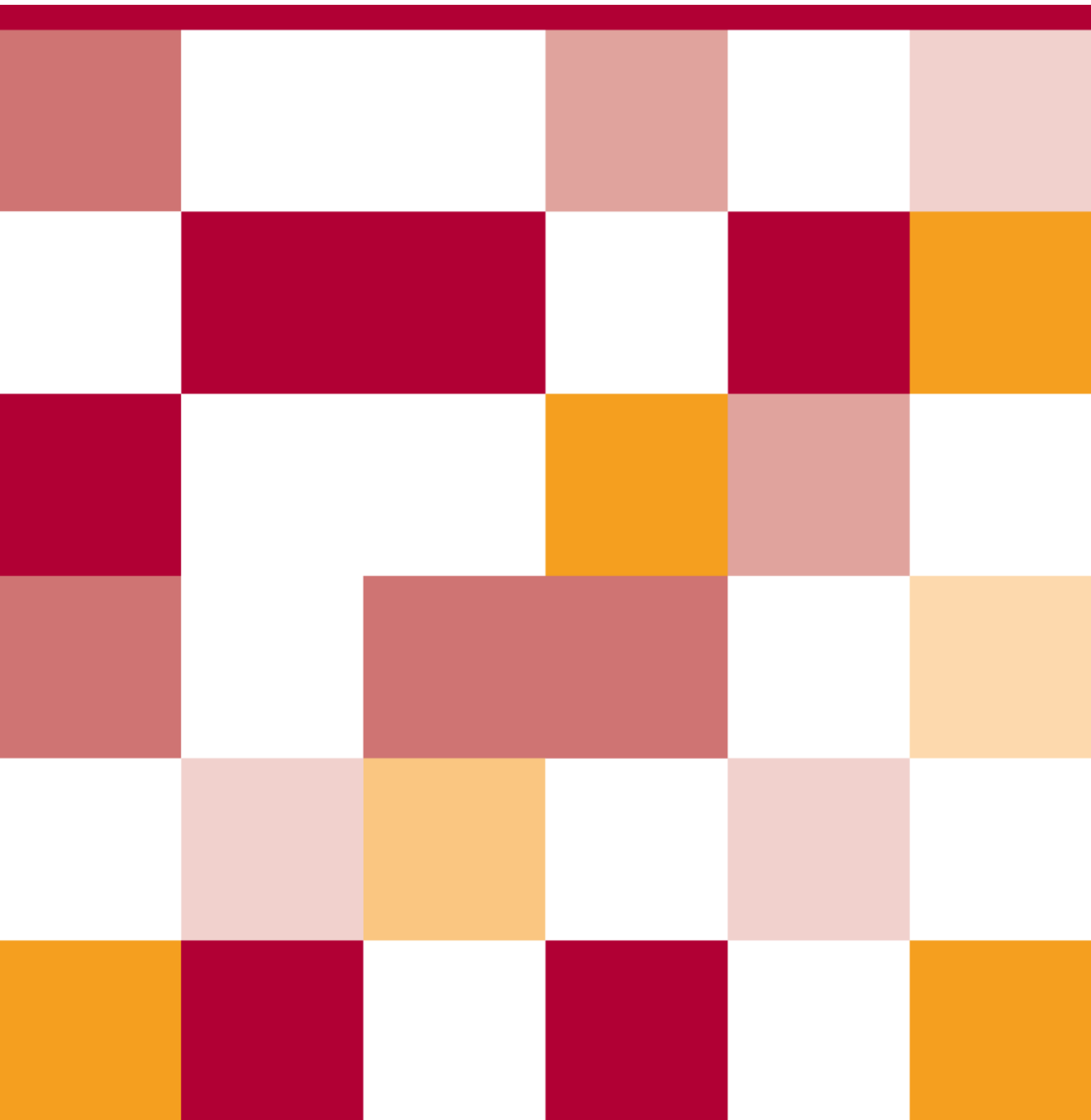




# Draft Charities (Accounts and Reports) Regulations 2007

Consultation for **Investment Fund Charities** in England and Wales



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## **Annexes** (Separate documents)

Draft Charities (Accounts and Reports) Regulations  
2007.....

