STATUTORY INSTRUMENTS

1987 No. 2072

BUILDING SOCIETIES

The Building Societies (Accounts and Related Provisions) Regulations 1987

Made - - - -	*24th November 1987*
Laid before Parliament	*7th December 1987*
Coming into force -	*31st December 1987*

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The Building Societies Commission, with the consent of the Treasury, in exercise of the powers conferred on it by sections 73, 74(3) and (6), 75(1) and 76(3) of the Building Societies Act 1986(a), and of all other powers enabling it in that behalf, hereby makes the following Regulations:

Citation and commencement

1. These Regulations may be cited as the Building Societies (Accounts and Related Provisions) Regulations 1987 and shall come into force on 31st December 1987.

Interpretation

2.—(1) In these Regulations–

"the Act" means the Building Societies Act 1986;

"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;

"relevant subsidiary" means a subsidiary of a group accounts society with which the group accounts of the society are required by section 72 of the Act 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.

(a) 1986 c.53.

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 below,

(b) every balance sheet shall be prepared in the format set out in Part I of Schedule 2 below, 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 below,

and 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 sub-headings 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 below, 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 below,

(ii) every income and expenditure account relating to the society and its relevant subsidiaries shall be prepared in the format set out in Part II of Schedule 1 below,

(iii) every balance sheet relating to the society shall be prepared in the format set out in Part I of Schedule 2 below,

(iv) every balance sheet relating to the society and its relevant subsidiaries shall be prepared in the format set out in Part II of Schedule 2 below, and

(v) every statement of the source and application of funds of the society and its relevant subsidiaries shall be prepared in the format set out in Part II of Schedule 3 below, 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 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 sub-headings in the format applicable to it.

(3) Paragraphs (1) and (2) above are not to be read as–

(a) requiring the heading or sub-heading 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 than is required by the format for that particular account.

(4) Items preceded by lower case letter or Roman numeral in any format set out in Schedule 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 relevant subsidiaries) 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 relevant subsidaries) 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 relevant subsidiaries) 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) above applies, the individual amounts of any items so combined shall be disclosed in a note to the annual accounts.

(5) Subject to paragraph (7) below, a heading or sub-heading for an item contained in

any format set out in Schedule 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) The annual accounts may deal with an investment of the society or any relevant subsidiary in the shares of any body corporate which is not a relevant subsidiary by way of the equity method of accounting in any case where that body corporate is so closely associated with the society or that relevant subsidiary as to justify the use of that method in dealing with that investment in the shares of that body corporate.

(7) 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) above does not apply in any case where an amount can be shown for the item to which the heading or sub-heading relates in respect of the preceding financial year, and in such a case that amount shall be shown under the heading or sub-heading required for that item.

(8) In this Regulation, "the relevant provisions" means, in relation to any particular account, Part III of the Schedule below Parts I and II of which contain formats of that particular account.

Group accounts–supplementary provisions

4.—(1) If the financial year of any relevant subsidiary does not coincide with that of the society, the components of the annual accounts relating to the society and its relevant subsidiaries shall, so far as they relate to that subsidiary, relate to its financial year ending last before the end of the financial year of the society dealt with in the annual accounts unless–

(a) the directors of the society are of the opinion that there are good reasons against it, and

(b) they disclose those reasons in the notes to the annual accounts.

(2) 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 relevant subsidiaries from which it is derived, adjusted so far as is necessary to consolidate those accounts.

(3) Where a society has subsidiaries whose financial years do not end with that of the society, the following information shall be given in relation to each such subsidiary by way of a note to the annual accounts, that is to say–

(a) the reasons why the society's directors consider that the subsidiaries' financial years should not end with that of the society, and

(b) the dates on which the subsidiaries' financial years ending last before that of the society respectively ended or the earliest and latest of those dates.

Notes to annual accounts

5.—(1) The annual accounts of any single accounts society shall, subject to paragraph (5) below, include notes to them containing the material specified, set out in the manner specified, in Schedule 4 below, as well as 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) below and any provision in Schedule 4 below which indicates otherwise, include notes to them containing–

(a) in respect of the society, and

(b) in respect of the society and its relevant subsidiaries in combination,

the material specified, set out in the manner specified, in Schedule 4 below, as well as the notes required to be included by other provisions of these Regulations.

(3) For the purposes of paragraph (2)(b) above–

(a) any reference in a relevant provision of Schedule 4 below to a society shall be taken as a reference to the society and its relevant subsidiaries in combination, and

(b) each associated body of the society which is not a relevant subsidiary shall be treated as an associated body of theirs.

(4) In paragraph (3) above "relevant provision" means, in relation to Schedule 4 below, a provision thereof other than paragraphs 4 and 21.

(5) Paragraphs (1) and (2) above 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.

Accounting principles and rules

6. Each society shall prepare its annual accounts in accordance with the accounting principles and rules set out in Schedule 5 below.

Directors' report

7. Each directors' report of a society prepared under section 75 of the Act (directors' report) shall contain, in addition to the other matters required to be contained in it by the Act, the material specified, set out in the manner specified, in Schedule 6 below.

Annual business statement

8.—(1) Each annual business statement of a society prepared under section 74 of the Act (duty of directors to prepare annual business statement) shall, subject to paragraphs (2) and (3) below, contain the material specified in Schedule 7 below.

(2) Nothing in this Regulation–

(a) requires the setting out of the material specified in Schedule 7 below 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 the directors' report and, where any such material is so included, the annual business statement shall specify where in those notes or (as the case may be) 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 7 below shall not be the subject of report by auditors under section 78 of the Act (auditors' report).

Summary financial statement

9.—(1) Subject to paragraph (2) of this Regulation, each summary financial statement of a society prepared under section 76 of the Act (summary financial statement for members and depositors) shall be prepared in the order and under the headings and sub-headings 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 8 below, 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) above is not to be read as–

(a) requiring the heading or sub-heading 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 8 below 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 8 below, 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 relevant subsidiaries.

Interpretation of Schedules

10. Schedule 9 below shall have effect for the interpretation of the Schedules to these Regulations.

Transitional provisions

11. 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, or the making of a return 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, or the making of a return 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 instead be included on the basis of an estimate.

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 19th November 1987.

D. B. Severn
Secretary to the Commission

We consent to this Order.

Peter Lloyd
Tony Durant
Two of the Lords Commissioners of
Her Majesty's Treasury

24th November 1987

SCHEDULE 1

Regulation 3

PART I

FORMAT OF SOCIETY INCOME AND EXPENDITURE ACCOUNT

1. Interest receivable:
   (a) (i) On secured advances
   (ii) On other lending
   (b) (i) On fixed-interest liquid assets
   (ii) On other liquid assets.

2. Interest payable:
   (a) On retail funds and deposits
   (b) On non-retail funds and deposits

3. Net interest receivable

4. Income from associated bodies:
   (a) Share of profits of associated companies
   (b) Other

5. Other income and charges:
   (a) Commissions receivable
   (b) Commissions payable
   (c) Other financial income
   (d) Other financial charges
   (e) Other operating income

6. Amortisation of intangible fixed assets

7. Management expenses:
   (a) Staff costs, showing separately–
   (i) Wages and salaries
   (ii) Social security costs
   (iii) Other pension costs
   (b) Depreciation and other amounts written off tangible fixed assets
   (c) Other expenses

8. Provisions for loans, advances and guarantees

9. Provisions for interests and shares in associated bodies

10. Profit or loss on ordinary activities before tax

11. Tax on profit or loss on ordinary activities:
   (a) Society
   (b) Associated companies

12. Profit or loss on ordinary activities after tax

13. Extraordinary income

14. Extraordinary charges

15. Extraordinary profit or loss

16. Tax on extraordinary profit or loss

17. Extraordinary profit or loss after tax

18. Profit or loss for the financial year

PART II

FORMAT OF CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT

1. Interest receivable:
   (a) (i) On secured advances
   (ii) On other lending
   (b) (i) On fixed-interest liquid assets
   (ii) On other liquid assets
   (c) Other
2. Interest payable:
   (a) On retail funds and deposits
   (b) On non-retail funds and deposits
3. Net interest receivable
4. Income from associated bodies:
   (a) Share of profits of associated companies
   (b) Other
5. Other income and charges:
   (a) Commissions receivable
   (b) Commissions payable
   (c) Other financial income
   (d) Other financial charges
   (e) Other operating income
6. Amortisation of intangible fixed assets
7. Management expenses:
   (a) Staff costs, showing separately–
   (i) Wages and salaries
   (ii) Social security costs
   (iii) Other pension costs
   (b) Depreciation and other amounts written off tangible fixed assets
   (c) Other expenses
8. Provisions for loans, advances and guarantees
9. Provisions for interests and shares in associated bodies
10. Profit or loss on ordinary activities before tax
11. Tax on profit or loss on ordinary activities:
   (a) Society and relevant subsidiaries
   (b) Associated companies
12. Profit or loss on ordinary activities after tax
13. Minority interests
14. Profit or loss before extraordinary items
15. Extraordinary income
16. Extraordinary charges
17. Extraordinary profit or loss
18. Tax on extraordinary profit or loss
19. Extraordinary profit or loss after tax
20. Profit or loss for the financial year

PART III

PROVISIONS APPLICABLE TO PARTS I AND II

1. Item 1(a) and (b) in each of Parts I and II above shall include–

(a) all income from assets entered under Asset items 2, 3, and 4(a), (b) and (c) in the balance sheet in the corresponding Part of Schedule 2 below, however calculated,

(b) interest receivable on–

(i) in the case of Part I above, advances and loans to associated bodies, and

(ii) in the case of Part II above, advances and loans to associated bodies other than relevant subsidiaries, and

(c) (in item 1(b) in each case) interest, other income and profits net of losses arising from liquid assets,

and the notes to the annual accounts shall disclose the amount of profits net of losses arising from liquid assets and the amount of interest and other income arising from them as separate amounts unless those two amounts are separately stated under each of item 1(b)(i) and 1(b)(ii) in each case.

2. Item 1(a)(i) in Parts I and II above shall include all income to which paragraph 1 above refers arising from secured loans which are not advances secured on land as well as from advances secured on land.

3. Items 4(a) and 11(b) in Parts I and II above shall only be included where the equity method of accounting is used.

4.—(1) Item 5(a) in Parts I and II above shall include income in respect of all services supplied for the account of third parties, and item 5(b) in those Parts shall include charges for the use of services of third parties.

(2) Any amount, apart from an appointed agency payment, which represents–

(a) commissions for guarantees and loan administration,

(b) commissions and other charges and income in respect of payment transactions, account administration charges and commissions for the safe custody and administration of deeds, securities or other related documents,

(c) commissions for foreign currency transactions,

(d) commissions and other charges and income in connection with insurance and pension contracts, or

(e) commissions and other charges and income in connection with arranging brokerage services,

and which falls within subparagraph (1) above but would also be capable of being included within an item other than those referred to in that subparagraph shall be included within the items so referred to.

