
STATUTORY INSTRUMENTS

1992 No. 359

BUILDING SOCIETIES

The Building Societies (Accounts and Related Provisions) Regulations 1992

Made - - - - *17th February 1992*
Laid before Parliament *6th March 1992*
Coming into force - - *1st January 1993*

The Building Societies Commission, with the consent of the Treasury, in exercise of the powers conferred on it by sections 73, 74(3) and (6), 75(1) and 76(3) of the Building Societies Act 1986⁽¹⁾, and of all other powers enabling it in that behalf, hereby makes the following Regulations:

Citation and commencement

1. These Regulations may be cited as the Building Societies (Accounts and Related Provisions) Regulations 1992 and shall come into force on 1st January 1993

Interpretation

2.—(1) In these Regulations—

“the Act” means the Building Societies Act 1986;

“associated body” shall be taken as including bodies corporate given such a meaning by section 18 of the Act together with all bodies corporate in which such associated bodies hold shares or membership rights;

“associated undertaking” has the meaning given to that phrase by paragraph 20 of Schedule 4A to the Companies Act 1985⁽²⁾;

“group” means a society and its subsidiary undertakings;

“group accounts society” means a society the directors of which are obliged by section 72 of the Act (duty of directors to prepare annual accounts) to prepare group accounts;

“particular account” means an income and expenditure account, a balance sheet, or a statement of the source and application of funds;

⁽¹⁾ 1986 c. 53.

⁽²⁾ Schedule 4A to the Companies Act 1985 (1985 c. 6) was inserted by section 5(2) of and Schedule 2 to the Companies Act 1989 (1989 c. 40).

“subsidiary undertaking” means a subsidiary undertaking of a group accounts society with which the group accounts of the society are required by section 72 of the Act(3) to deal;

“single accounts society” means a society which is not a group accounts society; and “society” means a building society.

(2) Nothing in these Regulations shall be taken to imply that the carrying on by a society of any activity provision for the recording of which is contained in these Regulations is, by virtue of that provision, within the powers of that society.

Annual accounts

3.—(1) In respect of the annual accounts of any single accounts society—

- (a) every income and expenditure account shall be prepared in the format set out in Part I of Schedule 1,
- (b) every balance sheet shall be prepared in the format set out in Part I of Schedule 2, and
- (c) every statement of the source and application of funds shall be prepared in the format set out in Part I of Schedule 3,

in each case in accordance with the relevant provisions, and every such document shall, subject to the following paragraphs of this regulation, be prepared in the order and under the headings and subheadings in the format applicable to it.

(2) In respect of the annual accounts of any group accounts society—

- (a) the provisions of this regulation shall apply subject to the provisions of Regulation 4, the supplementary provisions of which shall also have effect in relation to those accounts, and
- (b) within those accounts—
 - (i) every income and expenditure account relating to the society shall be prepared in the format set out in Part I of Schedule 1,
 - (ii) every income and expenditure account relating to the society and its subsidiary undertakings shall be prepared on a consolidated basis in the format set out in Part II of Schedule 1,
 - (iii) every balance sheet relating to the society shall be prepared in the format set out in Part I of Schedule 2,
 - (iv) every balance sheet relating to the society and its subsidiary undertakings shall be prepared on a consolidated basis in the format set out in Part II of Schedule 2, and
 - (v) every statement of the source and application of funds of the society and its subsidiary undertakings shall be prepared on a consolidated basis in the format set out in Part II of Schedule 3, and if such a statement is also prepared in relation to the society alone, that further statement shall be prepared in the format set out in Part I thereof,

and in each case in accordance with the relevant provisions, and every such document shall, subject to the following paragraphs of this regulation, be prepared in the order and under the headings and subheadings in the format applicable to it.

(3) Paragraphs (1) and (2) are not to be read as—

- (a) requiring the heading or subheading for any item to be distinguished by any letter or number assigned to that item in the format in which it appears, or
- (b) prohibiting the showing of any item in a particular account in greater detail (with or without additional subdivisions) than is required by the format for that particular account, or

(3) Section 72 was amended by [S.I. 1991/1729](#).

- (c) prohibiting the insertion of additional items, provided that their contents are not specifically covered by any of the items prescribed in the formats.
- (4) Items preceded by a lower case letter or by a Roman numeral in any format set out in Schedules 1, 2 or 3 may be combined in a society's annual accounts for any financial year if either:
- (a) their individual amounts are not material to assessing—
 - (i) in respect of an income and expenditure account, the income and expenditure of the society (or, as the case may be, the society and its subsidiary undertakings) for that year, and
 - (ii) in respect of a balance sheet, the state of affairs of the society (or, as the case may be, the society and its subsidiary undertakings) as at the end of that year, and
 - (iii) in respect of a statement of the source and application of funds, the manner in which the business of the society (or, as the case may be, the society and its subsidiary undertakings) has been financed and in which its (or their) financial resources have been used during that year, or
 - (b) their combination facilitates that assessment,
- but where subparagraph (b) applies, the individual amounts of any items so combined shall be disclosed in a note to the annual accounts.
- (5) Subject to paragraph (6), a heading or subheading for an item contained in any format set out in Schedules 1, 2 or 3 shall not be included if there is no amount to be shown for that item in respect of the financial year to which the annual accounts relate (and a total need not be included if, as a result of this paragraph, it would be composed of a single item).
- (6) For the purpose of comparing particular accounts with those for the preceding financial year—
- (a) in respect of every item shown in a balance sheet, income and expenditure account and statement of the source and application of funds, the corresponding amount for the preceding financial year shall be shown,
 - (b) where that corresponding amount is not comparable with the amount to be shown for the item in question in respect of the financial year to which the annual accounts relate, the former amount shall be adjusted and particulars of the adjustment and the reasons for it shall be disclosed in a note to the annual accounts, and
 - (c) paragraph (5) does not apply in any case where an amount can be shown for the item to which the heading or subheading relates in respect of the preceding financial year; in such a case that amount shall be shown under the heading or subheading required for that item.
- (7) In this regulation, "the relevant provisions" means, in relation to any particular account, Part III of the Schedule in question, Parts I and II of which contain formats of that particular account.

Group accounts-supplementary provisions

4.—(1) The annual accounts of a group accounts society shall comply with the further provisions of Schedule 4 as to the form and content of the consolidated income and expenditure account, the balance sheet, the statement of the source and application of funds and the additional information to be provided by way of notes to the accounts.

(2) Subject to the exceptions authorised or required by this regulation, all the subsidiary undertakings of the society shall be included in the consolidated income and expenditure account, the balance sheet and the statement of the source and application of funds, as required by Regulation 3(2), and in the notes to the accounts in respect of the society and its subsidiary undertakings in combination, as required by Regulation 5(2)(b).

(3) A subsidiary undertaking may be excluded from the requirements of paragraph (2) if compliance with those requirements is not material for the purpose of giving a true and fair view

for the society and its subsidiary undertakings as a whole, of the matters set out in subsections (2), (3) and (4) of section 73 of the Act.

(4) If a society has two or more subsidiary undertakings, they do not qualify under paragraph (3) for exclusion from the requirements of paragraph (2) if taken as a whole they are material for the purpose enumerated in paragraph (3).

(5) A subsidiary undertaking may also be excluded from the requirements of paragraph (2) where—

- (a) severe long-term restrictions substantially hinder the exercise by the society of its rights over the assets or management of the subsidiary undertaking;
- (b) the information necessary for the preparation of group accounts cannot be obtained without disproportionate expense or undue delay; or
- (c) the interest of the society is held exclusively with a view to subsequent resale and the subsidiary undertaking has not been previously included in the group accounts prepared by the society.

(6) The references in subparagraphs (a) and (c) of paragraph (5) to the rights of the society and to the interest of the society are, respectively to rights and interests held by or attributed to the society for the purposes of section 258 of the Companies Act 1985(4)(definition of “parent undertaking” and “subsidiary undertaking”) as applied to building societies by The Building Societies Act 1986 (Modifications) Order 1991(5) in the absence of which it would not be the parent body.

(7) A subsidiary undertaking shall be excluded from the requirements of paragraph (2) where its activities are so different from those of the society or other subsidiary undertakings included in the group accounts that its inclusion would be incompatible with the obligation to give a true and fair view of the matters referred to in paragraph (3); provided that an undertaking shall not be excluded under this paragraph from the requirements of paragraph (2) if its activities are a direct extension of, or of services ancillary to, banking business of the society; and for the purposes of this paragraph, “banking business” mean the carrying on of a deposit taking business within the meaning of the Banking Act 1987(6).

(8) Each particular account which is a group account shall combine the information contained in the particular account of the society and the accounts of its subsidiary undertakings from which it is derived, adjusted so far as is necessary to consolidate those accounts.

(9) In the group accounts, the interest of the society or of any subsidiary undertaking in an associated undertaking, and the amount of income or expenditure attributable to such an interest, shall be shown by the equity method of accounting (which shall include dealing with any goodwill arising in accordance with paragraphs 8 to 10 and 12 of Schedule 7).

(10) Where an associated undertaking is itself a parent undertaking, the net assets and income or expenditure required to be taken into account by paragraph (9) are those of the parent undertaking and its subsidiary undertakings, after making any consolidation adjustments.

(11) For the purposes of paragraph (10), “parent undertaking” and “subsidiary undertaking” have the meanings attributed to those phrases by section 258 of the Companies Act 1985(7).

(12) The equity method of accounting referred to in paragraph (9) need not be applied if the amounts in question are not material for the purpose of giving a true and fair view, for the society and its subsidiary undertakings as a whole, of the matters set out in subsections (2), (3) and (4) of section 73 of the Act.

(4) Section 258 of the Companies Act 1985 (1985 c. 6.) was inserted by sections 1 and 21 of the Companies Act 1989 (1989 c. 40).

(5) S.I. 1991/1729.

(6) 1987 c. 22.

(7) Section 258 of the Companies Act 1985 was inserted by sections 1 and 21 of the Companies Act 1989.

Notes to annual accounts

5.—(1) The annual accounts of any single accounts society shall, subject to paragraph (5), include notes to them containing the material specified in Schedule 5, in addition to the notes required to be included by other provisions of these Regulations.

(2) The annual accounts of any group accounts society shall, subject to paragraph (5) and to any provision in Schedule 5 which indicates otherwise, include notes to them containing—

- (a) in respect of the society, and
- (b) in respect of the society and those of its subsidiary undertakings not excluded from the requirements of Regulation 4 (2), in combination,

the material specified in Schedule 5 in addition to the notes required to be included by other provisions of these Regulations.

(3) For the purposes of paragraph (2)(b)—

- (a) any reference in a relevant provision of Schedule 5 to a society shall be taken as a reference to the society and its subsidiary undertakings in combination, and
- (b) each associated body of the society which is not a subsidiary undertaking shall be treated as an associated body of the group.

(4) In paragraph (3) “relevant provision” means, in relation to Schedule 5, a provision thereof other than paragraphs 4 to 14 and 42.

(5) Paragraphs (1) and (2) are not to be read as prohibiting the disclosing of any material in the notes to the annual accounts in greater detail than is required by these Regulations.

Associated Bodies

6.—(1) Where a society has held any investments in an associated body during the financial year, the information specified in Schedule 6 shall be given, in addition to that required by Regulation 5, in the notes to the annual accounts.

(2) The information required by paragraph (1) shall comprise

- (a) where the society is a single accounts society, or a group accounts society but all its subsidiary undertakings are excluded from the requirements of regulation 4(2), the information specified in Part I of Schedule 6;
- (b) where the society is a group accounts society and at least one subsidiary undertaking is included in the group accounts in accordance with the requirements of Regulation 4(2), the information specified in Part II of Schedule 6.

(3) With the exception of that specified in paragraph 5(2) of the Schedule, the information required by Schedule 6 need not be given with respect to an associated body which—

- (a) is established under the law of a country outside the United Kingdom, or
- (b) carries on its business outside the United Kingdom,

if in the opinion of the directors of the society the disclosure would seriously prejudice the business of that associated body or the business of the society or any of its subsidiary undertakings, and the Commission agrees that the information need not be given.

(4) Where advantage is taken of paragraph (3), that fact shall be stated in a note to the accounts.

(5) If the directors of the society are of the opinion that the number of associated bodies in respect of which the society is required to give information specified in Schedule 6 is such that to do so would result in information of excessive length being given, the information need only be given in respect of—

- (a) those associated bodies whose results or financial position, in the opinion of the directors, principally affected the figures shown in the society's annual accounts, and
- (b) subsidiary undertakings excluded from the requirements of Regulation 4(2).

(6) If advantage is taken of paragraph (5), there shall be included in the notes a statement that the information specified in Schedule 6 is given only with respect to such undertakings as are mentioned in that paragraph.

Accounting principles and rules

7. Each society shall prepare its annual accounts in accordance with the accounting principles and rules set out in Schedule 7.

Directors' report

8. Each directors' report of a society prepared under section 75 of the Act shall contain, in addition to the other matters required to be contained in it by the Act, the material specified in Schedule 8.

Annual business statement

9.—(1) Each annual business statement of a society prepared under section 74 of the Act shall, subject to paragraphs (2) and (3), contain the material specified in Schedule 9.

(2) Nothing in this regulation—

- (a) requires the setting out of the material specified in Schedule 9 in any particular manner, or
- (b) prohibits the inclusion, for the purpose of the giving in the annual business statement of a true representation of the matters to which that material relates, of material additional to that required to be included by this Regulation.

(3) Any material required or permitted by this Regulation to be contained in the annual business statement may be included instead in the notes to the annual accounts or in the directors' report and, where any such material is so included, the annual business statement shall specify where in those notes or that report that material is to be found.

(4) The material required to be contained in the annual business statement by virtue of paragraph 3 of Schedule 9 shall not be the subject of report by auditors under section 78 of the Act.

Summary financial statement

10.—(1) Subject to paragraph (2), each summary financial statement of a society prepared under section 76 of the Act shall be prepared in the order and under the headings and subheadings shown in the formats (and as directed by the notes) set out in Part I, and in accordance with the provisions of Part II, of Schedule 10, so as to contain—

- (a) a statement in the prescribed form for the purposes of section 76(4) of the Act,
- (b) a summary directors' report,
- (c) a summary statement, and
- (d) a summary of key financial ratios,

followed by the statement of the auditors' opinion required to be included by section 76(5) of the Act, and so as to give a summary account of the relevant matters.

(2) Paragraph (1) is not to be read as—

- (a) requiring the heading or subheading for any item to be distinguished by any letter or number assigned to that item in the format in which it appears,

- (b) requiring the headings in Section B of Part I of Schedule 10 to contain any particular wording,
- (c) prohibiting the inclusion, in place of the words “THIS YEAR” and “LAST YEAR” in Sections C and D of Part I of Schedule 10, of other column headings consistent with paragraph 2 of Part II of that Schedule, or
- (d) prohibiting the inclusion, for the purpose of assisting the giving in the summary financial statement of a summary account of the relevant matters, of material additional to that required to be included by this Regulation.

(3) In this regulation “the relevant matters” are, in relation to a financial year of a society with which a summary financial statement deals, the financial development (during the year) and the financial position (at the end of the year) of—

- (a) where section 76(2) of the Act does not apply, the society, and
- (b) where section 76(2) of the Act applies, the society and its subsidiary undertakings.

Interpretation of Schedules

11. Schedule 11 shall have effect for the interpretation of the Schedules to these Regulations.

Transitional provisions

12.—(1) Where any provision of these Regulations requires—

- (a) the recording of a particular item for the entirety of a financial year, and—
 - (i) that financial year began before the coming into force of these Regulations, and
 - (ii) the legislation in force during the period beginning with the start of the financial year and ending immediately before the coming into force of these Regulations did not require the recording of that particular item, or
- (b) the recording of a particular item as at the end of a previous financial year, and—
 - (i) that previous financial year ended before the coming into force of these Regulations, and
 - (ii) the legislation in force as at the end of that previous financial year did not require the recording of that particular item,

then if the records of the society are so kept as to enable that particular item to be identified, it shall be identified and so recorded, but if the records of the society are not so kept, it shall be included on the basis of an estimate.

(2) Where under paragraph (1) an estimate is used in respect of any item, that fact shall be disclosed in a note to the accounts.

Further transitional provision

13. A Society may, with respect to a financial year which commenced before the coming into force of these Regulations, prepare such annual accounts as it would have been required to prepare had these Regulations not been made.

Revocation

14. The Building Societies (Accounts and Related Provisions) Regulations 1987,⁽⁸⁾ The Building Societies (Accounts and Related Provisions) (Amendment) Regulations 1990⁽⁹⁾ and The

(8) [S.I. 1987/2072](#).

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Building Societies (Accounts and Related Provisions) (Amendment) Regulations 1991(10) are hereby revoked.

In witness whereof the common seal of the Building Societies Commission is hereto fixed, and is authenticated by me, a person authorised under paragraph 14 of Schedule 1 to the Building Societies Act 1986, on 13th February 1992.

Norman Digance
Secretary to the Commission

We consent to this Order.

Sydney Chapman
Gregory Knight
Two of the Lords Commissioners of Her
Majesty's Treasury

17th February 1992

SCHEDULE 1

Regulation 3

PART I

FORMAT OF SOCIETY INCOME AND EXPENDITURE ACCOUNT

1. Interest receivable
 - (a) (i) On secured advances
 - (a) (ii) On other lending
 - (b) (i) On debt securities
 - (b) (ii) On other liquid assets
 - (c) Other interest receivable
2. Interest payable
 - (a) On retail funds and deposits
 - (b) On non-retail funds and deposits
 - (c) Other interest payable
3. Net interest receivable
4. Income from associated bodies
 - (a) Income from shares in subsidiary undertakings
 - (b) Income from participating interests
 - (c) Income from other associated bodies
5. Other income and charges
 - (a) Fees and Commissions receivable
 - (b) Fees and Commissions payable
 - (c) Net profit or loss on financial operations
 - (d) Other operating income
 - (e) Other operating charges
6. Amortisation of intangible fixed assets
7. Administrative expenses
 - (a) Staff costs
 - (i) Wages and salaries
 - (ii) Social security costs
 - (iii) Other pension costs
 - (b) Depreciation and other amounts written off tangible fixed assets
 - (c) Other expenses
8. Provisions
 - (a) Provisions for bad and doubtful debts
 - (b) Provisions for contingent liabilities and commitments.
9. Adjustments to provisions
 - (a) Adjustments to provisions for bad and doubtful debts

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- (b) Adjustments to provisions for contingent liabilities and commitments.
- 10. Amounts written off fixed asset investments
- 11. Adjustments to amounts written off fixed asset investments
- 12. Profit or loss on ordinary activities before tax
- 13. Tax on profit or loss on ordinary activities
- 14. Profit or loss on ordinary activities after tax
- 15. Extraordinary income
- 16. Extraordinary charges
- 17. Extraordinary profit or loss
- 18. Tax on extraordinary profit or loss
- 19. Extraordinary profit or loss after tax
- 20. Other taxes not shown under the preceding items
- 21. Profit or loss for the financial year

PART II

FORMAT OF CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT

- 1. Interest receivable
 - (a) (i) On secured advances
 - (a) (ii) On other lending
 - (b) (i) On debt securities.
 - (b) (ii) On other liquid assets.
 - (c) Other interest receivable
- 2. Interest payable
 - (a) On retail funds and deposits
 - (b) On non-retail funds and deposits
 - (c) Other interest payable
- 3. Net interest receivable
- 4. Income from associated bodies
 - (a) Income from shares in unconsolidated subsidiary undertakings
 - (b) Income from associated undertakings
 - (c) Income from other participating interests
 - (d) Income from other associated bodies
- 5. Other income and charges
 - (a) Fees and Commissions receivable
 - (b) Fees and Commissions payable
 - (c) Net profit or loss on financial operations
 - (d) Other operating income

- (e) Other operating charges
- 6. Amortisation of intangible fixed assets
- 7. Administrative expenses
 - (a) Staff costs
 - (i) Wages and salaries
 - (ii) Social security costs
 - (iii) Other pension costs
 - (b) Depreciation and other amounts written off tangible fixed assets
 - (c) Other expenses
- 8. Provisions
 - (a) Provisions for bad and doubtful debts
 - (b) Provisions for contingent liabilities and commitments
- 9. Adjustments to provisions
 - (a) Adjustments to provisions for bad and doubtful debts
 - (b) Adjustments to provisions for contingent liabilities and commitments
- 10. Amounts written off fixed asset investments
- 11. Adjustments to amounts written off fixed asset investments
- 12. Profit or loss on ordinary activities before tax
- 13. Tax on profit or loss on ordinary activities
- 14. Profit or loss on ordinary activities after tax
- 15. Minority interests
- 16. Profit or loss before extraordinary items
- 17. Extraordinary income
- 18. Extraordinary charges
- 19. Extraordinary profit or loss
- 20. Tax on extraordinary profit or loss
- 21. Extraordinary profit or loss after tax
- 22. Minority interests in extraordinary profit or loss after tax
- 23. Other taxes not shown under the preceding items
- 24. Profit or loss for the financial year.

