



for Charities

COIF Charities Deposit Fund

Report and Accounts
Half year ended 30 June 2010
(unaudited)

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Details of Board and Manager

(inside back cover)

Description of COIF Charity Funds

(outside back cover)

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 2010

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 fund rating.

The total return performance benchmark of the Fund is the London Inter-Bank Sterling 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.

Report of the Board

for the half year ended 30 June 2010

Review of investment activities and policies of the Fund

The Board met quarterly during the year 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 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

CCLA has established a risk management framework which provides a methodology for the assessment, mitigation and reporting of risk, ensuring a high quality of risk management and control is maintained for all funds under the Manager's control. The effectiveness of risks and controls is assessed by the directors and senior management of the Manager, with the help of the Operational Risk Manager, on a continuing basis. On an annual basis, the Board receives and considers an operational risk report from the Operational Risk Manager.

During the period, the Board reviewed the annual operational risk report, which records any residual risks outside the risk appetite set by the Manager, and the actions being taken to mitigate those risks.

D Henderson
Chairman of the Board

27 July 2010

Report of the Investment Manager

for the half year ended 30 June 2010

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 assessment of market conditions. The assets of the Fund are placed strictly 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 lending 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. The weighted average maturity as at 30 June 2010 was 37 days.

Performance

Over the reporting period the Fund achieved a total return before management expenses of 0.32%; this was higher than the Fund's benchmark, the London Inter-Bank Sterling 7-Day Bid rate (7-day LIBID), which averaged 0.23%.

The Deposit Fund's declared interest rate has been steady over the reporting period averaging 0.50% (an annual equivalent rate (AER) of 0.50%). On the 30 June 2010 the declared rate was 0.50%, (0.50% AER).

Client deposits (excluding those of the other COIF Funds) at 30 June 2010 totalled £1,258 million.

Market review

At its February meeting the Bank of England's Monetary Policy Committee (MPC) decided against further Quantitative Easing (QE) measures. The MPC judged that in order to keep inflation on track to meet the 2% target over the medium term, it was appropriate to keep the Official Bank Rate at 0.5% and maintain its stock of government and corporate debt (financed from central bank reserves) at £200 billion. The Committee noted that this stock of past purchases, together with the low level of the Official Bank Rate, would continue to stimulate the economy. This judgement was reaffirmed in May following the release of the Bank's quarterly inflation report; the Bank's Governor also asserted the need for the new Coalition Government to gain the confidence of financial markets when setting its fiscal policy. In response to the MPC's policy stance interest rates obtainable on the London inter-bank market have remained historically low across all maturities. However, towards the end of May there were fears that the funding deficit problems of Greece and some other EU member states could have serious implications for the European financial system and the Euro. This resulted in sovereign credit downgrades for Greece, Spain and Portugal and a general rise in wholesale money market rates. Some European banks are now being forced to pay more for short-term borrowings than banks

Report of the Investment Manager

for the half year ended 30 June 2010

in the U.S. and Asia. In effect the market is showing signs of stress but nowhere near the extremes seen in 2008 and 2009.

Rated AAA/V1 by Fitch Ratings

The Fund has been assigned a AAA/V1 credit 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.

Responsible investment policy

We monitor our counterparties' Environmental, Social and Governance risk management on a regular basis and take action if necessary. Our research process is based on the work of our Ethical and Responsible Investment team and data provided by EIRiS an ethical investment research company.

Outlook

In the recent emergency budget, the new coalition government announced severe measures to cut spending and raise taxes. Over the next five years, the country will borrow significantly less than planned under the previous government. This will mean scaling back commitments which will reduce short-term economic growth, however, new forecasts by the government's independent Office of Budget Responsibility predict that economic growth will reach 2.9% over the next five years.

Fitch Ratings welcomed the move and said it showed strong intent while Standard and Poor's affirmed the UK's sovereign AAA rating but left the rating outlook on negative. The Official Bank Rate is likely to remain low until the economic recovery is well established.

S Freeman
Fund Manager
CCLA Investment Management Limited

27 July 2010

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.

Average rates of interest paid

for the half year ended 30 June 2010 (unaudited)

<i>Month</i>	<i>Actual % p.a.</i>	<i>Gross A.E.R.* %</i>
January	0.50	0.50
February	0.50	0.50
March	0.50	0.50
April	0.50	0.50
May	0.50	0.50
June	0.50	0.50

<i>Year to 31 December</i>	<i>Actual % p.a.</i>	<i>Gross A.E.R.* %</i>
2005	4.46	4.54
2006	4.47	4.55
2007	5.49	5.60
2008	5.35	5.46
2009	1.22	1.22
Half year ended 30 June 2010	0.50	0.50

* 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.

Interest paid table

for the half year ended 30 June 2010 (unaudited)

<i>Period ended</i>	<i>Date of payment</i>	<i>Total</i> <i>£'000</i>	<i>Average rates of interest paid</i>	
			2010 %	2009 %
31 March 2010	7 April 2010	1,747	0.50	2.22
30 June 2010	7 July 2010	1,656	0.50	1.28
		<u>3,403</u>	<u>0.50</u>	<u>1.75</u>

Summary of deposits placed by maturity at 30 June 2010 (unaudited)

<i>Repayable</i>	30.06.2010		<i>31.12.2009</i>	
	£'000	%	<i>£'000</i>	<i>%</i>
On call	339,327	25.98	230,232	16.02
Within 5 business days	57,000	4.36	97,000	6.75
Within 30 days	263,000	20.13	312,000	21.71
Between 31 and 60 days	298,000	22.81	397,000	27.62
Between 61 and 91 days	314,000	24.04	401,000	27.90
Between 92 and 182 days	25,000	1.91	-	-
Between 183 days and one year	10,000	0.77	-	-
Total deposits	<u>1,306,327</u>	<u>100.00</u>	<u>1,437,232</u>	<u>100.00</u>