(3) For the purposes of subparagraph (2) above, an appointed agency payment is a payment for a relevant agency function to a person who, by virtue of an appointment by a society, acts as its agent in that function, and a relevant agency function comprises action as an agent of the society for the purpose of receipt of sums in respect of shares or deposits or the making of advances secured on land.

5.—(1) Item 5(c) in Parts I and II above shall include the net profits, and item 5(d) the net losses, on financial instruments, and item 5(e) of those Parts shall, where it relates to development properties, include the profits net of losses on them.

(2) In subparagraph (1) above "financial instrument" means–

(a) in relation to Parts I and II above, an instrument the powers of the society in relation to which are derived from section 23 of the Act (power to hedge) and any option to purchase or sell any liquid asset, and

(b) additionally in relation to Part II above, an instrument on which interest or a dividend is capable of being received and which is not an advance, a loan or a liquid asset.

SCHEDULE 2

Regulation 3

PART I

FORMAT OF SOCIETY BALANCE SHEET

ASSETS

1. LIQUID ASSETS
   - (a) Cash in hand and with banks
   - (b) UK Government securities
   - (c) Other securities–
     - (i) Issued by public bodies
     - (ii) Issued by other borrowers

Commercial Assets

2. ADVANCES SECURED ON RESIDENTIAL PROPERTY

3. OTHER ADVANCES SECURED ON LAND

4. OTHER COMMERCIAL ASSETS
   - (a) Loans for mobile homes
   - (b) Unsecured loans
   - (c) Secured loans
   - (d) Residential properties
     - (i) Held for rental
     - (ii) Development properties
       - (aa) Completed
       - (ab) Work in progress
   - (e) Investments in associated bodies
     - (i) Shares held in associated bodies
     - (ii) Loans to associated bodies
   - (f) Other

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5. FIXED ASSETS
   - (a) Intangible assets
     - (i) Concessions, patents, licences, trade marks and similar rights and assets
     - (ii) Goodwill
   - (b) Tangible assets
     - (i) Land and buildings
     - (ii) Equipment, fixtures, fittings and vehicles
     - (iii) Payments on account and assets in course of construction

6. OTHER ASSETS

7. TOTAL ASSETS

LIABILITIES AND RESERVES

Shares and Deposits

8. RETAIL FUNDS AND DEPOSITS
   (a) Shares
   (b) Deposits
   (c) Deferred shares

9. NON-RETAIL FUNDS AND DEPOSITS
   (a) Amounts owed to banks
   (b) Time deposits
   (c) Certificates of deposit
   (d) Negotiable bonds
   (e) Fixed and floating rate notes
   (f) Other deposits
   (g) Shares
   (h) Deferred shares

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10. OTHER LIABILITIES
    (a) Income tax
    (b) Corporation tax
    (c) Other creditors

11. PROVISIONS FOR LIABILITIES AND CHARGES
    (a) Provisions for pensions and similar obligations
    (b) Provisions for taxation
    (c) Other provisions

12. SUBORDINATED LIABILITIES

13. TOTAL LIABILITIES

Reserves

14. General Reserve

15. Revaluation Reserve

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16. Other Reserves

17. TOTAL RESERVES

18. TOTAL LIABILITIES AND RESERVES

PART II

FORMAT OF CONSOLIDATED BALANCE SHEET

ASSETS

1. LIQUID ASSETS
   (a) Cash in hand and with banks
   (b) UK Government securities
   (c) Other securities–
      (i) Issued by public bodies
      (ii) Issued by other borrowers

Commercial Assets

2. ADVANCES SECURED ON RESIDENTIAL PROPERTY

3. OTHER ADVANCES SECURED ON LAND

4. OTHER COMMERCIAL ASSETS
   (a) Loans for mobile homes
   (b) Unsecured loans
   (c) Secured loans
   (d) Residential properties
      (i) Held for rental
      (ii) Development properties
         (aa) Completed
         (ab) Work in progress
   (e) Investments in associated bodies
      (i) Shares held in associated bodies
      (ii) Loans to associated bodies
   (f) Other

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5. OTHER OPERATING ASSETS
   (a) Loans
   (b) Other

6. FIXED ASSETS
   (a) Intangible assets
      (i) Concessions, patents, licences, trade marks and similar rights and assets
      (ii) Goodwill
   (b) Tangible assets
      (i) Land and buildings
      (ii) Equipment, fixtures, fittings and vehicles
      (iii) Payments on account and assets in course of construction

7. OTHER ASSETS

8. TOTAL ASSETS

LIABILITIES AND RESERVES

Shares and Deposits

9. RETAIL FUNDS AND DEPOSITS
   - (a) Shares
   - (b) Deposits
   - (c) Deferred shares

10. NON-RETAIL FUNDS AND DEPOSITS
   - (a) Amounts owed to banks
   - (b) Time deposits
   - (c) Certificates of deposit
   - (d) Negotiable bonds
   - (e) Fixed and floating rate notes
   - (f) Other deposits
   - (g) Shares
   - (h) Deferred shares

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11. OTHER LIABILITIES
   - (a) Income tax
   - (b) Corporation tax
   - (c) Other creditors

12. PROVISIONS FOR LIABILITIES AND CHARGES
   - (a) Provisions for pensions and similar obligations
   - (b) Provisions for taxation
   - (c) Other provisions

13. SUBORDINATED LIABILITIES

14. TOTAL LIABILITIES

Reserves

15. General Reserve

16. Revaluation Reserve

17. Other Reserves

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18. TOTAL RESERVES

19. MINORITY INTERESTS

20. TOTAL LIABILITIES AND RESERVES

PART III

PROVISIONS APPLICABLE TO PARTS I AND II

1. The heading "Shares and Deposits" in the balance sheet in Part I above may instead be expressed as "Shares, Deposits and Loans" and if it is so expressed–

(a) the corresponding heading in the balance sheet in Part II above shall be similarly expressed, and

(b) in the balance sheets in Parts I and II above the expression "Other deposits" shall be replaced by the expression "Other deposits and loans".

2. Any asset in or liability to–

(a) in the case of Part I above, an associated body, and

(b) in the case of Part II above, an associated body which is not a relevant subsidiary,

shall be shown separately as a component of the item within which is it included.

3. In Asset item 1 of Parts I and II above–

(a) there shall be included in item 1(a)–

(i) cash, and

(ii) deposits (not being marketable securities) with the Bank of England or any Banking Act authorised institution,

(b) there shall be included in item 1(b)–

(i) marketable securities issued in the United Kingdom by Her Majesty's Government, and

(ii) marketable securities issued in the United Kingdom in respect of which the obligations of the issuer as to payment are guaranteed by Her Majesty's Government, and

(c) there shall be included in item 1(c) all liquid assets other than those included in item 1(a) or (b), and within item 1(c)–

(i) any asset which represents a liability of, or comprises a security issued by, Her Majesty's Government, a Government Department, a relevant authority or any other body exercising statutory functions shall be included in item 1(c)(i), and

(ii) any asset which comprises a security issued by a nationalised industry or otherwise does not fall to be included in item 1(c)(i) shall be included in item 1(c)(ii),

and for the purposes of this paragraph the expressions "cash", "deposit", "marketable security", "Banking Act authorised institution" and "relevant authority" have the meanings which they have for the purposes of the Building Societies (Liquid Asset) Regulations 1987(a).

4. In Asset items 2 and 3 in Parts I and II above the expression "ADVANCES SECURED ON RESIDENTIAL PROPERTY" shall correspond to advances which are class 1 advances, and the expression "OTHER ADVANCES SECURED ON LAND" to advances which are class 2 advances, for the purpose of the requirements of Part III (advances, loans and other assets) of the Act for the structure of commercial assets.

5. Within Asset item 4 of Parts I and II above–

(a) in item 4(a) there shall be included mobile home loans,

(b) in item 4(b) there shall be included loans to which section 16 (power to lend to individuals) of the Act applies and which do not fall to be included in item 4(c),

(c) in item 4(c) there shall be included loans on any security (whether partial or full and whether comprising property or a guarantee) to which section 16 of the Act applies, and

(d) in item 4(d) there shall be included all property to which section 17 of the Act (power to hold and develop land), other than section 17(6), applies,

and each subdivision of that Asset item shall in Part II above also apply to any asset which arises from the activity of a relevant subsidiary and would, were that relevant subsidiary the society, be an asset to which that subdivision would apply.

6. Premises to which section 17(6) of the Act applies (and premises of a relevant subsidiary which would, were they premises of a society, be premises to which that provision would apply) shall be included in Asset item 5(b)(i) (and not in Asset item 4(f)) in Part I above, and in Asset item 6(b)(i) (and not in Asset item 4(f)) in Part II above.

(a) S.I. 1987/1499.

7. Amounts in respect of assets shall be included in Asset item 5(a)(i) in Part I above (or, as the case may be, 6(a)(i) in Part II above) only if either–

(a) the assets were acquired for valuable consideration and are not required to be shown under goodwill, or

(b) the assets in question were created by the society (or, as the case may be, the society or a relevant subsidiary).

8. Amounts shall be included in Asset item 5(a)(ii) in Part I above or 6(a)(ii) in Part II above to represent goodwill only to the extent that the goodwill was acquired for valuable consideration.

9. In Liability items 8 and 9 of Part I above and 9 and 10 of Part II above all deferred shares shall be included as such (and not as shares) and for the purposes of this paragraph shares (of whatever nominal value) to which Article 3 of the Building Societies (Designated Capital Resources) Order 1986(a) (shares issued as deferred shares under previous legislation) applies shall be treated as deferred shares.

10.—(1) All liabilities of a relevant subsidiary of a society in respect of deposits shall be included in Liability item 10 of Part II above where they would, were they liabilities of the society, be classifiable as non-retail funds and deposits, and any other such liabilities of the relevant subsidiary shall be included in liability item 9 thereof.

(2) Any liabilities of a relevant subsidiary of a society in respect of shares, where included in the balance sheet in Part II above, shall be included in Liability item 19 thereof.

11.—(1) In Liability item 9 of Part I above and 10 of Part II above–

(a) in "Amounts owed to banks" there shall be included liabilities to which subsection (4)(bb) of section 7 of the Act applies (or, where in Part II above the liability is that of a relevant subsidiary, would apply were that relevant subsidiary the society);

(b) in "Time deposits" there shall be included liabilities to which subsection (4)(b) of that section applies (or, where in Part II above the liability is that of a relevant subsidiary, would apply were that relevant subsidiary the society);

(c) in item 9(c), (d) and (e) of Part I above and 10(c), (d) and (e) of Part II above there shall be included liabilities to which subsection (4)(a) and (aa) of that section applies (or, where in Part II above the liability is that of a relevant subsidiary, would apply were that relevant subsidiary the society).