PART III

PROVISIONS APPLICABLE TO PARTS I AND II

- 1.—(1) Item 1(a) and (b) in each of Part I and II shall include
 - (a) all income from assets entered under Asset items 2, 3, and 4(a), (b) and (c) in the balance sheet in the corresponding Part of Schedule 2, however calculated,

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- (b) interest receivable on—
 - (i) in the case of Part I, advances and loans to associated bodies, and
 - (ii) in the case of Part II, advances and loans to associated bodies other than subsidiary undertakings, and
- (c) (in item 1(b) in each case) interest, other income and profits net of losses arising from liquid assets, except to the extent that they are included in item 5(c) in Parts I and II in accordance with paragraph 5 of this Part,

and the notes to the annual accounts shall disclose the amount of profits net of losses arising from liquid assets (except for amounts included in item 5(c) in Parts I and II) and the amount of interest and other income arising from them as separate amounts unless those two amounts are separately stated under each of item 1(b)(i) and 1(b)(ii) in each case.

(2) Item 1 in each Part shall include fees and commissions receivable similar in nature to interest and calculated on a time basis or by reference to the amount of the claim or liability (but not other fees and commissions receivable).

(3) Item 1 in each Part shall also include income from financial instruments, which is spread over the actual duration of the contract and similar in nature to interest.

2. Item 1(a)(i) in Parts I and II shall include all income to which paragraph 1 refers arising from secured loans which are not advances secured on land as well as from advances secured on land.

3.—(1) Items 2(a) and (b) in each of Parts I and II shall include as appropriate all charges arising out of liabilities entered under Liability items 10, 11, 15 and 16 in Part I of Schedule 2 or Liability items 11, 12, 16 and 17 of Part II of that Schedule however calculated.

(2) Item 2 in each Part shall include fees and commission payable similar in nature to interest and calculated on a time basis or by reference to the amount of the claim or liability (but not other fees and commissions payable).

(3) Item 2 in each Part shall also include charges on financial instruments, which are spread over the actual duration of the contract and similar in nature to interest.

4.—(1) Item 5(a) in Parts I and II shall include income in respect of all services supplied for the account of third parties, apart from fees and commissions required to be included under “interest receivable” in item 1 in each part, and item 5(b) in those parts shall include charges for the use of services of third parties, apart from fees and commissions required to be include under “interest payable” in item 2 in each part.

- (2) Any amount, apart from an appointed agency payment, which represents—
 - (a) fees and commissions for guarantees and loan administration,
 - (b) commissions and other charges and income in respect of payment transactions, account administration charges and commissions for the safe custody and administration of deeds, securities or other related documents,
 - (c) fees and commissions for foreign currency transactions,
 - (d) commissions and other charges and income in connection with insurance and pension contracts, or
 - (e) commissions and other charges and income for brokerage services in connection with savings and insurance contracts and loans

and which falls within subparagraph (1) but would also be capable of being included within an item other than those referred to in that subparagraph shall be included within items 5(a) and 5(b) in Parts I and II as appropriate.

- (3) Appointed agency payments shall be included within item 7(c) in each Part.

(4) For the purposes of subparagraphs (2) and (3), an appointed agency payment is a payment for a relevant agency function to a person who, by virtue of an appointment by a society, acts as its agent in that function, and a relevant agency function comprises action as an agent of the society for the purpose of receipt of sums in respect of shares or deposits or the making of loans or advances.

5. Item 5(c) in each of Parts I and II shall comprise—

- (a) the net profit or net loss on transactions in securities which are not held as financial fixed assets together with amounts written off or written back as a result of the application of paragraph 16(1) in Schedule 7, and
- (b) the net profit or loss on financial instruments, except in so far as that income or charge is included, in accordance with subparagraphs 1(3) and 3(3), under items 1 and 2 in respectively Part I and Part II.

6. Items 5(d) and (e) in each of Parts I and II shall, where they relate to development properties, include respectively the net profit or loss thereon.

7. Item 6 in each of Parts I and II shall comprise amortisation and other amounts written off in respect of Asset item 5 in Part I and Asset item 6 in Part II of Schedule 2.

8. Item 7(b) in each of Parts I and II shall comprise depreciation and other amounts written off in respect of Asset item 6 in Part I and Asset item 7 in Part II of Schedule 2.

9. Item 8(a) in each of Parts I and II shall comprise charges for amounts written off and for provisions made in respect of commercial assets shown under Asset items 2, 3, 4(a), 4(b) and 4(c) in each of Part I and Part II of Schedule 2; and under Asset item 5(a) of Part II of that Schedule.

10. Item 8(b) in each of Parts I and II shall comprise charges for provisions for contingent liabilities and commitments of a type which would, if not provided for, be shown under Memorandum items 20 and 21 in Part I and Memorandum items 22 and 23 in Part II of Schedule 2.

11. Item 9(a) in each of Parts I and II shall include credits from the recovery of commercial assets which were included under Asset items 2, 3, 4(a), 4(b) and 4(c) in each of Parts I and II of Schedule 2 and under Asset item 5(a) of Part II of that Schedule and have been previously written off, or were written back following earlier write offs, and the reduction of provisions previously made with respect to such commercial assets.

12. Item 9(b) in each of Parts I and II shall comprise credits from the reduction of provisions previously made with respect to contingent liabilities and commitments.

13. Item 10 shall comprise amounts written off in respect of transferable securities held as financial fixed assets, participating interests, and shares in subsidiary undertakings which are included in Asset items 1(d) and 4(e) in Parts I and II of Schedule 2.

14. Item 11 shall include amounts written back following earlier write offs and provisions in respect of transferable securities held as financial fixed assets, participating interests and shares in subsidiary undertakings and which are included in Asset items 1(d) and 4(e) in Parts I and II of Schedule 2.

15. In this Schedule “financial instrument” means—

- (a) in relation to Parts I and II, an instrument the powers of the society in relation to which are derived from section 23 of the Act (power to hedge) and any option to purchase or sell any liquid asset, and
- (b) additionally in relation to Part II, an instrument on which interest or a dividend is capable of being received and which is not an advance, a loan or a liquid asset.

16. Where a heading in either Part I or Part II of this Schedule contains the wording “profit or loss”, such wording shall be replaced by “profit” or “loss” as appropriate.

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SCHEDULE 2

Regulation 3

PART I

FORMAT OF SOCIETY BALANCE SHEET

ASSETS

1. LIQUID ASSETS

- (a) Cash in hand and balances with the Bank of England
- (b) Treasury bills and other eligible bills
 - (i) Treasury bills and similar securities
 - (ii) Other eligible bills
- (c) Loans and advances to credit institutions
- (d) Debt securities
 - (i) Issued by public bodies
 - (ii) Issued by other borrowers
- (e) Other

Commercial Assets

2. ADVANCES SECURED ON RESIDENTIAL PROPERTY

3. OTHER ADVANCES SECURED ON LAND

4. OTHER COMMERCIAL ASSETS

- (a) Loans for mobile homes
- (b) Unsecured loans
- (c) Secured loans
- (d) Residential properties
 - (i) Held for rental
 - (ii) Development properties
 - (aa) Completed
 - (ab) Work in progress
- (e) Investments in associated bodies
 - (i) Investments in subsidiary undertakings
 - (aa) Shares
 - (bb) Loans
 - (ii) Investments in participating interests in associated bodies
 - (aa) Shares
 - (bb) Loans
 - (iii) Investments in other associated bodies
 - (aa) Shares
 - (bb) Loans
- (f) Other

5. INTANGIBLE FIXED ASSETS
6. TANGIBLE FIXED ASSETS
 - (a) Land and buildings
 - (b) Plant and machinery
 - (c) Equipment, fixtures, fittings and vehicles
 - (d) Payments on account and assets in the course of construction
7. OTHER ASSETS
8. PREPAYMENTS AND ACCRUED INCOME
9. TOTAL ASSETS

LIABILITIES

Shares and Deposits

10. RETAIL FUNDS AND DEPOSITS
 - (a) Shares
 - (b) Deposits
11. NON-RETAIL FUNDS AND DEPOSITS
 - (a) Amounts owed to credit institutions
 - (b) Debt securities in issue
 - (i) Certificates of deposit
 - (ii) Negotiable bonds
 - (iii) Fixed and floating rate notes
 - (iv) Other
 - (c) Other deposits
 - (d) Shares
12. OTHER LIABILITIES
 - (a) Income tax
 - (b) Corporation tax
 - (c) Other creditors
13. ACCRUALS AND DEFERRED INCOME
14. PROVISIONS FOR LIABILITIES AND CHARGES
 - (a) Provisions for pensions and similar obligations
 - (b) Provisions for tax
 - (c) Other provisions
15. SUBORDINATED LIABILITIES
16. SUBSCRIBED CAPITAL
 - (a) Deferred shares issued on formation
 - (b) Permanent interest bearing shares
17. REVALUATION RESERVE

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18. RESERVES

- (a) General reserves
- (b) Other reserves

19. TOTAL LIABILITIES

MEMORANDUM ITEMS

20. CONTINGENT LIABILITIES

- (a) Guarantees and assets pledged as collateral security
- (b) Other contingent liabilities

21. COMMITMENTS

PART II

FORMAT OF CONSOLIDATED BALANCE SHEET

ASSETS

1. LIQUID ASSETS

- (a) Cash in hand and balances with the Bank of England
- (b) Treasury bills and other eligible bills
 - (i) Treasury bills and similar securities
 - (ii) Other eligible bills
- (c) Loans and advances to credit institutions
- (d) Debt securities
 - (i) Issued by public bodies
 - (ii) Issued by other borrowers
- (e) Other

Commercial Assets

2. ADVANCES SECURED ON RESIDENTIAL PROPERTY

3. OTHER ADVANCES SECURED ON LAND

4. OTHER COMMERCIAL ASSETS

- (a) Loans for mobile homes
- (b) Unsecured loans
- (c) Secured loans
- (d) Residential properties
 - (i) Held for rental
 - (ii) Development properties
 - (aa) Completed
 - (ab) Work in progress
- (e) Investments in associated bodies
 - (i) Investments in unconsolidated subsidiary undertakings

- (aa) Shares
- (bb) Loans
- (ii) Investments in associated undertakings
 - (aa) Shares
 - (bb) Loans
- (iii) Investments in other participating interests
 - (aa) Shares
 - (bb) Loans
- (iv) Investments in other associated bodies
 - (aa) Shares
 - (bb) Loans
- (f) Other
- 5. OTHER OPERATING ASSETS**
 - (a) Loans
 - (b) Other
- 6. INTANGIBLE FIXED ASSETS**
- 7. TANGIBLE FIXED ASSETS**
 - (a) Land and buildings
 - (b) Plant and machinery
 - (c) Equipment, fixtures, fittings and vehicles
 - (d) Payments on account and assets in the course of construction.
- 8. OTHER ASSETS**
- 9. PREPAYMENTS AND ACCRUED INCOME**
- 10. TOTAL ASSETS**

LIABILITIES

Shares and Deposits

- 11. RETAIL FUNDS AND DEPOSITS**
 - (a) Shares
 - (b) Deposits
- 12. NON-RETAIL FUNDS AND DEPOSITS**
 - (a) Amounts owed to credit institutions
 - (b) Debt securities in issue
 - (i) Certificates of deposit
 - (ii) Negotiable bonds
 - (iii) Fixed and floating rate notes
 - (iv) Other
 - (c) Other deposits
 - (d) Shares

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13. OTHER LIABILITIES

- (a) Income tax
- (b) Corporation tax
- (c) Other creditors

14. ACCRUALS AND DEFERRED INCOME

15. PROVISIONS FOR LIABILITIES AND CHARGES

- (a) Provisions for pensions and similar obligations
- (b) Provisions for tax
- (c) Other provisions

16. SUBORDINATED LIABILITIES

17. SUBSCRIBED CAPITAL

- (a) Deferred shares issued on formation
- (b) Permanent interest bearing shares

18. REVALUATION RESERVE

19. RESERVES

- (a) General reserves
- (b) Other reserves

20. MINORITY INTERESTS

21. TOTAL LIABILITIES

MEMORANDUM ITEMS

22. CONTINGENT LIABILITIES

- (a) Guarantees and assets pledged as collateral security
- (b) Other contingent liabilities.

23. COMMITMENTS

PART III

PROVISIONS APPLICABLE TO PARTS I AND II

1. The heading “Shares and Deposits” in the balance sheet in Part I of this Schedule may instead be expressed as “Shares, Deposits and Loans” and if it is so expressed—

- (a) the corresponding heading in the balance sheet in Part II shall be similarly expressed, and
- (b) in the balance sheet in Parts I and II the expression “Other deposits” shall be replaced by the expression “Other deposits and loans”.

2.—(1) In respect of any asset or liability item, the following shall be shown either by subdivision of the relevant items or by way of notes to the accounts—

- (a) in the case of such items in Part I, claims on, or liabilities to, subsidiary undertakings;
- (b) in the case of such items in both Parts I and II, claims on, or liabilities to, any associated body in which the society has a participating interest; and

(c) in the case of such items in both Parts I and II, claims on, or liabilities to, any associated body other than a subsidiary undertaking or a body in which the society has a participating interest.

(2) The amount of any assets that are subordinated must be shown either as a subdivision of any relevant asset item or in the notes to the accounts; in the latter case disclosure shall be by reference to the relevant asset item or items in which the assets are included.

(3) The amounts required to be shown in respect of subparagraphs (1)(a) and (b) shall be further subdivided to show the amounts of any assets or liabilities which are subordinated.

(4) For the purposes of subparagraphs (2) and (3), assets or liabilities are subordinated if there is a contractual obligation to the effect that in the event of winding up or bankruptcy they are to be repaid only after the claims of other creditors have been met (other than any creditors ranking *pari passu* with those liabilities) whether or not a ranking has been agreed between the subordinated creditors concerned.

3.—(1) This paragraph applies to Asset item 1 of Parts I and II of this Schedule.

(2) There shall be included in Asset item 1(a)—

- (a) banknotes or coinage of any country or territory;
- (b) deposits with the Bank of England which may be withdrawn without notice; all other claims on the Bank of England or the Central Banks of other member States of the European Community, Canada, Japan, Sweden, Switzerland and the United States of America shall be included in item 1(c).

(3) There shall be included in Asset item 1(b)(i) Treasury bills and similar debt instruments issued by public bodies which are eligible for refinancing with the Bank of England. Any Treasury bills or similar debt instruments not so eligible shall be included under Asset item 1(b)(ii).

(4) There shall be included in Asset item 1(b)(ii) all bills held as liquid assets that have been purchased to the extent that they are eligible for refinancing with the Bank of England.

(5) There shall be included in Asset item 1(c) all deposits with, but excluding any debt securities issued or guaranteed by, any credit institution authorised by the competent authorities of a Member State of the European Community.

- (a) (6) (a) Asset item 1(d) shall comprise transferable debt securities issued or guaranteed by any credit institution authorised by the competent authorities of a Member State of the European Community, or by other undertakings or public bodies.
- (b) Debt securities issued by public bodies shall however, only be included in this item if they may not be shown under Asset item 1(b).
- (c) Where a society holds its own debt securities these shall not be included under this item but shall be deducted from the appropriate liabilities item.
- (d) Securities bearing interest rates that vary in accordance with specific factors, for example the interest rate on the inter-bank market or on the Euromarket, shall also be regarded as debt securities to be included under this item.

(7) There shall be included in Asset item 1(d)(i) any asset which represents a liability of, or comprises a debt security issued by any of the following—

- (a) the Governments of European Community Member States, Canada, Japan, Sweden, Switzerland or the United States of America;
- (b) issuers whose obligations as to payment are fully guaranteed by any of the governments listed in sub-paragraph (i);
- (c) relevant authorities;

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- (d) intergovernmental investment or development institutions whose capital is subscribed by European Community Member States and other states;
 - (e) any other body exercising a statutory function within European Community Member States, Canada, Japan, Sweden, Switzerland and the United States of America.
- (8) Any transferable debt security which comprises a security issued by a nationalised industry or otherwise does not fall to be included in Asset item 1(d)(i) shall be included in Asset item 1(d)(ii).
- (9) For the purposes of this paragraph—

“deposit” means a sum of money paid on terms—

- (a) under which it will be repaid, with or without interest or a premium, and either on demand or at a time or in circumstances agreed by or on behalf of the person making the payment and the person receiving it; and
- (b) which are not referable to the provision of property or services or the giving of security; and,

for the purposes of this definition, money is paid on terms which are referable to the provision of property or services or to the giving of security if, and only if—

- (i) it is paid by way of advance or part payment under a contract for the sale, hire or other provision of property or services, and is repayable only in the event that the property or services is not or are not in fact sold, hired or otherwise provided;
- (ii) it is paid by way of security for the performance of a contract or by way of security in respect of loss which may result from the non performance of a contract; or
- (iii) without prejudice to paragraph (ii) above, it is paid by way of security for the delivery up or return of any property, whether in a particular state of repair or otherwise.

“local authority” means any of the following authorities:

- (a) in England and Wales, a county council, a district council, a London borough council, a parish or community council, the common Council of the City of London, and the Council of the Isles of Scilly;
- (b) in Scotland, a local authority within the meaning of section 235 of the Local Government (Scotland) Act 1973⁽¹¹⁾;
- (c) in Northern Ireland, a district council within the meaning of section 1 of the Local Government Act (Northern Ireland) 1972⁽¹²⁾;

“relevant authority” means any of the following:

- (a) a local authority;
- (b) any authority all the members of which are appointed or elected by one or more local authorities;
- (c) any authority the majority of the members of which are appointed or elected by one or more local authorities in the United Kingdom, being an authority which by virtue of any enactment has power to issue a precept to a local authority in England and Wales, or a requisition to a local authority in Scotland, or to the expense of which, by virtue of any enactment, a local authority in the United Kingdom is or can be required to contribute;
- (d) the Receiver for the Metropolitan Police District or a combined police authority (within the meaning of the Police Act 1964⁽¹³⁾);

⁽¹¹⁾ 1973 c. 65.

⁽¹²⁾ 1972 c. 9. (NI)

⁽¹³⁾ 1964 c. 48.

- (e) a residuary body within the meaning of section 105(1) of the Local Government Act 1985⁽¹⁴⁾;
- (f) a passenger transport executive within the meaning of section 9(1) of the Transport Act 1968⁽¹⁵⁾;

“Treasury bills” means bills issued by Her Majesty’s Government in the United Kingdom and Northern Ireland Treasury Bills.

4. In Asset items 2 and 3 in Parts I and II of this Schedule the expression “ADVANCES SECURED ON RESIDENTIAL PROPERTY” shall correspond to advances which are Class I advances, and the expression “OTHER ADVANCES SECURED ON LAND” to advances which are Class 2 advances, for the purpose of the requirements of Part III (advances, loans and other assets) of the Act for the structure of commercial assets.

