STATUTORY INSTRUMENTS

2005 No. 572

CHARITIES

The Charities (Accounts and Reports) Regulations 2005

Made - - - - - *7th March 2005*

Laid before Parliament *10th March 2005*

Coming into force in accordance with article 1

The Secretary of State, in exercise of the powers conferred upon him by sections 42, 44, 45 and 86(3) of the Charities Act 1993(**a**) and after such consultation as is mentioned in section 86(4) of that Act, hereby makes the following Regulations:

Citation and commencement

1.—(1) These Regulations may be cited as the Charities (Accounts and Reports) Regulations 2005 and, subject to paragraph (2), shall come into force on 31st March 2005.

(2) Paragraph 2(iii) of Part VI of Schedule 2 shall come into force on the date when section 1 of the Civil Partnership Act 2004(**b**) comes into force in relation to England and Wales.

Interpretation

2. In these Regulations—

"auditable charity" means a charity the accounts of which for the financial year in question are required to be audited in pursuance of any statutory requirement;

"authorised person" has the same meaning as in the Financial Services and Markets Act 2000(**c**);

"charity trustee" includes, in relation to an investment fund, any person who discharges any of the functions of a charity trustee in relation to the investment fund;

"charity trustees" means, in relation to an investment fund, the person or persons appointed to manage the investment fund, except where the scheme or schemes regulating the investment fund allocate responsibility for discharging a particular function to a particular person or persons, when, in relation to that function, "the charity trustees" means that person or those persons;

"common deposit fund" means a common deposit fund established by a scheme under section 22A of the Charities Act 1960(**d**) or section 25 of the 1993 Act (which is deemed to be a charity by virtue of section 24(8), as applied by section 25(2), of the 1993 Act);

"common investment fund" means a common investment fund established by a scheme under section 22 of the 1960 Act or section 24 of the 1993 Act (which is deemed to be a charity by virtue of section 24(8) of the 1993 Act), other than a common investment fund

(**a**) 1993 c. 10; section 42 was amended by the Charities Act 1993 (Substitution of Sums) Order 1995 (S.I. 1995/2696) and section 45 was amended by section 29 of the Deregulation and Contracting Out Act 1994 (c. 40) and by Part II of Schedule 1 to the Companies Act 1985 (Audit Exemption) Regulations 1994 (S.I. 1994/1935).
(**b**) 2004 c. 33.
(**c**) 2000 c. 8.
(**d**) 1960 c. 58; section 22A was inserted by section 16 of the Charities Act 1992 (c. 41).

the trusts of which provide for property to be transferred to the investment fund only by or on behalf of a participating charity of which the charity trustees are the trustees appointed to manage the investment fund;

"director" includes any person occupying the position of a director, by whatever name called, and in relation to a body corporate whose affairs are managed by its members means a member of the body corporate;

"ex gratia payment" means any such application of the property of a charity, or any such waiver by a charity of any entitlement to receive any property, as is capable of being authorised under section 27(1) of the 1993 Act;

"financial year" shall be construed in accordance with regulation 6 below;

"fixed assets" means the assets of a charity which are intended for use or investment on a continuing basis;

"fund" means particular assets of a charity held on trusts which, as respects the purposes for which those assets are held, or as respects the powers of the charity trustees to use or apply those assets, are not identical to those on which other assets of the charity are held;

"institution or body corporate connected with the charity", in relation to a charity, means an institution or body corporate which—

(a) in the case of an institution, is controlled by,

(b) in the case of a body corporate, in which a substantial interest is held by,

the charity or any one or more of the charity trustees acting in his or their capacity as such, and "substantial interest" shall be construed in accordance with paragraph 4 of Schedule 5 to the 1993 Act;

"investment fund" means a common deposit fund or a common investment fund;

"reserves" means those assets in the unrestricted fund of a charity which the charity trustees have, or can make, available to apply for all or any of its purposes, once they have provided for the liabilities of the unrestricted fund, together with any commitments of the charity and other planned expenditure intended to be met from the assets of the unrestricted fund;

"special case charity" means a charity which is either—

(a) a registered social landlord within the meaning of the Housing Act 1996(**a**) and whose registration has been the subject of a notice under section 3(3)(a) of that Act; or

(b) has during the financial year in question—

(i) conducted an institution in relation to which a designation made, or having effect as if made, under section 129 of the Education Reform Act 1988(**b**) has effect;

(ii) received financial support from funds administered by a higher education funding council within the meaning of the Further and Higher Education Act 1992(**c**) in respect of expenditure incurred or to be incurred by the charity in connection with that institution; and

(iii) incurred no expenditure for charitable purposes other than the purposes of that institution or any other such institution;

"the 1960 Act" means the Charities Act 1960;

"the 1993 Act" means the Charities Act 1993;

"the 1995 Regulations" means the Charities (Accounts and Reports) Regulations 1995(**d**);

"the 2000 Regulations" means the Charities (Accounts and Reports) Regulations 2000(**e**);

"the SORP" means the Statement of Recommended Practice for Accounting and Reporting by Charities, issued by the Commissioners on 4th March 2005;

(**a**) 1996 c. 52. Eligibility for registration as a social landlord is determined by section 2 of that Act.
(**b**) 1988 c. 40. Section 129 was amended by section 72(1) of the Further and Higher Education Act 1992.
(**c**) 1992 c. 13.
(**d**) S.I. 1995/2724.
(**e**) 1 S.I.2000/2868.

