



for Charities

COIF Charities Deposit Fund

Report and Accounts
Half Year to 30 June 2008
(unaudited)

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Details of Board and Manager

(inside back cover)

Description of COIF Charity Funds

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Disability Discrimination Act 1995

Extracts from the Report and Accounts are available in large print and audio formats.

COIF Charities Deposit Fund

Report of the Board

for the six months ended 30 June 2008

On behalf of the Board, we have pleasure in presenting our half year report of COIF Charities Deposit Fund (the Fund).

Structure and management of the Fund

The Fund originated from the Charities Deposit Fund that was formed in 1985 as a Common Deposit Fund. The Fund was established under section 25 of the Charities Act 1993.

The Charity Commission Scheme dated 2 April 2008 replaced the previous Scheme dated 27 June 1995.

The Board acts as an independent body to control and supervise the Fund, for the benefit of participating charities, meeting at least four times per annum. Together, these individuals have wide experience of finance, investments, charities and the law. The management and administration of the Fund have been delegated to CCLA Investment Management Limited (the Manager).

Deposits taken by the Fund are exempted from the Financial Services and Markets Act 2000 (FSMA) by virtue of the Financial Services and Markets Act (Exemption) Order 2001. Deposits in the Fund are not covered by the Financial Services Compensation Scheme. The Manager will pay fair compensation on eligible claims arising from its negligence or error in the management and administration of the Fund.

Objective and benchmark of the Fund

The Fund is designed to enable a charity to obtain, even on small amounts of money, the higher rates of interest usually available on large sums in the London Money Market. The Fund aims to earn competitive rates of interest,

which reflect the level of short-dated money market rates. The Fund also aims to maintain its AAA/V1 Fitch money market fund rating.

The total return performance benchmark of the Fund is the London Inter-Bank 7-day Bid Rate (LIBID) as measured by the British Bankers' Association, before management expenses.

Investment policy

The Fund may invest cash in deposits in sterling with Banks, Building Societies and Local Authorities in the United Kingdom (UK). The Fund must maintain at least 5% of the investments of the Fund in deposits repayable within five business days. It places sterling cash balances with identified and permitted counterparties. The weighted average maturity must be maintained at no more than 60 days. The maximum maturity of a single deposit is one year. The Manager must have regard to the need for diversification of deposits and to the suitability of the institutions with which it places deposits. Funds are placed with counterparties which are regularly reviewed and approved annually by the Board.

Review of investment activities and policies of the Fund

The Board met quarterly during the period to carry out their responsibility for the approval of strategy, for setting interest rate policy, to monitor investment diversification, suitability and risk, and to review the performance of the Fund. In addition, the Board monitored the administration and expenses of the Fund and is also responsible for the appointment of the Fund's Manager, Administrator, and the Auditor.

During the period, the Board also met half yearly with the Manager to review the investments,

COIF Charities Deposit Fund

Report of the Board

for the six months ended 30 June 2008

transactions and policies of the Fund. The Manager's report on the Fund, which appears later, provides further details. In addition to receiving regular reports on the management of the Fund, the Board also met to approve the annual and half year report and accounts.

Delegation of functions

Following regular meetings and consideration of the reports and papers received, the Board are satisfied that the Manager, to whom they have delegated the administration and management of the Fund, has complied in all material respects with the terms of the Scheme and with the relevant Management Agreement.

Controls and risk management

The Board receive and consider regular reports from the Manager. Ad hoc reports and information are supplied to the Board as required. The Manager has established an internal control framework to provide

reasonable, but not absolute, assurance on the effectiveness of the internal controls operated on behalf of its clients. The effectiveness of the internal controls is assessed by the directors and senior management of the Manager on a continuing basis.

During the period, the Board, assisted by the Manager, reviewed the Fund's systems of internal control. Every six months the Board receives from the Manager, and reviews, a formal risk management report setting out the main risks facing the Fund, the controls in place to mitigate the risks and the assessment of each risk in terms of both gross and residual exposure after application of mitigating controls.

B Wrey
Chairman of the Board

21 July 2008

COIF Charities Deposit Fund

Report of the Investment Manager

for the six months ended 30 June 2008

- A money market fund for short-term cash
- Competitive rates of interest (even on small balances)
- Rated AAA/V1 by Fitch Ratings
- Withdrawal on demand with no loss of interest

Performance

Over the reporting period the Fund achieved a total return before management expenses of 2.90%; this was higher than the Fund's benchmark, the London Inter-Bank 7-Day Bid Rate (7-day LIBID), which averaged 2.65%.

