

SCHEDULE 1

Regulation 6

STATEMENTS OF ACCOUNTS: INVESTMENT FUNDS

PART 1

STATEMENT OF TOTAL RETURN

1. The statement of total return must show—
  - (a) the net gain or loss on investments, gross income, total expenditure and total return of the investment fund; and
  - (b) the total amount distributed or due, including interest paid or payable, to participating charities out of the investment fund,

during the relevant financial year.

2. Subject to paragraph 4, the information required by paragraph 1 must be analysed by reference to—

- (a) net gains or losses on investments analysed as arising from—
  - (i) non-derivative securities;
  - (ii) derivative contracts;
  - (iii) forward currency contracts;
- (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) expenses incurred in the administration of the investment fund, divided into—
  - (i) fees payable in respect of investment management services provided to the investment fund;
  - (ii) fees payable in respect of the maintenance of the register of charities participating in the investment fund;
  - (iii) fees payable in respect of any audit of the accounts of the investment fund;
  - (iv) fees payable to the person carrying out such an audit in respect of other services for the investment fund provided by him;
  - (v) fees payable in respect of the safe custody of the assets of the investment fund;
  - (vi) 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;
- (e) interest incurred in the administration of the investment fund;
- (f) net income of the investment fund before taxation calculated as follows—

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**A-B**

where

**A** is the total amount entered under paragraph (c),

**B** is the aggregate of the total amounts entered in that statement pursuant of paragraphs (d) and (e);

- (g) tax borne by the investment fund in respect of income, profits or gains during the relevant financial year, divided into—
  - (i) income tax or capital gains tax to which the investment fund is liable in the United Kingdom; and
  - (ii) overseas tax;
- (h) net income of the investment fund after taxation calculated as follows—

**A-B**

where

**A** is the amount entered under paragraph (f),

**B** is the amount entered under paragraph (g);

- (i) total return of the investment fund before distributions which is calculated by aggregating the amounts entered under paragraphs (a), (b) and (h);
- (j) 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 relevant financial year;
- (k) the change in value of the investment fund resulting from its activities calculated as follows—

**A-B**

where

**A** is the amount entered under paragraph (i)

**B** is the amount entered under paragraph (j).

**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 must distinguish between—

- (a) the amount of capital and income to be shared between charities participating otherwise than by way of deposit; and
- (b) the amount of capital and income that is required in respect of the liabilities of the investment fund for the repayment of deposits and for interest on deposits (including amounts required by way of reserve).

**4.** Where a sub-paragraph of paragraph 2 requires information to be divided into separate categories, the division of that information into such separate categories may, if the charity trustees so elect, be effected instead by means of a note to the accounts made in pursuance of Part 5 of this Schedule.

## PART 2

### STATEMENT OF CHANGE IN NET ASSETS

5. The statement of change in net assets must provide a reconciliation between—
  - (a) the net assets of the investment fund at the beginning of the relevant financial year; and
  - (b) the net assets of the investment fund at the end of that year.
6. The reconciliation referred to in paragraph 5 must show—
  - (a) the value of the net assets at the beginning of the relevant financial year;
  - (b) the change in value of the investment fund calculated in accordance with paragraph 2(k);
  - (c) the value of the net assets at the end of the relevant financial year;
  - (d) particulars of any other items necessary to provide the reconciliation required by paragraph 1 above; and
  - (e) in the case of a common investment fund—
    - (i) the amount or value of any property transferred to or withdrawn from the investment fund during the relevant financial year by participating charities; and
    - (ii) the amount of any distribution of income due in respect of accumulation shares.
7. In the case of a common investment fund to which paragraph 3 applies, the analysis required by paragraph 6 must distinguish between—
  - (a) the amount of capital and income to be shared between charities participating otherwise than by way of deposit; and
  - (b) amount of capital and income that is required in respect of the liabilities of the investment fund for the repayment of deposits and for interest on deposits (including amounts required by way of reserve).