5. Within Asset item 4 of Parts I and II of this Schedule—

- (a) in item 4(a) there shall be included mobile home loans,
- (b) in item 4(b) there shall be included loans to which section 16 (power to lend to individuals) of the Act applies, facility debts (as defined in article 3(2) of the Building Societies (Limited Credit Facilities) Order 1987)⁽¹⁶⁾, bridging debts (as defined in Part IV of Schedule I to the Building Societies (Commercial Assets and Services) Order 1988)⁽¹⁷⁾ and money transmission service debts (as defined in article 3(2) of the Building Societies (Money Transmission Services) Order 1989)⁽¹⁸⁾, and which do not fall to be included in item 4(c),
- (c) in item 4(c) there shall be included residual mortgage debts (as defined in Part I of Schedule 1 to the Building Societies (Commercial Assets and Services) Order 1988), leasable chattels (as defined in Part III of Schedule 1 to that Order) and loans or debts which would otherwise fall to be included in item 4(b) in accordance with subparagraph (b) but for the fact that the loan or debt is on any security, whether that security be partial or full and whether it comprises property or a guarantee,
- (d) in item 4(d) there shall be included all property to which section 17 of the Act (power to hold and develop land), other than section 17(6), applies,

and each subdivision of that Asset item shall in Part II also apply to any asset which arises from the activity of a subsidiary undertaking and would, were that subsidiary undertaking the society, be an asset to which that subdivision would apply.

6. Mortgage finance rights (as defined in Part II of Schedule 1 to the Building Societies (Commercial Assets and Services) Order 1988)⁽¹⁹⁾ may be included in either of Asset items 1(d) or 4(c).

7. Premises to which section 17(6) of the Act applies (and premises of a subsidiary undertaking which would, were they premises of a society, be premises to which that provision would apply) shall be included in Asset item 6(a) (and not Asset item 4(f)) in Part I of this Schedule, and in Asset item 7(a) (and not in Asset item 4(f)) in Part II of this Schedule).

- (a) (a) Asset item 5 in Part I and Asset item 6 in Part II of this Schedule shall comprise—
 - (i) development costs,
 - (ii) concessions, patents, licences, trade marks and similar rights and assets,

⁽¹⁴⁾ 1985 c. 51.

⁽¹⁵⁾ 1968 c. 73.

⁽¹⁶⁾ S.I. 1987/1975.

⁽¹⁷⁾ S.I. 1988/1141.

⁽¹⁸⁾ S.I. 1989/730.

⁽¹⁹⁾ S.I. 1988/1141.

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- (iii) goodwill, and
- (iv) payments on account relating to intangible fixed assets.
- (b) Amounts shall be included in respect of the assets mentioned in subparagraph (a)(ii) only if they were acquired for valuable consideration or if they were created by the society or by a subsidiary undertaking.
- (c) Amounts representing goodwill shall be included only to the extent that the goodwill was acquired for valuable consideration.
- (d) There shall be disclosed, in a note to the accounts the amount of any goodwill included in Asset item 5 in Part I and Asset item 6 of Part II of this Schedule.

9. Asset item 8 in Part I and Asset item 9 in Part II of this Schedule shall include any expenditure incurred during the financial year but relating to a subsequent financial year, together with any income which, although relating to the financial year in question, is not due until after its expiry, except that they shall not include accrued interest in respect of Asset items 1 to 4 in Parts I and II, and asset item 5(a) in Part II of this Schedule, which accrued interest shall be included under those items.

10.—(1) Subject to paragraph 13 all liabilities of a subsidiary undertaking of a society in respect of deposits shall be included in Liability item 12 of Part II where they would, were they liabilities of the society, be classifiable as non-retail funds and deposits, and any other such liabilities of the subsidiary undertaking shall be included in Liability item 11 thereof.

(2) Any liabilities of a subsidiary undertaking of a society in respect of shares, where included in the balance sheet in Part II, shall be included in Liability item 20 thereof.

11.—(1) In Liability items 11 of Part I and 12 of Part II of this Schedule—

- (a) in “Amounts owed to credit institutions” there shall be included liabilities to which subsection (4)(bb) of section 7 of the Act(20) applies (or, where in Part II the liability is that of a subsidiary undertaking, would apply were that subsidiary undertaking the society);
- (b) in “Debt securities in issue” there shall be included liabilities to which subsection (4)(a) and (aa) of that section applies (or, where in Part II the liability is that of a subsidiary undertaking, would apply were that subsidiary undertaking the society).

(2) For the purpose of those Liability items—

- (a) “certificate of deposit” means a certificate relating to money deposited with the issuer which recognises an obligation to pay a stated amount to bearer or to order, with or without interest, and by the delivery of which, with or without endorsement, the right to receive that stated amount, with or without interest, is transferable;
- (b) “floating rate note” means a note which embodies a right, transferable to any person by delivery or by a method specified in the note, to receive a principal sum and interest at a rate which is variable at times specified in the note;
- (c) “fixed rate note” means a note which embodies a right, transferable to any person by delivery or by a method specified in the note, to receive a principal sum and interest at a rate which is fixed as specified in the note.

12. Liability item 13 in Part I and Liability item 14 in Part II of this Schedule shall include any income relating to a subsequent financial year, together with any charges which although relating to the financial year in question, will be payable only in the course of a subsequent financial year, except that they shall not include accrued interest in respect of Liability items 10 and 11 in Part I and Liability items 11 and 12 in Part II, which accrued interest shall be included under those items.

(20) Section 7 of the Building Societies Act 1986 has been amended by [SI 1987/378](#), [1670](#) and [SI 1990/2363](#).

13.—(1) Liability item 15 in Part I and Liability item 16 in Part II of this schedule shall comprise all liabilities in respect of which there is a contractual obligation that, in the event of winding up or bankruptcy, they are to be repaid only after the claims of other creditors have been met. All subordinated liabilities shall be included, whether or not a ranking has been agreed between the subordinated creditors concerned.

(2) Any subordinated loan capital of the society shall be included in Liability item 15 in Part I and Liability item 16 in Part II of this Schedule and in no other such Liability item, but this requirement shall not be taken to exclude the obligation to include in Liability item 16 in Part II subordinated liabilities of subsidiary undertakings.

14. Liability item 16(a) in Part I and Liability item 17(a) in Part II of this Schedule shall include any deferred shares which may be aggregated with reserves for the purposes of the first criterion of section 45(3) of the Act under the Building Societies (Designated Capital Resources) (Deferred Shares) Order 1989(21).

15. Liability item 16(b) in Part I and Liability item 17(b) in Part II of this Schedule shall include any permanent interest bearing shares which may be aggregated with reserves for the purposes of the first criterion of section 45(3) of the Act under the Building Societies (Designated Capital Resources) (Permanent Interest Bearing Shares) Order 1991(22).

16. Memorandum item 20 in Part I and Memorandum item 22 in Part II of this Schedule shall include all transactions whereby the society (or the society and its subsidiary undertakings in respect of Part II) has underwritten the obligations of a third party.

17. Memorandum item 20(a) in Part I and Memorandum item 22(a) in Part II of this Schedule shall include all guarantee obligations incurred and assets pledged as collateral on behalf of third parties by the society (or the society and its subsidiary undertakings in respect of Part II).

18. Memorandum item 21 in Part I and Memorandum item 23 in Part II of this Schedule shall include every irrevocable commitment which would give rise to a credit risk to the society (or the society and its subsidiary undertakings in respect of Part II).

19.—(1) The following rules apply where a society (or the society and its subsidiary undertakings in respect of Part II) is a party to a sale and repurchase transaction.

(2) Where the society is the transferor of the assets under the transaction—

- (a) the assets transferred shall, notwithstanding the transfer, be included in its balance sheet;
- (b) the purchase price received by it shall be included in its balance sheet as appropriate as an amount owed to the transferee; and
- (c) the value of the assets transferred shall be disclosed in a note to its accounts.

(3) Where the society is the transferee of the assets under the transaction it shall not include the assets transferred in its balance sheet but the purchase price paid by it to the transferor shall be so included as an amount owed by the transferor.

20.—(1) For the purpose of this paragraph “managed funds” are funds which the society (or the society and its subsidiary undertakings in respect of Part II) administers in its own name but on behalf of others and to which it has legal title.

(2) Where claims and obligations arising in respect of managed funds fall to be treated as claims and obligations of the society (or the society and its subsidiary undertakings in the case of Part II) such claims and obligations representing managed funds may be included in the balance sheet, with notes to the accounts disclosing the total amount included with respect to such assets and liabilities

(21) [S.I. 1989/208](#). This Order was revoked by [S.I. 1991/702](#) but the right of certain shares to be aggregated was retained by Article 3 of the revoking Order.

(22) [S.I. 1991/702](#).

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in the balance sheet and showing the amount included under each relevant balance sheet item in respect of such assets or (as the case may be) liabilities.

21.—(1) Where a society (or the society and its subsidiary undertaking in the case of Part II) is a party to a syndicated loan transaction, it shall include in the balance sheet only that part of the total loan which it has funded itself.

(2) Where a society (or the society and its subsidiary undertakings in the case of Part II) is a party to a syndicated loan transaction and has agreed to reimburse (in whole or in part) any other party to the syndicate any funds advanced by that party or any interest thereon upon the occurrence of any event including the default of the borrower, any additional liability by reason of such a guarantee shall be included as a contingent liability in Memorandum item 20(a) in Part I or 22(a) of Part II of this Schedule.

SCHEDULE 3

Regulation 3

PART I

FORMAT OF SOCIETY STATEMENT OF THE SOURCE AND APPLICATION OF FUNDS

Source of Funds

1. Increase in free capital
2. Advances and loans repaid by borrowers
3. Net receipts from retail funds and deposits
4. Net receipts from non-retail funds and deposits
5. Other items
6. Total source of funds

Application of Funds

7. Increase in liquid assets
8. Advances and loans made to borrowers
9. Increase in other commercial assets
10. Other items
11. Total application of funds Increase in Free Capital Source of Funds
12. Profit on ordinary activities after tax
13. Extraordinary profit after tax
14. Adjustment for items not involving the movement of funds
 - (a) Depreciation and other amounts written off tangible fixed assets
 - (b) Amortisation of intangible fixed assets
 - (c) Goodwill written off
 - (d) Profit on disposal of intangible fixed assets

- (e) Profit on disposal of tangible fixed assets
- (f) Increase in general provision for bad and doubtful debts
- 15. Funds generated from operations
- 16. Funds from other sources
 - (a) Disposal of tangible fixed assets
 - (b) Disposal of intangible fixed assets
 - (c) Issue of subordinated liabilities
 - (d) Issue of subscribed capital
- 17. Application of Funds
 - (a) Purchase of tangible fixed assets
 - (b) Purchase of intangible fixed assets
 - (c) Repayment of subordinated liabilities
 - (d) Repayment of subscribed capital
- 18. Increase in free capital.

PART II

FORMAT OF CONSOLIDATED STATEMENT OF THE SOURCE AND APPLICATION OF FUNDS

Source of Funds

1. Increase in free capital
2. Advances and loans repaid by borrowers
3. Net receipts from retail funds and deposits
4. Net receipts from non-retail funds and deposits
5. Other items
6. Total source of funds

Application of Funds

7. Increase in liquid assets
8. Advances and loans made to borrowers
9. Increase in other commercial assets
10. Increase in other operating assets
11. Other items
12. Total application of funds

Increase in Free Capital

Source of Funds

13. Profit on ordinary activities after tax
14. Extraordinary profit after tax

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15. Adjustment for items not involving the movement of funds:
 - (a) Depreciation and other amounts written off tangible fixed assets
 - (b) Amortisation of intangible fixed assets
 - (c) Goodwill written off
 - (d) Profit on disposal of intangible fixed assets
 - (e) Profit on disposal of tangible fixed assets
 - (f) Increase in general provision for bad and doubtful debts
 - (g) Profits retained in associated undertakings
 - (h) Minority interests
16. Funds generated from operations
17. Funds from other sources
 - (a) Disposal of tangible fixed assets
 - (b) Disposal of intangible fixed assets
 - (c) Issue of subordinated liabilities
 - (d) Issue of subscribed capital
18. Application of Funds
 - (a) Purchase of tangible fixed assets
 - (b) Purchase of intangible fixed assets
 - (c) Repayment of subordinated liabilities
 - (d) Repayment of subscribed capital
 - (e) Dividends paid to minority shareholders
19. Increase in free capital

PART III

PROVISIONS APPLICABLE TO PARTS I AND II

1. In Parts I and II assets to which section 17(6) of the Act applies shall be treated as tangible fixed assets and not as commercial assets.
2. In Part II—
 - (a) any asset which arises from the activity of a subsidiary undertaking and would, were the subsidiary undertaking the society, be a commercial asset, shall (subject to subparagraph (b)) be treated as a commercial asset, but
 - (b) assets to which section 17(6) of the Act would apply by the operation of subparagraph (a) shall be treated as tangible fixed assets and not as commercial assets.
- 3.—(1) No subordinated loan capital shall, in Part I or II of this Schedule, be treated as retail or non-retail funds and deposits.
 - (2) Subject to subparagraph (1), in Part II the liabilities of any subsidiary undertaking of a society in respect of deposits which would, were they liabilities of the society, be classifiable as non-retail funds and deposits shall be treated as non-retail funds and deposits and any other such liabilities of the subsidiary undertaking shall be treated as retail funds and deposits.

4. Where subsidiary undertakings have been acquired or disposed of during a financial year to which a statement of the source and application of funds relates, the effect of such acquisitions or disposals shall be summarised in aggregate by way of a footnote to the statement which shall be separate from the notes to the annual accounts.

5.—(1) There shall be inserted in the notes to the annual accounts such analyses of the relevant items as are material to the assessment of the key factors.

(2) For the purposes of subparagraph (1)—

(a) the relevant items are item 9 in Part I and items 9 and 10 in Part II of this Schedule, and

(b) the key factors, in relation to any statement of the source and application of funds, are—

(i) in Part I, the manner in which the business of the society has been financed and in which its financial resources have been used, and

(ii) in Part II, the manner in which the business of the society and its subsidiary undertakings has been financed and in which their financial resources have been used,

during the financial year to which the statement relates.

6.—(1) Where in any item in a statement in Part I or II a positive term is used, and the amount referable thereto represents its corresponding negative term, the corresponding negative term shall be used instead and, where that change falls to be made within the relevant section of the statement, the format of the relevant section of the statement shall be changed so far as necessary to include that item in the grouping opposite to that specified for it in the format.

(2) For the purposes of sub-paragraph (1) the positive terms are increase, receipt and profit, their respective corresponding negative terms are decrease, outflow and loss, the groupings are source of funds and application of funds, and the relevant section of the statement comprises—

(a) in Part I, the section ending with item 11, and

(b) in Part II, the section ending with item 12.

SCHEDULE 4

Regulation 4

FORM AND CONTENT OF THE ANNUAL ACCOUNTS OF A GROUP ACCOUNTS SOCIETY

General Rules

1.—(1) The consolidated income and expenditure account, the consolidated balance sheet and the consolidated statement of the source and application of funds shall incorporate in full the information contained in the individual accounts of the subsidiary undertakings included in the consolidation, subject to the adjustments authorised or required by the following provisions of this Schedule and to such other adjustments (if any) as may be appropriate in accordance with generally accepted accounting principles or practice.

(2) If the financial year of a subsidiary undertaking included in the consolidation differs from that of the society, the group accounts shall be made up—

(a) from the accounts of the subsidiary undertaking for its financial year last ending before the end of the society's financial year, provided that year ended no more than three months before that of the society, or

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- (b) from interim accounts prepared by the subsidiary undertaking as at the end of the parent society's financial year.

2.—(1) Where assets and liabilities to be included in the consolidated balance sheet have been valued or otherwise determined by subsidiary undertakings according to accounting rules differing from those used in the annual accounts of a group accounts society, the values or amounts shall be adjusted so as to accord with the rules used for the annual accounts of the group accounts society.

(2) If it appears to the directors of the society that there are special reasons for departing from the requirements of subparagraph (1) they may do so, but particulars of any such departure, the reasons for it and its effect shall be given in a note to the accounts.

(3) The adjustments referred to in this paragraph need not be made if they are not material for the purpose of giving a true and fair view for the society and its subsidiary undertakings as a whole of the matters set out in subsections (2), (3) and (4) of section 73 of the Act.

3. Any differences of accounting rules as between a society's individual accounts for a financial year and its consolidated accounts shall be disclosed in a note to the accounts and the reasons for the differences given.

4. Amounts which in the particular context of any provision of this Schedule are not material may be disregarded for the purposes of that provision.

Elimination of group transactions

5.—(1) Debts and claims between undertakings included in the consolidation, and income and expenditure relating to transactions between such undertakings, shall be eliminated in preparing the consolidated accounts.

(2) Where profits and losses resulting from transactions between undertakings included in the consolidation are included in the book value of assets, they shall be eliminated in preparing the group accounts.

(3) The elimination required by subparagraph (2) may be effected in proportion to the society's interest in the shares of the undertakings.

(4) Subparagraphs (1) and (2) need not be complied with if the amounts concerned are not material for the purpose of giving a true and fair view for the society and its subsidiary undertakings as a whole of the matters set out in subsections (2), (3) and (4) of section 73 of the Act.

Acquisition accounting

6.—(1) The following provisions apply where an undertaking becomes a subsidiary undertaking of the society.

(2) That event is referred to in those provisions as an "acquisition", and references to the "undertaking acquired" shall be construed accordingly. 7. An acquisition shall be accounted for by the acquisition method of accounting, unless the conditions for accounting for it as a merger as set out in paragraph 10 of Schedule 4A to the Companies Act 1985(23) are met, in which case the merger method of accounting as detailed in paragraph 11 of the said Schedule 4A shall be employed.

8.—(1) The acquisition method of accounting is set out in the following subparagraphs.

(2) The identifiable assets and liabilities of the undertaking acquired shall be included in the consolidated balance sheet at their fair values as at the date of acquisition.

(23) Schedule 4A was inserted into the Companies Act 1985 (1985 c. 6) by sections 1 and 5(2) of and Schedule 2 to the Companies Act 1989 (1989 c. 40) but the relevant provisions are subject to paragraph 7 of Part I of Schedule 2 to the Companies Act 1989 (Commencement No. 4 and Transitional and Saving Provisions) Order 1990 (S.I. 1990/355).

(3) In this paragraph the “identifiable” assets or liabilities of the undertaking acquired means the assets or liabilities which are capable of being disposed of or discharged separately, without disposing of a business of the undertaking.

(4) The income and expenditure of the undertaking acquired shall be brought into the annual accounts of a group accounts society only as from the date of the acquisition.

(5) There shall be set off against the acquisition cost of the interest in the shares of the undertaking held by the society and its subsidiary undertakings the interest of the society and its subsidiary undertakings in the adjusted capital and reserves of the undertaking acquired, and for this purpose—

“the acquisition cost” means the amount of any cash consideration and the fair value of any other consideration, together with such amount (if any) in respect of fees and other expenses of the acquisition as the society may determine, and

“the adjusted capital and reserves” of the undertaking acquired means its capital and reserves at the date of the acquisition after adjusting the identifiable assets and liabilities of the undertaking to fair values as at that date.

(6) The resulting amount shall be treated, if positive, as goodwill, and if negative as a negative consolidation difference.

9.—(1) Where a group is acquired paragraph 8 applies with the adaptations set out in subparagraphs (2) and (3).

(2) References to shares of the undertaking acquired shall be construed as references to shares of the parent undertaking of the group.

(3) Other references to the undertaking acquired shall be construed as references to the group; and references to the assets and liabilities, income and expenditure and capital and reserves of the undertaking acquired shall be construed as references to the assets and liabilities, income and expenditure and capital and reserves of the group after making the set-offs and other adjustments required by this Schedule in the case of group accounts.

10.—(1) The following information with respect to acquisitions taking place in the financial year shall be given in a note to the accounts—

- (a) the name of the undertaking acquired or, where a group was acquired, the name of the parent undertaking of that group,
- (b) whether the acquisition was accounted for by the acquisition method or by the merger method of accounting.

(2) In relation to an acquisition which significantly affects the figures shown in the annual accounts of a group accounts society the following further information shall be given—

- (a) the composition and fair value of the consideration for the acquisition given by the society and its subsidiary undertaking;
- (b) the profit or loss of the undertaking or group acquired—
 - (i) for the period from the beginning of the financial year of the undertaking or, as the case may be, of the parent undertaking of the group, up to the date of the acquisition, and
 - (ii) for the previous financial year of that undertaking or parent undertaking, and there shall also be stated the date on which the financial year referred to in (i) began;
- (c) where the acquisition method of accounting has been adopted, the book values immediately prior to the acquisition, and the fair values at the date of acquisition, of each class of assets and liabilities of the undertaking or group acquired, in tabular form, including a statement of the amount of any goodwill or negative consolidation difference arising on the acquisition, together with an explanation of any significant adjustments made;

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(d) where the merger method of accounting has been adopted, an explanation shall be given of any significant adjustments made in relation to the amounts of the assets and liabilities of the undertaking or group acquired, together with a statement of any resulting adjustment to the consolidated reserves (including the restatement of opening consolidated reserves).