The Fund's daily declared interest rate remains highly competitive averaging 5.51% over the period (an annual equivalent rate (AER) of 5.62%).

Interest rates varied greatly over the period during which the Bank of England's official bank rate was reduced by 0.50% to 5.00%. Over the period as a whole the Deposit Fund's declared interest rate fell by just 0.38%, closing the period at 5.50% (5.61% AER).

The events over the last year have challenged investors' preconceptions about cash as an asset class. Investors are focusing much more on where their cash is held and how diversified their credit risk is. The intake into the Fund over the past six months provides evidence of this, with the largest increase over the first six month period in its history, client deposits rose by £87 million. Total client deposits (excluding those of the other COIF Charity Funds) as at 30 June 2008 was £1.312 billion.

Market review

There continues to be a dislocation between the official bank rate set by the Bank of England's Monetary Policy Committee (MPC) and the rate at which banks are able to borrow in the London money market. This disorder is not only posing problems in the UK but is affecting many of the major money market centres. The efficiency of financial markets is a foremost concern for the Central Banks, if current difficulties are left unchecked there could be wider consequences for the global economy. The Central Banks have therefore been innovative in providing additional liquidity, introducing various funding schemes as well as cutting interest rates. The Bank of England's MPC on two occasions cut the official bank rate by 0.25%, justifying the reductions on each occasion on weaker economic growth prospects and a balanced inflation outlook. However, since the last rate cut in April there has been a general rise in money market yields, principally due to the sudden and deteriorating outlook for the rate of inflation. The one-year money market yield has risen to over six percent, having been as low as 5.05% in January.

Strategy

We maintained the Fund's focus on delivering strong returns for depositors with no compromise on capital security. We believed the market had been over anticipating the speed at which the MPC would cut the official bank rate and have therefore maintained a strategy of depositing where rates were highest, which was typically for three months.

COIF Charities Deposit Fund

Report of the Investment Manager

for the six months ended 30 June 2008

This meant the Fund's weighted average maturity stayed towards the upper end of the maximum permitted level of 60 days.

Rated AAA/V1 by Fitch Ratings

During the period we reviewed the provision of credit rating services and with the approval of the COIF Trustees the service provider was changed to Fitch Ratings. We believe Fitch's fund focus, good client reporting and weekly surveillance will be reassuring and beneficial to present and future depositors. Since 30 April 2008, the Fund has been rated by Fitch Ratings. They have assigned the Fund a AAA/V1 money market fund rating. This rating reflects the high quality of the Fund's approved lending list, the employment of an appropriate investment policy, a low overall level of risk through diversification, and the quality of management and internal controls. The rating is awarded to funds that have the lowest credit risk and where the total return exhibit relative stability, performing consistently across a broad range of interest rate scenarios and changing market conditions.

Outlook

The recently announced increase in domestic gas and electricity prices is likely to lead to the rate of inflation rising significantly above the MPC's target band upper limit of 3%. Normally this situation would give rise to higher interest rates. However, this hawkish inflationary outlook comes at a time when UK economic growth is slowing. The deteriorating economic outlook together with falling house prices and rising unemployment could justifiably point to lower interest rates. The MPC therefore has a major challenge of striking the right balance between moderating the rate of inflation and improving economic growth. Our expectation is the official bank rate will remain on hold for most of 2008 and will only be reduced once inflation shows signs of abating.

S Freeman
Fund Manager
CCLA Investment Management Limited

21 July 2008

Risk warning

The Manager undertakes to exercise reasonable care in its placing of deposits with a selected list of banks and building societies in the UK but it cannot give guarantees regarding repayment of deposits. The daily

rate on the Deposit Fund accounts will fluctuate and past performance is no guarantee of future returns. Deposits in the Fund are not covered by the Financial Services Compensation Scheme.

COIF Charities Deposit Fund

Rates of interest paid

for the six months ended 30 June 2008 (unaudited)

<i>Month</i>	<i>Actual % p.a.</i>	<i>A.E.R.* %</i>
January 2008	5.81	5.94
February 2008	5.56	5.68
March 2008	5.40	5.51
April 2008	5.35	5.46
May 2008	5.43	5.54
June 2008	5.50	5.61

<i>Year to 31 December</i>	<i>Actual % p.a.</i>	<i>Gross A.E.R.* %</i>
2003	3.41	3.45
2004	4.18	4.24
2005	4.46	4.54
2006	4.47	4.55
2007	5.49	5.60
To 30 June 2008	5.51	5.62

* Annual equivalent rate (A.E.R) illustrates what the interest rate would be if the quarterly payments were compounded.

