

COIF CHARITIES FIXED INTEREST FUND  
ANNUAL REPORT AND  
FINANCIAL STATEMENTS

Year ended 31 December 2017

**CCLA**

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\*Collectively, these comprise the Manager's Report.

\*\*Audited.

References to "CCLA" refer to the CCLA Group, comprising CCLA Investment Management Limited and CCLA Fund Managers Limited.

**Disability Discrimination Act 1995**

Extracts from the Annual Report and Financial Statements are available in large print and audio formats.

**REPORT OF THE BOARD****for the year ended 31 December 2017**

On behalf of the Board, I have pleasure in presenting the Annual Report and Financial Statements of the COIF Charities Fixed Interest Fund (the Fund), which includes a separate report from CCLA Fund Managers Limited (the Manager) as Manager of the Fund.

**Structure and management of the Fund**

The Fund is a Common Investment Fund established in 1990 and is now regulated by the Scheme dated 29 November 2000 and made under section 24 of the Charities Act 1993, now section 96 of the Charities Act 2011 and amended by resolutions of the Trustees of the Fund dated 13 May 2009, 21 July 2014, 22 July 2014 and 17 November 2015 (as amended from time to time). The Fund is managed by the Manager as an unregulated collective investment scheme and as an alternative investment fund in accordance with the FCA Regulations and the Alternative Investment Fund Managers Directive (AIFMD) Legislation.

The Board, created under the Scheme, is made up of individuals appointed under the Scheme. Together, these individuals have wide experience of finance, investments, charities and the law. No Board member is required to be authorised by the FCA because the Board does not carry out regulated activities in relation to the Fund. The investment management, administration, registrar and secretarial functions of the Fund have been delegated to the Manager. The Board meets at least four times per annum to receive reports and monitor the progress of the Fund.

The Board is responsible for setting and subsequently reviewing the investment policy of the Fund, monitoring performance, obtaining Charity Commission orders for the appointment and discharge of the Manager and Depositary, appointing the Auditors to the Fund and agreeing the fees charged by the Depositary, the Manager and the Auditors.

The Trustee and Depositary, HSBC Bank plc, appointed under the Scheme is responsible for the supervision and oversight of the Manager's compliance with the Scheme and Scheme Particulars and also for the custody and safekeeping of the property of the Fund. It is also responsible for the appointment and supervision of the Registrar of the Fund. The division between management and Depositary functions provides an additional layer of protection for unitholders. The Board, Depositary and Manager are considered Charity Trustees of the Fund within the meaning of the Charities Act 1993 (amended Charities Act 2011).

**Investment objective**

The Fund aims to provide investors with an income yield and a total return in excess of the Benchmark.

**Investment policy**

The portfolio is an actively managed, diversified portfolio invested predominantly in sterling denominated fixed interest securities and will consist primarily of UK fixed interest securities, but may also include other asset classes.

**REPORT OF THE BOARD**

for the year ended 31 December 2017

**Benchmark**

The composite benchmark for the Fund is Markit iBoxx™ £ Gilts Index 50% and Markit iBoxx™ £ Non Gilts Index 50%.

**Suitability**

The Fund is suitable for the long-term funds of any charity seeking an income by investing in UK bonds.

**Review of investment activities and policies of the Fund**

The Board met quarterly during the year to carry out its responsibility for the approval of investment strategy and for setting distribution policy, to monitor investment diversification, suitability and risk and to review the performance of the Fund. In addition, the Board monitored the administration, expenses and pricing of the Fund.

The Board reviewed the progress of the Manager and approved the valuation of the investments in the Fund, which are included within these Financial Statements in the portfolio statement.

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, which appears later, provides further details.

**Responsible investment and stewardship**

The Fund is managed in accordance with CCLA's responsible investment approach. This integrates environmental, social and governance issues into investment decision making and prioritises ongoing stewardship with investee companies. These activities are conducted with the aim of increasing the security of the Fund.

The Manager is a signatory to the United Nations backed Principles of Responsible Investment and the Financial Reporting Council's Stewardship Code. The most recent PRI Assessment and the full response to the Stewardship Code are available at <https://www.ccla.co.uk/our-approach/how-we-approach-stewardship-and-ethics>.

**Ethical investment**

The Board's main purpose is to obtain the best return for unitholders, consistent with commercial prudence and the need to ensure adequate spread and diversification of assets.