Draft regulatory impact assessment for investment fund  
charities.....

# SECTION 1 - Summary and questions

## Legal framework

- 1.1 This consultation concerns the accounting and reporting requirements currently placed on Common Investment Funds (“CIFs”) and Common Deposit Funds (“CDFs”) - also referred to here as "investment fund charities" - by The Charities (Accounts and Reports) Regulations 2005 No.572 (“the 2005 Regulations”). These regulations are made by The Minister, in exercise of the powers conferred upon him by section 43, 44, 45 and 86(3) of the Charities Act 1993 (“the 1993 Act”), and after such consultation as mentioned in section 86(4) of the 1993 Act.
- 1.2 CIFs are collective investment schemes in which participation is limited to charities. Before the Charities Act 2006 (“the 2006 Act”) they were open only to charities in England and Wales, but are now they are also open to “appropriate bodies” (i.e. bodies established as charitable under the law of Scotland or Northern Ireland and eligible for UK tax relief) where permitted by the scheme.
- 1.3 CIFs are charities in their own right, set up by schemes made by the Charity Commission under section 22 of the Charities Act 1960 or section 24 of the Charities Act 1993. CIFs invest the property contributed by the participating charities in a range of suitable investments, eg, stocks and shares, gilts, land, etc. Each participating charity owns a percentage share of the capital and is entitled to a percentage share of the income of the fund based on the value of the property it has contributed and the total value of the fund.
- 1.4 CDFs are established by a Scheme under s.25 of the 1993 Act. CDFs deposit money contributed by the participating charities in suitable income yielding accounts. Each participating charity is entitled to repayment of the sums it has deposited plus interest. Currently two CDFs are registered with the Charity Commission. No changes are proposed to the reporting and accounting requirements for CDFs.
- 1.5 All existing CIFs are registered with the Commission and are subject to charity and

trust law as are the two CDF currently registered. In addition, such investment fund charities must be operated in accordance with the terms of the Scheme made by the Commission in setting up the fund.

### Statement of recommended practice for financial statements of authorised funds

- 1.6 The accounting framework currently provided for CIFs by the 2005 Regulations draws heavily on the accounting recommendations contained in the Statement of Recommended Practice for the Financial Statements of Authorised Funds (“the IMA SORP 2003”) published by the Investment Management Association in November 2003. This statement of recommended practice was updated in December 2005 (“the IMA SORP 2005”). To maintain the link with current accounting practice for collective investment schemes, a number of minor changes are proposed to the 2005 Regulations.

### Group Accounts

- 1.7 In addition, the 2006 Act made a number of changes to Part 6 of the 1993 Act including inserting a new section 49A and Schedule 5A which creates a new provision for the preparation and scrutiny of group accounts of parent charities and their subsidiary undertakings. Whilst no investment fund charity currently operates with a group the Draft 2007 Regulations allow for this possibility.

### Applicability of new regulations

- 1.8 This consultation relates only to the additions and changes to the 2005 Regulations that are proposed in relation to investment fund charities, that is, CIFs and CDFs. Pooling schemes can be distinguished from other CIFs in that all charities eligible to participate must, at the time when any particular contribution is made to the investment, be administered by exactly the same body of trustees which the pooling scheme appoints as the charity trustee(s) of the “pool charity.” “Pool charities” would continue to fall outside the definition of a common investment fund for the purposes of these Regulations and would continue to apply the Regulations applicable to general charities.
- 1.9 A number of significant changes are proposed to the 2005 Regulations that related to “general” and “special case” charities and a separate consultation document

setting out these proposed changes is available electronically at [www.cabinetoffice.gov.uk/thirdsector](http://www.cabinetoffice.gov.uk/thirdsector).

