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Act on annual accounts

2006 No. 3, 17 January

Originally Act No. 144/1994. Entered into force 01 January 1995. Amended by Act 37/1995 (entered into force 9 March 1995), Act 82/1998 (entered into force 1 October 1998), Act 58/2001 (entered into force 13 June 2001; EEA Agreement: Annex XXII, Directive 78/660/EEC), Act 133/2001 (entered into force 1 January 2002, except Art. 1, Art. 3 (a), (b) and (c), Art. 17 (b) and (c), Art. 19 (c), Art. 34, Art. 35 (a), Art. 36 (b), Art. 37, Art. 38, Art. 39, Art. 40, Art. 41(a), Art. 42 and Art. 52, which entered into force on 31 December 2001, and Art. 44, which entered into force on 1 January 2001; implemented pursuant to instructions in Art. 56), Act 25/2002 (entered into force 8 April 2002; implemented pursuant to instructions in Art. 10), Act 56/2003 (entered into force 7 April 2003, cf. Art. 45; EEA Agreement: Annex XXII, Directive 78/660/EEC and 83/349/EEC and Annex IX, Directive 86/635/EEC), Act 28/2004 (entered into force 11 May 2004, see further Article 7 of the same Act; EEA Agreement: Annex XXII, Directive 78/660/EEC, Annex IX and XXII, Directive 86/635/EEC), Act 45/2005 (entered into force 30 May 2005; EEA Agreement: Annex XXII, Directive 78/660/EEC, 83/349/EEC and Regulation 2002/2002/EC) and Act 135/2005 (entered into force 30 December 2005).

Re-issued pursuant to Art. 6 of Act 135/2005 as Act 3/2006. Entered into force 26 January 2006. EEA Agreement: Annex XXII, Directive 78/660/EEC, 83/349/EEC and Regulation 1606/2002. Amended by Act 108/2006 (entered into force 1 Nov. 2006 with adv. C 1/2006), l. 160/2006 (entered into force 30 Dec. 2006), Act 171/2007 (entered into force 29 Dec. 2007), Act 80/2008 (entered into force 1 Jan. 2009; EEA Agreement: Annex XXII, Directive 2006/43/EC), Act 88/2008 (entered into force 1 Jan. 2009 except for Interim Provision VII, which entered into force 21 June 2008), Act 162/2008 (entered into force 31 Dec. 2008), Act 98/2009 (entered into force 1 Oct. 2009, except Articles 69 and 70, which entered into force 1 Jan. 2010), Act 68/2010 (entered into force 24 June 2010, except for provisions on the extension on the minimum time limit for convening annual general meetings in limited companies, which took effect 1 Jan. 2011; EEA Agreement: Annex XXII, Recommendations 2004/913/EC and 2005/162/EC), Act 82/2011 (entered into force 1 Sept. 2011 except for the Interim Provision, which took effect 30 June 2011), Act 118/2011 (entered into force 29 Sept. 2011; EEA Agreement: Annex IX, Regulation 1569/2007), Act 126/2011 (entered into force 30 Sept. 2011), Act 14/2013 (entered into force 9 Mar. 2013), Act 132/2014 (entered into force 31 Dec. 2014), Act 47/2015 (entered into force 1 Jan. 2016 except for Interim Provision and Articles 22 and 23, which (entered into force 15 July 2015) and Act 73/2016 (entered into force 28 June 2016; implemented pursuant to instructions in Art. 74.; EEA Agreement: Annex XXII, Directive 2013/34/EU).

Where mention is made in this Act of a minister or ministry without specification of, or reference to, a policy area, the reference is to the Minister for Tourism, Industries and Innovation, or the Ministry of

Industries and Innovation, the ministry responsible for this Act. Information on the policy areas of ministries by presidential decree may be accessed [here](#).

Chapter I. General provisions

Scope

Article 1

[This Act of law applies to companies whose members' liability is limited, as provided in points 1 and 2 below, and companies whose members' liability is unlimited, as provided in point 3 below.

1. Limited companies, private limited companies, limited partnerships, co-operative companies and co-operative associations, savings banks and registered branches of foreign companies and foundations engaging in business operations pursuant to Act No. 33/1999.

2. Companies with its securities listed in a regulated securities market in a state within the European Economic Area, a party to the Convention establishing the European Free Trade Association or the Faeroe Islands.

3. Partnerships and other companies with unlimited liability of their members, as well as limited partnerships if their membership is composed solely of companies listed in point 1, and limited partnerships where the guarantors are companies listed in points 1 and 2. Furthermore, this Act applies to partnerships and other companies whose members' liability is unlimited, and to limited partnerships, provided that they are registered in the Register of Companies and qualify as medium-sized or large companies, as defined in subsections (c) and (d) of point 11 of Article 2.]¹⁾

If a company referred to in the second sentence of [point 3]¹⁾ in the first paragraph, which has met the above conditions, ceases to meet the conditions for two consecutive years, it is not required to comply with the provisions of this Act.

Partnerships and limited partnerships, as referred to in [point 3]¹⁾ of the first paragraph above, are not required to prepare annual financial statements if all income and expenses, assets and liabilities are included in the annual financial statements of their members.

This Act shall be subordinate to provisions on annual financial statements in special acts of law, provided that such acts of law are grounded in the provisions of directives of the European Parliament and the Council concerning the annual financial statements of certain companies with limited liability.

¹⁾ Act 73/2016, Art. 1.

Definitions

Article 2

[For the purposes of this Act the following definitions shall apply:

1. International accounting standards International Accounting Standards (IAS/IFRS) as defined in Article 2 of Regulation (EC) No. 1606/2002, which have been approved by the EU Commission under Article 3 of Regulation (EC) No. 1606/2002.

2. Register of Annual Accounts: a register maintained for the purpose of receiving and granting access to documents whose submission is required and ensure that such documents are in accordance with the provisions of law, regulations and statutory accounting rules.

3. Man-year: the equivalent of the volume of work of a single fully employed person over one year. The work of persons who did not work the entire year, the work of persons in part-time employment, regardless of duration, and the work of seasonal workers shall be calculated as a proportion of a man-year. Workers are:

- a. employees;
- b. owners and/or directors working for the company.

Apprentices or trainees engaged in studies or training pursuant to a contract and do not work for remuneration are not included as workers. The same applies to workers on maternity/paternity leave and parental leave.

4. Subsidiary: a company controlled by a parent company, including all the subsidiaries of an ultimate parent company.

5. Asset: a resource controlled by an entity on the basis of business or in connection with past events and from which future economic benefits are expected to flow to the entity.

6. Holding company: a company the sole object of which is to acquire holdings in other companies and to manage such holdings and return profit from them, without involving itself directly or indirectly in the management of those companies, without prejudice to their rights as shareholders.

7. Participating interest: a share held by a member in limited companies, private limited companies and the equity of other companies.

8. Affiliated companies: Two or more companies in a consolidation

9. Public interest entity:

a. a legal person domiciled in Iceland with securities listed in a regulated market in a state within the European Economic Area, a state party to the Convention establishing the European Free Trade Association or the Faeroe Islands;

b. a pension fund possessing a valid operating licence,

c. a credit undertaking as defined in the Act on financial undertakings,

d. a company possessing a licence to engage in insurance activities in Iceland pursuant to the Act on insurance activities.

10. Fixed assets: assets intended for use in a company's activities for at least 12 months from the financial reporting date.

11. Company: a company pursuant to Article 1 which is required to draw up annual financial statements and consolidated financial statements in accordance with this Act:

a. micro-undertaking: a company which on its balance sheet date does not exceed the limits of at least two of the three following criteria:

1. total assets: ISK 20,000,000;
2. net turnover: ISK 40,000,000;
3. average number of man-years during the financial year: 3;

b. small undertaking: a company which on its balance sheet date does not exceed the limits of at least two of the three following criteria:

1. total assets: ISK 600,000,000;
2. net turnover: ISK 1,200,000,000;
3. average number of man-years during the financial year: 50;

c. medium-sized undertaking: a company which is not a small undertaking and which on its balance sheet date does not exceed the limits of at least two of the three following criteria:

1. total assets: ISK 3,000,000,000;
2. net turnover: ISK 6,000,000,000;
3. average number of man-years during the financial year: 250;

d. large undertaking: a company which on its balance sheet date exceeds the limits of at least two of the three following criteria:

1. total assets: ISK 3,000,000,000;
2. net turnover: ISK 6,000,000,000;
3. average number of man-years during the financial year: 250;

e. a company pursuant to Article 1 which is a public interest entity shall be treated as a large undertaking regardless of its net turnover, balance sheet total or average number of man-years during the financial year.

In calculating the reference limits of a parent company, the figures in the consolidated statement for the companies that prepare such statements shall be used; if a parent company does not prepare a consolidated statement the reference limits of the parent company and all subsidiaries shall be used. If the net turnover is not descriptive of a company's business activity other income shall be used, including income from financial instruments and trading gains.

The classification of companies shall not change unless a company either exceeds or falls below the reference limits of the year in question and the preceding year.

12. Member: a shareholder in a limited company or an owner of participating interests in another company which is subject to this Act.

13. Financial asset: any asset consisting of cash, a right pursuant to a contract to payment in cash or another financial asset, a right pursuant to a contract to swap documents with another party on terms which may be favourable, or certificates to shares possessed by another party.

14. Financial assets stated at fair value through profit or loss on initial recognition: financial instruments which do not constitute current assets but which a company has elected to enter at fair value with fair value adjustments through profit or loss.

15. Investment property: A property, land, building or part of a building intended to generate income, e.g. for rental or other profit, and not for use in the operation of a company in production, housing of inventory, services in the operation of the company, for administrative purposes or for sale for normal business purposes.

16. Investment company:

a. a company which has as its sole object to invest its funds in various securities, real property and other assets, with the aim of spreading investment risk and giving members the financial benefit of the management of the assets;

b. a company associated with investment companies with fixed assets, if its sole object is to acquire fully paid shares issued by investment companies.

17. Financial instrument: a financial instrument in accordance with the definition of the Act on securities transactions;

18. Production cost: the buying price of raw material, cost price of non-durable goods and other cost attributable to the product in question. A reasonable proportion of fixed cost or variable indirect cost which can be attributed to the product is included in the price to the extent that such cost is linked to the production period. However, distribution cost does not fall within the scope of this definition.

19. Fair value: the price that would be obtained on the sale of an asset or would be paid on the transfer of a liability in normal trading between market participants on the valuation date.

20. True and fair view: true and fair view consists in a reliable presentation of the impact of business, other events and conditions in accordance with the definitions and rules on the recording of assets, liabilities, income and expenses that are laid down in this Act, regulations and statutory accounting rules.

21. Participating interest: the right to the equity of other companies, whether or not represented by certificates, which is intended to reinforce the activities of the company holding the right by forming permanent ties with them. Ownership of a part of the equity constitutes a participating interest if it amounts to at least 20%.

22. Associated company: a company, other than a subsidiary, in which another company has a participating interest and that company has a significant influence over the operating and financial policies of the other company. A company shall be presumed to have a significant influence over another company if it controls 20% or more of the voting rights of members in that company.

23. Net turnover: income derived from sales and services falling within a company's ordinary activities, net of rebates and taxes directly linked to the sale.

24. Acquisition Price: the price to be paid and costs incurred, net of possible reductions of the cost price of that which is acquired.

25. Long-term assets and financial assets: claims or other investments which are presumed to continue in the ownership of the entity in question for at least one year. Long-term assets and financial assets in the annual financial statements of companies are shares in other companies, other securities and other specifically defined long-term assets.

26. Long-term liabilities: all liabilities other than those falling under the provisions of point 37.

27. Valuation basis: the methods used in the estimation of the value of individual classes of assets and liabilities in financial statements, such as cost price measurement and fair value measurement.

28. Materiality: information is material if its omission or misstatement could influence the economic decisions that users make on the basis of the financial statements. The materiality of individual items shall be assessed in the context of other similar items.

29. Parent company: a company which controls another company.

The power of vote in subsidiaries and associated companies shall be calculated as follows:

a. add together the numbers of the votes of the parent company and subsidiaries in the company in question;

b. subtract from the total number of votes in the company in question the votes held by the company itself or its subsidiaries, and

c. subtract from the votes of the parent company the votes that the company is holding as collateral if the company will only exercise the voting rights as instructed by the party that posted the collateral, or if the control forms a part of lending activities and the voting rights are exercised only in the interest of the party that posted the collateral.

30. Intangible asset: an identifiable non-monetary asset without physical substance.

31. Accounting policies: principles, valuation basis, rules and practices used in the preparation of annual financial statements.

32. Going concern: a company is regarded as being a going concern unless its management intends to liquidate the company or discontinue its operation or does not have a realistic alternative but to cease the activities of the company. In the assessment of viability as a going concern directors shall take account of all available information on the future prospects of a company's operation.

33. Consolidation: a parent company and all its subsidiaries:

a. small consolidation: a group which on a consolidated basis does not exceed at least two of the three following criteria on the balance sheet date of the parent company:

1. balance sheet total: ISK 600,000,000;

2. net turnover: ISK 1,200,000,000;

3. average number of man-years during the financial year: 50;

b. medium-sized consolidation: a group, but not a small consolidation, which on a consolidated basis does not exceed at least two of the three following criteria on the balance sheet date of the parent company:

1. balance sheet total: ISK 3,000,000,000;

2. net turnover: ISK 6,000,000,000;

3. average number of man-years during the financial year: 250;

c. large consolidation: a group which on a consolidated basis exceeds at least two of the three following criteria on the balance sheet date of the parent company:

1. balance sheet total: ISK 3,000,000,000;

2. net turnover: ISK 6,000,000,000;

3. average number of man-years during the financial year: 250.

The classification of a consolidation shall not change unless the consolidation either exceeds or falls below the thresholds of the year in question and the preceding year.

34. Consolidated financial statement: financial statement where the accounts of a parent company and its subsidiaries are combined into a single account.

35. statutory accounting rules: rules issued by the Accounting Standards Board pursuant to Article 119 and International Accounting Standards pursuant to point 1 above;

36. Current assets: receivables which are anticipated to be paid within twelve months.

37. Current liabilities: liabilities that meet one of the following conditions:

a. a liability is held for the purpose of profiting from short-term price changes;

b. the liability is settled within twelve months from the date of the balance sheet; or

c. no right exists to defer payment of the liability for longer than twelve months from the balance sheet date.

38. Regulated market: a market in securities, as defined in the Act on stock exchanges.

39. Liability: a present obligation of an entity arising from business or past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits.

40. Income: increases in assets or decreases in liabilities over a current accounting period resulting from deliveries of products or services or other business of an entity, other than those resulting from contributions from the owners of the entity in their roles as owners of the entity.

41. Related party: has the same meaning as in the applicable International Accounting Standard which is established on the basis of Regulation (EC) no. 1606/2002 and approved by the Commission of the EU.

42. Costs: decreases in in assets or increases in liabilities during the current accounting period resulting from the of receipt of goods or services or from other activities or events in the operation of an entity other than those resulting from withdrawals by owners in their role as owners of the entity.

43. Fixed tangible assets: tangible assets used for the production of goods or services, for rental or for managerial purposes and intended for use for longer than one year.

44. Financial assets held for trading: financial assets that have been acquired for the purpose of profiting from short-term price changes or brokerage fees.

45. Current assets: assets which are not fixed assets as defined in point 10.

46. Security: a security pursuant to the definition of financial instrument in Act No. 108/2007 on securities transactions.

47. Value adjustment: changes in the value of individual assets or liabilities, which are confirmed on the balance sheet date, whether the changes are permanent or not.

48. Control: has the same meaning as in the applicable International Accounting Standard which is established on the basis of Regulation (EC) no. 1606/2002 and approved by the Commission of the EU.]¹⁾

¹⁾ Act 73/2016, Art. 2.

