
STATUTORY INSTRUMENTS

1992 No. 359

The Building Societies (Accounts and Related Provisions) Regulations 1992

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(1);

“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;

“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(2) 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,

(1) 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).

(2) Section 72 was amended by S.I. 1991/1729.

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
 - (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⁽³⁾(definition of “parent undertaking” and “subsidiary undertaking”) as applied to building societies by The Building Societies Act 1986 (Modifications) Order 1991⁽⁴⁾ 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⁽⁵⁾.

(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⁽⁶⁾.

(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.

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

⁽³⁾ 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).

⁽⁴⁾ S.I. 1991/1729.

⁽⁵⁾ 1987 c. 22.

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

(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,⁽⁷⁾ The Building Societies (Accounts and Related Provisions) (Amendment) Regulations 1990⁽⁸⁾ and The Building Societies (Accounts and Related Provisions) (Amendment) Regulations 1991⁽⁹⁾ 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

⁽⁷⁾ S.I. 1987/2072.
⁽⁸⁾ 1990/2364.
⁽⁹⁾ 1991/2086.

Status: This is the original version (as it was originally made). This item of legislation is currently only available in its original format.

We consent to this Order.

17th February 1992

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