## 1.10 Structure of new regulations

1.11 It is also proposed that the amended Regulations are consolidated into a new statutory instrument - The Charities (Accounts and Reports) Regulations 2007 (“the 2007 Regulations”) - that will replace the 2005 Regulations applicable to investment fund charities.

## Timetable

1.12 This consultation will run until 14 September 2007. Analysis of the responses to consultation will follow, along with any resulting changes to the draft 2007 Regulations. Subject to Parliamentary approval of the draft 2007 Regulations, it is proposed that the changes take effect from 1 January 2008 and apply to the financial years of charities beginning on or after that date.

## Further information


1.13 Section 4 of this document provides brief explanatory notes to the draft 2007 Regulations setting out the purpose and intention of each provision.

## Questions for consideration

1.14 In the light of the discussion and background provided in the main text of this document, consultees are asked, in particular, to respond to the following questions, giving reasons for their views:

**Q1. Do you agree with the ongoing policy objective of providing specific Regulations for investment fund charities to ensure the provision of information that is relevant to participating or depositing charities and to ensure proper stewardship reporting by those responsible for the management of such funds?**

**Q2. Do you agree that the Regulations applicable to investment fund charities should be consistent with the recommendations contained within the Statement of Recommended Practice for the Financial Statements of Authorised Funds?**

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- Q3. Do you consider that the Regulations applicable to investment fund charities achieve this objective of consistency and if not, in what respect are the proposals inconsistent?**
- Q4. Do the Regulations provide sufficiently robust accounting, reporting and scrutiny arrangements in the event of a group structure being adopted by an investment fund charity?**
- Q5. Do you have any comments about the Regulatory Impact Assessment (RIA) that accompanies this consultation? Does it present a sound analysis of the costs of compliance for charities, and the benefits the Regulations will bring?**
- Q6. Do you have any comments or suggestions on the drafting of the Regulations as they apply to investment fund charities?**

## SECTION 2 - How to reply

- 2.1 We invite comments by 14 September 2007 at the latest. Earlier responses would be very welcome. Responses should be sent - by email if possible - to the address below. Please mark your responses "Investment Fund Charities Consultation" in the e-mail subject line or on the envelope.

Please send responses to:

**Helen Morgan**  
**Office of the Third Sector**  
**Cabinet Office**  
**35 Great Smith Street**  
**London SW1P 3BQ**  
**[helen.morgan@cabinet-office.x.gsi.gov.uk](mailto:helen.morgan@cabinet-office.x.gsi.gov.uk)**

Enquiries regarding the contents of this consultation document should be made to:

**Ben Harrison**  
**Office of the Third Sector**  
**Cabinet Office**  
**35 Great Smith Street**  
**London SW1P 3BQ**  
**[ben.harrison@cabinet-office.x.gsi.gov.uk](mailto:ben.harrison@cabinet-office.x.gsi.gov.uk)**

or to

**Ray Jones**  
**Head of Accounting Policy**  
**Charity Commission**  
**Woodfield House**  
**Tangier**  
**Taunton**  
**Somerset TA1 4BL**  
**[ray.jones@charitycommission.gsi.gov.uk](mailto:ray.jones@charitycommission.gsi.gov.uk)**

- 2.2 All responses will be acknowledged. In accordance with the Code of Practice on

Open Government comments will be made publicly available unless respondents specifically request otherwise. If you are replying by e-mail, please make it clear in the body of your response whether or not you wish your comments to be treated as confidential.

### Additional copies

- 2.3 Additional copies of this consultation document are available electronically at: [www.cabinetoffice.gov.uk/thirdsector](http://www.cabinetoffice.gov.uk/thirdsector).
- 2.4 You may also photocopy them if you wish.

