STATUTORY INSTRUMENTS

1987 No. 395

BUILDING SOCIETIES

The Building Societies Act 1986 (Accounts and Related Transitional Provisions) Order 1987

Made - - - -	*9th March 1987*
Laid before Parliament	*11th March 1987*
Coming into force	*1st April 1987*

The Treasury, in exercise of the powers conferred on them by section 121 of the Building Societies Act 1986(a), and of all other powers enabling them in that behalf, hereby make the following Order:–

Citation and commencement

1. This Order may be cited as the Building Societies Act 1986 (Accounts and Related Transitional Provisions) Order 1987 and shall come into force on 1st April 1987.

Interpretation

2. In this Order–

"Northern Ireland society" means a society which, prior to 1st January 1987, was registered in Northern Ireland;

"the operative date" means the date on which this Order comes into force;

"the previous enactments" means–

(a) except in relation to a Northern Ireland society, the Building Societies Act 1962(b), and

(b) in relation to a Northern Ireland society, the Building Societies Act (Northern Ireland) 1967(c);

"the previous Order" means the Building Societies Act 1986 (Rules and Miscellaneous Transitional Provisions) Order 1986(d);

"the previous regulations" means–

(a) except in relation to a Northern Ireland society, the Building Societies (Accounts and Annual Return) Regulations 1983(e), and

(b) in relation to a Northern Ireland society, the Building Societies (Accounts and Annual Return) Regulations (Northern Ireland) 1984(f);

"the registrar" means–

(a) except in relation to a Northern Ireland society, the Chief Registrar, and

(b) in relation to a Northern Ireland society, the officer appointed to perform the functions of registrar of building societies in Northern Ireland;

(a) 1986 c. 53.
(b) 1962 c. 37.
(c) 1967 c. 31 N.I.).
(d) S.I. 1986/2168.
(e) S.I. 1983/1768.
(f) S.R. (N.I.) 1984 No. 334.

"relevant accounts" means a society's revenue and appropriation account and balance sheet to which, by virtue of Article 3 below, this Order applies;

"relevant return" means a society's annual return to the registrar to which, by virtue of Article 3 below, this Order applies;

"the saved provisions" means the provisions of the previous enactments and of the previous regulations the application of which to relevant accounts and relevant returns has been saved as specified in Article 3(1) below; and

"society" means a building society.

Application of Order

3.—(1) Subject to paragraph (2) below, this Order applies to–

(a) revenue and appropriation accounts and balance sheets, and

(b) annual returns,

the application to which of provisions of the previous enactments and the previous regulations has been saved by Article 12(1) (which dealt with accounts and audit) of the previous Order.

(2) This Order does not apply to–

(a) an annual return or a revenue and appropriation account for, or a balance sheet as at the end of, a financial year which ended prior to 28th February 1987,

(b) a revenue and appropriation account and balance sheet laid under section 77(1) of the previous enactments (which dealt with laying of accounts) prior to the operative date before the society at its annual general meeting, or

(c) an annual return made under section 88(1) of the previous enactments (which imposed a duty to make annual returns) to the registrar prior to the operative date.

Accounts

4.—(1) The relevant accounts of a society shall, in the circumstances specified, contain the particulars specified, in the manner specified, in Schedule 1 to this Order.

(2) The requirements of paragraph (1) above shall, subject to paragraph (3) below, apply in addition to requirements of the saved provisions.

(3) To the extent specified in Schedule 1 to this Order, an item which is capable thereunder of being included as an item in a society's balance sheet may be so included in substitution for compliance with the requirements of the previous regulations in respect thereof.

(4) If the requirements of paragraph (1) above are not met in the relevant accounts of a society, the society shall be treated, for the purposes of the saved provisions, as if its relevant accounts had not met the requirements of the previous regulations.

Directors' report

5.—(1) Any directors' report required by subsection (3) of section 82 of the previous enactments (dealing with directors' reports) to be attached to a balance sheet in relevant accounts of a society shall, in the appropriate circumstances, include the appropriate particulars in place of the particulars required to be included therein by subsection (2)(b) of that section in relation to special advances.

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

(a) the appropriate circumstances are circumstances in which the society has, in relation to the financial year to which the directors' report relates, made the election in Article 6(2) of the previous Order (dealing with special advances);

(b) the appropriate particulars are–

(i) the total amount advanced during the period beginning on the first day of that financial year and ending on 31st December 1986 by the society on the security of freehold or leasehold estate, and the total number of mortgages executed in favour of the society during that period, and

(ii) the proportion of that total amount which represents special advances, and the number of mortgages executed during that period to secure special advances.