Preparation of annual financial statements

Article 3

[Companies pursuant to Article 1 shall draw up their annual financial statements in accordance with this Act, regulations and statutory accounting rules, as applicable. [If there are no provisions on a specific matter in this act or regulations the applicable provisions of statutory accounting rules shall be applied.]¹⁾²⁾

[The board of directors and managing director are responsible for the preparation, submission and disclosure of the annual financial statements for each financial year. In companies without a formal board of directors this responsibility lies with all the members jointly. The annual financial statements shall indicate the name of the company, corporate form, registration number and domicile. The annual financial statements shall, at a minimum, include a profit and loss account, balance sheet and explanatory notes. The annual financial statements of small, medium-sized and large companies shall also include a report of the board of directors, and the annual financial statements of medium-sized and large companies shall also include a statement of cash flows.]¹⁾

The board of directors and managing director shall sign the annual financial statement, and in the case of a parent company they shall [also]¹⁾ sign the consolidated financial statement. The signature signifies that the annual financial statement has been drawn up in compliance with this Act, regulations and

statutory accounting rules, if applicable. If a member of the board of directors or the managing director are of the opinion that the annual financial statement or the consolidated financial statement should not be approved, or should they raise objections, which they consider necessary to bring to the attention of the members, they are required to give an account of their objections in their report.

[If an annual financial statement has been audited the statement and report of the auditor shall form a single whole.

If an examiner has reviewed the annual financial statement his/her signature and date shall accompany the annual financial statement as an attachment.

The annual financial statement shall be submitted in accordance with the articles of association of the company at the latest one week before its annual general meeting.]²⁾

[Instead of an annual financial statement pursuant to the first paragraph, micro-undertakings are permitted to prepare an operating statement and statement of financial position, based on the undertaking's tax return. Such operating statements and statements of financial position shall be regarded as providing a true and fair view of the performance and financial position of the company in the understanding of point 20 of Article 2. The Register of Annual Accounts shall enable micro-undertakings, on the electronic submission of information to the Register, to use the information submitted to the Directorate of Internal Revenue to prepare the operating statement and statement of financial position. The review by an examiner of such statement of accounts is not required. The Minister shall establish a regulation³⁾ on the presentation of such operating statements and statements of financial position pursuant to the first sentence hereof in the application of the third sentence.

The exemption pursuant to the seventh paragraph shall not apply to:

- a. companies falling under the definition in this Act of public interest entities;
- b. other companies than those included under subsection a and covered by the provisions of Article 2 of Act No. 87/1998 on the official supervision of financial activities;
- c. companies falling under the definition in this Act of investment companies;
- d. companies falling under the definition in this Act of holding companies;
- e. companies exercising their exemptions under Chapter IV from the application of cost price accounting.

A company exercising the permission granted in the seventh paragraph to prepare an operating statement and statement of financial position shall, if applicable, provide information on the following:

- a. liabilities, guarantees and contingent liabilities which are not disclosed in the balance sheet;
- b. advances and loans to management and owners of the company, including information on interest rates, terms, repayments by managers and directors and owners and cancellations of the debts of management and owners in full or in part; and

c. the nominal value of shares held by a company in itself and its proportion of total share capital; if a company has acquired a share in itself over the year, the company shall disclose the reason for the acquisition, the total number of acquired shares over the year, their proportion of total share capital, the nominal value of the shares and their buying price, and if a company has sold shares in itself over the year, it shall disclose the total number of shares sold and their selling price.]¹⁾

¹⁾ Act 73/2016, Art. 3. ²⁾ Act 14/2013, Art. 2. ³⁾ Reg. 974/2016.

The financial year

Article 4

The financial year shall be twelve months, calculated from the beginning of a month. A new financial year begins the day after the preceding financial year ends. On the establishment and dissolution of a company, or when the financial year is being altered, the financial year may be shorter than twelve months. An alteration of the financial year is permitted only when special circumstances so warrant. [The alteration shall be specified in the articles of association of the company and reasoned in the notes to the first annual financial statement following the alteration.]¹⁾ However, the financial year from the end of the preceding financial year to the start of the altered financial year may be up to 15 months if necessary for the purpose of altering a financial year to correspond to the financial year of a consolidation of which the company is a member or to the operating year of a joint venture of which it is the owner, see the third paragraph of Article 40.

¹⁾ Act 171/2007, Art. 2.

True and fair view

Article 5

[An annual financial statement shall give a true and fair view of performance, financial position and changes in cash.]¹⁾

[Where the provisions of this Act will not suffice to provide a true and fair view of performance, financial position and changes in cash flows, the company shall provide additional information so that the statement provides a true and fair view. Where compliance with the provisions of this Act will not suffice for the statement to give a true and fair view, deviation from the provisions is permitted in exceptional cases so that the statement provides a true and fair view in the understanding of Point 20 of Article 2, in which case the company shall explain the following in the notes:

1. that the management of the company is of the opinion that the annual financial statement gives a true and fair view of the financial position, performance and changes in cash, as applicable;

2. that the preparation and presentation of the annual financial statement is in compliance with this Act, apart from deviations from certain provisions of this Act in order for the annual financial statement to provide a true and fair view;

3. what the nature of the deviation is, the reason that compliance with the Act would have had the result that the statement would not have provided a true and fair view and what accounting procedure was used instead; and

4. what financial impact it would have had on individual items of the annual financial statement had the provisions of law been applied instead of deviating from them.]²⁾

¹⁾ Act 14/2013, Art. 3. ²⁾ Act 73/2016, Art. 4.

Classification and presentation

Article 6

The balance sheet and the profit and loss account shall be presented in a systematic manner. [The Minister]¹⁾ shall establish rules on the presentation of balance sheets and profit and loss accounts.

The layout of the balance sheet and the profit and loss account shall be analogous [from one financial year to the next]²⁾ unless otherwise warranted by special circumstances. Any changes shall be indicated and reasoned in the notes.

Deviation from the provisions of this Act concerning the presentation of the balance sheet and the profit and loss account is permitted if, as a result of these provisions, the annual financial statement or consolidated financial statement would give a misleading or unclear view of the operating performance or financial position of a company or consolidation.

For each item of the balance sheet and profit and loss account a corresponding figure [shall]³⁾ be shown from the preceding financial year for comparison. If the items are not comparable to entries from the preceding year, the latter shall be adjusted. ...³⁾

Items in the balance sheet and profit and loss account which do not contain any figure shall only be included if there was such an item in the accounts for the preceding year.

Corresponding information on amounts of the preceding [financial year]³⁾ shall be provided in the notes, as applicable, see the fourth and fifth paragraph above.

¹⁾ Act 126/2011, Art. 413. ²⁾ Act 14/2013, Art. 4. ³⁾ Act 73/2016, Art. 5.

Currency

Article 7

The text of an annual financial statement or consolidated financial statement drawn up in accordance with the provisions of this Act shall be in Icelandic and amounts shall be expressed in ISK, subject to the second paragraph below.

Notwithstanding the provisions of the first paragraph above, companies falling within the scope of the first paragraph of Article 1 may be permitted to keep their accounts in a foreign currency and draw up and disclose their annual financial statements in that currency. [If a company also publishes its annual financial statement in another currency than the functional currency, the notes shall disclose the company's functional currency and the methods used in the preparation of the annual financial statement. If a company has been granted permission to keep its accounts and prepare its annual financial statement in a foreign currency, all the amounts in the statement submitted to the Register of Annual Accounts for preservation and publication shall be in the same currency, and the text of the

annual financial statement, and consolidated statement if the company prepares such a statement, shall always be in Icelandic, but also in English, if necessary.]¹⁾

¹⁾ Act 73/2016, Art. 6.

Article 8

[The Register of Annual Accounts grants permission to keep accounts and draw up annual financial statements in a foreign currency, provided that such currency is the functional currency of the company.

The functional currency is the currency that has proportionally the greatest weight in the principal economic environment of the company. The principal economic environment is where the company mainly generates and uses cash and cash equivalents. In the assessment of functional currency account shall be taken of the currency in which the income and expenses of operating activities are determined and paid, provided that that this is the currency that has the greatest impact on the cost price and selling price of the goods and services of the company, *inter alia* as a result of competitive forces, laws and rules. Account shall also be taken of the currencies that carry the greatest weight in the financing of the company and the safeguarding of its funds.

The functional currency shall be registered with the Central bank of Iceland or the company's partner bank in Iceland.

The Minister may establish a government regulation¹⁾ containing further conditions for granting permission pursuant to this Article.]²⁾

¹⁾ Reg. 942/2014. ²⁾ Act 14/2013, Art. 5.

Article 9

An application for permission to keep books and draw up annual financial statements in a foreign currency shall be submitted to the Register of Annual Accounts ... ¹⁾ prior to the start of the financial year in question. Companies formed in the year shall submit an application no later than two months following their formation, supported by reasoning that their activities will comply with the provisions of Article 8.

A company which has been granted permission to keep books and prepare annual financial statements in a foreign currency pursuant to the second paragraph of Article 7 shall maintain this method for a minimum of five years, unless it no longer complies with the conditions of Article 8.

If a company is of the opinion that it no longer complies with the conditions of Article 8, it shall report this opinion to the Register of Annual Accounts. Having obtained the permission of the Register of Annual Accounts, the company shall keep its books and prepare its annual financial statement in Icelandic krónur [or a new functional currency pursuant to Article 8],¹⁾ as of the following financial year.

The Register of Annual Accounts shall monitor whether companies granted permission pursuant the first paragraph above comply with the conditions of Article 8, as further provided in Article 117.

If a company is no longer in compliance with the conditions of Article 8, the Register of Annual Accounts shall revoke its permission to keep books and prepare annual financial statements in a foreign currency at the start of the following year. The Register of Annual Accounts may grant a moratorium of two financial years if it considers the situation temporary.

¹⁾ Act 73/2016, Art. 7.

Article 10

Companies which have been permitted to draw up their annual financial statements in a foreign currency under the provisions of Article 8 shall restate amounts in the balance sheet for the preceding year based on the final exchange rate of that year. However, balance sheet items other than cash assets and liabilities, such as fixed tangible assets and shareholdings, may be restated at their original acquisition price. Furthermore, paid-in share capital or initial capital may be restated at the exchange rate in effect at the time that the payments were made. On the restatement statutory reserves shall amount to the same proportion of share capital in foreign currency as it did in Icelandic krónur. The restated amounts shall constitute initial figures in the books kept in the foreign currency, and the method of restatement shall be explained in the notes to the annual financial statement.

Chapter II. Basic principles of annual financial statements

Article 11

[An annual financial statement shall be prepared based on the following basic principles:

1. the company shall be presumed to be carrying on its business as a going concern. If activities are discontinued in part, this shall be taken into account in the valuations and presentation of the annual financial statement;
2. Accounting policies shall be applied consistently from one year to the next. Where the provisions of this Act, regulations or the statutory accounting rules do not require the application of specific accounting policies, management shall use its judgment in the selection of an accounting policy that is appropriate for the needs of users of the annual financial statement and reliable in providing a true and fair view of the company's performance, financial position and changes in cash;
3. reasonable prudence shall be exercised in the valuation of individual items, and in particular:
 - a. only profit accrued on the financial reporting date shall be specified;
 - b. account shall be taken of all liabilities that may form in the financial year or in connection with previous financial years, even if such liabilities first become apparent after the end of the financial year, before the annual financial statement is prepared;
 - c) the accounts should show any changes in valuation involving a reduction in the value of individual assets, see Article 30, regardless of impact on equity and performance;
4. Amounts entered in the balance sheet or profit and loss account shall be entered on an accrual basis;
5. The components of asset and liability items must be valued separately;

6. the opening balance sheet for each financial year shall correspond to the closing balance sheet for the preceding financial year.

7. Setting off assets against liabilities or income against expenses is not allowed except as specifically permitted in other Articles of this Act or in compliance with statutory accounting rules;

8. Individual items in the profit and loss account and balance sheet shall be entered and presented on the basis of the substance or arrangement of the item in question;

9. The conditions of this Act regarding recognition, valuation, presentation and notes need not be observed if the item in question, in and of itself, is not considered material, see Article 2.

The presentation of the balance sheet, the profit and loss account and statement of cash flow, as applicable, as well as accounting policies, shall not be altered from one financial year to the next except to the extent, in exceptional cases, to the extent that the alteration is more likely to result in a true and fair view or the alteration is necessary to implement new rules in line with amendments of law or new or modified accounting principles.

If a company has altered the presentation of its balance sheet, profit and loss account or cash flow, where applicable, and accounting policies in compliance with the provisions of the second paragraph the reason for the alteration shall be disclosed in the notes.]¹⁾

¹⁾ Act 73/2016, Art. 8.

Article 12

[In the event of deviation from the provisions of point 2 of Article 11, the new accounting policy shall be applied retroactively, unless it is specifically provided in a legislative amendment, or on the implementation of new or modified accounting principles, that this is not necessary. If the determination of the impact of the modification on comparison figures for one or more periods is especially problematic, the new principle shall be applied to the book value of assets and liabilities at the outset of the first period where the application of the procedure is possible and at the same time the relevant items shall be adjusted under equity and, at a minimum, the following matters shall be disclosed in the notes:

a. the reason for the change in accounting policy, the nature of the change and the reason that the change is more likely to result in a true and fair view, if the reason for the change was to obtain a more true and fair view.

b. if the change affects figures in the current accounting period and earlier accounting periods the company shall, unless this entails special difficulties, provide information on the effect on each item in the annual financial statement that the change affects; and

c. if it entails special difficulties to determine the effect on amounts in the annual financial statement, the reason for this shall be disclosed.]¹⁾

¹⁾ Act 73/2016, Art. 9.

Article 13

[If a company alters its accounting policy on the basis of statutory law, regulations or accounting standards relating to such alteration, the items affected in the annual financial statement shall be altered in compliance with the new procedure. The difference shall be entered under equity. Comparison figures shall be adjusted to comply with the new procedure. These alterations shall be accounted for in the notes.

If an accounting valuation is altered from the preceding financial year, the impact shall be shown in in profit and loss account in the period when the alteration is made and in subsequent periods, as applicable. Comparison figures from preceding years shall remain unchanged.

If it is unclear whether an alteration constitutes a change of accounting valuation or accounting policy, the alteration shall be classified as a change in valuation.

If the annual financial statement for a preceding financial year was incorrect to the extent where it did not give a true and fair view, the impact of the correction shall be entered under equity at the beginning of the year, and comparison figures adjusted accordingly. These changes shall be accounted for in the notes.]¹⁾

¹⁾ Act 73/2016, Art. 10.

Chapter III Balance sheet, profit and loss account and cash flows

Article 14

The balance sheet shall include assets and liabilities, including obligations and equity constituting the balance of assets and liabilities.

An asset shall be entered in the balance sheet when it is probable that the company will derive financial benefits from the asset in the future and its value can be assessed in a reliable manner.

A liability shall be entered in the balance sheet when it is probable that it will be paid, and its value can be assessed in a reliable manner.

In the calculation and valuation of assets and liabilities, account should be taken of all circumstances, including risks and losses emerging before the annual financial statement is drawn up. Furthermore, account may be taken of foreseeable risks and losses emerging before the accounts are drawn up.

Article 15

...¹⁾

¹⁾ Act 73/2016, Art. 11.

Article 16

[Companies are permitted, subject to compliance with the provisions of statutory accounting rules, to recognise intangible resources as assets, in which case they shall be referenced in the notes. Expenses accrued in respect of an intangible asset which have been expensed in previous financial years shall not be capitalised.

Companies that capitalise development costs pursuant to the first paragraph above shall transfer a corresponding amount from retained earnings to a separate item under equity, from which no dividends may be paid. This item shall be eliminated in an amount corresponding to the annual depreciation of the capitalised development cost. The item shall also be eliminated if the asset is sold, taken out of use or fully depreciated.]¹⁾

¹⁾ Act 73/2016, Art. 12.

