

## **PRO FORMA MERGER DOCUMENT**

### **1. Title Page**

Including suggestion to consult professional advisers and reference to meeting notice and voting procedures.

### **2. Directors' Responsibility Statement**

See paragraph 2.3.26.

### **3. Board Rationale**

Including statutory merger statement, if required (see paragraphs 2.3.23 and 2.3.24).

### **4. The Merger Process**

Description and explanation of:

- (a) the general meeting and Merger Resolutions;
- (b) the confirmation process, including the right of interested parties to make representations to the Authority, the dates provisionally set for receipt of written representations and notice of intention to make oral representations, and for the confirmation hearing, and the confirmation criteria specified in Section 95 of the 1986 Act;
- (c) the planned effective date of the merger.

### **5. The Instrument of Transfer of Engagements or Amalgamation Agreement**

The address of the principal office of the society where the Instrument of Transfer or amalgamation agreement will be available for inspection, and whether copies of the Instrument or agreement will also be available at branch offices, with a cross-reference to Section B of the Schedule 16 Statement.

### **6. The Schedule 16 Statement**

*Statement Required by Schedule 16 to the*

***Building Societies Act 1986***

**Proposed Transfer of Engagements of [ABC] Building Society  
to [DEF] Building Society**

or

**Proposed Amalgamation of [ABC] Building Society and [DEF]  
Building Society to form [GHI] Building Society**

***Section A: Financial Position of Each Society***

1. *Balance Sheets*

Summarised balance sheets derived from the audited [unaudited] [consolidated] accounts of [ABC] [society] [Group] for the financial year ended (date) [as at (date)] and from the audited [unaudited] [consolidated] accounts of [DEF] [society][Group] for the financial year ended (date) [as at (date)] are set out below:

	Notes	ABC [Group] £m	DEF [Group] £m
<i>Assets</i>			
Liquid assets	4(b)	•	•
Mortgages	4(e)	•	•
Other loans	4(e)	•	•
Fixed and other assets	4(c),(d)	•	•
		<hr/>	<hr/>
		•	•
<i>Liabilities</i>			
Shares		•	•
Borrowings		•	•
Other liabilities		•	•
Subordinated liabilities		•	•
Subscribed capital		•	•
Reserves		•	•
Other capital		•	•
- revaluation reserve		•	•
[ - other]		•	•
		<hr/>	<hr/>
		•	•

2. *Results*

Particulars derived from the audited [unaudited] [consolidated] accounts of [ABC] [Group] for the period ended (date) and from the audited [unaudited] [consolidated] accounts of [DEF] [Group] for the period ended (date):

ABC

DEF

	<b>[Group] £m</b>	<b>[Group] £m</b>
Net interest receivable	•	•
Other income and charges	•	•
Administrative expenses	•	•
Provisions	•	•
	<hr/>	<hr/>
Profit/loss for the period before taxation	•	•
Taxation	•	•
Minority interests	•	•
	<hr/>	<hr/>
Profit/loss for the period	•	•

### 3. *Key Financial Ratios*

	<b>ABC [Group] %</b>	<b>DEF [Group] %</b>
As a percentage of shares and borrowings:		
Gross capital	•	•
Liquid assets	•	•
As a percentage of mean total assets:		
Profit after taxation for the period	•	•
Management expenses for the period	•	•

The above percentages have been calculated from the balance sheets summarised above.

Gross capital comprises reserves and other capital, plus subscribed capital and subordinated liabilities, and amounts to £..... million for [ABC] and £..... million for [DEF].

Shares and borrowings, adjusted to exclude interest accrued but not yet credited to accounts, amount to £..... million for [ABC] and £.... million for [DEF].

Average total assets is calculated as the mean of the total assets at the beginning and end of the period and amounts to £..... million for [ABC] and £..... million for [DEF].

The estimated gross and net costs of the bonus to be paid to members are £....

The ratio of gross capital to shares and borrowing of the combined society, after allowing for the net cost of the bonus to be paid to members, is estimated to be .....%. On the same basis of calculation, but not accounting for the bonus payment, this ratio is estimated to be .....%.

4. *Notes to the Financial Position*

(a) Accounting policies

[Identify any significant differences between the accounting policies adopted by the two societies, and quantify the impact of a change in policy to achieve consistency. If there are no such differences then this should be stated].

(b) Liquid assets include listed securities as follows:

	<b>ABC [Group] £m</b>	<b>DEF [Group] £m</b>
Amount included in the balance sheet	• _____	• _____
Market value	• _____	• _____

(c) Fixed and other assets

	<b>ABC [Group] £m</b>	<b>DEF [Group] £m</b>
Tangible fixed assets	•	•
[Intangible fixed assets]	•	•
Other assets	• _____	• _____
	• _____	• _____

[Describe the nature of any intangible fixed assets and the method of amortisation thereof, if any]

(d) Tangible fixed assets

	<b>ABC [Group] £m</b>	<b>DEF [Group] £m</b>
Net book amount of land and buildings		
Freehold	•	•
Long leasehold	•	•
Short leasehold	•	•
	_____	_____
	•	•
Other tangible fixed assets	•	•
	_____	_____
	•	•

[For each society's land and buildings give the difference between the net book amount and estimated current market value, or a director's opinion that there is no material difference between the two. Indicate the basis on which current market value has been determined, the effective date of the valuation and the name(s) of the valuer(s)]

[Identify significant differences in depreciation policy or estimated asset lives, quantifying the impact of any change to a common basis]

(e) Provisions for losses on mortgages and other loans

	<b>ABC [Group] £m</b>	<b>DEF [Group] £m</b>
Specific provisions	•	•
General provisions	•	•
	_____	_____
Total amount offset against mortgages and other loans	•	•
	_____	_____

(f) Pensions

[Describe the pension schemes of each society and the extent to which funded schemes are, on the basis of the latest actuarial valuations, in surplus or deficit. Give date of most recent actuarial valuation.]