(3) If the requirements of paragraph (1) above are not met in a society's directors' report to which that paragraph applies, the society shall be treated, for the purposes of the saved

provisions, as if that directors' report had not met the requirements of section 82 of the previous enactments.

Annual returns

6.—(1) The relevant return of a society shall comply with Schedule 2 to this Order.

(2) The requirements of paragraph (1) above shall apply–

(a) in respect of matters specified in Part I of Schedule 2 to this Order, in addition to, in substitution for or as a restriction of (as specified therein) the requirements of the saved provisions,

(b) in respect of matters specified in Part II of Schedule 2 to this Order, in addition to the requirements of the saved provisions.

(3) If the requirements of paragraph (1) above are not met in the relevant return of a society, the society shall be treated, for the purposes of the saved provisions, as if its relevant return had not met the requirements of the previous regulations.

Auditors

7.—(1) Section 87(3) of the previous enactments (dealing with the report of auditors on accounts) shall apply to the report of auditors on any relevant accounts of a society as if the first statement required to be made thereunder were a statement of whether the balance sheet and revenue and appropriation account were properly drawn up in accordance with the requirements of the previous enactments and the previous regulations as varied and supplemented by this Order.

(2) Section 91(3) of the previous enactments (dealing with the report of auditors on the annual return) shall apply to the report of auditors on any relevant return of a society as if the statement required to be made by paragraph (a) thereof were a statement of whether in their opinion the annual return was properly drawn up in accordance with the requirements of the previous enactments and the previous regulations as varied and supplemented by this Order.

Michael Neubert
Peter Lloyd
9th March 1987 Two of the Lords Commissioners of Her Majesty's Treasury

SCHEDULE 1 Article 4

ADDITIONAL PARTICULARS TO BE SPECIFIED IN RELEVANT ACCOUNTS

1.—(1) Where a society, at the end of its financial year, has any associated body which is carrying on business at the end of that financial year, there shall be stated by way of note on the society's balance sheet 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; and

(g) 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.

2.—(1) Where, at any time during a society's financial year to which relevant accounts relate, the society has had an associated body or associated bodies and, in the opinion of the directors of the society, that association was material to the state of the affairs of the society as at the end of that financial year, there shall be set out by way of note on the society's balance sheet such information as is sufficient to enable that balance sheet to give a true and fair view of the effect of that association on that state of affairs, so far as that effect concerns the society's members.

(2) Any note to which sub-paragraph (1) above applies shall not contain information sufficient for the purposes of that sub-paragraph unless it contains–

(a) in respect either of each associated body to which the note applies separately or of all those associated bodies in aggregate, at least the matters set out in sub-paragraph (3) below, and

(b) in respect of each such associated body to which sub-paragraph (4) below applies, the statement referred to in that sub-paragraph.

(3) The matters set out in this sub-paragraph are–

(a) the cost to the society of investment in each such associated body;

(b) a statement setting out the amount which the directors of the society consider represents the net worth of each such associated body attributable to the society at the end of that financial year of the society;

(c) a statement setting out the amount which the directors of the society consider represents the share of the profit or loss for the association period of each such associated body attributable to the society;

(d) the aggregate of amounts outstanding (including accrued interest) in respect of–

(i) any lending by the society to each such associated body and

(ii) any deposits of each such associated body with the society,

at the end of that financial year of the society; and

(e) the aggregate of balances outstanding at the end of that financial year of the society on any business other than that stated in paragraph (d) above which fall to be paid–

(i) by the society to each such associated body, and

(ii) by each such associated body to the society.

(4) The statement referred to in this sub-paragraph is a statement of any qualifications in the report of the auditors of any associated body on its accounts for a financial year ending during, or on the last day of, the financial year of the society with which it is associated.

(5) In this paragraph–

"association period" means the period, within the society's financial year, in which the society and the associated body have been associated, and

"net worth" means any amount attributed or attributable to capital and reserves excluding any amount attributed or attributable to goodwill.

3.—(1) Where, at the end of a financial year of a society, the assets of the society include class 3 assets, the relevant accounts of the society shall, subject to sub-paragraph (2) below, contain, by way of note on the balance sheet, the aggregate of the class 3 assets of the society at the end of that financial year and a breakdown of that aggregate into–

(a) investment in–

(i) subsidiaries of the society;

(ii) bodies linked by resolution with the society; and

(iii) other associated bodies of the society;

(b) loans to–

(i) subsidiaries of the society;

(ii) bodies linked by resolution with the society; and

(iii) other associated bodies of the society;

(c) loans to individuals;

(d) land held and used or to be used primarily for residential purposes or for purposes incidental to the use of adjoining land primarily for residential purposes; and

(e) other class 3 assets.