"trustee for a charity" means any person (other than the charity itself, or a charity trustee of the charity) who holds the title to property belonging to the charity, and so includes a custodian trustee and a nominee; and

"unrestricted fund" means a fund which is to be used or applied in any way determined by the charity trustees for the furtherance of the objects of a charity, and "restricted fund" means any other fund of a charity.

Form and contents of statements of accounts

3.—(1) This regulation applies to a statement of accounts prepared by the charity trustees of a charity, other than an investment fund, or a special case charity, in accordance with section 42(1) of the 1993 Act in respect of a financial year—

(a) which begins on or after 1st April 2005; or

(b) which begins before that date if—

(i) the charity trustees determine that this regulation, rather than regulation 3 of the 2000 Regulations, shall apply to the statement of accounts; and

(ii) the charity trustees have not, before the date when these Regulations come into force, either approved the accounts of the charity in respect of that financial year, or authorised the signature of an annual report in respect of that financial year in accordance with regulation 7(3)(c) of the 2000 Regulations.

(2) If the charity trustees make a determination under sub-paragraph (b) above, they shall also make a determination under regulation 11(1)(b) below, if they are required to prepare an annual report in respect of the financial year in question.

(3) The requirements as to form and contents of a statement of accounts to which this regulation applies are those set out in the following provisions of this regulation.

(4) The statement shall consist of—

(a) a statement of financial activities which shall show the total incoming resources and application of the resources, together with any other movements in the total resources, of the charity during the financial year in respect of which the statement is prepared; and

(b) a balance sheet which shall show the state of affairs of the charity as at the end of the financial year in respect of which the statement is prepared.

(5) The statement shall be prepared in accordance with the following principles, namely that—

(a) the statement of financial activities shall give a true and fair view of the incoming resources and application of the resources of the charity in the financial year in respect of which the statement is prepared;

(b) the balance sheet shall give a true and fair view of the state of affairs of the charity at the end of that year;

(c) where compliance with the following requirements of this regulation would not be sufficient to give a true and fair view, the necessary additional information shall be given in the statement of accounts or in notes to the accounts;

(d) if in special circumstances compliance with any of those requirements would be inconsistent with giving a true and fair view, the charity trustees shall depart from the requirement to the extent necessary to give a true and fair view.

(6) The statement—

(a) shall be prepared in accordance with the methods and principles set out in the SORP; and

(b) subject to the following three paragraphs of this regulation, shall, with respect to any amount required to be shown in the statement of financial activities or in the balance sheet, also show the corresponding amount for the financial year immediately preceding that to which the statement or balance sheet relates.

(7) 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 financial activities or balance sheet relates, the former amount shall be adjusted.

(8) Where in the financial year to which the statement of accounts relates the effect of paragraph (5) and paragraph (6)(a) above is that there is nothing required to be shown in respect of a particular item, but an amount was required to be shown in respect of that item in the statement of accounts for the immediately preceding financial year, those provisions shall have effect as if such an amount were required to be shown in the statement of accounts in the financial year to which the statement relates, and that amount were nil.

(9) Where a charity has more than one fund, only amounts corresponding to the entries in the statement of financial activities relating to the totals of both or all of the funds of the charity need be shown.

(10) There shall be provided by way of notes to the accounts the information specified in Schedule 1 to these Regulations.

(11) The balance sheet shall be signed by one or more of the charity trustees of the charity, each of whom has been authorised to do so, and shall specify the date on which the statement of accounts of which the balance sheet forms part was approved by the charity trustees.

Form and contents of statements of accounts: investment funds

4.—(1) This regulation applies to a statement of accounts prepared in the case of an investment fund in accordance with section 42(1) of the 1993 Act in respect of a financial year—

(a) which begins on or after 1st April 2005; or

(b) which begins before that date if—

(i) the charity trustees determine that this regulation, rather than regulation 4 of the 1995 Regulations, shall apply to the statement of accounts; and

(ii) the charity trustees have not, before the date when these Regulations come into force, either approved the accounts of the investment fund in respect of that financial year, or authorised the signature of an annual report in respect of that financial year in accordance with regulation 10(1)(c) of the 1995 Regulations.

(2) If the charity trustees make a determination under sub-paragraph (b) above, they shall also make a determination under regulation 12(1)(b) below, if they are required to prepare an annual report in respect of the financial year in question.

(3) Subject to paragraph (8) below, the statement shall consist of the following, that is to say—

(a) a statement of total return which satisfies the requirements set out in Part I of Schedule 2 to these Regulations;

(b) a statement of movement in funds which satisfies the requirements set out in Part II of Schedule 2 to these Regulations; and

(c) a balance sheet which satisfies the requirements set out in Part III of Schedule 2 to these Regulations.