Statement of total return

for the half year ended 30 June 2010 (unaudited)

	Notes	30.06.2010 £'000	30.06.2009 £'000
Revenue		4,430	15,640
Expenses	2	<u>(1,644)</u>	<u>(1,729)</u>
Net revenue and total return		2,786	13,911
Finance costs: distributions		<u>(3,403)</u>	<u>(12,832)</u>
Net (decrease)/increase in income reserve		<u>(617)</u>	<u>1,079</u>

The notes on pages 10 to 13 form part of these accounts.

Balance sheet

at 30 June 2010 (unaudited)

	Notes	30.06.2010 £'000	31.12.2009 £'000
ASSETS			
Debtors	4	1,080	1,376
Cash and bank balances		924	1,970
Deposits		1,306,327	1,437,232
Total assets		<u>1,308,331</u>	<u>1,440,578</u>
LIABILITIES			
Current deposits	5	1,294,512	1,432,454
Creditors	6	8,223	1,911
Income reserve	7	5,596	6,213
Total liabilities		<u>1,308,331</u>	<u>1,440,578</u>
Approved on behalf of the Board 27 July 2010		D Henderson, <i>Chairman</i>	

The notes on pages 10 to 13 form part of these accounts.

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 revenue 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

	30.06.2010	<i>30.06.2009</i>
	£'000	<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)	1,617	1,702
Manager's professional fee for ethical services	3	3
	<u>1,620</u>	<u>1,705</u>
Other expenses:		
Trustees administration fee	3	3
Insurance fee	11	11
Audit fee	4	4
Bank charges	5	6
Other	1	-
	<u>24</u>	<u>24</u>
Total expenses	<u>1,644</u>	<u>1,729</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.

4. Debtors	30.06.2010	31.12.2009
	£'000	£'000
Interest receivable	1,056	1,368
Prepayments	24	8
	<u>1,080</u>	<u>1,376</u>

5. Current deposits	30.06.2010	31.12.2009
	£'000	£'000
Charities and Trusts	1,257,879	1,371,996
COIF Charities Investment Fund	19,577	40,349
COIF Charities Ethical Investment Fund	4,195	-
COIF Charities Fixed Interest Fund	2,256	3,082
COIF Charities Property Fund	8,795	12,531
COIF Charities Global Equity Income Fund	1,810	4,496
	<u>1,294,512</u>	<u>1,432,454</u>

Deposits are repayable to clients on demand.

6. Creditors	30.06.2010	31.12.2009
	£'000	£'000
Interest payable	1,629	1,899
Amounts payable on withdrawals	4,645	-
Deferred deposits	1,941	-
Accrued expenses	8	12
	<u>8,223</u>	<u>1,911</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.

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)

	30.06.2010	<i>31.12.2009</i>
Income reserve at the start of the period	£'000	<i>£'000</i>
Transfer (from)/to income reserve	6,213	<i>5,824</i>
Income reserve at the end of the period	(617)	<i>389</i>
	<u>5,596</u>	<i><u>6,213</u></i>

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 2010 (31.12.2009, £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 2010 were as follows:

	<i>Floating rate financial assets*</i>	<i>Fixed rate financial assets</i>	<i>Financial assets not carrying interest</i>	<i>Total</i>
Currency	£'000	£'000	£'000	£'000
Sterling	340,251	967,000	1,080	1,308,331

	<i>Floating rate financial liabilities</i>	<i>Fixed rate financial liabilities</i>	<i>Financial liabilities not carrying interest</i>	<i>Total</i>
Currency	£'000	£'000	£'000	£'000
Sterling	1,300,108	-	8,223	1,308,331

Notes to the accounts

(unaudited)

31 December 2009

	<i>Floating rate financial assets*</i>	<i>Fixed rate financial assets</i>	<i>Financial assets not carrying interest</i>	<i>Total</i>
<i>Currency</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Sterling	232,202	1,207,000	1,376	1,440,578

	<i>Floating rate financial liabilities</i>	<i>Fixed rate financial liabilities</i>	<i>Financial liabilities not carrying interest</i>	<i>Total</i>
<i>Currency</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Sterling	1,438,667	-	1,911	1,440,578

* 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 2010 (31.12.2009, £nil).

9. Related party transactions

The Manager's periodic charge and fee for ethical services is paid to the Manager, a related party to the Fund. The amounts paid to the Manager are disclosed in note 2. There were no outstanding balances due to the Manager at 30 June 2010 (31.12.2009, £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, FCA, Company Director
T Bell, FRICS
P Cawdron, FCA, Company Director (resigned 10.3.10)
T Clark, Solicitor
A Daws, Solicitor
R Fitzalan Howard, Chairman, FF&P Asset Management Limited
G Newson, MRICS

Secretary

J Fox

Manager, Administrator and Registrar

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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

Client Relationship Managers

A Best

M Davies

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 ETHICAL INVESTMENT FUND

- An actively managed fund with a diversified portfolio suitable for a wide range of charities
- Managed with a strong regard for ethical and socially responsible investment principles
- A focus on long term returns and a rising income stream for investors

COIF CHARITIES GLOBAL EQUITY INCOME FUND

- Attractive income
- 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 DEPOSIT 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, Ethical 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.

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