(2) The particulars required by sub-paragraph (1) above, or the aggregate of class 3 assets so required, may be included as items or an item among the assets in the balance sheet of the society below "Mortgages" (which shall in such circumstances be replaced by "Class 1 and Class 2 advances") but above "Other assets" and shall not, to the extent of such inclusion, be required to be stated separately by way of note on the balance sheet.

4.—(1) Where, at the end of the financial year of a society ending after 31st May 1987, the liabilities of the society include liabilities in respect of non-retail funds and deposits, the relevant accounts of the society shall, subject to sub-paragraph (2) below, contain by way of note on the balance sheet the aggregate of the liabilities of the society in respect of non-retail funds and deposits at the end of that financial year.

(2) The balance sheet of a society in its relevant accounts may include as items among the liabilities (in place of "Shares" and "Deposits and Loans") "Retail shares" "Non-retail shares" "Retail deposits" and "Non-retail deposits" and, if those items are so included, the aggregate of the liabilities of the society in respect of non-retail funds and deposits shall not be required to be stated separately by way of note on the balance sheet.

(3) For the purposes of sub-paragraph (2) above, "Retail shares" and "Retail deposits" represent respectively those shares and deposits which are not represented by non-retail funds and deposits, and "Non-retail shares" and "Non-retail deposits" represent respectively those shares and deposits which are so represented.

SCHEDULE 2

Article 5

PART I

ADDITIONS TO AND SUBSTITUTIONS FOR EXISTING PARTS OF ANNUAL RETURN

1. Paragraphs 2 to 4 below of this Schedule apply to Parts of the annual return set out in Schedule 2 to the previous regulations.

2.—(1) In Part 1 (directors, staff and officers), in the sub-heading to Section A, "as at 31st December 1986" shall be inserted in place of "as at the end of the financial year", and Sections A and B shall be completed accordingly.

(2) Sub-paragraph (1) above shall not affect the remaining Sections of Part 1.

3. In Part 3 (balance sheet), Section C is not required to be completed.

4. In Part 5 (mortgages)–

(a) in Section A, the percentages in item 2 are not required to be stated; and

(b) in the case of a financial year of a society which has made, in respect of that financial year, the election in Article 6(2) of the previous Order (dealing with special advances)–

(i) there shall be added above item 1 in Section E an overall sub-heading stating: "This Section, on account of the society's election under Article 6(2) of the Building Societies Act 1986 (Rules and Miscellaneous Transitional Provisions) Order 1986, treats as the financial year the period beginning with the first day of the financial year and ending on

31st December 1986" and Section E shall be completed in relation to that period and not in relation to the entire financial year; and

(ii) there shall be added, immediately below Section E, a statement of the total amount advanced during that period by the society on the security of freehold or leasehold estate.

PART II

ADDITIONAL PARTS OF ANNUAL RETURN

There shall be added to the annual return, after Part 9 (Accounting Systems), Parts 9A, 9B, 9C, 9D (Section B of which is not required to be completed in respect of a financial year ending on or before 31st May 1987) and 9E specified below, and the auditors' report required by section 91 of the previous enactments (dealing with the auditors' report on the annual return) as varied for the purposes of this Order by Article 7 above shall include a report on those Parts other than Part 9A.

Part 9A. Directors and Other Officers during 1987

Section A. Directors and Officers

Details of Directors, etc. from 1st January 1987 to the end of the financial year:
(See Section B for business occupations and other directorships)

Name	Address†	Date of birth† Day/Month/Year	Date first appointed*† and (if applicable) when appointment ceased
Chairman of the Board of Directors			
Chief Executive			
Director			
Manager			
Secretary			

* In the case of any director(s) originally appointed to the board of, or a chief executive or manager(s) originally appointed to equivalent office in, a society now merged with the society, it is the date of that first appointment.
† Where information is repeated, it is sufficient to cross refer to the earlier reference.

Part 9A. continued

Section B. Further particulars of Directors and Officers

Details of directors, etc. continued from Section A:	
Name	**Business occupation and other directorships***

* Where information is repeated, it is sufficient to cross refer to the earlier reference.

