



for Charities

COIF Charities Deposit Fund

**Report and Accounts
Half Year ended 30 June 2011
(unaudited)**

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Trustee and Manager

(inside back cover)

Description of the 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 2011

On behalf of the Board, we have pleasure in presenting our annual 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 aims to provide the strongest level of security together with daily liquidity and a good level of interest. The Fund is rated AAAVI by Fitch ratings.

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.

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 year, 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

Report of the Board

for the half year ended 30 June 2011

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 2011

Report of the Investment Manager

for the half year ended 30 June 2011

Performance

Over the reporting period the Fund achieved a total return before management expenses of 0.44%; this was higher than the Fund's benchmark, the London Inter-Bank Sterling 7-Day Bid Rate (7-day LIBID), which averaged 0.26%.

The Deposit Fund rate over the reporting period increased 5 basis points, averaging 0.69% (an annual equivalent rate (AER) of 0.69%) and at 30 June 2011 the declared rate was 0.70%, (0.70% AER).

Client deposits (excluding those of the other COIF Funds) at 30 June 2011 totalled £991 million.

Market Review

The current state of the domestic economy has meant that the Bank of England's Monetary Policy Committee (MPC) has been divided on how monetary policy should be set. There have been two major economic factors causing the split within the Committee. Firstly, the headline rate of inflation (CPI) has continued to be persistently high relative to the MPC's target. In fact, the headline figure has actually not gone below 3% since December 2009 and it has been above target for 34 of the past 40 months. Neither the Bank of England nor any City commentator now expects CPI to fall before the end of this year. The other factor has been the state of the economy which is struggling to recover from the severe recession. The MPC has been split three ways, some members voting for an immediate hike in rates, one favouring more quantitative easing, but the majority of the committee members have signalled they are prepared to accommodate higher prices as the economy adjusts from recession to recovery. The assumption is that

the official bank rate, which was last lowered to the historical low of 0.5% over two years ago, will not be lowered any further. Should the economy require additional monetary stimulus it will come in the form of another bout of quantitative easing, the Bank of England last used this method when it purchased £200 billion of fixed interest assets between March 2009 and February 2010. Despite the MPC impasse, rates quoted on the sterling inter-bank market are generally higher than the official rate, particularly for periods greater than 90 days. This is a combination of the economic data and market forces resulting from changes in banking regulation. Since the banking crises of 2007 and 2008 the UK banking system has had to strengthen its funding strategies mostly because of regulatory rule changes. New requirements are coming into force which are having a further impact on financial institutions; one of the major changes discourages reliance on short-term wholesale funding from the inter-bank markets.

Rated AAA/V1 by Fitch Ratings

The Fund has been assigned a AAA/V1 Credit and Volatility rating by Fitch Ratings, this was affirmed on 6 January 2011. 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 which 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.

Report of the Investment Manager

for the half year ended 30 June 2011

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 changing 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 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 2011 was 53 days.

Outlook

The UK's inflation problem has been fuelled by higher global commodity and import prices and a fall in the value of sterling. Underlying inflationary pressures would be of greater concern if an upward wage-price spiral began to develop, wage cost pressures began to rise and broad money supply growth accelerates. In the absence of these pressures the majority of the MPC members have made it clear they are willing to keep rates unchanged until growth picks up at a sustained rate.

It is becoming very possible that the MPC will now look through the rise in the rate of inflation during this year, to the fall which is expected in 2012 and maintain the official bank rate at 0.5% for the whole of 2011. There is an upside risk to the official bank rate, with a small possibility of a 25 basis point increase in the last quarter of 2011 but we acknowledge the interest rate outlook remains very uncertain with inflation above target and the present weak economic growth trend.

S Freeman
Fund Manager
CCLA Investment Management Limited
28 July 2011

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 2011 (unaudited)

Month	Actual % p.a.	Gross AER* % p.a.
January 2011	0.65	0.65
February 2011	0.66	0.66
March 2011	0.70	0.70
April 2011	0.70	0.70
May 2011	0.70	0.70
June 2011	0.70	0.70

Year to 31 December	Actual % p.a.	Gross AER* % p.a.
2006	4.47	4.55
2007	5.49	5.60
2008	5.35	5.46
2009	1.22	1.22
2010	0.52	0.52
Half year ended 30 June 2011	0.69	0.69

*Annual Equivalent Rate (A.E.R.) illustrates what the annual interest rate would be if the quarterly interest 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 2011 (unaudited)

Period ended	Date of payment	Total £' 000	Average rates of interest paid	
			2011 %	2010 %
31 March 2011	7 April 2011	1,799	0.67	0.50
30 June 2011	6 July 2011	1,787	0.70	0.50
		<u>3,586</u>	<u>0.69</u>	<u>0.50</u>

Summary of deposits placed by maturity at 30 June 2011 (unaudited)

Repayable	30.6.2011		31.12.2010	
	£' 000	%	£' 000	%
On call	184,881	18.31	234,887	21.18
Within 5 business days	60,000	5.94	70,000	6.31
Within 30 days	160,000	15.84	240,000	21.64
Between 31 and 60 days	190,000	18.81	235,000	21.19
Between 61 and 91 days	210,000	20.79	190,000	17.14
Between 92 and 182 days	190,010	18.81	107,000	9.65
Between 183 days and one year	15,000	1.50	32,008	2.89
Total deposits	<u>1,009,891</u>	<u>100.00</u>	<u>1,108,895</u>	<u>100.00</u>