(4) The statement shall be prepared in accordance with the methods and principles specified and referred to in Part IV of Schedule 2 to these Regulations.

(5) There shall be provided by way of notes to the accounts the information specified in Part V of Schedule 2 to these Regulations.

(6) Part VI of Schedule 2 to these Regulations shall have effect for the purposes of defining expressions used in that Schedule.

(7) The balance sheet shall be signed—

(a) if the scheme or schemes regulating the investment fund allocates responsibility for preparing the accounts to a particular person, by that person; and otherwise,

(b) by one or more of the charity trustees of the investment fund, each of whom has been authorised to do so, in which case the balance sheet shall specify the date on which the statement of accounts of which the balance sheet forms part was approved by the charity trustees.

(8) In the case of any financial year of a common deposit fund in which there are no gains or losses on disposal or revaluation of assets, paragraph (3) above shall have effect as if sub-paragraph (b) were omitted.

Form and contents of statements of accounts: special case charities

5.—(1) This regulation applies to a statement of accounts prepared by the charity trustees of a special case charity in accordance with section 42(1) of the 1993 Act in respect of a financial year which begins on or after 1st April 2005.

(2) The requirements as to form and contents of a statement of accounts to which this regulation applies are those set out in the following provisions of this regulation.

(3) The statement shall consist of an income and expenditure account and a balance sheet as at the end of the financial year in respect of which the statement of accounts is prepared.

(4) The statement shall be prepared in accordance with the following principles, namely that—

(a) the income and expenditure account shall give a true and fair view of the income and expenditure of the charity for the financial year in respect of which the statement of accounts is prepared; and

(b) the balance sheet shall give a true and fair view of the state of affairs of the charity at the end of that year.

(5) The balance sheet shall be signed by one or more of the charity trustees of the charity, each of whom has been authorised to do so, and shall specify the date on which the statement of accounts of which the balance sheet forms part was approved by the charity trustees.

Financial year

6.—(1) The financial year of a charity shall, for the purposes of the 1993 Act and regulations made thereunder, be determined in accordance with the following provisions of this regulation.

(2) The first financial year of a charity shall be the period beginning with the day on which the charity is established and ending with the accounting reference date of the charity or such other date, not more than seven days before or after the accounting reference date, as the charity trustees may determine.

(3) Subsequent financial years of a charity begin with the day immediately following the end of the charity's previous financial year and end with its accounting reference date or such other date, not more than seven days before or after the accounting reference date, as the charity trustees may determine.

(4) The accounting reference date of a charity shall, for the purposes of this regulation, be—

(a) in the first financial year of a charity such date, not less than 6 months nor more than 18 months after the date on which the charity was established, as the charity trustees may determine; and

(b) in any subsequent financial year of a charity, the date 12 months after the previous accounting reference date of the charity or such other date, not less than 6 months nor more than 18 months after the previous accounting reference date of the charity as the trustees may determine:

Provided that—

(i) the charity trustees shall not, without the prior consent of the Commissioners, exercise their powers under sub-paragraph (b) of this paragraph so as to determine an accounting reference date in respect of any financial year which is consecutive, or follows immediately after a financial year which is consecutive, to a previous financial year in respect of which that power was exercised; and

(ii) the charity trustees shall exercise their powers under sub-paragraph (b) of this paragraph so as to determine a date earlier or later than 12 months from the beginning of the financial year only where satisfied that there are exceptional reasons to do so (which reasons shall, in the case of a charity subject to the requirements of regulation 3(10) or 4(5) above, be disclosed in a note to the accounts).

Annual audit of charity accounts

7.—(1) The duties of an auditor carrying out an audit of the accounts of a charity under section 43 of the 1993 Act(**a**) shall be those specified in the following provisions of this regulation.

(2) Where a statement of accounts has been prepared under section 42(1) of the 1993 Act for the financial year in question the auditor shall make a report on that statement to the charity trustees which—

(a) states the name and address of the auditor and the name of the charity concerned;

(b) is signed by him or, where the office of auditor is held by a body corporate or partnership, in its name by a person authorised to sign on its behalf and states that the auditor is a person falling within paragraph (a) or, as the case may be, (b) of section 43(2) of the 1993 Act;

(c) is dated and specifies the financial year in respect of which the accounts to which it relates have been prepared;

(d) specifies that it is a report in respect of an audit carried out under section 43 of the 1993 Act and in accordance with regulations made under section 44 of that Act;

(e) states whether in the auditor's opinion—

(i) the statement of accounts complies with the requirements of regulation 3 or, as the case may be, 4, or 5 above;

(ii) the balance sheet gives a true and fair view of the state of affairs of the charity at the end of the financial year in question; and

(iii)

(aa) where regulation 3 applies, the statement of financial activities gives a true and fair view of the incoming resources and application of the resources of the charity in the financial year in question;

(bb) where regulation 4 applies, the statement of total return gives a true and fair view of the incoming resources and application of the resources of the investment fund in the financial year in question;

(cc) where regulation 4 applies, the statement of movement in funds gives 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; and

(dd) where regulation 5 applies, the income and expenditure account gives a true and fair view of the income and expenditure of the charity in the financial year in question.

