



for Charities

# **COIF Charities Deposit Fund**

**Report and Accounts  
Half Year ended 30 June 2009  
(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.

# Report of the Board

## for the half year ended 30 June 2009

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.

# Report of the Board

## for the half year ended 30 June 2009

During the period, the Board also met quarterly with the Manager to review the investments, 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 receives and considers 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.

D Henderson  
Chairman of the Board

28 July 2009

# Report of the Investment Manager

## for the half year ended 30 June 2009

- 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 1.05%; this was a superior return relative to the Fund's benchmark, the London Inter-Bank 7-Day Bid Rate (7-day LIBID), which averaged just 0.35%.

In some very challenging market conditions the Deposit Fund's declared interest rate has remained highly competitive. Over the reporting period the Fund's declared rate averaged 1.75% (an annual equivalent rate (AER) of 1.76%). On the 30 June 2009, the declared rate was 1.10%, (1.10% AER).

Depositors continue to appreciate the benefits of the Fund's characteristics - diversification and a good relative rate of interest. Client deposits over the reporting period rose by £135 million; this net inflow was almost the same as for the whole of 2008 (which was a record year). Total client deposits (excluding those of the other COIF Charity Funds) as at 30 June 2009 was £1.501 billion.

### Market review

The Bank of England's (BoE) Monetary Policy Committee (MPC) continued the policy to cut aggressively interest rates. In March the MPC reduced the official bank rate probably for the

last time in this cycle, to 0.5%. Also, aiding the fall in money market rates is the belief that the financial markets will not experience another large banking failure; this has reduced the premium on money market term deposits. The BoE believed that a further cut in the official bank rate would probably be insufficient to bring the rate of inflation in line with the target level and could have negative consequences if sanctioned. Alternative tools were agreed with the Chancellor to allow the BoE to adopt quantitative easing (QE) measures ("printing of money"). QE has now become the MPC's main tool to stimulate the economy, but even with these measures economic growth is still forecast to fall 4.5% in 2009. The BoE Governor believes it could be nine months before any effective evidence of its QE measures appear and only sees the economy beginning to recover from the middle of 2010. Inflation projections were revised higher but do not appear to be of immediate concern; the rate of inflation is still forecast to be below the BoE's target of 2% over the next couple of years. The MPC did however observe that the money markets had started to price in rate increases later this year. Clearly wanting to deter markets from this, the MPC hoped the low inflation forecast would dampen the expectations and lower sterling. In doing so, it hoped to maximise the monetary stimulus and aid the economic recovery. Early expectations of interest rate increases were initially removed but the market currently expects rate tightening in early 2010. The currency remained problematic, strengthening on a trade-weighted basis and reaching a six-month high.

# Report of the Investment Manager

## for the half year ended 30 June 2009

### Strategy

The Fund is structured to provide both capital security and adequate daily liquidity. The short-term nature of the Fund allows us to alter quickly the portfolio composition to reflect our sentiment. The assets of the Fund are strictly placed within agreed limits with a diversified list of quality counterparties in order to achieve a very low overall level of risk and high security of capital. The list of approved counterparties (available upon request) is constantly monitored and credit limits immediately amended following credit rating changes. The Fund has maintained a high level of liquidity to ensure that sufficient money is always readily available to meet client withdrawals. The balance of the Fund was deposited for periods of up to one year with the aim of boosting the overall yield of the Fund for the benefit of the depositors.

### Rated AAA/V1 by Fitch Ratings

The Fund has been assigned a Triple A (AAA/V1) money market fund rating by Fitch Ratings. 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 returns exhibit relative stability, performing consistently across a broad range of interest rate scenarios and changing market conditions.

### Outlook

While enshrining a somewhat sharper economic downturn than was the case in February but now with a more protracted recovery and higher inflation projections the MPC is moving slowly to achieving its aim of higher nominal GDP growth. At the July MPC meeting the Committee left the official bank rate unchanged for the fourth consecutive month, at 0.5%. More interestingly and more surprising was the Committee's decision not to raise its QE programme by a further £25 billion, which would have taken the total QE to £150 billion, the maximum amount initially allowed by the Treasury. We anticipate that the MPC has not finished with QE and are more likely ask permission from the Treasury to increase the programme should it be required. This could coincide with the release of the August Quarterly Inflation Report. The uncertain picture therefore means we should expect low interest rates to stay for quite a while; though, we would not anticipate the MPC cutting rates further.

S Freeman  
Fund Manager  
CCLA Investment Management Limited

28 July 2009

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### 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 Fund is variable and past performance is no guarantee of future returns. Deposits in the Fund are not covered by the Financial Services Compensation Scheme.