Article 17

The expenses of establishing a company or the cost of increasing share capital may not be shown as assets.

Article 18

Discounts and borrowing costs of securities sold or purchased [shall]¹⁾ be entered in the balance sheet, in which case they shall be entered regularly as expenses or income over the loan period. The balance of this distribution shall be explained in the notes.

¹⁾ Act 73/2016, Art. 13.

Article 19

Own shares shall be entered as a reduction in total share capital. ...¹⁾

¹⁾ Act 73/2016, Art. 14.

Article 20

All income and all expenses over the financial year shall appear in the profit and loss account unless otherwise provided in this Act or statutory accounting rules.

Article 21

...¹⁾

¹⁾ Act 73/2016, Art. 15.

Article 22

Income and expenses that arise otherwise than in the course of the company's ordinary activities must be shown separately in the profit and loss account and their nature explained in the notes unless the amounts are negligible. Income and expenses relating to previous financial years shall be entered as changes in retained earnings at the beginning of the year in the case of errors or changes in accounting policy. In such an event, comparison figures shall be adjusted accordingly, unless this would involve specific difficulties, in which case this should be disclosed in the notes.

Article 23

Fixed tangible assets with limited useful economic lives owing to age, obsolescence, wear and tear or comparable reasons, shall be written off each year systematically over their estimated [useful economic lives.]¹⁾ [The choice of depreciation procedure shall be based on the use of an asset over its useful economic life.]¹⁾ Where these assets are revalued in accordance with the provisions of Article 31

their depreciation base must be restated to reflect the increase resulting from the revaluation. However, this does not apply to assets entered at fair value pursuant to Article 39.

Depreciation shall be calculated taking into account the anticipated residual value after the end of operational lifetime

¹⁾ Act 73/2016, Art. 16.

Article 24

[Expense which is capitalised as provided in Article 16 in respect of intangible assets shall be depreciated in a systematic manner over the estimated useful life of the assets in question. [The choice of depreciation procedure shall be based on the use of an asset in question over its useful life. However, if such assets do not have a determined useful economic life they may be valued annually in accordance with statutory accounting rules, and they shall be subjected to an annual impairment review or more frequently if indications of impairment have emerged. Goodwill shall always be written off in 10 years and development cost shall also be written off in 10 years if it is not possible to define its useful economic life.

If it entails special difficulties to determine the useful economic life of an intangible asset it shall be assumed that the useful economic life of the asset is 10 years and also the notes shall disclose the reasons for the difficulties in estimating the useful economic life.]¹⁾

If the estimated useful economic life is longer than five years, the reason shall be explained in the notes.

¹⁾ Act 73/2016, Art. 17.

Article 25

The estimated profit of a contract on a long-term venture shall be recognised proportionally as the venture progresses. The estimated loss on a contract on a long-term venture shall be expensed immediately.

Where it is not possible to estimate the profit or loss from a contract on a long-term venture with sufficient precision, income from the contract shall be recognised only to the extent that it covers the expense of the venture. Costs shall be charged to the account as they accrue.

Article 26

Expenses incurred during the financial year but relating to a subsequent financial year shall be shown as capital in the balance sheet under "prepayments". Income related to the financial year shall be shown as liabilities in the balance sheet under, "deferred income". Where the amounts under those items are material they shall be shown separately or referred to in the notes to the annual financial statement

Expenses relating to the whole of the financial year but becoming due and payable later shall be shown as liabilities in the balance sheet. Income relating to the whole of the financial year but collected when the year is over shall be shown as assets in the balance sheet. Where the amounts

under those items are material they shall be shown separately or referred to in the notes to the annual financial statement

Article 27

Amounts intended to cover costs relating to clearly defined liabilities, such as tax liabilities and pension liabilities, and charges relating to the whole of the financial year or previous years, which at the accounting date are likely to be incurred or certain to be incurred but uncertain as to amount or as to the date on which they will arise, shall be entered as liabilities or debts, even where they are revealed only after the close of a financial year but before the annual financial statement is drawn up. These shall not be greater in amount than may be regarded as necessary.

Liabilities pursuant to the first paragraph shall not be used to effect changes in valuation of assets or set-off against assets.

Cash flow

Article 28

The statement of cash flow shall display cash receipts and payments over the year, regardless of their time of entry in the profit and loss account and balance sheet. [The annual financial statement of companies pursuant to subsections (c) and (d) of point 2 of Article 2 shall include a statement of cash flows.]¹⁾

The statement shall report cash flows over a specified period, categorised as operating, investing and financing activities. Furthermore, the statement shall show separately the changes in cash in addition to net cash at the start and end of the financial year.

Corresponding figures shall be specified for these items in the preceding financial year. If the items are not comparable with the items in the preceding year, the latter shall be adjusted. Adjustment of comparison figures may be omitted if the figures are not comparable as a result of changes in business activities. Items in the statement of cash flows containing no amount shall only be included if the accounts for the preceding financial year included such items.

¹⁾ Act 73/2016, Art. 18.

Chapter IV Valuation Rules

Article 29

Fixed assets shall not be valued higher than their cost price, subject to the provisions of Articles 31, 36, 39 and 40.

The cost price of fixed tangible assets consists of their purchase price and the expenses incidental to their acquisition and improvement up to their time of use.

The production cost of fixed tangible assets constitutes the cost price of the raw material and consumables and labour cost in addition to additional cost directly or indirectly attributable to the production of the assets.

The financial cost of capital borrowed to finance the purchase or production of fixed tangible assets may be included in the production cost to the extent that it relates to the period of production. In such an event, the inclusion of such financial cost in the production cost must be disclosed in the notes.

[Financial lease obligations]¹⁾ shall, in accordance with contractual provisions and statutory accounting rules, be shown in the balance sheet if the contracts in question concerned are material.

¹⁾ Act 73/2016, Art. 19.

Article 30

If the [fair value]¹⁾ of fixed tangible assets and intangible assets is lower than their book value according to Article 23 or 29, and the reasons for this are not transient, their price must be written down to the extent necessary in accordance with statutory accounting rules.

Investments shall be written down if their market value is lower than their book value, e.g. as a result of the risk that outstanding assets cannot be collected or for other reasons.

Where the value of assets has been reduced in accordance with the first or second paragraph, and the reasons for the reduction in value no longer apply, their book value shall be increased to its former value. [If goodwill has been impaired, as provided in the first paragraph, the book value of goodwill may not be restored to its earlier value.]¹⁾

Changes in valuation in accordance with first to third paragraphs above shall be shown in the profit and loss account. [These changes shall be accounted for in the notes.]¹⁾

¹⁾ Act 73/2016, Art. 20.

Article 31

[Fixed tangible assets may be recognised at fair value. If fixed tangible assets are revaluated, the revaluation shall take place annually.]¹⁾

Changes in valuation pursuant to the first paragraph shall be entered in a separate revaluation reserve under equity.

The revaluation reserve formed pursuant to the second paragraph shall be reduced to the extent of the annual reduction of the difference between the restated price and cost price. Also, the revaluation reserve shall be dissolved if the revalued asset is sold, its use is discontinued, or it is written off in full and if the reasons underlying the revaluation are no longer present.

[Profit or loss formed when an asset referred to in the first paragraph is sold or taken out of use, or when the basis for the revaluation no longer exists, shall be recognised in the profit and loss account.

Distribution of dividends from the revaluation reserve is not permitted.]¹⁾

¹⁾ Act 73/2016, Art. 21.

Article 32

Current assets shall not be capitalised at a higher value than their cost price or [fair value]¹⁾, if lower.

The cost price of current assets shall be calculated by adding to the purchase price the expenses incidental to their acquisition. A reasonable proportion of the costs which are indirectly attributable to the acquisition may be added into the cost price to the extent that they relate to the period of acquisition or production of the assets.

¹⁾ Act 73/2016, Art. 22.

Article 33

Inventory shall be valued at cost price or current value, whichever is lower.

If inventory is valued at a current value which is significantly lower than the cost price, this shall be explained in the notes.

The cost price of inventory includes all cost of the acquisition or accrued cost of production of the inventory, see the third paragraph of Article 29. In addition, the cost price of inventory includes all the cost of transporting the goods to their current location and bringing them into their current state. Distribution costs may not be included in the production costs of inventory.

Article 34

The conversion of items in the balance sheet stated in a foreign currency shall be based on the closing rate of the accounting date in the case of financial assets and liabilities. Other items of the balance sheets shall be converted at the closing rate of the business day.

Article 35

Receivables shall be written down if their [value]¹⁾ is lower than their book value, e.g. as a result of the risk that outstanding assets cannot be collected or for other reasons. The provisions of the third paragraph and the first sentence of the fourth paragraph of Article 30 shall apply, as appropriate.

¹⁾ Act 73/2016, Art. 23.

Article 36

[Financial instruments may be assessed at fair value, in which case they shall be classified either as financial assets through profit or loss or as financial assets for sale.]¹⁾ Also, assets and liabilities relating to such instruments may be stated at fair value when such assets and liabilities meet the requirements of risk hedging in the understanding of statutory accounting rules, in which case such assets and liabilities shall be stated at fair value as required in those rules.

[The provisions of the first paragraph]¹⁾ shall not, however, apply to:

1. loans and receivables of the company in question which are not held for trading purposes;
2. financial instruments other than derivative contracts which will be held to maturity;
3. holdings in subsidiaries;
4. holdings in associated companies;
5. holdings in joint ventures, see the third paragraph of Article 40;

6. equity instruments issued by the company, contracts for contingent consideration in a business combination, and other instruments relating to the equity of the company in question;

7. any other financial instruments which are inappropriate for statement at fair value pursuant to statutory accounting rules.

[Notwithstanding the provisions of the first paragraph, derivative contracts shall be assessed at fair value.]¹⁾

¹⁾ Act 73/2016, Art. 24.

Article 37

Valuation of financial instruments and liabilities at fair value pursuant to Article 36 shall comply with statutory accounting rules. Such valuation is permitted only if it is based on reliable information on fair value.

Fair value shall be determined with reference to:

1. the market price of financial instruments traded in an active market;
2. the market value of underlying factors of the financial instrument in question if the instrument is not listed in the market;
3. a value calculated by means of generally accepted valuation models or techniques for assets which are not traded in the market; such valuation models and techniques shall give a clear view of market value;

If these assets or liabilities cannot be assessed at fair value using the above methods, the valuation shall be based on cost price pursuant to Article 29.

Article 38

[Changes in the value of financial instruments assessed in accordance with Article 37 shall be entered in the profit and loss account. The same amount relating to a change in valuation of financial assets stated at fair value on initial recording shall be transferred from retained earnings to a fair value reserve under equity from which payment of dividends is not permitted, taking account of the effect of taxes, as applicable.]¹⁾

However, such changes shall be entered directly in equity in a fair value reserve:

1. where the instrument accounted for constitutes a hedging instrument in the understanding of statutory accounting rules, to the extent that such rules allow the [revaluation]¹⁾ not to be shown in the profit and loss account;
2. in the case of a [revaluation of a financial assets for sale]¹⁾; or
3. where the [changes in valuation]¹⁾ relate to an exchange rate difference arising on a monetary item that forms part of a company's net investment in foreign business activities.

Consistency shall be maintained from one year to the next in showing [revaluations]¹⁾ of financial instruments and liabilities pursuant to the first or second paragraph.

The fair value reserve shall be adjusted in accordance with changes in the asset or liability in question when it is sold or realised or when the assumptions underlying the [revaluation]¹⁾ no longer apply.

¹⁾ Act 73/2016, Art. 25.

Article 39

Companies engaged in business involving investments in [investment properties]¹⁾ may value assets and liabilities relating to such business within the scope of such business at fair value. ...¹⁾

The provision of the first paragraph covers investments in [investment properties]¹⁾, or parts thereof, such as real estate and other tangible assets, and their related liabilities.

Companies engaging in breeding live animals or plants for the purpose of selling them or their products, for the purpose of processing or manufacturing, may value such assets at fair value.

The provisions of Article 37 shall apply to the valuation of assets and related liabilities pursuant to the first to third paragraphs.

Changes in the valuation of assets and related liabilities pursuant to the second and third paragraphs shall be entered in the profit and loss account.

¹⁾ Act 73/2016, Art. 26.

Related companies

Article 40

A parent company shall enter its holding in a subsidiary as an asset by the equity method in accordance with its share in the equity of the subsidiary. However, the cost price may be used when it is permitted to keep subsidiaries outside the consolidated financial statement pursuant to Article 70. The difference between the original purchase price of the holdings and the participating interest in the capital of the subsidiary on the date of purchase shall also influence the book value of the investment in the subsidiary.

The equity method shall also be used in capitalising holdings in associated companies. However, the cost price may be used where the conditions of Article 70 are met.

Where a company engages in business activities in a joint venture with one or more companies the equity method shall be used for the joint venture, subject to the provisions of Article 70.

Article 41

When the equity method is used, account shall be taken of the operating results and other changes in the equity of the subsidiary or associated company. Its share in the operation shall be entered as income or expense as impact of subsidiaries and associated companies in the profit and loss account. [A participating interest in the restricted equity reserve of subsidiaries or associated companies shall be entered under the corresponding restricted equity reserve of the company.]¹⁾

Where a company has paid more for its investment in a subsidiary or associated company than corresponds to its interest in its net assets at the time of purchase, the difference shall be entered under the specified assets in question, if possible, or otherwise as goodwill. This difference shall be written off in the same manner as those assets. [If the difference consists of goodwill, this shall be written off in a systematic manner over 10 years, as provided in Article 24.]¹⁾ Expensing of the above difference shall be entered as the impact of the subsidiary or associated company in the profit and loss account. However, where a company has paid less for its investment in a subsidiary or associated company than corresponds to its interest in its net assets at the time of purchase, the difference shall be entered as above, but with reversed signs.

Dividends received in respect of holdings in a company treated in accordance with the equity method shall be entered as a reduction in the holding in the company.

In assessing the value of a holding in a subsidiary, account shall be taken of profit resulting from transactions between companies within the same consolidation which has not been realised by a sale to an entity outside the consolidation.

[If a participating interest entered in the profit and loss account is in an amount larger than received dividends or the dividends intended for distribution the difference shall be entered in a non-distributable reserve under equity. If the company's participating interest in a subsidiary or associated company is sold or written off, the account of the participating interest shall be eliminated, and the change recognised as retained earnings or accumulated deficit, as applicable.

¹⁾ Act 73/2016, Art. 27.

...¹⁾

¹⁾ Act 73/2016, Art. 28.

Article 42

...¹⁾

¹⁾ Act 73/2016, Art. 28.

Chapter V Notes

Article 43

[The notes to the annual financial statement must at a minimum set out information in respect of the matters referred to in Articles 44 – 64, in addition to information required under other provisions of this Act. Furthermore, information shall be included on:

1. the name of the company, corporate form, address of the company's head office and, if applicable, whether the company is being dissolved;
2. the basis of the accounts and principal accounting policies, including valuation policies and explanations of the applicable accounting policies;

3. the amounts and nature of individual items in the profit and loss account and balance sheet which are out of the ordinary for reasons of size or frequency;

4. the exchange rate used when figures in the financial statements are based on foreign currencies and, for comparison, the exchange rate used in the financial statement for the preceding year.

When notes on individual items in the profit and loss account and balance sheet are presented they shall be in the same order as the referenced items in the profit and loss account and balance sheet.]¹⁾

¹⁾ Act 73/2016, Art. 29.

Article 44

[Information shall be provided on the following when fixed tangible assets are revaluated pursuant to Article 31:

1. the methods used for the revaluation, together with information on the principal assumptions underlying the valuation procedures, information on depreciation of revaluated fixed tangible assets and whether the revaluation was conducted by an impartial party or not;

2. for each class of fixed tangible assets which has been revaluated, information shall be provided on the book value of the assets in question if the revaluation had not taken place; and

3. movements in the revaluation account over the year, including changes in valuation over the year and accumulated valuation changes at the beginning and end of the financial year, together with information on tax issues relating to the items in question.]¹⁾

¹⁾ Act 73/2016, Art. 30.