Statement of total return

for the half year ended 30 June 2011 (unaudited)

		30.6.2011	30.6.2010
		£'000	£'000
Revenue		4,732	4,430
Expenses	2	<u>(1,314)</u>	<u>(1,644)</u>
Net revenue and total return		3,418	2,786
Finance costs: distributions		<u>(3,586)</u>	<u>(3,403)</u>
Net (decrease)/increase in income reserve		<u><u>(168)</u></u>	<u><u>(617)</u></u>

The notes on pages 11 to 15 form part of these accounts.

The above statement shows the comparative net decrease in income reserve at 30 June 2010 whereas the net decrease in income reserve for the year ending 31 December 2010 was £587,365.

Balance sheet

at 30 June 2011 (unaudited)

	Notes	30.6.2011 £'000	31.12.2010 £'000
ASSETS			
Debtors	4	1,986	1,448
Cash and bank balances		1,937	4,474
Deposits		<u>1,009,891</u>	<u>1,108,895</u>
Total assets		<u><u>1,013,814</u></u>	<u><u>1,114,817</u></u>
LIABILITIES			
Current deposits	5	1,006,536	1,107,510
Creditors	6	1,820	1,681
Income reserve	7	<u>5,458</u>	<u>5,626</u>
Total liabilities		<u><u>1,013,814</u></u>	<u><u>1,114,817</u></u>
Approved on behalf of the Board 28 July 2011		D Henderson, Chairman	

The notes on pages 11 to 15 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 October 2010.

(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

	30.6.2011	30.6.2010
	£'000	£'000
Payable to the Manager, associates of the Manager and agents of either of them:		
Manager's periodic charge – see note 1(c)	1,263	1,617
Manager's fee for ethical services	3	3
	<u>1,266</u>	<u>1,620</u>
Other expenses		
Trustees administration fee	3	3
Insurance	11	11
Audit fee	4	4
Bank charges	6	5
Other expenses	24	1
Total expenses	<u>48</u>	<u>24</u>
The above expenses include VAT where applicable.	<u>1,314</u>	<u>1,644</u>

Notes to the accounts

(unaudited)

3. Taxation

The Fund is exempt from UK income 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

	30.6.2011	31.12.2010
	£'000	£'000
Interest receivable	1,947	1,421
Prepayments	39	27
	<u>1,986</u>	<u>1,448</u>

5. Current deposits

	30.6.2011	31.12.2010
	£'000	£'000
Charities and Trusts	991,135	1,078,411
COIF Charities Investment Fund	12,861	18,933
COIF Charities Ethical Fund	479	6,349
COIF Charities Fixed Interest Fund	90	1,348
COIF Charities Property Fund	462	1,295
COIF Charities Global Equity Income Fund	1,509	1,174
	<u>1,006,536</u>	<u>1,107,510</u>

Deposits are repayable to clients on demand.

6. Creditors

	30.6.2011	31.12.2010
	£'000	£'000
Interest payable	1,787	1,659
Accrued expenses	33	22
	<u>1,820</u>	<u>1,681</u>

Notes to the accounts

(unaudited)

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 even though 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.

	30.6.2011	31.12.2010
	£'000	£'000
Income reserve at the start of the year	5,626	6,213
Transfer (from)/to income reserve	(168)	(587)
Income reserve at the end of the period	<u>5,458</u>	<u>5,626</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 2011 (31.12.2010, £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 rate will result in revenue either increasing or decreasing.

Notes to the accounts

(unaudited)

The interest rate risk profile of the Fund's financial assets and liabilities at 30 June 2011 was as follows:

Currency	Floating rate financial assets* £'000	Fixed rate financial assets £'000	Financial assets not carrying interest £'000	Total £'000
Sterling	186,818	825,010	1,986	1,013,814

Currency	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000
Sterling	1,011,994	-	1,820	1,013,814

31 December 2010

<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	234,887	878,482	1,448	1,114,817

<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	1,113,136	-	1,681	1,114,817

* 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 2011 (31.12.2010, £nil).

Notes to the accounts

(unaudited)

9. Related party transactions

The Manager's periodic charge and fee for governance services are 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 2011 (31.12.2010, £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 received 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 which 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
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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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

J Fox

Head of Operational Risk, Internal Audit and Compliance

A Kemp

Head of Ethical and Responsible Investment

H Wildsmith

Corporate Trustee and Custodian

HSBC Bank plc
8 Canada Square,
London E14 5HQ

Banker

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.

A CHOICE OF SIX FUNDS

The six COIF Charity Funds aim to meet most of the investment and deposit needs of 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

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

Global Equity Income Fund

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

Fixed Interest Fund

- Long-term investment focused on income
- Gross income paid quarterly
- Usually held with other investments such as equities

The Deposit Fund is rated AAA by Fitch Ratings. This reflects the high credit quality of the portfolio.

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.

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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and cash to give a broad spread of assets and achieve combined income and growth objectives

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

Deposit Fund

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