



# PRACTICAL INVESTMENT FUND

ANNUAL  
REPORT  
15 SEPTEMBER 2018

CONSISTENT UNIT TRUST  
MANAGEMENT COMPANY LIMITED

# PRACTICAL INVESTMENT FUND

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# PRACTICAL INVESTMENT FUND

## Manager's and Advisers

### Manager

Consistent Unit Trust Management Company Limited

Registered Office and Main Office:

Fair Lorna House, Buckingham Road, Singleborough, Milton Keynes MK17 0RB

Telephone: 01296 711598

Website: [www.consistentunittrust.co.uk](http://www.consistentunittrust.co.uk)

(Authorised and regulated by the Financial Conduct Authority)

### Directors of the Manager

P. J. C. Ashfield (Deceased)

S. P. Ashfield (Chairman)

C. J. Lloyd

Ms. J. M. Sculley

### Secretary

Ms. J. M. Sculley

### Trustee

National Westminster Bank Plc

Registered and Head office:

135 Bishopsgate, London EC2M 3UR

(Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and Prudential Regulation Authority)

### Administrators & Registrars

Yealand Administration Limited

Stuart House, St. John's Street, Peterborough PE1 5DD

Tel: 0345 850 8818

Fax: 01733 286870

email: [consistent@yealand.com](mailto:consistent@yealand.com)

Website: [www.yealand.com](http://www.yealand.com)

### Auditor

Shipleys LLP

Chartered Accountants & Statutory Auditors

10 Orange Street, Haymarket, London WC2H 7DQ

# PRACTICAL INVESTMENT FUND

## **Manager's Report**

for the year ended 15 September 2018

It is with great sadness that we have to inform you that Philip Ashfield died on 27 September 2018. Philip Ashfield had been involved with Practical Investment Fund for over 50 years and he will be greatly missed. Sean Ashfield, his son, has been the investment manager of the Fund for the last nine years and will continue as investment manager.

### **History and Aims of the Fund**

From its inception in 1941, the Practical Investment Fund has been designed to provide investors with above average capital growth and income through a wide spread of Investment Companies' ordinary shares and other selected financial securities. The results of the last 76 years demonstrate that these objectives have been achieved, despite many difficult years.

### **Investment Strategy**

The Fund has investments in 42 securities. As at 15 September 2018, of the Fund's net assets of £121 million, 97% was invested in UK and international securities including United States, Canada, Europe and the Pacific Basin. Of the remaining 3%, around 2% was in Collective Investment Schemes (unit trusts) and the final 1% was in cash and current assets.

We consider many factors when selecting Investment Companies. Confidence in the expertise of the management and its ability to achieve better than average performance over the years is essential. In addition, we look to take advantage of investment opportunities, for example, where an Investment Company is trading at a higher than average discount. An additional advantage for unitholders is that neither the Fund itself (nor the approved Investment Companies in the portfolio) pay capital gains tax on profits arising from sales of underlying investments, whereas a private investor when selling still has to pay tax on capital gains in excess of the exemption limit.

We believe our investment process and constant monitoring of the investment portfolio will enable the Fund to produce positive returns for its unitholders over the coming years. The compound annual increase in capital value and gross income has been 7.28% for the capital, and 6.56% for the income since 1941.

### **Income**

The final distribution for the year is 5.29p (2017: 5.50p) per income unit. This will be paid to unitholders on 31 October 2018. The interim distribution made to unitholders in April 2018 was 2.70p (2017: 2.35p) making a total for the year of 7.99p (2017: 7.85p) per income unit, an increase of 1.8% over the previous year. As at 17 September 2018 the yield on the Income Units was 3.15%.

# PRACTICAL INVESTMENT FUND

## Manager's Report

continued

### Performance Record

#### Sector Performance to 15 September 2017 (%)

|                            | 1 year | 3 years | 5 years |
|----------------------------|--------|---------|---------|
| Practical Investment Fund* | +3.2   | +28.8   | +40.6   |
| FTSE All-Share Index TR    | +5.8   | +33.6   | +37.8   |

\*Accumulation units which includes reinvested income.

### Significant Portfolio Changes

for the period from 16 September 2017 to 15 September 2018

|                                     | Cost<br>£                 |
|-------------------------------------|---------------------------|
| <b>Top 5 purchases</b>              |                           |
| Rio Tinto                           | 2,209,092                 |
| Legal & General Group               | 2,108,432                 |
| Foreign & Colonial Investment Trust | 1,743,796                 |
| Lazard World Trust Fund             | 1,603,296                 |
| Supermarket Income REIT             | 1,366,098                 |
|                                     | <b><u>£9,030,714</u></b>  |
|                                     | <b>Proceeds<br/>£</b>     |
| <b>Top 5 sales</b>                  |                           |
| Foreign & Colonial Investment Trust | 3,697,472                 |
| John Laing Infrastructure Fund Ltd  | 3,449,706                 |
| Mercantile Investment Trust         | 2,644,322                 |
| Murray Income Trust                 | 2,644,267                 |
| Witan Investment Trust              | 1,666,490                 |
|                                     | <b><u>£14,102,257</u></b> |

### Investment Outlook

Our prudent investment policy should continue to achieve steady progress over the future years.

### Consistent Unit Trust Management Company Limited

October 2018

# PRACTICAL INVESTMENT FUND

## Investment Objective and Policy

This Fund is designed to provide investors with above average capital growth and increasing income from investment in a wide spread of UK and dollar denominated investment trusts, ordinary shares and other selected investments.

The Fund will invest mainly in a broad base of investment trusts which satisfy the Manager's criteria of sound long-term performance, a satisfactory discount to net asset value and income growth potential. However, equities are subject to short-term fluctuations and there is a risk that their value can decrease as well as increase. Currencies are also subject to the same risk. The Manager will attempt to minimise these risks by pursuing a policy of diversification and may also use other hedging mechanisms.

All or part of the Manager's periodic fee can be charged to capital instead of income and may accordingly constrain capital growth but will reduce the pressure to invest at an above average rate of income.

Normally the Fund will be fully invested save for an amount of cash to enable ready settlement of liabilities (including redemption of units) and the efficient management of the Fund both generally and in relation to its strategic objective. This amount of cash will vary depending upon prevailing circumstances and although it would normally not exceed 10% of the total value of the Fund, there may be times when the Manager considers stock markets around the world to be overpriced or that a period of instability exists which presents unusual risks. In such cases or during such periods, a higher level of liquidity may be maintained and, if considered prudent, the amount of cash or near cash instruments held would be increased. Unless market conditions were deemed unusually risky, the increased amount and period would not be expected to exceed 30% and six months respectively.

The Fund may also utilise the Scheme Property to enter into transactions for the purposes of Efficient Portfolio Management ("EPM"). Permitted EPM transactions (excluding stock lending arrangements) are transactions in derivatives e.g. to hedge against price or currency fluctuations, dealt with or traded on an eligible derivatives market; off-exchange options or contracts for differences resembling options; or synthetic futures in certain circumstances. The Manager must take reasonable care to ensure that the transaction is economically appropriate to the reduction of the relevant risks (whether in the price of investments, interest rates or exchange rates) or to the reduction of the relevant costs and/or to the generation of additional capital or income with an acceptably low level of risk. The exposure must be fully "covered" by cash and/or other property sufficient to meet any obligation to pay or deliver that could arise.