## PART 3

### BALANCE SHEET

8. The balance sheet must show the state of affairs of the investment fund as at the end of the relevant financial year by reference to the information specified—
  - (a) in the case of a common investment fund to which paragraph 3 does not apply, in paragraph 9;
  - (b) in the case of a common investment fund to which paragraph 3 applies, in paragraph 10;
  - (c) in the case of a common deposit fund, in paragraph 11.
9. In the case of a common investment fund to which paragraph 3 does not apply, the specified information is—
  - (a) tangible fixed assets for use by the investment fund;
  - (b) investments;
  - (c) other assets, divided into—
    - (i) debtors;
    - (ii) deposits and loans;
    - (iii) cash at bank and in hand; and
    - (iv) others;

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- (d) total assets calculated by aggregating the amounts entered under of paragraphs (a), (b) and (c);
- (e) derivative liabilities;
- (f) other liabilities, divided into—
  - (i) creditors;
  - (ii) bank overdrafts;
  - (iii) other loans; and
  - (iv) distributions payable to participating charities;
- (g) total liabilities calculated by aggregating the amounts entered under paragraphs (e) and (f);
- (h) net assets which is calculated as follows—

**A-B**

where

**A** is the amount entered under paragraph (d),

**B** is the amount entered under paragraph (g).

**10.** In the case of a common investment fund to which paragraph 3 applies, the specified information 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 9;
- (b) in relation to the amount of capital and income that is required in respect of the liabilities of the investment fund for the repayment of deposits and for interest on deposits (including amounts required by way of reserve), the information specified in paragraph 11.

**11.** In the case of a common deposit fund, the specified information is—

- (a) cash at bank and in hand;
- (b) debtors;
- (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 paragraphs (a) to (c);
- (e) tangible fixed assets for use by the common deposit fund;
- (f) gross assets which is calculated by aggregating the amounts entered under paragraphs (a) to (e);
- (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 which is calculated by aggregating the amounts entered under paragraphs (g), (h) and (i).

**12.** Despite the requirement in paragraph 11(c) to divide into separate categories the information to be provided by dividing the information into separate categories, the division of that information into those categories may, if the charity trustees so elect, be effected instead by means of a note to the accounts made in pursuance of Part 5 of this Schedule.

## PART 4

### METHODS AND PRINCIPLES

**13.—**(1) The statement of total return must give a true and fair view of the incoming resources and application of the resources of the investment fund in the relevant financial year.

(2) The balance sheet must give a true and fair view of the state of affairs of the investment fund at the end of the relevant financial year.

(3) The statement of changes in net assets must give a true and fair view of the movements in the net assets of the investment fund between their position at the beginning of the relevant financial year and their position at the end of that year.

(4) Where compliance with Part 1, 2, 3 or 5 of this Schedule 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.

(5) If in special circumstances compliance with any of the provisions of Parts 1, 2, 3 or 5 of this Schedule is inconsistent with the requirement to give a true and fair view—

- (a) the charity trustees must depart from that provision to the extent necessary to give a true and fair view; and
- (b) particulars of any such departure, the reasons for it and its effect must be given in a note to the accounts.

**14.—**(1) Subject to paragraphs (2) and (3), in respect of every amount required—

- (a) by paragraph 2 to be shown in the statement of total return,
- (b) by paragraph 6 to be shown in the statement of changes in net assets;
- (c) by paragraph 9, 10 or 11 to be shown in the balance sheet,

the corresponding amount for the financial year immediately preceding the relevant financial year must 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 relevant financial year—

- (a) the former amount must be adjusted; and
- (b) particulars of any material adjustment under this sub-paragraph must be disclosed in a note to the accounts.

(3) Where the effect of paragraph 13 is—

- (a) that in the relevant financial year there nothing required to be shown by one or more of the provisions specified in sub-paragraph (1) above in respect of a particular item; but
- (b) an amount was required to be shown by that provision for that item in the statement of accounts prepared for the financial year immediately preceding the relevant financial year,

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sub-paragraph (1) has effect as if such an amount were required to be shown in the relevant financial year and that amount were nil.