The rates are published in the *Financial Times* and on the Manager's website at www.ccla.co.uk.

COIF Charities Deposit Fund

Statement of total return

for the six months ended 30 June 2008 (unaudited)

	Notes	30.6.2008 £'000	30.6.2007 £'000
Income		38,074	31,799
Expenses	2	(1,581)	(1,398)
Net income and total return		36,493	30,401
Finance costs: distributions		(36,264)	(30,246)
Net increase in income reserve		<u>229</u>	<u>155</u>

The notes on pages 8 to 11 form part of these accounts.

Interest paid table

for the six months ended 30 June 2008 (unaudited)

Period ended	Date of payment	Total £'000	Average rates of interest paid	
			2008 %	2007 %
31 March 2008	4 April 2008	18,193	5.59	5.08
30 June 2008	4 July 2008	18,071	5.43	5.31
		<u>36,264</u>	<u>5.51</u>	<u>5.20</u>

COIF Charities Deposit Fund

Balance sheet

at 30 June 2008 (unaudited)

	Notes	30.6.2008 £'000	31.12.2007 £'000
ASSETS			
Debtors	4	11,138	9,494
Cash and bank balances		2,440	2,613
Deposits		1,354,169	1,276,453
Total assets		1,367,747	1,288,560
LIABILITIES			
Current deposits	5	1,341,437	1,265,004
Creditors	6	21,355	18,830
Income reserve		4,955	4,726
Total liabilities		1,367,747	1,288,560
Approved on behalf of the Board			
21 July 2008		B Wrey, <i>Chairman</i>	

The notes on pages 8 to 11 form part of these accounts.

Summary of deposits placed by maturity for the six months ended 30 June 2008 (unaudited)

Repayable	30.6.2008		31.12.2007	
	£'000	%	£'000	%
On call	87,169	6.44	86,453	6.77
Within 5 business days	111,000	8.20	316,000	24.76
Within 30 days	339,000	25.03	346,000	27.11
Between 31 and 60 days	401,000	29.61	286,000	22.41
Between 61 and 91 days	386,000	28.50	222,000	17.39
Between 92 and 182 days	30,000	2.22	10,000	0.78
Between 183 days and one year	-	-	10,000	0.78
Total deposits	1,354,169	100.00	1,276,453	100.00

COIF Charities Deposit Fund

Notes to the accounts

(unaudited)

1. Accounting policies

(a) Basis of accounting

The accounts have been prepared under the historical cost basis, as modified by the revaluation of investments, and in accordance with policies set out below, the Statement of Recommended Practice (Accounting and Reporting by Charities) issued by the Charity Commission in March 2005 and the Statement of Recommended Practice for Authorised Funds issued by the Investment Management Association (IMA) in December 2005.

(b) Income recognition

Interest on bank and building society deposits is accrued on a daily basis.

(c) Expenses

The Manager's periodic charge paid to the Manager, is charged to the income of the Fund before distribution. The fee is based on a fixed percentage of the value of the Fund, which is currently 0.20% pa plus VAT. Each month, the value at the end of the previous month is taken to calculate the fee due. This fee covers the provision of investment services and other expenses incurred by the Manager. Audit fees, insurance, bank charges and the Trustee's administration fee are charged separately to the income of the Fund before distribution.

(d) Distributions

Interest is paid quarterly. The Fund utilises an income reserve to facilitate the payment of interest to depositors (see note 7).

2. Expenses

	30.6.2008	30.6.2007
	£'000	£'000
Payable to the Manager, associates of the Manager and agents of either of them:		
Manager's periodic charge – see note 1(c)	<u>1,554</u>	<u>1,372</u>
Other expenses:		
Trustees administration fee	6	-
Insurance fee	11	13
Audit fee	4	4
Bank charges	6	6
Consultancy fee	-	3
	<u>27</u>	<u>26</u>
Total expenses	<u>1,581</u>	<u>1,398</u>

The above expenses include VAT where applicable.

COIF Charities Deposit Fund

Notes to the accounts

(unaudited)

3. Taxation

The Fund is exempt from UK income tax and capital gains tax due to its charitable status pursuant to Sections 505 and 506 of the Income and Corporation Taxes Act 1988. Distributions are paid and reinvested income credited gross to depositors.