# PRACTICAL INVESTMENT FUND

## Portfolio Statement

as at 15 September 2018

| Holding   | Security   | Value £          | % of Total<br>Net Assets |
|-----------|--|------------------|--------------------------|
|           | <b>Canadian Trusts - 1.62% (1.29%)</b>                   |                  |                          |
| 58        | Canadian & Foreign Securities                            | 1,967,866        | 1.62                     |
|           | <b>Collective Investment Schemes - 1.98%<br/>(2.38%)</b> |                  |                          |
| 2,950,000 | Consistent Unit Trust - Income Units^                    | 1,536,655        | 1.27                     |
| 1,536,204 | Henderson Preference & Bond - Income Shares              | 861,503          | 0.71                     |
|           |  | <u>2,398,158</u> | <u>1.98</u>              |
|           | <b>Equities - 3.01% (0.00%)</b>                          |                  |                          |
|           | <b>Basic Materials - 1.34% (0.00%)</b>                   |                  |                          |
|           | <b>Mining - 1.34% (0.00%)</b>                            |                  |                          |
| 45,000    | Rio Tinto  | 1,618,425        | 1.34                     |
|           | <b>Financials - 1.67% (0.00%)</b>                        |                  |                          |
|           | <b>Life Insurance - 1.67% (0.00%)</b>                    |                  |                          |
| 800,000   | Legal & General Group                                    | 2,025,600        | 1.67                     |
|           |  | <u>3,644,025</u> | <u>3.01</u>              |
|           | <b>Investment Trusts - 92.61% (94.92%)</b>               |                  |                          |
| 5,750,000 | Aberforth Split Level Income Trust                       | 5,324,500        | 4.39                     |
| 600,000   | Chelverton Small Companies Dividend Trust                | 1,224,000        | 1.01                     |
| 1,285,000 | City Merchants High Yield Trust                          | 2,396,525        | 1.98                     |
| 950,000   | City of London Investment Trust                          | 3,961,500        | 3.27                     |
| 2,200,000 | Dunedin Income Growth Investment Trust                   | 5,478,000        | 4.52                     |
| 650,000   | Edinburgh Investment Trust                               | 4,413,500        | 3.64                     |
| 3,500,000 | European Assets Trust NV                                 | 4,025,000        | 3.32                     |
| 585,000   | F&C Private Equity Trust                                 | 2,018,250        | 1.67                     |
| 1,600,000 | Henderson Far East Income                                | 5,600,000        | 4.62                     |
| 1,750,000 | Henderson High Income Trust                              | 3,071,250        | 2.53                     |
| 315,000   | International Biotechnology                              | 2,079,000        | 1.72                     |
| 1,225,000 | Invesco Income Growth Trust                              | 3,368,750        | 2.78                     |
| 4,000,000 | Invesco Perpetual Enhanced                               | 2,960,000        | 2.44                     |
| 190,000   | Invesco Perpetual Uk Smaller Companies                   | 999,400          | 0.82                     |
| 3,750,000 | Investors Capital Trust                                  | 3,750,000        | 3.09                     |
| 725,000   | JP Morgan Asian  | 2,407,000        | 1.99                     |
| 150,000   | JP Morgan Claverhouse                                    | 1,113,000        | 0.92                     |
| 3,670,000 | JP Morgan Elect Managed Income Trust                     | 3,926,900        | 3.24                     |
| 3,350,000 | JP Morgan Emerging Markets Income Trust                  | 3,886,000        | 3.21                     |
| 825,000   | JP Morgan Global Growth & Income                         | 2,656,500        | 2.19                     |
| 300,000   | JP Morgan Japan Smaller Companies                        |                  |                          |
|           | Investment Trust plc                                     | 1,290,000        | 1.06                     |
| 275,000   | Law Debenture Corporation                                | 1,694,000        | 1.40                     |

## PRACTICAL INVESTMENT FUND

### Portfolio Statement

as at 15 September 2018

continued

| Holding   | Security                                   | Value £            | % of Total<br>Net Assets |
|---|--|--------------------|--------------------------|
| <b><i>Investment Trusts - 92.61% (94.92%)</i></b> |  |                    |                          |
| <b><i>- continued</i></b>                         |  |                    |                          |
| 775,000   | Lazard World Trust Fund                    | 2,867,500          | 2.37                     |
| 200,000   | Murray International                       | 2,228,000          | 1.84                     |
| 160,000   | North American Income Trust                | 2,184,000          | 1.80                     |
| 1,300,000   | Perpetual Income & Growth Investment Trust | 4,576,000          | 3.78                     |
| 1,000,000   | Schroder Income Growth Fund                | 2,910,000          | 2.40                     |
| 1,025,000   | Scottish American Investment Company       | 3,854,000          | 3.18                     |
| 125,000   | Scottish Investment Trust                  | 1,063,750          | 0.88                     |
| 550,000   | Scottish Mortgage                          | 2,999,150          | 2.47                     |
| 1,850,000   | Securities Trust of Scotland               | 3,172,750          | 2.62                     |
| 775,000   | Standard Life Equity Income Trust          | 3,650,250          | 3.01                     |
| 750,000   | Standard Life Private Equity               | 2,460,000          | 2.03                     |
| 350,000   | Temple Bar Investment Trust                | 4,403,000          | 3.63                     |
| 1,050,000   | The Merchants Trust                        | 5,187,000          | 4.28                     |
| 375,000   | TR Property Investment Trust               | 1,567,500          | 1.29                     |
| 135,000   | Witan                                      | 1,479,600          | 1.22                     |
|   |  | <u>112,245,575</u> | <u>92.61</u>             |
| <br><b><i>UK Bonds - 0.00% (0.72%)</i></b>        |  |                    |                          |
|   | <b>Investment assets</b>                   | <b>120,255,624</b> | <b>99.22</b>             |
|   | <b>Net other assets</b>                    | <b>951,542</b>     | <b>0.78</b>              |
|   | <b>Net assets</b>                          | <b>121,207,166</b> | <b>100.00</b>            |

All investments are ordinary shares or stock units on a regulated securities market unless otherwise stated.

^Represents investment into a related party of the Manager.

The percentages in brackets show the equivalent % holdings as at 15 September 2017.

# PRACTICAL INVESTMENT FUND

## Comparative Tables

### Change in net assets per unit

|  | Income Units                            |   |   | Accumulation Units                      |   |   |
|--|---|---|---|---|---|---|
|  | Year ended<br>15 September<br>2018<br>p | Year ended<br>15 September<br>2017<br>p | Year ended<br>15 September<br>2016<br>p | Year ended<br>15 September<br>2018<br>p | Year ended<br>15 September<br>2017<br>p | Year ended<br>15 September<br>2016<br>p |
| <b>Opening net asset value per unit</b>      | <b>233.24</b>                           | <b>208.15</b>                           | <b>201.01</b>                           | <b>1,220.82</b>                         | <b>1,054.17</b>                         | <b>981.44</b>                           |
| Return before operating charges†             | 10.02                                   | 35.48                                   | 17.04                                   | 41.13                                   | 169.14                                  | 84.64                                   |
| Operating charges                            | (2.62)                                  | (2.54)                                  | (2.42)                                  | (2.62)                                  | (2.49)                                  | (11.91)                                 |
| <b>Return after operating charges†</b>       | <b>7.40</b>                             | <b>32.94</b>                            | <b>14.62</b>                            | <b>38.51</b>                            | <b>166.65</b>                           | <b>72.73</b>                            |
| <i>Income units</i>                          |   |   |   |   |   |   |
| Interim                                      | (2.70)                                  | (2.35)                                  | (2.35)                                  | n/a                                     | n/a                                     | n/a                                     |
| Final  | (5.29)                                  | (5.50)                                  | (5.13)                                  | n/a                                     | n/a                                     | n/a                                     |
| Distributions on income units                | (7.99)                                  | (7.85)                                  | (7.48)                                  | n/a                                     | n/a                                     | n/a                                     |
| <b>Closing net asset value per unit</b>      | <b>232.65</b>                           | <b>233.24</b>                           | <b>208.15</b>                           | <b>1,259.33</b>                         | <b>1,220.82</b>                         | <b>1,054.17</b>                         |
| <i>Accumulation units</i>                    |   |   |   |   |   |   |
| Interim                                      | n/a                                     | n/a                                     | n/a                                     | 14.13                                   | 11.90                                   | 11.48                                   |
| Final  | n/a                                     | n/a                                     | n/a                                     | 28.00                                   | 28.12                                   | 25.36                                   |
| Retained distributions on accumulation units | n/a                                     | n/a                                     | n/a                                     | 42.13                                   | 40.02                                   | 36.83                                   |
| †After direct transaction charges of         | 0.42                                    | 0.44                                    | (0.06)                                  | 0.42                                    | 0.43                                    | (0.31)                                  |
| <b>Performance</b>                           |   |   |   |   |   |   |
| Return after operating charges               | 3.2%                                    | 15.8%                                   | 7.3%                                    | 3.2%                                    | 15.8%                                   | 7.4%                                    |
| <b>Other information</b>                     |   |   |   |   |   |   |
| Closing net asset value (NAV)                | £98,837,401                             | £101,164,723                            | £41,019,091                             | £22,369,765                             | £25,239,955                             | £22,174,266                             |
| Closing number of units                      | 42,483,820                              | 43,373,944                              | 19,706,613                              | 1,776,319                               | 2,067,461                               | 2,103,471                               |
| Operating charges total                      | 1.13%                                   | 1.11%                                   | 1.16%                                   | 1.13%                                   | 1.11%                                   | 1.16%                                   |
| Direct transaction charges                   | 0.18%                                   | 0.19%                                   | 0.03%                                   | 0.18%                                   | 0.19%                                   | 0.03%                                   |
| <b>Prices (p)</b>                            |   |   |   |   |   |   |
| Highest                                      | 247.10                                  | 243.50                                  | 232.07                                  | 1,295.94                                | 1,245.00                                | 1,147.05                                |
| Lowest                                       | 223.57                                  | 204.60                                  | 184.21                                  | 1,183.31                                | 1,035.00                                | 899.56                                  |

