

**2007 No. 859**

**BUILDING SOCIETIES**

**The Building Societies (Accounts and Related Provisions)  
(Amendment) Regulations 2007**

<i>Made</i>	- - - -	<i>15th March 2007</i>
<i>Laid before Parliament</i>		<i>16th March 2007</i>
<i>Coming into force</i>	- -	<i>6th April 2007</i>

The Treasury make the following Regulations in exercise of the powers conferred by sections 72C(2), 72G(2), 74(1), (2) and (3), 75(1)(b) and 76(3) of the Building Societies Act 1986(a):

**Citation and commencement**

1. These Regulations may be cited as the Building Societies (Accounts and Related Provisions) (Amendment) Regulations 2007 and come into force on 6th April 2007.

**Amendments to the Building Societies (Accounts and Related Provisions) Regulations 1998**

2. The Building Societies (Accounts and Related Provisions) Regulations 1998(b) are amended as follows.

3. In regulation 10—

- (a) in paragraph (1), for “in Part I” substitute “the relevant Part”;
- (b) after paragraph (1), insert—

“(1A) For the purposes of paragraph (1) “the relevant Part”, for a society whose annual accounts are Building Societies Act accounts, is Part I, and for a society whose annual accounts are IAS accounts, is Part IA.”;

- (c) in paragraph (2), for “Paragraph (1) is” substitute “Paragraphs (1) and (1A) are”;
- (d) in paragraph (2)(b), for “Part I” substitute “Parts I and IA”.

4. In Schedule 8—

- (a) in paragraph 7(1), after “report” insert “prepared by the directors of a society whose annual accounts are Building Societies Act accounts”;
- (b) after paragraph 7(1), insert—

“(1A) The directors’ report prepared by the directors of a society whose annual accounts are IAS accounts shall disclose, in accordance with sub-paragraph (2)—

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(a) 1986 c.53. Sections 72C and 72G were substituted, together with sections 72A-72B, 72D-72F and 72H-72I, for sections 72 and 73 as originally enacted, by S.I. 2004/3380. Regulations made under section 73 have effect as if made under sections 72C and 72G (see article 9(2) of S.I. 2004/3880). Sections 74(3) and 76(3) were amended by S.I. 2001/2617. Section 75(1)(b) was amended by section 43 of the Building Societies Act 1997 (c.32) and S.I. 2001/2617.

(b) S.I. 1998/504 to which there are amendments not relevant to these Regulations.

- (a) free capital as a percentage of the total of the liability items listed in sub-paragraph (1B) as shown in the annual accounts; and
- (b) gross capital as a percentage of the total of the liability items listed in sub-paragraph (1B) as shown in the annual accounts.

(1B) The liability items are shares, amounts owed to credit institutions, amounts owed to other customers, and debt securities in issue.”;

- (c) in paragraph 7(2), for “sub-paragraph (1)” substitute “sub-paragraphs (1) and (1A)”;
- (d) in paragraph 8, renumber the existing provision as sub-paragraph (1);
- (e) in paragraph 8(1), after “report” insert “prepared by the directors of a society whose annual accounts are Building Societies Act accounts”;
- (f) after paragraph 8(1), insert—
  - “(2) The directors’ report prepared by the directors of a society whose annual accounts are IAS accounts shall disclose in respect of mortgage accounts of the society and of any subsidiary undertaking twelve or more months in arrears at the balance sheet date—
  - (a) the number of such accounts;
  - (b) the total amount (before any provision for impairment losses) outstanding on such accounts; and
  - (c) the total amount of arrears on such accounts.”.