(3) In ascertaining for the purposes of subparagraph (2)(b), (2)(c) and (2)(d) the profit or loss of a group, the book values and fair values of assets and liabilities of a group or the amount of the assets and liabilities of a group, the set-offs and other adjustments required by this Schedule in the case of the annual accounts of a group accounts society shall be made.

11.—(1) There shall be stated in a note to the accounts the cumulative amount of goodwill resulting from acquisitions in that and earlier financial years which has been written off.

(2) That figure shall be shown net of any goodwill attributable to subsidiary undertakings disposed of prior to the balance sheet date.

12. Where during the financial year there has been a disposal of a subsidiary undertaking or group which significantly affects the figures shown in the annual accounts of a group accounts society, there shall be stated in a note to the accounts—

- (a) the name of that undertaking or, as the case may be, of the parent undertaking of that group, and
- (b) the extent to which the profit or loss shown in the group accounts is attributable to profit or loss of that subsidiary undertaking or group. 13. The information required by paragraphs 10, 11 or 12 need not be disclosed with respect to a subsidiary undertaking which—
 - (a) is established under the law of a country outside the United Kingdom, or
 - (b) carries on business outside the United Kingdom,

if in the opinion of the directors of the society the disclosure would be seriously prejudicial to the business of that subsidiary undertaking or to the business of the society or any of its subsidiary undertakings and the Commission agrees that the information should not be disclosed.

14. For the purposes only of paragraphs 9, 10, 12 and 13, a “group” is a “parent undertaking” and its “subsidiary undertakings” as defined by section 258 of the Companies Act 1985, where the parent undertaking is a subsidiary undertaking of the society.

Minority interests

15.—(1) Under item 15 in Part II of Schedule 1 shall be shown the amount of any profit or loss on ordinary activities attributable to shares in subsidiary undertakings included in the consolidation held by or on behalf of persons other than the society and its subsidiary undertakings.

(2) Under item 22 in Part II of Schedule 1 shall be shown the amount of any profit or loss on extraordinary activities attributable to shares in subsidiary undertakings included in the consolidation held by or on behalf of persons other than the society and its subsidiary undertakings.

(3) Under Liability item 20 in Part II of Schedule 2 shall be shown the amount of capital and reserves attributable to shares in subsidiary undertakings included in the consolidation held by or on behalf of persons other than the society and its subsidiary undertakings. Interests in subsidiary undertakings excluded from consolidation. 16. The interest of the society in subsidiary undertakings excluded from consolidation under Regulation 4(5), and the amount of income or expenditure attributable to such an interest, shall be shown in the consolidated balance sheet or, as the case may be, in the consolidated income and expenditure account by the equity method of accounting (and this shall include dealing with any goodwill arising in accordance with paragraphs 8 to 10 and 12 of Schedule 7).

Foreign Currency Translation

17.—(1) Any difference between:

- (a) the amount included in the consolidated balance sheet for the previous financial year with respect to the group's interest in any undertaking included in the consolidation or in any associated undertaking, together with the amount of any transactions undertaken to cover any such interest; and
- (b) the opening amount for the financial year in respect of the group's interest in such undertakings and in respect of any such transactions

arising as a result of the application of paragraph 31 of Schedule 7 may be credited to (where (a) is less than (b)), or (as the case may be) deducted from (where (a) is greater than (b)), the consolidated general reserve.

(2) Any income and expenditure of subsidiary undertakings and associated undertakings in a foreign currency may be translated for the purposes of the consolidated income and expenditure account at the average rates of exchange prevailing during the financial year.

SCHEDULE 5

Regulation 5

NOTES TO ANNUAL ACCOUNTS

Accounting policies

1.—(1) There shall be stated the accounting policies (including such policies with respect to the depreciation and diminution in value of the assets of the society) adopted by the society in determining the amounts to be included in respect of items shown in the income and expenditure account, the balance sheet and the statement of the source and application of funds.

(2) It shall be stated whether the accounts have been prepared in accordance with applicable accounting standards; particulars of any material departure from these standards and the reasons for such departure shall be given. Sums denominated in foreign currencies 2. Where any sums originally denominated in foreign currency have been brought into account under any items shown in the balance sheet, income and expenditure account or statement of source and application of funds, the basis on which those sums have been translated into sterling shall be stated.

Employees

3.—(1) The following information shall be given with respect to the employees of the society—

- (a) the average number of persons employed by the society in the financial year; and
- (b) the average number of persons so employed within each category of persons employed by the society.

(2) The average number required by subparagraph (1)(a) or (b) shall be determined by dividing the relevant annual number by the number of complete calendar months in the financial year, and that relevant annual number shall be determined by ascertaining for each complete calendar month in the financial year—

- (a) for the purposes of subparagraph (1)(a), the number of persons employed under contracts of service by the society in that month (whether throughout the month or not), and
- (b) for the purposes of subparagraph (1)(b), the number of persons in each such category of persons so employed, and, in either case, adding together all the monthly numbers.

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(3) In respect of all persons employed by the society during the financial year who are taken into account in determining the relevant annual number for the purposes of subparagraph (1)(a) there shall also be stated the aggregate amounts respectively of

- (a) wages and salaries paid or payable in respect of that year to those persons,
- (b) social security costs incurred by the society on their behalf, and
- (c) other pension costs so incurred,

save in so far as those amounts or any of them are stated in the income and expenditure account.

(4) The categories of persons employed by the society by reference to which the number required to be disclosed by subparagraph (1)(b) is to be determined shall be such as to assist the assessment of the manner in which the society's activities are organised.

Aggregate amount of directors' emoluments

4.—(1) The aggregate amount of directors' emoluments shall be shown.

(2) In subparagraph (1), "directors' emoluments" means the emoluments paid to or receivable by any person in respect of

- (a) his services as a director of the society, or
- (b) his services while director of the society—
 - (i) as director of any of its associated bodies
 - (ii) otherwise in connection with the management of the affairs of the society or any of its associated bodies.

(3) There shall also be shown, separately, the aggregate amount within subparagraph 2(a) and 2(b)(i) and the aggregate amount within subparagraph 2(b)(ii).

(4) For the purposes of this paragraph the "emoluments" of a person include—

- (a) fees and percentages,
- (b) sums paid by way of expenses allowance (so far as those sums are chargeable to United Kingdom income tax),
- (c) contributions paid in respect of him under any pension scheme, and
- (d) the estimated money value of any other benefits received by him otherwise than in cash, and emoluments in respect of a person's accepting office as director shall be treated as emoluments in respect of his services as director.

Details of chairman's and directors' emoluments

5.—(1) The emoluments of the chairman shall be shown.

(2) Where there has been more than one chairman during the year, the emoluments of each shall be stated so far as attributable to the period during which he was chairman.

(3) The following information shall be given with respect to the emoluments of directors—

- (a) There shall be shown the number of directors whose emoluments fell within each of the following bands— not more than £5,000, more than £5,000 but not more than £10,000, more than £10,000 but not more than £15,000, and so on.
- (b) If the emoluments of any of the directors exceeded that of the chairman, there shall be shown the greatest amount of emoluments of any director.
- (c) Where more than one person has been chairman during the year, the reference in paragraph (b) to the emoluments of the chairman is to the aggregate of the emoluments

of each person who has been chairman, so far as attributable to the period during which he was chairman.

- (d) The information required by paragraph (a) need not be given in respect of a director who discharged his duties as such wholly or mainly outside the United Kingdom; and any such director shall be left out of account for the purposes of paragraph (b).
- (e) In this paragraph “emoluments” has the same meaning as in paragraph 4, except that it does not include contributions paid in respect of a person under a pension scheme.

Emoluments waived

6.—(1) There shall be shown—

- (a) the number of directors who have waived rights to receive emoluments in the present financial year or in the future which, but for the waiver, would have fallen to be included in the amount shown under paragraph 4(1) in the present annual accounts or in future annual accounts, and
- (b) the aggregate amount of those emoluments.

(2) For the purposes of this paragraph it shall be assumed that a sum not receivable in respect of a period would have been paid at the time at which it was due, and if such a sum was payable only on demand, it shall be deemed to have been due at the time of the waiver.

Pensions of directors and past directors

7.—(1) There shall be shown the aggregate amount of directors' or past directors' pensions.

(2) This amount does not include any pension paid or receivable under a pension scheme if the scheme is such that the contributions under it are substantially adequate for the maintenance of the scheme; but, subject to this, it includes any pension paid or receivable in respect of any such services of a director or past director as are mentioned in paragraph 4(2) whether to or by him or, on his nomination or by virtue of dependence on or other connection with him, to or by any other person.

(3) The amount shown shall distinguish between pensions in respect of services as director, whether of the society or any of its associated bodies, and other pensions. (4) References to pensions include benefits otherwise than in cash and in relation to so much of a pension as consists of such a benefit references to its amount are to the estimated money value of the benefit.

(5) The nature of any such benefit as is mentioned in subparagraph (4) shall be disclosed.

Compensation to directors for loss of office

8.—(1) There shall be shown the aggregate amount of any compensation to directors or past directors in respect of loss of office.

(2) This amount includes compensation received or receivable by a director or past director for—

- (a) loss of office as director of the society, or
- (b) loss, while director of the society or on or in connection with his ceasing to be a director of it, of—
 - (i) any other office in connection with the management of the society's affairs, or
 - (ii) any office as director or otherwise in connection with the management of the affairs of any associated body of the society;

and shall distinguish between compensation in respect of the office of director, whether of the society or any of its associated bodies, and compensation in respect of other offices. (3)

- (a) References to compensation include benefits otherwise than in cash; and in relation to such compensation references to its amount are to the estimated money value of the benefit.

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(b) The nature of any such compensation shall be disclosed.

(4) References to compensation for loss of office include compensation in consideration for, or in connection with, a person's retirement from office.

Sums paid to third parties in respect of directors' services

9.—(1) There shall be shown the aggregate amount of any consideration paid to or receivable by third parties for making available the services of any person—

(a) as a director of the society, or

(b) while director of the society—

(i) as director of any of its associated bodies, or

(ii) otherwise in connection with the management of the affairs of the society or any of its associated bodies.

(2) (a) The reference in subparagraph (1) to consideration includes benefits paid or receivable otherwise than in cash; and in relation to such consideration the reference to its amount is to the estimated money value of the benefit.

(b) The nature of any such consideration shall be disclosed.

(3) The reference in subparagraph (1) to third parties is to persons other than—

(a) the director himself or a person connected with him or a body corporate associated with him, and

(b) the society or any of its associated bodies.

Supplementary provisions regarding directors' emoluments

10.—(1) The following applies with respect to the amounts to be shown under paragraphs 4, 7, 8 and 9.

(2) The amount in each case includes all relevant sums paid by or receivable from—

(a) the society, and

(b) the society's associated bodies, and

(c) any other person,

except sums to be accounted for to the society or any of its associated bodies.

(3) The amount to be shown under paragraph 8 shall distinguish between the sums respectively paid by or receivable from the society, its associated bodies, and persons other than the society and its associated bodies.

(4) References to amounts paid to or receivable by a person include amounts paid to or receivable by a person connected with him or a body corporate associated with him (but not so as to require an amount to be counted twice).

11.—(1) The amounts to be shown for any financial year under paragraphs 4, 5, 8 and 9 are the sums receivable in respect of that year (whenever paid) or, in the case of sums not receivable in respect of a period, the sums paid during that year.

(2) But where—

(a) any sums are not shown in a note to the accounts for the relevant financial year on the ground that the person receiving them is liable to account for them as mentioned in paragraph 10(2), but the liability is thereafter wholly or partly released or is not enforced within a period of 2 years; or

- (b) any sums paid by way of expenses allowance are charged to United Kingdom income tax after the end of the relevant financial year,

those sums shall, to the extent to which the liability is released or not enforced or they are charged as mentioned (as the case may be), be shown in a note to the first accounts in which it is practicable to show them and shall be distinguished from the amounts to be shown apart from this provision.

12. Where the Chief Executive of the society is not also a director of the society, he shall be deemed, for the purposes of paragraphs 4 to 11 to be a director of the society. In such circumstances there shall be a note in the accounts specifying that the Chief Executive has been so deemed to be a director.

13. Regulation 5(2)(b) shall not apply to paragraphs 4 to 12.

Interpretation of provisions regarding directors' emoluments

- 14.—(1) In paragraphs 4 to 13—

- (a) references to services to an associated body of a society shall be taken to refer to services to a body which was an associated body of the society at the time at which the services were rendered, or, in the case only of paragraph 8, immediately before the director lost his office as director,
- (b) “pension” includes any superannuation allowance, superannuation gratuity or similar payment,
- (c) “pension scheme” means a scheme for the provision of pensions in respect of services as director or otherwise which is maintained in whole or in part by means of contributions, and
- (d) “contribution”, in relation to a pension scheme, means any payment (including an insurance premium) paid for the purposes of the scheme by or in respect of persons rendering services in respect of which pensions will or may become payable under the scheme except that it does not include any payment in respect of two or more persons if the amount paid in respect of each of them is not ascertainable.

(2) In paragraphs 9 and 10, references to a person being “connected” with a director, and to a director “associated with” a body corporate, shall be construed in accordance with section 70 of the Act.

Other income and expenditure items

15.—(1) In respect of interest receivable, the amount of interest derived from associated bodies shall be shown separately from interest derived from other sources.

(2) In respect of interest payable, the amount payable to associated bodies shall be shown separately.

(3) There shall be shown the amount charged in respect of sums payable in respect of the hire of plant, machinery, equipment, fixtures, fittings and vehicles.

(4) There shall be shown the amount of the remuneration of the auditors, including any sums paid by the society in respect of the auditors' expenses.

(5) There shall be shown the amount of any interest capitalised by the society in respect of development projects during the year, together with an indication of the amount and treatment of any related tax relief.

- (a) (6) (a) Where any amount to be included in any of the items mentioned in paragraph (b) is material, particulars shall be given of such amounts together with an explanation of their nature.

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- (b) The items referred to in paragraph (a) are—
 - (i) in Part I of Schedule 1, items 4(a) to (c), 5(a) to (e), 15 and 16; and
 - (ii) in Part II of Schedule 1, items 4(a) to (d), 5(a) to (e), 17 and 18.

(7) There shall be shown in a note, with respect to each of the items of income mentioned below and included in the income and expenditure account formats in Schedule 1, the amount of income in respect of that item attributable to each of the geographical markets in which the society has operated during the financial year—

- (a) Item 1 in Parts I and II (Interest receivable and similar income)
- (b) Item 4 in Parts I and II (Income from associated bodies)
- (c) Item 5(a) in Parts I and II (Fees and commissions receivable)
- (d) Item 5(c) in Parts I and II (Net profit or loss on financial operations) and
- (e) Item 5(d) in Parts I and II (Other operating income)

(8) In analysing the source of any income for the purpose of subparagraph (7), the directors shall have regard to the manner in which the society's activities are organised.

(9) For the purposes of subparagraph (7), markets which do not differ substantially from one another shall be treated as one market.

(10) Where the directors consider that the disclosure of information required by subparagraph (7) would seriously prejudice the interests of the society, they need not disclose such information, but the fact that any such information has not been disclosed must be stated.

(11) Any amounts charged to the income and expenditure account and representing costs, including interest payable, incurred during the year with respect to subordinated liabilities shall be stated.

(12) Any amounts charged to the income and expenditure account and representing costs, including interest payable, incurred during the year with respect to subscribed capital, shall be stated.

(13) Where management and agency services are provided by the society to third parties that fact shall be disclosed where the scale of such services is material in the context of the society's business as a whole.

Taxation

16.—(1) The basis on which the charge for United Kingdom corporation tax and deferred tax is computed shall be stated.

(2) Particulars shall be given of any special circumstances which affect liability in respect of taxation of profits, income or capital gains for the financial year or liability in respect of taxation of profits, income or capital gains for succeeding financial years.

(3) The following amounts shall be stated—

- (a) the amount of the charge for United Kingdom corporation tax;
- (b) if that amount would have been greater but for relief from double taxation, the amount which it would have been but for such relief; and
- (c) the amount of the charge for taxation imposed outside the United Kingdom on profits, income and (so far as charged to the income and expenditure account) capital gains.

(4) The amounts specified in subparagraph (3) shall be stated separately in respect of each of the amounts shown under items 13 and 18 in Part I of Schedule 1, and under items 13 and 20 in Part II of that Schedule.

Miscellaneous matters

17.—(1) Where any amount relating to any preceding financial year is included in any item in the income and expenditure account, the effect of that inclusion shall be stated.

(2) The effect shall be stated of any transactions that are exceptional by virtue of size or incidence although they fall within the ordinary activities of the society.

Liquid assets

18.—(1) The aggregate of amounts classifiable in the balance sheet as “loans and advances to credit institutions” shall be shown on the basis of their remaining maturity as follows:

- (a) accrued interest
- (b) amounts which are repayable on demand or are for an indeterminate period, being repayable upon seven days notice, and
- (c) amounts with remaining maturity of—
 - (i) not more than three months,
 - (ii) more than three months but not more than one year,
 - (iii) more than one year but not more than five years, and
 - (iv) more than five years.

(2) The aggregate of amounts classifiable in the balance sheet as “debt securities” shall be shown on the basis of remaining maturity as follows—

- (a) accrued interest,
- (b) not more than one year,
- (c) more than one year, but not more than five years, and
- (d) more than five years.

(3) For the purposes of subparagraph (1), where a loan or advance is repayable by instalments, each such instalment shall be treated as a separate amount.

Commercial Assets

19.—(1) The aggregate of commercial assets in respect of Asset items 2, 3, 4(a), 4(b) and 4(c) in the balance sheet shall be shown on the basis of remaining maturity, as follows:—

- (a) accrued interest,
- (b) amounts which are repayable on demand or are for an indeterminate period, being repayable upon seven days notice, and
- (c) other amounts with remaining maturity of—
 - (i) not more than three months,
 - (ii) more than three months but not more than one year,
 - (iii) more than one year but not more than five years, and
 - (iv) more than five years.

(2) For the purposes of subparagraph (1), where a commercial asset is repayable by instalments, each such instalment shall be treated as a separate amount.

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Provisions for bad and doubtful debts

20.—(1) In respect of any provisions for bad and doubtful debts deducted from Asset items 2, 3, 4(a), 4(b) and 4(c) in Parts I and II of Schedule 2 and Asset item 5(a) in Part II of Schedule 2 there shall be shown the following information, in respect of each item—

- (a) the amount of the provision as at the date of the beginning of the financial year and as at the balance sheet date respectively, showing separately—
 - (i) specific provisions for bad and doubtful debts, and
 - (ii) general provisions for bad and doubtful debts,
- (b) any amounts transferred to or from each of the provisions referred to in paragraph (a) during the year, and
- (c) the source and application respectively of any amounts so transferred.

(2) For the purposes of subparagraph (1) “specific provisions” shall be any provisions determined by reference to particular advances or loans and all other provisions shall be “general provisions”.

Transferable securities

21.—(1) In respect of each of Asset items 1(d) and 4(e) in the balance sheet there shall be shown the amount of transferable securities under those items, stating—

- (a) the amounts of those which are listed and the amount of those which are unlisted; and
- (b) the amounts of those which are listed on a recognised investment exchange, other than an overseas investment exchange, within the meaning of the Financial Services Act 1986⁽²⁴⁾ and the amount of those listed on other exchanges.

(2) In the case of each amount shown in respect of listed securities, under subparagraph (1)(a), there shall also be given the aggregate market value of the securities if it differs from the amount shown.

(3) In respect of each of Asset items 1(d) and 4(e)(iii) in Part I of Schedule 2 and Asset items 1(d) and 4(e)(iv) in Part II of that Schedule there shall be given the amounts of—

- (i) transferable securities included under those items and which are held as financial fixed assets, and
- (ii) those transferable securities which are not so held, together with the criteria used by the directors of the society to distinguish between those held and those not held as financial fixed assets.