Article 45

The following information shall be provided when financial instruments, [investment properties or assets created by the cultivation of living animals and plants are valued at fair value pursuant to Articles 37 or 39]:¹⁾

1. the principal assumptions underlying the valuation models and valuation procedures when fair value is determined pursuant to point 3 of the second paragraph of Article 37;

2. changes in value for each class of financial instruments [and other assets pursuant to points 1-3 of the second paragraph of Article 37.];¹⁾

3. the scope and nature of each class of derivatives, including the importance of terms and conditions which could impact the amount, timing and reliability of future cash flow; and

4. movements in the fair value reserve over the year.

¹⁾ Act 73/2016, Art. 31.

Article 46

...¹⁾

In the case of financial assets which are financial instruments in the understanding of [point 17 of Article 2],¹⁾ where write down pursuant to Article 30 has not taken place, the book value and fair value of individual assets or classes of assets shall be disclosed. Assumptions underlying the opinion that a transient reduction in price is involved shall be reasoned.

As regards investments in subsidiaries and associated companies, see Article 40, information shall also be provided on the fair value of individual holdings or asset classes.

¹⁾ Act 73/2016, Art. 32.

Article 47

If the composition of the business activities of a company changes during the financial year, information shall be provided on the change. If it is impossible to adjust figures in the annual financial statement of a preceding year, this shall be adequately explained in the notes.

Article 48

The name, domicile and legal form of subsidiaries and associated companies shall be indicated. The participating interest in each company and their total assets, as well as the result of operations during the previous financial year, shall be stated. This information may be omitted where it is of negligible significance.

The provisions of the first paragraph on information relating to equity and the result of operations of subsidiaries and associated companies may be derogated from if:

1. the associated company does not publish its annual financial statement and the share of the company's holding in its equity is less than 50%;
 2. the accounts of the subsidiary form a part of the consolidated financial statement of the company;
- or
3. the company values its holdings by the equity method, as provided in Article 40.

Article 49

The notes shall specify the names, domiciles and legal form of companies with unlimited liability of which the company is a member. This information may be omitted where it is of negligible significance. The provisions of the second paragraph of Article 48 also apply, as appropriate.

Article 50

Where there is more than one class of participating interests in a company they shall be specified as well as their number and nominal value or, in the absence of a nominal value, the book value for each class. In limited liability companies the number and nominal value of shares must always be indicated.

Article 51

Where a company has taken a loan raised by the issuing of a bond which confers on the creditor the right to convert claims on the company into shares in the company, the outstanding balance of each loan shall be specified as well as the exchange ratio and the time limit for converting into shares.

Where a loan is raised by issuing a bond with the right to interest and where the interest rates are governed in part or whole by the result of operations of the company, the outstanding balance of each loan shall be specified and the agreed interest.

Similar information shall be given on unit certificates and similar rights, as appropriate, including information on their number.

Article 52

Information shall be provided on the part of the amounts owed by the company becoming due and payable each year for the next five years from the end of the financial year and on the part of the amounts owed by the company becoming due and payable later.

Where a company has pledged assets as collateral, the amounts pledged and the book value of the assets pledged shall be specified, itemised by asset. The total collateral pledged on behalf of subsidiaries and other companies within the same consolidation of companies shall be indicated separately.

To the extent that it is significant for the assessment of financial position, information shall be provided on the total amount of any commitments concerning pensions, liabilities and guarantees, sold securities and other financial commitments not shown in the balance sheet. Commitments to a parent company and its subsidiaries shall be indicated separately.

If the company has entered into lease agreements for a term longer than one year which are significant in amount and do not appear in the balance sheet, such obligations shall be specified separately.

Article 53

The amounts of loans, as well as pledges, liabilities and guarantees granted to members or directors of a company or its parent company resulting from these members' links with the companies, shall be indicated and itemised with information on interest, payment terms and other principal terms.

The provisions of the first paragraph also apply to individuals with close links to the parties listed therein.

Article 54

The most recent real estate assessment value shall be specified. The same applies to the insurable value of fixed tangible assets.

Article 55

Information shall be provided on the recognition of profit from long-term projects in the profit and loss account.

Article 56

Companies falling with the scope of [subsections (c) and (d) of point 11 of Article 2]¹⁾ shall disclose information on the apportionment of operating income by functions and market areas where these functions and market areas have a significant impact on the company's operations.

[Companies falling within the scope of point 9 and subsections (c) and (d) of point 11 of Article 2 shall disclose information on the total amount of fees to each auditor or auditing firm for the auditing of their annual financial statement and consolidated financial statement. Companies falling within the scope of the first sentence shall also disclose information on the total amounts of fees to each auditor or auditing firm for other work, including information on assistance in preparing the company's tax returns and management consultancy.]¹⁾

¹⁾ Act 73/2016, Art. 33.

Article 57

Information shall be disclosed on the total amount of taxes on the operation during the year and assets at the end of the year.

Information shall be disclosed on the impact of taxation on extraordinary operating items.

Information shall be disclosed on deferred income tax liabilities or assets resulting from differences arising between, on the one hand, the taxes charged to the accounts during the financial year and preceding financial years and, on the other hand, the amount of tax levied in respect of these years, unless the significance of this information is negligible.

Information pursuant to the third paragraph shall indicate which items in the annual financial statement are subject to the taxation.

Article 58

Information shall be disclosed on total salary expenses and the average number of [man-years]¹⁾ during the financial year. Corresponding information shall be disclosed for the preceding financial year.

¹⁾ Act 73/2016, Art. 34.

Article 59

Companies pursuant to [subsections (c) and (d) of point 11 of Article 2]¹⁾ shall disclose information on payroll expenses, including salaries, pensions, premiums to pension funds and other salary-related costs. Furthermore, information shall be disclosed on the total wages, fees and profit shares to current and previous company managers for work in the company's interest. Contracts entered into with the board of directors, managing director or personnel concerning pensions shall be indicated and the total obligations disclosed. Corresponding information shall be disclosed for the preceding financial year.

¹⁾ Act 73/2016, Art. 35.

Article 60

The following information shall be disclosed regarding a company's holding of own shares:

1. the number and nominal value of own shares and their proportion of the total shares;
2. the number and nominal value of own shares bought or sold in the course of the financial year and their buying and selling price; and
3. the reason for the company's acquisition of own shares in the course of the financial year.

The information listed in the first paragraph shall also be disclosed if own shares have been mortgaged.

The information listed in the first and second paragraph shall also be disclosed on shares in a company acquired or divested by its subsidiary in the course of the financial year.

Article 61

Changes in equity in the course of the financial year shall be itemised.

Article 62

A company forming a part of a consolidation shall specify the name and domicile of its parent company and the parent company of the total consolidation.

Furthermore, information shall be disclosed on the location where the consolidated financial statements of foreign parent companies pursuant to the first paragraph are available for inspection.

Article 63

[Companies pursuant to subsections (c) and (d) of point 11 of Article 2 shall provide an account of business with related parties, including the nature of the relations in question, the amount involved in the business and other information on the business which is necessary in order to assess the financial position of the company.]¹⁾ This information may be omitted in consolidated financial statements in respect of intragroup transactions.

¹⁾ Act 73/2016, Art. 36.

Article 64

Companies provided for in [point 9 and subsections (c) and (d) of point 11 of Article 2]¹⁾ shall disclose information on business activities that have been discontinued, closed down or abandoned during the financial year, or which are scheduled for discontinuation, closing down or abandonment, to the extent that such activities can be separated from other activities. This includes specifying, to the extent possible, the profit or loss from the discontinued business activities and its tax impact, and the effect on classification in the statement of cash flows.

¹⁾ Act 73/2016, Art. 37.

Chapter VI Report of the board of directors.

Article 65

The report of the board of directors attached to the annual financial statement shall include information on:

1. the principal business activity of the company;
2. matters which are important for the assessment of the financial position of the Company and its performance during the financial year and which do not appear in the balance sheet or profit and loss account or their notes;
3. potential uncertainty in valuation or unusual circumstances that could impact the company, indicating amounts, as applicable;
4. trends in the activities of the company and its financial position ...;¹⁾
5. any significant events that may have occurred after the end of the financial year;
- [6. the number of man-years during the financial year.]¹⁾

The report shall include the board of directors' proposal on the appropriation of the profit or treatment of the loss for the previous financial year.

[Limited companies and private limited companies shall disclose the number of their shareholders at the beginning and end of the financial year. In addition, the identities of a minimum of the ten largest shareholders shall be disclosed, or all shareholders if they are fewer than ten, together with the percentage of the holdings of each of them at year-end. For the purposes of this calculation a consolidation shall be considered as a single body. If the proportion of voting rights differs in relation to the value of shares, then, at a minimum, the proportion of voting rights of the ten shareholders controlling the largest proportion of voting rights in the company at year-end shall be disclosed. If any changes have occurred in the proportion of voting rights during the financial year, these shall be specified. In addition, the [annual financial statement]²⁾ shall be accompanied by a list of the names and ID numbers of all shareholders in alphabetical order, together with information concerning their respective holdings and percentage of share capital at year-end. The Register of Annual Accounts shall enable companies, on the electronic submission of annual financial statements, to use information submitted earlier to the Directorate of Internal Revenue regarding shareholders in the company for the purpose of preparing the list.] ¹⁾

In cooperative societies ...³⁾ the number of members at the beginning and the end of the financial year shall be indicated, as well as the number of owners of the B-division shares within their members' fund [B-division shares: non-voting preferential stock] if the members' fund of cooperative societies is so divided in two. If the voting rights of members differ this shall be explained. [Partnerships and unlimited partnerships shall disclose information on owners and their holdings at the beginning and end of the financial year.]³⁾

The board of directors' report attached to the annual financial statement of a parent company shall include information on the consolidation as a composite whole.

[The report of the board of directors of statutory limited liability companies and public limited companies, private limited companies and cooperative societies normally employing more than 50 people on an annual basis shall report on the gender ratio of their boards of directors.]⁴⁾

[If a company owns shares in itself, their number and nominal value shall be stated. If the company has acquired or disposed of own shares in the financial year the reason shall be disclosed for the acquisition or disposal of the shares and the number and nominal value of the shares that the company acquired or disposed of, together with information on the consideration for the shares.

If there is any doubt regarding the company as a going concern, this shall be accounted for in the report of the board of directors.]²⁾

¹⁾ Act 14/2013, Art. 6. ²⁾ Act 73/2016, Art. 38. ³⁾ Act 171/2007, Art. 3. ⁴⁾ Act 132/2014, Art. 11. See also: Article 12 of the same Act.

Article 66

[Companies pursuant to point 8 and subsections (c) and (d) of point 11 of Article 2, where the ownership or use of financial instruments is material for the valuation of assets, liabilities, financial position and profit or loss shall,]¹⁾ in addition to the information pursuant to Article 65]²⁾ account for the principal objectives and policy in risk management, provided that changes in the value of financial instruments can have a significant impact on operations and financial position. Specific information shall be provided on the way in which the valuation of individual items in accounts, such as derivative contracts, is based on such risk management goals and the risk factors that may be significant in the valuation of assets and liabilities, financial position and performance. An account shall be given of market risk, i.e. interest risk, currency risk and equity risk, as well as lending risk and liquidity risk in the operation of the company. The board of directors' report shall also, as appropriate, give an indication of:

1. the anticipated development of the company, including specific assumptions and uncertainties on which the board has based its report;
2. specific risks in addition to normal risks in the field of business of the company, including business and financial risk that may affect the company;
3. the impact of the external environment on the company and measures to prevent, mitigate or compensate for damage incurred;
4. ...¹⁾

[In companies where research and development is material for the operation of the company an account shall be provided of such activities.

Important indicators of non-financial results shall be disclosed, including information on environmental and human resource matters and the knowledge resources in the company, if significant for future income generation.

Companies shall disclose the existence of any overseas branches.

The matters provided for in points 1-4 may be disclosed in the notes to the annual financial statement instead of the report of the board of directors.]¹⁾

Furthermore, reports of the boards of directors of companies pursuant to [point 2]¹⁾ of the first paragraph of Article 1 shall provide a comparison of the company's actual profit and loss in comparison with its operating budget, if published, with explanations of the main departures from the budget.

¹⁾ Act 73/2016, Art. 39. ²⁾ Act 171/2007, Art. 4.

[Article 66 (a) Disclosure obligations

The report of the board of directors of a company whose securities have been admitted to trading in a regulated market in one or more classes shall disclose detailed information on the following:

1. the structure of its share capital, including shares which are not listed in a regulated market, different classes of shares and their attached rights and obligations, and their proportion of the total share capital;
2. all restrictions on the transfer of shares, e.g. restrictions relating to the shareholdings of individual members or whether the approval of the company or other shareholders is needed for transfers;
3. significant direct or indirect shareholdings, including indirect holdings through other companies or mutual shareholdings of companies;
4. owners of shares with special management rights and a description of such rights;
5. the principal provisions of employees' stock options;
6. all restrictions relating to voting rights, e.g. restrictions on the voting rights of shareholders holding a specific proportion or number of votes, time limits for the exercise of voting rights or if financial rights relating to shares are not connected with their ownership;
7. all contracts between shareholders which are known to the company and which may entail restrictions relating to transfers and/or voting rights;
8. rules concerning nominations to the board and renewal of board members and amendments to the company's articles of association;
9. any special authorisation possessed by the board, including authorisation to issue new shares or buy own shares;
10. any contracts to which the company is a party and which will take effect, be modified or lapse in the event of any changes in the management or control of the company following a take-over bid and the resulting impact on the company, unless information is involved which could have a detrimental impact on the business activities of the company or which would have an insignificant impact. However, these exceptions do not apply in the case of information that a company is required by law to disclose;
11. any contracts made by the company with board members or employees on payments or compensation on their resignation or termination of their employment without due cause or as a result of a take-over offer.

The board of directors of a company which has listed one or more classes of shares in a regulated market shall disclose, at the annual general meeting each year, the matters referred to in the first paragraph.]¹⁾

¹⁾ Act 171/2007, Art. 5.

[Article 66 (b) Declarations of board members

In a company falling within the scope of [point 2]¹⁾ of the first paragraph of Article 1 which has issued securities admitted to trading in a regulated market in the European Economic Area, each member of the board shall sign a declaration disclosing the member's name and functions within the board of directors of the company. The declaration shall state that to the best knowledge of the board member the annual financial statement has been drawn up in accordance with Chapter VIII and gives a true and fair view of the assets and liabilities, financial position and operating results of the company. It should also be stated that the report of the board of directors gives a true and fair view of the progress and results of the operation of the company and its financial position and describes the principal risks and uncertainty factors confronting the company. The same applies to in the case of a consolidated financial statement prepared by the parent company.]²⁾

¹⁾ Act 73/2016, Art. 40. ²⁾ Act 171/2007, Art. 5.

[Article 66 (c) Good governance

A company pursuant to [subsection (a) of point 9 of the first paragraph of Article 1]¹⁾ shall annually publish a declaration of its governance in a separate chapter in the report of the board of directors.

