

1999 No. 248

BUILDING SOCIETIES

**The Building Societies (Contents of Accounts) Regulations
1999**

Made - - - - - *8th February 1999*
Laid before Parliament *10th February 1999*
Coming into force *23rd March 1999*

The Building Societies Commission, with the consent of the Treasury, in exercise of the powers conferred on it by sections 72(7)(d) and (8), and 73(6), (7) and (8) of the Building Societies Act 1986(a), 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 (Contents of Accounts) Regulations 1999 and shall come into force on 23rd March 1999.

Interpretation

2. In these Regulations—

“the 1986 Act” means the Building Societies Act 1986; and

“the 1998 Regulations” means the Building Societies (Accounts and Related Provisions) Regulations 1998(b).

Amendments

3. The 1986 Act and the 1998 Regulations are amended as specified in the Schedule.

Transitional provision

4. A building society shall prepare, with respect to a financial year which ends after the operative date of the 1998 Regulations for it under regulation 12(6) of those Regulations and before 23rd March 1999, the statement of the source and application of funds which it would have been required to prepare had these Regulations not been made.

In witness whereof the common seal of the Building Societies Commission is hereto affixed, and is authenticated by me, a person authorised under paragraph 14 of Schedule 1 to the Building Societies Act 1986, on 4th February 1999.

G.S. Johnson
Secretary to the Commission

We consent to this Order.



Bob Ainsworth
Jim Dowd
Two of the Lords Commissioners of
Her Majesty's Treasury

8th February 1999

(a) 1986 c. 53; section 72 was amended by S.I. 1991/1729 and section 73 was amended by section 43 of and Schedule 7 to the Building Societies Act 1997 (c. 32).
(b) S.I. 1998/504.

AMENDMENTS

Building Societies Act 1986

1. The 1986 Act is amended as follows.

2.—(1) In subsection (1) of section 72 (duty of directors to prepare annual accounts) immediately preceding paragraph (b) there is inserted the word “and” and paragraph (c) of that subsection and the word “and” immediately preceding it are omitted.

(2) In subsection (2) of that section for the words “, the state of the affairs and the source and application of the funds,” there are substituted the words “and the state of the affairs”.

(3) Subsection (4) of that section is hereby repealed.

3.—(1) Subsection (4) of section 73 (contents and form of annual accounts) is hereby repealed.

(2) In subsection (5) of that section for “(2), (3) and (4)” there is substituted “(2) and (3)”.

(3) In subsection (9) of that section for “(2), (3) or (4)” there is substituted “(2) or (3)”.

4. In subsection (4) of section 78 (auditors’ report) immediately preceding paragraph (b) there is inserted the word “and” and paragraph (c) of that subsection and the word “and” immediately preceding it are omitted.

5.—(1) In subsection (2) of section 80 (signing of balance sheet: documents to be annexed) the words “, the statement of the source and application of the funds” are omitted.

(2) In subsection (3) of that section the words “, the statement of the source and application of the funds” are omitted.

(3) In subsection (6) of that section paragraph (b) is omitted.

Building Societies (Accounts and Related Provisions) Regulations 1998

6. The 1998 Regulations are amended as follows.

7. In the definition of “particular account” in regulation 2 for the words “, a balance sheet, or a statement of the source and application of funds” there are substituted the words “or a balance sheet”.

8.—(1) Immediately preceding paragraph (1)(b) of regulation 3 there is inserted the word “and” and paragraph (1)(c) of that regulation and the word “and” immediately preceding it are omitted.

(2) Immediately preceding paragraph (2)(b)(iv) of regulation 3 there is inserted the word “and” and paragraph (2)(b)(v) of that regulation and the word “and” immediately preceding it are omitted.

(3) In paragraph (5) of regulation 3 for “1, 2 or 3” there is substituted “1 or 2”.

(4) Immediately preceding paragraph (5)(a)(ii) of regulation 3 there is inserted the word “and” and paragraph (5)(a)(iii) of that regulation and the word “and” immediately preceding it are omitted.

(5) In paragraph (6) of regulation 3 for “1, 2 or 3” there is substituted “1 or 2”.

(6) In paragraph (7)(a) of regulation 3 for the words “, income and expenditure account and statement of the source and application of funds” there are substituted the words “and income and expenditure account”.

9.—(1) In paragraph (1) of regulation 4 the words “, the statement of the source and application of funds” are omitted.

(2) In paragraph (2) of regulation 4 for the words “, the balance sheet and the statement of the source and application of funds” there are substituted the words “and the balance sheet”.

(3) In paragraph (3) of regulation 4 for “(2), (3), and (4)” there is substituted “(2) and (3)”.

(4) In paragraph (12) of regulation 4 for “(2), (3) and (4)” there is substituted “(2) and (3)”.

10. In paragraph (4) of regulation 12 after the word “made” there are inserted the words “subject only to the omission of the statement of the source and application of funds from the annual accounts for a financial year which ends after 22nd March 1999”.

11. Schedule 3 is omitted.

12.—(1) In paragraph 1(1) of Schedule 4 for the words “, the consolidated balance sheet and the consolidated statement of the source and application of funds” there are substituted the words “and the consolidated balance sheet”.

(2) In paragraphs 2(3) and 5(4) of Schedule 4 for “(2), (3) and (4)” there is substituted “(2) and (3)”.

13.—(1) In paragraph 1(1) of Schedule 5 for the words “, the balance sheet and the statement of the source and application of funds” there are substituted the words “and the balance sheet”.

(2) In paragraph 2 of Schedule 5 for the words “, income and expenditure account or statement of source and application of funds” there are substituted the words “or income and expenditure account”.

14. In paragraphs 3(3), 7(4), 11(3), 15(3), 18(3) and 20 of Schedule 6 for “(2), (3) and (4)” there is substituted “(2) and (3)”.

EXPLANATORY NOTE

(This note is not part of the Order)

As from 23rd March 1999 building societies will become subject to the Accounting Standards Board's Financial Reporting Standard 1. Most other corporate bodies have been subject to the Standard since 1992. It will require societies to produce a cash flow statement as part of their annual accounts. Failure to produce such statements is likely to result in a qualified audit opinion from societies' auditors. A cash flow statement provides information on cash generation and absorption. Its aim is similar to that of the statement of the source and application of funds which building societies have been required to prepare as part of their annual accounts under section 72(1) of the Building Societies Act 1986, and which the cash flow statement has effectively replaced in accounting practice. The statutory requirement for building societies to prepare a statement of the source and application of funds is therefore no longer needed and the requirement under the Standard to produce a cash flow statement will suffice.

These Regulations amend section 72 of the 1986 Act by removing the requirement to prepare a statement of the source and application of funds and make incidental amendments to sections 73, 78 and 80 of the Act consequential on the amendment of section 72. The Regulations also amend the Building Societies (Accounts and Related Provisions) Regulations 1998 by removing references to the statement of the source and application of funds while preserving the requirement to include such a statement in accounts for financial years ending before 23rd March 1999 by a transitional provision.

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