Operating charges include indirect costs incurred in the maintenance and running of the Fund, as disclosed (but not limited to) the detailed expenses within the Statement of Total Return. The figures used within this table have been calculated against the average Net Asset Value for the accounting period.

The return after charges is calculated as the closing net asset value per share plus the distributions on income shares minus the open net asset value per share as a % of the opening net asset value per share.

Direct transaction costs include fees, commissions, transfer taxes and duties in the purchasing and selling of investments, which are offset (where applicable) against any dilution levies charged within the accounting period. The figures used within the table have been calculated against the average Net Asset Value for the accounting period.

# PRACTICAL INVESTMENT FUND

## Comparative Tables

continued

### Risk & Reward profile

The Risk and Reward Indicator table demonstrates where the Fund ranks in terms of its potential risk and reward. The higher the rank the greater the potential reward but the greater the risk of losing money. It is based on past data, may change over time and may not be a reliable indication of the future risk profile of the Fund. The shaded area in the table below shows the Fund's ranking on the Risk and Reward Indicator.



The Fund is ranked in risk category 4 as its unit prices have experienced average rises and falls in value historically. Please note that even the lowest risk class can lose you money and that extreme market circumstances can mean you suffer severe losses in all cases. The indicator does not take into account the following risks of investing in this Fund.

Changes in currency exchange rates may cause the value of investments to decrease or increase.

Investing in other investment trusts may expose investors to increased risk due to less strict regulations and the use of derivatives.

The price of investment trusts may not reflect the value of the assets they hold. This can result in wide price changes of the investment trust shares.

For further risk information please see the prospectus.

### Risk warning

An investment in a Unit Trust should be regarded as a medium to long-term investment. Investors should be aware that the price of units and the revenue from them can fall as well as rise and investors may not receive back the full amount invested. Past performance is not a guide to future performance. Investments denominated in currencies other than the base currency are subject to fluctuation in exchange rates, which can be favourable or unfavourable.

## PRACTICAL INVESTMENT FUND

### **Statement of the Manager's Responsibilities in relation to the Report and Accounts of the Fund**

The Manager is responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practices.

Financial Conduct Authority's Collective Investment Schemes sourcebook (the "COLL sourcebook") requires the Manager to prepare financial Statements for each financial year which give a true and fair view of the state of affairs of the Fund and of the net revenue and of the net losses on the property of the Fund for that year. In preparing the financial statements the Manager is required to:

- select suitable accounting policies, as described in the attached financial statements, and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable United Kingdom accounting standards have been followed, including Financial Reporting Standard 102 'The financial reporting standard applicable in the United Kingdom and the Republic of Ireland' (FRS 102) and in accordance with the Statement of Recommended Practice for Financial Statements of UK Authorised Funds issued by the Investment Association (IA) in May 2014, subject to any material departures, which are required to be disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Fund will continue in business.

The Manager is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Fund and to enable it to ensure that the financial statements comply with the COLL Sourcebook. The Manager is also responsible for safeguarding the assets of the Fund and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the Manager is aware:

- there is no relevant audit information of which the Fund's auditors are unaware; and
- the Manager has taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

## PRACTICAL INVESTMENT FUND

### **Certification of the Annual Report by Directors of the Manager**

This report is signed in accordance with the requirements of the COLL Sourcebook.

**S. P. Ashfield**

Director

**Ms. J. M. Sculley**

Director

**For Consistent Unit Trust Management Ltd  
Manager of the Practical Investment Fund**

31 October 2018

## PRACTICAL INVESTMENT FUND

### **Statement of the Trustee's responsibilities and Report of the Trustee to the Unitholders of the Practical Investment Fund (the 'Scheme') for the year ended 15 September 2018**

The Trustee must ensure that the Scheme is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook, the Financial Services and Markets Act 2000, as amended, (together 'the Regulations'), the Trust Deed and Prospectus (together 'the Scheme documents') as detailed below.

The Trustee must in the context of its role act honestly, fairly, professionally, independently and in the interests of the Scheme and its investors.

The Trustee is responsible for the safekeeping of all custodial assets and maintaining a record of all other assets of the Scheme in accordance with the Regulations.

The Trustee must ensure that:

- the Scheme's cash flows are properly monitored and that cash of the Scheme is booked into the cash accounts in accordance with the Regulations;
- the sale, issue, redemption and cancellation of units are carried out in accordance with the Regulations;
- the value of units of the Scheme are calculated in accordance with the Regulations;
- any consideration relating to transactions in the Scheme's assets is remitted to the Scheme within the usual time limits;
- the Scheme's income is applied in accordance with the Regulations; and
- the instructions of the Authorised Fund Manager ('the AFM') are carried out (unless they conflict with the Regulations).

The Trustee also has a duty to take reasonable care to ensure that the Scheme is managed in accordance with the Regulations and Scheme documents in relation to the investment and borrowing powers applicable to the Scheme.

Having carried out such procedures as we consider necessary to discharge our responsibilities as Trustee of the Scheme, it is our opinion, based on the information available to us and the explanations provided, that in all material respects the Scheme, acting through the AFM:

- (i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Scheme's units and the application of the Scheme's income in accordance with the Regulations and the Scheme documents, and
- (ii) has observed the investment and borrowing powers and restrictions applicable to the Scheme.

Trustee & Depositary Services  
**National Westminster Bank Plc**

16 September 2018

## PRACTICAL INVESTMENT FUND

### **Independent Auditors' Report to the Unitholders of Practical Investment Fund**

#### **Opinion**

We have audited the financial statements of Practical Investment Fund ('the Fund'), for the year ending 15 September 2018, which comprise the Statement of Change in Net Assets Attributable to Unitholders, the Balance Sheet, the Statement of Total Return, the related notes and the Distribution Tables. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice 'Financial Statements of Authorised Funds' issued by the Investment Association (the 'Statement of Recommended Practice for Authorised Funds').

This report is made solely to the unitholders of the Fund, as a body, in accordance with Rule 4.5.12 of the Collective Investment Scheme Sourcebook (COLL) of the Financial Conduct Authority (FCA).

Our audit work has been undertaken so that we might state to the unitholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund and the Fund's unitholders as a body, for our audit work, for this report, or for the opinions we have formed.