(2) For the purpose of those Liability items–

(a) "certificate of deposit" and "floating rate note" have the respective meanings which they have in the Building Societies (Liquid Asset) Regulations 1987, and

(b) "fixed rate note" means a note which embodies a right, transferable to any person by delivery or by a method specified in the note, to receive a principal sum and interest at a rate which is fixed as specified in the note.

12. Any subordinated loan capital of the society shall be included in Liability item 12 in Part I above and 13 in Part II above and in no other such Liability item, but this requirement shall not be taken to exclude the obligation to include in Liability item 13 in Part II above subordinated liabilities of relevant subsidiaries.

(a) S.I. 1986/1878.

SCHEDULE 3

Regulation 3

PART I

FORMAT OF SOCIETY STATEMENT OF THE SOURCE AND APPLICATION OF FUNDS

Source of Funds

1. Increase in free capital
2. Advances and loans repaid by borrowers
3. Net receipts from retail funds and deposits
4. Net receipts from non-retail funds and deposits
5. Other items
6. Total source of funds

Application of Funds

7. Increase in liquid assets
8. Advances and loans made to borrowers
9. Increase in other commercial assets
10. Other items
11. Total application of funds

Increase in Free Capital

Source of Funds

12. Profit on ordinary activities after tax
13. Extraordinary profit after tax
14. Adjustment for items not involving the movement of funds:
    (a) Depreciation and other amounts written off tangible fixed assets
    (b) Amortisation of intangible fixed assets
    (c) Profit on disposal of fixed assets
    (d) Increase in general provision for loans, advances and guarantees
    (e) Profits retained in associated companies
15. Funds generated from operations
16. Funds from other sources:
    (a) Disposal of tangible fixed assets
    (b) Disposal of intangible fixed assets
    (c) Issue of subordinated loan capital

Application of Funds

17. Purchase of fixed assets:
    (a) Purchase of tangible fixed assets
    (b) Purchase of intangible fixed assets
18. Increase in free capital

PART II

FORMAT OF CONSOLIDATED STATEMENT OF THE SOURCE AND APPLICATION OF FUNDS

Source of Funds

1. Increase in free capital
2. Advances and loans repaid by borrowers
3. Net receipts from retail funds and deposits
4. Net receipts from non-retail funds and deposits
5. Other items
6. Total source of funds

Application of Funds

7. Increase in liquid assets
8. Advances and loans made to borrowers
9. Increase in other commercial assets
10. Increase in other operating assets
11. Other items
12. Total application of funds

Increase in Free Capital

Source of Funds

13. Profit on ordinary activities after tax less minority interests
14. Extraordinary profit after tax
15. Adjustment for items not involving the movement of funds:
    (a) Depreciation and other amounts written off tangible fixed assets
    (b) Amortisation of intangible fixed assets
    (c) Profit on disposal of fixed assets
    (d) Increase in general provision for loans, advances and guarantees
    (e) Profits retained in associated companies
    (f) Minority interests in retained profits
16. Funds generated from operations
17. Funds from other sources:
    (a) Disposal of tangible fixed assets
    (b) Disposal of intangible fixed assets
    (c) Issue of subordinated loan capital

Application of Funds

18. Purchase of fixed assets:
    (a) Purchase of tangible fixed assets
    (b) Purchase of intangible fixed assets
19. Dividends paid to minority shareholders
20. Increase in free capital

PART III

PROVISIONS APPLICABLE TO PARTS I AND II

1. In Parts I and II above assets to which section 17(6) of the Act applies shall be treated as fixed assets and not as commercial assets.

2. In Part II above–

(a) any asset which arises from the activity of a relevant subsidiary and would, were the relevant subsidiary the society, be a commercial asset, shall (subject to subparagraph (b) below) be treated as a commercial asset, but

(b) assets to which section 17(6) of the Act would apply by the operation of subparagraph (a) above shall be treated as fixed assets and not as commercial assets.

3.—(1) No subordinated loan capital shall, in Part I or II above, be treated as retail or non-retail funds and deposits.

(2) Subject to subparagraph (1) above, in Part II above the liabilities of any relevant subsidiary of a society in respect of deposits which would, were they liabilities of the society, be classifiable as non-retail funds and deposits shall be treated as non-retail funds and deposits and any other such liabilities of the relevant subsidiary shall be treated as retail funds and deposits.

4. Where relevant subsidiaries have been acquired or disposed of during a financial year to which a statement of the source and application of funds relates, the effect of such acquisitions or disposals shall be summarised in aggregate by way of a footnote to the statement which shall be separate from the notes to the annual accounts.

5.—(1) There shall be inserted in the notes to the annual accounts such analyses of the relevant items as are material to the assessment of the key factors.

(2) For the purposes of subparagraph (1) above–

(a) the relevant items are item 9 in Part I above and items 9 and 10 in Part II above, and

(b) the key factors, in relation to any statement of the source and application of funds, are–

(i) in Part I above, the manner in which the business of the society has been financed and in which its financial resources have been used, and

(ii) in Part II above, the manner in which the business of the society and its relevant subsidiaries has been financed and in which their financial resources have been used,

during the financial year to which the statement relates.

6.—(1) Where in any item in a statement in Part I or II above a positive term is used, and the amount referable thereto represents its corresponding negative term, the corresponding negative term shall be used instead and, where that change falls to be made within the relevant section of the statement, the format of the relevant section of the statement shall be changed so far as necessary to include that item in the grouping opposite to that specified for it in the format.

(2) For the purposes of paragraph (1) above the positive terms are increase, receipt and profit, their respective corresponding negative terms are decrease, outflow and loss, the groupings are source of funds and application of funds, and the relevant section of the statement comprises–

(a) in Part I above, the section ending with item 11, and

(b) in Part II above, the section ending with item 12.

SCHEDULE 4

Regulation 5

NOTES TO ANNUAL ACCOUNTS

Accounting policies

1. The accounting policies adopted by the society in determining the amounts to be included in respect of items shown in the balance sheet and in determining the income and expenditure and the source and application of funds of the society shall be stated, and that statement will include at least a statement of the policies in respect of–

(a) the depreciation and diminution in value of assets,

(b) the translation of amounts denominated in foreign currencies (if applicable),

(c) the accounting for and valuation of UK Government and other securities,

(d) the valuation of investment properties (if applicable), and

(e) the provision for losses on advances and loans,

and where any policy stated under this paragraph or any practice used in preparing the annual accounts departs from generally accepted accounting principles or practice, there shall be a statement of the reasons for the departure.

Employees

2.—(1) The following information shall be given with respect to the employees of the society–

(a) the average number of persons employed by the society in the financial year; and

(b) the average number of persons so employed within each category of persons employed by the society.

(2) The average number required by subparagraph (1)(a) or (b) above shall be determined by dividing the relevant annual number by the number of complete calendar months in the financial year, and that relevant annual number shall be determined by ascertaining for each complete calendar month in the financial year–

(a) for the purposes of subparagraph (1)(a), the number of persons employed under contracts of service by the society in that month (whether throughout the month or not), and

(b) for the purposes of subparagraph (1)(b), the number of persons in each such category of persons so employed,

and, in either case, adding together all the monthly numbers.

(3) In respect of all persons employed by the society during the financial year who are taken into account in determining the relevant annual number for the purposes of subparagraph (1)(a) above there shall also be stated the aggregate amounts respectively of–

(a) wages and salaries paid or payable in respect of that year to those persons,

(b) social security costs incurred by the society on their behalf, and

(c) other pension costs so incurred,

save in so far as those amounts or any of them are stated in the income and expenditure account.

(4) The categories of persons employed by the society by reference to which the number required to be disclosed by subparagraph (1)(b) is to be determined shall be such as to assist the assessment of the manner in which the society's activities are organised.

Higher paid employees' emoluments

3.—(1) There shall be shown by reference to each pair of adjacent points on a scale whereon the lowest point is £30,000 and the succeeding ones are successive integral multiples of £5,000 beginning with that in the case of which the multiplier is 7, the number (if any) of persons in the society's employment whose several emoluments exceeded the lower point but did not exceed the higher.

(2) The persons whose emoluments are to be taken into account for the purposes of this paragraph do not include–

(a) directors of the society, or

(b) persons (other than directors of the society) who–

(i) if employed by the society throughout the financial year, worked wholly or mainly during that year outside the United Kingdon, or

(ii) if employed by the society for part only of that year, worked wholly or mainly during that part outside the United Kingdom.

(3) For the purposes of this paragraph, a person's emoluments include any amount paid to or receivable by him from the society, an associated body and any other person in respect of his services as a person in the employment of the society or an associated body of it or as a director of an associated body of the society (except sums to be accounted for to the society or any of its associated bodies), and the term "emoluments" shall be taken to include fees and percentages, any sums paid by way of expenses allowance (in so far as those sums are charged to United Kingdom income tax), and the estimated money value of any other benefits received by a person otherwise than in cash.

(4) The amounts to be brought into account for the purpose of complying with subparagraph (1) above are the sums receivable in respect of the financial year (whenever paid) or, in the case of sums not receivable in respect of a period, the sums paid during that year, but where–

(a) any sums are not brought into account for the financial year on the ground that the person receiving them is liable to account for them as mentioned in subparagraph (3) above, but the liability is wholly or partly released or is not enforced within the period of two years, or

(b) any sums paid to a person by way of expenses allowance are charged to United Kingdom income tax after the end of the financial year,

those sums shall, to the extent to which the liability is released or not enforced or they are charged as above mentioned (as the case may be), be brought into account for the purposes of complying with subparagraph (1) on the first occasion on which it is practicable to do so.

(5) References in subparagraph (3) to a society's associated body shall be taken as referring to a body which was an associated body at the time the services referred to in that subparagraph were rendered.

Directors' emoluments

4.—(1) There shall be shown the aggregate amount of the directors' emoluments, and this amount–

(a) shall include any emoluments paid or receivable by a person in respect of his services as director of the society or in respect of his services, while director of the society, as a director of any associated body of it or otherwise in connection with the management of the affairs of the society or any associated body of it, and

(b) shall distinguish between emoluments in respect of services as director, whether of the society or its associated bodies, and other emoluments.

(2) For purposes of this paragraph "emoluments", in relation to a director, includes fees and percentages, any sums paid by way of expenses allowance (in so far as those sums are charged to United Kingdom income tax), any contributions paid in respect of him under any pension scheme and the estimated money value of any other benefits received by him otherwise than in cash.

(3) If one person has been chairman of the board of directors throughout the financial year, there shall be shown his emoluments, and otherwise there shall be shown with respect to each person who has been chairman during the year his emoluments so far as attributable to the period during which he was chairman.

(4) With respect to all the directors (other than any who discharged their duties as such wholly or mainly outside the United Kingdom), there shall be shown–

(a) the number (if any) who had no emoluments or whose several emoluments amounted to not more than £5,000); and

(b) by reference to each pair of adjacent points on a scale whereon the lowest point is £5,000 and the succeeding ones are successive integral multiples of £5,000, the number (if any) whose several emoluments exceeded the lower point but did not exceed the higher.

