

1969 No. 1037

INDUSTRIAL AND PROVIDENT SOCIETIES

**The Industrial and Provident Societies (Group Accounts)
Regulations 1969**

Made - - - - - 28th July 1969
Coming into Operation 11th August 1969

The Chief Registrar of Friendly Societies, in exercise of the powers conferred upon him by section 13(3) of the Friendly and Industrial and Provident Societies Act 1968(a) and of all other powers enabling him in that behalf, hereby makes the following Regulations:—

1.—(1) These Regulations may be cited as the Industrial and Provident Societies (Group Accounts) Regulations 1969 and shall come into operation on 11th August 1969.

(2) The Interpretation Act 1889(b) shall apply to the interpretation of these Regulations as it applies to the interpretation of an Act of Parliament.

2.—(1) Subject to paragraph (2) of this regulation, the group accounts of a society shall comprise—

- (a) a consolidated balance sheet which deals with the state of affairs of the society and the subsidiaries to be dealt with in the group accounts ;
- (b) a consolidated revenue account which deals with the income and expenditure of the society and those subsidiaries.

(2) If in the opinion of the committee of the society it is better for the purpose

- (a) of presenting the same or equivalent information about the state of affairs and income and expenditure of the society and those subsidiaries ;
and
- (b) of so presenting it that it may be readily appreciated by the society's members ;

the group accounts may be prepared in a form other than that required by paragraph (1) of this regulation, and in particular may consist of more than one set of consolidated accounts dealing respectively with the society and one group of subsidiaries and with other groups of subsidiaries or of separate accounts dealing with each of the subsidiaries to be dealt with in the group accounts, or of statements expanding the information about those subsidiaries in the society's own accounts, or any combination of those forms.

3. The consolidated balance sheet and income and expenditure account shall combine the information contained in the separate balance sheets and income and expenditure accounts of the society and of the subsidiaries dealt with by the consolidated accounts, but with such adjustments, if any, as the committee of the society thinks necessary.

(a) 1968 c. 55.

(b) 1889 c. 63.

4. Group accounts, if prepared in accordance with paragraph (1) of regulation 2, shall comply with the requirements of the Schedule to these Regulations so far as applicable thereto or, if not so prepared, shall give the same or equivalent information.

5. Where, pursuant to paragraph (2) of regulation 2, a balance sheet is prepared dealing with the society and one or more of its subsidiaries, but not with all the subsidiaries required to be dealt with in the group accounts, there shall be set out in the balance sheet separately from all other assets and liabilities the aggregate amount of assets consisting of shares in or amounts owing from those subsidiaries required to be dealt with in the group accounts but not dealt with by the balance sheet, and the aggregate amount of indebtedness to those subsidiaries.

6. In these Regulations—

“committee” has the meaning assigned to it by section 74 of the Industrial and Provident Societies Act 1965(a);

“society” means a society registered or deemed to be registered under the said Act of 1965;

“subsidiaries” means companies or societies which are subsidiaries within the meaning of section 15 of the Friendly and Industrial and Provident Societies Act 1968;

“income and expenditure” includes, in relation to a subsidiary which is a company, profit and loss.

S. D. Musson,

Chief Registrar of Friendly Societies.

Dated 28th July 1969.

SCHEDULE

PART I

GENERAL PROVISIONS AS TO BALANCE SHEET

1. The balance sheet shall, subject to paragraph 15 of this Schedule, comply with the requirements set out in paragraphs 2 to 8 of this Schedule.

2. The amount paid up on the shares of the society and, in the case of nonwithdrawable shares, the amount of the issued shares, shall be stated.

3.—(1) The reserves, provisions, liabilities and assets shall be classified under headings appropriate to the business of the society and its subsidiaries:
Provided that—

(a) where the amount of any class is not material, it may be included under the same heading as some other class; and

(b) where any assets of one class are not separable from assets of another class, those assets may be included under the same heading.

(2) Such particulars of the liabilities and assets shall be stated as are necessary to disclose their general nature.

(3) Fixed assets, current assets and assets that are neither fixed nor current shall be separately identified.

(a) 1965 c. 12.

(4) The method or methods used to arrive at the amount of the fixed assets under each heading shall be stated.

4. There shall be shown under separate headings—

- (a) the preliminary expenses, so far as they are not written off ;
- (b) the aggregate amounts respectively of reserves and provisions, where they are material (other than provisions for depreciation, renewals or diminution in value of assets) ;
- (c) the aggregate amounts respectively of quoted and unquoted investments ;
- (d) the aggregate amount of bank loans and overdrafts ;
- (e) the aggregate amount of loans (not being bank loans or overdrafts) made to the society or its subsidiaries.

5. If an amount is set aside for the purpose of its being used to prevent undue fluctuations in charges for taxation, it shall be stated.