(f) Where the auditor has formed the opinion—

(i) that accounting records have not been kept in respect of the charity in accordance with section 41 of the 1993 Act; or

(ii) that the statement of accounts does not accord with those records; or

(iii) that any information contained in the statement of accounts is inconsistent in any material respect with any report of the charity trustees prepared under section 45 of the 1993 Act in respect of the financial year in question; or

(iv) that any information or explanation to which he is entitled under regulation 9 below has not been afforded to him,

contains a statement of that opinion and of his grounds for forming it.

(3) Where a receipts and payments account and statement of assets and liabilities have been prepared under section 42(3) of the 1993 Act for the financial year in question the auditor shall make a report on that account and statement to the charity trustees which—

(a) states the name and address of the auditor and the name of the charity concerned;

(b) is signed by him or, where the office of auditor is held by a body corporate or partnership, in its name by a person authorised to sign on its behalf and states that the auditor is a person falling within paragraph (a) or, as the case may be, (b) of section 43(2) of the 1993 Act;

(c) is dated and specifies the financial year in respect of which the accounts to which it relates have been prepared;

(**a**) Section 43 was amended by section 28 of the Deregulation and Contracting Out Act 1994.

(d) specifies that it is a report in respect of an audit carried out under section 43 of the 1993 Act and in accordance with regulations made under section 44 of that Act;

(e) states whether in the auditor's opinion—

(i) the account and statement properly present the receipts and payments of the charity for the financial year in question and its assets and liabilities as at the end of that year; and

(ii) the account and statement adequately distinguish any material special trust or other restricted fund of the charity;

(f) where the auditor has formed the opinion—

(i) that accounting records have not been kept in respect of the charity in accordance with section 41 of the 1993 Act; or

(ii) that the account and statement do not accord with those records; or

(iii) that any information or explanation to which he is entitled under regulation 9 below has not been afforded to him,

contains a statement of that opinion and of his grounds for forming it.

(4) The auditor shall, in preparing his report for the purposes of paragraph (2) or, as the case may be, (3) above, carry out such investigations as will enable him to form an opinion as to the matters specified in sub-paragraph (e) and (f) of that paragraph.

(5) The auditor shall immediately make a written report to the Commissioners on any matter of which the auditor becomes aware in his capacity as such which relates to the activities or affairs of the charity or of any institution or body corporate connected with the charity and which the auditor has reasonable cause to believe is, or is likely to be, of material significance for the exercise, in relation to the charity of the Commissioners' functions under section 8 (general power to institute inquiries) or 18 (power to act for protection of charities) of the 1993 Act.

(6) Where an auditor appointed by charity trustees ceases for any reason to hold office he shall send to the charity trustees a statement of any circumstances connected with his ceasing to hold office which he considers should be brought to their attention or, if he considers that there are no such circumstances, a statement that there are none; and the auditor shall send a copy of any statement sent to the charity trustees under this paragraph (except a statement that there are no such circumstances) to the Commissioners.

(7) In the case of an auditor appointed by the Commissioners, the report required by paragraph (2) or, as the case may be, (3) above shall be made to the Commissioners instead of to the charity trustees.

Independent examination of charity accounts

8. An independent examiner who has carried out an examination of the accounts of a charity under section 43 of the 1993 Act shall make a report to the charity trustees which—

(a) states his name and address and the name of the charity concerned;

(b) is signed by him and specifies any relevant professional qualifications or professional body of which he is a member;

(c) is dated and specifies the financial year in respect of which the accounts to which it relates have been prepared;

(d) specifies that it is a report in respect of an examination carried out under section 43 of the 1993 Act and in accordance with any directions given by the Commissioners under subsection (7)(b) of that section which are applicable;

(e) states whether or not any matter has come to the examiner's attention in connection with the examination which gives him reasonable cause to believe that in any material respect—

(i) accounting records have not been kept in respect of the charity in accordance with section 41 of the 1993 Act; or

(ii) the accounts do not accord with those records; or

(iii) in the case of an examination of a statement of accounts which has been prepared under section 42(1) of the 1993 Act, the statement of accounts does not comply with any of the requirements of regulation 3 or, as the case may be, 4 or 5 above, other than any requirement to give a true and fair view;

(f) states whether or not any matter has come to the examiner's attention in connection with the examination to which, in his opinion, attention should be drawn in the report in order to enable a proper understanding of the accounts to be reached;

(g) contains a statement as to any of the following matters that has become apparent to the examiner during the course of the examination, namely, that—

(i) there has been any material expenditure or action which appears not to be in accordance with the trusts of the charity; or

(ii) any information or explanation to which he is entitled under regulation 9 below has not been afforded to him; or

(iii) in the case of an examination of accounts a statement of which has been prepared under section 42(1) of the 1993 Act, any information contained in the statement of accounts is inconsistent in any material respect with any report of the charity trustees prepared under section 45 of the 1993 Act in respect of the financial year in question.