Mortgage finance rights

22. The criteria used by the directors of the society to distinguish between those mortgage finance rights held as liquid assets and those held as commercial assets shall be disclosed.

Investments in credit institutions

23. There shall be disclosed separately the amount of investments in credit institutions which are—

- (a) shares in subsidiary undertakings, or
- (b) participating interests.

(24) 1986 c. 60.

Fixed assets

24.—(1) In respect of any fixed assets included in any Asset item in the balance sheet the following information shall be given—

- (a) the appropriate amounts in respect of those assets as at the date of the beginning of the financial year and as at the balance sheet date respectively; and
- (b) the effect on any amount included in the item, in respect of those assets, of—
 - (i) any determination during that year of the value to be ascribed to any of those assets on any basis mentioned in paragraph 28 of Schedule 7,
 - (ii) acquisitions during that year of any fixed assets,
 - (iii) disposals during that year of any fixed assets, and
 - (iv) any transfers of fixed assets to and from the item during that year.

(2) The reference in subparagraph (1)(a) to the appropriate amounts in respect of any fixed assets (included in an Asset item) as at any date there mentioned is a reference to amounts representing the aggregate amounts determined, as at that date, in respect of fixed assets falling to be included under that item on either of the following bases, that is to say—

- (a) on the basis of cost (determined in accordance with paragraphs 22 and 23 of Schedule 7)
- (b) on any basis mentioned in paragraph 28 of Schedule 7,

(leaving out of account in either case any provisions for depreciation or diminution in value).

(3) In respect of any fixed assets included in any Asset item in the balance sheet—

- (a) the cumulative amount of provisions for depreciation or diminution in value of those assets included under that item as at each date mentioned in subparagraph (1)(a),
- (b) the amount of any such provisions made in respect of the financial year,
- (c) the amount of any adjustments made in respect of any such provisions during that year in consequence of the disposal of any of those assets, and
- (d) the amount of any other adjustments made in respect of any such provisions during that year, shall be stated.

(4) Where any fixed assets of the society (other than listed investments) are included under any item shown in the society's balance sheet at an amount determined on any basis mentioned in paragraph 28 of Schedule 7 the following information shall be given—

- (a) the years (so far as they are known to the directors) in which the assets were severally valued and the several values; and
- (b) in the case of assets valued during the financial year, the names of the persons who valued them, or particulars of their qualifications for doing so, and, whichever is given, the basis of valuation used;
- (c) either separately in the balance sheet or in a note to the accounts, in the case of each balance sheet item affected, either
- (i) the comparable amounts determined according to paragraphs 8 to 10 of Schedule 7, or
- (ii) the differences between those amounts and the corresponding amounts actually shown in the balance sheet in respect of that item.

(5) In subparagraph (4)(c), references in relation to any item to the comparable amounts determined as there mentioned are references to—

- (a) the aggregate amount which would be required to be shown in respect of that item if the amounts to be included in respect of all the assets covered by that item were determined according to paragraphs 8 to 10 of Schedule 7; and

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- (b) the aggregate amount of the cumulative provisions for depreciation or diminution in value which would be permitted or required in determining those amounts according to paragraphs 8 to 10 of Schedule 7.
- (6) In relation to any amount which is or would but for Regulation 3 (4) be shown in respect of the item “land and buildings” in the balance sheet there shall be stated—
 - (a) how much of that amount is ascribable to land of freehold tenure and how much to land of leasehold tenure;
 - (b) how much of the amount ascribable to land of leasehold tenure is ascribable to land held on long lease and how much to land held on short lease; and
 - (c) how much of that amount is ascribable to land and buildings occupied by the society for its own activities.
- (7) In any case where any goodwill which has been acquired is shown or included as an asset in the balance sheet the period chosen for writing off the consideration for that goodwill and the reasons for choosing that period shall be disclosed.

Other assets

25. Any amount classifiable among “other assets” in the balance sheet and falling due after more than one year from the balance sheet date shall be separately disclosed.

Retail funds and deposits

26.—(1) The amounts shown in the balance sheet as “retail funds and deposits” shall be analysed for the total and for each sub division by lower case letters, as follows—

- (a) accrued interest,
- (b) amounts which are repayable on demand or are for an indeterminate period, being repayable upon seven days notice, and
- (c) amounts repayable from the balance sheet date in the ordinary course of business and whether by virtue of the giving of a period of notice or otherwise—
 - (i) in not more than three months,
 - (ii) in more than three months but not more than one year,
 - (iii) in more than one year but not more than five years, and
 - (iv) in more than five years

(2) For the purpose of subparagraph (1), where an amount is repayable by instalments, each instalment is to be treated as a separate amount.

Non-retail funds and deposits

27.—(1) The amounts shown in the balance sheet as “non-retail funds and deposits” shall be analysed for the total and for each sub division by lower case letters as follows—

- (a) accrued interest,
- (b) amounts which are repayable on demand or are for an indeterminate period, being repayable upon seven days notice, and
- (c) amounts repayable from the balance sheet date in the ordinary course of business and whether by virtue of the giving of a period of notice or otherwise—
 - (i) in not more than three months,
 - (ii) in more than three months but not more than one year,

- (iii) in more than one year but not more than five years, and
- (iv) in more than five years.

(2) For the purpose of subparagraph (1), where an amount is repayable by instalments, each instalment is to be treated as a separate amount.

Other liabilities

28.—(1) Any amount classifiable among “other liabilities” in the balance sheet and falling due after more than one year from the balance sheet date shall be separately disclosed.

(2) The amount for creditors in respect of taxation and social security shall be separately disclosed.

Reserves and provisions

29.—(1) Where any amount is transferred—

- (a) to or from any reserves (including the revaluation reserve),
- (b) to any provisions for liabilities and charges, or
- (c) from any provisions for liabilities and charges otherwise than for the purpose for which the provisions was established, and the reserves or provisions are shown or would but for Regulation 3(4) be shown as separate items in the society’s balance sheet, the information required by the following sub-paragraph shall be given in respect of the aggregate of reserves or provisions included in items in the balance sheet to which any such transfer relates.

(2) The information required by this subparagraph is—

- (a) the amount of the reserves or provisions as at the date of the beginning of the financial year and as at the balance sheet date respectively,
- (b) any amounts transferred to or from the reserves or provisions during that year, and
- (c) the source and application respectively of any amounts so transferred.

(3) Particulars shall be given of each provision included in the item “Provisions for liabilities and charges” in the balance sheet.

(4) The amount of the provision for deferred taxation shall be stated separately from the amount of any provision for other taxation.

Subordinated liabilities

30.—(1) The following information shall be disclosed in relation to any borrowing included in the balance sheet as subordinated liabilities and which exceeds 10 per cent of the total for that item—

- (a) its amount,
- (b) the currency in which it is denominated,
- (c) the rate of interest and the maturity date, or the fact that it is a borrowing for an indeterminate period,
- (d) the circumstances in which early repayment may be demanded,
- (e) the terms of the subordination, and
- (f) the existence of any provisions whereby it may be converted into some other form of liability, and the terms of such provisions.

(2) There shall also be stated the general terms of any other borrowings included within subordinated liabilities.

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Subscribed capital

31.—(1) Where subscribed capital of more than one class has been allotted, the accounting par value of each class allotted shall be disclosed.

(2) The following information shall be disclosed in relation to any class of subscribed capital included in the balance sheet and which exceeds 10 per cent, of the total for that item—

- (a) its amount,
- (b) the currency in which it is denominated,
- (c) the rate of interest,
- (d) the fact that it is borrowing for an indeterminate period, and
- (e) the existence of any provisions whereby it may be converted into some other form of liability, and the terms of such provisions.

There shall also be stated the general terms of any other amounts included within subscribed capital.

(3) If the society has allotted any subscribed capital during the year, the following information shall be given—

- (a) the reason for making the allotment,
- (b) the classes of subscribed capital allotted, and
- (c) as respects each class of subscribed capital the consideration received by the society for the allotment.

Fixed Cumulative interest

32. If any fixed cumulative interest on the society's subscribed capital is in arrears there shall be stated:

- (a) the amount of the arrears, and
- (b) the period for which the interest or, if there is more than one class of subscribed capital, each class of interest is in arrears.

Details of assets charged

33. In relation to each Liabilities item and each Memorandum item in the balance sheet formats there shall be disclosed—

- (a) the aggregate amount of any assets which have been charged to secure any liability or potential liability included thereunder,
- (b) the aggregate amount of the liabilities or potential liabilities so secured, and
- (c) an indication of the nature of the security given.

34. Particulars shall be given of any charge on the assets of the society to secure the liabilities of any other person, including, where practicable, the amount secured.

Guarantees and other financial commitments

35.—(1) There shall be stated, where practicable—

- (a) the aggregate amount or estimated amount of contracts for capital expenditure, so far as not provided for in the balance sheet, and
- (b) the aggregate amount or estimated amount of capital expenditure authorised by the directors which has not been contracted for.

(2) Particulars shall be given of—

- (a) any pension commitments included under any provision shown in the balance sheet, and
 - (b) any such commitment for which no such provision has been made, and, where any such commitment relates wholly or partly to pensions payable to past directors of the society separate particulars shall be given of that commitment so far as it relates to such pensions.
- (3) Particulars shall also be given of any other financial commitments, including contingent liabilities, which have not been provided for in the balance sheet, have not been included in the memorandum items in the balance sheet and are relevant to assessing the society's state of affairs at the end of the financial year.
- (4) Commitments within any of the preceding subparagraphs undertaken on behalf of or for the benefit of any associated body of the society shall be stated separately from the other commitments within that subparagraph.
- (5) No disclosure need be made under subparagraphs (3) or (4) to the extent that an amount with respect to a contingent liability or to a commitment has been included in the Memorandum items in the balance sheet.
- (6) There shall be disclosed the nature and amount of any contingent liabilities and commitments included in Memorandum items 20 and 21 in Part I and 22 and 23 in Part II of Schedule 2.

Memorandum items : Subsidiary undertakings

- 36.**—(1) With respect to contingent liabilities required to be included under Memorandum item 20 in Part I of Schedule 2, there shall be stated the amount of such contingent liabilities incurred on behalf of or for the benefit of any subsidiary undertakings.
- (2) With respect to commitments required to be included under Memorandum item 21 in Part I of Schedule 2, there shall be stated the amount of such commitments undertaken on behalf of or for the benefit of any subsidiary undertakings.

Leasing transactions

- 37.** The aggregate amount of all assets (other than land) leased to other persons, shall be disclosed, broken down so as to show the aggregate amount included in each relevant balance sheet item.

Assets and liabilities denominated in a currency other than sterling

- 38.**—(1) The aggregate amount, in sterling, of all assets denominated in a currency other than sterling, together with the aggregate amount, in sterling, of all liabilities so denominated, shall be disclosed.
- (2) For the purposes of this paragraph, an appropriate rate of exchange prevailing at the date of the balance sheet shall be used. Sundry assets, sundry liabilities, prepayments and accrued income and accruals and deferred income

- 39.** Where any amount to be included under any of the following items is material, particulars shall be given of each type of asset or liability included therein, including an explanation of the nature of the asset or liability and the amount included with respect to assets or liabilities of that type:
- (a) In Part I of Schedule 2, items 4(f), 7, 8, 12(c), and 13, and
 - (b) In Part II of Schedule 2, items 4(f), 5(b), 8, 9, 13(c) and 14.

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Unmatured forward transactions

40. There shall be disclosed with respect to forward transactions unmatured at the date of the balance sheet the categories of such transactions, by reference to an appropriate system of classification.

Other miscellaneous matters

41.—(1) Subject to the following subparagraph, in respect of every item stated in a note to the annual accounts the corresponding amount for the financial year immediately preceding that to which the accounts relate shall also be stated and where it is not reasonable to compare the corresponding amount, it shall be adjusted and particulars of the adjustment and the reasons for it shall be given.

(2) Subparagraph (1) does not apply in relation to any amounts stated by virtue of any of the following provisions—

- (a) paragraphs 20, 24(1) to (4)(b), 29(1) and (2) and 42 of this Schedule,
- (b) paragraph 10 of Schedule 4, and
- (c) paragraphs 2, 7(3), 11, 15(4) and (5), 17(3) and (4) and 20(3) and (4) of Schedule 6.

(3) Particulars shall be given of any case where the cost of any asset is for the first time determined under paragraph 25 of Schedule 7.

Directors' loans and transactions

42.—(1) This paragraph applies, subject to subparagraph (5), in relation to—

- (a) loans from and other transactions and arrangements with the society described in section 65 of the Act (which restricts loans to and other transactions and arrangements with directors and persons connected with them), other than those to which section 65(5) and (6) of the Act applies, and
- (b) in the case of a group accounts society, loans from and other transactions and arrangements with a subsidiary undertaking of the society to which paragraph (a) would apply were the society rather than the subsidiary undertaking a party to them.

(2) The notes to the annual accounts shall contain a statement, in relation to such loans, transactions, and arrangements showing as follows—

- (a) the aggregate amounts outstanding under them at the end of the financial year, and
- (b) the numbers of persons for whom such loans, transactions and arrangements were made.

(3) The notes to the annual accounts shall, in relation to any loan or other transaction or arrangement subsisting during or at the end of the financial year, make the following disclosures:

- (a) where a copy of it or a memorandum of its terms is included in the register maintained under section 68 of the Act (which requires the maintenance of such a register), the existence of the register and the availability of requisite particulars from it for inspection shall be disclosed;
- (b) where it comes within subparagraph (1)(b), its particulars shall be disclosed unless it was one which would, had the subsidiary undertakings of the society formed part of the society, have been excepted from the obligations imposed by section 68 of the Act.

(4) Regulation 5(2)(b) shall not apply to this paragraph.

(5) This paragraph applies in relation to loans to, and other transactions and arrangements with, a person connected with a director of the society where the society (or in the case of a subsidiary undertaking incorporated in the United Kingdom, the subsidiary undertaking) has notice of the connection between that director and that person.

SCHEDULE 6

Regulation 6

NOTES TO ANNUAL ACCOUNTS: INFORMATION IN RESPECT OF ASSOCIATED BODIES

PART I

SOCIETIES NOT REQUIRED TO PREPARE CONSOLIDATED ACCOUNTS

Subsidiary undertakings

1.—(1) The following information shall be given where at the end of the financial year the society has subsidiary undertakings but is not required to prepare consolidated accounts.

- (2) The name of each subsidiary undertaking shall be stated.
- (3) There shall be stated with respect to each subsidiary undertaking—
 - (a) if it is incorporated outside the United Kingdom, the country in which it is incorporated;
 - (b) if it is incorporated in the United Kingdom, whether it is registered in England and Wales, Scotland, or in Northern Ireland.
 - (c) if it is unincorporated, the address of its principal place of business.
- (4) The specific reason why under Regulation 4 each subsidiary undertaking is not required to be included in the consolidated accounts.

Holdings in subsidiary undertakings

2.—(1) There shall be stated in relation to shares of each class held by the society in a subsidiary undertaking—

- (a) the identity of the class, and
 - (b) the proportion of the nominal value of the shares of that class represented by those shares.
- (2) The shares held by or on behalf of the society itself shall be distinguished from those attributed to the society which are held by or on behalf of a subsidiary undertaking.

Financial information about subsidiary undertakings

- 3.—(1) There shall be disclosed with respect to each subsidiary undertaking—
- (a) the aggregate amount of its capital and reserves as at the end of its relevant financial year, and
 - (b) its profit or loss for that year.
- (2) That information need not be given if—
- (a) the subsidiary undertaking is not required by any provision of the Companies Act 1985⁽²⁵⁾ or the Companies (Northern Ireland) Order 1986⁽²⁶⁾ to deliver a copy of its balance sheet for its relevant financial year and does not otherwise publish that balance sheet in the United Kingdom or elsewhere, and
 - (b) the society's holding is less than 50 per cent of the nominal value of the shares in the undertaking.

(25) 1985 c. 6.

(26) SI 1986/1032 (N.I.6). This Order was amended by The Companies (Northern Ireland) Order 1990 (SI 1990/593 N.I.5)).

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(3) Information otherwise required by this paragraph need not be given if it is not material for the purpose of giving a true and fair view for the society of the matters set out in subsections (2), (3) and (4) of section 73 of the Act.

(4) For the purposes of this paragraph the “relevant financial year” of a subsidiary undertaking is—

- (a) if its financial year ends with that of the society, that year, and
- (b) if not, its financial year ending last before the end of the society’s financial year.

Financial years of subsidiary undertakings

4.—(1) Where the financial year of one or more subsidiary undertakings did not end with that of the society, there shall be stated in relation to each such undertaking—

- (a) the reasons why the society’s directors consider that its financial year should not end with that of the society, and
- (b) the date on which its last financial year ended (last before the end of the society’s financial year).

(2) Instead of the dates required by subparagraph (1)(b) being given for each subsidiary undertaking, the earliest and latest of those dates may be given.

Further information about subsidiary undertakings

5.—(1) There shall be disclosed—

- (a) any qualifications contained in the auditors' reports on the accounts of subsidiary undertakings for financial years ending with or during the financial year of the society, and
- (b) any note or saving contained in such accounts to call attention to a matter which, apart from the note or saving, would properly have been referred to in such a qualification, in so far as the matter which is the subject of the qualification or note is not covered by the society’s own accounts and is material from the point of view of its members.

(2) The aggregate amount of the total investment of the society in the shares of subsidiary undertakings shall be stated by way of the equity method of valuation, unless the directors state their opinion that the aggregate value of the assets of the society consisting of shares in, or amounts owing (whether on account of a loan or otherwise) from, the society’s subsidiary undertakings is not less than the aggregate of the amounts at which those assets are stated or included in the society’s balance sheet.

(3) In so far as information required by this paragraph is not obtainable, a statement to that effect shall be given instead.

Significant holdings in undertakings other than subsidiary undertakings

6.—(1) The information required by paragraphs 7 and 8 shall be given where at the end of the financial year the society has a significant holding in an undertaking which is not a subsidiary undertaking of the society.

(2) A holding is significant for this purpose if—

- (a) it amounts to 20 per cent. or more of the nominal value of the shares in the undertaking, or
- (b) the amount of the holding (as stated or included in the society’s accounts) exceeds one-tenth of the amount (as so stated) of the society’s assets.

7.—(1) The name of the undertaking shall be stated.

(2) There shall be stated—

- (a) if the undertaking is incorporated outside the United Kingdom, the country in which it is incorporated,
 - (b) if it is incorporated in the United Kingdom, whether it is registered in England and Wales, Scotland, or in Northern Ireland,
 - (c) if it is unincorporated, the address of its principal place of business.
- (3) There shall also be stated—
- (a) the identity of each class of shares in the undertaking held by the society, and
 - (b) the proportion of the nominal value of the shares of that class represented by those shares.
- 8.—**(1) Where the society has a significant holding in an undertaking amounting to 20 per cent. or more of the nominal value of the shares in the undertaking, there shall also be stated—
- (a) the aggregate amount of the capital and reserves of the undertaking as at the end of its relevant financial year, and
 - (b) its profit or loss for that year.
- (2) That information need not be given if the investment of the society in all undertakings in which it has such a holding as is mentioned in subparagraph (1) is shown, in aggregate, in the notes to the accounts by way of the equity method of valuation.
- (3) That information need not be given in respect of an undertaking if—
- (a) the undertaking is not required by any provision of the Companies Act 1985⁽²⁷⁾ or the Companies (Northern Ireland) Order 1986⁽²⁸⁾ to deliver a copy of its balance sheet for its relevant financial year and does not otherwise publish that balance sheet in the United Kingdom or elsewhere, and
 - (b) the society's holding is less than 50 per cent. of the nominal value of the shares in the undertaking.
- (4) Information otherwise required by this paragraph need not be given if it is not material for the purpose of giving a true and fair view for the society of the matters set out in subsections (2), (3) and (4) of section 73 of the Act.
- (5) For the purposes of this paragraph the “relevant financial year” of an undertaking is—
- (a) if its financial year ends with that of the society, that year, and
 - (b) if not, its financial year ending last before the end of the society's financial year.

