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PROSPECTIVE

SCHEDULE 3

Regulations 4 and 5

FORM AND CONTENT OF THE ANNUAL ACCOUNTS OF A GROUP ACCOUNTS SOCIETY

General Rules

1.—(1) The consolidated income and expenditure account and the consolidated balance sheet must incorporate in full the information contained in the individual accounts of the subsidiaries included in the consolidation, subject to the adjustments authorised or required by the following provisions of this Schedule and to such other adjustments (if any) as may be appropriate in accordance with generally accepted accounting principles or practice.

(2) If the financial year of a subsidiary included in the consolidation differs from that of the society, the group accounts must be made up:

- (a) from the accounts of the subsidiary for its financial year last ending before the end of the society's financial year, provided that year ended no more than three months before that of the society; or
- (b) from interim accounts prepared by the subsidiary as at the end of the parent society's financial year.

Commencement Information

I1 Sch. 3 para. 1 in force at 1.9.1994, see [reg. 1](#)

2.—(1) Where assets and liabilities to be included in the consolidated balance sheet have been valued or otherwise determined by a subsidiary according to accounting rules differing from those used in the annual accounts of a group accounts society, the values or amounts must be adjusted so as to accord with the rules used for the annual accounts of the group accounts society.

(2) If it appears to the committee of management of the society that there are special reasons for departing from the requirements of sub-paragraph (1) they may do so, but particulars of any such departure, the reasons for it and its effect must be given in a note to the accounts.

(3) The adjustments referred to in this paragraph need not be made if they are not material for the purpose of giving a true and fair view for the society and its subsidiary as a whole of the matters set out in subsections (2) and (3) of section 70 of the Act.

(3) Any differences of accounting rules as between a society's individual accounts for a financial year and its consolidated accounts must be disclosed in a note to the accounts and the reasons for the differences given.

(4) Amounts which in the particular context of any provision of this Schedule are not material may be disregarded for the purposes of that provision.

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I2 Sch. 3 para. 2 in force at 1.9.1994, see [reg. 1](#)

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Commencement Information

- I1** Sch. 3 para. 1 in force at 1.9.1994, see [reg. 1](#)
- I2** Sch. 3 para. 2 in force at 1.9.1994, see [reg. 1](#)

Elimination of group transactions

5.—(1) Debts and claims between subsidiaries included in the consolidation, and income and expenditure relating to transactions between such subsidiaries, must be eliminated in preparing the consolidated accounts.

(2) Where profits and losses resulting from transactions between subsidiaries included in the consolidation are included in the book value of assets, they must be eliminated in preparing the group accounts.

(3) The elimination required by subparagraph (2) may be effected in proportion to the society’s interest in the shares of the subsidiaries.

(4) Subparagraphs (1) and (2) need not be complied with:

- (a) where a transaction has been concluded according to normal market conditions and a policy holder has rights in respect of that transaction; or
- (b) if the amounts concerned are not material for the purpose of giving a true and fair view.

(5) Where advantage is taken of sub-paragraph (4)(a) above that fact must be disclosed in the notes to the accounts, and where the transaction in question has a material effect on the assets, liabilities, financial position and profit or loss of all the subsidiaries included in the consolidation that fact must also be so disclosed.

Commencement Information

- I3** Sch. 3 para. 5 in force at 1.9.1994, see [reg. 1](#)

Acquisition accounting

6.—(1) The following provisions apply where a body corporate becomes a subsidiary of the society.

(2) That event is referred to in those provisions as an “acquisition”, and references to the “body corporate acquired” must be construed accordingly.

Commencement Information

- I4** Sch. 3 para. 6 in force at 1.9.1994, see [reg. 1](#)

7. An acquisition must be accounted for by the acquisition method of accounting.

Commencement Information

- I5** Sch. 3 para. 7 in force at 1.9.1994, see [reg. 1](#)

8.—(1) The acquisition method of accounting is as follows.

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(2) The identifiable assets and liabilities of the body corporate acquired must be included in the consolidated balance sheet at their fair values as at the date of acquisition.