**5. In Schedule 9—**

- (a) in paragraph 1(1)(a), for “as defined in section 6(2) and (3)” substitute “for the purposes of section 6(1)”**(a)**;
- (b) in paragraph 1(1)(c), for “as defined in section 7(2) and (3)” substitute “for the purposes of section 7(1)”**(b)**;
- (c) in paragraph 1(3), after “sub-paragraph (1)(a)” insert “for a society whose annual accounts are Building Societies Act accounts”;
- (d) after paragraph 1(3), insert—
  - “(4) For the purpose of calculating the percentage required to be stated by sub-paragraph (1)(a) for a society whose annual accounts are IAS accounts, the liquid assets and fixed assets of the society and any subsidiary undertakings referred to in paragraphs (a) and (b) of section 6(2) of the Act are those included in the balance sheet.”;
- (e) in paragraph 2(1), after “statement of a society” insert “whose annual accounts are Building Societies Act accounts”;
- (f) after paragraph 2(1), insert—
  - “(1A) Subject to the following provisions of this paragraph, the annual business statement of a society whose annual accounts are IAS accounts shall state the following particulars in respect of the society both in relation to the financial year with which it deals and in relation to the previous financial year—
  - (a) as a percentage of the total of the liability items listed in sub-paragraph (1B) as at the balance sheet date—
    - (i) the gross capital as at that date;
    - (ii) the free capital as at that date; and
    - (iii) liquid assets as of that date;
  - (b) the profit or loss after taxation as a percentage of the mean total assets; and
  - (c) management expenses as a percentage of the mean total assets.

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**(a)** See S.I. 2004/3200 which modified the application of section 6(2) and (3) of the Building Societies Act 1986.

**(b)** See S.I. 2004/3200 and S.I. 2007/ 860 which modified the application of section 7(2) and (3) of the Building Societies Act 1986.

(1B) the liability items are shares, amounts owed to credit institutions, amounts owed to other customers, and debt securities in issue.”;

- (g) in paragraphs 2(2) and (4), after “sub-paragraph (1)” insert “or (1A)”;
- (h) in paragraph 2(5), for “in this paragraph” substitute “for the purposes of sub-paragraph (1) and this sub-paragraph”;
- (i) after paragraph 2(5), insert—
  - “(5A) For the purposes of sub-paragraph (1A)—
  - (a) “management expenses” means the total of the administrative expenses, depreciation and amortisation as shown in the annual accounts;
  - (b) “mean total assets” means, in respect of a financial year, the average amount of total assets as would have been included in the balance sheet throughout that year, calculated on a reasonable basis;
  - (c) “the profit or loss after taxation” shall be taken from the annual accounts; and
  - (d) “liquid assets” means—
    - (i) cash and cash equivalents;
    - (ii) treasury bills and similar securities;
    - (iii) loans and advances to credit institutions; and
    - (iv) debt securities and other fixed income securities.”;
- (j) in paragraphs 2(6) and (7), for “sub-paragraph (5)(b)” substitute “sub-paragraphs (5)(b) and (5A)(b)”.

**6. In Schedule 10—**

- (a) in Part I, after “Format of summary financial statement” insert “(Building Societies Act accounts society)”;
- (b) before Part II, insert the text set out in the Schedule to these Regulations;
- (c) in Part II—
  - (i) in paragraphs 1 and 2, after “Part I” insert “and Part IA”;
  - (ii) in paragraphs 3, 4 and 6, after “Part I” insert “or Part IA”;
  - (iii) after paragraph 5, insert—

“5A. Subject to paragraph 3, the items in section C of Part IA shall be derived from the society’s annual accounts.”;
  - (iv) after paragraph 7, insert—

“7A. Subject to paragraph 3, the items in section D of Part IA shall be derived from the society’s annual accounts.”.

**7. In Schedule 11, in paragraph 13—**

- (a) for the definition of “EEA State” substitute—

““EEA State” has the meaning given by Schedule 1 to the Interpretation Act 1978(a);”;
- (b) in the definition of “liquid asset”, after ““liquid asset”” insert “(except in paragraph 2(1A) of Schedule 9)”.