Construction of references to shares held by society

- 9.—**(1) References in this Part of this Schedule to shares held by a society shall be construed as follows.
- (2) For the purposes of paragraphs 2 to 5—
- (a) there shall be attributed to the society any shares held by a subsidiary undertaking, or by a person acting on behalf of the society or a subsidiary undertaking; but
 - (b) there shall be treated as not held by the society any shares held on behalf of a person other than the society or a subsidiary undertaking.
- (3) For the purposes of paragraphs 6 to 8—
- (a) there shall be attributed to the society shares held on its behalf by any person; but

⁽²⁷⁾ 1985 c. 6.

⁽²⁸⁾ S.I. 1986/1032 (N.I.6). This Order was amended by The Companies (Northern Ireland) Order 1990 (S.I. 1990/593 (N.I.5)).

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- (b) there shall be treated as not held by a society shares held on behalf of a person other than the society.
- (4) For the purposes of paragraphs 2 to 8, shares held by way of security shall be treated as held by the person providing the security—
 - (a) where apart from the right to exercise them for the purposes of preserving the value of the security, or of realising it, the rights attached to the shares are exercisable only in accordance with his instructions, and
 - (b) where the shares are held in connection with the granting of loans as part of normal business activities and apart from the right to exercise them for the purpose of preserving the value of the security, or of realising it, the rights attached to the shares are exercisable only in his interests.

PART II

SOCIETIES REQUIRED TO PREPARE CONSOLIDATED ACCOUNTS

Subsidiary undertakings

10.—(1) The following information shall be given with respect to the undertakings which are subsidiary undertakings of the society at the end of the financial year.

- (2) The name of each undertaking shall be stated.
- (3) There shall be stated—
 - (a) if the undertaking is incorporated outside the United Kingdom, the country in which it is incorporated;
 - (b) if it is incorporated in the United Kingdom, whether it is registered in England and Wales, Scotland or in Northern Ireland;
 - (c) if it is unincorporated, the address of its principal place of business.
- (4) It shall be stated whether the subsidiary undertaking is included in the consolidation and, if it is not, the reason for excluding it from consolidation shall be given.
- (5) It shall be stated with respect to each subsidiary undertaking by virtue of which of the conditions specified in section 258(2) of the Companies Act 1985 it is a subsidiary undertaking of the parent society⁽²⁹⁾
- (6) That information need not be given if the relevant condition is that specified in subsection (2) (a) of that section and the immediate parent society holds the same proportion of the shares in the undertaking as it holds voting rights.

Holdings in subsidiary undertakings

11.—(1) The following information shall be given with respect to the shares of a subsidiary undertaking held—

- (a) by the society, and
 - (b) by the group; and the information under paragraphs (a) and (b) shall (if different) be shown separately.
- (2) There shall be stated—

⁽²⁹⁾ Section 258 was applied to the interpretation of subsidiary undertakings of building societies by the Building Societies Act 1986 (Modifications) Order 1991 (S.I. 1991/1729).

- (a) the identity of each class of shares held, and
- (b) the proportion of the nominal value of the shares of that class represented by those shares.

Financial information about subsidiary undertakings not included in the consolidation

12.—(1) There shall be shown with respect to each subsidiary undertaking not included in the consolidation—

- (a) the aggregate amount of its capital and reserves as at the end of its relevant financial year, and
- (b) its profit or loss for that year.

(2) That information need not be given if the group's investment in the undertaking is included in the accounts by way of the equity method of valuation or if—

- (a) the undertaking is not required by any provision of the Companies Act 1985 or the Companies (Northern Ireland) Order 1986 to deliver a copy of its balance sheet for its relevant financial year and does not otherwise publish that balance sheet in the United Kingdom or elsewhere, and
- (b) the holding of the group is less than 50 per cent. of the nominal value of the shares in the undertaking.

(3) Information otherwise required by this paragraph need not be given if it is not material for the purpose of giving a true and fair view for the society and its subsidiary undertakings as a whole, of the matters set out in subsections (2), (3) and (4) of section 73 of the Act.

(4) For the purpose of this paragraph the “relevant financial year” of a subsidiary undertaking is—

- (a) if its financial year ends with that of the society, that year, and
- (b) if not, its financial year ending last before the end of the society's financial year.

Financial years of subsidiary undertakings

13.—(1) Where the financial year of one or more subsidiary undertakings did not end with that of the society, there shall be stated in relation to each such undertaking—

- (a) the reasons why the society's directors consider that its financial year should not end with that of the society, and
- (b) the date on which its last financial year ended (last before the end of the society's financial year).

(2) Instead of the dates required by subparagraph (1)(b) being given for each subsidiary undertaking the earliest and latest of those dates may be given.

Further information about subsidiary undertakings excluded from consolidation

14.—(1) The following information shall be given with respect to subsidiary undertakings excluded from consolidation.

(2) There shall be disclosed—

- (a) any qualification contained in the auditor's reports on the accounts of the subsidiary undertaking for financial years ending with or during the financial year of the society, and
- (b) any note or saving contained in such accounts to call attention to a matter which, apart from the note or saving, would properly have been referred to in such a qualification, in so far as the matter which is the subject of the qualification or note is not covered by the consolidated accounts and is material from the point of view of the members of the society.

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(3) In so far as information required by this paragraph is not obtainable, a statement to that effect shall be given instead.

Associated undertakings

15.—(1) The following information shall be given where an undertaking included in the consolidation has an interest in an associated undertaking.

(2) The name of the associated undertaking shall be stated.

(3) There shall be stated—

- (a) if the undertaking is incorporated outside the United Kingdom, the country in which it is incorporated;
- (b) if it is incorporated in the United Kingdom, whether it is registered in England and Wales, Scotland or Northern Ireland;
- (c) if it is unincorporated, the address of its principal place of business.

(4) The following information shall be given with respect to the shares of the undertaking held—

- (a) by the society, and
- (b) by the group, and the information under paragraphs (a) and (b) shall be given separately.

(5) There shall be stated—

- (a) the identity of each class of shares held, and
- (b) the proportion of the nominal value of the shares of that class represented by those shares.

(6) In this paragraph “associated undertaking” has the meaning given by Regulation 2, and the information required by this paragraph shall be given notwithstanding that Regulation 4(12) applies in relation to the accounts themselves.

Other significant holdings of society or group

16.—(1) The information required by paragraphs 17 and 18 shall be given where at the end of the financial year the society has a significant holding in an undertaking which is not one of its subsidiary undertakings and does not fall within paragraph 15 (associated undertakings).

(2) A holding is significant for this purpose if—

- (a) it amounts to 20 per cent. or more of the nominal value of the shares in the undertaking, or
- (b) the amount of the holding (as stated or included in the society’s individual accounts) exceeds one-tenth of the amount of its assets (as so stated).

17.—(1) The name of the undertaking shall be stated.

(2) There shall be stated—

- (a) if the undertaking is incorporated outside the United Kingdom, the country in which is incorporated;
- (b) if it is incorporated in the United Kingdom, whether it is registered in England and Wales, Scotland or in Northern Ireland;
- (c) if it is unincorporated, the address of its principal place of business.

(3) The following information shall be given with respect to the shares of the undertaking held by the society.

(4) There shall be stated—

- (a) the identity of each class of shares held, and

(b) the proportion of the nominal value of the shares of that class represented by those shares.

18.—(1) Where the society has a significant holding in an undertaking amounting to 20 per cent or more of the nominal value of the shares in the undertaking there shall also be stated—

- (a) the aggregate amount of the capital and reserves of the undertaking as at the end of its relevant financial year, and
- (b) its profits or loss for that year.

(2) That information need not be given in respect of an undertaking if—

- (a) the undertaking is not required by any provision of the Companies Act 1985 or the Companies (Northern Ireland) Order 1986 to deliver a copy of its balance sheet for its relevant financial year and does not otherwise publish that balance sheet in the United Kingdom or elsewhere, and
- (b) the society's holding is less than 50 per cent. of the nominal value of the shares in the undertaking,

(3) Information otherwise required by this paragraph need not be given if it is not material for the purpose of giving a true and fair view for the society and its subsidiary undertakings as a whole, of the matters set out in subsections (2), (3) and (4) of section 73 of the Act.

(4) For the purposes of this paragraph the “relevant financial year” of an undertaking is—

- (a) if its financial year ends on the same date as that of the society, that year, and
- (b) if not, its financial year ending last before the end of the society's financial year.

19.—(1) The information required by paragraphs 20 and 21 shall be given where at the end of the financial year the group has a significant holding in an undertaking which is not a subsidiary undertaking of the society and does not fall within paragraph 15 (associated undertakings).

(2) A holding is significant for this purpose if—

- (a) it amounts to 20 per cent. or more of the nominal value of the shares in the undertaking, or
- (b) the amount of the holding (as stated or included in the group accounts) exceeds one-tenth of the amount of the group's assets (as so stated).

20.—(1) The name of the undertaking shall be stated.

(2) There shall be stated—

- (a) if the undertaking is incorporated outside the United Kingdom, the country in which it is incorporated;
- (b) if it is incorporated in the United Kingdom, whether it is registered in England and Wales, Scotland or in Northern Ireland;
- (c) if it is unincorporated, the address of its principal place of business.

(3) The following information shall be given with respect to the shares of the undertaking held by the group.

(4) There shall be stated—

- (a) the identity of each class of shares held, and
- (b) the proportion of the nominal value of the shares of that class represented by those shares.

21.—(1) Where the holding of the group amounts to 20 per cent. or more of the nominal value of the shares in the undertaking, there shall also be stated—

- (a) the aggregate amount of the capital and reserves of the undertaking as at the end of its relevant financial year, and

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- (b) its profit or loss for that year.
- (2) That information need not be given if—
 - (a) the undertaking is not required by any provision of the Companies Act 1985 or the Companies (Northern Ireland) Order 1986 to deliver a copy of its balance sheet for its relevant financial year and does not otherwise publish that balance sheet in the United Kingdom or elsewhere, and
 - (b) the holding of the group is less than 50 per cent. of the nominal value of the shares in the undertaking.
- (3) Information otherwise required by this paragraph need not be given if it is not material for the purpose of giving a true and fair view for the society and its subsidiary undertakings as a whole, of the matters set out in subsections (2), (3) and (4) of section 73 of the Act.
- (4) For the purpose of this paragraph the “relevant financial year” of an undertaking is—
 - (a) if its financial year ends with that of the society, that year, and
 - (b) if not, its financial year ending last before the end of the society’s financial year.

Construction of references to shares held by society or group

22.—(1) References in this Part of this Schedule to shares held by the society or the group shall be construed as follows.

- (2) For the purposes of paragraphs 11, 15(4) and (5) and 16 to 18—
 - (a) there shall be attributed to the society shares held on its behalf by any person; but
 - (b) there shall be treated as not held by the society shares held on behalf of a person other than the society.
- (3) References to shares held by the group are to any shares held by or on behalf of the society or any of its subsidiary undertakings; but there shall be treated as not held by the group any shares held on behalf of a person other than the society or any of its subsidiary undertakings.
- (4) Shares held by way of security shall be treated as held by the person providing the security—
 - (a) where apart from the right to exercise them for the purpose of preserving the value of the security, or of realising it, the rights attached to the shares are exercisable only in accordance with his instructions, and
 - (b) where the shares are held in connection with the granting of loans as part of normal business activities and apart from the right to exercise them for the purpose of preserving the value of security, or of realising it, the rights attached to the shares are exercisable only in his interests.

PART III

SUPPLEMENTARY PROVISIONS

23. The information required by paragraphs 7, 17 and 20 of this Schedule need not be given if it is not material for the purpose of giving a true and fair view for the society or for the society and its subsidiary undertakings, as a whole, as appropriate, of the matters set out in subsections (2), (3) and (4) of section 73 of the Act.

24. For the purposes of paragraphs 5 and 14 of this Schedule, “qualifications” in relation to the auditors' report on the accounts of a subsidiary undertaking, means any qualifications which in the auditors' opinion indicate that the accounts concerned have not been properly prepared in accordance with the Companies Acts; or in the case of an undertaking the accounts of which are not required

to be prepared in accordance with the Companies Acts, indicate that those accounts have not been prepared in accordance with any corresponding legislation under which such accounts need to be prepared.

SCHEDULE 7

Regulation 7

ACCOUNTING PRINCIPLES AND RULES

PART I

ACCOUNTING PRINCIPLES

1. Subject to paragraph 7, the amounts to be included in respect of all items shown in a society's annual accounts shall be determined in accordance with the principles set out in this Part of this Schedule.

2. The society shall be presumed to be carrying on business as a going concern, and so, where group accounts are prepared, shall the society and its subsidiary undertakings.

3. Accounting policies shall be applied consistently within the same accounts and from one financial year to the next.

4.—(1) The amount of any item shall be determined on a prudent basis, and in particular—

- (a) only profits realised at the date of the balance sheet shall be included in the income and expenditure account; and
- (b) all liabilities and losses which have arisen or are likely to arise in respect of the financial year to which the accounts relate or a previous financial year shall be taken into account, including those which only become apparent between the balance sheet date and the relevant date.

(2) For the purposes of paragraph (1), the relevant date is the date of signature of the balance sheet of the society on behalf of the board of directors under section 80 of the Act (signing of balance sheet and of documents).

5. Except so far as these Regulations otherwise specify, income and charges relating to the financial year to which the accounts relate shall be taken into account without regard to the date of receipt or payment.

6. In determining the aggregate amount of any item the amount of each individual asset or liability that falls to be taken into account shall be determined separately.

PART II

DEPARTURE FROM ACCOUNTING PRINCIPLES

7. If it appears to the directors of a society that there are special reasons for departing from any of the principles stated in Part I in preparing annual accounts in respect of any financial year, they may do so, but particulars of the departure, the reasons for it, and its effect shall be given in a note to the annual accounts.

PART III

FIXED ASSETS

General rules

8.—(1) Subject to any provision for depreciation or diminution in value made in accordance with paragraph 9 or 10, the amount to be included in respect of any fixed asset shall be its cost unless it is valued in accordance with paragraph 28. (2)

- (a) Assets included in items 5 and 6 in Part I and in items 6 and 7 in Part II of Schedule 2 shall be valued as fixed assets.
- (b) Other assets falling to be included in the balance sheet shall be valued as fixed assets where they are intended for use on a continuing basis in the normal course of the activities of the society or of the society and its subsidiary undertakings.

9. In the case of any fixed asset which has a limited useful economic life, the amount of—

- (a) the cost, or
- (b) where it is estimated that any such asset will have a residual value at the end of the period of its useful economic life, its cost less that estimated residual value, shall be reduced by provisions for depreciation calculated to write off that amount systematically over the period of the asset's useful economic life.

10.—(1) Where a fixed asset investment of a description falling to be included under Asset item 4(e) of Parts I and II of Schedule 2, or any liquid asset held as a financial fixed asset, has diminished in value, provisions for diminution in value may be made in respect of it, and the amount to be included in respect of it may be reduced accordingly.

(2) Any such provisions as are mentioned in subparagraph (1) and which are not shown in the income and expenditure accounts shall be disclosed, either separately or in aggregate, in a note to the accounts, analysed according to balance sheet category.

(3) Provisions for diminution in value shall be made in respect of any fixed asset which has diminished in value if the reduction in its value is expected to be permanent (whether its useful economic life is limited or not), and the amount to be included in respect of it shall be reduced accordingly, and any such provisions which are not shown in the income and expenditure accounts shall be disclosed, either separately or in aggregate, in a note to the accounts, analysed according to balance sheet category.

(4) Where the reasons for which any provision in respect of fixed assets (whether or not it is one to which subparagraphs (1) or (3) applies) was made have ceased to apply to any extent, that provision shall be written back to the extent that it is no longer necessary; and any amounts written back in accordance with this subparagraph which are not shown in the income and expenditure accounts shall be disclosed (either separately or in aggregate) in a note to the accounts.

Development costs

11.—(1) Notwithstanding that amounts representing “development costs” may be included under Asset item 5 in Part I and Asset item 6 in Part II of Schedule 2, an amount may only be included in a society's balance sheet in respect of development costs in accordance with generally accepted accounting principles.

(2) If any amount is included in a society's balance sheet in respect of development costs, the following information shall be given in a note to the accounts—

- (a) the period over which the amount of those costs originally capitalised is being or is to be written off, and

- (b) the reasons for capitalising the development costs in question.

Goodwill

12.—(1) The application of paragraphs 8 to 10 in relation to goodwill (in any case where goodwill is treated as an asset) is subject to the following provisions of this paragraph.

(2) Subject to subparagraph (3), the amount of the consideration for any goodwill acquired by a society shall be reduced by provisions for amortisation calculated so as to write off that amount systematically over a period chosen by the directors of the society.

(3) The period chosen shall not exceed the useful economic life of the goodwill.

Financial fixed assets

13.—(1) Debt securities including securities held as financial fixed assets shall be included in the balance sheet at an amount equal to their maturity value plus any premium, or less any discount, on their purchase, subject to the following provisions of this paragraph.

(2) The amount included in the balance sheet with respect to such a security as is mentioned in subparagraph (1) purchased at a premium shall be reduced each financial year on a systematic basis so as to write the premium off over the period to the maturity date of the security, and the amounts written off shall be charged to the income and expenditure account for the relevant financial years.

(3) The amount included in the balance sheet with respect to such a security purchased at a discount shall be increased each financial year on a systematic basis so as to extinguish the discount over the period to the maturity date of the security, and the amounts by which the amount is increased shall be credited to the income and expenditure account for the relevant financial years.

(4) The notes to the accounts shall disclose the amounts of any unamortised premium or discount not extinguished which are included in the balance sheet by virtue of subparagraph (1).

(5) For the purposes of this paragraph, “premium” means any excess of the amount paid for a security over its maturity value and “discount” means any deficit of the amount paid for a security over its maturity value.

PART IV

CURRENT ASSETS

14. The amount to be included in respect of loans and advances to credit institutions, debt securities, and commercial assets not held as financial fixed assets, shall be, subject to paragraphs 15 and 16, their cost.

15.—(1) If the net realisable value of any current asset is lower than its cost the amount to be included in respect of that asset shall be the net realisable value.

(2) Where the reasons for which any provision for diminution in value was made in accordance with subparagraph (1) have ceased to apply to any extent, that provision shall be written back to the extent that it is no longer necessary.

16.—(1) Subject to paragraph 15, the amount to be included in the balance sheet in respect of transferable securities not held as financial fixed assets may be the higher of their cost or their market value at the balance sheet date.

(2) The difference between the cost of any securities included in the balance sheet at a valuation under subparagraph (1) and their market value shall be shown (in aggregate) in the notes to the accounts.

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PART V

OTHER ACCOUNTING RULES

General rules

17.—(1) Without prejudice to paragraph 3(6)(c) of Part III of Schedule 2, amounts in respect of items representing assets or income may not be set off against amounts in respect of items representing as the case may be liabilities or expenditure, or vice versa.

(2) Charges required to be included in items 8(a) and 8(b) in Parts I and II of Schedule 1 may, however, be set off against income required to be included in items 9(a) and 9(b) of Parts I and II of that Schedule and the resulting figure shown as a single item.

(3) Charges required to be included in item 10 in Parts I and II of Schedule 1 may also be set off against income required to be included in item 11 in Parts I and II of Schedule 1 and the resulting figure shown as a single item.

18.—(1) Assets shall be shown under the relevant balance sheet headings even where the society has pledged them as security for its own liabilities or for those of third parties, or has otherwise assigned them as security to third parties.

(2) A society shall not include in its balance sheet assets pledged or otherwise assigned to it as security, unless such assets are in the form of cash in the hands of the society.

19. Preliminary expenses, expenses of and commission on any issue of subscribed capital and costs of research shall not be treated as assets in a society's balance sheet.

20. Assets acquired in the name of and on behalf of third parties shall not be shown in the balance sheet.

Excess of money owed over value received as an asset item

21.—(1) Where the amount repayable on any debt owed by a society is greater than the value of the consideration received in the transaction giving rise to the debt, the amount of the difference may be treated as an asset.

(2) Where any such amount is so treated:

- (a) it shall be written off by reasonable amounts each year and must be completely written off before repayment of the debt; and
- (b) if the current amount is not shown as a separate item in the society's balance sheet it must be disclosed in a note to the accounts.