4. Debtors

	30.6.2008	31.12.2007
	£'000	£'000
Interest receivable	11,131	9,475
Prepayments	7	19
	<u>11,138</u>	<u>9,494</u>

5. Current deposits

	30.6.2008	31.12.2007
	£'000	£'000
Charities and Trusts	1,311,999	1,224,734
COIF Charities Investment Fund	18,515	34,714
COIF Charities Fixed Interest Fund	2,659	1,824
COIF Charities Property Fund	6,648	3,732
COIF Charities Global Equity Income Fund	1,616	-
	<u>1,341,437</u>	<u>1,265,004</u>

Deposits are repayable to clients on demand.

6. Creditors

	30.6.2008	31.12.2007
	£'000	£'000
Interest payable	17,563	18,002
Accrued expenses	13	9
Amounts payable on withdrawals	3,779	819
	<u>21,355</u>	<u>18,830</u>

COIF Charities Deposit Fund

Notes to the accounts

(unaudited)

7. Income reserve

The Fund utilises a reserve which is accumulated out of income and held by the Board on trust for depositors for the time being. The principal purpose of the income reserve is to facilitate the payment of interest to depositors at each quarter-end, as a proportion of the income earned by the Fund over the quarter will not be received until the maturity date of individual deposits.

The reserve is also available as a provision against potential default of counterparties and is available to augment the Fund's deposit rate.

	30.6.2008	30.6.2007
	£'000	£'000
Income reserve at the start of the period	4,726	4,079
Transfer to income reserve	229	155
Income reserve at the end of the period	<u>4,955</u>	<u>4,234</u>

8. Financial instruments

The main risks arising from the Fund's financial instruments and the Manager's policies for managing these risks are summarised below.

Currency risk

There was no foreign currency exposure within the Fund at 30 June 2008 (31.12.2007, £nil).

There were no derivatives held by the Fund at 30 June 2008 (31.12.2007, £nil).

Interest rate risk

The Fund invests in fixed rate and floating rate deposits. Changes in the interest rates will result in income either increasing or decreasing.

The interest rate profile of the Fund's financial assets and liabilities at 30 June 2008 was as follows:

Currency	Floating rate financial assets* £'000	Fixed rate financial assets £'000	Financial assets not carrying interest £'000	Total £'000
Sterling	89,609	1,267,000	11,138	1,367,747

Currency	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000
Sterling	1,346,392	-	21,355	1,367,747

COIF Charities Deposit Fund

Notes to the accounts

(unaudited)

31 December 2007

<i>Currency</i>	<i>Floating rate financial assets* £'000</i>	<i>Fixed rate financial assets £'000</i>	<i>Financial assets not carrying interest £'000</i>	<i>Total £'000</i>
Sterling	89,066	1,190,000	9,494	1,288,560

<i>Currency</i>	<i>Floating rate financial liabilities £'000</i>	<i>Fixed rate financial liabilities £'000</i>	<i>Financial liabilities not carrying interest £'000</i>	<i>Total £'000</i>
Sterling	1,269,730	-	18,830	1,288,560

* The floating rate financial assets of the Fund earn interest at rates based on either LIBOR or base rate.

All financial liabilities are due to be settled within one year, or on demand.

9. Related party transactions

The Manager's periodic charge is paid to the Manager, a related party to the Fund. The amounts paid in respect of the Manager's periodic charge are disclosed in note 2. There were no outstanding balances due to the Manager at 30 June 2008 (31.12.2007, £nil). There were no other transactions entered into with the Manager during the period.

10. Board remuneration

The Board members receive no remuneration from COIF Charity Funds. Mr R Fitzalan Howard is a Director of the Manager and receives remuneration from the Manager, which is disclosed in that Company's accounts.

COIF Charities Deposit Fund

Statement of Board and Manager responsibilities

The Board of the Fund is required by the Scheme of the Charity Commission made under the Charities Act 1993, dated 2 April 2008, to prepare accounts in accordance with any rules, regulations or standards of practice issued by the Charity Commission affecting the keeping of accounts of common deposit funds. The Board is required to:

- select suitable accounting policies that are appropriate for the Fund and apply them on a consistent basis;
- keep proper accounting records which enable them to demonstrate that the accounts, as prepared, comply with the above requirements;

- make judgments and estimates that are reasonable and prudent; and
- prepare the accounts on the basis that the Fund will continue in operation unless it is inappropriate to presume this.