### E-mail disclaimer

- 2.5 The information you send us may be passed to colleagues within The Office of the Third Sector Office and the Charity Commission and/or published in a summary of responses received to this consultation. We will assume that you are content for us to do this, and that if you are replying by e-mail, your consent overrides any confidentiality disclaimer that is generated by your organisation's IT system. However, we will respect any wish for confidentiality that you make in the main text of your submission to us.

### Complaints or comments about this consultation paper

- 2.6 This consultation document has been drafted in accordance with the Cabinet Office's Code of Practice on Consultation. The Code aims to increase the involvement of people and groups in public consultations, minimising the burden it imposes on them, and giving them a proper time, a standard minimum of 12 weeks, to respond.
- 2.7 In undertaking this consultation we have sought to apply the following criteria:
- Consult widely throughout the process, allowing a minimum of 12 weeks for written consultation at least once during the development of the policy.
  - Be clear about what our proposals are, who may be affected, what questions

are being asked and the timescale for responses.

- Ensure that our consultation is clear, concise and widely accessible.
- Give feedback regarding the responses received and on how the consultation process influenced the policy.
- Monitor our Department's effectiveness at consultation, including through the use of a designated consultation co-ordinator.
- Ensure our consultation follows better regulation practice, including carrying out a Regulatory Impact Assessment if appropriate.

### Consultation Co-ordinator

2.8 If you have any complaints or comments about this consultation process, you should contact the Cabinet Office consultation co-ordinator by e-mail at:

**[ian.ascough@cabinet-office.x.gsi.gov.uk](mailto:ian.ascough@cabinet-office.x.gsi.gov.uk)**

Alternatively, you may wish to write to:

**Ian Ascough  
Better Regulation Executive  
22 Whitehall  
Kirkland House  
London SW1A 2WH**

## SECTION 3 - Policy and background

### Policy objective

- 3.1 Whilst CIFs and CDFs are registered charities, their investment purpose and objectives separate them from the generality of charities. The reporting and accounting framework put in place by the 2005 Regulations, sought to address the distinct reporting needs of such investment funds.
- 3.2 In particular, it sought to ensure the provision of information that was relevant to participating or depositing charities and to ensure proper stewardship reporting by those responsible for the management of such funds. The Draft 2007 Regulations retain this policy objective and seek to update the 2005 Regulations to reflect changes in the IMA SORP applicable to the financial statements of authorised funds which as collective investment schemes share similar regulatory, accounting and reporting needs to those of CIFs:

### Question:

**Q1. Do you agree with the ongoing policy objective of providing specific Regulations for investment fund charities to ensure the provision of information that is relevant to participating or depositing charities and to ensure proper stewardship reporting by those responsible for the management of such funds?**

### Statement of Recommended Practice for the Financial Statements of Authorised Funds

- 3.3 The 2005 Regulations, in providing for the reporting and accounting framework for investment fund charities, drew heavily on the reporting and accounting recommendations contained in the IMA SORP 2003. This approach recognised that the information needs of investors in unit trusts and the stewardship needs of such funds were in many ways similar to the information needs of participating charities investing in investment fund charities and the stewardship disclosures

necessary to achieve proper accountability for the management of such funds.

- 3.4 In December 2005 the Investment Management Association published a revised Statement of Recommended Practice for the Financial Statements of Authorised Funds. The Draft 2007 Regulations propose a number of small changes to the 2005 Regulations to ensure ongoing consistency with the new IMA SORP and to maintain a reporting framework that is fully consistent with the framework applicable to collective investment schemes operating in the commercial sector.
- 3.5 As the Statement of Recommended Practice for the Financial Statements of Authorised Funds does not apply directly to CIFs, a direct adoption of the statement's recommendations is not considered appropriate. Instead, the Draft 2007 Regulations continue to be based on the key accounting, reporting and disclosure requirements of the IMA SORP with the Regulations adopting the methods and principles of the IMA SORP 2005 for valuing fund assets and liabilities. This approach maintains an accounting and reporting framework that is consistent with that applying to collective investment schemes operating within the commercial sector whilst allowing the particular reporting needs of investment fund charities to be addressed.