6. Where any liability of the society or its subsidiaries is secured otherwise than by operation of law on any assets of the society or its subsidiaries, the fact that the liability is so secured shall be stated, but it shall not be necessary to specify the assets on which the liability is secured.

7. Subject to paragraph 8 of this Schedule, the following matters shall be stated by way of note to the balance sheet, or in a statement or report annexed thereto, if not otherwise shown—

- (a) where the replacement of fixed assets has been provided for wholly or partly—
 - (i) by making provision for renewals and charging the cost of replacements against the provision so made ; or
 - (ii) by charging the cost of replacement direct to revenue ;
the fact that such provision has been made ;
- (b) where the amount of fixed assets (other than unquoted investments) is arrived at by reference to a valuation, the years (so far as they are known to the committee of the society) in which the assets were severally valued and the several values, and, in the case of assets that have been valued during the year of account, the names of the persons who valued them or particulars of their qualifications for doing so and (whichever is stated) the bases of valuation used by them ;
- (c) if there are included amongst the fixed assets (other than investments) assets that have been acquired during the year of account, the aggregate amount of the assets acquired as determined for the purpose of making up that balance sheet ;
- (d) if during the year of account any fixed assets (other than investments) included in the balance sheet made up with respect to the immediately preceding year of account have been disposed of or destroyed, the aggregate amount thereof for the purpose of making up that balance sheet ;
- (e) of the amount of fixed assets consisting of land, how much is ascribable to land of freehold tenure and how much to land of leasehold tenure ;
- (f) if the amount carried forward for stock in trade or work in progress is material for the appreciation by the members of the society of the state of affairs of the society and its subsidiaries, or of the income or expenditure of the society and its subsidiaries for the year of account, the manner in which that amount has been computed ;
- (g) if in the opinion of the committee of the society any of the current assets and unquoted investments have not a value on realisation in the ordinary course of the business of the society or its subsidiaries at least equal to the amount at which they are stated, the fact that the committee is of that opinion ;

- (h) the aggregate market value of the quoted investments where it differs from the amount of the investments as stated, and the stock exchange value of any investments of which the market value is shown (whether separately or not) and is taken as being higher than their stock exchange value ;
- (i) where the amounts of the separate reserves or of the provisions (other than provisions for depreciation, renewals, or diminution in value of assets) as compared with the amounts at the end of the immediately preceding year of account show any material increases or decreases, the sources from which the increases have been derived and how the amounts of any decreases have been applied ;
- (j) the general nature of any contingent liability not provided for, and, where practicable, the estimated amount of that contingent liability, if it is material ;
- (k) where practicable, the aggregate amount or estimated amount, if it is material, of—
 - (i) contracts for capital expenditure, so far as not provided for, and
 - (ii) capital expenditure authorised by the committee of the society or any of its subsidiaries which has not been contracted for ;
- (l) the basis on which the amount, if any, set aside for United Kingdom corporation tax is computed ;
- (m) the names of the subsidiaries dealt with in the group accounts, and the names of the subsidiaries not so dealt with and why they are not so dealt with ;
- (n) the corresponding amounts at the end of the immediately preceding year of account for all items shown in the balance sheet.

8. The matters referred to in sub-paragraphs (d), (f), (i) and (n) of paragraph 7 are not required to be stated by way of note to the balance sheet, or otherwise, where the balance sheet is drawn up as at a date on or before 30th December 1970.

PART II

GENERAL PROVISIONS AS TO REVENUE ACCOUNT

9. The revenue account shall, subject to paragraph 15 of this Schedule, comply with the requirements set out in paragraphs 10 to 14 of this Schedule.

10. There shall be shown—

- (a) the amount charged to revenue by way of provision for depreciation, renewals or diminution in value of fixed assets ;
- (b) the amount, if material, charged to revenue in respect of sums payable in respect of the hire of plant and machinery ;
- (c) the amount of the charge to revenue for United Kingdom corporation tax ;
- (d) the amount of the interest on bank loans, overdrafts and loans of other kinds made to the society or its subsidiaries (whether on the security of debentures or not) ;
- (e) the amounts respectively of income from quoted investments and income from unquoted investments ;
- (f) if a substantial part of the revenue for the year of account consists of rents from land, the amount thereof (after deduction of ground-rents, rates and other out-goings).

11. If, in the case of any assets in whose case an amount is charged to revenue by way of provision for depreciation or diminution in value, an amount is also charged by way of provision for renewal thereof, the last mentioned amount shall be shown separately.

12. The amount of the fees and expenses paid to the members of the committee of management of the society shall be shown under a separate heading.

13. The amount of the remuneration of the auditors of the society and of its subsidiaries, including any sums paid in respect of their expenses, shall be shown under a separate heading.

