

SCHEDULE 2

Regulation 4

FORM AND CONTENTS OF STATEMENTS OF ACCOUNTS: INVESTMENT FUNDS

PART I

STATEMENT OF TOTAL RETURN

1. The statement of total return shall show the net gain or loss on investments, gross income, total expenditure and total return of the investment fund, and the total amount distributed or due, including interest paid or payable, to participating charities out of the investment fund, during the financial year in respect of which the statement of accounts is prepared.

2. The information required by paragraph 1 above shall be analysed by reference to—

- (a) net gains or losses on investments, indicated by—
 - (i) gains or losses on investments sold during the financial year in question, based on the historical cost of the investment sold;
 - (ii) any net appreciation or depreciation of such investments recognised in earlier accounting periods;
 - (iii) the gains or losses on such investments based on their value as shown in the accounts (that is to say, the difference between or, as the case may be, the sum of the amounts entered in pursuance of paragraphs (i) and (ii) above); and
 - (iv) net unrealised appreciation or depreciation of investments during the financial year in question;
- (b) gains or losses on other assets;
- (c) gross income, divided into—
 - (i) dividends in respect of shares;
 - (ii) scrip dividends;
 - (iii) interest on securities;
 - (iv) interest on deposits at banks and building societies;
 - (v) underwriting commission; and
 - (vi) other income;
- (d) expenditure incurred in the administration of the investment fund, divided into—
 - (i) any fees payable in respect of investment management services provided to the investment fund;
 - (ii) any fees payable in respect of the maintenance of the register of charities participating in the investment fund;
 - (iii) any fees payable in respect of any audit of the accounts of the investment fund;
 - (iv) any fees payable to the person carrying out such an audit in respect of other services for the investment fund provided by him;
 - (v) any fees payable in respect of the safe custody of the assets of the investment fund;
 - (vi) any fees payable in respect of other administrative services provided to the investment fund; and
 - (vii) other expenditure divided into such categories as reasonably enable the user to gain an appreciation of the expenditure incurred;

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- (e) net income before taxation (that is to say, the total amounts entered in pursuance of sub-paragraph (c) above less the total amounts entered in pursuance of sub-paragraph (d) above);
- (f) tax borne by the investment fund in respect of income, profits or gains during the financial year in question, divided into—
 - (i) income tax or capital gains tax to which the investment fund is liable in the United Kingdom; and
 - (ii) overseas tax;
- (g) net income after taxation (that is to say, the total amount entered in pursuance of sub-paragraph (e) above, less the total amount entered in pursuance of sub-paragraph (f) above);
- (h) total return (that is to say, the total of the amounts entered in pursuance of sub-paragraphs (a), (b) and (g) above);
- (i) the amount distributed or due in respect of income and accumulation shares, and interest paid or payable to charities who have deposited sums, during the financial year in question; and
- (j) net increase or decrease in the value of the investment fund resulting from its activities (that is to say, the difference between the amounts entered in pursuance of sub-paragraphs (h) and (i) above).

3. In the case of a common investment fund established by a scheme which, in pursuance of section 22(5) of the 1960 Act or section 24(5) of the 1993 Act, includes provision for enabling sums to be deposited by or on behalf of a charity on the basis that (subject to the provisions of the scheme) the charity shall be entitled to repayment of the sums deposited and to interest thereon at a rate determined by or under the scheme, the analysis required by paragraph 2 above shall distinguish between the amount of capital and income to be shared between charities participating otherwise than by way of deposit and the amounts excluded from such amount under provision made in pursuance of section 22(5) of the 1960 Act or 24(5) of the 1993 Act (that is, such amounts as are from time to time reasonably required in respect of the liabilities of the investment fund for the repayment of deposits and for the interest on deposits, including amounts required by way of reserve).

4. In respect of any information required by a sub-paragraph of paragraph 2 above to be divided into separate categories denoted by paragraphs of that sub-paragraph, the division of that information into such separate categories may, if the charity trustees so elect, be effected by means of a note to the accounts made in pursuance of Part V of this Schedule rather than by division in pursuance of that sub-paragraph.

PART II

STATEMENT OF MOVEMENT IN FUNDS

1. The statement of movement in funds shall provide a reconciliation between the net assets of the investment fund at the beginning of the financial year in respect of which the statement of accounts is prepared and the net assets of the investment fund at the end of that year.

2. The reconciliation referred to in paragraph 1 above shall show—

- (a) the value of the net assets at the beginning of the financial year in question;
- (b) in the case of a common investment fund, the amount or value of any property transferred to or withdrawn from the investment fund during that year by participating charities;

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- (c) the net increase or decrease in the value of the investment fund resulting from its activities during that year (that is to say, the amount entered in pursuance of sub-paragraph (j) of paragraph 2 of Part I of this Schedule);
- (d) in the case of a common investment fund, the amount of any distribution of income due in respect of accumulation shares;
- (e) particulars of any other items necessary to provide the reconciliation required by paragraph 1 above; and
- (f) the value of the net assets at the end of the financial year in question.