Audit and independent examination: supplementary provisions

9.—(1) An auditor or independent examiner carrying out an audit or examination of the accounts of a charity under section 43 of the 1993 Act shall have a right of access to any books, documents and other records (however kept) which relate to the charity concerned and which the auditor or examiner in question considers it necessary to inspect for the purpose of carrying out the audit or, as the case may be, examination.

(2) Such an auditor or independent examiner shall be entitled to require, in the case of the charity concerned, such information and explanations from past or present charity trustees or trustees for the charity, or from past or present officers or employees of the charity, as he considers it necessary to obtain for the purposes of carrying out the audit or, as the case may be, examination.

Dispensations from audit or examination requirements

10.—(1) The Commissioners may, in the circumstances specified in paragraph (2) below, dispense with the requirements of section 43(2) or (3) of the 1993 Act in the case of a particular charity or of a particular financial year of a charity.

(2) The circumstances referred to in paragraph (1) above are where the Commissioners—

(a) are satisfied that the accounts of the charity concerned are required to be audited in accordance with any statutory provision contained in or having effect under an Act of Parliament which, in the opinion of the Commissioners, imposes requirements which are sufficiently similar to the requirements of section 43(2) for those requirements to be dispensed with;

(b) are satisfied that the accounts of the charity concerned have been audited by the Comptroller and Auditor General or by the Auditor General for Wales;

(c) are satisfied that the accounts of the charity concerned for the financial year in question have been, or will be, audited or, as the case may be, examined in accordance with requirements or arrangements which, in the opinion of the Commissioners, are sufficiently similar to the relevant requirements of section 43 of the 1993 Act applicable to that financial year of that charity for those requirements to be dispensed with;

(d) are satisfied that there has in the financial year in question been no transaction on the part of the charity concerned which would be required to be shown and explained in the accounting records kept in pursuance of section 41 of the 1993 Act;

(e) consider that, although the financial year in question of the charity concerned is one to which subsection (2) of section 43 of the 1993 Act applies, there are exceptional circumstances which justify the examination of the accounts by an independent examiner instead of their audit in accordance with that subsection.

(3) A dispensation under any of paragraphs 2(a) to (c) of this regulation is conditional on the charity trustees supplying to the Commissioners any report made to them with respect to the accounts of that charity for the financial year in question which the Commissioners have requested, and paragraph (2)(e) of this regulation is conditional on compliance by the charity trustees with all the requirements which would have applied if they had been able to make, and had in fact made, an election under section 43(3)(a) of the 1993 Act with respect to the accounts of the charity for the financial year in question.

Annual reports

11.—(1) This regulation applies to an annual report prepared by the charity trustees of a charity (other than an investment fund) in accordance with section 45(1) of the 1993 Act in respect of a financial year—

(a) which begins on or after 1st April 2005; or

(b) which begins before that date if—

(i) the charity trustees determine that this regulation, rather than regulation 7 of the 2000 Regulations, shall apply to the annual report; and

(ii) the charity trustees have not, before the date when these Regulations come into force, either authorised the signature of an annual report in respect of that financial year in accordance with regulation 7 of the 2000 Regulations or approved a statement of accounts which has been prepared for the charity in respect of that financial year under regulation 3 of those Regulations.

(2) If the charity trustees make a determination under sub-paragraph (b) above, they shall also make a determination under regulation 3(1)(b) above, if they prepare a statement of accounts under section 42(1) of the 1993 Act in respect of the financial year in question and the charity is one to which regulation 3 above may apply.

(3) The report on the activities of a charity during the year which is required to be contained in the annual report in respect of each financial year of the charity prepared under section 45 of the 1993 Act shall specify the financial year to which it relates and shall—

(a) in the case of a charity which is not an auditable charity be a brief summary of the main activities and achievements of the charity during the year in relation to its objects;

(b) in the case of a charity which is an auditable charity—

(i) be a review of significant activities, including—

(aa) details of the aims and objectives which the charity trustees have set for the charity in the year, and details of the strategies adopted, and of significant activities undertaken, in order to achieve those aims and objectives;

(bb) details of the achievements of the charity during the year, measured by reference to the aims and objectives which have been set; and

(cc) details of any significant contribution of volunteers to these activities; and

(dd) details of the principal funding sources of the charity; and

(ii) contain a statement as to whether the charity trustees have—

(aa) given consideration to the major risks to which the charity is exposed; and

(bb) established systems or procedures in order to manage those risks; and

(c) in either case—

(i) where any fund of the charity was materially in deficit at the beginning of the financial year in question, and the charity is one in respect of which a statement of accounts has been prepared under section 42(1) of the 1993 Act for the financial year, contain particulars of the steps taken by the charity trustees to eliminate that deficit; and

(ii) be dated and be signed by one or more of the charity trustees, each of whom has been authorised to do so.

