

## SCHEDULE 1

### PART III

#### PROVISIONS APPLICABLE TO PARTS I AND II

1.—(1) Item 1(a) in each of Parts I and II shall include—

- (a) all income from assets entered under Asset item B in the balance sheet in the corresponding Part of Schedule 2, however calculated; and
- (b) interest receivable on—
  - (i) in the case of Part I, loans within Asset items C. 2 and C. 3; and
  - (ii) in the case of Part II, loans within Asset items C. 2 to C. 4.

(2) Item 1(b) and (c) in each of Parts I and II shall include interest, other income and profits net of losses arising from liquid assets, except to the extent that they are included in item 7 in Parts I and II in accordance with paragraph 4 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 7 in each of 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) and (c) in each case.

(3) 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).

(4) 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.

(5) The total amount of income from fixed income securities included in item 1 in each Part shall be disclosed in a note to the accounts.

2.—(1) Items 2(a)(i) and 2(a)(ii) in each of Parts I and II shall include all charges arising, respectively, out of liabilities shown under Liability item A in the corresponding Part of Schedule 2.

(2) Item 2(b) in each Part shall include all charges arising out of liabilities shown under Liability items B, C, D and H in the corresponding Part of Schedule 2.

(3) Item 2 in each Part shall include fees and commissions 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).

(4) 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.

3.—(1) Item 5 in each of 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 6 shall include charges for the use of services of third parties, apart from fees and commissions required to be included 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;

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- (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 sub-paragraph (1) but would also be capable of being included within an item other than those referred to in that sub-paragraph shall be included within items 5 and 6 in Parts I and II as appropriate.

(3) Appointed agency payments shall be included within item 9(b) in each Part.

(4) For the purposes of sub-paragraphs (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.

4. Item 7 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 paragraphs 1(4) and 2(4), under items 1 and 2 in each of Parts I and II.

5. Item 10 in each of Parts I and II shall comprise—

- (a) amortisation and other amounts written off Asset item D; and
- (b) depreciation and other amounts written off Asset item E,

in the corresponding Part of Schedule 2.

6. Item 12(a) in each of Parts I and II shall comprise charges for amounts written off and for provisions made in respect of loans and advances to customers shown under Asset item B in the corresponding Part of Schedule 2.

7. Item 12(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 A and B in the corresponding Part of Schedule 2.

8. Item 13(a) in each of Parts I and II shall include credits from the recovery of loans and advances to customers shown under Asset item B in the corresponding Part of Schedule 2 and which have been previously written off, or were written back following earlier write offs, and from the reduction of provisions previously made with respect to such loans and advances.

9. Item 13(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.

10. Item 14 in each of Parts I and II 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 A.2 to A.4 and C in the corresponding Part of Schedule 2.

11. Item 15 in each of Parts I and II shall include amounts written back following earlier write offs and provisions in respect of transferable securities held as financial fixed assets, participating interests and subsidiary undertakings and which are included in Asset items A.2 to A.4 and C in the corresponding Part of Schedule 2.

12. In this Schedule “financial instrument” means—

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- (a) in relation to Parts I and II, an instrument concerning a transaction described in subsections (2) to (4) of section 9A of the Act<sup>(1)</sup> (restrictions on certain transactions); and
- (b) 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.

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

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(1) Section 9A was inserted by section 10 of the Building Societies Act 1997.