3. In the case of a common investment fund such as is described in paragraph 3 of Part I of this Schedule, the analysis required by paragraph 2 above shall distinguish between the amount of capital and income to be shared between charities participating otherwise than by way of deposit and the amounts excluded from such amount under provision made in pursuance of section 22(5) of the 1960 Act or section 24(5) of the 1993 Act.

PART III

BALANCE SHEET

1. The balance sheet shall show, by reference to the information specified in paragraph 2 or, as the case may be, 3 below, the state of affairs of the investment fund as at the end of the financial year.

2. Subject to paragraph 4 below, in the case of a common investment fund, the information referred to in paragraph 1 above is as follows:

- (a) tangible fixed assets for use by the investment fund;
- (b) investments;
- (c) current assets, divided into—
 - (i) debtors;
 - (ii) deposits and loans;
 - (iii) cash at bank and in hand; and
 - (iv) others;
- (d) liabilities, divided into—
 - (i) creditors;
 - (ii) bank overdrafts;
 - (iii) other loans; and
 - (iv) distributions payable to participating charities;
- (e) net current assets less liabilities (that is to say, the difference between the total amount entered in pursuance of sub-paragraph (c) above and the total amount entered in pursuance of sub-paragraph (d) above); and
- (f) net assets (that is to say, the total of the amounts entered in pursuance of sub-paragraphs (a), (b) and (e) above); and
- (g) total funds of the common investment fund.

3. In the case of a common deposit fund, the information referred to in paragraph 1 above is as follows:

- (a) cash at bank and in hand;
- (b) debtors;

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- (c) deposits and investments, divided into—
 - (i) deposits at the Bank of England;
 - (ii) deposits with a person who has permission under Part 4 of the Financial Services and Markets Act 2000 to accept deposits;
 - (iii) other bank deposits;
 - (iv) other deposits; and
 - (v) other investments;
 - (d) current assets not included in any of paragraphs (a) to (c) above;
 - (e) tangible fixed assets for use by the investment fund;
 - (f) gross assets (that is to say, the total of the amounts entered in pursuance of sub-paragraphs (a) to (e) above);
 - (g) sums deposited by participating charities;
 - (h) other liabilities, divided into—
 - (i) creditors;
 - (ii) bank overdrafts;
 - (iii) other loans; and
 - (iv) interest accrued or payable to participating charities;
 - (i) sums held as an income reserve on trust for existing depositors; and
 - (j) total liabilities (that is to say, the total of the amounts entered in pursuance of sub-paragraphs (g), (h) and (i) above);
- 4.** In the case of a common investment fund such as is described in paragraph 3 of Part I of this Schedule, the information referred to in paragraph 1 above is—
- (a) in relation to the amount of capital and income to be shared between charities participating otherwise than by way of deposit, the information specified in paragraph 2 above; and
 - (b) in relation to the amounts excluded from such amount under provision made in pursuance of section 22(5) of the 1960 Act or section 24(5) of the 1993 Act, the information specified in paragraph 3 above.
- 5.** In respect of any information required by sub-paragraph (c) of paragraph 3 above to be divided into separate categories denoted by paragraphs of that sub-paragraph, the division of that information into such separate categories may, if the charity trustees so elect, be effected by means of a note to the accounts made in pursuance of Part V of this Schedule rather than by division in pursuance of that sub-paragraph.

PART IV

METHODS AND PRINCIPLES

1.—(1) The statement of total return shall give a true and fair view of the incoming resources and application of the resources of the investment fund in, and the balance sheet shall give a true and fair view of the state of affairs of the investment fund at the end of, the financial year in respect of which the statement of accounts is prepared.

(2) The statement of movement in funds shall give a true and fair view of the movements in the net assets of the investment fund between their position at the beginning of that year and their position at the end of that year.

(3) Where compliance with Part I, II, III or V of Schedule 2 to these Regulations would not be sufficient to give a true and fair view, the necessary additional information shall be given in the accounts or a note to them.

(4) If in special circumstances compliance with any of those provisions is inconsistent with the requirement to give a true and fair view, the charity trustees shall depart from that provision to the extent necessary to give a true and fair view; particulars of any such departure, the reasons for it and its effect shall be given in a note to the accounts.

2.—(1) In respect of every amount required by paragraph 2 of Part I of Schedule 2 to these Regulations to be shown in the statement of total return, or by paragraph 2 of Part II of that Schedule to be shown in the statement of movement in funds, or by paragraph 2 or, as the case may be, 3 of Part III of that Schedule to be shown in the balance sheet, the corresponding amount for the financial year immediately preceding that to which the statement or balance sheet relates shall also be shown.