(4) Subject to paragraphs (5) to (8) below, the information relating to a charity and to its trustees and officers which is required to be contained in the annual report shall be—

(a) the name of the charity as it appears in the register of charities and any other name by which it makes itself known;

(b) the number assigned to it in the register and, in the case of a charitable company, the number with which it is registered as a company;

(c) the principal address of the charity and, in the case of a charitable company, the address of its registered office;

(d) the name of any person who is a charity trustee of the charity on the date when the authority referred to in paragraph (3)(c)(ii) above is given, and, where any charity trustee on that date is a body corporate, the name of any person who is a director of the body corporate on that date;

(e) the name of any other person who has, at any time during the financial year in question, been a charity trustee of the charity;

(f) the name of any person who is a trustee for the charity on the date referred to in sub-paragraph (d) above;

(g) the name of any other person who has, at any time during the financial year in question, been a trustee for the charity;

(h) particulars, including the date if known, of any deed or other document containing provisions which regulate the purposes and administration of the charity;

(i) the name of any person or body of persons entitled by the trusts of the charity to appoint one or more new charity trustees, and a description of the method provided by those trusts for such appointment;

(j) a description of the policies and procedures (if any) which have been adopted by the charity trustees for the induction and training of charity trustees, and where no such policies have been adopted a statement to this effect;

(k) a description of the organisational structure of the charity;

(1) a summary of the objects of the charity;

(m) a description of the policies (if any) which have been adopted by the charity trustees for the selection of individuals and institutions who are to receive grants, or other forms of financial support, out of the assets of the charity;

(n) a statement regarding the performance during the financial year of the investments belonging to the charity (if any);

(o) where material investments are held by a charity, a description of the policies (if any) which have been adopted by the charity trustees for the selection, retention and realisation of investments for the charity, including the extent (if any) to which social, environmental or ethical considerations are taken into account;

(p) a description of the policies (if any) which have been adopted by the charity trustees for the purpose of determining the level of reserves which it is appropriate for the charity to maintain in order to meet effectively the needs designated by its trusts, together with details of the amount and purpose of any material commitments and planned expenditure not provided for in the balance sheet which have been deducted from the assets in the unrestricted fund of the charity in calculating the amount of reserves, and where no such policies have been adopted, a statement to this effect;

(q) a description of the aims and objectives which the charity trustees have set for the charity in the future, and of the activities contemplated in furtherance of those aims and objectives; and

(r) a description of any assets held by the charity or by any charity trustee of, or trustee for, the charity, on behalf of another charity, and particulars of any special arrangements made with respect to the safe custody of such assets and their segregation from assets of the charity not so held and a description of the objects of the charity on whose behalf the assets are held.

(5) The Commissioners may, where they are satisfied that, in the case of a particular charity or class of charities, or in the case of a particular financial year of a charity or class of charities—

(a) the disclosure of the name of any person whose name is required by any of sub-paragraphs (d), (e), (f), (g) and (i) of paragraph (4) above to be contained in the annual report of a charity could lead to that person being placed in any personal danger; or

(b) the disclosure of the principal address of the charity in accordance with paragraph (4)(c) above could lead to any such person being placed in any personal danger,

dispense with the requirement—

(i) in any of sub-paragraphs (d), (e), (f), (g) or (i) of that paragraph, so far as it applies to the name of any such person; or

(ii) in sub-paragraph (c) of that paragraph , so far as it applies to the principal address of the charity,

as the case may require.

(6) In the case of a charity having more than 50 charity trustees on the date referred to in paragraph (4)(d) above—

(a) that sub-paragraph shall have effect as if for the words "name of any person who is a charity trustee of the charity" there were substituted the words "names of not less than 50 of the charity trustees of the charity, including any charity trustee who is also an officer of the charity"; and

(b) paragraph (4)(e) shall have effect as if, at the end of the sub-paragraph, there were inserted the words "other than the name of any charity trustee whose name has been excluded from the report in pursuance of sub-paragraph (d) above".

(7) In the case of a report prepared under section 46(5) of the 1993 Act (excepted charities which are not registered), paragraph (4) above shall have effect as if—

(a) in sub-paragraph (a) the words from "as it appears in the register of charities" to the end, and

(b) in sub-paragraph (b) the words "the number assigned to it in the register and,",

were omitted.

(8) In the case of a report in respect of a financial year of a charity which is not an auditable charity, paragraph (4) above shall have effect as if sub-paragraphs (j), (k), (m), (n), (o) and (q) were omitted.

Annual Reports: Investment Funds

12.—(1) This regulation applies to an annual report prepared in respect of an investment fund in accordance with section 45(1) of the 1993 Act in respect of a financial year—

(a) which begins on or after 1st April 2005; or

(b) which begins before that date if—

(i) the charity trustees determine that this regulation, rather than regulation 10 of the 1995 Regulations, shall apply to the annual report; and

(ii) the charity trustees have not, before the date when these Regulations come into force, either authorised the signature of an annual report in respect of that financial year in accordance with regulation 10 of the 1995 Regulations or approved a statement of accounts which has been prepared for the charity in respect of that financial year under regulation 4 of those Regulations.

(2) If the charity trustees make a determination under sub-paragraph (b) above, they shall also make a determination under regulation 4(1)(b) above, if they prepare a statement of accounts under section 42(1) of the 1993 Act in respect of the financial year in question.