(5) If, of the directors (other than any who discharged their duties as such wholly or mainly outside the United Kingdom), the emoluments of one only exceed the relevant amount, his emoluments (so far as so ascertainable) shall also be shown.

(6) If, of the directors (other than any who discharged their duties as such wholly or mainly outside the United Kingdom), the emoluments of two or more exceed the relevant amount, the emoluments of him (or them, in the case of equality) who had the greater or, as the case may be, the greatest shall also be shown.

(7) For the purposes of subparagraphs (5) and (6) above "the relevant amount"–

(a) if one person has been chairman throughout the financial year, means the amount of his emoluments; and

(b) otherwise, means an amount equal to the aggregate of the emoluments, so far as attributable to the period during which he was chairman, of each person who has been chairman during the financial year.

(8) There shall under subparagraphs (3) to (6) above be brought into account as emoluments of a person all such amounts (other than contributions paid in respect of him under a pension scheme) as in his case are to be included in the amount shown under subparagraph (1) above.

(9) There shall be shown–

(a) the number of directors who have waived rights to receive emoluments in the present financial year or in the future which, but for the waiver, would have fallen to be included in the amount shown under subparagraph (1) above in the present annual accounts or in future annual accounts; and

(b) the aggregate amount of those emoluments.

(10) For the purposes of subparagraph (9) above, it shall be assumed–

(a) that a sum not receivable in respect of a period would have been paid at the time at which it was due to be paid, and

(b) that if such a sum (being a sum the right to receive which has been waived) was payable only on demand, it was due to be paid at the time of the waiver.

(11) There shall be shown the aggregate amount of directors' or past directors' pensions.

(12) The amount referred to in subparagraph (11) above shall not include any pensions paid or receivable under a pension scheme if the scheme is such that the contributions under it are substantially adequate for the maintenance of the scheme but, subject to that, shall include any pension paid or receivable in respect of any such services of a director or past directors as are mentioned in subparagraph (1) above, whether to him or by him or, on his nomination or by virtue of dependence on or other connection with him, to or by any other person. .

(13) The amount shown under subparagraph (11) above shall distinguish between pensions in respect of services as director, whether of the society or its associated bodies, and other pensions.

(14) There shall be shown the aggregate amount of any compensation to directors or past directors in respect of loss of office, and that amount–

(a) shall include any sums paid to or receivable by and any benefit received otherwise than in cash by a director, or past director, by way of compensation for loss of office as director of the society or for the loss, while director of the society or on or in connection with his ceasing to be a director of it, of any other office in connection with the management of the society's affairs or of any office as director or otherwise in connection with the management of the affairs of any associated body of the society, and

(b) shall distinguish between compensation in respect of the office of director, whether of the society or its associated body, and compensation in respect of other offices,

and for this purpose compensation for loss of office shall be taken to include sums paid as consideration for or in connection with a person's retirement from office.

(15) The amount to be shown under this paragraph includes in each case all sums relevant to that case paid by or receivable from–

(a) the society,

(b) the society's associated bodies, and

(c) any other person,

and the amount to be shown under subparagraph (14) shall distinguish between the sums respectively paid by or receivable from the society, the society's associated bodies and persons other than the society and its associated bodies.

(16) The amount to be shown for any financial year under this paragraph comprises the sums receivable in respect of that year (whenever paid) or, in the case of sums not receivable in respect of a period, the sums paid during that year, but where any sums paid by way of expenses allowance in that financial year are charged to United Kingdom income tax after the end of that financial year, those sums shall, to the extent to which the liability is charged, instead be shown in a note to the first accounts in which it is practicable to show them and shall be distinguished from the amounts to be shown apart from this provision.

(17) Regulation 5(2)(b) above shall not apply to this paragraph.

(18) In this paragraph–

(a) "pension" includes any superannuation allowance, superannuation gratuity or similar payment,

(b) "pension scheme" means a scheme for the provision of pensions in respect of services as director or otherwise which is maintained in whole or in part by means of contributions,

(c) "contribution" in relation to a pension scheme, means any payment (including an insurance premium) paid for the purposes of the scheme by or in respect of persons rendering services in respect of which pensions will or may become payable under the scheme, except that it does not include any payment in respect of two or more persons if the amount paid in respect of each of them is not ascertainable, and

(d) references to a society's associated body, in respect of any services to it, shall be taken as referring to a body which was an associated body at the time at which those services were rendered.

Other income and expenditure items

5.—(1) In respect of interest receivable, the amount of interest derived from associated bodies shall be shown separately from interest derived from other sources.

(2) In respect of interest payable–

(a) the amount payable to associated bodies shall be shown separately, and

(b) the amount of any income tax on interest on shares and deposits accounted for by the society shall be separately disclosed.

(3) There shall be shown the amount of any income from rent payable to the society in respect of premises or other land.

(4) There shall be shown the amount charged in respect of sums payable in respect of the hire of equipment, fixtures, fittings and vehicles.

(5) There shall be shown the amount of the remuneration of the auditors, including any sums paid by the society in respect of the auditors' expenses.

(6) There shall be shown the amount of any interest capitalised by the society in respect of development projects during the year, together with an indication of the amount and treatment of any related tax relief.

(7) Where separate disclosure of any component of item 4(a), 4(b), 5(a), 5(b), 5(c), 5(d) or 5(e) in Part I or II of Schedule 1 above would be material to the assessment of income and expenditure for a financial year, that component shall be separately disclosed.

Taxation

6.—(1) The basis on which the charge for United Kingdom corporation tax, deferred tax and United Kingdom income tax is computed shall be stated.

(2) Particulars shall be given of any special circumstances which affect liability in respect of taxation of profits, income or capital gains for the financial year or liability in respect of taxation of profits, income or capital gains for succeeding financial years.

(3) The following amounts shall be stated–

(a) the amount of the charge for United Kingdom corporation tax;

(b) if that amount would have been greater but for relief from double taxation, the amount which it would have been but for such relief; and

(c) the amount of the charge for taxation imposed outside the United Kingdom on profits, income and (so far as charged to the income and expenditure account) capital gains.

Miscellaneous matters

7.—(1) Where any amount relating to any preceding financial year is included in any item in the income and expenditure account, the effect of that inclusion shall be stated.

(2) Particulars shall be given of any extraordinary profits or losses arising in the financial year.

(3) The effect shall be stated of any transactions that are exceptional by virtue of size or incidence though they fall within the ordinary activities of the society.

Liquid assets

8.—(1) The amounts of loans and advances classifiable in the balance sheet as "cash with banks" shall be shown on the basis of their remaining maturity as follows:

(a) repayable on demand; and

(b) others with remaining maturity of–

(i) not more than three months,

(ii) more than three months but not more than one year,

(iii) more than one year but not more than five years, and

(iv) more than five years.

(2) The amounts classifiable in the balance sheet as UK Government securities shall be shown on the basis of their remaining maturity as follows–

(a) not more than one year,

(b) more than on year but not more than five years, and

(c) more than five years.

(3) The amounts classifiable in the balance sheet as "other securities" shall be shown on the basis of their remaining maturity as follows–

(a) not more than one year, and

(b) more than one year.

(4) In respect of the aggregate amount shown under subparagraph (2) above there shall be stated how much of that amount is ascribable to listed investments and, where it differs from the amount so stated, the aggregate market value, and the same shall apply in respect of the aggregate amount shown under subparagraph (3) above.

Provision for losses

9.—(1) In respect of any provision for losses deducted from Asset items 2, 3, 4(a), 4(b) and 4(c) in the balance sheet there shall be shown the following information, in respect of each item–

(a) the amount of the provision as at the date of the beginning of the financial year and as at the balance sheet date respectively, showing separately–

(i) specific provisions for losses, and

(ii) general provisions for losses,

(b) any amounts transferred to or from each of the provisions referred to in paragraph (a) above during the year, and

(c) the source and application respectively of any amounts so transferred.

(2) For the purposes of subparagraph (1) above a "specific provision" shall be any provision determined by reference to a particular advance or loan and all other provisions shall be "general provisions".

Investment in associated bodies

10.—(1) Where a society, at the end of its financial year, has any associated body which is carrying on business as at the end of that financial year there shall be stated as at the end of that financial year the following particulars of the associated body:

(a) whether it is a subsidiary, an associated body linked by resolution, or another associated body of the society;

(b) its name;

(c) how it is constituted;

(d) its place of registration;

(e) where it is a company limited by shares, the particulars of each class of its shares held, and the proportion of the nominal value of the allotted shares of that class represented by the shares held, by the society;

(f) the nature of the business carried on by it;

(g) the principal country of operation of the associated body; and

(h) whether it is a direct or indirect associated body of the society.

(2) For the purposes of this paragraph an associated body of a society is a direct associated body of the society if it is one–

(a) in which the society holds shares or corresponding membership rights, or

(b) to which the society is linked by resolution,

and is otherwise an indirect associated body of the society.

(3) The particulars required by subparagraph (1) above include, with reference to the proportion of the nominal value of the allotted shares of a class represented by shares held by the society, a statement of the extent (if any) to which it consists in shares held by, or by a nominee for, a subsidiary of the society and the extent (if any) to which it consists in shares held by, or by a nominee for, the society itself.

(4) Details required by subparagraphs (1) to (3) above need not be given in the case of an associated body which has not yet traded or had ceased to trade before the start of the financial year and had not, before its end, recommenced trading.

(5) In respect of each associated body particulars of which are disclosed under subparagraph (1) the additional information specified in subparagraph (6) below shall be given unless–

(a) the society prepares group accounts which include the accounts of the associated body, or

(b) the investment of the society in the shares of the associated body is included in, or in a note to, the annual accounts by way of the equity method of valuation.

(6) The information required by this subparagraph is the aggregate amount of the capital and reserves of the body as at the end of its relevant financial year, and its profit or loss for that year, and for this purpose the relevant financial year is–

(a) if the financial year of the body ends with that of the society giving the information in a note to its accounts, that financial year, and

(b) if not, the body corporate's financial year ending last before the end of the financial year of the society giving that information.

(7) Where an item stated in a balance sheet includes listed investments in an associated body–

(a) the aggregate amount referable to those investments within that item shall be stated and so shall their aggregate market value, and

(b) where the aggregate market value of those listed investments is higher than their aggregate stock exchange value, both of those aggregate values shall be stated.

Fixed assets

11.—(1) In respect of each item which is shown under "fixed assets" in the balance sheet the following information shall be given–

(a) the appropriate amounts in respect of that item as at the date of the beginning of the financial year and as at the balance sheet date respectively; and

(b) the effect on any amount shown in the balance sheet in respect of that item of–

(i) any revision of the amount in respect of any assets included under that item made during that year on any basis mentioned in paragraph 14 of Schedule 5 below,

(ii) acquisition during that year of any assets,

(iii) disposals during that year of any assets, and

(iv) any transfers of assets to and from that item during that year.