(3) In this paragraph the “identifiable” assets or liabilities of the body corporate acquired means the assets or liabilities which are capable of being disposed of or discharged separately, without disposing of a business of the body corporate.

(4) The income and expenditure of the body corporate acquired must be brought into the annual accounts of a group accounts society only as from the date of the acquisition.

(5) There must be set off against the acquisition cost of the interest in the shares of the body corporate held by the society and its subsidiaries, the interest of the society and its subsidiaries in the adjusted capital and reserves of the body corporate acquired, and for this purpose:

“the acquisition cost” means the amount of any cash consideration and the fair value of any other consideration, together with such amount (if any) in respect of fees and other expenses of the acquisition as the society may determine; and

“the adjusted capital and reserves” of the body corporate acquired means its capital and reserves at the date of the acquisition after adjusting the identifiable assets and liabilities of the body corporate to fair value as at that date.

(6) The resulting amount must be treated, if positive, as goodwill, and if negative as a negative consolidation difference.

Commencement Information

I6 Sch. 3 para. 8 in force at 1.9.1994, see [reg. 1](#)

9.—(1) The following information with respect to acquisitions taking place in the financial year must be given in a note to the accounts:

- (a) the name of the body corporate acquired; and
- (b) whether the acquisition was accounted for by the acquisition method.

(2) In relation to an acquisition which significantly affects the figures shown in the annual accounts of a group accounts society the following further information must be given:

- (a) the composition and fair value of the consideration for the acquisition given by the society and its subsidiaries;
- (b) the profit and loss of the body corporate or group acquired:
 - (i) for the period from the beginning of the financial year of the body corporate up to the date of the acquisition;
 - (ii) for the previous financial year of that body corporate; and
 - (iii) the date on which the financial year referred to in (i) began; and
- (c) where the acquisition method of accounting has been adopted, the book values immediately prior to the acquisition, and the fair values at the date of acquisition, of each class of assets and liabilities of the body corporate acquired, in tabular form, including a statement of the amount of any goodwill or negative consolidation difference arising on the acquisition, together with an explanation of any significant adjustments made.

(3) In ascertaining for the purposes of subparagraph (2)(b) and (2)(c) the profit or loss of a group, the book values and fair values of assets and liabilities of a group or the amount of the assets and liabilities of a group, the set offs and other adjustments required by this schedule in the case of the annual accounts of a group accounts society must be made.

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I7 Sch. 3 para. 9 in force at 1.9.1994, see [reg. 1](#)

10.—(1) There must be stated in a note to the accounts the cumulative amount of goodwill resulting from acquisitions in that and earlier financial years which has been written off.

(2) That figure must be shown net of any goodwill attributable to subsidiaries disposed of prior to the balance sheet date.

Commencement Information

I8 Sch. 3 para. 10 in force at 1.9.1994, see [reg. 1](#)

11. Where during the financial year there has been a disposal of a subsidiary which significantly affects the figures shown in the annual accounts of a group accounts society, there must be stated in a note to the accounts:

- (a) the name of that subsidiary; and
- (b) the extent to which the income or expenditure shown in the group accounts is attributable to profit or loss of the subsidiaries.

Commencement Information

I9 Sch. 3 para. 11 in force at 1.9.1994, see [reg. 1](#)

12. The information required by paragraphs 9, 10, or 11 need not be disclosed with respect to a subsidiary which:

- (a) is established under the law of a country outside the United Kingdom; or
- (b) carries on business outside the United Kingdom,

if in the opinion of the committee of management of the society the disclosure would be seriously prejudicial to the business of that subsidiary or to the business of the society or any of its subsidiaries and the Commission agrees that the information should not be disclosed.

