

---

## EXPLANATORY NOTE

*(This note is not part of the Regulations)*

These Regulations make provision to give effect to parts of Directive 2003/51/EC of the European Parliament and of the Council amending Directives 78/660/EEC, 83/349/EEC, 86/635/EEC and 91/674/EEC as regards modernising the annual and consolidated accounts of certain types of companies, banks and other financial institutions to bring the preparation of those accounts more into line with international accounting standards (OJ L 178, 17/07/2003, p.16 – 22) (“the Modernisation of Accounts Directive”);

The parts of the Modernisation of Accounts Directive implemented by these Regulations are those which require amendments to be made to the Friendly Societies (Accounts and Related Provisions) Regulations 1994 (S.I.1994/1983 – “the 1994 Regulations”).

The Regulations also change cross-references to sections of the Friendly Societies Act 1992 required by the Friendly Societies Act 1992 (International Accounting Standards and Other Accounting Amendments) Order 2005.

Regulation 2 makes several amendments required to implement the Modernisation Directive, including a new requirement for committees of management to have regard to the substance of a transaction when determining how amounts are presented.

Regulations 3, 4 and 5 make provision for societies to use fair value to value some of their assets and to disclose in their notes certain matters where they use fair valuation methods.

Regulation 6 amends schedule 9 to the 1994 Regulations which contains definitions for terms used in the schedules to the 1994 Regulations.

A transposition note showing how the main provisions of the Modernisation Directive (as it applies to friendly societies) will be transposed into UK law is available from HM Treasury. Copies may be obtained from the General Insurance, Mutuals and Inclusion Team, HM Treasury, 1 Horse Guards Road, London SW1A 2HQ and the notes will be available on the Treasury website ([www.hm-treasury.gov.uk](http://www.hm-treasury.gov.uk)).

A regulatory impact assessment has been prepared in relation to these Regulations. A copy of it is available on the Treasury website or from the above address. Copies of the transposition note and the regulatory impact assessment have been placed in the library of both Houses of Parliament.