

SCHEDULE 2

Regulation 3

PART I

FORMAT OF SOCIETY BALANCE SHEET

Assets

A. LIQUID ASSETS

1. Cash in hand and balances with the Bank of England
2. Treasury bills and other eligible bills
 - (a) Treasury bills and similar securities
 - (b) Other eligible bills
3. Loans and advances to credit institutions
 - (a) Repayable on demand
 - (b) Other loans and advances
4. Debt securities [and other fixed income securities]
 - (a) Issued by public bodies
 - (b) Issued by other borrowers
5. Other liquid assets

B. LOANS AND ADVANCES TO CUSTOMERS

1. Loans fully secured on residential property
2. Other loans
 - (a) Loans fully secured on land
 - (b) Other loans

C. INVESTMENTS

1. Equity shares [and other variable yield securities]
2. Participating interests
 - (a) Credit institutions
 - (b) Other participating interests
3. Investments in subsidiary undertakings
 - (a) Credit institutions
 - (b) Other subsidiary undertakings
4. Other investments

D. INTANGIBLE FIXED ASSETS

E. TANGIBLE FIXED ASSETS

- (a) Land and buildings
- (b) Plant and machinery
- (c) Equipment, fixtures, fittings and vehicles

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(d) Payments on account and assets in the course of construction

F. OTHER ASSETS

G. PREPAYMENTS AND ACCRUED INCOME

H. TOTAL ASSETS

Liabilities

A. SHARES

(a) Held by individuals

(b) Other shares

B. AMOUNTS OWED TO CREDIT INSTITUTIONS

(a) Repayable on demand

(b) With agreed maturity dates or periods of notice

C. AMOUNTS OWED TO OTHER CUSTOMERS

(a) Repayable on demand

b) With agreed maturity dates or periods of notice

D. DEBT SECURITIES IN ISSUE

(a) Certificates of deposit

(b) Fixed and floating rate notes

(c) Other debt securities

E. OTHER LIABILITIES

(a) Income tax

(b) Corporation tax

(c) Other creditors

F. ACCRUALS AND DEFERRED INCOME

G. PROVISIONS FOR LIABILITIES AND CHARGES

(a) Provisions for pensions and similar obligations

(b) Provisions for tax

(c) Other provisions

H. SUBORDINATED LIABILITIES

I. SUBSCRIBED CAPITAL

J. REVALUATION RESERVE

K. RESERVES

(a) General reserves

(b) Other reserves

L. TOTAL LIABILITIES

Memorandum items

A. CONTINGENT LIABILITIES

- (a) Acceptances and endorsements
 - (b) Guarantees and assets pledged as collateral security
 - (c) Other contingent liabilities
- B. COMMITMENTS**
- (a) Commitments arising out of sale and repurchase transactions
 - (b) Other commitments

PART II

FORMAT OF CONSOLIDATED BALANCE SHEET

Assets

- A. LIQUID ASSETS**
- 1. Cash in hand and balances with the Bank of England
 - 2. Treasury bills and other eligible bills
 - (a) Treasury bills and similar securities
 - (b) Other eligible bills
 - 3. Loans and advances to credit institutions
 - (a) Repayable on demand
 - (b) Other loans and advances
 - 4. Debt securities [and other fixed income securities]
 - (a) Issued by public bodies
 - (b) Issued by other borrowers
 - 5. Other liquid assets
- B. LOANS AND ADVANCES TO CUSTOMERS**
- 1. Loans fully secured on residential property
 - 2. Other loans
 - (a) Loans fully secured on land
 - (b) Other loans
- C. INVESTMENTS**
- 1. Equity shares [and other variable yield securities]
 - 2. Interests in associated undertakings
 - (a) Credit institutions
 - (b) Other associated undertakings
 - 3. Other participating interests
 - (a) Credit institutions
 - (b) Other participating interests
 - 4. Investments in unconsolidated subsidiary undertakings

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- (a) Credit institutions
- (b) Other subsidiary undertakings
- 5. Other investments
- D. INTANGIBLE FIXED ASSETS**
- E. 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
- F. OTHER ASSETS**
- G. PREPAYMENTS AND ACCRUED INCOME**
- H. TOTAL ASSETS**