(3) The report on the activities of an investment fund during the year which is required to be contained in the annual report in respect of each financial year of the charity prepared under section 45 of the 1993 Act shall specify the financial year to which it relates and shall—

(a) be a review of the investment activities of the investment fund during that year, including details of the objectives of the investment fund during the year, and of the policies adopted for achieving those objectives;

(b) provide any other significant information which the charity trustees consider would assist charities participating in the investment fund to make an informed judgement on the suitability to the charity of the investment fund as an investment for the charity;

(c) specify any material events affecting the investment fund which have occurred since the end of the year;

(d) contain a statement as to the steps (if any) taken to consider whether any person to whom functions in respect of the management of the investment fund has been delegated has complied with the terms of the delegation; and

(e) be signed—

(i) if the scheme or schemes regulating the investment fund allocates responsibility for preparing the report to a particular person, by that person; and otherwise,

(ii) by one or more of the charity trustees of the investment fund, each of whom has been authorised to do so.

(4) The information relating to an investment fund and to its trustees and officers which is required to be contained in the annual report shall be—

(a) the name of the investment fund as it appears in the register of charities and any other name by which it makes itself known;

(b) the number assigned to the investment fund in the register;

(c) the principal address of the investment fund;

(d) particulars, including the date, of any scheme or schemes containing provisions which regulate the purposes and administration of the investment fund;

(e) the name of any person or body of persons entitled under any such scheme or schemes to appoint any charity trustee of the investment fund, and a description of the method provided by any such scheme or schemes for such appointment;

(f) a description of the objects of the investment fund;

(g) a description of the organisational structure of the investment fund;

(h) the name of any charity trustee of the investment fund, on the date of the signature of the report, where paragraph 3(e)(i) above applies, and otherwise on the date when the authority referred to in paragraph (3)(e)(ii) above is given, and, where any such person is a body corporate, the name of any person who is a director of the body corporate on that date;

(i) the professional qualifications of any individual person referred to in sub-paragraphs (e) or (h);

(j) the name of any other person who has, at any time during the financial year in question, been a charity trustee of the investment fund;

(k) the name of any person who is, in relation to the investment fund, a trustee for the charity on the date referred to in sub-paragraph (h) above;

(1) the name of any other person who has, at any time during the financial year in question, been, in relation to the investment fund, a trustee for the charity;

(m) a description of any functions relating to the management of the investment fund which have been delegated (including the maintenance of the register of charities participating in the investment fund), and of the procedures adopted to ensure that those functions are discharged consistently with the scheme or schemes by which the investment fund is regulated, and with the investment policies adopted for the investment fund;

(n) the name and address of any person to whom any such functions in respect of the management of the investment fund have been delegated or who have been instructed to provide advice on investment matters; and

(o) a statement as to which, if any, of the persons whose names are given in accordance with the provisions of sub-paragraphs (h), (j), (k), (1) or (n) above, are authorised persons.

Revocation

13. The 1995 and 2000 Regulations will, except where these Regulations otherwise provide, continue to have effect in relation to the accounts and annual reports of charities for financial years beginning on or before 31st March 2005, but subject to that are hereby revoked.

Home Office
7th March 2005

Fiona Mactaggart
Parliamentary Under Secretary of State

SCHEDULE 1

Regulation 3(10)

NOTES TO THE ACCOUNTS

1. Subject to paragraph 2 below, the information to be provided by way of notes to the accounts shall, insofar as not provided in the statement of financial activities or in the balance sheet, be as follows:

(a) particulars of any material adjustment made pursuant to regulation 3(7) above;

(b) a description of each of the accounting policies which have been adopted by the charity trustees, and which are material in the context of the accounts of the charity, together with a description of those estimation techniques adopted which are material to the presentation of the accounts;

(c) a description of any material change to these policies and techniques, the reason for such change and its effect (if material) on the accounts, in accordance with the methods and principles set out in the SORP;

(d) a description of the nature and purpose of all material funds of the charity in accordance with the methods and principles set out in the SORP;

(e) such particulars of the related party transactions of the charity, or of any institution or body corporate connected with the charity, as may be required by the SORP to be disclosed;

(f) such particulars of the cost to the charity of employing and providing pensions for staff as may be required by the SORP to be disclosed;

(g) such particulars of the emoluments of staff employed by the charity as may be required by the SORP to be disclosed;

(h) a description of any incoming resources which represent capital, according to whether or not that capital is permanent endowment;

(i) an itemised analysis of any material movement between any of the restricted funds of the charity, or between a restricted and an unrestricted fund of the charity, together with an explanation of the nature and purpose of each of those funds;

(j) the name of any institution or body corporate connected with the charity, together with a description of the nature of the charity'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;

(k) particulars of any guarantee given by the charity, where any potential liability under the guarantee is outstanding at the date of the balance sheet;

(l) particulars of any loan outstanding at the date of the balance sheet—

(i) which was made to the charity, and which is secured by an express charge on any of the assets of the charity; or

(ii) which was made by the charity to any institution or body corporate connected with the charity;

(m) particulars of any fund of the charity which is materially in deficit at the date of the balance sheet;