14. The following matters shall be stated by way of note to the revenue account, or in a statement or report annexed thereto, if not otherwise shown—

- (a) the turnover for the year of account, except in so far as it is attributable to the business of banking or discounting, and the method by which the turnover stated is arrived at ;
- (b) if depreciation or replacement of fixed assets is provided for by some method other than a depreciation charge or provision for renewals, or is not provided for, the method by which it is provided for or the fact that it is not provided for, as the case may be ;
- (c) the basis on which the charge for United Kingdom corporation tax is computed ;
- (d) any special circumstances which affect liability in respect of taxation or profits, income or capital gains for the year of account or liability in respect of taxation of profits, income or capital gains for succeeding years of account ;
- (e) any material respects in which any items shown in the revenue account are affected—
 - (i) by transactions of a sort not usually undertaken by the society and its subsidiaries or otherwise by circumstances of an exceptional or non-recurrent nature ; and
 - (ii) by any change in the basis of accounting ;
- (f) except in the case of a revenue account relating to a year of account ending on or before 30th December 1970, the corresponding amounts at the end of the immediately preceding year of account for all items shown in the revenue account.

PART III

EXCEPTIONS FOR INSURANCE SOCIETIES

15. A society which is an insurance company to which the Insurance Companies Act 1958 applies and which conducts as its main business the business of insurance within the meaning of that Act shall not be subject to the following requirements of this Schedule, that is to say—

- (a) as respects Part I of this Schedule, sub-paragraphs (1), (3) and (4) of paragraph 3, sub-paragraphs (b) and (c) of paragraph 4 and sub-paragraphs (a), (b), (c), (d), (e), (g), (h), (i) and (j) of paragraph 7 ;
- (b) as respects Part II of this Schedule, sub-paragraphs (a), (b), (e) and (f) of paragraph 10, and sub-paragraph (b) of paragraph 14 ;

but, where in its balance sheet reserves or provisions (other than provisions for depreciation, renewals or diminution in value of assets) are not stated separately, any heading stating an amount arrived at after taking into account a reserve or such a provision shall be so framed or marked as to indicate that fact, and its revenue account shall indicate by appropriate words the manner in which the amount stated for the society's profit and loss has been arrived at,

PART IV

INTERPRETATION OF SCHEDULE

16.—(1) For the purposes of this Schedule, unless the context otherwise requires—

(a) “provision” means any amount written off or retained by way of providing for depreciation, renewals or diminution in value of assets or retained by way of providing for any known liability of which the amount cannot be determined with substantial accuracy;

(b) “reserve” does not include any amount written off or retained by way of providing for depreciation, renewals or diminution in value of assets or retained by way of providing for any known liability or any sum set aside for the purpose of its being used to prevent undue fluctuations in charges for taxation;

and in this paragraph “liability” includes all liabilities in respect of expenditure contracted for and all disputed or contingent liabilities.

(2) *Where—*

(a) any amount written off or retained by way of providing for depreciation, renewals or diminution in value of assets; or

(b) any amount retained by way of providing for any known liability;

is in excess of that which in the opinion of the members of the committee of management is reasonably necessary for the purpose, the excess shall be treated for the purposes of this Schedule as a reserve and not as a provision.

17. For the purposes aforesaid, “quoted investment” means an investment as respects which there has been granted a quotation or permission to deal on a recognised stock exchange, or any stock exchange of repute outside Great Britain, and “unquoted investment” shall be construed accordingly.

18. For the purposes aforesaid, “subsidiaries” means subsidiaries which are to be dealt with in the group accounts, and “year of account” in relation to a subsidiary means, where the year of account of the subsidiary does not coincide with that of the society, the year of account of the subsidiary ending with or last before the year of account of the society.

19. For the purposes of paragraph 12 of this Schedule, “expenses” includes any sum paid by way of expenses allowance and the estimated money value of any other benefits received by members of the committee of management other than in cash in so far as those sums are benefits and charged to United Kingdom income tax.

20. In the application of this Schedule to Scotland “land of freehold tenure” means land in respect of which the society or a subsidiary is the proprietor of the dominium utile or, in the case of land not held on feudal tenure, is the owner; “land of leasehold tenure” means land of which the society or a subsidiary is the tenant under a lease; and the reference to ground-rents, rates and other outgoings includes a reference to feu-duty and ground annual.

EXPLANATORY NOTE

(This Note is not part of the Regulations.)

These Regulations prescribe the accounts which an industrial and provident society with subsidiaries is required to prepare as group accounts under section 13 of the Friendly and Industrial and Provident Societies Act 1968 in respect of itself and its subsidiaries. The Regulations also prescribe the particulars which are to be contained in those accounts.

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