# Rates of interest paid

## for the half year ended 30 June 2009 (unaudited)

<i>Month</i>	<i>Actual % p.a.</i>	<i>Gross A.E.R.* %</i>
January	2.94	2.98
February	2.13	2.15
March	1.58	1.59
April	1.45	1.45
May	1.28	1.29
June	1.13	1.13

<i>Year to 31 December</i>	<i>Actual % p.a.</i>	<i>Gross A.E.R.* %</i>
2004	4.18	4.24
2005	4.46	4.54
2006	4.47	4.55
2007	5.49	5.60
2008	5.35	5.46
Half year ended 30 June 2009	1.75	1.76

\* 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](http://www.ccla.co.uk).

# Statement of total return

## for the half year ended 30 June 2009 (unaudited)

	<i>Notes</i>	<b>30.6.2009</b> <b>£'000</b>	30.6.2008 £'000
Revenue		<b>15,640</b>	38,074
Expenses	2	<b>(1,729)</b>	(1,581)
<b>Net revenue and total return</b>		<b>13,911</b>	36,493
Finance costs: distributions		<b>(12,832)</b>	(36,264)
<b>Net increase in income reserve</b>		<b><u>1,079</u></b>	<u>229</u>

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

# Interest paid table

## for the half year ended 30 June 2009 (unaudited)

<i>Period ended</i>	<i>Date of payment</i>	<i>Total</i> £'000	<i>Average rates of interest paid</i>	
			<b>2009</b> %	2008 %
31 March 2009	7 April 2009	7,969	<b>2.22</b>	5.59
30 June 2009	6 July 2009	4,863	<b>1.28</b>	5.43
		<u>12,832</u>	<u><b>1.75</b></u>	<u>5.51</u>

# Balance sheet

## at 30 June 2009 (unaudited)

	Notes	30.6.2009 £'000	31.12.2008 £'000
<b>ASSETS</b>			
Debtors	4	5,007	9,491
Cash and bank balances		2,675	541
Deposits		1,552,795	1,413,602
<b>Total assets</b>		<b><u>1,560,477</u></b>	<b><u>1,423,634</u></b>
<b>LIABILITIES</b>			
Current deposits	5	1,545,384	1,401,147
Creditors	6	8,190	16,663
Income reserve	7	6,903	5,824
<b>Total liabilities</b>		<b><u>1,560,477</u></b>	<b><u>1,423,634</u></b>
Approved on behalf of the Board			
28 July 2009			D Henderson, <i>Chairman</i>

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

# Summary of deposits placed by maturity

## at 30 June 2009 (unaudited)

Repayable	30.6.2009		31.12.2008	
	£'000	%	£'000	%
On call	43,795	2.82	56,602	4.01
Within 5 business days	184,000	11.85	145,000	10.26
Within 30 days	365,000	23.51	275,000	19.45
Between 31 and 60 days	434,000	27.95	418,000	29.57
Between 61 and 91 days	432,000	27.82	440,000	31.13
Between 92 and 182 days	94,000	6.05	20,000	1.41
Between 183 days and one year	-	-	59,000	4.17
<b>Total deposits</b>	<b><u>1,552,795</u></b>	<b><u>100.00</u></b>	<b><u>1,413,602</u></b>	<b><u>100.00</u></b>

# 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 November 2008.

(b) Revenue 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 revenue 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

	<b>30.6.2009</b>	<i>30.6.2008</i>
	<b>£'000</b>	<i>£'000</i>
Payable to the Manager, associates of the Manager and agents of either of them:		
Manager's periodic charge – see note 1(c)	<b>1,702</b>	1,554
Manager's professional fee for ethical services	<b>3</b>	-
	<b><u>1,705</u></b>	<u>1,554</u>
Other expenses:		
Trustees administration fee	<b>3</b>	6
Insurance fee	<b>11</b>	11
Audit fee	<b>4</b>	4
Bank charges	<b>6</b>	6
	<b><u>24</u></b>	<u>27</u>
Total expenses	<b><u>1,729</u></b>	<u>1,581</u>

The above expenses include VAT where applicable.

# 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 revenue credited gross to depositors.

<b>4. Debtors</b>	<b>30.6.2009</b>	<i>31.12.2008</i>
	<b>£'000</b>	<i>£'000</i>
Interest receivable	<b>4,983</b>	9,466
Prepayments	<b>24</b>	25
	<b><u>5,007</u></b>	<u>9,491</u>

<b>5. Current deposits</b>	<b>30.6.2009</b>	<i>31.12.2008</i>
	<b>£'000</b>	<i>£'000</i>
Charities and Trusts	<b>1,501,133</b>	1,366,209
COIF Charities Investment Fund	<b>33,798</b>	25,019
COIF Charities Fixed Interest Fund	<b>2,914</b>	2,771
COIF Charities Property Fund	<b>5,737</b>	4,442
COIF Charities Global Equity Income Fund	<b>1,802</b>	2,706
	<b><u>1,545,384</u></b>	<u>1,401,147</u>

Deposits are repayable to clients on demand.