Determination of cost

22.—(1) The cost of an asset shall be determined by adding to the actual price paid any expenses incidental to its acquisition.

(2) The cost of an asset constructed by the society shall be determined by adding to the purchase price of the raw materials and consumables used the amount of the costs incurred by the society which are directly attributable to the construction of that asset.

(3) In addition, there may be included in the cost of an asset constructed by the society:

- (a) a reasonable proportion of the costs incurred by the society which are only indirectly attributable to the construction of that asset, but only to the extent that they relate to the period of construction, and

- (b) interest on capital borrowed to finance the construction of that asset, to the extent that it accrues in respect of the period of construction, provided, however, in a case within paragraph (b), that the inclusion of the interest in determining the cost of that asset and the amount of the interest so included is disclosed in a note to the accounts.

23.—(1) Subject to the qualification mentioned below, the cost of any assets which are fungible assets (including liquid assets) may be determined by the application of any of the methods mentioned in subparagraph (2) in relation to any such assets of the same class, but the method chosen must be one which appears to the directors to be appropriate to the circumstances of the society.

(2) Those methods are—

- (a) the method known as “first in, first out” (FIFO),
- (b) the method known as “last in, first out” (LIFO),
- (c) a weighted average price, and
- (d) any other method similar to any of the methods mentioned above.

(3) Where in the case of any society—

- (a) the cost of assets falling to be included under any item shown in the company’s balance sheet has been determined by the application of any method permitted by this paragraph, and
- (b) the amount shown in respect of that item differs materially from the relevant alternative amount given below in this paragraph, the amount of that difference shall be disclosed in a note to the accounts.

(4) Subject to subparagraph (5), for the purposes of subparagraph (3)(b), the relevant alternative amount, in relation to any item shown in a society’s balance sheet, is the amount which would have been shown in respect of that item if assets of any class included under that item at an amount determined by any method permitted by this paragraph had instead been included at their replacement cost as at the balance sheet date.

(5) The relevant alternative amount may be determined by reference to the most recent actual cost before the balance sheet date of assets of any class included under the item in question instead of by reference to their replacement cost as at that date, but only if the former appears to the directors of the society to constitute the more appropriate standard of comparison in the case of assets of that class.

(6) For the purposes of this paragraph, assets of any description shall be regarded as fungible if assets of that description are substantially indistinguishable one from another.

24. To the extent that debt securities included in a society’s balance sheet include assets valued at cost, the method of arriving at their cost shall be disclosed in the notes to the annual accounts.

Substitution of original amount where cost unknown

25. Where there is no record of the cost of any asset acquired by a society or of any price, expenses or costs relevant for determining its cost in accordance with paragraph 22, or any such record cannot be obtained without unreasonable expense or delay, its cost shall be taken for the purposes of paragraphs 8 to 16 to be the value ascribed to it in the earliest available record of its value made on or after its acquisition by the society.

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PART VI

ALTERNATIVE ACCOUNTING RULES

26. The rules set out in paragraphs 8 to 25 of this Schedule are referred to below in this Schedule as the historical accounting rules.

27. Subject to paragraphs 29 and 30, the amounts to be included in respect of assets of any description mentioned in paragraph 28 may be determined on any basis so mentioned.

28.—(1) Intangible fixed assets, other than goodwill, may be included at their current cost.

(2) Tangible fixed assets may be included at a market value determined as at the date of their last valuation or at their current cost.

(3) Investments of any description falling to be included in the balance sheet as investments in associated bodies or debt securities held as financial fixed assets may be included either

(a) at a market value determined as at the date of their last valuation, or

(b) at a value determined on any basis which appears to the directors to be appropriate in the circumstances of the society, but in the latter case particulars of the method of valuation adopted and of the reasons for adopting it shall be disclosed in a note to the accounts.

(4) Investments of any description not held as financial fixed assets (if not valued in accordance with paragraph 16) may be included at their current cost.

29.—(1) Where the value of any asset of a society is determined on any basis mentioned in paragraph 28, that value shall be, or (as the case may require) shall be the starting point for determining, the amount to be included in respect of that asset in the society's accounts, instead of its cost or any value previously so determined for that asset; and methods of depreciation to be used pursuant to these Regulations shall apply accordingly in relation to any such asset with the substitution for any reference to its cost of a reference to the value most recently determined for that asset on any basis mentioned in paragraph 28.

(2) The amount of any provision for depreciation required in the case of any fixed asset by paragraph 9 or 10 as it applies by virtue of subparagraph (1) is referred to below in this paragraph as the adjusted amount, and the amount of any provision which would be required by that paragraph in the case of that asset according to the historical cost accounting rules is referred to as the historical cost amount.

(3) Where subparagraph (1) applies in the case of any fixed asset the amount of any provision for depreciation in respect of that asset included in any item shown in the income and expenditure account in respect of amounts written off assets of the description in question may be the historical cost amount instead of the adjusted amount, provided that the amount of any difference between the two is shown separately in the income and expenditure account or in a note to the accounts.

30.—(1) With respect to any determination of the value of an asset of a society on any basis mentioned in paragraph 28, the amount of any profit or loss arising from that determination (after allowing, where appropriate, for any provisions for depreciation or diminution in value made otherwise than by reference to the value so determined and any adjustments of any such provisions made in the light of that determination) shall be credited or, as the case may be, debited to a separate reserve (referred to in these Regulations as "the revaluation reserve").

(2) The revaluation reserve shall be reduced to the extent that the amounts standing to the credit of that reserve are no longer necessary for the purpose of the accounting policies adopted by the society, but an amount may only be transferred from that reserve to the income and expenditure account if either—

(a) the amount in question was previously charged to that account, or

(b) it represents a realised profit.

(3) The treatment for taxation purposes of amounts credited or debited to the revaluation reserve shall be disclosed in a note to the accounts.

PART VII

ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

31.—(1) Subject to the following subparagraphs, amounts to be included in respect of assets and liabilities denominated in foreign currencies shall be in sterling after translation at an appropriate spot rate of exchange prevailing at the balance sheet date.

(2) An appropriate rate of exchange prevailing on the date of purchase may however be used for assets held as financial fixed assets and assets to be included under items 5 and 6 in Part I or items 6 and 7 of Part II of Schedule 2, if they are not covered or not specifically covered in either the spot or forward currency markets.

(3) An appropriate spot rate of exchange prevailing at the balance sheet date shall be used for translating uncompleted spot exchange transactions.

(4) An appropriate forward rate of exchange prevailing at the balance sheet date shall be used for translating uncompleted forward exchange transactions.

(5) This paragraph does not apply to assets or liabilities held, or any transaction entered into, for hedging purposes, or to any assets or liabilities which are themselves hedged.

32.—(1) Subject to subparagraph (2), any difference between the amount to be included in respect of an asset or liability under paragraph 31 and the book value, after translation into sterling at an appropriate rate, of that asset or liability, shall be credited or, as the case may be, debited to the income and expenditure account.

(2) In the case however of assets held as financial fixed assets, of assets to be included in items 5 and 6 in Part I or items 6 and 7 in Part II of Schedule 2, and of transactions undertaken to cover such assets, any such difference shall be deducted from or credited to the general reserve included in the balance sheet.

SCHEDULE 8

Regulation 8

DIRECTORS' REPORT

1. There shall be stated the names of the persons who, at any time during the financial year, were directors of the society.

2. The directors' report shall contain—

- (a) a statement of the business objectives and activities of the society and its associated bodies,
- (b) particulars of any events which have occurred since the end of the financial year and which are considered by the directors of the society to have an important effect on the society or any of its associated bodies, and
- (c) an indication of the opinion of the directors of the society as to the developments which they consider likely to happen in the business of the society and its associated bodies.

3.—(1) If significant changes in the fixed assets of the society or of any subsidiary undertaking have occurred in the financial year, the report shall contain particulars of the changes.

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(2) If, in the case of such of those fixed assets as consist in interests in land and buildings, their market value (as at the end of the financial year) differs substantially from the amount at which they are included in the balance sheet, and the difference is, in the directors' opinion, of such significance as to require that the attention of members of the society should be drawn to it, the report shall indicate the difference with such degree of precision as is practicable.

4.—(1) The following applies if the society or any subsidiary undertaking of the society has in the financial year given money for political purposes or charitable purposes or both.

(2) If the money given exceeded £200 in amount, there shall be contained in the directors' report for the year—

- (a) in the case of each of the purposes for which the money has been given, a statement of the amount of money given for that purpose, and
- (b) in the case of political purposes for which money has been given, the following particulars (so far as is applicable):
 - (i) the name of each person to whom money has been given for those purposes exceeding £200 in amount and the amount of money given; and
 - (ii) if money exceeding £200 in amount has been given by way of donation or subscription to a political party, the identity of the party and the amount of money given.

(3) For the purposes of this paragraph a society or a subsidiary undertaking is to be treated as giving money for political purposes if, directly or indirectly—

- (a) it gives a donation or subscription to a political party of the United Kingdom or any part of it, or
- (b) it gives a donation or subscription to a person who, to the society's knowledge (or, as the case may be, that of the subsidiary undertaking), is carrying on, or proposing to carry on, any activities which can, at the time at which the donation or subscription was given, reasonably be regarded as likely to affect public support for such a political party as is mentioned.

(4) For the purposes of this paragraph money given for charitable purposes to a person who, when it was given, was ordinarily resident outside the United Kingdom shall be left out of account.

(5) In this paragraph, "charitable purposes" means purposes which are exclusively charitable; and, as respects Scotland, "charitable" is to be construed as if it were contained in the Income Tax Acts.

5.—(1) Subject to subparagraphs (2) and (3), the directors' report shall state the following, with respect to each person who, at the end of the financial year, was a director of the society—

- (a) whether or not he was at the end of that year interested in shares in, or debentures of, any associated body of the society,
- (b) if he was so interested—
 - (i) the number and amount of shares in, and debentures of, each such body (specifying it) in which he was then interested,
 - (ii) whether or not he was, at the beginning of that year (or, if he was not then a director, when he became one), interested in shares in, or debentures of, that or any other such body, and
 - (iii) if he was, the number and amount of shares in, and debentures of, each body (specifying it) in which he was interested at the beginning of the financial year or (as the case may be) when he became a director.

(2) The particulars required by subparagraph (1) may be given by way of notes to the society's annual accounts in respect of the financial year, instead of being stated in the directors' report.

(3) Particulars required by subparagraph (1) are not required to be given in respect of directors' nominee shareholdings, held on behalf of the society.

(4) Any changes in the details disclosed under subparagraph (1) between the end of the year and the relevant date must be disclosed in the directors' report and any such change after that date may be so disclosed.

(5) For the purposes of subparagraph (4) "the relevant date" is

- (a) the date one month prior to the date of the notice of the society's annual general meeting, or
- (b) if earlier, the date on which approval, under section 80 of the Act, of components of the annual accounts is completed.

6.—(1) This paragraph applies to the directors' report where the average number of persons employed by the society in each month during the financial year exceeded 250.

(2) For the purposes of subparagraph (1) the average number is the quotient derived by dividing, by the number of complete calendar months in the financial year, the number derived by ascertaining, in relation to each of those months, the number of persons who, under contracts of service, were employed in the month (whether throughout it or not) by the society, and adding up the numbers ascertained.

(3) The directors' report shall where this paragraph applies contain a statement describing such policy as the society has applied during the financial year—

- (a) for giving full and fair consideration to applications for employment by the society made by disabled persons, having regard to their particular aptitudes and abilities,
- (b) for continuing the employment of, and for arranging appropriate training for, employees of the society who have become disabled persons during the period when they were employed by the society, and
- (c) otherwise for the training, career development and promotion of disabled persons employed by the society.

(4) The directors' report shall where this paragraph applies also contain a statement describing the action that has been taken during the financial year to introduce, maintain or develop arrangements aimed at—

- (a) providing employees systematically with information on matters of concern to them as employees,
- (b) consulting employees or their representatives on a regular basis so that the views of employees can be taken into account in making decisions which are likely to affect their interests,
- (c) encouraging the involvement of employees in the society's performance, and
- (d) achieving a common awareness on the part of all employees of the financial and economic factors affecting the performance of the society.

(5) In this paragraph—

- (a) "employment" means employment other than employment to work wholly or mainly outside the United Kingdom, and "employed" and "employee" shall be construed accordingly; and
- (b) "disabled person" means the same as in the Disabled Persons (Employment) Act 1944⁽³⁰⁾ and the Disabled Persons (Employment) Act (Northern Ireland) 1945⁽³¹⁾

(30) 1944 c. 10.

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- 7.—(1) The directors' report shall disclose, in accordance with subparagraph (2)—
- (a) free capital as a percentage of the total of the share and deposit liabilities in the balance sheet,
 - (b) gross capital as a percentage of the total of the share and deposit liabilities in the balance sheet,

and, where consistency with the use of expression in the balance sheet so requires, the expression “share, deposit and loan liabilities” shall be used in the directors' report in place of the expression “share and deposit liabilities”.

- (2) The matters required to be disclosed by subparagraph (1) shall be disclosed—
- (a) where the society is a single accounts society, in relation to the society, and
 - (b) where the society is a group accounts society, in relation to the society and its subsidiary undertakings.

8. The directors' report shall also disclose the number of mortgage accounts twelve or more months in arrears and the total amount of such arrears.

SCHEDULE 9

Regulation 9

ANNUAL BUSINESS STATEMENT

Statutory ratios and percentages

1.—(1) Subject to the following provisions of this paragraph, the annual business statement of a society shall state, as at the end of the financial year with which it deals, the following ratios and particulars:

- (a) a ratio showing—
 - (i) as its first quantity, non-retail funds and deposits as a percentage of shares and deposits, and
 - (ii) as its second quantity, the relevant statutory limit for that percentage;
- (b) a ratio showing—
 - (i) as its first quantity, deposits as a percentage of shares and deposits, and
 - (ii) as its second quantity, the relevant statutory limit for that percentage;
- (c) advances secured on residential property as a percentage of total commercial assets;
- (d) advances secured on land other than residential property as a percentage of total commercial assets;
- (e) a ratio showing—
 - (i) as its first quantity, commercial assets other than advances secured on land as a percentage of total commercial assets, and
 - (ii) as its second quantity, the relevant statutory limit for that percentage; and
- (f) a ratio showing—
 - (i) as its first quantity, the aggregate of the assets to which paragraphs (d) and (e)(i) refer as a percentage of total commercial assets, and
 - (ii) as its second quantity, the relevant statutory limit for that percentage.

- (2) The annual business statement shall include an explanation of what is represented by—
 - (a) each of the quantities specified in subparagraph (1);
 - (b) the description of advances referred to in—
 - (i) subparagraph (1)(c), and
 - (ii) subparagraph (1)(d); and
 - (c) each of the relevant statutory limits specified in subparagraph (1).
- (3) In subparagraph (1)—
 - (a) in paragraph (a), the first quantity shall be shown in accordance with subsection (3) of section 7 of the Act (power to raise funds and borrow money) and accordingly—
 - (i) “non-retail funds and deposits” means liabilities of the society in respect of its non- retail funds and deposits less those of them which are among the particular liabilities to which subsection (14) of that section refers, and
 - (ii) “shares and deposits” means the total liabilities of the society in respect of shares and deposits less the particular liabilities to which subsection (14) of that section refers;
 - (b) in paragraph (b), the first quantity shall be shown in accordance with subsection (1) of section 8 of the Act (proportion of liabilities to be in form of shares) and accordingly—
 - (i) “deposits” means the amount of the principal of, and interest payable on, sums deposited with the society less that part of it which comes within the particular liabilities to which subsection (2) of that section refers, and
 - (ii) “shares and deposits” means the aggregate of the principal of, and interest payable on, sums deposited with the society and the principal value of, and interest payable on, shares in the society less the particular liabilities to which subsection (2) of that section refers;
 - (c) in paragraph (c), “advances secured on residential property” means those commercial assets which are class 1 assets for the purpose of the requirements of Part III of the Act for the structure of commercial assets;
 - (d) in paragraph (d), “advances secured on land other than residential property” means those commercial assets which are class 2 assets for the purpose of the requirements of Part III of the Act for the structure of commercial assets; and
 - (e) “relevant statutory limit” shall be construed—
 - (i) subject to subparagraph (ii), in accordance with section 36 of the Act (powers in event of breach of limits), and
 - (ii) where the relevant statutory limit imposed by subsection (2) (or (3)) of section 20 (commercial asset structure requirement) in respect of a particular financial year of a society is the amount imposed by paragraph (b) of that subsection, as if that amount were expressed as a percentage of the total commercial assets of the society as at the end of that financial year.
- (4) Where relevant rules are in force so as to attribute to a society assets or liabilities of a body corporate associated with it, the ratios and particulars required to be shown by this paragraph shall be shown so as to take that attribution into account, and—
 - (a) where such relevant rules make provision for the disregarding of assets or liabilities of the society, those ratios and particulars shall be shown so as to take that provision into account, and
 - (b) in this paragraph “relevant rules” means—
 - (i) aggregation rules under section 7(10), 8(3) or 20(9) of the Act, or

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- (ii) rules approved under section 7(13), 8(5) or 20(12) of the Act.

Other percentages

2.—(1) Subject to the following provisions of this paragraph, the annual business statement of a society shall state the following particulars in respect of the society both in relation to the financial year with which it deals and in relation to the previous financial year—

- (a) as a percentage of the share and deposit liabilities as at the balance sheet date—
 - (i) the gross capital as at that date, and
 - (ii) the free capital as at that date;
- (b) the liquid assets as at the balance sheet date as a percentage of the total assets as at that date;
- (c) the profit or loss after taxation as a percentage of—
 - (i) the mean reserves, and
 - (ii) the mean total assets; and
- (d) (except where there is no extraordinary profit or loss shown in the income and expenditure account in relation to either of those financial years) the ordinary profit or loss after taxation as a percentage of—
 - (i) the mean reserves, and
 - (ii) the mean total assets.

(2) Where the society is a group accounts society, the particulars required to be stated by subparagraph (1) in respect of the society shall be stated in respect of the society and its subsidiary undertakings, but this subparagraph shall not be taken to prohibit the stating in addition by a society of those particulars in respect of the society alone.

(3) Any matter required by subparagraph (1) to be stated as a particular in, or to be used as a factor in calculating a particular required by this paragraph to be stated in, the annual business statement and which relates to a previous financial year is required to be so stated or used for the purpose of assisting the assessment of the corresponding particular for the financial year with which the annual business statement deals and accordingly shall, where it can be derived from an amount in annual accounts adjusted in accordance with Regulation 3(6)(b), be derived from that amount as so adjusted.

(4) The annual business statement shall include an explanation of what is represented by each of the particulars referred to in subparagraph (1) and, where subparagraph (2) applies, a statement of the basis on which particulars are stated by virtue of that subparagraph.

(5) Subject to subparagraph (3), in this paragraph—

- (a) “share and deposit liabilities” means the aggregate of liabilities in the balance sheet representing retail and non-retail funds and deposits;
- (b) “liquid assets” and “total assets” shall be taken from the items so named in the balance sheet;
- (c) “the profit or loss after taxation” shall be taken from item 21 in Part I or, as the case may be, item 24 in Part II of Schedule 1;
- (d) “the ordinary profit or loss after taxation” shall be taken from item 14 in Part I or, as the case may be, item 16 in Part II of Schedule 1;
- (e) “mean reserves” means, in respect of a financial year, the average amount of total reserves which would have been included in the balance sheet throughout that year under item 18 in Part I or, as the case may be, item 19 in Part II of Schedule 2, calculated on a reasonable basis.

- (f) “mean total assets” means, in respect of a financial year, the average amount of total assets which would have been included in the balance sheet throughout that year under item 9 in Part I or, as the case may be, item 10 in Part II of Schedule 2, calculated on a reasonable basis.

(6) With regard to subparagraph (5)(e) and (f) the basis of calculation used in each case shall be stated in the annual business statement.

(7) In subparagraph (5)(e) and (f) “reasonable” shall be interpreted in accordance with section 74(5) of the Act.