In this spirit, the Board has adopted an ethical investment policy which reflects client priorities researched by the Manager. The Fund avoids investing in companies involved in the production of weapons banned by international treaties (e.g. land mines and cluster bombs) or with significant business activity (defined as 33% of revenue) in the following areas: online gambling, production of pornography or tobacco.

**REPORT OF THE BOARD****for the year ended 31 December 2017**

We recognise that the ethical investment priorities of unitholders change over time. For this reason, the Fund's policy is reviewed every three years. Following an extensive client survey, the Board has agreed a number of small revisions to the ethical investment policy. These changes will:

- Refocus the existing investment restriction from companies who derive more than 33% of their revenue from tobacco to those involved in the production of tobacco products; and
- Tighten the definition of 'significant business activity' in online gambling and the production of pornography from 33% of revenue to 10% of revenue.

The changes will come into effect from 1 July 2018.

**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 year, the Board, assisted by the Manager, reviewed the Fund's systems of internal control. The Board receives from the Manager and reviews a formal risk management report setting out the main risks facing the Fund and the assessment of each risk after application of mitigating controls.

R Norris  
Chairman  
14 May 2018

## REPORT OF THE INVESTMENT MANAGER

### for the year ended 31 December 2017

#### Performance

Over the year the Fund achieved a total return of 3.25% before expenses. This compares to a return on the benchmark of 3.15%. The return on an Income Unit, after all costs and charges, but including the income paid to investors, was 2.95%; the return on an Accumulation Unit was the same. The relative performance was helped by an exposure to corporate bonds, which achieved stronger returns than the government

alternatives. Less helpful was the overall defensive stance to strategy with a duration less than that on the benchmark; longer dated bonds performed well. At 31 December 2017, the income yield on the Fund was 3.20%. The gross redemption yield, which includes income and future changes in capital values, was 1.42%. When the income yield is higher than the gross redemption yield, then some income is being paid at the expense of capital.

#### Annualised total capital and income return

To 31 December 2017	1 year %	5 years % p.a.	10 years % p.a.
<b>Performance against market indices (before expenses)</b>			
COIF Charities Fixed Interest Fund	3.25	4.85	6.06
Benchmark <sup>#</sup>	3.15	5.04	6.26
iBoxx £ Gilts	1.97	4.46	6.01
iBoxx £ Non Gilts	4.31	5.59	6.22
<b>Performance after expenses</b>			
Income units <sup>*</sup>	2.95	4.65	5.84
Accumulation units <sup>*</sup>	2.95	4.66	5.85

<sup>#</sup> Benchmark – Composite: From 01.01.16 iBoxx £ Gilt 50% and iBoxx £ Non Gilt 50%. To 31.12.15 Barcap £ Gilt 50% and £ Agg 100mm Non Gilt 50%. To 31.12.12 Barcap £ Gilt 80% and £ Agg 100mm Non Gilt 20%.

<sup>\*</sup> Mid to mid plus income re-invested.

Source: CCLA.

## REPORT OF THE INVESTMENT MANAGER for the year ended 31 December 2017

### Market Review

The UK fixed interest market traded in a narrow range over the year, ending the year with modest positive returns. Values were supported by the strong flow of cash available for investment, but there was also a number of factors which held back returns. Inflation was a particular problem, rising to over 3% due to the push to imported costs from currency weakness. The increased pace of global growth was another factor, because it made other assets potentially more attractive, but more importantly because stronger growth brought into question the justification for existing supportive monetary policies. The decision by the Bank of England to increase interest rates was expected by investors and so had little fresh impact on valuations. Although the Bank warned of further interest rate increases in the months ahead, investors remained sceptical of more than one move higher. The best performing parts of the sector were long dated corporate bonds and those with a lower credit rating which materially outperformed the returns on government bonds.

### Strategy

The Fund is invested in UK government bonds and a diversified range of good quality corporate issues. Throughout the year the portfolio has had a bias towards corporate issues to benefit from the higher income yields they traditionally provide. Overall, the portfolio had a shorter duration than the benchmark. This is part of a defensive strategy intended to provide protection against a future increase in yields.

As at 31 December 2017, the asset allocation was 42.33% in gilts, 55.23% in corporate bonds and 2.44% in cash.

### Outlook

We expect the UK economy to expand in the year at a pace similar to that experienced in 2017. Growth will be supported by the expansion in the world economy, but domestic demand will continue to be impacted by the brake on consumer expenditure caused by the UK's relatively high rate of inflation. A further increase in Official Base Rate is likely, but the size of the move will depend on the blend of growth and inflation achieved. A key consideration will be the effect on bond demand from reduced quantitative easing programmes. These have been a key support to fixed interest markets in recent years, but the flow of new monies into investment markets from this source will decline sharply in 2018.