(2) The reference in subparagraph (1)(a) above to the appropriate amounts in respect of any item as at any date there mentioned is a reference to amounts representing the aggregate amounts determined, as at that date, in respect of assets falling to be included under that item on either of the following bases, that is to say–

(a) on the basis of purchase price,

(b) on any basis mentioned in paragraph 14 of Schedule 5 below,

(leaving out of account in either case any provisions for depreciation or diminution in value).

(3) In respect of each item within subparagraph (1) above–

(a) the cumulative amount of provisions for depreciation or diminution in value of assets included under that item as at each date mentioned in subparagraph (1)(a),

(b) the amount of any such provisions made in respect of the financial year,

(c) the amount of any adjustments made in respect of any such provisions during that year in consequence of the disposal of any assets, and

(d) the amount of any other adjustments made in respect of any such provisions during that year,

shall also be stated.

(4) Where any fixed assets of the society are included in the society's balance sheet at an amount determined on any basis mentioned in paragraph 14 of Schedule 5, the following information shall be given–

(a) the years (so far as they are known to the directors) in which the assets were severally valued and the several values; and

(b) in the case of assets that have been valued during the financial year, the names of the persons who valued them or particulars of their qualifications and (whichever is stated) the bases of valuation used by them.

(5) In relation to any amount which is or would but for Regulation 3(4) above be shown in respect of the item "land and buildings" in the balance sheet there shall be stated–

(a) how much of that amount is ascribable to land of freehold tenure and how much to land of leasehold tenure; and

(b) how much of the amount ascribable to land of leasehold tenure is ascribable to land held on long lease and how much to land held on short lease.

(6) In any case where any goodwill which has been acquired is shown or included as an asset in the balance sheet the period chosen for writing off the consideration for that goodwill and the reasons for choosing that period shall be disclosed.

Other assets

12. Any amount classifiable among "other assets" in the balance sheet and falling due after more than one year from the balance sheet date shall be separately disclosed.

Retail funds and deposits

13. The total of the amounts shown in the balance sheet as "retail funds and deposits" shall be analysed by division into–

(a) amounts repayable on demand, and

(b) amounts repayable from the balance sheet date in the ordinary course of business and whether by virtue of the giving of a period of notice or otherwise–

(i) in not more than three months,

(ii) in more than three months but not more than one year,

(iii) in more than one year but not more than five years, and

(iv) in more than five years.

Non-retail funds and deposits

14.—(1) The total of the amounts shown in the balance sheet as "non-retail funds and deposits" shall be analysed by division into–

(a) amounts repayable on demand, and

(b) amounts repayable from the balance sheet date in the ordinary course of business and whether by virtue of the giving of a period of notice or otherwise–

(i) in not more than three months,

(ii) in more than three months but not more than one year,

(iii) in more than one year but not more than five years, and

(iv) in more than five years.

(2) In respect of each item shown under "non-retail funds and deposits" in the balance sheet there shall be stated–

(a) the aggregate amount of any debts included under that item in respect of which any security has been given; and

(b) an indication of the nature of any security so given.

Deferred shares

15. Details of the terms of any deferred shares recorded in the balance sheet shall be given.

Other liabilities

16.—(1) Any amount classifiable among "other liabilities" in the balance sheet and falling due after more than one year from the balance sheet date shall be separately disclosed.

(2) The amount for creditors in respect of taxation and social security shall be separately disclosed.

Provisions and reserves

17.—(1) Where any amount is transferred–

(a) to or from any reserves,

(b) to any provisions for liabilities and charges, or

(c) from any provisions for liabilities and charges otherwise than for the purpose for which the provision was established,

and the reserves or provisions are shown or would but for Regulation 3(4) above be shown as separate items in the society's balance sheet, the information required by the following

subparagraph shall be given in respect of the aggregate of reserves or provisions included in items in the balance sheet to which any such transfer relates.

(2) The information required by this subparagraph is–

(a) the amount of the reserves or provisions as at the date of the beginning of the financial year and as at the balance sheet date respectively,

(b) any amounts transferred to or from the reserves or provisions during that year, and

(c) the source and application respectively of any amounts so transferred.

(3) Particulars shall be given of each provision included in the item "Provisions for liabilities and charges" in the balance sheet.

Subordinated liabilities

18. Details of the terms of subordinated liabilities included in the balance sheet shall be given, and the reason for the issue of any instrument by which those liabilities were incurred shall be given in the financial year of the issue.

Guarantees and other financial commitments

19.—(1) Particulars shall be given of any charge on the assets of the society to secure the liabilities of any other person, including, where practicable, the amount secured.

(2) The following information shall be given with respect to any other contingent liability not provided for in the balance sheet (including contingent liabilities of any associated body which is not a relevant subsidiary where those liabilities are guaranteed by the society or otherwise are relevant to the assessment of the state of its affairs at the end of the financial year):

(a) where practicable, the amount or estimated amount of that liability;

(b) its legal nature; and

(c) whether any valuable security has been provided by the society in connection with that liability and if so, what.

(3) There shall be stated, where practicable–

(a) the aggregate amount or estimated amount of contracts for capital expenditure, so far as not provided for in the balance sheet, and

(b) the aggregate amount or estimated amount of capital expenditure authorised by the directors which has not been contracted for.

(4) Particulars shall be given of–

(a) any pension commitments included under any provision shown in the balance sheet, and

(b) any such commitment for which no such provision has been made,

and, where any such commitment relates wholly or partly to pensions payable to past directors of the society separate particulars shall be given of that commitment so far as it relates to such pensions.

(5) Particulars shall also be given of any other financial commitments which have not been provided for in the balance sheet and are relevant to assessing the society's state of affairs at the end of the financial year.

(6) Commitments within any of the preceding subparagraphs undertaken on behalf of or for the benefit of any associated body of the society shall be stated separately from the other commitments within that subparagraph.

Other miscellaneous matters

20.—(1) Subject to the following subparagraph, in respect of every item stated in a note to the annual accounts the corresponding amount for the financial year immediately preceding that to which the accounts relate shall also be stated and where it is not reasonable to compare the corresponding amount, it shall be adjusted and particulars of the adjustment and the reasons for it shall be given.

(2) Subparagraph (1) above does not apply in relation to any amounts stated by virtue of any of the following provisions of this Schedule:

(a) paragraph 9;

(b) paragraph 11(1) to (4);

(c) paragraph 17(1) and (2); and

(d) paragraph 21.

(3) Where the notes to the annual accounts set out the remaining maturity of a liability or an asset comprising an advance or loan and that advance or loan involves payment by instalments, the period between the balance sheet date and the date on which each instalment falls due shall be treated as the remaining maturity in respect of each instalment.

Directors' loans and transactions

21.—(1) This paragraph applies, subject to subparagraph (5) below, in relation to–

(a) loans from and other transactions and arrangements with the society described in section 65 of the Act (which restricts loans to and other transactions and arrangements with directors and persons connected with them), other than those to which section 65(5) and (6) of the Act applies, and

(b) in the case of a group accounts society, loans from and other transactions and arrangements with a relevant subsidiary of the society to which paragraph (a) above would apply were the society rather than the relevant subsidiary a party to them.

(2) The notes to the annual accounts shall contain a statement, in relation to such loans, transactions, and arrangements showing as follows–

(a) the aggregate amounts outstanding under them at the end of the financial year, and

(b) the numbers of persons for whom such loans, transactions and arrangements were made.

(3) The notes to the annual accounts shall, in relation to any loan or other transaction or arrangement subsisting during or at the end of the financial year, make the following disclosures:–

(a) where a copy of it or a memorandum of its terms is included in the register maintained under section 68 of the Act (which requires the maintenance of such a register), the existence of the register and the availability of requisite particulars from it for inspection shall be disclosed;

(b) where it comes within subparagraph (1)(b) above, its particulars shall be disclosed unless it was one which would, had the relevant subsidiaries of the society formed part of the society, have been excepted from the obligations imposed by section 68 of the Act.

(4) Regulation 5(2)(b) above shall not apply to this paragraph.

(5) So far as this paragraph applies to loans to and other transactions and arrangements with persons who are not directors of the society, it applies to those to which the society (or, in the case of any relevant subsidiary incorporated in the United Kingdom, the relevant subsidiary) has notice of the application of this paragraph, and for this purpose notice of the connection of any such person with a director of the society shall be treated as notice of the application of this paragraph.

SCHEDULE 5

Regulation 6

ACCOUNTING PRINCIPLES AND RULES

PART I

ACCOUNTING PRINCIPLES

1. Subject to paragraph 7 below, the amounts to be included in respect of all items shown in a society's annual accounts shall be determined in accordance with the principles set out in this Part of this Schedule.

2. The society shall be presumed to be carrying on business as a going concern, and so, where group accounts are prepared, shall the society and its relevant subsidiaries.

3. Accounting policies shall be applied consistently from one financial year to the next.

4.—(1) The amount of any item shall be determined on a prudent basis, and in particular all liabilities and losses which have arisen or are likely to arise in respect of the financial year to which the accounts relate or a previous financial year shall be taken into account, including those which only become apparent between the balance sheet date and the relevant date.

(2) For the purposes of subparagraph (1) above, the relevant date is the date of signature of the balance sheet of the society on behalf of the board of directors under section 80 of the Act (signing of balance sheet and annexing of documents).

5. Except so far as these Regulations otherwise specify, income and charges relating to the financial year to which the accounts relate shall be taken into account without regard to the date of receipt or payment.

6. In determining the aggregate amount of any item the amount of each individual asset or liability that falls to be taken into account shall be determined separately.

PART II

DEPARTURE FROM ACCOUNTING PRINCIPLES

7. If it appears to the directors of a society that there are special reasons for departing from any of the principles stated in Part I above in preparing annual accounts in respect of any financial year they may do so, but particulars of the departure, the reasons for it, and its effect shall be given in a note to the annual accounts.

PART III

FIXED ASSETS

8.—(1) Subject to any provision for depreciation or diminution in value made in accordance with paragraph 9 or 10 below, the amount to be included in respect of any fixed asset shall be its purchase price unless it is valued in accordance with paragraph 14 below.

(2) In this Schedule "fixed asset" means an asset which falls to be classified as a fixed asset in a balance sheet.

9. In the case of any fixed asset which has a limited useful economic life, the amount of–

(a) the purchase price, or

(b) where it is estimated that any such asset will have a residual value at the end of the period of its useful economic life, its purchase price less that estimated residual value,

shall be reduced by provisions for depreciation calculated to write off that amount systematically over the period of the asset's useful economic life.

10.—(1) Provisions for diminution in value shall be made in respect of any fixed asset which has diminished in value if the reduction in its value is expected to be permanent (whether its useful economic life is limited or not), and the amount to be included in respect of it shall be reduced

accordingly, and any such provisions which are not shown in the income and expenditure account shall be disclosed (either separately or in aggregate) in a note to the accounts.