- (g) Summary information on the businesses of [connected undertakings]

The financial information given above includes the assets and liabilities and results of the Society and the following subsidiary undertakings and associated undertakings.

ABC [Group]

Subsidiary undertakings [names]	Principal activity
Other associated undertakings [names]	

DEF [Group]

Subsidiary undertakings [names]	
Other associated undertakings [names]	

- (h) Post balance sheet events  
[see paragraph 3.8]

5. *Costs and benefits of the merger*

[Give a factual assessment of the quantifiable and unquantifiable actual and expected costs and benefits, including integration, rationalisation and future business plans]

***Section B: Instrument of Transfer of Engagements or Amalgamation Agreement***

*The paragraphs below prefaced by “Note” do not appear in [nor are they a paraphrase of the text in] the Instrument of Transfer or amalgamation agreement and are intended for the additional information of members.*

The Instrument of Transfer or amalgamation agreement provides, inter alia, for the following matters.

1. *Name of Society*

The name of the combined society will be ..... Building Society.

2. *Transfer of Assets and Liabilities*

On the Effective Date (see item 10) the property, rights and liabilities of [ABC] Building Society will be transferred to and vest in [DEF] Building Society (the combined society). [In an amalgamation, the assets and liabilities of both societies are vested in the new successor society.]

3. *Membership Rights*

[Give the provisions of the Instrument of Transfer or amalgamation agreement concerning deemed membership. See paragraph 2.3.16]

4. *Share Accounts and Deposit Accounts*

On the Effective Date, share and deposit account balances of [ABC] Building Society will become share and deposit account balances with [DEF] Building Society on the following terms:

[Give the provisions of the Instrument of Transfer or amalgamation agreement and refer to the Investment Schedules in Section C]

Note: interest rates which are variable are subject to change either before or after the Effective Date of the merger.

[Provisions concerning PIBS]

5. *Mortgage Accounts*

On the Effective Date, the indebtedness of any person to [ABC] Building Society for a loan made by it [fully] secured on residential property will become indebtedness to [DEF] Building Society to the same extent and such indebtedness will be subject to the same terms and conditions as presently apply except that the Rules of [DEF] Building Society rather than the Rules of [ABC] Building Society shall apply.

[Alternatively, give the provisions of the Instrument of Transfer or amalgamation agreement concerning any change in terms and conditions]

Note: [give any further explanation necessary to a clear statement of any changes, including those effected by the transferee society's Rules]

6. *Bonus to Members*

[Give the provisions of the Instrument of Transfer or amalgamation agreement and the estimated net cost of the bonus. See paragraphs 2.3.13 and 2.3.14]

7. *Directors and Other Officers*

[Give the provisions of the Instrument of Transfer or amalgamation agreement]

Note: [Describe any changes in fees and contracts of employment or bonus schemes, or whether there will be no change]

Note: [Describe any compensation to be authorised by separate special resolution, or state that no such compensation is to be paid. State whether any person is not to take up employment with the combined society and that any payments to be made under their contracts of employment do not fall to be approved by special resolution. See paragraphs 2.3.11 and 2.3.12]

8. *Employees*

[Give the provisions of the Instrument of Transfer or amalgamation agreement]

Note: [State, unless the Instrument or agreement so provides, whether there are to be any changes to terms and conditions of employment, and what they are, and explain how any staff reductions are to be achieved and the planned timescale.]

9. *Pension Arrangements*

[Give the provisions of the Instrument of Transfer or amalgamation agreement]

10. *Conditions and Termination Provisions*



[Give details of the provisions of the Instrument of Transfer or amalgamation agreement which (a) impose conditions on the completion of the transfer of engagements, such as approval by the members and confirmation by the Authority, and (b) provide for the termination of the agreement if one or more of the conditions is not met or in any other circumstances.]

11. *Rules and Memorandum*

[Explain any proposed Rule changes and, in the case of an amalgamation, any differences in the proposed Rules and Memorandum compared with the existing societies.]

***Section C: The Investment Schedules***

[These are the schedules referred to in Section B.4 and in paragraph 2.3.17]

***Section D: Information for Holders of PIBS***

[If either society has issued Permanent Interest Bearing Shares]

***Section E: Other Matters***

1. Save for [the following and] the matters referred to in Section B.7 no director or other officer of [ABC] Building Society or [DEF] Building Society will receive any benefits in connection with the merger or will have any material interest in the merger.

[Describe any other interests of directors or other officers and persons (including companies) connected with them by way of, for example, fees for professional services, or supply of goods and services]

2. The directors of [ABC] Building Society and the directors of [DEF] Building Society confirm that the transfer of engagements [amalgamation] will not conflict with any contractual commitments of their Society or its connected undertakings.
3. The directors of [ABC] Building Society and the directors of [DEF] Building Society confirm that there has been no material change in the financial

position of their Society or its connected undertakings since [date], the date to which the information in Section A relates [other than the post balance sheet event(s) described in Section A 4(h)].

[Name]

Secretary

[ABC] Building Society

[date]

[Name]

Secretary

[DEF] Building Society

[date]

## **7. Notice of Special General Meeting**

## **8. Guidance on Voting**

[Explanatory notes on:

The time, date and place of the meeting

Eligibility to vote:

- generally
- joint members
- minors

The Poll

Merger Resolutions:

- shareholding members
- borrowing members
- members who are shareholding and borrowing members

[Affected Members Resolution]

[Directors Compensation Resolution]

[Distribution to Members Resolution]

Voting in person

Voting by proxy

Making enquiries, Helpline]