causes of balance sheet changes must be included under this item. Other changes are only applicable sporadically.