(2) Where the reasons for which any provision in respect of fixed assets (whether or not it is one to which subparagraph (1) above applies) was made have ceased to apply to any extent, that provision shall be written back to the extent that it is no longer necessary, and any amounts written back in accordance with this subparagaph which are not shown in the income and expenditure account shall be disclosed (either separately or in aggregate) in a note to the accounts.

11. Assets included in Asset items 4(d) and (f) in a balance sheet shall be valued according to methods set out for valuation of fixed assets in this Part of this Schedule where they are intended for use on a continuing basis in the normal course of a society's activities.

12.—(1) The application of paragraphs 8 to 10 above in relation to goodwill (in any case where goodwill is treated as an asset) is subject to subparagraph (2) below.

(2) The amount of the consideration for any goodwill acquired by a society shall be reduced by provisions for amortisation calculated to write off that amount systematically over a period which shall not exceed the useful economic life of the goodwill in question.

PART IV

ACCOUNTING RULES

13. Subject to paragraphs 15 and 16 the amounts to be included in respect of assets of any description mentioned in paragraph 14 may be determined on any basis so mentioned.

14.—(1) Tangible fixed assets may be included at a market value determined as at the date of their last valuation or at their current cost.

(2) Investments of any description falling to be included in the balance sheet as investments in associated bodies may be included either–

(a) at a market value determined as at the date of their last valuation; or

(b) at a value determined by use of a different method of valuation appropriate to the valuation of the investment in the particular body in respect of which that method is used;

and where paragraph (b) above applies particulars of the method of valuation adopted and of the reasons for adopting it shall be disclosed in a note to the accounts.

15. Where the value of any asset of a society is determined on any basis mentioned in paragraph 14 above that value shall be, or (as the case may require) be the starting point for determining, the amount to be included in respect of that asset in the society's accounts, instead of its purchase price or any value previously so determined for that asset, and methods for depreciation to be used pursuant to these Regulations shall apply accordingly in relation to any such asset with the substitution for any reference to its purchase price of a reference to the value most recently determined for that asset on any basis mentioned in paragraph 14 above.

16.—(1) With respect to any determination of the value of an asset of a society on any basis mentioned in paragraph 14, the amount of any profit or loss arising from that determination (after allowing, where appropriate, for any provisions for depreciation or diminution in value made otherwise than by reference to the value so determined and any adjustments of any such provisions made in the light of that determination) shall be credited or (as the case may be) debited to a separate reserve (referred to in these Regulations as "the revaluation reserve").

(2) The revaluation reserve shall be reduced to the extent that the amounts standing to the credit of that reserve are no longer necessary for the purpose of the accounting policies adopted by the society, but an amount may only be transferred from that reserve to the income and expenditure account if either–

(a) the amount in question was previously charged to that account, or

(b) it represents a realised profit.

(3) The treatment for taxation purposes of amounts credited or debited to the revaluation reserve shall be disclosed in a note to the accounts.

17. Advances and loans disclosed under items 2, 3 and 4(a) to (c) in the balance sheet Part I or, as the case may be, Part II of Schedule 2 above shall be included (after deduction of provisions for

losses) at the amount of the outstanding loan or advance or the capital repayment amount, if lower, in the case where the capital repayable is variable.

18.—(1) This paragraph applies to liquid assets within a relevant category in a balance sheet (that is to say item 1(b), 1(c)(i) or 1(c)(ii)).

(2) The balance sheet shall show liquid assets within a relevant category at cost (whether or not adjusted), at market value or at a combination of the two.

19. To the extent that a relevant category of liquid assets under paragraph 18 above includes liquid assets at cost, the method of arriving at their cost shall be disclosed in the notes to the annual accounts.

20. In any particular account, unless these Regulations otherwise require or permit, amounts in respect of items representing assets or income may not be set off against amounts in respect of items representing liabilities or expenditure (as the case may be), or vice versa.

SCHEDULE 6

Regulation 7

DIRECTORS' REPORT

1. There shall be stated the names of the persons who, at any time during the financial year, were directors of the society.

2. The directors' report shall contain–

(a) a statement of the business objectives and activities of the society and its associated bodies,

(b) particulars of any events which have occurred since the end of the financial year and which are considered by the directors of the society to have an important effect on the society or any of its associated bodies, and

(c) an indication of the opinion of the directors of the society as to the developments which they consider likely to happen in the business of the society and its associated bodies.

3.—(1) If significant changes in the fixed assets of the society or of any relevant subsidiary have occurred in the financial year, the report shall contain particulars of the changes.

(2) If, in the case of such of those fixed assets as consist in interests in land and buildings, their market value (as at the end of the financial year) differs substantially from the amount at which they are included in the balance sheet, and the difference is, in the directors' opinion, of such significance as to require that the attention of members of the society should be drawn to it, the report shall indicate the difference with such degree of precision as is practicable.

4.—(1) The following applies if the society or any relevant subsidiary of the society has in the financial year given money for political purposes or charitable purposes or both.

(2) If the money given exceeded £200 in amount, there shall be contained in the directors' report for the year–

(a) in the case of each of the purposes for which the money has been given, a statement of the amount of money given for that purpose, and

(b) in the case of political purposes for which money has been given, the following particulars (so far as is applicable):

(i) the name of each person to whom money has been given for those purposes exceeding £200 in amount and the amount of money given; and

(ii) if money exceeding £200 in amount has been given by way of donation or subscription to a political party, the identity of the party and the amount of money given.

(3) For the purposes of this paragraph a society or a relevant subsidiary is to be treated as giving money for political purposes if, directly or indirectly–

(a) it gives a donation or subscription to a political party of the United Kingdom or any part of it, or

(b) it gives a donation or subscription to a person who, to the society's knowledge (or, as the case may be, that of the relevant subsidiary), is carrying on, or proposing to carry on, any activities which can, at the time at which the donation or subscription was given, reasonably be regarded as likely to affect public support for such a political party as is mentioned above.

(4) For the purposes of this paragraph money given for charitable purposes to a person who, when it was given, was ordinarily resident outside the United Kingdom shall be left out of account.

(5) In this paragraph, "charitable purposes" means purposes which are exclusively charitable; and, as respects Scotland, "charitable" is to be construed as if it were contained in the Income Tax Acts.

5.—(1) Subject to subparagraphs (2) and (3) below, the directors' report shall state the following, with respect to each person who, at the end of the financial year, was a director of the society–

(a) whether or not he was at the end of that year interested in shares in, or debentures of, any associated body of the society;

(b) if he was so interested–

(i) the number and amount of shares in, and debentures of, each such body (specifying it) in which he was then interested,

(ii) whether or not he was, at the beginning of that year (or, if he was not then a director, when he became one), interested in shares in, or debentures of, that or any other such body, and

(iii) if he was, the number and amount of shares in, and debentures of, each body (specifying it) in which he was interested at the beginning of the financial year or (as the case may be) when he became a director.

(2) The particulars required by paragraph (1) above may be given by way of notes to the society's annual accounts in respect of the financial year, instead of being stated in the directors' report.

(3) Particulars required by paragraph (1) above are not required to be given in respect of directors' nominee shareholdings, held on behalf of the society.

(4) Any changes, in the details disclosed under paragraph (1) above, between the end of the year and the relevant date must be disclosed in the directors' report and any such change after that date may be so disclosed.

(5) For the purposes of subparagraph (4) above "the relevant date" is–

(a) the date one month prior to the date of the notice of the society's annual general meeting, or

(b) if earlier, the date on which approval, under section 80 of the Act, of components of the annual accounts is completed.

6.—(1) This paragraph applies to the directors' report where the average number of persons employed by the society in each month during the financial year exceeded 250.

(2) For the purposes of subparagraph (1) above the average number is the quotient derived by dividing, by the number of complete calendar months in the financial year, the number derived by ascertaining, in relation to each of those months, the number of persons who, under contracts of service, were employed in the month (whether throughout it or not) by the society, and adding up the numbers ascertained.

(3) The directors' report shall where this paragraph applies contain a statement describing such policy as the society has applied during the financial year–

(a) for giving full and fair consideration to applications for employment by the society made by disabled persons, having regard to their particular aptitudes and abilities,

(b) for continuing the employment of, and for arranging appropriate training for, employees of the society who have become disabled persons during the period when they were employed by the society, and

(c) otherwise for the training, career development and promotion of disabled persons employed by the society.

(4) The directors' report shall where this paragraph applies also contain a statement describing the action that has been taken during the financial year to introduce, maintain or develop arrangements aimed at–

(a) providing employees systematically with information on matters of concern to them as employees,

(b) consulting employees or their representatives on a regular basis so that the views of employees can be taken into account in making decisions which are likely to affect their interests,

(c) encouraging the involvement of employees in the society's performance, and

(d) achieving a common awareness on the part of all employees of the financial and economic factors affecting the performance of the society.

(5) In this paragraph–

(a) "employment" means employment other than employment to work wholly or mainly outside the United Kingdom, and "employed" and "employee" shall be construed accordingly; and

(b) "disabled person" means the same as in the Disabled Persons (Employment) Act 1944(a) and the Disabled Persons (Employment) Act (Northern Ireland) 1945(b).

(a) 1944 c.10.
(b) 1945 c.6 (N.I.).

7.—(1) The directors' report shall disclose, in accordance with subparagraph (2) below–

(a) free capital as a percentage of the total of the share and deposit liabilities in the balance sheet,

(b) gross capital as a percentage of the total of the share and deposit liabilities in the balance sheet,

and, where consistency with the use of expression in the balance sheet so requires, the expression "share, deposit and loan liabilities" shall be used in the directors' report in place of the expression "share and deposit" liabilities.

(2) The matters required to be disclosed by subparagraph (1) above shall be disclosed–

(a) where the society is a single accounts society, in relation to the society, and

(b) where the society is a group accounts society, in relation to the society and its relevant subsidiaries.

8. The directors' report shall also disclose the number of mortgage accounts twelve or more months in arrears and the total amount of such arrears.

SCHEDULE 7

Regulation 8

ANNUAL BUSINESS STATEMENT

Statutory ratios and percentages

1.—(1) Subject to the following provisions of this paragraph, the annual business statement of a society shall state, as at the end of the financial year with which it deals, the following ratios and particulars:

(a) a ratio showing–
  (i) as its first quantity, non-retail funds and deposits as a percentage of shares and deposits, and
  (ii) as its second quantity, the relevant statutory limit for that percentage;

(b) a ratio showing–
  (i) as its first quantity, deposits as a percentage of shares and deposits, and
  (ii) as its second quantity, the relevant statutory limit for that percentage;

(c) advances secured on residential property as a percentage of total commercial assets;

(d) advances secured on land other than residential property as a percentage of total commercial assets;

(e) a ratio showing–
  (i) as its first quantity, commercial assets other than advances secured on land as a percentage of total commercial assets, and
  (ii) as its second quantity, the relevant statutory limit for that percentage; and

(f) a ratio showing–
  (i) as its first quantity, the aggregate of the assets to which paragraphs (d) and (e)(i) refer as a percentage of total commercial assets, and
  (ii) as its second quantity, the relevant statutory limit for that percentage.