### Questions:

**Q2. Do you agree that the Regulations applicable to investment fund charities should continue be consistent with the recommendations contained within the Statement of Recommended Practice for the Financial Statements of Authorised Funds?**

**Q3. Do you consider that the Regulations applicable to investment fund charities achieve this objective of consistency and if not in what respect are the proposals inconsistent?**

### Group accounts

- 3.6 The 2006 Act has inserted a new section 49A and Schedule 5A into the 1993 Act creating a legal requirement for the preparation and scrutiny of group accounts.

However, in a number of key areas matters are left to be addressed by Draft 2007 Regulations. Whilst no investment fund charity operates through a group structure and the use of a subsidiary undertaking by an investment fund charity is not anticipated, the Draft 2007 Regulations do need to recognise this possibility.

3.7 The policy objective for the Regulations, so far as concerns group accounts, is to ensure a workable framework for the preparation and audit of group accounts and to do so as economically as possible in terms of the requirements introduced. Whenever possible the Draft 2007 Regulations have built on the framework already provided by the existing 2005 Regulations for the individual accounts of investment fund charities.

3.8 The Draft 2007 Regulations provide:

- the threshold at which group accounts must be prepared and audited although the Scheme setting up an investment fund charity will normally impose an audit requirement;
- the form and content, methods and principles, and notes to group accounts;
- the extension of the annual reporting duties to provide for the activities of subsidiary undertakings.

### Question:

**Q4. Do the Regulations provide sufficiently robust accounting, reporting and scrutiny arrangements in the event of a group structure being adopted by an investment fund charity?**

## Regulatory Impact Assessment

3.9 This consultation is accompanied by a Regulatory Impact Assessment, which sets out the expected costs and benefits that the new Regulations will bring to charities and other businesses. The changes resulting from the new Regulations are considered to be cost neutral.

### Questions:

**Q5. Do you have any comments about the Regulatory Impact Assessment (RIA) that accompanies this consultation? Does it present a sound analysis of the costs of compliance for charities, and the benefits the Regulations will bring?**

**Q6. Do you have any comments or suggestions on the drafting of the Regulations as they apply to investment fund charities?**

## SECTION 4 - Detailed proposals

- 4.1 This section provides explanatory notes to the Draft 2007 Regulations in so far as they apply to investment fund charities setting out briefly the purpose and intention of each Regulation.

### Regulation 1 - Citation and commencement

- 4.2 Regulation 1 provides the date on which it is proposed that the 2007 Regulations will come into force and the name by which the Regulations will be known.

### Regulation 2 – Interpretation

- 4.3 Regulation 2 sets out how specific terms used should be interpreted in the context of the 2007 Regulations. In the context of investment fund charities this Regulation is essentially the same as Regulation 2 of the 2005 Regulations which it replaces.

### Regulation 3 - Form and content of statements of accounts

- 4.4 Regulation 3 does not apply to investment fund charities whose form and content requirements are provided for by Regulation 4.

### Regulation 4 - Form and content of statement of accounts: investment funds

- 4.5 Regulation 4 applies specifically to the accounts of investment fund charities, that is, CIFs other than "pool charities" and CDFs and is largely unchanged from the 2005 Regulations. It provides for the commencement date for financial years which begin on or after 1 October 2007 with a provision to allow early adoption where the charity trustees so determine. This Regulation provides the form and content for the accounts of investment fund charities, the methods and principles to be applied in their preparation, information to be provided by way of notes to the accounts and the requirements for signing and dating the balance sheet.