The declaration shall include, as a minimum, the following:

1. references to the rules and guidelines, handbooks etc. on governance that the company observes or is required to observe pursuant to law and information on the location where such material is accessible to the public. If a company deviates from the rules or other items in the first sentence the deviations shall be disclosed and the reason for the deviation;

2. a description of the principal aspects of the company's internal control and risk management systems relating to the [financial accounting process];¹⁾

3. a description of the composition and functions of the [representative body, board of directors, executive board and board committees];¹⁾

[4. a description of diversity in connection with the board of directors, executive board and supervisory board of the company with regard to factors such as age, gender or educational and professional background, the object of the policy, how it is implemented and the conclusions of the reporting period. If no such policy is observed, the reason shall be noted in the report.]¹⁾

Information on a parent company pursuant to the second paragraph shall also be disclosed in the report of the board of directors attached to the consolidated financial statement, in addition to a description of the principal factors of the internal control and risk management systems of the consolidation in connection with the preparation of the consolidated financial statement.]²⁾

¹⁾ Act 73/2016, Art. 41. ²⁾ Act 118/2011, Art. 1.

[Article 66 (d) Non-financial disclosure

A company falling within the scope of point 9 and subsection (d) of point 11 of Article 2 and parent companies of large consolidations shall attach in a summary with the report of the board of directors information necessary to evaluate the development, scope, position and impact of the company in relation to environmental, social and human resource matters. Also, an account shall be provided of the policy of the company as regards human rights and the means used by the company to combat corruption and bribery. The summary shall also include the following:

- a. a brief description of the company's business model;
- b. a description of the company's policy relating to matters pursuant to this article, together with a description of the diligence procedures implemented by the company;
- c. a summary of the effectiveness of the policy of the company pursuant to this article;
- d. a description of the principal risks related to those matters linked to the company's operations including, where relevant and proportionate, its business relationships, products or services which are likely to cause adverse impacts in those areas, and how the company manages those risks; and
- e. non-financial key performance indicators appropriate for the business in question.

Where the company does not pursue policies in relation to one or more matters pursuant to this Article, the non-financial statement shall provide a clear and reasoned explanation for not doing so.

The statement provided for in the first paragraph shall also, where appropriate, include further clarifications regarding the amounts disclosed in the annual financial statement.

Where a company pursuant to the first paragraph prepares a consolidated financial statement it is sufficient for the information pursuant to the first and second paragraph to extend only to the consolidation.

A subsidiary is exempt from disclosure pursuant to the first to the third paragraph if the fourth paragraph applies.]¹⁾

¹⁾ Act 73/2016, Art. 42.

[Article 66 (e) Report on payments to governmental authorities

Companies engaging in mining or logging operations falling within the scope of point 9 and subsection (d) of point 11 of Article 2 shall prepare and disclose a report on payments to governmental authorities on an annual basis. The Minister shall issue a regulation on the implementation of this Article.

This obligation does not apply to a company which operates in the domestic market and is a subsidiary or parent company if the following conditions are met:

- a. the parent company is subject to Icelandic law;

b. information on payments made by the company to governmental authorities is included in the consolidated report on payment to governmental authorities prepared by the parent company in accordance with the regulation issued pursuant to the first paragraph.]¹⁾

¹⁾ Act 73/2016, Art. 42.

Chapter VII. Consolidated financial statements

Article 67 Obligation to draw up consolidated financial statements.

[A parent company shall, in addition to the parent company's annual financial statement, draw up a consolidated financial statement]¹⁾ pursuant to the provisions of this Chapter for all of its subsidiaries, regardless of where they are registered, subject to the provisions of Articles 68 – 70. The derogations pursuant to Articles 68-70 do not apply when one of the companies to be included in the consolidation is a company which has its securities listed in a regulated market in a state within the European Economic Area, [in a state party to the Convention establishing the European Free Trade Association or the Faeroe Islands].²⁾

...³⁾

¹⁾Act 14/2013, Art. 7. ²⁾Act 108/2006, Art. 12. ³⁾Act 73/2016, Art. 43.

Article 68

[A parent company need not prepare a consolidated financial statement if the consolidation as a whole does not exceed the size limits of a small consolidation, except in the case of a public interest entity.]¹⁾

The permission to invoke the provisions of the first paragraph will change only if the consolidation has exceeded, or no longer exceeds, two of the limits for two consecutive financial years.

[A parent company need not prepare a consolidated financial statement if it only owns subsidiaries which are immaterial, both separately and as a whole, [or if all its subsidiaries may be excluded from the consolidated financial statement, as provided in Article 70.]¹⁾ A parent company shall explain in the notes to the annual financial statement that on the basis of this provision it has not drawn up a consolidated financial statement and the grounds for this decision. The parent company shall also disclose the names and domiciles of the subsidiaries in question.]²⁾

¹⁾Act 73/2016, Art. 44. ²⁾Act 14/2013, Art. 8.

Article 69

A company which is also a subsidiary and operates on the basis of the law of an EEA Member State and whose annual financial statement forms a part of the consolidated annual financial statement of a parent company which is subject to the law of an EEA Member State is not required to draw up a consolidated financial statement, subject to the provisions of the second sentence of the first paragraph of Article 67 if:

1. the parent company owns all the shares in the exempted company, in which case shares in the company held by directors or managers pursuant to provisions of law, memorandum or articles of association should not be counted; or

2. the parent company:

a. holds at least 90 % of the shares in the exempted company and its remaining shareholders or members have approved the exemption; or

b. holds less than 90% of the shares in the exempted company and the owners of minority shares holding a minimum of a 10% share have not, within six months prior to the end of the financial year, called for consolidated financial statements to be drawn up;

3. the parent company submits its annual financial statement together with its consolidated financial statement to the Register of Annual Accounts; and

4. the Company explains in the notes to the annual financial statement that on the basis of this Article it has not drawn up a consolidated financial statement and discloses the name and domicile of the parent company.

The Register of Annual Accounts may require the submission of similar information on consolidated financial statements pursuant to the first paragraph as would have been required to accompany the consolidated financial statement of the company itself pursuant to this Act. The Register of Annual Accounts may furthermore require an Icelandic translation of the consolidated financial statement.

A company may also avoid the preparation of an annual financial statement if the company is itself a subsidiary of a company which is subject to the legislation of a state which is not a Member State of the EEA, and:

1. the board of directors of the company has not, within six months from the end of the financial year, received a request for the preparation of a consolidated financial statement; and

2. its parent company draws up a consolidated financial statement in compliance with the legislation of an EEA Member State on consolidated financial statements, and the auditor of the parent company audits the consolidated financial statement.

A company taking advantage of the exemptions in the first to third paragraphs shall also:

1. disclose in its annual financial statements that in compliance with the first to third paragraphs it has not prepared a consolidated financial statement and specify the name of its parent company; and

2. submit to the Register of Annual Accounts the consolidated financial statement of its parent company together with any information requested by the Register of Annual Accounts pursuant to Article 117.

Article 70

A subsidiary may be excluded from a consolidated financial statement, subject to the second sentence of the first paragraph of Article 67, if:

1. it is immaterial for the operation or finances of the consolidation owing to insignificant size;

2. its management is no longer in the hands of its owners, or there are significant and permanent obstacles which to a large extent prevent the parent company from exercising its rights to the assets of the subsidiary or to manage it;

3. [in absolutely exceptional cases]¹⁾ it is not possible to obtain the necessary information in a timely manner or without unreasonable cost; or

4. it has not previously been included in the consolidated financial statement and the parent company acquired the holdings for the sole purposes of resale.

Notwithstanding the provisions of point 1 of the first paragraph above, companies which singly are of negligible significance shall be included in a consolidated financial statement if they are jointly of material significance.

...¹⁾

If a subsidiary is excluded from a consolidated financial statement pursuant to the first or third paragraphs above, this shall be explained in the notes to the consolidated financial statement.

¹⁾Act 73/2016, Art. 45.

Article 71

If a company which is not required to draw up a consolidated financial statement pursuant to Articles 68 – 70 prepares such accounts nonetheless, the accounts shall be drawn up in accordance with the provisions of this Act on consolidated financial statements, with the exception of Article 109.

Article 72 The financial year of a consolidation

Companies forming a part of the same consolidation shall have the same financial year, unless special circumstances dictate otherwise.

If the financial year of a subsidiary closes more than three months [before or after the end]¹⁾ of the financial year of the consolidation, the consolidated financial statement shall be prepared on the basis of special accounts prepared pursuant to the provisions of this Act based on the accounting date of the consolidation. If the financial year of a subsidiary closes three months or less prior to the end of the financial year of the consolidation, the annual financial statement of the subsidiary may be incorporated into the consolidated financial statement.

In cases where the financial years are not the same, information on this discrepancy shall be provided in the notes. If, during the time that passes between the end of the financial year of a subsidiary and a parent company, there have been events which have a material effect on the operation and financial position of the subsidiary, information shall be provided on such events.

¹⁾ Act 73/2016, Art. 46.

Article 73

A consolidated financial statement shall be drawn up pursuant to the provisions of this Chapter, containing a profit and loss account, balance sheet, cash flow statement, [notes and the report of the board of directors, together with the auditor's report or signature of the examiner].¹⁾

A Consolidated financial statement should give a true and fair view of the results, assets and cash flow of all the companies within a consolidation.

In the preparation of a consolidated financial statement similar income and expense entries and asset and liability entries should be added together. All necessary adjustments should be made in respect of specific factors which apply only to the consolidated financial statement [including the elimination of all business within the consolidation and reversing unrealised profit from such business].¹⁾

In a consolidated financial statement, the investment of the parent company in its subsidiaries shall be eliminated against the proportional holding of the parent company in their equity.

A subsidiary acquired in the course of a financial year [shall]¹⁾ only be included in the consolidated financial statement from the time that the parent company [gains control over it].¹⁾

A subsidiary sold in the course of a financial year [shall]¹⁾ only be included in the consolidated financial statement until the time that the parent company [loses control over it].¹⁾

¹⁾ Act 73/2016, Art. 47.

Article 74

Holdings in subsidiaries which may be excluded from the consolidated financial statement pursuant to Article 70 shall be entered as a separate item in the consolidation's balance sheet. Claims and debts to these subsidiaries should be shown separately in the consolidation's balance sheet.

The share of a consolidation in associated companies shall be entered as a separate item in the consolidation's balance sheet.

[The minority share in the equity of subsidiaries shall be entered as a separate item under equity. The profit and loss account shall show the division of profit between the owners of the parent company, on the one hand, and minority shareholders in subsidiaries, on the other hand.]¹⁾

¹⁾Act 73/2016, Art. 48.

Article 75

The assets and liabilities of a consolidation shall be valued using consistent methods pursuant to this Act.

A consolidated financial statement shall apply the same valuation methods as the annual financial statement of the parent company. If a subsidiary in a consolidation uses different valuation methods in its own annual financial statement than the parent company, new accounts shall be prepared where valuation methods are consistent with the consolidated financial statement. Deviation from the provisions of the second sentence above is permitted if the discrepancies in the accounts of a subsidiary from the accounts of the parent company are not material. Any discrepancies shall be referred to in the notes to the consolidated financial statement and the reasons for them disclosed.

In a consolidated financial statement, the holdings of the consolidation in associated companies shall be evaluated using the equity method, unless the interests are of negligible significance.

Article 76

[Where a subsidiary forming part of a consolidation draws up its accounts in a currency other than that of the parent company, its accounts shall be converted into the currency of the parent company prior to the drawing up of the consolidated financial statement, as follows:

- a. assets and liabilities in each balance sheet, together with comparison figures, shall be converted at the final exchange rate based on the date of the respective balance sheet;
- b. income and expenses in each profit and loss account, together with comparison figures, shall be converted at the exchange rate of the respective transaction dates; and
- c. all translation differences resulting from subsections (a) and (b) shall be entered as a separate item under equity.

In converting pursuant to the first paragraph, the average exchange rate may be used in the conversion of income and expense items, provided that the exchange rate has not fluctuated significantly over the period.

Where the translation difference relates to foreign business which forms part of a consolidation which is not fully owned by the parent company, the part which can be traced to the minority shareholding shall be entered as part of the minority shareholding in the consolidation's balance sheet.]¹⁾

¹⁾Act 73/2016, Art. 49.

Article 77

The balance sheet shall account for the aggregate assets and liabilities, income and expenses of the companies as a whole. In the preparation of the accounts, the following items shall be eliminated:

1. claims and debts of companies within the consolidation vis-à-vis other members of the consolidation;
2. income and expenses from mutual transactions between companies within the consolidation; and
3. unrealised profit or loss from such transactions.

Article 78 The start of a consolidation

The purchase method pursuant to Article 79 shall be used in the preparation of a consolidated financial statement subject to the provisions of the second and third paragraphs below.

If companies are under the same parent company or subject to the powers of decision of the same parties, the pooling of interest method at the start of the consolidation may be used, as provided in Article 80.

The pooling of interest method pursuant to Article 80 may also be used if:

1. the value of the respective companies within the consolidation is not significantly different;
2. the parent company owns at least a 90% of the shares and voting rights of the subsidiary following the exchange of shares; and

3. the parent company, on the establishment of the consolidation, has acquired the share based on an agreement which entails that:

a. neither the owners of the parent company nor the owners of the subsidiary have obtained a controlling position in the parent company on the exchange;

b. the owners of the companies retain the same rights following the exchange;

c. payment by means of assets other than an exchange of shares does not exceed 10% of the nominal value of the equity share taken over.

Article 79 Purchase method

If a consolidation is formed by means of a take-over of a company, the consolidated financial statement shall be based on the valuation price of each item in the balance sheet on the take-over date. The difference in valuation price and book price shall be written off in the same manner as the items underlying the difference.

The share of the parent company in the subsidiary, see the third paragraph below, shall be set off against the net assets of the subsidiary.

The balance remaining following adjustments relating to individual items on the balance sheet in accordance with the first paragraph above constitutes goodwill. Positive goodwill shall be entered as a separate item among assets, while negative goodwill shall be entered as a separate item among liabilities. [Goodwill shall always be written off over 10 years, as provided in Article 24. Negative goodwill shall be credited over 10 years.]¹⁾

The shares of a subsidiary in the parent shall be entered as own shares in the consolidation.

¹⁾Act 73/2016, Art. 50.

Article 80 Pooling of interests method

With the pooling of interests method, the consolidated financial statement is submitted for the accounting period during which the combination occurred as if the companies had been combined from the start of the period. In using the pooling of interests method, individual items of the balance sheet on the take-over date are combined at their book price. Comparison figures shown in a consolidated financial statement shall also represent the companies in combination, as if the consolidation had existed from the start of the first accounting period shown. The difference between the amount recorded as share capital, together with premium, as applicable, in addition to the paid purchase price, if any, and the book value of the equity of the subsidiary shall be entered under equity.

Article 81 Joint venture

Where a company in a consolidation engages in business activities in a joint venture with one or more companies the share of the consolidation in the joint venture shall be entered in the consolidated financial statement, subject to the provisions of Article 70. The assets and liabilities and income and expenses of the joint venture shall then be included in the consolidated financial statement in proportion to the participation of the consolidation in the venture.

Article 82 Accounting policies

The notes to a consolidated financial statement shall provide information on accounting policies, as if the companies forming the consolidation were a single company, as provided in Chapter V.

The notes on accounting policies shall furthermore disclose the following:

1. if a subsidiary is not included in the consolidated financial statement, with detailed and adequate reasoning;
2. if a subsidiary in the consolidation has a different accounting date from the parent company, see Article 72. If any significant events have occurred between these two dates which have an impact on the assets and liabilities of the subsidiary, its financial position or operating results, this shall be disclosed;
3. if different procedures are used in calculations and valuation than in the annual financial statement of the parent company, with detailed and adequate reasoning for the use of other procedures;
4. residue of goodwill pursuant to Articles 79 and 80, together with the procedures used in the accounting.

Article 83 Other notes

The notes to a consolidated financial statement shall disclose the same information as specified in Chapter V of the Act. Instead of information on amounts in individual companies, the amounts of the company forming the consolidation are added together by the same procedures that apply to the consolidated financial statement.

Information may be omitted which relates to the business of a parent company with a subsidiary or a joint venture with another company, see Article 81.

Information shall be provided on changes in the proportional minority holdings in subsidiaries' equity.