(2) 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 statement of total return, statement of movement in funds or balance sheet relates, the former amount shall be adjusted; particulars of any material adjustment under this sub-paragraph shall be disclosed in a note to the accounts.

(3) Where in the financial year to which the statement of accounts relates there is nothing required to be shown by one or more of the provisions specified in sub-paragraph (1) above but an amount was required to be shown by that provision in the immediately preceding financial year, this paragraph shall have effect as if such an amount were required to be shown in the financial year to which the statement of accounts relates and that amount were nil.

3. The values at which assets and liabilities of an investment fund are recorded in the balance sheet, and the recognition bases for gains and losses, shall be determined in accordance with the methods and principles set out in the IMA SORP.

PART V

NOTES TO THE ACCOUNTS

The information to be provided by way of notes to the accounts shall, insofar as not provided in the statement of accounts, be as follows:

- (a) a description of the accounting policies adopted for the investment fund, particularly regarding the basis of valuation of investments, the recognition of dividend income or interest and the conversion of any amounts expressed in currency other than pounds sterling, and of the accounting assumptions made by them, including any material change in these, the reason for such change and its effect (if material) on the accounts;
- (b) where the charity trustees have during the financial year in question entered into any transaction, agreement or arrangement, made for the purpose of minimising the risk of loss to the investment fund in consequence of fluctuations in interest rates or in the market value of securities or in the rates of foreign exchange, or entered into any other transaction in financial futures or options relating to shares, securities, foreign currency or into any other financial instrument the value of which is dependent on or derived from the price movements in one or more underlying assets, the nature of, and reason for, entering into that transaction, agreement or arrangement and the total value of, and the maximum extent of financial exposure as at the date of the balance sheet resulting from, that transaction, agreement or arrangement;
- (c) a statement as to whether any remuneration or other benefits (together with the amount of such remuneration or, as the case may be, the monetary value of such benefits) has been paid or is payable to any person who is a charity trustee of the investment fund, or to

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any person to whom functions in relation to management of the investment fund has been delegated, or to any person connected with such a charity trustee or manager, directly or indirectly from the property of the investment fund or from the property of any institution or body corporate connected with the investment fund, and the name of that person;

- (d) particulars of any transaction undertaken in the name of or on behalf of the investment fund in which any person referred to in sub-paragraph (c) above has a material interest;
- (e) an analysis of the amount and date of any distribution in respect of income and accumulation shares or payment of interest to participating charities;
- (f) a note of any adjustments made in the statement of total return to reflect the amount of income included in the creation or cancellation price of a unit or share in the investment fund;
- (g) the name of any institution or body corporate connected with the investment fund, together with a description of the nature of the investment fund's relationship with that institution or body corporate and of its activities, including, where material, its turnover and net profit or loss for the corresponding financial year of the institution or body corporate and any qualification expressed in an auditor's report on its accounts;
- (h) particulars of any loan or guarantee secured against any of the assets of the investment fund;
- (i) an explanation of any amount entered in pursuance of paragraph 2(f)(i) of Part I of this Schedule (United Kingdom tax);
- (j) an analysis of any entry in the balance sheet relating to:
 - (i) tangible fixed assets for use by the investment fund, according to the following categories—
 - (aa) freehold interests in land and buildings;
 - (bb) any other interest in land and buildings;
 - (cc) payments on account and assets in course of construction; and
 - (dd) plant, machinery, fixtures, fittings and equipment;
 - (ii) debtors, according to the following categories—
 - (aa) in the case of a common investment fund, amounts receivable in respect of property transferred to the investment fund;
 - (bb) amounts receivable in respect of securities sold;
 - (cc) accrued income; and
 - (dd) other debtors; and
 - (iii) creditors, according to the following categories—
 - (aa) in the case of a common investment fund, amounts payable in respect of property withdrawn from the investment fund;
 - (bb) amounts payable in respect of securities purchased;
 - (cc) accrued expenses; and
 - (dd) other creditors;
- (k) in the case of a common investment fund, the following statements, made up to the date of the balance sheet, that is to say—
 - (i) a portfolio statement, specifying—
 - (aa) details of each investment held by or on behalf of the investment fund, including its market value at that date;

