
EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations revoke and replace with effect from 27th March 1998 the Building Societies (Accounts and Related Provisions) Regulations 1992. They prescribe the format and content of the annual accounts which must be prepared in respect of building societies or of building societies and their subsidiary undertakings as a group, as applicable. The previous Regulations are largely re-enacted but changes are made to take account of amendments to the provisions of the Building Societies Act 1986 governing societies' activities made by the Building Societies Act 1997.

The principal changes made by the Regulations in this respect are—

- (i) replacement generally of references to associated bodies of societies by references to connected undertakings in a building society's corporate group to reflect the removal by the 1997 Act of the restrictions in the 1986 Act on the ability of building societies to have interests in other types of bodies;
- (ii) replacement of references in regulation 6 and Schedule 6 to investments in associated bodies of societies by references to holdings in undertakings to take account of the range of interests which building societies may now have in other types of bodies;
- (iii) amendments to the format of a society's income and expenditure account and balance sheet set out in Schedules 1 and 2 to reflect the relaxation of constraints on societies' activities and to clarify and simplify the assets and liabilities headings, and consequent amendments to the format of the statement of the source and application of funds set out in Schedule 3;
- (iv) replacement of the statutory ratios and percentages to be stated in the annual business statement as set out in Schedule 9 by statutory percentages based on the lending and funding limits in sections 6 and 7 of the Building Societies Act 1986 substituted by the 1997 Act, amendment of the profit-based percentage by removing the requirement to show profit as a percentage of mean reserves, amendment of the liquid assets percentage to show such assets as a percentage of shares and borrowings and the introduction of a new percentage to show management expenses as a percentage of total assets.

The Regulations also make more stringent the requirements for the disclosure of directors' remuneration and other benefits in the notes to the annual accounts as set out in Schedule 5. The remuneration, bonuses, other non-cash benefits, share option gains, incentives, pension contributions and any annual increase in accrued pension or lump sum pension benefits payable for each director by name are to be shown, together with any amounts received as compensation for loss of office. These requirements will implement for the directors of building societies the key provisions of the Greenbury Code of Best Practice on Directors' Remuneration set out in *Directors' remuneration: Report of a study group chaired by Sir Richard Greenbury (17 July 1995)*.

The Regulations also make miscellaneous minor changes to the required form and content of building societies' accounts to take account of amendments to the corresponding requirements for companies' accounts under the Companies Act 1985 and to align building societies' accounts more closely with banks' accounts. In particular, the maturity analysis required in Schedule 5 has been reduced to be consistent with that used for banks and the directors' report as set out in Schedule 8 must state the policy and give information on payment of suppliers.

The matters for inclusion in the directors' report are extended to cover particulars of any important events for the society and any connected undertakings during the year and a description of any new types of activities which a society or any subsidiary undertakings has engaged in during the year.

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

A regulatory appraisal has been produced setting out the objectives, costs and benefits of this instrument and is available from the Secretary, Building Societies Commission, 30—34 Kingsway, London WC2B 6ES.