Article 84

For each subsidiary in the consolidated financial statement and outside the accounts, the notes shall specify:

1. the name and domicile;
2. the proportion of equity owned by the consolidation as a whole;
3. the reason that the subsidiary is included in the consolidated financial statement if the share of equity held by the consolidation and voting rights are not the same;
4. detailed and adequate reasoning if a company is kept outside the consolidation, see Article 70;
and
5. whether the pooling of interests method pursuant to Article 80 was used.

For each associated company the following shall be disclosed:

1. the name and domicile;
2. the proportion of equity owned by the consolidation as a whole; and
3. whether the company is valued by the equity method.

If a company provided for in Article 81 is included in a consolidated financial statement, the following shall be disclosed for each company:

1. the name and domicile;
2. the proportion of equity owned by the consolidation as a whole; and
3. the basis for joint management.

Article 85 Report of the board of directors.

The report of the board of directors on the consolidation shall provide information as if the companies forming the consolidation were a single company. Instead of information on the figures of individual companies, the figures of the companies forming the consolidation are added together by the same procedures that apply to the consolidated financial statement.

Provisions on the report of the board of directors in [Chapter VI]¹⁾ shall apply to the consolidation, as appropriate.

The reports of the boards of directors of the parent company and the consolidation may be combined if the information provided for in this Act can be located without difficulty.

¹⁾Act 171/2007, Art. 6.

Article 86 Accounting on mergers and divisions

When companies merge, accounts shall be prepared for the combined assets and liabilities of the companies. The provisions of Articles 73-81 shall apply to the initial balance sheet of the acquiring company or the company formed on the merger. The provisions on the parent company apply to the company which continues its business operations and the provisions on the subsidiary apply to the company which is discontinued.

The merger accounts shall include the initial balance sheet of the acquiring company or the company established on the merger, the closing balance sheet of the companies merging and the merger entries required by the merger. Merger accounts shall include notes which are necessary to give a true and fair view of the company continuing business operations or established on the merger, together with additional information required in the merger agreement.

Article 87

The provisions of Article 86 shall apply to the division of a company with the adjustments resulting from the division.

[Chapter VII A. Interim financial statements]¹⁾

¹⁾Act 171/2007, Art. 7.

[Article 87 (a) Interim financial statements

A company falling within the scope of [point 2]¹⁾ of the first paragraph of Article 1 which has issued shares or bonds admitted to trading in a regulated market in a state within the European Economic Area shall draw up an interim financial statement for the first six months of the year.

If auditors have not signed a report on the interim statement this shall be disclosed in the interim report of the board of directors.

The interim statement shall include a condensed profit and loss account, a condensed balance sheet in compliance with International Accounting Standards, a statement of cash flows, notes and an interim report of the board of directors, as provided in Article 87(b), together with an interim declaration of members of the board of directors, as provided in Article 87(c), and an auditor's report, where applicable.

The preparation of an interim financial statement shall comply with the same general principles on entries and valuations that apply to the preparation of annual financial statements.

Provisions on the preparation of interim financial statements pursuant to this Article shall also apply to consolidated financial statements, as applicable.

The provisions of the second to fifth paragraphs also apply to the first quarter and third quarter interim accounts, if a company elects to draw up such accounts.]²⁾

¹⁾Act 73/2016, Art. 51. ²⁾Act 171/2007, Art. 7.

[Article 87 (b) Interim report of the board of directors

The interim report of a board of directors of a company falling within the scope of [point 2]¹⁾ of the first paragraph of Article 1 for the first six months of the financial year shall, at a minimum, specify any material events that have occurred in the first six months of the financial year and their impact on the interim financial statement. Furthermore, the interim report of the board of directors shall include a description of the principal risks and uncertainties of the six months remaining of the financial year and major business transactions with related parties.]²⁾

¹⁾Act 73/2016, Art. 51. ²⁾Act 171/2007, Art. 7.

[Article 87 (c) Interim declaration of the board of directors

In a company falling within the scope of [point 2]¹⁾ of the first paragraph of Article 1 which has issued shares or bonds admitted to trading in a regulated market in a state within the European Economic Area, each member of the board shall sign a declaration disclosing the member's name and functions within the board of directors of the company. The declaration shall state that to the best knowledge of board members the interim financial statement drawn up pursuant to Article 87(a) is prepared in accordance with Chapter VIII and gives a true and fair view of the assets and liabilities, financial position and operating results of the company and the consolidation as a whole, and that the interim report of the board of directors issued pursuant to Article 87(b) gives a true and fair view of the information required.]²⁾

¹⁾Act 73/2016, Art. 51. ²⁾Act 171/2007, Art. 7.

[Article 87 (d) Derogation

The provisions of this chapter do not apply to companies which only issue bonds in a regulated market in a state within the European Economic Area where the nominal value of each issued unit is greater than ISK [16,000,000.]¹⁾ [This amount is a base amount tied to the exchange rate of the euro on 19 July 2013 (ISK 159.13).] ¹⁾²⁾

¹⁾Act 73/2016, Art. 52. ²⁾Act 171/2007, Art. 7.

[Article 87 (e) Publication of interim financial statements

A company falling within the scope of [point 2]¹⁾ of the first paragraph of Article 1 which has issued shares or bonds admitted to trading in a regulated market in the European Economic Area shall publish an interim financial statement pursuant to the third paragraph of Article 87(a) in compliance with the provisions of Chapter VII of the Act on securities transactions.]²⁾

¹⁾ Act 73/2016, Art. 51. ²⁾ Act 171/2007, Art. 7.

Chapter VIII. International Accounting Standards

Article 88

The provisions of Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of International Accounting Standards shall have the force of law in Iceland in conformity with Protocol 1, on horizontal adaptations to the Agreement on the European Economic Area, see the Act on the European Economic Area No 2/1993, as subsequently amended, whereby the Protocol passed into law.

Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of International Accounting Standards is printed as an attachment to this Act.

Scope of the Chapter

Article 89

The provisions of this Chapter apply to companies falling within the scope of this Act as further provided in Articles 90 and 92.

Obligation to apply International Accounting Standards in the preparation of consolidated financial statements and annual financial statements

Article 90

Companies falling within the scope of [point 2]¹⁾ of the first paragraph of Article 1 shall prepare their consolidated financial statement in conformity with International Accounting Standards, as required in Article 4 of Regulation (EC) No. 1606/2002.

Companies pursuant to the first paragraph, which are required to prepare their consolidated financial statement in conformity with International Accounting Standards, as required in Article 4 of Regulation

(EC) no. 1606/2002, are [permitted]²⁾ to use the standards also in drawing up their annual financial statement. ...¹⁾

...¹⁾

Companies falling within the scope of [point 2 of the first paragraph of Article 1],¹⁾ which are not required to draw up consolidated financial statements shall apply International Accounting Standards in drawing up their annual financial statements.

¹⁾Act 73/2016, Art. 53. ²⁾Act 171/2007, Art. 8.

Article 91

A company which is required to apply International Accounting Standard standards pursuant to Article 90 and no longer qualifies for listing in a regulated market in a state within the European Economic area, [in a party to the Convention establishing the European Free Trade Association or the Faeroe Islands]¹⁾ shall apply the standards in drawing up [consolidated financial statements or]²⁾ annual financial statements for that year and the following year. However, this provision does not apply to subsidiaries which no longer form a part of the consolidation. [If a company decides to cease its application of the standards this decision shall be notified to the Register of Annual Accounts before the start of a new financial year.]³⁾

¹⁾ Act 108/2006, Art. 12. ²⁾ Act 171/2007, Art. 9. ³⁾ Act 73/2016, Art. 54.

Permission to apply International Accounting Standards

Article 92

[A company pursuant to Article 1 is permitted to apply International Accounting Standards in the preparation of its annual financial statement. The same applies to the consolidated financial statement of the company, as appropriate.]¹⁾

[Companies pursuant to the first paragraph which elect to apply International Accounting Standards in the preparation of a consolidated financial statement which they are required to draw up are permitted to use the standards also in drawing up their annual financial statement.]²⁾ ...²⁾ ...¹⁾

Companies falling within the scope of this Article shall notify the Register of Annual Accounts of their decision to apply International Accounting Standards in accordance with this chapter before the start of the financial year in question. The company shall apply International Accounting Standards for five consecutive years, at a minimum. [If a company decides to cease the application of International Accounting Standards after having applied them for a continuous period of five years, this decision shall be notified to the Register of Annual Accounts before the start of the new financial year.]¹⁾

The Register of Annual Accounts shall regularly publish, by electronic and accessible means, a list of the companies which are required to apply International Accounting Standards, or which exercise their permission to do so under this Article.

¹⁾Act 73/2016, Art. 55. ²⁾ Act 171/2007, Art. 10.

On the application of International Accounting Standards

Article 93

Companies which are required to apply International Accounting Standards or exercise their permission to do so pursuant to Article 92 shall comply with the standards in all respects. Where International Accounting Standards adopted by the EU Commission pursuant to Article 3 of Regulation (EC) No. 1606/2002 and provisions of other chapters of this Act provide for the same matters, the International Accounting Standards shall prevail.

To the extent that International Accounting Standards adopted by the EU Commission pursuant to Article 3 of Regulation (EC) No. 1606/2002 do not provide for a specific matter, other provisions of this Act shall apply.

Supervision of the application of International Accounting Standards

Article 94

The Register of Annual Accounts shall supervise all companies which are required to apply International Accounting Standards or exercise their permission to apply them ...¹⁾ [The supervision shall also extend to interim financial statements, as provided in Chapter VII A.]²⁾

The Register of Annual Accounts may require submission of all the information and data necessary to carry out the supervision, including working documents relating to financial accounts from the board of directors, managing director and auditor of a company.

The Register of Annual Accounts may call on experts for assistance in the supervision. Also, the Register of Annual Accounts is permitted, in exceptional cases, to entrust to experts the supervision entrusted to the Register under this Act.

[In the case of a company which has its registered office outside the European Economic Area, but issues its securities listed in a regulated market in Iceland, the Register of Annual Accounts shall monitor whether the annual financial statement drawn up in accordance with the binding instructions of the home state is compatible with the provisions of this Act. The Minister may issue a regulation on further provisions regarding the implementation of this supervision.]³⁾

The Register of Annual Accounts shall publish by electronic and accessible means the results of [the supervision over the year]¹⁾ carried out pursuant to this Article.

¹⁾ Act 73/2016, Art. 56. ²⁾ Act 171/2007, Art. 11. ³⁾ Act 118/2011, Art. 2.

[Article 94 (a) Daily fines

The Register of Annual Accounts may impose daily fines on regulated companies pursuant to this Chapter if they do not supply requested information within a reasonable time limit. The daily fines shall be paid until the requested information has been received by the Register of Annual Accounts. Daily fines may range from ISK 10,000 to ISK 100,000 per day. In determining the amount of daily fines account may be taken of the financial strength of the company in question and whether repeated violation is involved.

A decision regarding daily fines may be appealed to the State Internal Revenue Board within fourteen days from notification of the party in question of the decision.

Accrued daily fines shall not lapse even if a regulated party later complies with the request of the Register of Annual Accounts.

Daily fines pursuant to this article are enforceable by law and accrue to the State Treasury.

Further provisions on the determination of daily fines and their collection may be laid down in a regulation.]¹⁾

¹⁾ Act 171/2007, Art. 12.

[Article 94 (b) Rulings

If the Register of Annual Accounts concludes that the financial accounts of a regulated company are not in compliance with the provisions of this Act, the Register may require correction of the accounts and the publication by the company of the necessary changes and/or additional information. The Register of Annual Accounts may publish information on necessary changes to financial accounts if the company fails to respond to the Register's requests. Furthermore, the Register of Annual Accounts may submit a request to the stock exchange involved to suspend trading in the securities of a company under supervision in a regulated market until the company has posted adequate financial accounts and/or additional information to the satisfaction of the Register.

A ruling of the Register of Annual Accounts may be appealed to the [Minister]¹⁾ within fourteen days of the ruling being presented to the entity in question. In such an event the ruling shall not take effect unless it is confirmed by the Minister. In other respects, violations of this Act shall be subject to the provisions of Chapter XII.]²⁾

¹⁾ Act 98/2009, Art. 50. ²⁾ Act 171/2007, Art. 12.

Administration and supervision fee

Article 95

Parties required to pay fees pursuant to this Act are companies that are required to apply International Accounting Standards, as provided in Article 90 or exercise permission to do so under Article 92 above. They shall pay an annual administration and supervision fee amounting to ISK 100,000 for each parent company and ISK 50,000 for each subsidiary within its consolidation. If a subsidiary has securities listed in a regulated market, [as provided in point 2 of the first paragraph of Article 1],¹⁾ the fee for the subsidiary shall be ISK 100,000 and 50,000 for its subsidiaries, in which case the obligation of the parent company to pay the fee in respect of those companies shall lapse.]²⁾

The Register of Annual Accounts is responsible for collecting the fee, which accrues to the State Treasury.

The due date of the administration and supervision fee is 1 February of each year and the final due date is 15 February. If the fee is paid after the final due date for any payment, penalty interest shall accrue to the payment as of the due date in accordance with the Act on interest and indexation.

[At the start of each financial year, companies applying International Accounting Standards pursuant to this Chapter shall account to the Register of Annual Accounts for all its subsidiaries [in the past financial year]²⁾ which are included in the consolidated financial statement and which of them apply the standards.]³⁾

¹⁾ Act 73/2016, Art. 57. ²⁾ Act 14/2013, Art. 9. ³⁾ Act 171/2007, Art. 13.

Chapter IX [Audits and reviews of annual financial statements]¹⁾

¹⁾ Act 14/2013, Art. 20.

Article 96

At an annual general meeting or a general company meeting, one or more auditors [or an audit firm],¹⁾ shall be elected in accordance with this Act and the articles of association of the company [in order to audit the annual financial statement].²⁾ The articles of association may grant to government authorities or other bodies the right to nominate one or more auditors [or an auditing firm].¹⁾

At the request of members controlling a minimum of [one tenth]³⁾ of the votes at an annual general meeting where auditors [or an auditing firm] are to be elected, the company's board of directors shall request the Register of Annual Accounts to nominate an auditor for participation in the auditing work with the persons elected until the next annual general meeting. If the Register of Annual Accounts sees reason to accede to this request it shall nominate an auditor for the task. Remuneration to the auditors shall be paid by the company.

[An annual general meeting or general members' meeting of companies that are not required to elect an auditor pursuant to this Act or its articles of association shall elect one or more auditors, auditing firm or examiners of annual financial statements.]¹⁾

[Companies exercising the permission in Article 3 to submit an operating report and statement of financial position based on the company's tax return are exempted from the obligation to elect one or more auditors, auditing firms or examiners of annual financial statements.]²⁾

¹⁾ Act 14/2013, Art. 10. ²⁾ Act 73/2016, Art. 58. ³⁾ Act 68/2010, Art. 29.

Article 97

[The parties elected to carry out auditing work shall meet the qualification requirements of Article 2 of the Act on Auditors N. 79/2008.]¹⁾

Examiners shall be of legal age and competent to manage their own finances. They shall have the experience of accounting and business procedures necessary to discharge their functions, having regard to the activities and the size of the company. The impartiality criteria laid down in the first and second paragraphs of Article 19 of Act No. 79/2008 on auditors shall also apply to examiners. [The Minister shall establish a regulation on further conditions to be met by examiners as regards qualifications and impartiality.]¹⁾²⁾

¹⁾ Act 73/2016, Art. 59. ²⁾ Act 14/2013, Art. 11.