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- (bb) whether or not the investment in question is listed on a recognised stock exchange;
 - (cc) the category of each such investment, according to its geographical area or industrial sector;
 - (dd) where the investment fund invests in more than one class of assets, the market value at that date of each class of investment funds;
 - (ee) the percentage of net assets represented by each investment so held and by each category of investment specified under sub-paragraph (cc) above;
 - (ff) the percentage of investment assets represented by each class of investments specified under sub-paragraph (dd) above; and
 - (gg) an analysis of the credit rating of any interest-bearing securities held at that date, as may be required by the IMA SORP to be given;
- (ii) a statement of major changes in the portfolio, specifying—
 - (aa) where the aggregate value of purchases or sales of a particular investment during the financial year in question exceeds 2 per cent of net assets at the beginning of that year, or, in the case of the first financial year of an investment fund, exceeds 2 per cent of the net assets at the end of that year, that value;
 - (bb) unless disclosed in pursuance of paragraph (aa) above, the value of the 20 largest purchases and sales of a particular investment during the financial year in question; and
 - (cc) the total cost of purchase and net proceeds from sales of investments during the financial year in question;
- (iii) a statement of the number of shares issued as at the beginning of the year and as at the date of the balance sheet and the value of each income or accumulation share as at each of those dates, calculated by reference to the net asset value of the investment fund; and
- (iv) a statement of the amount, if any, in the dividend equalisation reserve;
- (l) in the case of a common deposit fund, details of sums deposited by participating charities as at the date of the balance sheet, divided into—
 - (i) sums repayable on demand; and
 - (ii) deposits with agreed maturity dates or periods of notice, divided into—
 - (aa) those repayable in not more than three months;
 - (bb) those repayable in more than three months but not more than one year;
 - (cc) those repayable in more than one year but not more than five years; and
 - (dd) those repayable in more than five years;
- (m) in the case of a common deposit fund, details as at the date of the balance sheet of—
 - (i) sums placed on deposit, divided into—
 - (aa) sums repayable on demand; and
 - (bb) other deposits, indicating whether they are repayable in not more than 3 months, more than 3 months but not more than 1 year, more than 1 year but not more than 5 years or more than 5 years; and
 - (ii) investments other than deposits, analysed in accordance with sub-paragraph (k)(i) above;

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- (n) the following particulars of any contingent liability, that is to say, its amount or estimated amount, its legal nature and whether any valuable security has been provided by the investment fund in connection with that liability and, if so, what;
- (o) particulars of any other financial commitments which have not been provided for and are relevant to assessment of the state of affairs of the investment fund;
- (p) in the case of any amount required by any of the preceding sub-paragraphs (other than sub-paragraph (k)(i) and (ii)) to be disclosed, or the percentage of net assets represented by each category of investment required by sub-paragraph (k)(i)(ee) above to be disclosed, or the percentage of investment assets represented by each class of investment required by sub-paragraph (k)(i)(ff) above, to be disclosed, the corresponding amount or percentage for the financial year immediately preceding that to which the accounts relate;
- (q) a statement as to whether or not the accounts have been prepared in accordance with any applicable accounting standards and statements of recommended practice and particulars of any material departure from those standards and practices and the reasons for such departure;
- (r) where the charity trustees have exercised their powers under regulation 6(4)(b) above, a statement of their reasons for doing so; and
- (s) any other information which is required by these Regulations to be disclosed in a note to the accounts or which may reasonably assist the user to understand the statement of accounts.

PART VI

INTERPRETATION

1. In this Schedule—

“dividend equalisation reserve” means income withheld from distribution with a view to avoiding fluctuations in the amounts distributed;

“the IMA SORP” means the Statement of Recommended Practice for Financial Statements of Authorised Funds issued by the Investment Management Association in November 2003; and

“recognised stock exchange” has the same meaning as in the Income and Corporation Taxes Act 1988(1);

2. For the purposes of this Schedule, a person is connected with a trustee or a person to whom functions in relation to the management of the investment fund have been delegated if—

- (i) he is the child, parent, grandchild, grandparent, brother or sister of any such trustee or manager;
- (ii) he is the spouse of any such trustee or manager or of any person connected with a trustee or manager by virtue of sub-paragraph (i) above;
- (iii) he is the civil partner of any such trustee or manager or of any person connected with a trustee or manager by virtue of sub-paragraph (i) above;
- (iv) he is the trustee of any trust, not being a charity, the beneficiaries or potential beneficiaries of which include a trustee or manager or any person connected with the trustee or manager by virtue of sub-paragraph (i), (ii) or (iii) above and is acting in his capacity as such;

(1) 1988 c. 1.

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- (v) he is a partner of a trustee or manager or of any person connected with a trustee or manager by virtue of sub-paragraph (i), (ii), (iii) or (iv) above and is acting in his capacity as such; or
- (vi) the person is a body corporate, not being a company which is connected with a charitable institution within the meaning of section 58(5) of the Charities Act 1992⁽²⁾, in which the trustee or manager has, or the trustee or manager and any other trustee or manager or charity trustees or managers or person or persons connected with him or them by virtue of sub-paragraph (i), (ii), (iii), (iv) or (v) above, taken together, have, a substantial interest.

3. Any expression in paragraph 2 above which also appears in Schedule 5 to the 1993 Act shall be construed in accordance with paragraphs 2 to 4 of that Schedule.

(2) 1992 c. 41.