4.6 The Regulation continues to identify three primary statements:

- a statement of total return, the requirements of which are set out in Part 1 of Schedule 2 of the Draft 2007 Regulations;
- a statement of change in net assets, which replaces the statement of movements required by the 2005 Regulations, the requirements of which are set out in Part 2 of Schedule 2 of the Draft 2007 Regulations and are unchanged from the 2005 Regulations; and
- a balance sheet, the requirements of which are set out in Part 3 of Schedule 2 of the Draft 2007 Regulations.

4.7 The methods and principles to be adopted in the preparation of investment fund accounts are specified in Part 4 of Schedule 2 of the Draft 2007 Regulations and the information to be provided by way of notes to such accounts is specified in Part 5 of Schedule 2. Part 6 of Schedule 2 defines the expressions used in that Schedule.

4.8 This Regulation also continues to provide for a CDF that has no gains or losses on disposal or revaluation of assets to dispense with a statement of movements in funds as in such cases no additional information would be provided in such a statement that would not already be provided by a statement of total return.

### Regulation 5 - Form and content of statements of accounts: special case charities

4.9 Regulation 5 does not apply to charities that are investment funds and whose form and content requirements are provided for by Regulation 4.

### Regulation 6 - Financial Year

4.10 Regulation 6 makes provision for the financial year and accounting reference date of a charity and the circumstance in which the charity trustees may amend the accounting reference date and is largely unchanged from the 2005 Regulation that it would replace. This Regulation applies to investment fund charities in the same

way as it does to general charities and is largely unchanged from Regulation 6 of the 2005 Regulations that it replaces.

### Regulation 7- Group accounts

- 4.11 A new Regulation 7, which applies to investment fund charities, to explain the meaning of “aggregate gross income”. The size of the group’s aggregate gross income determines whether group accounts must be prepared and whether those accounts must be audited.
- 4.12 The Regulations defines “aggregate gross income” of a charity group by reference to the aggregate of the parent charity’s gross recorded income and that of any subsidiary undertaking that is a charity (both calculated using the existing statutory definition of gross income) and by reference to the turnover of any non-charitable subsidiary. The turnover definition is based on that in section 474 of the Companies Act 2006.

### Regulation 8 – Form and content of group accounts

- 4.13 A new Regulation 8, which applies to investment fund charities, is also introduced to prescribe the form and content of group accounts required by the introduction of Schedule 5A into the 1993 Act. It is considered to be unlikely that a CIF or CDF would control or operate a subsidiary for investment or management purposes, however, the new Regulation provides for this possibility and requires the form and content of Regulation 4 that applies to the individual accounts of an investment charity to be applied to the group accounts on the basis that all the subsidiary undertakings included in the consolidation were part of the parent charity.
- 4.14 The charity trustees of a parent investment fund charity are also required to secure, except where in their opinion, there are good reasons against it, that the financial year of each of its subsidiaries included in the consolidation coincides with the parent charity’s own financial year and makes provisions for circumstances where they do not coincide. The Regulation also specifies which accounts are included in the consolidation and applies generally accepted accounting practice or principles to their preparation.

### Regulation 9 – Exceptions relating to requirement to prepare group accounts

- 4.15 A new Regulation 9, which applies to investment fund charities, is introduced to define the income threshold at which group accounts must be prepared under Schedule 5A of the 1993 Act. Exceptions to the consolidation requirement are made in the case of long term restrictions on the rights or management that can be exercised over the subsidiary, disproportionate expense of consolidation or when the interest is held exclusively for resale.

### Regulation 10- Audit of group accounts

- 4.16 A new Regulation 10, which applies to investment fund charities, is introduced to set the income threshold at which group accounts must be audited under Schedule 5A of the 1993 Act. This group audit threshold is set at the same income threshold as that provided in Regulation 9 requiring the preparation of group accounts, ie, where the aggregate gross income of the group exceeds £600,000 gross (before consolidation adjustments) or £500,000 net (after consolidation adjustments).