Commencement Information

I10 Sch. 3 para. 12 in force at 1.9.1994, see [reg. 1](#)

Commencement Information

- I4** Sch. 3 para. 6 in force at 1.9.1994, see [reg. 1](#)
- I5** Sch. 3 para. 7 in force at 1.9.1994, see [reg. 1](#)
- I6** Sch. 3 para. 8 in force at 1.9.1994, see [reg. 1](#)
- I7** Sch. 3 para. 9 in force at 1.9.1994, see [reg. 1](#)
- I8** Sch. 3 para. 10 in force at 1.9.1994, see [reg. 1](#)
- I9** Sch. 3 para. 11 in force at 1.9.1994, see [reg. 1](#)
- I10** Sch. 3 para. 12 in force at 1.9.1994, see [reg. 1](#)

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Minority interests

13.—(1) Under item 10b of the non-technical account in Part II of Schedule 1 must be shown the amount of any income or expenditure on ordinary activities attributable to shares in subsidiaries included in the consolidation held by or on behalf of persons other than the society and its subsidiaries.

(2) Under item 14c of the non-technical account in Part II of Schedule 1 must be shown the amount of any gain or loss on extraordinary activities attributable to shares in subsidiaries included in the consolidation held by or on behalf of persons other than the society and its subsidiaries.

(3) Under Liability item A IV in Part II of Schedule 2 must be shown the amount of capital and reserves attributable to shares in subsidiaries included in the consolidation held by or on behalf of persons other than the society and its subsidiaries.

Commencement Information

I11 Sch. 3 para. 13 in force at 1.9.1994, see [reg. 1](#)

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Changes and effects yet to be applied to :

- Sch. 3 para. 1 coming into force by S.I. 1994/1983 reg. 1
- Sch. 3 para. 2 coming into force by S.I. 1994/1983 reg. 1
- Sch. 3 para. 5 coming into force by S.I. 1994/1983 reg. 1
- Sch. 3 para. 6 coming into force by S.I. 1994/1983 reg. 1
- Sch. 3 para. 7 coming into force by S.I. 1994/1983 reg. 1
- Sch. 3 para. 8 coming into force by S.I. 1994/1983 reg. 1
- Sch. 3 para. 9 coming into force by S.I. 1994/1983 reg. 1
- Sch. 3 para. 10 coming into force by S.I. 1994/1983 reg. 1
- Sch. 3 para. 11 coming into force by S.I. 1994/1983 reg. 1
- Sch. 3 para. 12 coming into force by S.I. 1994/1983 reg. 1
- Sch. 3 para. 13 coming into force by S.I. 1994/1983 reg. 1
- Sch. 3 para. 12 word substituted by S.I. 2001/3649 art. 211(5)
- Sch. 3 para. 12 words substituted by S.I. 2013/496 Sch. 10 para. 6

Changes and effects yet to be applied to the whole Instrument associated Parts and Chapters:

Whole provisions yet to be inserted into this Instrument (including any effects on those provisions):