In our opinion the financial statements:

- give a true and fair view of the state of the Fund's affairs as at 15 September 2018 and of the net losses and net capital losses on the property of the Fund for the year then ended;
- have been properly prepared in accordance with the Prospectus, the Statement of Recommended Practice relating to Authorised Funds, the rules of the Collective Investment Schemes Sourcebook issued by the Financial Conduct Authority and United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

# PRACTICAL INVESTMENT FUND

## **Independent Auditors' Report to the Unitholders of Practical Investment Fund**

continued

### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Manager's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Manager has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Manager is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Fund Manager's report and the Manager's report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Fund Manager's report and the Manager's report have been prepared in accordance with applicable legal requirements.

### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the Fund and its environment obtained in the course of the audit, we have not identified material misstatements in the Fund Manager's report or the Manager's report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

## PRACTICAL INVESTMENT FUND

### **Independent Auditors' Report to the Unitholders of Practical Investment Fund**

continued

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Alternative Investment Fund Manager remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

#### **Responsibilities of Manager**

As explained more fully in the Manager's responsibilities statement, the Manager is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Manager is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

#### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.

## PRACTICAL INVESTMENT FUND

### **Independent Auditors' Report to the Unitholders of Practical Investment Fund**

continued

- Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Robert Wood (Senior Statutory Auditor)

**For and on behalf of Shipleys LLP**

Chartered accountant and statutory auditor

10 Orange Street

Haymarket

London

WC2H 7DQ

31 October 2018

## PRACTICAL INVESTMENT FUND

### Statement of Total Return

for the year ended 15 September 2018

|   | Note | 15 September 2018  |           | 15 September 2017  |           |
|---|------|--------------------|-----------|--------------------|-----------|
|   |      | £                  | £         | £                  | £         |
| Income  |      |                    |           |                    |           |
| Net capital (losses)/gains  | 2    |                    | (274,073) |                    | 8,167,156 |
| Revenue   | 3    | 5,643,901          |           | 4,206,786          |           |
| Expenses  | 4    | (1,392,442)        |           | (1,015,108)        |           |
| Interest payable and similar charges  | 4    | -                  |           | (199)              |           |
| Net revenue before taxation   |      | 4,251,459          |           | 3,191,479          |           |
| Taxation  | 5    | (14,111)           |           | (11,391)           |           |
| Net revenue after taxation  |      | <u>4,237,348</u>   |           | <u>3,180,088</u>   |           |
| Total return before distributions   |      | 3,963,275          |           | 11,347,244         |           |
| Distributions   | 6    | <u>(4,236,399)</u> |           | <u>(3,178,648)</u> |           |
| Change in net assets attributable to unitholders from investment activities |      | <u>(273,124)</u>   |           | <u>8,168,596</u>   |           |

### Statement of Change in Net Assets Attributable to Unitholders

for the year ended 15 September 2018

|   | 15 September 2018 |                    | 15 September 2017 |                    |
|---|-------------------|--------------------|-------------------|--------------------|
|   | £                 | £                  | £                 | £                  |
| Opening net assets attributable to unitholders  |                   | 126,404,678        |                   | 63,193,357         |
| Amounts receivable on issue of units  |                   | 778,691            |                   | 59,347,647         |
| Amounts payable on cancellation of units  |                   | <u>(6,471,403)</u> |                   | <u>(4,891,627)</u> |
|   |                   | (5,692,712)        |                   | 54,456,020         |
| Change in net assets attributable to unitholders from investment activities (see above) |                   | (273,124)          |                   | 8,168,596          |
| Retained distributions on accumulation units  |                   | 763,928            |                   | 831,090            |
| Unclaimed distributions   |                   | 4,396              |                   | 13,054             |
| Stamp duty  |                   | -                  |                   | (257,439)          |
| Closing net assets attributable to unitholders  |                   | <u>121,207,166</u> |                   | <u>126,404,678</u> |

The notes on pages 18 to 32 form an integral part of these Financial Statements.

## PRACTICAL INVESTMENT FUND

### Balance Sheet

as at 15 September 2018

|   | Note | 15 September 2018<br>£    | 15 September 2017<br>£    |
|---|------|---------------------------|---------------------------|
| <b>ASSETS</b>                                     |      |                           |                           |
| <b>Fixed assets</b>                               |      |                           |                           |
| Investments                                       |      | 120,255,624               | 125,533,079               |
| <b>Current assets</b>                             |      |                           |                           |
| Debtors   | 7    | 732,329                   | 428,275                   |
| Cash and bank balances                            | 9    | 2,934,831                 | 3,034,916                 |
|   |      | <u>3,667,160</u>          | <u>3,463,191</u>          |
| <b>Total assets</b>                               |      | <b><u>123,922,784</u></b> | <b><u>128,996,270</u></b> |
| <b>LIABILITIES</b>                                |      |                           |                           |
| <b>Provision for liabilities</b>                  |      |                           |                           |
| Net distributions payable on<br>income units      |      | (2,247,394)               | (2,385,567)               |
| Creditors   | 8    | (468,224)                 | (206,025)                 |
|   |      | <u>(2,715,618)</u>        | <u>(2,591,592)</u>        |
| <b>Total liabilities</b>                          |      | <b><u>(2,715,618)</u></b> | <b><u>(2,591,592)</u></b> |
| <b>Net assets attributable to<br/>unitholders</b> |      | <b><u>121,207,166</u></b> | <b><u>126,404,678</u></b> |

The notes on pages 18 to 32 form an integral part of these Financial Statements.

# PRACTICAL INVESTMENT FUND

## Notes to the Financial Statements

for the year ended 15 September 2018

### 1. Accounting Policies

#### (a) Basis of accounting

The financial statements have been prepared under the historical cost basis, as modified by the revaluation of investments and in accordance with FRS 102 and the Statement of Recommended Practice (“SORP”) for Financial Statements of UK Authorised Funds issued by the Investment Association (IA) in May 2014.

The financial statements have been prepared on the going concern basis.

The Certification of the Accounts by the Directors of the Manager can be found on page 10.

#### (b) Recognition of revenue

Revenue is included in the Statement of Total Return on the following basis:

Dividends on quoted equities and preference shares are recognised when the securities are quoted ex-dividend.

Distributions from collective investment schemes are recognised when the schemes are quoted ex-distribution. Equalisation returned with the distribution is deducted from the cost of the investment and does not form part of the distributable revenue.

Any reported revenue from an offshore reporting fund is recognised as revenue no later than the date on which the reporting fund makes the information available.

Interest on debt securities and bank and short-term deposits is recognised on an accrual basis.

In the case of debt securities any difference between acquisition cost and maturity value is recognised as revenue over the life of the security using the effective yield basis of calculating amortisation.

Derivative returns have been treated as either revenue or capital depending on the motives and circumstances on acquisition.

All revenue includes withholding taxes but excludes irrecoverable tax credits.

#### (c) Treatment of stock and special dividends

The ordinary element of stocks received in lieu of cash dividends is credited to capital in the first instance followed by a transfer to revenue of the cash equivalent being offered and this forms part of the distributable revenue.

Special dividends are reviewed on a case by case basis in determining whether the dividend is to be treated as revenue or capital. Amounts recognised as revenue will form part of the distributable revenue. The tax accounting treatment follows the treatment of the principal amount.

#### (d) Treatment of expenses

All expenses, except for those relating to the purchase and sale of investments and any applicable stamp duty reserve tax, are charged against revenue for the year on an accruals basis.

# PRACTICAL INVESTMENT FUND

## Notes to the Financial Statements

for the year ended 15 September 2018

continued

### 1. Accounting Policies continued

#### (e) Taxation

Corporation tax is provided at 20% on revenue, after deduction of expenses.