(n) particulars of any remuneration paid to an auditor or independent examiner in respect of auditing or examining the accounts of the charity and particulars of any remuneration paid to the auditor or independent examiner in respect of any other services rendered to the charity;

(o) such particulars of any grant made by the charity as may be required by the SORP to be disclosed;

(p) particulars of any ex gratia payment made by the charity;

(q) an analysis of any entry in the statement of financial activities relating to resources expended on charitable activities as may be required by the SORP to be disclosed;

(r) such particulars of any support costs incurred by the charity as may be required by the SORP to be disclosed;

(s) an analysis of any entry in the balance sheet relating to fixed assets, debtors and creditors, according to the categories set out in the SORP;

(t) an analysis of all material changes during the financial year in question in the values of fixed assets, in accordance with the methods and principles set out in the SORP;

(u) in the case of any amount required by any of the preceding sub-paragraphs (other than sub-paragraph (i), (o) or (t) to be disclosed), the corresponding amount for the financial year immediately preceding that to which the accounts relate;

(v) 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 statements of practice and the reasons for such departure;

(w) where the charity trustees have exercised their powers under sub-paragraph (b) of regulation 6(4) above so as to determine an accounting reference date earlier or later than 12 months from the beginning of the financial year, a statement of their reasons for doing so;

(x) if, in accordance with regulation 3(5)(d) above, the charity trustees have departed from any requirement of that regulation, particulars of any such departure, the reasons for it, and its effect; and

(y) any additional information—

(i) which is required to ensure that the statement of accounts complies with the requirements of regulation 3 above; or

(ii) which may reasonably assist the user to understand the statement of accounts.

2. Sub-paragraph (v) of paragraph 1 above shall not apply in the case of any financial year of a charity which is not an auditable charity.

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;

(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;

(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;

(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 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;

(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;

(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(**a**);

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;

(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(**b**), 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.

(**a**) 1988 c. 1.
(**b**) 1992 c. 41.

EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations ("the 2005 Regulations"), which extend only to England and Wales, make provision with respect to the accounts of charities, the financial years of a charity, the requirements relating to audit or examination of charity accounts, and the annual reports of charity trustees. The Regulations do not apply to exempt charities, and only the provisions relating to annual reports apply to charitable companies.

The 2005 Regulations replace provision made by the Charities (Accounts and Reports) Regulations 1995 (S.I. 1995/2724) ("the 1995 Regulations") and by the Charities (Accounts and Reports) Regulations 2000 (S.I. 2000/2868) ("the 2000 Regulations"). The 2005 Regulations apply in the case of financial years which begin on or after 1st April 2005, or which begin before that date, if trustees choose to prepare accounts and reports in accordance with these Regulations. Subject to that, the 1995 and 2000 Regulations will continue to apply in relation to financial years beginning on or before 31st March 2005.

Regulations 3, 4 and 5 and the Schedules prescribe the form and contents of statements of accounts prepared by charity trustees under section 42(1) of the Charities Act 1993 ("the 1993 Act"), including the information to be provided by way of notes to the accounts and the methods and principles applicable.

Regulation 4 and Schedule 2 apply to accounts for common investment funds (other than pooling scheme funds) and for common deposit funds ("investment funds").

Regulation 5 applies to accounts for charitable registered social landlords and for charities conducting certain types of higher education institution.

Regulation 3 and Schedule 1 apply to accounts for other charities.

Regulation 6 defines the financial year of a charity for the purposes of the 1993 Act and regulations made under the Act.

Regulation 7 deals with the duties of auditors and the reports which they are required to make. Regulation 8 deals with the reports of independent examiners. Regulation 9 makes supplementary provisions with respect to audit and independent examination and regulation 10 prescribes the circumstances in which dispensation from the requirement to have accounts audited or examined may be given by the Charity Commissioners.

Regulations 11 and 12 deal with the annual reports which charity trustees are required to make to the Charity Commissioners. Regulation 12 applies to investment funds, regulation 11 applies to other charities.

The Statement of Recommended Practice for Accounting and Reporting by Charities, which is referred to in regulation 2, may be obtained from the Charity Commission, Harmsworth House, 13-15 Bouverie Street, London EC4Y 8DP, and from its website www.charitycommission.gov.uk.

The Statement of Recommended Practice for Financial Statements of Authorised Funds, which is referred to in Schedule 2, may be obtained from the Investment Management Association, 65 Kingsway, London WC2B 6TD, and from its website www.investmentuk.org.

Regulatory Impact Assessments in relation to these Regulations (one for the provisions applying to investment funds, one for the provisions applying to other charities) have been placed in the libraries of both Houses of Parliament, and copies may be obtained from the Charities Unit, Home Office, Peel Building, 2 Marsham Street, London SW1P 4DF.

ISBN 0-110-72443-7

9 780110 724430

£4.50

© Crown copyright 2005

Printed and published in the UK by The Stationery Office Limited
under the authority and superintendence of Carol Tullo, Controller of
Her Majesty's Stationery Office and Queen's Printer of Acts of Parliament.
E0434 4/2005 150434 19585