### Regulation 11 - Annual audit of charity accounts

- 4.17 Regulation 11 makes provision for the duties of an auditor carrying out an audit of a charity under section 43, 43A, 43B or Schedule 5A of the 1993 Act and in the context of individual accounts are largely unchanged from Regulation 7 of the 2005 Regulations which it replaces.
- 4.18 Regulation 11 (2) (e) (ii) (bb) and (cc) makes specific provision for the audit report, in respect of an investment fund charity, to state whether in the auditor's opinion the statement of total return gives a true and fair view of the incoming resources and application of the resources and that the statement of movement in funds gives a true and fair view of the movement in net assets of the investment funds. In addition, Regulation 11(4) makes provision for an auditors' report in the event of a parent investment fund charity being required to prepare group accounts.

### Regulation 12 - Independent examination of charity accounts

- 4.19 Regulation 12 makes provision for the content of an independent examiner's report

and is changed from Regulation 8 of the 2005 Regulations which it replaces, to reflect the extension of the independent examination regime to small company charities. The Charity Commission in its standard Scheme for commercial CIFs would expect to see the adoption of an audit requirement and therefore this Regulation is unlikely to impact on CIFs.

### Regulation 13 – National Health Service charities: examination of accounts

4.20 A new Regulation 13 does not apply to investment fund charities. The requirement is related to the independent examination of NHS charities in England and Wales.

### Regulation 14 - Audit and independent examination: supplementary provisions

4.21 Regulation 14 makes provision for an auditor's or independent examiner's rights of access to books, documents and records and to information and explanations necessary for the purposes of the audit or examination. The provisions of this Regulation are broadly unchanged from those of Regulation 9 of the 2005 Regulations which it replaces except that additional rights are provided to enable the audit of group accounts under Schedule 5A of the 1993 Act. This Regulation applies to investment fund charities in the same way as it does to general charities.

### Regulation 15 - Dispensation from audit or examination requirements

4.22 Regulation 15 makes provision for the circumstances in which the Commissioners may dispense with the audit or examination requirements for a particular charity or for a particular financial year of a charity. The provisions of this Regulation are unchanged from those of Regulation 10 of the 2005 Regulations which it replaces. This Regulation applies to investment fund charities in the same way as it does to general charities.

### Regulation 16 - Annual Reports

4.23 Regulation 16 does not apply to investment fund charities. The requirements in relation to the annual report of investment fund charities are provided for by Regulation 17.

### Regulation 17 - Annual Reports: Investment Funds

- 4.24 Regulation 17 makes provision for an annual report prepared in respect of an investment fund in accordance with section 45(1) of the 1993 Act and is unchanged from Regulation 12 of the 2005 Regulations.

### Regulation 18 – Annual Reports: Investment Funds Group Reports

- 4.25 Regulation 18 makes provision for additional information to be provided where group accounts are prepared under Schedule 5A of the 1993 Act. No CIF or CDF currently operates through a group structure controlling subsidiary undertakings. Whilst unlikely, it is possible for a group structure to be adopted, for example, where a subsidiary is acquired as investment or as an investment management vehicle.
- 4.26 Where group accounts are prepared by an investment fund parent charity, in addition to the information required by Regulation 17, information is also required about the activities of subsidiary undertakings including details of the aims and objectives set and how these support the investment activities of the parent charity and details of their achievement against the aims and objectives set. A deficit in any subsidiaries' capital and reserves must be explained as must the group's organisation structure and investment policies adopted by the subsidiaries.

### Regulation 19 – Revocation

- 4.27 The Regulations provides that the existing 2005 Regulations apply for all financial years beginning on or before 30 September 2007. For accounting periods commencing on or after 1 October 2007, the 2005 Regulations apply.

### Schedule 1 to Regulation 3(10)

- 4.28 This Schedule does not apply to investment fund charities. It set out the requirements for the information to be provided by way of notes to the accounts of general charities.