Deferred tax is provided on all timing differences arising on the treatment of certain items for taxation and accounting purposes, calculated at the rate at which it is anticipated the timing differences will reverse. Deferred tax assets are recognised only when, on the basis of available evidence, it is more likely than not that there will be taxable profits in the future against which the deferred tax asset can be offset.

#### (f) Distribution policy

The net revenue after taxation as disclosed in the financial statements, after adjustment for items of a capital nature, is distributable to unitholders as dividend distributions. Any revenue deficit is funded from capital.

At the year end, there were no items of a capital nature.

Interim distributions may be made at the Investment Manager's discretion and the balance of revenue is distributed in accordance with the regulations.

Distributions not claimed within a six year period will be forfeited and added back to the capital of the Fund.

#### (g) Basis of valuation of investments

Listed investments are valued at close of business bid prices on the last business day of the accounting year excluding any accrued interest in the case of fixed and floating rate interest securities.

Collective investment schemes are valued at quoted bid price for dual priced funds and at quoted price for single priced funds, on the last business day of the accounting period.

Unlisted or suspended investments are valued by the Investment Manager taking into account where appropriate, latest dealing prices, valuations from reliable sources, financial performance and other relevant factors.

Market value is defined by the SORP as fair value, which generally is the bid value of each security.

FRED 62, 'Draft amendments to FRS 102 – Fair value hierarchy disclosures', amends paragraphs 34.22 and 34.42 of FRS 102, revising the disclosure requirements for financial instruments held at fair value and aligning the disclosures with those required by EU adopted FRS. The Fund has chosen to adopt early these amendments to FRS 102. There are no accounting policy or disclosure changes as a result of this adoption.

Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset as follows:

# PRACTICAL INVESTMENT FUND

## Notes to the Financial Statements

for the year ended 15 September 2018

continued

### 1. Accounting Policies continued

#### (g) Basis of valuation of investments - continued

- Level 1 – The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable (ie developed using market data) for the asset or liability, either directly or indirectly.
- Level 3 – Inputs are unobservable (ie for which market data is unavailable) for the asset or liability.

#### (h) Exchange rates

Transactions in foreign currencies are recorded in sterling at the rate ruling at the date of the transactions. Assets and liabilities expressed in foreign currencies at the end of the accounting period are translated into sterling at the closing exchange rates ruling on that date.

#### (i) Dilution levy

The Manager may require a dilution levy on the sale and redemption of units if, in its opinion, the existing unitholders (for redemptions) might otherwise be adversely affected. In particular, the dilution levy may be charged in the following circumstances: where the scheme property is in continual decline; on a scheme experiencing large levels of net sales relative to its size; on 'large deals'; in any case where the Manager is of the opinion that the interests of remaining unitholders require the imposition of a dilution levy.

### 2. Net capital (losses)/gains

|  | Year ended<br>15 September<br>2018<br>£ | Year ended<br>15 September<br>2017<br>£ |
|--|---|---|
| Non derivative securities                        | (240,463)                               | 8,190,256                               |
| Currency losses                                  | (16,868)                                | (21,078)                                |
| Transaction charges                              | (16,742)                                | (2,022)                                 |
| <b>Net capital (losses)/gains on investments</b> | <b>(274,073)</b>                        | <b>8,167,156</b>                        |

# PRACTICAL INVESTMENT FUND

## Notes to the Financial Statements

for the year ended 15 September 2018

continued

| <b>3. Revenue</b>   | <b>Year ended<br/>15 September<br/>2018<br/>£</b> | <b>Year ended<br/>15 September<br/>2017<br/>£</b> |
|---|---|---|
| UK dividends: Ordinary  | 4,336,625   | 3,246,641   |
| Overseas dividends  | 966,621   | 728,921   |
| Distributions from Regulated Collective Investment Schemes:                     |   |   |
| Franked investment income   | 41,863  | 92,062  |
| Interest distribution   | 221,306   | 62,950  |
| Bank interest   | 220   | -   |
| Interest on debt securities   | 40,141  | 76,212  |
| Property income distribution  | 37,125  | -   |
| <b>Total revenue</b>  | <u>5,643,901</u>                                  | <u>4,206,786</u>                                  |
| <br>  |   |   |
| <b>4. Expenses</b>  | <b>Year ended<br/>15 September<br/>2018<br/>£</b> | <b>Year ended<br/>15 September<br/>2017<br/>£</b> |
| Payable to the Manager, associates of the Manager and agents of either of them: |   |   |
| Manager's periodic charge   | 1,276,256   | 928,061   |
| Payable to the Trustee, associates of the Trustee and agents of either of them: |   |   |
| Trustee fees (including VAT)  | 76,599  | 54,073  |
| Safe custody fees and other bank charges  | 12,576  | 9,292   |
|   | <u>89,175</u>                                     | <u>63,365</u>                                     |
| Other expenses:   |   |   |
| Audit fee (including VAT)   | 8,465   | 8,465   |
| Legal fees  | 166   | 1,069   |
| Printing costs  | 987   | 500   |
| Registration fees   | 17,393  | 13,648  |
|   | <u>27,011</u>                                     | <u>23,682</u>                                     |
| Expenses  | <u>1,392,442</u>                                  | <u>1,015,108</u>                                  |
| Interest payable and similar charges  | -   | 199   |
| <b>Total expenses</b>   | <u>1,392,442</u>                                  | <u>1,015,307</u>                                  |

## PRACTICAL INVESTMENT FUND

### Notes to the Financial Statements

for the year ended 15 September 2018

continued

#### 5. Taxation

|   | Year ended<br>15 September<br>2018<br>£ | Year ended<br>15 September<br>2017<br>£ |
|---|---|---|
| (a) Analysis of charge for the year                 |   |   |
| Overseas tax  | 14,111                                  | 10,256                                  |
| Income tax irrecoverable                            | -                                       | 1,135                                   |
| Total tax charge (note 5b)                          | 14,111                                  | 11,391                                  |
| Deferred tax charge (note 5c)                       | -                                       | -                                       |
| <b>Total tax charge (note 5b)</b>                   | <b>14,111</b>                           | <b>11,391</b>                           |
| (b) Factors affecting taxation charge for the year: |   |   |
| Net revenue before taxation                         | 4,251,459                               | 3,191,479                               |
| Corporation tax at 20%                              | 850,292                                 | 638,296                                 |
| Effects of:   |   |   |
| UK dividends: Ordinary                              | (875,698)                               | (667,741)                               |
| Overseas dividends                                  | (193,324)                               | (145,784)                               |
| Movement in surplus management expenses             | 218,730                                 | 175,229                                 |
| Overseas tax expensed                               | 14,111                                  | 10,256                                  |
| Income tax irrecoverable                            | -                                       | 1,135                                   |
| <b>Current tax charge for the year (note 5a)</b>    | <b>14,111</b>                           | <b>11,391</b>                           |

#### (c) Deferred Tax

At the year end there is a potential deferred tax asset of £930,833 (15 September 2017: £712,103) in relation to surplus management expenses. It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise these expenses and therefore no deferred tax asset has been recognised in the year.