<b>6. Creditors</b>	<b>30.6.2009</b>	<i>31.12.2008</i>
	<b>£'000</b>	<i>£'000</i>
Interest payable	<b>4,758</b>	16,652
Accrued expenses	<b>11</b>	11
Amounts payable on withdrawals	<b>3,421</b>	-
	<b><u>8,190</u></b>	<u>16,663</u>

### 7. Income reserve

The Fund utilises a reserve which is accumulated out of revenue 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 revenue earned by the Fund over the quarter will not be received until the maturity date of individual deposits.

During the period, there was a substantial transfer to the Income Reserve. This was a result of the high level of money market rates relative to the official bank rate, while at the same time, the Fund continued to pay a highly competitive rate to depositors. The reserve is also available as a provision against potential default of counterparties and is available to augment the Fund's deposit rate.

# Notes to the accounts

(unaudited)

	<b>30.6.2009</b>	31.12.2008
	<b>£'000</b>	£'000
Income reserve at the start of the period	<b>5,824</b>	4,726
Transfer to income reserve	<b>1,079</b>	1,098
Income reserve at the end of the period	<b><u>6,903</u></b>	<u>5,824</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 2009 (31.12.2008, £nil).

### Credit risk

The Fund is exposed to the risk regarding the repayment of deposits from the counterparty. To minimise this, the assets of the Fund are strictly placed within agreed limits with a diversified list of quality counterparties in order to achieve a very low overall level of risk and high security of capital. The list of approved counterparties is constantly monitored and credit limits immediately amended following credit rating upgrades and downgrades.

### Interest rate risk

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

The interest rate risk profile of the Fund's financial assets and liabilities at 30 June 2009 was as follows:

<b>Currency</b>	<b>Floating rate financial assets* £'000</b>	<b>Fixed rate financial assets £'000</b>	<b>Financial assets not carrying interest £'000</b>	<b>Total £'000</b>
<b>Sterling</b>	<b>46,470</b>	<b>1,509,000</b>	<b>5,007</b>	<b>1,560,477</b>

<b>Currency</b>	<b>Floating rate financial liabilities £'000</b>	<b>Fixed rate financial liabilities £'000</b>	<b>Financial liabilities not carrying interest £'000</b>	<b>Total £'000</b>
<b>Sterling</b>	<b>1,552,287</b>	<b>-</b>	<b>8,190</b>	<b>1,560,477</b>

# Notes to the accounts

## (unaudited)

31 December 2008

<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	57,143	1,357,000	9,491	1,423,634

<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	1,406,971	-	16,663	1,423,634

\* 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.

There were no derivatives held by the Fund at 30 June 2009 (31.12.2008, £nil).

### 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 2009 (31.12.2008, £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.

# 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

D Henderson, Chairman of the Board (appointed 25.2.09), *FCA, Company Director*  
B Wrey, Chairman of the Board, *Former Chairman, Henderson Global Investors (resigned 25.2.09)*  
T Bell, FRICS  
P Cawdron, FCA, *Company Director*  
T Clark, *Solicitor*  
A Daws, *Solicitor*  
R Fitzalan Howard, *Chief Executive, FF&P Asset Management Limited*  
G Newson, MRICS  
Mrs F Quint, *Barrister (resigned 25.2.09)*

## Secretary

J Fox

## Investment Manager, Administrator and Registrar

### CCLA Investment Management Limited

*Authorised and regulated by  
the Financial Services Authority*

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[www.ccla.co.uk](http://www.ccla.co.uk)

### 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

### Client Relationship Manager

A Best

### Company Secretary

J Fox

### Head of Operational Risk, Internal Audit and Compliance

A Kemp

### Socially Responsible Investment

H Wildsmith

### Banker and Monitoring Service

The Royal Bank of Scotland plc

62/63 Threadneedle Street

London EC2R 8LA

### Solicitors

Farrer & Co LLP

66 Lincoln's Inn Fields

London WC2A 3LH

### Independent Auditor

Ernst & Young LLP

1 More London Place

London SE1 2AF



**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 Global Equity Income Fund**

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

**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 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

**COIF Charities Property Fund**

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

\* The Deposit Fund is rated AAA/V1 by Fitch Ratings. This reflects the high credit quality of the portfolio and its low volatility.

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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