



Building Societies Act 1986

1986 CHAPTER 53

PART VIII

ACCOUNTS AND AUDIT

Accounts

72 Duty of directors to prepare annual accounts

- (1) Subject to subsection (4) below, the directors of every building society shall prepare with respect to each financial year of the society—
 - (a) an income and expenditure account showing the income and expenditure for that year,
 - (b) a balance sheet showing the state of its affairs as at the end of that year, and
 - (c) a statement of the source and application of the funds during that year.
- (2) Except as provided in subsection (5) below, if, at the end of its financial year, a building society has subsidiaries, the directors shall also prepare, with respect to that year, group accounts dealing respectively with the income and expenditure, the state of the affairs and the source and application of the funds, of the society and the subsidiaries.
- (3) The directors of a building society which has subsidiaries shall secure that, except where in their opinion there are good reasons against it, the financial year of each of its subsidiaries coincides with the society's own financial year.
- (4) Where the directors prepare a statement of the source and application of the funds of the society and its subsidiaries under subsection (2) above they need not also prepare such a statement as to the society's funds under subsection (1) above
- (5) Subject to subsection (6) below, group accounts need not deal with a subsidiary if the society's directors are of the opinion that—
 - (a) it is impracticable, or would be of no real value to the society's members, in view of the insignificant amounts involved,
 - (b) it would involve expense or delay out of proportion to the value to members, or

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- (c) the result would be misleading or harmful to the business of the society or any of its subsidiaries ;
- and if the directors are of that opinion about each of the society's subsidiaries group accounts are not required.
- (6) Except to the extent that regulations under section 73 otherwise allow, group accounts or group accounts dealing with a particular subsidiary shall not be dispensed with under subsection (5)(c) above without prior approval of the Commission.
- (7) The Commission may by regulations made with the consent of the Treasury—
- (a) add to the classes of documents to be comprised in a society's accounts to be prepared for each financial year under subsection (1) or (2) above;
 - (b) make provision as to the matters to be included in any document so added;
 - (c) modify the requirements of this Part as to the matters to be stated in any document comprised in the society's accounts; and
 - (d) reduce the classes of documents to be comprised in a society's accounts.
- (8) Regulations under subsection (7) above may make different provision for different descriptions of society, and may include incidental and supplementary provisions.
- (9) The power to make regulations under subsection (7) above is exercisable by statutory instrument which shall be subject to annulment in pursuance of a resolution of either House of Parliament.
- (10) The accounts prepared with respect to a society's financial year under this section (whether as individual accounts or group accounts), with the notes to them, are referred to in this Part as " the annual accounts " .

73 Contents and form of annual accounts

- (1) The annual accounts of a building society shall conform to the requirements of this section and regulations made under it.
- (2) Every income and expenditure account shall give a true and fair view of the income and expenditure of the society for the financial year.
- (3) Every balance sheet shall give a true and fair view of the state of the affairs of the society as at the end of the financial year.
- (4) Every statement of the source and application of funds shall give a true and fair view of the manner in which the business of the society has been financed and in which its financial resources have been used during the financial year.
- (5) Subsections (2), (3) and (4) above, in their application to the group accounts of a society, are to be read as referring to the society and (so far as it concerns the members of the society) the subsidiaries dealt with in the group accounts.
- (6) The annual accounts shall also contain, whether in the form of notes or otherwise, such supplementary information as is prescribed.
- (7) The Commission shall, by regulations made with the consent of the Treasury, make provision with respect to the contents and the form of the annual accounts.
- (8) Without prejudice to the generality of subsections (6) and (7) above, the regulations may—

- (a) prescribe accounting principles and rules ;
- (b) require corresponding information for a preceding financial year;
- (c) require the accounts of societies to deal also with bodies associated with them;
- (d) make different provision for different descriptions of society;
- (e) require the accounts to give particulars of the emoluments, pensions, compensation for loss of office and financial interests of directors, other officers and employees of prescribed descriptions of the society;

and may permit group accounts to be prepared in other than consolidated form.

- (9) Where compliance with regulations under this section would not secure compliance with the requirements of subsection (2), (3) or (4) above the directors shall take such steps with regard to the contents or form of the accounts, in addition to or, if additions do not suffice, in derogation of the provisions of the regulations, as they think necessary to secure compliance with those subsections and record, in the notes to the accounts, what they have done, the reasons for it and its effects.
- (10) The power to make regulations under this section is exercisable by statutory instrument which shall be subject to annulment in pursuance of a resolution of either House of Parliament.
- (11) It is the duty of every director, other officer and employee of a building society as respects whom prescribed particulars are by virtue of subsection (8)(e) above required to be given in the accounts to give notice of such matters as may be necessary to enable the society to give those particulars in the accounts.
- (12) In this section " prescribed " means prescribed in regulations under it.