# PRACTICAL INVESTMENT FUND

## Notes to the Financial Statements

for the year ended 15 September 2018

continued

### 6. Distributions

The distributions take account of revenue received on the issue of units and revenue deducted on the cancellation of units, and comprise:

|   | Year ended<br>15 September<br>2018<br>£ | Year ended<br>15 September<br>2017<br>£ |
|---|---|---|
| Interim distribution 15 March 2018  | 1,429,625                               | 708,721                                 |
| Final distribution 15 September 2018                                      | 2,744,735                               | 2,967,038                               |
|   | <u>4,174,360</u>                        | <u>3,675,759</u>                        |
| Revenue deducted on cancellation of units                                 | 68,001                                  | 60,777                                  |
| Revenue received on issue of units  | (5,962)                                 | (557,888)                               |
| <b>Net distributions</b>  | <u>4,236,399</u>                        | <u>3,178,648</u>                        |
| <b>Reconciliation of net revenue after taxation to net distributions:</b> |   |   |
| Net revenue after taxation per  |   |   |
| Statement of Total Return   | 4,237,348                               | 3,180,088                               |
| Undistributed revenue brought forward                                     | 2,717                                   | 1,277                                   |
| Undistributed revenue carried forward                                     | (3,666)                                 | (2,717)                                 |
| <b>Net distributions</b>  | <u>4,236,399</u>                        | <u>3,178,648</u>                        |

### 7. Debtors

|                              | 15 September<br>2018<br>£ | 15 September<br>2017<br>£ |
|------------------------------|---------------------------|---------------------------|
| Amounts receivable on issues | 45                        | 64                        |
| Sales awaiting settlement    | 298,101                   | -                         |
| <b>Accrued income:</b>       |                           |                           |
| Dividends receivable         | 433,398                   | 373,770                   |
| UK income tax recoverable    | -                         | 4,683                     |
| Interest on debt securities  | -                         | 49,088                    |
| <b>Prepaid expenses</b>      |                           |                           |
| Registration fee             | 785                       | 670                       |
| <b>Total debtors</b>         | <u>732,329</u>            | <u>428,275</u>            |

# PRACTICAL INVESTMENT FUND

## Notes to the Financial Statements

for the year ended 15 September 2018

continued

| <b>8. Creditors</b>   | <b>15 September<br/>2018</b> | <b>15 September<br/>2017</b> |
|---|------------------------------|------------------------------|
|   | <b>£</b>                     | <b>£</b>                     |
| Amounts payable on cancellations  | 21,916                       | 9,914                        |
| Purchases awaiting settlement   | 266,113                      | -                            |
| <b>Accrued expenses:</b>  |                              |                              |
| Amounts payable to the Manager, or associates<br>of the Manager and agents of either of them: |                              |                              |
| Manager's periodic charge   | 158,949                      | 165,689                      |
| Amounts payable to the Trustee, or associates<br>of the Trustee and agents of either of them: |                              |                              |
| Trustee fees (including VAT)  | 8,540                        | 9,942                        |
| Safe custody and other bank charges   | 3,780                        | 11,589                       |
| <b>Other expenses:</b>  |                              |                              |
| Audit fee (including VAT)   | 8,465                        | 8,465                        |
| Printing costs  | 461                          | 426                          |
| <b>Total creditors</b>  | <u>468,224</u>               | <u>206,025</u>               |

| <b>9. Cash and bank balances</b> | <b>15 September<br/>2018</b> | <b>15 September<br/>2017</b> |
|----------------------------------|------------------------------|------------------------------|
|                                  | <b>£</b>                     | <b>£</b>                     |
| Cash and Bank Balances           | 2,934,831                    | 3,034,916                    |

## 10. Related parties

Management fees payable to Consistent Unit Trust Management Company Limited (the Investment Manager) are disclosed in note 4 and amounts due at the year end are shown in note 8.

Trustee and other fees payable to National Westminster Bank Plc are disclosed in note 4 and amounts due at the year end are shown in note 8.

Consistent Unit Trust Management Company Limited and its associates had the following unitholdings in the Fund:

|                                  | <b>Held at<br/>15 September<br/>2018</b> | <b>Change<br/>in period</b> | <b>Held at<br/>15 September<br/>2017</b> |
|----------------------------------|--|-----------------------------|--|
| <b>Income units</b>              |  |                             |  |
| Mr. P. J. C. Ashfield (Deceased) | 307,192                                  | (49,498)                    | 356,690                                  |
| Mr. S. P. Ashfield               | 81,167                                   | -                           | 81,167                                   |

During the year the Fund's Investments included one fund managed by the Investment Manager or by associates of the Investment Manager. At 15 September 2017 the Fund held one such investments.

# PRACTICAL INVESTMENT FUND

## Notes to the Financial Statements

for the year ended 15 September 2018

continued

### 11. Contingent liabilities and outstanding commitments

There were no contingent liabilities or outstanding commitments at the balance sheet date (15 September 2017: nil).

### 12. Risk management policies and disclosures

In pursuing its investment objectives, the Fund may hold a number of financial instruments. These financial instruments comprise securities and other investments, cash balances, debtors and creditors that arise directly from the Fund's operations, for example, in respect of sales and purchases awaiting settlement, amounts receivable for creations and payable for redemptions and debtors for accrued revenue. In doing so, the Manager accepts market price risk and interest rate risk in relation to the investment portfolio.

The Fund may also enter into a range of derivative transactions whose purpose is efficient portfolio management. In addition the Fund only executes derivative contracts where both the derivative instrument and the counterparty have been approved by the Manager.

The risks arising from financial instruments and the Manager's policies for the monitoring and managing of these risks are stated below in accordance with the Risk Management Policy of the Manager.

These policies have been consistent for both years through which these financial statements relate.

#### Market price risk

Market price risk arises mainly from uncertainty about future prices of financial instruments held. It represents the potential loss the Fund might suffer through holding market positions in the face of price movements. This means the value of an investor's holding may go down as well as up and an investor may not recover the amount invested. Investors should consider the degree of exposure of the Fund in the context of all their investments.

The Fund's investment portfolio is exposed to market price fluctuations, which are monitored by the Manager as per the policies as set out in the Prospectus. The investment guidelines and investment and borrowing powers set out in the Fund Deed, the Prospectus and in the Financial Conduct Authority's Collective Investment Schemes Sourcebook describe the nature of the market risk to which the Fund will be exposed.

At the balance sheet date, if the price of the investments held by the Fund increased or decreased by 10%, with all other variables held constant, the net assets attributable to Unitholders would increase or decrease by approximately £12,025,562 (2017: £12,553,307).

#### Currency risk

Although the Fund's capital and income are denominated in sterling, a proportion of the Fund's investments may have currency exposure and, as a result, the income and capital value of the Fund are affected by currency movements.

# PRACTICAL INVESTMENT FUND

## Notes to the Financial Statements

for the year ended 15 September 2018

continued

### 12. Risk management policies and disclosures continued

#### Currency risk continued

The table below details the interest rate risk profile at the balance sheet date:

| <b>15 September 2018</b> |                              |                                  |                    |
|--------------------------|------------------------------|----------------------------------|--------------------|
|                          | <b>Monetary<br/>exposure</b> | <b>Non-monetary<br/>exposure</b> | <b>Total</b>       |
| <b>Currency</b>          | <b>£</b>                     | <b>£</b>                         | <b>£</b>           |
| Canadian dollar          | -                            | 1,967,866                        | 1,967,866          |
| Sterling                 | 951,542                      | 118,287,758                      | 119,239,300        |
|                          | <u>951,542</u>               | <u>120,255,624</u>               | <u>121,207,166</u> |
| <b>15 September 2017</b> |                              |                                  |                    |
|                          | <b>Monetary<br/>exposure</b> | <b>Non-monetary<br/>exposure</b> | <b>Total</b>       |
| <b>Currency</b>          | <b>£</b>                     | <b>£</b>                         | <b>£</b>           |
| Canadian dollar          | -                            | 1,634,874                        | 1,634,874          |
| Sterling                 | 871,599                      | 123,898,205                      | 124,769,804        |
|                          | <u>871,599</u>               | <u>125,533,079</u>               | <u>126,404,678</u> |

At the balance sheet date, if the value of sterling increased or decreased by 10%, with all other variables held constant, then the net assets attributable to Unitholders would increase or decrease by approximately £196,786 (2017: £163,487).

#### Interest rate risk

Interest rate risk is the risk that the value of the Fund's investments will fluctuate as a result of changes in interest rates. The Fund may invest in fixed and floating rate securities. The revenue of these Funds may be affected by changes in interest rates relevant to particular securities or as a result of the Manager being unable to secure similar returns on the expiry of contracts or sale of securities. The value of fixed interest securities may be affected by interest rate movements or the expectation of such movements in the future.