(2) The annual business statement shall include an explanation of what is represented by–

(a) each of the quantities specified in subparagraph (1) above;

(b) the description of advances referred to in–
  (i) subparagraph (1)(c) above, and
  (ii) subparagraph (1)(d) above; and

(c) each of the relevant statutory limits specified in subparagraph (1) above.

(3) In subparagraph (1) above–

(a) in paragraph (a), the first quantity shall be shown in accordance with subsection (3) of section 7 of the Act (power to raise funds and borrow money) and accordingly–
  (i) "non-retail funds and deposits" means liabilities of the society in respect of its non-retail funds and deposits less those of them which are among the particular liabilities to which subsection (14) of that section refers, and
  (ii) "shares and deposits" means the total liabilities of the society in respect of shares and deposits less the particular liabilities to which subsection (14) of that section refers;

(b) in paragraph (b), the first quantity shall be shown in accordance with subsection (1) of section 8 of the Act (proportion of liabilities to be in form of shares) and accordingly–
  (i) "deposits" means the amount of the principal of, and interest payable on, sums deposited with the society less that part of it which comes within the particular liabilities to which subsection (2) of that section refers, and
  (ii) "shares and deposits" means the aggregate of the principal of, and interest payable on, sums deposited with the society and the principal value of, and interest payable on, shares in the society less the particular liabilities to which subsection (2) of that section refers;

(c) in paragraph (c), "advances secured on residential property" means those commercial assets which are class 1 assets for the purpose of the requirements of Part III of the Act for the structure of commercial assets;

(d) in pragraph (d), "advances secured on land other than residential property" means those commercial assets which are class 2 assets for the purpose of the requirements of Part III of the Act for the structure of commercial assets; and

(e) "relevant statutory limit" shall be construed–

(i) subject to subparagraph (ii) below, in accordance with section 36 of the Act (powers in event of breach of limits), and

(ii) where the relevant statutory limit imposed by subsection (2) (or (3)) of section 20 (commercial asset structure requirement) in respect of a particular financial year of a society is the amount imposed by paragraph (b) of that subsection, as if that amount were expressed as a percentage of the total commercial assets of the society as at the end of that financial year.

(4) Where relevant rules are in force so as to attribute to a society assets or liabilities of a body corporate associated with it, the ratios and particulars required to be shown by this paragraph shall be shown so as to take that attribution into account, and–

(a) where such relevant rules make provision for the disregarding of assets or liabilities of the society, those ratios and particulars shall be shown so as to take that provision into account, and

(b) in this paragraph "relevant rules" means–

(i) aggregation rules under section 7(10), 8(3) or 20(9) of the Act, or

(ii) rules approved under section 7(13), 8(5) or 20(12) of the Act.

Other percentages

2.—(1) Subject to the following provisions of this paragraph, the annual business statement of a society 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 share and deposit liabilities as at the balance sheet date–

(i) the gross capital as at that date, and

(ii) the free capital as at that date;

(b) the liquid assets as at the balance sheet date as a percentage of the total assets as at that date;

(c) the profit or loss after taxation as a percentage of–

(i) the mean reserves, and

(ii) the mean total assets; and

(d) (except where there is no extraordinary profit or loss shown in the income and expenditure account in relation to either of those financial years) the ordinary profit or loss after taxation as a percentage of–

(i) the mean reserves, and

(ii) the mean total assets.

(2) Where the society is a group accounts society, the particulars required to be stated by paragraph (1) above in respect of the society shall be stated in respect of the society and its relevant subsidiaries, but this subparagraph shall not be taken to prohibit the stating in addition by a society of those particulars in respect of the society alone.

(3) Any matter required by subparagraph (1) above to be stated as a particular in, or to be used as a factor in calculating a particular required by this Regulation to be stated in, the annual business statement and which relates to a previous financial year is required to be so stated or used for purposes of assisting the assessment of the corresponding particular for the financial year with which the annual business statement deals and accordingly shall, where it can be derived from an amount in annual accounts adjusted in accordance with Regulation 3(7)(b) above, be derived from that amount as so adjusted.

(4) The annual business statment shall include an explanation of what is represented by each of the particulars referred to in subparagraph (1) above and, where subparagraph (2) above applies, a statement of the basis on which particulars are stated by virtue of that subparagraph.

(5) Subject to subparagraph (3) above, in this paragraph–

(a) "share and deposit liabilities" means the aggregate of liabilities in the balance sheet representing retail and non-retail funds and deposits;

(b) "liquid assets" and "total assets" shall be taken from the items so named in the balance sheet;

(c) "the profit or loss after taxation" shall be taken from item 18 in Part I (or, as the case may be, item 20 in Part II) of Schedule 1 above;

(d) "the ordinary profit or loss after taxation" shall be taken from item 12 in Part I (or, as the case may be, item 14 in Part II) of Schedule 1 above;

(e) "mean reserves" means, in respect of a financial year, the amount produced by halving

the aggregate of total reserves as stated in the balance sheet in respect of that and the previous financial year; and

(f) "mean total assets" means, in respect of a financial year, the amount produced by halving the aggregate of total assets as stated in the balance sheet in respect of that and the previous financial year.

Information relating to directors and other officers

3.—(1) The annual business statement of a society shall state–

(a) in relation to each person who was, at the end of the financial year with which it deals, a director of the society:

(i) his name;

(ii) his home address or an address, other than that of the society, at which documents may be served on him;

(iii) his business occupation;

(iv) the bodies (other than the society) of which he is a director, if any;

(v) his date of birth; and

(vi) his date of appointment as director; and

(b) in relation to each person who was, at the end of the financial year with which it deals, an officer (but not a director) of the society:

(i) his name;

(ii) his business occupation; and

(iii) the bodies of which he is a director, if any.

(2) The annual business statement of a society shall state, in relation to each person who was, at the end of the financial year with which it deals, a director or the chief executive of the society, particulars of his service contract (if any) with the society.

(3) The annual business statement of a society shall state particulars of any arrangement entered into during the financial year with which it deals whereby–

(a) a director of the society or a person connected with him acquired, or arranged to acquire, any non-cash asset from a relevant body, or

(b) a relevant body acquired, or arranged to acquire, any non-cash asset from a director of the society or a person connected with him,

and for the purposes of this subparagraph "non-cash asset" and "connected with" shall be construed in accordance with Part VII (Management of Societies) of the Act, and "relevant body" means the society or any relevant subsidiary of the society.

Average rates

4.—(1) Subject to the following provisions of this paragraph, the annual business statement of a society shall state the following particulars in respect of the society, in relation to the financial year with which it deals, with regard to each of the major categories of interest bearing assets and liabilities:

(a) the average amount outstanding during the financial year;

(b) the interest earned on such assets;

(c) the interest paid on such liabilities;

(d) the average yield on such assets; and

(e) the average rate paid on such liabilities.

(2) Where the society is a group accounts society, the particulars required to be stated by paragraph (1) above in respect of the society shall be stated in respect of the society and its relevant subsidiaries, but this subparagraph shall not be taken to prohibit the stating in addition by a society of those particulars in relation to the society alone.

(3) The annual business statement shall include an explanation of what is represented by each of the particulars referred to in subparagraph (1) above and, where subparagraph (2) above applies, a statement of the basis on which particulars are stated by virtue of that subparagraph.

(4) In this paragraph–

(a) the major categories of interest bearing assets are–

(i) liquid assets; and

(ii) secured advances;

(b) the major categories of interest bearing liabilities are–

(i) retail funds and deposits; and

(ii) non-retail funds and deposits;

(c) "the average amount outstanding during the financial year", in respect of each major category of interest bearing assets and liabilities, means the amount produced by halving the aggregate of the assets (or, as the case may be, liabilities) attributable to that category in the balance sheet in respect of that and the preceding financial year, and for this purpose the amount attributable to secured advances shall be the aggregate of the amounts in Asset items 2, 3, 4(a) and 4(c) of the balance sheet in Part I (or, in the case when group accounts are used, Part II) of Schedule 2 above;

(d) "the interest earned", in respect of each major category of interest bearing assets, means the amount (or aggregate amount) shown as interest receivable in the income and expenditure account which is attributable to that category;

(e) "the interest paid", in respect of each major category of interest bearing liabilities, means the amount shown as interest payable in the income and expenditure account which is attributable to that category;

(f) "the average yield", in respect of each major category of interest bearing assets, means the amount (or aggregate amount) in paragraph (d) above attributable to that category as a percentage of the amount in paragraph (c) above attributable to that category; and

(g) "the average rate paid", in respect of each major category of interest bearing liabilities, means the amount in paragraph (e) above attributable to that category as a percentage of the amount in paragraph (c) above attributable to that category.

Associated bodies not carrying on business

5. The annual business statement of a society shall state, in respect of each associated body of the society which is not carrying on business at the end of the financial year with which the annual business statement deals, the particulars required by paragraph 10(1)(a), (b), (c), (e) and (h) of Schedule 4 above to be stated in the notes to the annual accounts in respect of associated bodies carrying on business at that time.

Information about new activities

6.—(1) The annual business statement of a society shall state, in respect of each adopted power of the society which has been exercised by the society for the first time during the financial year with which the annual business statement deals, the fact that it has been so exercised.

(2) In determining for the purposes of subparagraph (1) above whether a power has been exercised by a society, the society shall be treated as including bodies corporate associated with it.

SCHEDULE 8

Regulation 9

SUMMARY FINANCIAL STATEMENT

PART I

FORMAT OF SUMMARY FINANCIAL STATEMENT

SECTION A

PRESCRIBED FORM OF STATEMENT FOR THE PURPOSES OF SECTION 76(4) OF THE ACT

1. This summary financial statement is only a summary of information in the annual accounts, directors' report and annual business statement.

2. Insofar as this summary financial statement summarises the information in the annual accounts, those accounts have been audited.

3. The annual accounts, directors' report and annual business statement will be available to members and depositors 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

FORMAT OF SUMMARY DIRECTORS' REPORT

1. Summary review of the business.

2. Summary review of events.

3. Summary indication of likely developments.

SECTION C

FORMAT OF SUMMARY STATEMENT

RESULTS FOR THE YEAR	THIS YEAR £	LAST YEAR £
1. Profit/Loss [NOTE 1] for the year after taxation	.....	.....
FINANCIAL POSITION AT END OF YEAR		
Assets		
2. Liquid assets	.....	.....
3. Mortgages	.....	.....
4. Other commercial assets	.....	.....
5. Fixed and other assets	.....	.....
	_____	_____
	_____	_____
Liabilities and Capital		
6. Shares	.....	.....
7. Deposits [NOTE 2]	.....	.....
8. Other liabilities	.....	.....
9. Capital	.....	.....
	_____	_____
	_____	_____

NOTE 1 : Delete as appropriate
NOTE 2 : Add "and loans" where required for consistency with balance sheet.