Article 98

[Notwithstanding the provisions of the first paragraph of Article 96, companies falling within two of the following size limits over the preceding two financial years are not required to elect an auditor or auditing firm, subject to paragraphs three to five, to audit their annual financial statements:

- [1. balance sheet total: ISK 200,000,000;
2. net turnover: ISK 400,000,000;
3. average number of man-years during the financial year: 50.]¹⁾

When it is apparent upon the establishment of a company, or at the outset of operations, that any of the limits referred to above will already be reached, the election of an auditor or auditing firm is required.]²⁾

[Companies classified as public interest entities do not fall within the scope of the first paragraph above.]¹⁾

[Companies which do not impose restrictions on trading in shares do not fall within the scope of the first paragraph above;]²⁾

Cooperatives which include B-division shares in their members' fund do not fall within the scope of the first paragraph above.]²⁾

Members controlling a minimum of one tenth of the votes at a meeting where the election of auditors or examiners is not required may, at the meeting, require that at least one auditor be elected.]²⁾

[However, the provision in the first paragraph does not extend to a parent company if the parent company is required to draw up a consolidated financial statement pursuant to the first paragraph of Article 68.]²⁾

¹⁾ Act 73/2016, Art. 60. ²⁾ Act 14/2013, Art. 12.

Article 99

[A parent company which is required to draw up a consolidated financial statement pursuant to Chapter VII shall elect one or more auditors or an auditing firm, who shall also audit its subsidiaries, if possible.]¹⁾

...²⁾

¹⁾ Act 14/2013, Art. 13. ²⁾ Act 73/2016, Art. 61.

Article 100

A company's articles of association shall provide for an auditor's or an examiner's term of office. Their work shall end on the conclusion of the annual general meeting where new auditors and examiners are to be elected. If an auditor or an examiner is elected for an unspecified period, their duties shall end when another auditor is elected to replace them. ...¹⁾ Companies which are listed in a regulated market in a state within the European Area [a party to the Convention establishing the European Free Trade

Association or the Faeroe Islands]²⁾ shall immediately send a notice on the end of appointment of an auditor to the securities market in question.

An auditor or an examiner may resign at any time. They may also be relieved of their duties by those who elected them even if their term of office is not completed.

In the event that an auditor's or examiner's work is completed prior to the end of his electoral term, or if they no longer meet the conditions to perform their duties, the board of directors shall promptly arrange for the selection of a new auditor or examiner. Companies with shares or bonds listed in a regulated market in a state within the European Economic Area, [a party to the Convention establishing the European Free Trade Association or the Faeroe Islands]²⁾ shall call a meeting within a week from the time that an auditor resigned from his post or was relieved from his or her duties for the purpose of electing a new auditor.

If an auditor or an examiner have resigned or been relieved of their duties they shall disclose to their replacement what they consider to be the reasons for the termination of their work.

¹⁾ Act 171/2007, Art. 14. ²⁾ Act 108/2006, Art. 12.

Article 101

[If no auditor or auditing firm is elected, or if the election of the election is in violation of this Act or the company's articles of association, or if an auditor or auditing firm no longer meets the qualification criteria of this Act, the Register of Annual Accounts shall, at the request of a board member, managing director or member, nominate an auditor or auditing firm.] ¹⁾

If a company meeting has not complied with a request to elect an auditor in accordance with the fifth paragraph of Article 98 the Register of Annual Accounts shall nominate an auditor at the request of a member. The recommendation shall be made within a month from the time that a company meeting is held.

[The nomination of an auditor or an auditing firm in accordance with this Article will remain in effect until an auditor or auditing firm has been elected.]¹⁾

¹⁾ Act 14/2013, Art. 14.

Article 102

[Auditors shall audit the annual financial statement in conformity with the Act on auditors.

Examiners shall examine the annual financial statement and for this purpose examine the books of the company and other items regarding its operation and financial situation. [The Minister shall establish a regulation regarding the work and competence of examiners in their examination of an annual financial statement.]¹⁾]²⁾

If it comes to the attention of auditors or examiners that the managers of a company, in the course of their work for the company, have not complied with the law, and their non-compliance could entail liability for themselves or the company, or that they have violated the company's articles of association, the auditors or examiners shall report on their findings at the annual general meeting.

Where an examiner is elected from the ranks of company members in accordance with the company's articles of association, the division of tasks shall be that the auditor or examiner elected pursuant to Article 96 shall be responsible for the auditing [or examination]²⁾ of the company's accounts in accordance with the [first and second]²⁾ paragraph, while the examiners elected from among company members shall verify compliance with decisions of company meetings and the board of directors concerning the acquisition, allocation and investment of funds and other aspects of operations during the financial year.

Auditors or examiners shall honour the requirements of an association meeting concerning the auditing [or examination]²⁾, provided that they are not contrary to the provisions of laws, the articles of association or generally accepted auditing standards.

¹⁾ Act 73/2016, Art. 62. ²⁾ Act 14/2013, Art. 15.

Article 103

A company's board of directors and managing director shall disclose to auditors and examiners all the information and data which they consider relevant to the [auditing or examination of the annual financial statement].¹⁾ The directors of a subsidiary are subject to the same obligations to auditors and examiners of a parent company.

A company's board of directors and managing director shall provide auditors and examiners with all the information, data, facilities and assistance that the auditors or examiners consider necessary to discharge their functions. The directors of a subsidiary are subject to the same obligation to auditors and examiners of a parent company.

¹⁾ Act 14/2013, Art. 16.

Article 104

[Auditors shall, on completion of their audit, sign and date their report and the report shall accompany the annual financial statement and the consolidated financial statement, if drawn up.]¹⁾

[The auditor's report shall comply with the provisions of the Auditors Act, No. 79/2008. In addition, the auditor's report shall include an opinion as to whether the report of the board of directors contains the information required. ...]¹⁾

[Examiners shall, following their examination of an annual financial statement, sign and date a confirmation of their examination of the annual financial statement and the consolidated financial statement, if drawn up, if it is drawn up in compliance with a regulation issued by the Minister, and the confirmation shall accompany the account. If an examiner is of the opinion that an annual financial statement or consolidated financial statement contains material misstatements the examiner shall note this specifically.]¹⁾²⁾

¹⁾ Act 73/2016, Art. 63. ²⁾ Act 14/2013, Art. 17.

Article 105

Recommendations and comments which auditors or examiners wish to communicate to the board of directors or managing director shall be recorded in a special record of auditing or submitted in writing in another manner. The board of directors shall preserve this documentation in a secure manner.

Article 106

...¹⁾

¹⁾Act 14/2013, Art. 18.

Article 107

Auditors and examiners are entitled to attend company meetings. They shall also attend meetings if the company's board of directors or managing director, individual board members or company members so request. In companies with shares or bonds listed in a regulated market in a state within the European Area [a party to the Convention establishing the European Free Trade Association or the Faeroe Islands]¹⁾ auditors shall attend annual general meetings.

At the annual general meeting auditors and examiners shall respond to questions concerning the annual financial statement under discussion on which they have reported [or which they have signed].²⁾

Furthermore, auditors and examiners are entitled to attend board meetings when accounts, on which they have reported [or which they have signed]²⁾, are under consideration. They shall also attend board meetings if at least one board member so requests.

¹⁾Act 108/2006, Art. 12. ²⁾Act 14/2013, Art. 19.

Article 108

Auditors, examiners and persons working with them are not permitted to disclose information relating to the company's financial position to individual company members or unauthorised persons.

[Chapter IX A Audit committee]¹⁾

¹⁾Act 80/2008, Art. 2.

[Article 108 (a)]

A public interest entity shall have an audit committee.

The board of directors of the entity is responsible for appointing an audit committee. The committee shall be composed of three members, at a minimum, with the appointment taking place no later than one month after the annual general meeting.

The committee members shall be independent of the auditor or auditors of the entity, and the majority of the committee shall also be independent of the entity. The managing director of the entity shall not sit on the committee. Committee members shall possess knowledge and experience which is consistent with the work of the committee, and at least one member shall possess sound knowledge and experience in the field of accounting or auditing.] ¹⁾

¹⁾Act 80/2008, Art. 2.

[Article 108 (b)]

Among other things, the audit committee shall have the following functions, irrespective of the responsibility of the board of directors, management or others in this area:

1. supervision of work processes in the preparation of accounts;
2. supervision of the arrangements and efficiency of the internal control of the entity, internal auditing, as applicable, and risk management;
3. supervision of the auditing of the annual financial statement and consolidated financial statement of the entity;
4. assessment of the impartiality of the auditor or auditing firm and supervision of other tasks of the auditor or auditing firm;
5. submission of a recommendation to the board of directors on the choice of auditor or auditing firm] ¹⁾

¹⁾Act 80/2008, Art. 2.

[Article 108 (c)]

In public interest entities the proposal of the board of directors concerning the nomination of an auditor or audit firm shall be based on the recommendation of the audit committee.]¹⁾

¹⁾Act 80/2008, Art. 2.

[Article 108 (d)]

An auditor or audit firm shall annually provide an account to the audit committee of their work and impartiality and submit a written report on material matters that have emerged in the course of the audit. The report shall specifically address any weaknesses in internal controls in the procedure of preparing accounts.]¹⁾

¹⁾Act 80/2008, Art. 2

Chapter X Publication of the annual financial statement

Article 109

No later than one month after the approval of the annual financial statement [and consolidated financial statement, as applicable],¹⁾ and no later than eight months after the end of the financial year, companies falling within the scope of Article 1 shall submit their annual financial statement to the Register of Annual Accounts, as provided in Article 3, together with the auditors' report [or examiners' signature]²⁾ and information on the date of approval of the annual financial statement.

Notwithstanding the above, companies with shares or bonds listed in a regulated market in a state within the European Area, [a party to the Convention establishing the European Free Trade Association or the Faeroe Islands]³⁾ shall submit their annual financial statements immediately after their approval

and no later than [four]⁴⁾ months after the end of a financial year. The same applies to the annual financial statements of companies applying International Accounting Standards by permission granted under Article 92. Submissions of annual financial statements [in electronic form]¹⁾ are permitted in accordance with rules established by the Register of Annual Accounts. In the same manner, companies which are required to draw up a consolidated financial statement pursuant to Chapter VII shall submit a consolidated financial statement to the Register of Annual Accounts within the same time limits, together with the auditors' report ...²⁾

Notwithstanding the provisions of the first paragraph, companies that have exercised the permission in Article 3 to submit an operating statement and statement of financial position based on the company's tax return is permitted to submit such an annual financial statement within the time limit set by the Directorate of Internal Revenue for taxable entities to submit their returns, as provided in the provision of the second paragraph of Article 93 of the Act on income tax no. 90/2003]¹⁾

The Register of Annual Accounts shall grant access to the documents whose submission is required under this Article. [The Minister shall establish provisions on the collection of fees.]¹⁾

The Register of Annual Accounts is operated by the Directorate of Internal Revenue.

¹⁾Act 73/2016, Art. 64. ²⁾Act 14/2013, Art. 21. ³⁾Act 108/2006, Art. 12. ⁴⁾Act 171/2007, Art. 16.

Article 110

...¹⁾

Partnerships and limited partnerships taking advantage of the exemptions permitted in Articles 114 or 115 shall submit information on the names and domiciles of the companies that draw up their accounts or include their accounts in their consolidated financial statements if requested.

¹⁾Act 73/2016, Art. 65.

Article 111

...¹⁾

¹⁾Act 73/2016, Art. 66.

Article 112

Branch managers of branches of foreign companies registered in Iceland shall, no later than eight months after the end of the financial year, send a certified transcript of the annual financial statement ...¹⁾ of the company to the Register of Annual Accounts, together with the accounts of the branch.

Accounts which are sent to the Register of Annual Accounts in accordance with the first paragraph above shall have the same form that is required for their publication under the rules in effect in the company's home state.

Annual financial statements for a foreign company which is subject to the legislation of an EEA Member State may be sent unaudited to the Register of Annual Accounts where permitted by the laws of the company's home state.

The Register of Annual Accounts shall grant access to the documents whose submission is required under this Article.

¹⁾Act 171/2007, Art. 17.

Article 113

Instead of sending its annual financial statement to the Register of Annual Accounts, a foreign subsidiary that operates a branch in Iceland and is subject to the laws of another EEA Member State may send the consolidated financial statement of its parent company to the Register of Annual Accounts if:

1. the parent company is subject to the law of an EEA Member State;
2. all members of the company have agreed to this procedure;
3. the parent company guarantees the commitments entered into by the company;
4. the accounts of the company and its subsidiaries have been included in the consolidated financial statement of the parent company in compliance with the provisions of this Act on consolidated financial statements;
5. the accounting policies used in the drawing up of the consolidated financial statement have been disclosed; and
6. the consolidated financial statement, together with the report of the board of directors and auditors' report, has been sent to the Register of Annual Accounts, accompanied by a confirmation of compliance with points 2 and 3.

Instead of sending their annual financial statements to the Register of Annual Accounts, other foreign companies may send the consolidated financial statement of their parent companies to the Register if this conforms to the laws to which they are subject and if:

1. the conditions of points 2, 3, 5 and 6 of the first paragraph above are fulfilled; and
2. the Register of Annual Accounts is satisfied that the consolidated financial statements are in compliance with the provisions of this Act.

A notification pursuant to point 2 of the first paragraph above shall be sent for each financial year. A declaration regarding the substance of point 3 of the first paragraph above shall remain in effect until withdrawn.

Article 114

A partnership or a limited partnership, as referred to in [point 3] in the first paragraph of Article 1, need not submit its annual financial statement to the Register of Annual Accounts if one member at least is domiciled in Iceland, prepares the annual financial statement of the company and ensures its auditing and submission to the Register along with his own annual financial statement.

A company, as referred to in the first paragraph above where no member is domiciled in Iceland, need not submit its annual financial statement to the Register of Annual Accounts if any of its members:

1. is subject to the laws of an EEA Member State;
2. prepares the annual financial statement of the company and ensures its auditing in accordance with the provisions of those laws;
3. submits the annual financial statement to the Register of Annual Accounts within the time limits referred to in the first paragraph of Article 109 along with his own accounts or an official confirmation that the company's annual financial statements have been published in compliance with the laws referred to in point 1.

A company member may include the annual financial statement pursuant to the first paragraph as part of its own annual report.

¹⁾Act 73/2016, Art. 67.

Article 115

A partnership or a limited partnership, as referred to in [point 3]¹⁾ of the first paragraph of Article 1, need not submit its annual financial statement to the Register of Annual Accounts if it forms a part of a member's consolidated financial statement drawn up and audited in accordance with the provisions of this Act and sent to the Register of Annual Accounts.

The provisions of the first paragraph also apply where the annual financial statement of a company forms a part of the consolidated financial statement of the parent company of the member who is not required to submit his consolidated financial statement to the Register of Annual Accounts as provided in [point 3]¹⁾ of the first paragraph of Article 1.

In the consolidated financial statement referred to in the first and second paragraphs above it shall be noted in the notes if a company falling within the scope of [point 3] of the first paragraph of Article 1 does not submit its annual financial statement to the Register of Annual Accounts.

Within the time limits provided for in the first paragraph of Article 109, the consolidated financial statements according to the first and second paragraphs above, or certification by an official authority to the effect that the annual financial statement has been drawn up and published in accordance with the provisions of the first paragraph above, shall be submitted to the Register of Annual Accounts.

¹⁾Act 73/2016, Art. 67.

Article 116

...¹⁾

¹⁾Act 73/2016, Art. 68.

Article 117

The Register of Annual Accounts shall make sample surveys and checks of the annual financial statements, consolidated financial statements and reports of boards of directors in order to verify the compliance of such documentation with the provisions of this Act. To this end the Register may require any information necessary from each company.

[In order to verify whether companies meet the provisions of the Act regarding classification by size, the Register of Annual Accounts is authorised to obtain information from the Directorate of Internal Revenue regarding the names and registration numbers of companies falling within the size categories under points 11, 29 and 33 of Article 2.]¹⁾

¹⁾Act 73/2016, Art. 69.