Interest receivable on bank deposits or payable on bank overdraft positions will be affected by fluctuations in interest rates.

# PRACTICAL INVESTMENT FUND

## Notes to the Financial Statements

for the year ended 15 September 2018

continued

### 12. Risk management policies and disclosures continued

#### Interest rate risk continued

The table below details the interest rate risk profile at the balance sheet date:

| <b>15 September 2018</b> | <b>Floating<br/>rate<br/>financial<br/>assets</b> | <b>Fixed<br/>rate<br/>financial<br/>assets</b>         | <b>Financial<br/>assets<br/>not carrying<br/>interest</b>    | <b>Total</b>       |
|--------------------------|---|--|--|--------------------|
| <b>Currency</b>          | <b>£</b>  | <b>£</b>   | <b>£</b>   | <b>£</b>           |
| Canadian dollar          | -   | -  | 1,967,866  | <b>1,967,866</b>   |
| Sterling                 | 3,796,334   | -  | 118,158,584  | <b>121,954,918</b> |
|                          | <b>3,796,334</b>                                  | <b>-</b>   | <b>120,126,450</b>   | <b>123,922,784</b> |
|                          |   | <b>Floating<br/>rate<br/>financial<br/>liabilities</b> | <b>Financial<br/>assets<br/>not carrying<br/>liabilities</b> | <b>Total</b>       |
| <b>Currency</b>          |   | <b>£</b>   | <b>£</b>   | <b>£</b>           |
| Sterling                 |   | -  | 2,715,618  | <b>2,715,618</b>   |
| <b>15 September 2017</b> | <b>Floating<br/>rate<br/>financial<br/>assets</b> | <b>Fixed<br/>rate<br/>financial<br/>assets</b>         | <b>Financial<br/>assets<br/>not carrying<br/>interest</b>    | <b>Total</b>       |
| <b>Currency</b>          | <b>£</b>  | <b>£</b>   | <b>£</b>   | <b>£</b>           |
| Canadian dollar          | -   | -  | 1,634,874  | <b>1,634,874</b>   |
| Sterling                 | 3,937,743   | 912,352  | 122,511,301  | <b>127,361,396</b> |
|                          | <b>3,937,743</b>                                  | <b>912,352</b>   | <b>124,146,175</b>   | <b>128,996,270</b> |
|                          |   | <b>Floating<br/>rate<br/>financial<br/>liabilities</b> | <b>Financial<br/>assets<br/>not carrying<br/>liabilities</b> | <b>Total</b>       |
| <b>Currency</b>          |   | <b>£</b>   | <b>£</b>   | <b>£</b>           |
| Sterling                 |   | -  | 2,591,592  | <b>2,591,592</b>   |

Floating rate interest-bearing assets at the balance sheet date consist of bank balances, on which interest is calculated at a variable rate by reference to sterling bank deposit rates or the international equivalent).

# PRACTICAL INVESTMENT FUND

## Notes to the Financial Statements

for the year ended 15 September 2018

continued

### 12. Risk management policies and disclosures continued

#### Interest rate risk continued

At the balance sheet date, if interest rates increased or decreased by 10%, with all other variables held constant, the net assets attributable to Unitholders would increase or decrease by approximately £379,633 (2017: £485,010).

|          | Weighted average gross interest rate of fixed interest-bearing assets |                   | Weighted average period for which interest rates are fixed* |                   |
|----------|---|-------------------|---|-------------------|
|          | 15 September 2018   | 15 September 2017 | 15 September 2018   | 15 September 2017 |
|          | %   | %                 | years   | years             |
| Sterling | -   | 6.75              | -   | 3.09              |

\*Assuming the earliest maturity date for those assets with variable maturity dates.

#### Credit risk

Credit risk arises from the possibility that the issuer of a security will be unable to pay interest and principal in a timely manner. Adhering to investment guidelines and avoiding excessive exposure to one particular issuer can limit credit risk.

There are no net borrowings or unlisted securities and so little exposure to credit risk.

#### Liquidity risk

Liquidity risk is the risk that a Fund cannot raise sufficient cash to meet its liabilities when due. One of the key factors influencing this will be the ability to sell investments at, or close to, the fair value without a significant loss being realised.

Under normal circumstances, a Fund will remain close to fully invested. However, where circumstances require: either because a view of illiquid securities markets or high levels of redemptions in the Fund, the Fund may hold cash and/or more liquid assets. Temporary higher liquidity levels may also arise during the carrying out of a change in asset allocation policy, or following a large issue of units.

There is little exposure to liquidity risk.

#### Counterparty risk

The risk that the counterparty will not deliver the investments for a purchase or the cash for a sale after the Fund has fulfilled its responsibilities which could result in the fund suffering a loss. The Investment Manager minimises the risk by conducting trades through only the most reputable counter parties.

# PRACTICAL INVESTMENT FUND

## Notes to the Financial Statements

for the year ended 15 September 2018

continued

### 12. Risk management policies and disclosures continued

#### Derivatives

The Fund may enter into derivative contracts for Efficient Portfolio Management (EPM) purposes.

Any EPM transaction must be economically appropriate and the exposure fully covered. The Manager monitors the use of derivatives to ensure EPM rules are satisfied.

In the opinion of the Manager there is no sophisticated derivative use within the Fund and accordingly a sensitivity analysis is not presented.

#### Fair value of financial assets and liabilities

Investments disclosed as at the balance sheet date are at fair value. Current assets and liabilities disclosed in the balance sheet are at amortised cost which is approximate to fair value.

### 13. Portfolio transaction costs

#### 15 September 2018

|                       | Net<br>purchase<br>cost | Commissions<br>paid |      | Taxes  |      | Purchases<br>before<br>transaction<br>costs |
|-----------------------|-------------------------|---------------------|------|--------|------|---|
| Analysis of purchases | £                       | £                   | %    | £      | %    | £   |
| Equities              | 20,285,530              | 101,189             | 0.50 | 37,180 | 0.18 | 20,423,899                                  |

**Total purchases after  
commissions and tax** 20,285,530

|                       | Net<br>sales<br>proceeds | Commissions<br>paid |      | Taxes |   | Sales<br>before<br>transaction<br>costs |
|-----------------------|--------------------------|---------------------|------|-------|---|---|
| Analysis of sales     | £                        | £                   | %    | £     | % | £                                       |
| Collective investment |                          |                     |      |       |   |   |
| Schemes               | 568,220                  | -                   | -    | -     | - | 568,220                                 |
| Debt Securities       | 890,891                  | 2,680               | 0.30 | -     | - | 893,571                                 |
| Equities              | 23,990,483               | 65,382              | 0.27 | -     | - | 24,055,865                              |

**Total sales after  
commissions and tax** 25,449,594

*Commission as a %  
of average net assets* 0.13%

*Taxes are a % of  
average net assets* 0.03%

## PRACTICAL INVESTMENT FUND

### Notes to the Financial Statements

for the year ended 15 September 2018

continued

#### 13. Portfolio transaction costs continued

15 September 2017

| Analysis of purchases | Net<br>purchase<br>cost<br>£ | Commissions<br>paid<br>£ | %    | Taxes<br>£ | %    | Purchases<br>before<br>transaction<br>costs |
|-----------------------|------------------------------|--------------------------|------|------------|------|---|
| Equities              | <u>78,339,609</u>            | 84,625                   | 0.11 | 47,131     | 0.06 | 78,207,853                                  |

**Total purchases after  
commissions and tax** 78,339,609

| Analysis of sales     | Net<br>sales<br>proceeds<br>£ | Commissions<br>paid<br>£ | %    | Taxes<br>£ | %    | Sales<br>before<br>transaction<br>costs |
|-----------------------|-------------------------------|--------------------------|------|------------|------|---|
| Collective investment |                               |                          |      |            |      |   |
| Schemes               | 629,049                       | 1,893                    | 0.30 | -          | -    | 627,157                                 |
| Debt Securities       | 885,081                       | 2,663                    | 0.30 | 24         | 0.00 | 882,393                                 |
| Equities              | <u>21,998,837</u>             | 36,036                   | 0.16 | 664        | 0.00 | 21,962,137                              |

**Total sales after  
commissions and tax** 23,512,967

*Commission as a %  
of average net assets* 0.14

*Taxes are a % of  
average net assets* 0.05

Commissions and taxes as a % of the average net assets form part of the direct transactions costs stated within the comparative tables on page 7. The direct transaction costs within the comparative tables may differ due to the effect of dilution levies charged (where applicable).