Information relating to directors and other officers

3.—(1) The annual business statement of a society shall state—

- (a) in relation to each person who was, at the end of the financial year with which it deals, a director of the society—
 - (i) his name;
 - (ii) his home address or an address, other than that of the society, at which documents may be served on him;
 - (iii) his business occupation;
 - (iv) the bodies (other than the society) of which he is a director, if any;
- (v) his date of birth; and
 - (vi) his date of appointment as director; and
- (b) in relation to each person who was, at the end of the financial year with which it deals, an officer (but not a director) of the society—
 - (i) his name;
 - (ii) his business occupation; and
 - (iii) the bodies of which he is a director, if any.

(2) The annual business statement of a society shall state, in relation to each person who was, at the end of the financial year with which it deals, a director or the chief executive of the society, particulars of his service contract (if any) with the society.

(3) The annual business statement of a society shall state particulars of any arrangement entered into during the financial year with which it deals whereby—

- (a) a director of the society or a person connected with him acquired, or arranged to acquire, any non-cash asset from a relevant body, or
- (b) a relevant body acquired, or arranged to acquire, any non-cash asset from a director of the society or a person connected with him,

and for the purposes of this subparagraph “non-cash asset” and “connected with” shall be construed in accordance with Part VII (Management of Societies) of the Act, and “relevant body” means the society or any subsidiary undertaking of the society.

Average rates

4.—(1) Subject to the following provisions of this paragraph, the annual business statement of a society shall state the following particulars in respect of the society, in relation to the financial year with which it deals, with regard to each of the major categories of interest bearing assets and liabilities:

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- (a) the average amount outstanding during the financial year;
- (b) the interest earned on such assets;
- (c) the interest paid on such liabilities;
- (d) the average yield on such assets; and
- (e) the average rate paid on such liabilities.

(2) Where the society is a group accounts society, the particulars required to be stated by subparagraph (1) in respect of the society shall be stated in respect of the society and its subsidiary undertakings, but this subparagraph shall not be taken to prohibit the stating in addition by a society of those particulars in relation to the society alone.

(3) The annual business statement shall include an explanation of what is represented by each of the particulars referred to in subparagraph (1) and, where subparagraph (2) applies, a statement of the basis on which particulars are stated by virtue of that subparagraph.

(4) In this paragraph—

- (a) the major categories of interest bearing assets are—
 - (i) liquid assets, and
 - (ii) secured advances;
- (b) the major categories of interest bearing liabilities are—
 - (i) retail funds and deposits, and
 - (ii) non-retail funds and deposits;
- (c) “the average amount outstanding during the financial year”, in respect of each major category of interest bearing assets and liabilities, shall be calculated on a reasonable basis by reference to the amounts attributable to that balance sheet category throughout that year, and for this purpose the amount attributable to secured advances shall be the aggregate of the amounts in Asset items 2, 3, 4(a) and 4(c) of the balance sheet in Part I, or, in the case when group accounts are used, Part II of Schedule 2;
- (d) “the interest earned”, in respect of each major category of interest bearing assets, means the amount (or aggregate amount) included within interest receivable in the income and expenditure account which is attributable to that category as calculated in accordance with paragraph (c);
- (e) “the interest paid”, in respect of each major category of interest bearing liabilities, means the amount included within interest payable in the income and expenditure account which is attributable to that category as calculated in accordance with paragraph (c);
- (f) “the average yield”, in respect of each major category of interest bearing assets, means the amount (or aggregate amount) in paragraph (d) attributable to that category as a percentage of the amount in paragraph (c) attributable to that category; and
- (g) “the average rate paid”, in respect of each major category of interest bearing liabilities, means the amount in paragraph (e) attributable to that category as a percentage of the amount in paragraph (c) attributable to that category.

(5) With regard to subparagraph (4)(c), the basis of calculation used in each case shall be stated in the annual business statement.

(6) In subparagraph (4)(c) “reasonable” shall be defined in accordance with section 74(5) of the Act.

Information about new activities

5.—(1) The annual business statement of a society shall state, in respect of each adopted power of the society which has been exercised by the society for the first time during the financial year with which the annual business statement deals, the fact that it has been so exercised.

(2) In determining for the purposes of subparagraph (1) whether a power has been exercised by a society, the society shall be treated as including its associated bodies.

SCHEDULE 10

Regulation 10

SUMMARY FINANCIAL STATEMENT

PART I

FORMAT OF SUMMARY FINANCIAL STATEMENT

SECTION A

*PRESCRIBED FORM OF STATEMENT FOR THE
PURPOSES OF SECTION 76(4) OF THE ACT*

1. his summary financial statement is only a summary of information in the annual accounts, directors' report and annual business statement.
2. In so far as this summary financial statement summarises the information in the annual accounts, that information has been audited.
3. The annual accounts, directors' report and annual business statement will be available to members and depositors on demand at every office of ... [NOTE 1] from/after [NOTE 2] ... [NOTE 3]. NOTE 1 : Insert name of society. NOTE 2 : Delete as appropriate. NOTE 3 : Insert appropriate date.

SECTION B

FORMAT OF SUMMARY DIRECTORS' REPORT

1. Summary review of the business.
2. Summary review of events.
3. Summary indication of likely developments.

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SECTION C

FORMAT OF SUMMARY STATEMENT

RESULTS FOR THE YEAR	THIS YEAR	LAST YEAR
	£	£
1. Profit/Loss [NOTE 1] for the year after taxation		
FINANCIAL POSITION AT END OF YEAR		
Assets		
2. Liquid assets		
3. Mortgages		
4. Other commercial assets		
5. Fixed and other assets		
Liabilities		
6. Shares		
7. Deposits [NOTE 2]		
8. Other liabilities		
9. Reserves		
10. Other capital (including revaluation reserve) [NOTE 3]		

NOTE 1 : Delete as appropriate

NOTE 2 : Add “and loans” where required for consistency with balance sheet.

NOTE 3 : “(including revaluation reserve)” may be deleted where appropriate, or the heading may be replaced by “Revaluation reserve” where the balance sheet in the annual accounts contains no other category of “Other capital”.

SECTION D

FORMAT OF SUMMARY OF KEY FINANCIAL RATIOS

	THIS YEAR	LAST YEAR
	%	%
1. As percentage of share and deposit [NOTE 1] liabilities—		

NOTE 1 : For “share and deposit” substitute “share, deposit and loan” where required for consistency with balance sheet. NOTE 2 : Delete as appropriate.

	THIS YEAR	LAST YEAR
	%	%
(a) Gross capital		
(b) Free capital		
2. As percentage of total assets—		
Liquid assets		
3. As percentage of average reserves—		
(a) Profit/Loss [NOTE 2] for the year before extraordinary items		
(b) Profit/Loss [NOTE 2] for the year		
4. As percentage of average total assets—		
(a) Profit/Loss [NOTE 2] for the year before extraordinary items		
(b) Profit/Loss [NOTE 2] for the year		
NOTE 1 : For “share and deposit” substitute “share, deposit and loan” where required for consistency with balance sheet. NOTE 2 : Delete as appropriate.		

PART II

PROVISIONS APPLICABLE TO PART I

1. n section B of Part I—
 - (a) the summary review of the business shall comprise—
 - (i) in the case of a single accounts society, a summary review of the business of the society during, and a commentary on its financial position at the end of, the relevant year, and
 - (ii) in the case of a group accounts society, a summary review of the business of the society and its subsidiary undertakings during, and a commentary on their financial position at the end of, the relevant year;
 - (b) the summary review of events shall comprise a summary review of the events during the relevant year considered by the directors of the society to have an important effect—
 - (i) in the case of a single accounts society, on the society, and
 - (ii) in the case of a group accounts society, on the society and its subsidiary undertakings; and
 - (c) the summary indication of likely developments shall comprise a summary indication of the opinion of the directors of the society as to the developments considered by them to be likely to happen—
 - (i) in the case of a single accounts society, in the business of the society, and

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(ii) in the case of a group accounts society, in the business of the society and its subsidiary undertakings.

2. In sections C and D of Part I “year” means “financial year”, “this year” means the relevant year, and “last year” means the financial year preceding the relevant year.

3. Any amount or percentage required to be included in section C or D of Part I in the column headed “LAST YEAR” is required to be included for the purposes of assisting the assessment of the corresponding amount or percentage in the column headed “THIS YEAR” and accordingly shall, where it is derived from an amount in annual accounts adjusted in accordance with Regulation 3(6)(b), be derived from that amount as so adjusted.

4. Sections C and D of Part I shall all be completed—

- (a) in relation to a single accounts society, in relation to the society, and
- (b) in relation to a group accounts society, in relation to the society and its subsidiary undertakings.

5. Subject to paragraph 3, in section C of Part I—

- (a) item 1 shall be derived from item 21 in Part I, or, as the case may be, item 24 in Part II, of Schedule 1,
- (b) item 2 shall be derived from item 1 in Part I, or, as the case may be, Part II, of Schedule 2,
- (c) item 3 shall be derived from items 2 and 3 in Part I, or, as the case may be, Part II, of Schedule 2,
- (d) item 4 shall be derived from item 4 in Part I, or, as the case may be, Part II, of Schedule 2,
- (e) item 5 shall be derived from items 5, 6, 7 and 8 in Part I, or, as the case may be, items 5, 6, 7, 8 and 9 in Part II, of Schedule 2,
- (f) item 6 shall be derived from items 10(a) and 11(d) in Part I, or, as the case may be, items 11(a) and 12(d) in Part II, of Schedule 2,
- (g) item 7 shall be derived from items 10(b) and 11(a) to (c) in Part I, or, as the case may be, items 11(b) and 12(a) to (c) in Part II, of Schedule 2,
- (h) item 8 shall be derived from items 12, 13 and 14 in Part I, or, as the case may be, items 13, 14 and 15 in Part II, of Schedule 2,
- (i) item 9 shall be derived from item 18 in Part I, or, as the case may be, item 19 in Part II of Schedule 2, and
- (j) item 10 shall be derived from items 15, 16 and 17 in Part I, or, as the case may be, items 16, 17, 18 and 20 in Part II, of Schedule 2.

6. Unless there are no extraordinary items in the income and expenditure accounts for the relevant year and the previous financial year, there shall be disclosed in a note to the Summary Statement (the format of which is set out in section C of Part I) whether there are any extraordinary items in the income and expenditure account for the relevant year and, if there are, a summary statement of them.

7. Subject to paragraph 3, in section D of Part I—

- (a) item 1 shall be derived from the particulars required to be stated in the annual business statement by paragraph 2(1)(a) of Schedule 9,
- (b) item 2 shall be derived from the particulars required to be stated in the annual business statement by paragraph 2(1)(b) of Schedule 9, and
- (c) in items 3 and 4—

- (i) where there is no extraordinary profit or loss shown in the income and expenditure account for the relevant year and the previous financial year, item 3(a) and item 4(a) are not required to be included,
- (ii) where item 3(a) and item 4(a) are included, the profit or loss for the year before extraordinary items to be used as a factor in that item shall be derived from item 14 in Part I, or, as the case may be, item 16 in Part II, of Schedule 1,
- (iii) the profit or loss for the year to be used as a factor in item 3(b) and item 4(b) shall be derived from item 21 in Part I, or, as the case may be, item 24 in Part II of Schedule 1,
- (iv) average reserves to be used in calculating items 3(a) and 3(b) shall be determined on an equivalent basis to that used for “mean reserves” for the annual business statement as set out in paragraph 2 of Schedule 9, and
- (v) average total assets to be used in calculating items 4(a) and 4(b) shall be determined on an equivalent basis to that used for “mean total assets” for the annual business statement as set out in paragraph 2 of Schedule 9.

8. The basis used for calculating “average reserves” as defined in paragraph 7(c)(iv) shall be disclosed as a note to the Summary of Key Financial Ratios, the format of which is in section D of Part I of this Schedule.

9. The basis used for calculating “average total assets” as defined in paragraph 7(c)(v) shall be disclosed as a note to the summary of Key Financial Ratios the format of which is in section D of this Schedule.

10. In this Schedule “relevant year”, in relation to a summary financial statement of a society, means the financial year of the society with which the summary financial statement deals.

SCHEDULE 11

Regulation 11

INTERPRETATION OF SCHEDULES

1. The following paragraphs apply for the purposes of the interpretation of the Schedules to these Regulations. Balance sheet date 2. “Balance sheet date”, in relation to a balance sheet, means the date as at which the balance sheet was prepared.

Capital

3.—(1) “Gross capital” means reserves as shown in the balance sheet plus any subordinated liabilities, loan capital, subscribed capital, revaluation reserves and minority interests, where applicable, as shown in the balance sheet.

(2) “Free capital” means the aggregate of gross capital and general provisions for bad and doubtful debts less intangible fixed assets and tangible fixed assets, as shown in the balance sheet. Leases 4. In respect of leases—

“long lease” means a lease in the case of which the portion of the term for which it was granted remaining unexpired at the end of the financial year is not less than 50 years, “short lease” means a lease which is not a long lease, and “lease” includes an agreement for a lease. Listed securities 5. “Listed security” means a security listed on a recognised stock exchange or on any stock exchange of repute outside the United Kingdom and the expression “unlisted security” shall be construed accordingly. Loans 6. A loan is treated as falling due for repayment, and an instalment of a loan is treated as falling due for payment, on the earliest date on which the lender could require repayment or (as the case may be) payment, if he exercised all options and rights available to him. Materiality 7. No provision of these Regulations requiring the inclusion

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of amounts in a particular account, or in notes to the annual accounts (other than paragraphs 4 to 14 and 42 of Schedule 5), shall be taken to prohibit the disregarding of an amount which, in the particular context of that provision, is immaterial.

Participating interest

8. “Participating interest” has the meaning given to that phrase in section 260 of the Companies Act 1985⁽³²⁾.

Provisions

9.—(1) References to provisions for depreciation or diminution in value of assets are to be taken as references to any amount written off by way of providing for depreciation or diminution in value of assets.

(2) Any reference in an income and expenditure account to the depreciation of, or amounts written off, assets of any description is to be taken as a reference to any provision for depreciation or diminution in value of assets of that description.

(3) References to provisions for liabilities and charges are to be taken as a reference to any amount retained as reasonably necessary for the purpose of providing for any liability or loss which is either likely to be incurred, or certain to be incurred but uncertain as to amount or as to the date on which it will arise.

Scots land tenure

10. In the application of these Regulations in Scotland, “land of freehold tenure” means land in respect of which the society, (or, as the case may be, a subsidiary undertaking of the society), is the proprietor of the dominium utile or, in the case of land not held on feudal tenure, is the owner, and “land of leasehold tenure” means land of which the society (or, as the case may be, a subsidiary undertaking of the society) is the tenant under a lease.

Staff costs

11.—(1) “Social security costs” means any contribution by the society to any state social security or pension scheme, fund or arrangement.

(2) “Pension costs” includes any other contributions by the society for the purposes of any pension scheme established for the purpose of providing pensions for persons employed by the society, any sums set aside for that purpose, and any amounts paid by the society in respect of pensions without first being set aside.

(3) Any amount stated in respect of either of the above items or in respect of the item “wages and salaries” in the society’s income and expenditure account shall be determined by reference to payments made or costs incurred in respect of all persons employed by the society during the financial year.

Amounts repayable

12. Only those amounts which can at any time be withdrawn without notice or for which a maturity or period of notice of twenty-four hours or one working day has been agreed shall be regarded as repayable on demand.

(32) 1985 c. 6. Section 260 of the Companies Act 1985 was inserted by section 22 of the Companies Act 1989.

Other definitions

13. In the Schedules to these Regulation—

“debt securities” means any debt evidenced by any bill of exchange, bond, certificate of deposit, commercial paper, debenture, debenture stock, note or stock which is either listed on a stock exchange, or traded on a money market supervised by a central bank or a government agency of any member State of the European Community or of Canada, Japan, Sweden, Switzerland and the United States of America;

“financial fixed assets” means securities held as fixed assets; participating interests and shareholdings in subsidiary undertakings shall always be regarded as financial fixed assets;

“fixed assets” means assets of a society which are intended for use on a continuing basis in the society’s activities, and “current assets” means assets not intended for such use;

“liquid asset” means an asset which a society is, by virtue of section 21 of the Act (liquid assets) and of regulations for the time being in force under that section empowered to hold for the purpose of meeting its liabilities as they arise;

“retail funds and deposits” means those funds and deposits of a society which—

- (a) come within section 7 (power to raise funds and borrow money) of the Act, and
- (b) are not, by virtue of that section, classified as non-retail funds and deposits, and includes, in the case of a society which has made an effective election for the purposes of subsection (5) of that section, those funds and deposits which would, but for that election, be classified as non-retail;

“sale and repurchase transaction” means a transaction which involves the transfer by a credit institution or a customer (the “transferor”) to another credit institution or customer (the “transferee”) of assets subject to an agreement that the same assets, or, in the case of fungible assets, equivalent assets will subsequently be transferred back to the transferor at a specified price on a date specified or to be specified by the transferor; but forward exchange transactions, options, transactions involving the issue of debt securities with a commitment to repurchase all or part of the issue before maturity or any similar transactions shall not be regarded as sale and repurchase transactions;

“subordinated loan capital” means, in respect of a society, any liability (not being a liability in respect of a share) specified in an order for the time being in force under section 45(5) of the Act (capital resources which may be aggregated with reserves for certain purposes);

“third party” means a person who is neither the society nor a body corporate associated with it; and “undertaking” has the meaning given to that word in section 259(1) of the Companies Act 1985.**(33)**

EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations revoke and replace with effect 1st January 1993 the Building Societies (Accounts and Related Provisions) Regulations 1987. They prescribe the format and content of the annual

(33) Section 259 of the Companies Act 1985 (c. 6.) was inserted by section 1 and 22 of the Companies Act 1989 (c. 40).

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accounts which must be prepared in respect of building societies or of building societies and their subsidiary undertakings as a whole, as appropriate. These accounts comprise an income and expenditure account, a balance sheet and a statement of the source and application of funds; there is also provision for notes to the annual accounts and accounting principles and rules.

The new Regulations are required principally in order to implement Council Directive [86/635/EEC\(34\)](#) on the Annual Accounts and Consolidated Accounts of Banks and Other Financial Institutions, in so far as that Directive is applicable to building societies to which Part VIII of the Building Societies Act 1986 applies.

The principal changes effected as a result of the Directive are—

- (i) the introduction in Schedule 4 to the Regulations of rules concerning the methods to be used in producing consolidated accounts, which to a large extent reflect existing accounting practices;
 - (ii) a requirement for societies to use the interim accounts of subsidiary undertakings for the purpose of preparing group accounts, where the last financial year end of the subsidiary undertaking is more than 3 months before the year end of the society;
 - (iii) the introduction in Schedule 6 to the Regulations of detailed disclosure requirements in respect of subsidiary undertakings and other associated bodies, the requirements to a large extent reflect existing accounting practice;
 - (iv) the introduction of rules regarding the accounting for transactions denominated in foreign currencies;
- (v) a requirement to analyse various categories of commercial assets according to their maturity;
 - (vi) the introduction of detailed rules regarding the valuation of liquid assets, with the method of valuation in respect of transferable securities being dependent on whether the securities are financial fixed assets (ie intended for use on a continuing basis in the normal course of the society's activities) or otherwise;
 - (vii) a requirement to include certain commitments and contingencies on the balance sheet as memorandum items, together with increased disclosure requirements in the notes to the accounts in respect of such items.

The Regulations make a number of relatively minor changes to correct anomalies in the Regulations being revoked and to reflect parallel changes in the requirements for companies : the principal such changes are—

- (i) the amendment of the profit ratio shown in the Summary Financial Statement so that it is based on average mean reserves and not average gross capital, and is shown on a consistent basis with the more appropriate ratio given in the Annual Business Statement;
- (ii) the removal of the prescribed method for calculating average balances for determining the ratios required for the Annual Business Statement. Average balances will henceforth be calculated on a “reasonable” basis, with disclosure of the basis used being required.
- (iii) the addition of a requirement that profits and losses on financial transactions which are similar in nature to interest and spread over the actual duration of the contract involved, be included within “interest payable” or “interest receivable” in the income and expenditure account. All other income from financial instruments will continue to be included within “other income and charges”;
- (iv) a requirement that payments to appointed agencies be included within “administrative expenses”.

(34) O.J. L.372 of 31.12.86.

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