- Sch. 1 Pt. I Ch. I. para. 1 coming into force by S.I. 1994/1983 reg. 1
- Sch. 1 Pt. I Ch. I. para. 2 coming into force by S.I. 1994/1983 reg. 1
- Sch. 1 Pt. I Ch. I. para. 3 coming into force by S.I. 1994/1983 reg. 1
- Sch. 1 Pt. I Ch. I. para. 4 coming into force by S.I. 1994/1983 reg. 1
- Sch. 1 Pt. I Ch. I. para. 5 coming into force by S.I. 1994/1983 reg. 1
- Sch. 1 Pt. I Ch. I. para. 6 coming into force by S.I. 1994/1983 reg. 1
- Sch. 1 Pt. I Ch. I. para. 7 coming into force by S.I. 1994/1983 reg. 1
- Sch. 1 Pt. I Ch. I. para. 8 coming into force by S.I. 1994/1983 reg. 1
- Sch. 1 Pt. I Ch. I. para. 9 coming into force by S.I. 1994/1983 reg. 1
- Sch. 1 Pt. I Ch. I. para. 10 coming into force by S.I. 1994/1983 reg. 1
- Sch. 1 Pt. I Ch. II. para. 1 coming into force by S.I. 1994/1983 reg. 1
- Sch. 1 Pt. I Ch. II. para. 2 coming into force by S.I. 1994/1983 reg. 1
- Sch. 1 Pt. I Ch. II. para. 3 coming into force by S.I. 1994/1983 reg. 1
- Sch. 1 Pt. I Ch. II. para. 4 coming into force by S.I. 1994/1983 reg. 1
- Sch. 1 Pt. I Ch. II. para. 5 coming into force by S.I. 1994/1983 reg. 1
- Sch. 1 Pt. I Ch. II. para. 6 coming into force by S.I. 1994/1983 reg. 1
- Sch. 1 Pt. I Ch. II. para. 7 coming into force by S.I. 1994/1983 reg. 1
- Sch. 1 Pt. I Ch. II. para. 8 coming into force by S.I. 1994/1983 reg. 1
- Sch. 1 Pt. I Ch. II. para. 9 coming into force by S.I. 1994/1983 reg. 1
- Sch. 1 Pt. I Ch. II. para. 10 coming into force by S.I. 1994/1983 reg. 1
- Sch. 1 Pt. I Ch. II. para. 11 coming into force by S.I. 1994/1983 reg. 1
- Sch. 1 Pt. I Ch. II. para. 12 coming into force by S.I. 1994/1983 reg. 1
- Sch. 1 Pt. I Ch. II. para. 13 coming into force by S.I. 1994/1983 reg. 1
- Sch. 1 Pt. I Ch. III. para. 1 coming into force by S.I. 1994/1983 reg. 1
- Sch. 1 Pt. I Ch. III. para. 2 coming into force by S.I. 1994/1983 reg. 1
- Sch. 1 Pt. I Ch. III. para. 3 coming into force by S.I. 1994/1983 reg. 1

- Sch. 1 Pt. I Ch. III. para. 4 coming into force by [S.I. 1994/1983 reg. 1](#)
- Sch. 1 Pt. I Ch. III. para. 5 coming into force by [S.I. 1994/1983 reg. 1](#)
- Sch. 1 Pt. I Ch. III. para. 6 coming into force by [S.I. 1994/1983 reg. 1](#)
- Sch. 1 Pt. I Ch. III. para. 7 coming into force by [S.I. 1994/1983 reg. 1](#)
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- Sch. 1 Pt. I Ch. III. para. 11 coming into force by [S.I. 1994/1983 reg. 1](#)
- Sch. 1 Pt. I Ch. III. para. 12 coming into force by [S.I. 1994/1983 reg. 1](#)
- Sch. 1 Pt. I Ch. III. para. 13 coming into force by [S.I. 1994/1983 reg. 1](#)
- Sch. 5 Pt. 3 para. 33-34 inserted by [S.I. 2005/2210 reg. 3](#)
- Sch. 6 Pt. 4A inserted by [S.I. 2005/2210 reg. 5](#)
- Sch. 6 para. 24A(3A) words substituted by [S.I. 2019/685 Sch. 1 para. 53](#)
- Sch. 6 Pt. 1 para. 4(b) words omitted by [S.I. 2005/2210 reg. 2\(7\)](#)
- Sch. 6 Pt. 3 para. 9 words inserted by [S.I. 2005/2210 reg. 4\(4\)](#)
- Sch. 6 Pt. 3 para. 8(1)(a) words substituted by [S.I. 2005/2210 reg. 4\(2\)](#)
- Sch. 6 Pt. 3 para. 8(1)(b) words substituted by [S.I. 2005/2210 reg. 4\(3\)](#)
- Sch. 6 Pt. 3 para. 12(2) words substituted by [S.I. 2005/2210 reg. 4\(5\)](#)
- Sch. 7 Pt. II Ch. 1(crossheading)(debtors) coming into force by [S.I. 1994/1983 reg. 1](#)
- Sch. 7 Pt. II Ch. 2(crossheading)(corporation)(tax)(provisions) coming into force by [S.I. 1994/1983 reg. 1](#)
- Sch. 9 para. 11-12 inserted by [S.I. 2005/2210 reg. 6\(4\)](#)
- art. 2(1) words substituted by [S.I. 2001/3649 art. 465](#)
- reg. 10A inserted by [S.I. 2005/2210 reg. 2\(4\)](#)