74 Duty of directors to prepare annual business statement

- (1) The directors of every building society shall, by reference to the annual accounts and other records and information at their disposal, prepare with respect to each financial year of the society a statement (referred to in this Act as " the annual business statement") relating to prescribed aspects of the business of the society during the year.
- (2) Where the society has subsidiaries or associated bodies the annual business statement shall deal also with prescribed aspects of the business of the subsidiaries or associated bodies during the year to which it relates.
- (3) The annual business statement shall contain such information relating to such aspects of the business of the society and shall be in such form as the Commission prescribes by regulations made with the consent of the Treasury ; and in this section " prescribed " means prescribed by regulations under this subsection.
- (4) Without prejudice to the generality of subsections (1) to (3) above the regulations may require the annual business statements of building societies to include prescribed information about directors and past directors and persons connected with them and other officers and past officers and persons connected with them and their financial interests.
- (5) The information comprising the annual business statement shall give a true representation of the matters in respect of which it is given.
- (6) To such extent as may be prescribed matters contained in the society's annual business statement shall not be the subject of report by the auditors under section 78.

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- (7) The power to make regulations under subsection (3) above is exercisable by statutory instrument which shall be subject to annulment in pursuance of a resolution of either House of Parliament.
- (8) It is the duty of every director or other officer of a building society to give notice to the society of such matters relating to himself or his financial interests as may be necessary for the purposes of compliance with the preceding provisions of this section.
- (9) Any person who fails to comply with subsection (8) above shall be liable on summary conviction to a fine not exceeding level 5 on the standard scale.
- (10) Any director who fails to comply with subsection (1) above shall be liable on conviction on indictment or on summary conviction to a fine not exceeding, on summary conviction, the statutory maximum.

75 Directors' report

- (1) The directors of a building society shall prepare for submission to the annual general meeting a report on the business of the society containing—
 - (a) a fair review of the development of its business during the financial year and of its position at the end of it, and
 - (b) such information relating to such aspects of the business of the society or of the society and any subsidiaries or other bodies associated with it as may be prescribed by regulations made by the Commission with the consent of the Treasury, and
 - (c) a statement whether any and, if so, what activities carried on during the year are believed to have been carried on outside the powers of the society.
- (2) Where the society has subsidiaries or other associated bodies the report shall, in addition to containing the information prescribed in relation to them under subsection (1)(b) above, review the development of the business of the society and its subsidiaries and associated bodies during the year and their position at the end of it.
- (3) The power to make regulations under subsection (1) above is exercisable by statutory instrument which shall be subject to annulment in pursuance of a resolution of either House of Parliament.
- (4) If a directors' report does not contain the prescribed information or the information in the report is not given in accordance with the regulations, each director shall be liable on conviction on indictment or on summary conviction to a fine not exceeding, on summary conviction, the statutory maximum.

76 Summary financial statement for members and depositors

- (1) The directors of a building society shall, with respect to each financial year, prepare for members and depositors a summary financial statement for that year, that is to say, a statement derived from the annual accounts, annual business statement and directors' report, giving a summary account of the society's financial development during and financial position at the end of the year.
- (2) Where the society has subsidiaries or other associated bodies the statement shall (so far as they are dealt with in the group accounts) give an account of the financial development and position of the society and its subsidiaries and other associated bodies.

- (3) The Commission may, by regulations made with the consent of the Treasury, make provision with respect to—
 - (a) the form of the summary financial statement, and
 - (b) the information which must be included in it.
- (4) Every summary financial statement shall also include in the prescribed form statements to the effect that—
 - (a) it is only a summary of information in the accounts, business statement and directors' report;
 - (b) in so far as it summarises the information in the accounts, those accounts have been audited;
 - (c) the accounts, business statement and directors' report will be available to members and depositors free of charge on demand at every office of the society after a specified date.
- (5) Every summary financial statement shall include a statement of the auditors' opinion as to its consistency with the accounts, business statement and directors' report and its conformity with the requirements of this section and regulations made under it.
- (6) The power to make regulations under subsection (3) above is exercisable by statutory instrument which shall be subject to annulment in pursuance of a resolution of either House of Parliament.
- (7) The summary financial statement shall be signed by two directors on behalf of the board of directors and by the chief executive of the society.
- (8) A copy of the summary financial statement and, where this subsection extends under section 78(6) to the auditors' report also, of the auditors' report shall be sent by the society, not later than 21 days before the date of the annual general meeting at which the accounts and reports are to be considered, to—
 - (a) every member of the society who is entitled to receive notice of the meeting,
 - (b) the Commission, and
 - (c) the central office,
- (9) A copy of the summary financial statement and, where this subsection extends under section 78(6) to the auditors' report also, of the auditors' report shall be given or sent by the society free of charge, at any time during the period ending with the publication of the next summary financial statement, to—
 - (a) any individual who for the first time subscribes for shares in, or deposits money with, the society, on his first subscribing for the shares or making the deposit, and
 - (b) any member of the society who was not sent a copy under subsection (8)(a) above, within seven days of his making a demand for a copy.
- (10) If default is made by a building society in complying with subsection (8) above, the society shall be liable on summary conviction—
 - (a) to a fine not exceeding level 5 on the standard scale; and
 - (b) in the case of a continuing offence, to an additional fine not exceeding £200 for every day during which the offence continues,and so shall any officer who is also guilty of the offence.
- (11) If default is made by a building society in complying with subsection (9) above, the society shall be liable on summary conviction—

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- (a) to a fine not exceeding level 3 on the standard scale ; and
 - (b) in the case of a continuing offence, to an additional fine not exceeding £40 for every day during which the offence continues,
- and so shall any officer who is also guilty of the offence.
- (12) The central office shall keep the copy of the summary financial statement received by it under subsection (8) above in the public file of the society.