SECTION D

FORMAT OF SUMMARY OF KEY FINANCIAL RATIOS

	THIS YEAR %	LAST YEAR %
1. As percentage of share and deposit [NOTE 1] liabilities–		
(a) Gross capital	.....	.....
(b) Free capital	.....	.....
2. As percentage of total assets–		
Liquid assets	.....	.....
3. As percentage of average gross capital–		
(a) Profit/Loss [NOTE 2] for the year before extraordinary items	.....	.....
(b) Profit/Loss [NOTE 2] for the year	.....	.....

NOTE 1 : For "share and deposit" substitute "share, deposit and loan" where required for consistency with balance sheet.

NOTE 2 : Delete as appropriate.

PART II

PROVISIONS APPLICABLE TO PART I

1. In section B of Part I above–
   (a) the summary review of the business shall comprise–
      (i) in the case of a single accounts society, a summary review of the business of the society during, and a commentary on its financial position at the end of, the relevant year, and
      (ii) in the case of a group accounts society, a summary review of the business of the society and its relevant subsidiaries during, and a commentary on their financial position at the end of, the relevant year;
   (b) the summary review of events shall comprise a summary review of the events during the relevant year considered by the directors of the society to have an important effect–
      (i) in the case of a single accounts society, on the society, and
      (ii) in the case of a group accounts society, on the society and its relevant subsidiaries; and
   (c) the summary indication of likely developments shall comprise a summary indication of the opinion of the directors of the society as to the developments considered by them to be likely to happen–
      (i) in the case of a single accounts society, in the business of the society, and
      (ii) in the case of a group accounts society, in the business of the society and its relevant subsidiaries.

2. In sections C and D of Part I above "year" means "financial year", "this year" means the relevant year, and "last year" means the financial year preceding the relevant year.

3.. Any amount or percentage required to be included in section C or D of Part I above in the column headed "LAST YEAR" is required to be included for the purposes of assisting the assessment of the corresponding amount or percentage in the column headed "THIS YEAR" and accordingly shall, where it is derived from an amount in annual accounts adjusted in accordance with Regulation 3(7)(b) above, be derived from that amount as so adjusted.

4. Sections C and D of Part I above shall be completed–
   (a) in relation to a single accounts society, in relation to the society, and
   (b) in relation to a group accounts society, in relation to the society and its relevant subsidiaries.

5. Subject to paragraph 3 above, in section C of Part I above–
   (a) item 1 shall be derived from item 18 in Part I (or, as the case may be, item 20 in Part II) of Schedule 1 above,
   (b) item 2 shall be derived from item 1 in Part I (or, as the case may be, Part II) of Schedule 2 above,
   (c) item 3 shall be derived from items 2 and 3 in Part I (or, as the case may be, Part II) of Schedule 2 above,
   (d) item 4 shall be derived from item 4 in Part I (or, as the case may be, Part II) of Schedule 2 above,
   (e) item 5 shall be derived from items 5 and 6 in Part I (or, as the case may be, items 5, 6 and 7 in Part II) of Schedule 2 above,
   (f) item 6 shall be derived from items 8(a), 8(c), 9(g) and 9(h) in Part I (or, as the case may be, items 9(a), 9(c), 10(g) and 10(h) in Part II) of Schedule 2 above,
   (g) item 7 shall be derived from items 8(b) and 9(a) to (f) in Part I (or, as the case may be, items 9(b) and 10(a) to (f) in Part II) of Schedule 2 above,
   (h) item 8 shall be derived from items 10 and 11 in Part I (or, as the case may be, items 11, 12 and 19 in Part II) of Schedule 2 above, and
   (i) item 9 shall be derived from items 12 and 17 in Part I (or, as the case may be, items 13 and 18 in Part II) of Schedule 2 above.

6. Unless there are no extraordinary items in the income and expenditure accounts for the relevant year and the previous financial year, there shall be disclosed in a note to the summary statement the format of which is set out in section C of Part I above–
   (a) whether there are any extraordinary items in the income and expenditure account for the relevant year and, if there are, a summary statement of them, and
   (b) such information in relation to the matters to which subparagraph (a) above relates as respects the previous financial year as can be used to assist the assessment of the summary statement required by subparagraph (a) above.

7. Subject to paragraph 3 above, in section D of Part I above–
   (a) item 1 shall be derived from the particulars required to be stated in the annual business statement by paragraph 2(1)(a) of Schedule 7 above,
   (b) item 2 shall be derived from the particulars required to be stated in the annual business statement by paragraph 2(1)(b) of Schedule 7 above, and
   (c) in item 3–
      (i) where there is no extraordinary profit or loss shown in the income and expenditure account for the relevant year and the previous financial year, item 3(a) is not required to be included,
      (ii) where item 3(a) is included, the profit or loss for the year before extraordinary items to be used as a factor in that item shall be derived from item 12 in Part I (or, as the case may be, item 14 in Part II) of Schedule 1 above, and
      (iii) the profit or loss for the year to be used as a factor in item 3(b) shall be derived from item 18 in Part I (or, as the case may be, item 20 in Part II) of Schedule 1 above.

8. In this Schedule–
   (a) "relevant year", in relation to a summary financial statement of a society, means the financial year of the society with which the summary financial statement deals, and
   (b) "average capital" means, in respect of a financial year, the amount produced by halving the aggregate of the amounts in items 12 and 17 in Part I (or, as the case may be, items 13 and 18 in Part II) of Schedule 2 above for that and the previous financial year.

SCHEDULE 9

Regulation 10

INTERPRETATION OF SCHEDULES

1. The following paragraphs apply for the purposes of the interpretation of the Schedules to these Regulations.

Associated companies and bodies

2. Where reference is made to an associated body of a society, a body corporate associated with a society or an associated company of a society–

(a) a reference to either of the first two shall be construed in accordance with section 18 of the Act (power to invest), but

(b) in the case of a reference to the last, in determining whether or not a company is an associated company, generally accepted accounting principles shall be used.

Balance sheet date

3. "Balance sheet date", in relation to a balance sheet, means the date as at which the balance sheet was prepared.

Leases

4. In respect of leases–

"long lease" means a lease in the case of which the portion of the term for which it was granted remaining unexpired at the end of the financial year is not less than 50 years,

"short lease" means a lease which is not a long lease, and

"lease" includes an agreement for a lease.

Listed investments

5. "Listed investment"–

(a) except in relation to Northern Ireland, has the meaning given to it in paragraph 84 in Part VII of Schedule 4 to the Companies Act 1985(a) (Form and Content of Company Accounts) and, from the coming into force of paragraph 23(b) of Schedule 16 to the Financial Services Act 1986(b), shall have the meaning so given to it in that former paragraph as amended by that latter paragraph, and

(b) in relation to Northern Ireland, has the meaning given to it in paragraph 83 in Part VII of Schedule 4 to the Companies (Northern Ireland) Order 1986(c) (Form and Content of Company Accounts) and, from the coming into force of paragraph 38(b) of Schedule 16 to the Financial Services Act 1986, shall have the meaning so given to it in that former paragraph as amended by that latter paragraph.

Materiality

6. No provision of these Regulations requiring the inclusion of amounts in a particular account, or in notes to the annual accounts (other than paragraphs 3, 4 and 21 of Schedule 4 above), shall be taken to prohibit the disregarding of an amount which, in the particular context of that provision, is immaterial.

Provisions

7.—(1) References to provisions for depreciation or diminution in value of assets are to be taken as references to any amount written off by way of providing for depreciation or diminution in value of assets.

(2) Any reference in an income and expenditure account to the depreciation of, or amounts written off, assets of any description is to be taken as a reference to any provision for depreciation or diminution in value of assets of that description.

(3) References to provisions for liabilities and charges are to be taken as a reference to any amount retained as reasonably necessary for the purpose of providing for any liability or loss which is either likely to be incurred, or certain to be incurred but uncertain as to amount or as to the date on which it will arise.

(a) 1985 c.6.
(b) 1986 c.60.
(c) S.I. 1986/1032 (N.I.6).

Purchase price

8. References (however expressed) to the purchase price of any asset of a society include any consideration (whether in cash or otherwise) given by the society in respect of that asset.

Scots land tenure

9. In the application of these Regulations in Scotland, "land of freehold tenure" means land in respect of which the society is the proprietor of the dominium utile or, in the case of land not held on feudal tenure, is the owner, and "land of leasehold tenure" means land of which the society (or, as the case may be, a relevant subsidiary) is the tenant under a lease.

Staff costs

10.—(1) "Social security costs" means any contribution by the society to any state social security or pension scheme, fund or arrangement.

(2) "Pension costs" includes any other contributions by the society for the purposes of any pension scheme established for the purpose of providing pensions for persons employed by the society, any sums set aside for that purpose, and any amounts paid by the society in respect of pensions without first being set aside.

(3) Any amount stated in respect of either of the above items or in respect of the item "wages and salaries" in the society's income and expenditure account shall be determined by reference to payments made or costs incurred in respect of all persons employed by the society during the financial year.

Capital

11.—(1) "Gross capital" means total reserves as shown in the balance sheet plus any subordinated liabilities as shown in the balance sheet.

(2) "Free capital" means the aggregate of gross capital and general loss provisions less fixed assets.

Amounts repayable

12. Only those amounts which can at any time be withdrawn without notice or for which a maturity or period of notice of twenty-four hours or one working day has been agreed shall be regarded as repayable on demand.

Other definitions

13. In the Schedules to these Regulation–

"liquid asset" means an asset which a society is, by virtue of regulations in force for the time being under section 21 (liquid assets) of the Act, empowered to hold or to continue to hold;

"retail funds and deposits" means those funds and deposits of a society which–

(a) come within section 7 (power to raise funds and borrow money) of the Act, and

(b) are not, by virtue of that section, classified as non-retail funds and deposits,

and includes, in the case of a society which has made an effective election for the purposes of subsection (5) of that section, those funds and deposits which would, but for that election, be classified as non-retail;

"subordinated loan capital" means, in respect of a society, any liability (not being a liability in respect of a share) specified in an order for the time being in force under section 45(5) of the Act (capital resources which may be aggregated with reserves for certain purposes); and

"third party" means a person who is neither the society nor a body corporate associated with it.

EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations prescribe the format and content of building society annual accounts (the income and expenditure account, balance sheet and statement of the source and application of funds) and make provision for notes to the annual accounts and accounting principles and rules. They also provide for the inclusion of specific material in building society directors' reports and annual business statements, and prescribe the format and content of building society summary financial statements.

The annual accounts, directors' report and annual business statement are required by sections 80 and 81 of the Building Societies Act 1986 to be laid before a building society at its annual general meeting. The summary financial statement, which is derived from those documents, is required by section 76 of that Act to be sent to every society member entitled to receive notice of the annual general meeting.

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