
EXPLANATORY NOTE

(This note is not part of the Order)

This Order makes provision to give effect to:

Regulation (EC) 1606/2002 of the European Parliament and of the Council, on the application of international accounting standards (OJ L 243, 11/09/2002 pp.1 – 4) (“the IAS Regulation”) in relation to friendly societies; and

Parts of Directive 2003/51/EC of the European Parliament and of the Council amending Directives 78/660/EEC, 83/349/EEC, 86/635/EEC and 91/674/EEC as regards modernising the annual and consolidated accounts of certain types of companies, banks and other financial institutions to bring the preparation of those accounts more into line with international accounting standards (OJ L 178, 17/07/2003, pp.16 – 22) (“the Modernisation Directive”), in relation to friendly societies.

The parts of the Modernisation Directive implemented by this Order are those which require amendments to be made to the Friendly Societies Act 1992. The remainder of the directive will be implemented for friendly societies by amendments to the Friendly Societies (Accounts and Related Provisions) Regulations 1994 (S.I.1994/1983).

This Order amends Part 6 of the Friendly Societies Act 1992 (“the 1992 Act”) which deals with accounts and audit. Article 2 inserts new sections 69A to 69I into the 1992 Act which give full effect to the IAS Regulation and Member State options in it, by enabling all friendly societies to use adopted international accounting standards to prepare their individual and their group accounts.

Part 3 of the Order modifies the requirements regarding the contents of the annual report and the contents of the auditors' report.

Part 4 of the Order contains transitional provisions.

The Schedule contains consequential amendments of the 1992 Act, including new sections 69J and 69 K which impose requirements on friendly societies to disclose information in the notes to their accounts –

- in relation to benefits paid to members of the committee;
- in relation to employees of the society; and
- in relation to bodies that are connected to the society.

The details of the information required are set out in two new Schedules to the 1992 Act, Schedules 13D and 13E. These requirements were previously included in the Friendly Societies (Accounts and Related Provisions) Regulations 1994. They have now been included in the Act so that these requirements continue to apply to those societies that produce their accounts in accordance with adopted international accounting standards.

A regulatory impact assessment has been prepared in relation to this Order. A copy may be obtained from the General Insurance, Mutuals and Inclusion Team, HM Treasury, 1 Horse Guards Road, London SW1A 2HQ. A copy of the transposition note showing how the main provisions of this Directive (as it applies to friendly societies) will be transposed into UK law is available from the same address. Both documents are also available on the Treasury website (www.hm-treasury.gov.uk). Copies of both these documents have been placed in the library of both Houses of Parliament.