Chapter XI Accounting Standards Board and accounting rules

Article 118

The Minister shall appoint five experts for a term of four years at a time to serve on a committee to be called the Accounting Standards Board. One member of the Board shall be nominated by the Institution of Chartered Accountants in Iceland, another member shall be nominated by the Joint Committee of the Icelandic Universities, the third member shall be nominated by the Iceland Chamber of Commerce, the fourth member shall be nominated by the Register of Annual Accounts, while one member shall be appointed without prior nomination. The Minister shall appoint the chairman of the Accounting Standards Board from among its members.] ¹⁾

¹⁾Act 73/2016, Art. 70.

Article 119

The Accounting Standards Board shall support the development of statutory accounting rules through the publication and promotion of harmonised rules to be observed in preparing accounts. The Board shall deliver its opinion on what constitutes statutory accounting rules at any given time. The rules of the Accounting Standards Board shall be published in Section B of the Official Journal of Iceland [*Stjórnartíðindi*].

The Board shall work in close consultation with the Institution of Chartered Accountants in Iceland and interested parties. The Board may also advise government authorities on the provisions laid down in laws or regulations concerning accounts.

Chapter XII Penalties and procedure

[Article 120 Administrative fines relating to the submission of annual financial statements

The Register of Annual Accounts shall impose administrative fines on companies that neglect their obligation under this Act to submit an annual financial statement or consolidated financial statement for publication within the time limits provided for in Article 109. When the deadline set in Article 109 to submit an annual financial statement or consolidated financial statement has passed, the Register of Annual Accounts shall impose on the company in question an administrative fine in the amount of ISK 600,000, and at the same time require corrective action.

If a company submits an annual financial statement or consolidated financial statement within 30 days of a notification of the imposition of an administrative fine, the Register of Annual Accounts shall reduce the amount of the fine by 90%. If corrective action is taken within two months from the

notification, the amount of the fine shall be reduced by 60%. If corrective action is taken within three months from the notification, the amount of the fine shall be reduced by 40%.

If an annual financial statement or consolidated financial statement does not comply with the provisions of this Act in the assessment of the Register of Annual Accounts, the Register shall notify the company of its position and provide an opportunity to take corrective action and to protest the assessment. If satisfactory explanations are not received or corrective action taken within 30 days, an administrative fine in the amount of ISK 600,000 shall be imposed on the company.

If a company submits satisfactory information or explanations with an annual financial statement or consolidated financial statement within 30 days of a notification of the imposition of an administrative fine, the Register of Annual Accounts shall reduce the amount of the fine by 90%. If corrective action is taken within two months from the notification, the amount of the fine shall be reduced by 60%. If corrective action is taken within three months from the notification, the amount of the fine shall be reduced by 40%.

Administrative fines are enforceable by law. Fines shall accrue to the State Treasury, net of collection costs. A decision of the Register of Annual Accounts to impose a fine pursuant to the third paragraph above may be referred to the State Internal Revenue Board, as provided in Act No. 30/1992.

Administrative fines will be imposed regardless of whether an infringement is committed wilfully or negligently.] ¹⁾

¹⁾Act 73/2016, Art. 71.

[Article 121

If an annual financial statement or consolidated financial statement has not been submitted within eight months from the time that the deadline pursuant to Article 109 for the submission of an annual financial statement or consolidated financial statement has passed, or if the Register of Annual Accounts has concluded that explanations or information submitted with an annual financial statement or consolidated financial statement submitted for publication were unsatisfactory, the Register of Annual Accounts shall file for winding up of the company. If a decision by the Register of Annual Accounts to the effect that notes or information submitted with an annual financial statement or consolidated financial statement were unsatisfactory is referred to the State Internal Revenue Board, the period until the deadline falls shall begin to run at the point in time when the conclusion of the State Internal Revenue Board is made available. The Minister shall establish further instructions on the process of such cases in a regulation.

When a district judge has received a request for winding-up in accordance with the first paragraph above, the judge shall proceed in accordance with the instructions in the Act on bankruptcy etc. concerning a creditor's request for a debtor's estate be subjected to bankruptcy proceedings.

The district judge shall decide whether a request for the estate of a company to be subjected to bankruptcy proceedings should be upheld. If the request is upheld, process in the case of the estate shall comply with the instructions in the Act on the administration of estates etc. where heirs do not assume liability for the obligations of the deceased, with the exception that shareholders shall not

enjoy the position that heirs do in such circumstances until it is revealed, after the deadline to file claims has expired, that the assets of the estate will suffice to meet liabilities.] ¹⁾

¹⁾Act 73/2016, Art. 71.

[Article 122 Fines or imprisonment

Violation of the following provisions of this Act and rules grounded therein is subject to sanctions pursuant to Article 124.

1. Point 11 of Article 2 is a company is falsely classified as a small company or micro-company for the purpose of avoiding disclosure of the information that medium-sized and large companies are required to disclose;

2. Article 3 on the obligation to draw up an annual financial statement in accordance with this Act, regulations and statutory accounting rules, as applicable;

3. Article 5, where an annual financial statement, consolidated financial statement or statement of cash flows does not give a true and fair view of performance, financial position and changes in cash;

4. Article 11 on the basic principles of annual financial statements;

5. Article 14 on the balance sheet;

6. Article 16 on the capitalisation of development cost and intangible rights;

7. Article 17 on the recording of the costs of establishing a company or increasing share capital;

8. Article 18 on discounts and borrowing costs of securities sold or purchased;

9. Article 20 on income and expenses over the financial year;

10. Article 22 on income and expenses that arise otherwise than in the course of the company's ordinary activities;

11. Article 23 on fixed tangible assets with limited useful economic lives;

12. Article 26 on expenses incurred during the financial year but relating to a subsequent financial year;

13. Article 28 on cash flow;

14. 29. Articles 29-42 on valuation rules;

15. Article 43 on notes in annual financial statements;

16. Articles 65 and 66 on disclosures in the report of the board of directors with the annual financial statement;

17. Article 66 (a) on the disclosure obligations of the board of directors of a company whose securities have been admitted to trading in a regulated market;

18. Article 66 (b) on the signature of a declaration by board members of a company which has issued shares that have been admitted to trading in a regulated market in the European Economic Area

19. Article 66 (c) on the publication of a declaration on governance;

20. Article 66 (d) on the disclosure of non-financial information;

21. Article 67 on the obligation to draw up consolidated financial statements;

22. Article 73 on the obligation to draw up consolidated financial statements pursuant to the provisions of Chapter VII;

23. Article 74 on holdings in subsidiaries;

24. Article 75 on methods for the valuation of assets and liabilities of a consolidation;

25. Article 77 on consolidated financial statements;

26. Article 79 on the use of the purchase method in the establishment of a consolidation;

27. Articles 82-84 on notes with a consolidated financial statement;

28. Article 85 on the report of the board of directors concerning a consolidation;

29. Article 86 on accounting on mergers and divisions

30. Article 87 on the obligation of a company which has issued shares or bonds admitted to trading in a regulated market in a state within the European Economic Area to draw up an interim financial statement for the first six months of the year;

31. Article 87 (b) on the interim financial statement of the board of directors pursuant to point 2 of the first paragraph of Article 1 for the first six months of the year;

32. Article 87 on the obligation of a company which has issued shares or bonds admitted to trading in a regulated market in a state within the European Economic Area to publish an interim financial statement;

33. Article 90 on the obligation of a company pursuant to point 2 of the first paragraph of Article 1 to apply International Accounting Standards in the preparation of its consolidated financial statement.

34. Article 91 on the obligation of a company which no longer qualifies for listing in a regulated market in a state within the European Economic area, in a party to the Convention establishing the European Free Trade Association or the Faeroe Islands to apply International Accounting Standards;

35. Article 96 on the selection of an auditor, auditing firm or examiners of annual financial statements;

36. The second paragraph of Article 97 on the independence of auditors;

37. Article 99 on the obligation of a parent company which is required to draw up a consolidated financial statement pursuant to Chapter VII to elect one or more auditors or an auditing firm, who shall also audit its subsidiaries, if possible;

38. Article 102 on the auditing and examination of annual financial statements;

39. Article 103 on the disclosure obligations of the board of directors and managing director of a company to auditors and examiners;

40. The first and second paragraphs of Article 104 on the report of auditors on annual financial statements and consolidated financial statements;

41. The third paragraph of Article 104 on the signature by examiners of annual financial statements and consolidated financial statements;

42. Article 105 on recommendations and comments by auditors or examiners;

43. Article 108, prohibiting the disclosure of information relating to the company's financial position to individual company members or unauthorised persons by auditors or examiners;

44. Article 108 (a) on the appointment of an auditing committee for a public interest entity;

45. Article 108 (d) on the obligation of an auditor or auditing firm to provide an account to the audit committee of their work and impartiality and submit a written report on material matters that have emerged in the course of the audit.]¹⁾

¹⁾Act 73/2016, Art. 71.

[Article 123

Auditors or examiners become guilty of punishable violations of the present Act by the following acts or omissions:

1. if they undertake the auditing or examination of an annual financial statement without meeting the qualification criteria of this Act;

2. if they discharge their functions in contravention of the provisions of this Act or generally accepted auditing standards;

3. if, in their report or by their signature, they provide false or misleading information or neglect to disclose material items relating to the result of operations or the financial position of a company.]¹⁾

¹⁾Act 73/2016, Art. 71.

[Article 124

A person who intentionally or through gross neglect violates the provisions of this Act in the manner described in Articles 122 and 123 shall be subject to fines or imprisonment of up to six years, provided that more severe penalties are not provided for in other acts of law. Serious violations of Articles 122 and 123 are subject to penalties pursuant to the second paragraph of Article 262 of the General Penal Code or fines in the event of significant extenuating circumstances.

Direct or indirect profit gained by a violation subject to fines or imprisonment of the provisions of this Act may be confiscated by a court order.

Attempted violations or participation in violations pursuant to this Act are punishable under the provisions of the General Penal Code.

A legal person may be subjected to fines for violation of this Act, regardless of whether the violation can be traced to the criminal conduct of an agent or employee of the legal person. If the agent or employee of a legal person has been found guilty of a violation of this Act the legal person may, in addition to the punishment imposed on the agent or employee, be subjected to fines and deprived of its licence to operate, provided that the violation was committed for the benefit of the legal person or the legal person has profited from the violation.] ¹⁾

¹⁾Act 73/2016, Art. 71.

[Article 125

The district prosecutor is responsible for investigation of serious violations of this Act. If a violation is not regarded so serious as to be subject to the second paragraph of Article 262 of the Penal Code, the Directorate of Tax Investigations shall conduct investigations regarding violations of the Act. The Directorate of Tax Investigations may at any stage of an investigation refer a case to police investigation *ex officio* or at the request of a suspect if the suspect does not consent to the case being brought before the Internal Revenue Board for resolution.

The State Internal Revenue Board shall issue rulings regarding violations of this Act, other than violations of Article 12, unless a violation is subjected to investigation and proceedings brought by the district prosecutor pursuant to the first paragraph. The Directorate of Tax Investigations may at any stage of an investigation refer a case to the district prosecutor *ex officio* or at the request of a suspect if the person under investigation does not consent to the case being brought before the Internal Revenue Board for resolution.

The limitation period of criminal liability pursuant to this Act is six years from the date of initiation of an investigation of a natural person as a suspect by the district prosecutor or the Directorate of Tax Investigations, provided that there are no unreasonable delays in the investigation of the case or the imposition of sanctions.¹⁾

¹⁾Act 73/2016, Art. 71.

Article 126

...¹⁾

¹⁾Act 73/2016, Art. 71.

Chapter XIII Further provisions

Article 127

The Minister may issue a regulation¹⁾ on the enforcement of this Act, including the implementation of International Accounting Standards approved in accordance with Article 3 of Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002, and on the presentation of annual financial statements and consolidated financial statements, uncondensed and condensed, and on their submission and publication by the Register of Annual Accounts.

[The reference limits in points 11 and 33 of Article 23 and points 1 and 2 of the first paragraph of Article 98 are base figures referenced to the exchange rate of the euro on 19 June 2013. The Minister may adjust these amounts in accordance with changes in the amounts in Directive 2013/34/EU or if there are significant changes in the exchange rate of the euro.]²⁾

¹⁾Reg. 181/2006. Reg. 1130/2007. Reg. 1131/2007. Reg. 1132/2007. Reg. 1133/2007. Reg. 1134/2007. Reg. 664/2008. Reg. 716/2008. Reg. 717/2008. Reg. 718/2008. Reg. 719/2008. Reg. 720/2008. Reg. 721/2008. Reg. 722/2008. Reg. 723/2008. Reg. 825/2008. Reg. 206/2009 207/2009. Reg. 232/2010. Reg. 596/2010. Reg. 597/2010. Reg. 598/2010. Reg. 599/2010. Reg. 600/2010. Reg. 745/2010. Reg. 746/2010. Reg. 747/2010. Reg. 748/2010. Reg. 749/2010. Reg. 750/2010. Reg. 751/2010. Reg. 776/2010. Reg. 904/2010. Reg. 905/2010. Reg. 906/2010. Reg. 11/2011. Reg. 12/2011. Reg. 13/2011. Reg. 14/2011. Reg. 15/2011. Reg. 17/2011. Reg. 18/2011. Reg. 436/2011. Reg. 437/2011. Reg. 438/2011. R 439/2011. Reg. 440/2011. Reg. 441/2011. Reg. 367/2012. Reg. 935/2012. Reg. 492/2013. Reg. 788/2013. Reg. 940/2013. Reg. 941/2013. Reg. 942/2013. Reg. 943/2013. Reg. 944/2013. Reg. 612/2014. Reg. 613/2014. Reg. 178/2015. Reg. 179/2015. Reg. 937/2015. Reg. 938/2015. Reg. 939/2015. Reg. 295/2016. Reg. 296/2016. Reg. 297/2016. Reg. 298/2016. Reg. 324/2016. Reg. 398/2016. Reg. 152/2017. ²⁾ Act 73/2016, Art. 72.

Article 128

[This Act constitutes the implementation of Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC, as incorporated into the Agreement on the European Economic Area by a decision of the EEA Joint Committee No. 293/2015 of 30 October 2015 and as amended by Directive 2014/95/EU, Regulation (EC) No. 1606/2002 as regards the annual financial statements of limited liability companies and their consolidated financial statements, and Commission Regulation (EC) No. 1569/2007.]¹⁾

¹⁾ Act 73/2016, Art. 73.

Interim provisions

I.

Companies that are required to apply International Accounting Standards in drawing up their consolidated financial statements pursuant to Article 4 of Regulation (EC) No. 1606/2002 and only have bonds listed in a regulated market in a state within the European Economic area, [in a party to the Convention establishing the European Free Trade Association or the Faeroe Islands]¹⁾ are not required to apply International Accounting Standards when drawing up their consolidated financial statements or annual financial statements until for each financial year beginning 1 January 2007 or later.

Companies which are required to apply International Accounting Standards in drawing up their annual financial statements pursuant to the second and third paragraph of Article 90 are not required to apply the standards until for each financial year beginning 1 January 2007 or later.

Companies that exercise their permission to apply International Accounting Standards in drawing up their consolidated financial statements or annual financial statements pursuant to the first paragraph

of Article 92 are not required to apply the standards in drawing up annual financial statements or consolidated financial statements pursuant to the second paragraph of Article 92 until for each financial year beginning 1 January 2007 or later.

¹⁾ Act 108/2006, Art. 12.

[II.

Notwithstanding the provisions of Article 9 of this Act, companies may apply for permission from the Register of Annual Accounts prior to 30 December 2008 to keep their books and draw up their annual financial statements in a foreign currency, on the one hand for the financial year starting 1 January 2008 or later and on the other hand for the financial year starting 1 January 2009.] ¹⁾

¹⁾ Act 162/2008, Art. 1.

Attachment.

REGULATION (EC) No 1606/2002 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 19 July 2002 on the application of international accounting standards