The Board has delegated to the Manager the day to day management, accounting and administration of the Fund as permitted by the Scheme.

The Manager is required to manage the Fund in accordance with the Scheme and take reasonable steps for the prevention and detection of fraud and other irregularities.

CCLA INVESTMENT MANAGEMENT LIMITED

COIF Charities Deposit Fund

(Charity Registration No. 1046249)

Board

B Wrey, Chairman of the Board, *Former Chairman, Henderson Global Investors*

P Cawdron, FCA, *Company Director*

T Clark (appointed 26.2.08), *Solicitor*

A Daws (appointed 26.2.08), *Solicitor*

R Fitzalan Howard, *Chief Executive, FF&P Asset Management Limited*

D Henderson, FCA, *Company Director*

A Huntley, FRICS (resigned 29.4.08)

Mrs F Quint, *Barrister*

N Wilson (retired 26.2.08), *Solicitor, a former Partner, Slaughter and May*

Secretary

Mrs J Fox

Investment Manager, Administrator and Registrar

CCLA Investment Management Limited

*Authorised and regulated by
the Financial Services Authority*

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Directors responsible for the Fund

M Quicke (Chief Executive)

J Bevan (Chief Investment Officer)

S Curran (Chief Operating Officer)

C Peters (Investment Director)

A Robinson (Director Market Development)

Fund Manager

S Freeman

Company Secretary

Mrs J Fox

Head of Operational Risk, Internal Audit and Compliance

A Kemp

Banker and Monitoring Service

The Royal Bank of Scotland plc
62/63 Threadneedle Street
London EC2R 8LA

Solicitors

Bates Wells & Braithwaite LLP
2-6 Cannon Street
London EC4M 6YH

Farrer & Co LLP

66 Lincoln's Inn Fields
London WC2A 3LH

Independent Auditor

Ernst & Young LLP
1 More London Place
London SE1



CCLA INVESTMENT MANAGEMENT LIMITED

COIF Charity Funds

The COIF Charity Funds provide a ready and practical means for charities to obtain, at reasonable cost, constant professional investment and cash management for their long-term capital and short-term cash. They also provide protection through diversification combined with simplified administration.

COIF Charities Investment Fund

- A suitable 'all-in-one' long-term fund for most charities
- Highly diversified and well-balanced spread of investments
- Designed to help meet growth and income requirements
- Focus on delivering attractive, growing income

COIF Charities Fixed Interest Fund

- Long-term investment focused on income
- Gross income paid quarterly
- Usually held with other investments such as equities and cash to give a broad spread of assets and achieve combined income and growth objectives

COIF Charities Global Equity Income Fund

- Attractive income now
- Rising income in the future
- Strong growth opportunities from the global economy

COIF Charities Deposit Fund

- A competitive rate
- Interest paid gross
- No minimum balance
- Simple operation
- Excellent service
- Easy access
- Free BACS transfers
- AAA/V1 credit rating*

COIF Charities Property Fund

- High quality, well-diversified commercial and industrial property portfolio
- Focus on delivering attractive income
- Actively managed to add value
- Usually held with other investments such as equities, bonds and cash to give a broad spread of assets and achieve combined income and growth objectives

* The Deposit Fund has been awarded an AAA/V1 money market fund rating from the credit rating agency Fitch Ratings.

The COIF Charity Funds are common investment funds established by the Charity Commission for England and Wales under Section 24 of the Charities Act 1993. The Deposit Fund was established under Section 25 of the Charities Act 1993. Any charity in the United Kingdom within the meaning of the Charities Act 1993 (as amended or replaced) may invest in the Deposit, Investment and Global Equity Funds. Any charity in England and Wales may invest in the Fixed Interest and Property Funds. CCLA Investment Management Limited operates as the Investment Manager and Administrator of the Funds.

The value of the investments may fall as well as rise and an investor may not get back the full amount originally invested. Deposits in the Deposit Fund are not covered by the Financial Services Compensation Scheme.

CCLA Investment Management Limited (registered in England No. 2183088 – registered office 80 Cheapside, London EC2V 6DZ) is authorised and regulated by the Financial Services Authority.

CCLA INVESTMENT MANAGEMENT LIMITED

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www.ccla.co.uk

CCLA Investment Management Limited is committed to making a positive contribution to environmental protection. Where possible we seek to ensure our suppliers are using environmentally friendly production processes and our paper and board contain 50% recovered waste and 50% virgin fibre, and is certified as a Forest Stewardship Council (FSC) mixed source product.