**15.** 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, must be determined in accordance with the methods and principles set out in the IMA SORP.

## PART 5

### NOTES TO THE ACCOUNTS

**16.—**(1) The information to be provided by way of notes to the accounts, insofar as not provided in the statement of accounts, is—

- (a) a description of the accounting policies adopted for the investment fund and in particular—
  - (i) the basis of valuation of investments;
  - (ii) the recognition of dividend income or interest; and
  - (iii) the conversion of any amounts expressed in currency other than pounds sterling;
- (b) a description of the accounting assumptions made by the investment fund, including—
  - (i) any material change in these assumptions;
  - (ii) the reason for such change; and
  - (iii) its effect (if material) on the accounts;
- (c) where the charity trustees have during the relevant financial year—
  - (i) 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
  - (ii) 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;
- (d) 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 and the name of the person to whom the remuneration or benefit has been paid or is payable) has been paid or is payable to any person—
  - (i) who is a charity trustee of the investment fund;
  - (ii) to whom functions in relation to management of the investment fund have been delegated (“manager”);
  - (iii) connected with such a charity trustee or manager,  
directly or indirectly from the property of the investment fund or from the property of any subsidiary undertaking of the investment fund;
- (e) 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 (d) has a material interest;
- (f) an analysis of the amount and date of any distribution in respect of income and accumulation shares or payment of interest to participating charities;

- (g) 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;
- (h) the name of any subsidiary undertaking of the investment fund, together with a description of the nature of the investment fund's relationship with that subsidiary undertaking and of its activities, and, where material, a statement of the turnover and net profit or loss of the subsidiary undertaking for the corresponding financial year and any qualification expressed in an auditor's report on the accounts of the subsidiary undertaking for that financial year;
- (i) particulars of any loan or guarantee secured against any of the assets of the investment fund;
- (j) an explanation of any amount entered in pursuance of paragraph 2(g)(i) (United Kingdom tax);
- (k) 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) amounts receivable in respect of securities sold;
    - (bb) accrued income;
    - (cc) other debtors; and
    - (dd) in the case of a common investment fund, amounts receivable in respect of property transferred to the investment fund;
  - (iii) creditors, according to the following categories—
    - (aa) amounts payable in respect of securities purchased;
    - (bb) accrued expenses;
    - (cc) other creditors; and
    - (dd) in the case of a common investment fund, amounts payable in respect of property withdrawn from the investment fund;
- (l) the following particulars of any contingent liability—
  - (i) its amount or estimated amount;
  - (ii) its legal nature; and
  - (iii) whether any valuable security has been provided by the investment fund in connection with that liability and, if so, what;
- (m) 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;
- (n) in the case of—
  - (i) any amount required by any of the preceding paragraphs to be disclosed;
  - (ii) the percentage of net assets represented by each category of investment required by sub-paragraph (2)(a)(iv) to be disclosed; or

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- (iii) the percentage of investment assets represented by each class of investment required by sub-paragraph (2)(a)(v), to be disclosed,  
the corresponding amount or percentage for the financial year immediately preceding the relevant financial year;
  - (o) 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;
  - (p) where the charity trustees have exercised their powers under regulation 3(4)(b), a statement of their reasons for doing so;
  - (q) the information specified—
    - (i) in the case of a common investment fund, in sub-paragraph (2);
    - (ii) in the case of a common deposit fund, in sub-paragraph (3); and
  - (r) 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.
- (2) In addition to the information specified in sub-paragraph (1), a common investment fund must include in the notes to the accounts the following statements made up to the date of the balance sheet—
- (a) a portfolio statement, specifying—
    - (i) details of each investment held by or on behalf of the investment fund including—
      - (aa) its market value at that date; and
      - (bb) whether the investment in question is listed on a recognised stock exchange;
    - (ii) the category of each such investment determined according to its geographical area or industrial sector;
    - (iii) where the investment fund invests in more than one class of assets, the market value at that date of each class of investment;
    - (iv) the percentage of net assets represented by each investment so held and by each category of investment specified under paragraph (ii);
    - (v) the percentage of investment assets represented by each class of investments specified under paragraph (iii); and
    - (vi) 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.
  - (b) a statement of major changes in the portfolio, specifying—
    - (i) where—
      - (aa) the relevant financial year is the first financial year of the investment fund and the aggregate value of purchases or sales of a particular investment during the financial year exceeds 2 per cent of net assets at the end of that year; or
      - (bb) the relevant financial year is not the first financial year of the investment fund and the aggregate value of purchases or sales of a particular investment during the relevant financial year exceeds 2 per cent of net assets at the beginning of that year,that value;