Part 9B. Class 3 Assets

Analysis of Class 3 assets at end of financial year

	£	£
1. **Investments in associated bodies:**		
i. Subsidiaries		
ii. Bodies linked by resolution		
iii. Other		
Sub-total		
2. **Loans to associated bodies:**		
i. Subsidiaries		
ii. Bodies linked by resolution		
iii. Other		
Sub-total		
3. **Land held and used or to be used primarily for residential purposes or for purposes incidental to the use of adjoining land primarily for residential purposes**		
4. **Loans to individuals**		
5. **Other Class 3**		
TOTAL		

Part 9C. Mortgage Assets at 31st December 1986

	£
Amount due or outstanding on mortgage at 31st December 1986	
Less amounts due or outstanding on mortgage from corporate bodies at 31st December 1986	
Composite debt*	

* For definition of composite debt, see Article 4(2)(a) of the Building Societies Act 1986 (Rules and Miscellaneous Transitional Provisions) Order 1986.

Part 9D. Year End Ratios

Section A. Liquid Assets to Total Assets

	£	Ratio
Investments and cash (from Part 3 Section B)	A	
Total assets (from Part 3 Section B)	B	A:B %

Section B. Shares and deposits (applicable to financial year ending after 31st May 1987)

1. Ratio of non-retail liabilities to total shares and deposits
2. Ratio of deposits to total shares and deposits

	£	Ratio
Shares*		
Deposits and Loans†		
	A	
1. Non-retail funds and deposits‡	B	B:A %
2. Deposits and Loans†	C	C:A %

* From Part 4, Section A, column headed "Balance at end of year", item sidelined "Of which: Shares".
† From Part 4, Section B, column headed "Balance at end of year", item sidelined "Of which: Deposits and Loans".
‡ Interest payable is to be included, but not interest accrued—see section 7(4) of the Building Societies Act 1986.

Part 9E. Associated Bodies

Section A. Particulars of Associated Bodies

Name	How associated body is constituted	Registration		Where it is a company limited by shares, description and proportion of shares held by		Nature of business carried on (if none, state none)
		Place	Reg. No.	Society	Associated body of Society	
Subsidiary						
Body linked by resolution						
Other associated body						

Part 9E. continued

Section B. Financial Information about Associated Bodies

Name	Cost of Investment	Net worth* attributable to society at society's financial year end	Lending/deposits between society and associated bodies		Financial year end Day/Month	Profit or loss attributable for association period* to society	Other balances outstanding between society and associated body	
			Lending	Deposits			Payable to society	Payable to associated body
	£	£	£	£		£	£	£
Subsidiary								
Body linked by resolution								
Other associated body								

* For definitions of net worth and association period, see paragraph 2(5) of Schedule 1 to the Building Societies Act 1986 (Accounts and Related Transitional Provisions) Order 1987.

EXPLANATORY NOTE

(This note is not part of the Order)

This Order provides for changes in accounts, directors' reports and annual returns of building societies, in respect of which requirements of previous legislation were saved by Article 12 of the Building Societies (Rules and Miscellaneous Transitional Provisions) Order 1986. Article 12 of the 1986 Order saved the full requirements of previous legislation in respect of financial years beginning before 1st January 1987. This Order changes those requirements in respect of–

(a) accounts and directors' reports for financial years ending on or after 28th February 1987 which have not, before the date on which this Order comes into force, been laid before the building society at its annual general meeting, and

(b) annual returns for those years which have not, before that date, been made to the appropriate registrar.

The changes to accounts are specified in Article 4 and Schedule 1; these provisions oblige societies to include details of subsidiaries and other associated bodies, Class 3 assets under Part III of the Building Societies Act 1986, and non-retail funds under section 7 of the 1986 Act.

The changes to directors' reports are specified in Article 5. Under Article 6(2) of the 1986 Order societies with financial years which straddled 1st January 1987 were empowered to elect to observe limits on special advances (those over £60,000 and those to bodies corporate) for the part of their financial year ending on 31st December 1986 rather than the whole year. The requirements of the directors' report for such societies are altered to mirror this.

The alterations to annual returns are specified in Article 6 and Schedule 2 and provide for further detail in respect of the alterations specified above, and details of society officers from 1st January 1987 onwards.

A society's annual return is also required by this Order to include a statement of the mortgage debts owed to it as at 31st December 1986 and ratios of types of assets and liabilities at the end of the financial year.

Article 7 makes consequential alteration to auditors' reports required to be made on accounts and annual returns.