Liabilities

- A. SHARES**
 - (a) Held by individuals
 - (b) Other shares
- B. AMOUNTS OWED TO CREDIT INSTITUTIONS**
 - (a) Repayable on demand
 - (b) With agreed maturity dates or periods of notice
- C. AMOUNTS OWED TO OTHER CUSTOMERS**
 - (a) Repayable on demand
 - (b) With agreed maturity dates or periods of notice
- D. DEBT SECURITIES IN ISSUE**
 - (a) Certificates of deposit
 - (b) Fixed and floating rate notes
 - (c) Other debt securities
- E. OTHER LIABILITIES**
 - (a) Income tax
 - (b) Corporation tax
 - (c) Other creditors
- F. ACCRUALS AND DEFERRED INCOME**
- G. PROVISIONS FOR LIABILITIES AND CHARGES**
 - (a) Provisions for pensions and similar obligations
 - (b) Provisions for tax
 - (c) Other provisions
- H. SUBORDINATED LIABILITIES**
- I. SUBSCRIBED CAPITAL**

J. REVALUATION RESERVE

K. RESERVES

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

L. MINORITY INTERESTS

M. TOTAL LIABILITIES

Memorandum items

A. CONTINGENT LIABILITIES

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

B. COMMITMENTS

- (a) Commitments arising out of sale and repurchase transactions
- (b) Other commitments

PART III

PROVISIONS APPLICABLE TO PARTS I AND II

1. In respect of Asset items A.2 to A.4 and B and Liability items B to D and H, 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 Part II, claims on, or liabilities to, any unconsolidated subsidiary undertakings; and
- (c) in the case of such items in both Parts I and II, claims on, or liabilities to, any undertaking in which the society has a participating interest (including, in the case of a group accounts society, any associated undertaking).

2.—(1) 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.

(2) The amounts required to be shown in respect of paragraph 1 shall be further subdivided to show the amounts of any assets or liabilities which are subordinated.

(3) For the purposes of sub-paragraphs (1) and (2), 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 A in each of Parts I and II.

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

- (a) banknotes or coinage of any country or territory;

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(b) deposits with the Bank of England which may be withdrawn without notice; all other claims on central or post office banks shall be included in Asset item A.3 or B.

(3) There shall be included in Asset item A.2(a) 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 A.2(b).

(4) There shall be included in Asset item A.2(b) all bills that have been purchased to the extent that they are eligible for refinancing with the Bank of England other than those bills included in Asset item A.2(a).

(5) There shall be included in Asset item A.3 all deposits with, but excluding any debt securities issued or guaranteed by, any credit institution.

(a) (6) (a) Asset item A.4 shall comprise transferable debt securities issued or guaranteed by any credit institution 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 A.2.

(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.

(e) Fixed income securities shall be included in Asset item A.4 to the extent that they are not included in Asset item A.2.

(7) 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 service, and is repayable only in the event that the property or service 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 sub-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; and

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

4. Asset item B.1 in each of Parts I and II shall comprise all loans within the term “Y” in section 6(2) of the Act(1).

5. Asset item B.2(a) in each of Parts I and II shall comprise all loans fully secured on land within the meaning of section 6B of the Act(2) other than those included under Asset item B.1.

(1) Section 6 was substituted by section 4 of the Building Societies Act 1997 (c. 32).

(2) Section 6B was inserted by section 6 of the Building Societies Act 1997.

- (a) (a) Asset item D in each of Parts I and II shall comprise—
 - (i) development costs;
 - (ii) concessions, patents, licences, trade marks and similar rights and assets;
 - (iii) goodwill; and
 - (iv) payments on account relating to intangible fixed assets.
- (b) Amounts shall be included in respect of the assets mentioned in sub-paragraph (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 D in each of Parts I and II.

7. Asset item G in each of Parts I and II 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 it shall not include accrued interest in respect of Asset items A and B in each of Parts I and II which accrued interest shall be included under those items.

8. Liability item A(a) in each of Parts I and II shall exclude shares held by individuals as bare trustees (or, in Scotland, simple trustees) for bodies corporate or for persons who include bodies corporate.

9. For the purpose of Liability item D in each of Parts I and II—

- (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; and
- (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.

10. Liability item F in each of Parts I and II 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 it shall not include accrued interest in respect of Liability items A to D in Parts I and II, which accrued interest shall be included under those items.

11.—(1) Liability item H in each of Parts I and II 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 H in each of Parts I and II and in no other such Liability item, but this requirement shall not be taken to exclude the obligation to include in Liability item H in part II subordinated liabilities of subsidiary undertakings.

12. Liability item I in each of Parts I and II shall comprise deferred shares.

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13. Memorandum item A in each of Parts I and II 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.

14. Memorandum item A(b) in each of Parts I and II 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).

15. Memorandum item B in each of Parts I and II 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).

16.—(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 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.

17.—(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 are to be included in the balance sheet, with notes to the accounts disclosing the total amount included with respect to such assets and liabilities 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.

18.—(1) Where a society (or the society and its subsidiary undertakings 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 A(b) in each of Parts I and II.