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- (ii) unless disclosed under paragraph (i), the value of the 20 largest purchases and sales of a particular investment during the relevant financial year; and
  - (iii) the total cost of purchase and net proceeds from sales of investments during the relevant financial year;
- (c) a statement of—
- (aa) the number of shares issued as at the beginning of the relevant financial year;
  - (bb) the number of shares issued as at the date of the balance sheet;
  - (cc) 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
- (d) a statement of the amount, if any, in the dividend equalisation reserve.
- (3) In addition to the information specified in paragraph (1) a common deposit fund must include in the notes to accounts—
- (a) 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;
  - (b) 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;
    - (ii) investments other than deposits, analysed in accordance with the requirements of paragraph (2)(a).
- (4) In this paragraph “corresponding financial year” has the meaning given by regulation 9(3).

## PART 6

### INTERPRETATION

**17.—(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 December 2005<sup>(1)</sup>;

“person connected with a charity trustee or manager” has the meaning given by subparagraph (2);

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<sup>(1)</sup> Copies of the IMA SORP are available from the Investment Management Association, 65 Kingsway, London WC2B 6TD.

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“recognised stock exchange” has the meaning given by section 1005 of the Income Tax Act 2007(2);

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

- (a) A is the child, parent, grandchild, grandparent, brother or sister of the charity trustee or manager;
- (b) A is the spouse or the civil partner of—
  - (i) the charity trustee or manager; or
  - (ii) any person connected with a charity trustee or manager by virtue of paragraph (a);
- (c) A is—
  - (i) the trustee of any trust—
    - (aa) which is not a charity; and
    - (bb) the beneficiaries or potential beneficiaries of which include the charity trustee or manager or any person connected with that trustee or manager by virtue of paragraph (a) or (b); and
  - (ii) acting in his capacity as trustee of that trust;
- (d) A is—
  - (i) carrying on a business in partnership with—
    - (aa) the charity trustee or manager; or
    - (bb) any person connected with a trustee or manager by virtue of paragraph (a), (b) or (c); and
  - (ii) acting in his capacity as such a business partner; or
- (e) A is a body corporate—
  - (i) which is not a company which is connected with a charitable institution within the meaning of section 58(5) of the Charities Act 1992(3); but
  - (ii) in which—
    - (aa) the charity trustee or manager has; or
    - (bb) the charity trustee or manager, any other trustee or manager of the investment fund or persons connected with him or them by virtue of paragraphs (a), (b), (c) or (d), taken together, have,

a substantial interest.

(3) For the purposes of sub-paragraph (2)—

- (a) “child” has the meaning given by paragraph 2 of Schedule 5 to the 1993 Act;
- (b) whether a person controls an institution is to be determined in accordance with paragraph 3 of that Schedule; and
- (c) whether a person has a substantial interest in a body corporate is to be determined in accordance with paragraph 4 of that Schedule.

(2) 2007 c. 3. Section 1005 of the Income Tax Act 2007 was amended by paragraph 1 of Schedule 26 to the Finance Act 2007 (c. 11).

(3) 1992 c. 41.