#### 14. Portfolio dealing spread

The average portfolio dealing spread at 15 September 2018 is 0.99% (2017: 0.62%).

## PRACTICAL INVESTMENT FUND

### Notes to the Financial Statements

for the year ended 15 September 2018

continued

#### 15. Fair value disclosure

| Valuation technique | 15 September 2018  |                  | 15 September 2017  |                  |
|---------------------|--------------------|------------------|--------------------|------------------|
|                     | Assets<br>£        | Liabilities<br>£ | Assets<br>£        | Liabilities<br>£ |
| Level 1             | 117,857,466        | -                | 122,525,451        | -                |
| Level 2             | 2,398,158          | -                | 3,007,627          | -                |
| Level 3             | -                  | -                | -                  | -                |
|                     | <b>120,255,624</b> | <b>-</b>         | <b>125,533,078</b> | <b>-</b>         |

Level 1: The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable (ie developed using market data) for the asset or liability, either directly or indirectly.

Level 3: Inputs are unobservable (ie for which market data is unavailable) for the asset or liability.

#### 16. Unitholders funds

##### 15 September 2018

|                                | Income            | Accumulation     |
|--------------------------------|-------------------|------------------|
| Opening number of units        | 43,373,944        | 2,067,460        |
| Issued                         | 170,190           | 19,127           |
| Cancelled                      | (1,576,685)       | (211,717)        |
| Converted                      | 516,371           | (98,552)         |
| <b>Closing number of units</b> | <b>42,483,820</b> | <b>1,776,318</b> |

#### 17. Remuneration

Total remuneration of individuals considered to comprise the entire staff of the Fund Manager for the financial year ending 31 August 2017 is:

|                       |                |
|-----------------------|----------------|
|                       | £              |
| Fixed Remuneration    | 93,500         |
| Variable Remuneration | 63,847         |
| <b>Total</b>          | <b>157,347</b> |

Full Time Equivalent number of staff 2

Analysis of senior management

|   |         |
|---|---------|
|   | £       |
| Senior management   | 130,042 |
| Staff whose actions may have a material impact on the funds | 130,042 |
| Other   | -       |

## PRACTICAL INVESTMENT FUND

### **Notes to the Financial Statements**

for the year ended 15 September 2018

continued

#### **18. Post balance sheet event**

There were no material post balance sheet events which have a bearing on the understanding of the financial statements.

## PRACTICAL INVESTMENT FUND

### Distribution Tables

for the year ended 15 September 2018

in pence per unit

#### Income Distribution

| Class  | Distribution | Units   | Net revenue | Equalisation | Distribution payable 2018 | Distribution paid 2017 |
|--------|--------------|---------|-------------|--------------|---------------------------|------------------------|
| Income | Interim      | Group 1 | 2.7000      | -            | 2.7000                    | 2.3500                 |
|        |              | Group 2 | 1.3141      | 1.3859       | 2.7000                    | 2.3500                 |
|        | Final        | Group 1 | 5.2900      | -            | 5.2900                    | 5.5000                 |
|        |              | Group 2 | 2.4110      | 2.8790       | 5.2900                    | 5.5000                 |

#### Accumulation Distribution

| Class        | Distribution | Units   | Net revenue | Equalisation | Amount reinvested 2018 | Amount reinvested 2017 |
|--------------|--------------|---------|-------------|--------------|------------------------|------------------------|
| Accumulation | Interim      | Group 1 | 14.1282     | -            | 14.1282                | 11.8959                |
|              |              | Group 2 | 6.8763      | 7.2519       | 14.1282                | 11.8959                |
|              | Final        | Group 1 | 27.9984     | -            | 27.9984                | 28.1249                |
|              |              | Group 2 | 12.7606     | 15.2378      | 27.9984                | 28.1249                |

Interim period: 16 September 2017 - 15 March 2018

Final period: 16 March 2018 - 15 September 2018

Group 1: Units purchased prior to a distribution period

Group 2: Units purchased during a distribution period

#### Equalisation

Equalisation applies only to units purchased during the distribution period (Group 2 units). It represents accrued revenue included in the purchase price of the units. After averaging, it is returned with the distribution as a capital repayment. It is not liable to income tax but must be deducted from the cost of the units for capital gains tax purposes.

# PRACTICAL INVESTMENT FUND

## General Information

### Authorised Status

Practical Investment Fund (the Fund) is an Authorised Unit Trust Scheme established on 8 February 1941, and belongs to the 'securitites fund' category of such schemes. It is authorised under Section 243 of the Financial Services and Markets Act 2000.

The Fund does not intend to have an interest in immovable property.

Unitholders are not liable for the debts of the Fund.

### Head Office

Fair Lorna House, Buckingham Road, Singleborough, Milton Keynes MK17 ORD.

### Address for Service

The Head Office is the address in the United Kingdom for service on the Fund of notices or other documents required or authorised to be served on it.

### Base Currency

The base currency of the Fund is Pounds Sterling.

### Units

The Fund may issue income and accumulation units.

Holders of Income units are entitled to be paid the revenue attributable to such shares in respect of each annual accounting period in the currency of the relevant unit class.

Holders of Accumulation unit are not entitled to be paid the revenue attributable to such unit, but that revenue is retained and accumulated for the benefit of unitholders and is reflected in the price of units.

### Valuation Point

The scheme property of the Fund will normally be valued at 12:00 on each dealing day for the purpose of calculating the price at which units in the Fund may be issued, sold, repurchased or redeemed.

For the purpose of the pricing of units, a business day is defined as a day on which the dealing office of the Manager is open for the buying and selling of units. The Manager may at any time during a business day carry out an additional valuation of the property of the Fund if the Manager considers it desirable to do so, with the Trustee's approval.

# PRACTICAL INVESTMENT FUND

## General Information

continued

### Buying and Selling of Units

The Manager will accept orders for the purchase and sale of units on normal business days between 9.00am and 5.00pm. Instructions to buy or sell units may either be in writing to:

Yealand Administration Ltd, Stuart House, St John's Street, Peterborough PE1 5DD.

Or by telephone to:

0345 850 8818

The Manager has the right to establish facilities for recording telephone calls made or received on this telephone line.

A contract note giving details of the units purchased will be issued no later than the next business day after the business day on which an application to purchase units is received and instrumented by the Manager. Certificates will not be issued in respect of units. Ownership of units will be evidenced by an entry on the register of unitholders.

### Pricing

The prices of units are published in the Financial Times in the FT Managed Funds Services Authorised Unit Trust section under the heading: Consistent Unit Trust Management Company Limited.

### Other Information

The Trust Deed and of any Supplemental Deeds of the Fund, the Prospectus and the most recent annual and half-yearly reports may be inspected at the head office of the Manager at the address set out in the Directory and copies may be obtained free of charge upon application.

Unitholders who have complaints about the operation of the Company should in the first instance contact the Manager, or, following that, may make their complaint direct to the Financial Ombudsman Service, Exchange Tower, London E14 9SR.

### Risk Warning

An investment in a Unit Trust should be regarded as a medium to long-term investment. Investors should be aware that the price of units and the revenue from them can fall as well as rise and investors may not receive back the full amount invested. Past performance is not a guide to future performance. Investments denominated in currencies other than the base currency are subject to fluctuation in exchange rates, which can be favourable or unfavourable.