*Frank Roy*  
*Claire Ward*

15th March 2007

Two of the Lords Commissioners of Her Majesty’s Treasury

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(a) 1978 c.30; the definition of “EEA State” was inserted by section 26 of the Legislative and Regulatory Reform Act 2006 (c.51).

# SCHEDULE

Regulation 6(b)

## “PART IA

### Format of summary financial statement (IAS accounts society)

#### SECTION A

*Prescribed form of statement for the purposes of section 76(4) of the Act*

This financial statement is a summary of information in the audited annual accounts, the directors' report and annual business statement, all of which will be available to members and depositors free of charge on demand at every office of .....(NOTE 1) from/after (NOTE 2).....(NOTE 3).

(NOTE 1) Insert name of society.

(NOTE 2) Delete as appropriate.

(NOTE 3) Insert appropriate date.

#### SECTION B

*Summary Directors' Report*

#### SECTION C

*Format of Summary Statement*

RESULTS FOR THE YEAR	THIS YEAR	LAST YEAR
	£	£
1. Net interest receivable	*	*
2. Other income and charges	*	*
3. Fair value gains and losses	*	*
4. Administrative expenses	*	*
5. Impairment losses	*	*
6. Profit/Loss (NOTE 1) for the year before taxation	*	*
7. Taxation	*	*
8. Minority interests (NOTE 2)	*	*
9. Profit/Loss (NOTE 1) for the year	*	*
FINANCIAL POSITION AT END OF YEAR		
Assets		
10. Liquid assets	*	*
11. Mortgages	*	*
12. Other loans	*	*
13. Derivative financial instruments	*	*
14. Fixed and other assets	*	*
15. Total assets	*	*
Liabilities		
16. Shares	*	*
17. Borrowing	*	*
18. Derivative financial instruments	*	*

<b>19. Other liabilities</b>	*	*
<b>20. Subordinated liabilities</b>	*	*
<b>21. Subscribed capital</b>	*	*
<b>22. Reserves</b>	*	*
<b>23. Other capital (NOTE 3)</b>	*	*
<b>24. Total liabilities</b>	*	*

(NOTE 1) Delete as appropriate.

(NOTE 2) Group accounts societies only.

(NOTE 3) The heading may be replaced by “Revaluation reserve” where this is the only category of “Other capital” in the balance sheet in the annual accounts.

#### SECTION D

##### *Format of summary of key financial ratios*

	THIS YEAR	LAST YEAR
	%	%
<b>1. Gross capital as a percentage of shares and borrowings</b>	*	*
<b>2. Liquid assets as a percentage of shares and borrowings</b>	*	*
<b>3. Profit/Loss (NOTE 1) for the year as a percentage of mean total assets</b>	*	*
<b>4. Management expenses as a percentage of mean total assets</b>	*	*

(NOTE 1) Delete as appropriate.”

## **EXPLANATORY NOTE**

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

These Regulations amend the Building Societies (Accounts and Related Provisions) Regulations 1998 (S.I. 1998/504) (“the principal Regulations”) to specify the format and contents of the summary financial statement for building societies which prepare accounts in accordance with international accounting standards (regulations 3, 6 and the Schedule).

Regulation 4 and 5 amend the principal Regulations in relation to the contents of the directors’ report and annual business statement for building societies which prepare accounts in accordance with international accounting standards.

Regulation 7 substitutes a new definition of “EEA State” in Schedule 11 to the principal Regulations (interpretation of Schedules). The existing definition of “EEA State” excludes Bulgaria and Romania which became Community member States on 1st January 2007.

A full regulatory impact assessment of the effect that this instrument will have on the costs of business may be obtained from the General Insurance, Mutuels and Inclusion Team, HM Treasury, 1 Horse Guards Road, London SW1A 2HQ or from HM Treasury’s website ([www.hm-treasury.gov.uk](http://www.hm-treasury.gov.uk)) and is annexed to the Explanatory Memorandum which is available alongside the instrument on the OPSI website ([www.opsi.gov.uk](http://www.opsi.gov.uk)).

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