### Schedule 2 - Part 1, Statement of Total Return

- 4.29 This Part provides for the form and content of the statement of total return for both CIFs and CDFs and is broadly unchanged from the requirements of Part I of Schedule 2 to Regulation 4 of the 2005 Regulations which it replaces.
- 4.30 The statement enables the reader of the accounts to ascertain:
- the total gains and losses generated within the investment fund;
  - the income generated by fund assets;
  - the expenses incurred in the administration of the investment fund;
  - any tax borne by the fund; and
  - the distribution made to participating charities.
- 4.31 A total is provided that equates to the net increase or decrease in the value of the fund resulting from its activities.
- 4.32 The requirements set out in Paragraph 2(a) have been amended to provide a more relevant analysis of net gains or losses on investments, in particular, the information distinguishes between gains or losses derived from non-derivative securities and gains and losses derived from derivative contracts.
- 4.33 The requirements of this Part are considered to be consistent with the requirements placed on authorised unit trust schemes and open-ended investment companies by the IMA SORP 2005.

### Schedule 2 - Part 2, Statement of Change in Net Assets

- 4.34 This Part amends and replaces Part II of Schedule 2 to Regulation 4 of the 2005 Regulations and sets out the information to be provided in this reconciliation statement that summarises the movements in the value of the fund for CIFs and CDFs. The requirements of this Part are broadly unchanged from those of the 2005 Regulations.

- 4.35 The name of the statement has been amended from Statement of Movement in Funds, to Statement of Change in Net Assets but its purpose remains unchanged.
- 4.36 The requirements of this Part are considered to be consistent with the requirements placed on authorised unit trusts schemes and open-ended investment companies by the IMA SORP 2005.

### Schedule 2 - Part 3, Balance Sheet

- 4.37 This Part amends and replaces Part III of Schedule 2 to Regulation 4 of the 2005 Regulations.
- 4.38 Paragraph 2 provides the balance sheet form and content requirements for CIFs and shows some changes in the format of the balance sheet from those set in the 2005 Regulations. The format of the balance sheet has been revised to distinguish tangible fixed assets and investments held by the fund from other assets, and to distinguish derivative liabilities from other liabilities of the fund. It is considered to be consistent with the requirements placed on authorised unit trusts schemes and open-ended investment companies by the IMA SORP 2005.
- 4.39 Paragraph 3 provides the balance sheet form and content requirements for CDFs and is unchanged from those set in the 2005 Regulations.

### Schedule 2 - Part 4, Methods and Principles

- 4.40 This Part provides for the methods and principles to be adopted in the preparation of investment fund accounts. It amends and replaces Part IV of Schedule 2 to Regulation 4 of the 2005 Regulations.
- 4.41 Paragraph 1 sets out the primary statements for investment funds and requires that the statement of total return, balance sheet and statement of change in net assets present a true and fair view. Additional disclosures are required where the requirements of Schedule 1 would not be sufficient to give a true and fair view and makes provision for the disclosure of comparative amounts within these primary statements.

- 4.42 Paragraph 3 maintains the link with the IMA SORP by requiring the assets and liabilities of an investment fund charity to be recorded in the balance sheet and for gains and losses to be recognised in accordance with the methods and principles of that SORP.

### Schedule 2 - Part 5, Notes to the Accounts

- 4.43 This part amends and replaces Part V of Schedule 2 to Regulation 4 of the 2005 Regulations and sets out the information to be provided by way of notes to the accounts of CIFs and CDFs. It is unchanged from the 2005 Regulations. It is considered to be consistent with the requirements placed on authorised unit trusts schemes and open-ended investment companies by the IMA SORP 2005.

### Schedule 2 - Part 6 – Interpretations

- 4.44 This part amends and replaces Part VI of Schedule 2 to Regulation 4 of the 2005 Regulations and sets out how particular terms used in the Regulations should be interpreted in the context of requirements placed on investment fund charities.