We view the sector as fully valued at what we believe is a mature phase of the credit cycle. In an environment of robust growth and rising interest rates it is quite possible that yields adjust higher, to the detriment of total returns. We expect to continue with a cautious bias to strategy.

J Bevan  
Chief Investment Officer  
CCLA Fund Managers Limited  
14 May 2018

## REPORT OF THE INVESTMENT MANAGER

### for the year ended 31 December 2017

#### Top ten changes in portfolio composition

	Cost £'000		Proceeds £'000
<b>Purchases:</b>		<b>Sales:</b>	
Brown Forman 2.6% 2028	1,430	Treasury 5% 2025	5,062
Treasury 2.75% 2024	1,342	Treasury 4.25% 2032	2,662
Treasury 2.25% 2023	1,338	Treasury 8% 2021	1,666
KFW 5.55% 2021	1,184	NRW Bank 0.875% 2017	1,401
National Grid North		Permanent Master Issuer	
America 1.875% 2018	1,020	4.805% 2042	1,200
Thames Water Utilities 2.625% 2032	914	WPP 6% 2017	1,087
Treasury 4.5% 2034	862	Old Mutual 8% 2021	754
Procter & Gamble 1.8% 2029	726	Treasury 4.25% 2040	709
Swedbank 1.25% 2021	349	Treasury 4.25% 2046	634
General Accident 7.875%		RSA Insurance 9.375% VRN 2039	576
Preference Shares	225		

When a stock has both purchases and sales in the reporting period, these transactions have been netted and the net amount has been reflected as either a net purchase or net sale in the table above.

#### Portfolio composition by credit rating

Rating category	% Fund
AAA	10.0
AA	51.3
A	11.4
BBB	20.2
Non investment grade	1.4
Not rated (Debentures/Preference Shares)	5.7

#### Risk warning

The Fund's units and the revenue from them can fall as well as rise and an investor may not get back the amount originally invested. Past performance is no guarantee of future returns.

The Fund's units are intended only for long-term investment and are not suitable for money liable to be spent in the near future. They are realisable only on each weekly dealing day.

The Fund's income yield is an indication of the expected level of income. The corresponding gross redemption yield is an estimate of total return over the long term. The Fund's income yield and gross redemption yield are not guaranteed and will change over time. When the Fund's income yield is higher than the gross redemption yield, some revenue is being paid at the expense of capital.

**REPORT OF THE DEPOSITARY**  
for the year ended 31 December 2017

Having carried out such procedures as we consider necessary to discharge our responsibilities as Depositary of the Fund, it is our opinion, based on the information available to us and the explanations provided, that in all material respects the Fund, acting through the AIFM has been managed in accordance with the rules in the Sourcebook, the Scheme Particulars of the Company and as required by the AIFMD.

HSBC Bank plc  
Trustee and Depositary Services  
8 Canada Square  
London E14 5HQ

HSBC Bank plc is authorised and regulated by  
the Financial Conduct Authority  
14 May 2018

## INDEPENDENT AUDITORS' REPORT to the Trustees of COIF Charities Fixed Interest Fund

### Report on the audit of the financial statements

#### *Opinion*

In our opinion, COIF Charities Fixed Interest Fund's financial statements (the "financial statements"):

- give a true and fair view of the state of the charity's affairs as at 31 December 2017 and of its incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law), and the Statement of Recommended Practice for UK Authorised Funds; and
- have been prepared in accordance with the requirements of section 144 of the Charities Act 2011 and Regulation 6 of The Charities (Accounts and Reports) Regulations 2008).

We have audited the financial statements, included within the Annual Report and Audited Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2017; the statement of total return; the statement of change in net assets attributable to unitholders for the year then ended; the distribution tables; and the notes to the financial statements, which include a description of the significant accounting policies.

#### *Basis for opinion*

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Independence*

We remained independent of the charity in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements.

#### *Conclusions relating to going concern*

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

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

## INDEPENDENT AUDITORS' REPORT to the Trustees of COIF Charities Fixed Interest Fund

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to charity's ability to continue as a going concern.

### *Reporting on other information*

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The trustees are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

### *Reporting required by the Charities Act 2011*

Under the Charities Act 2011 we are required to report to you if, in our opinion the information given in the Trustees' Annual Report is inconsistent in any material respect with the financial statements. We have no exceptions to report arising from this responsibility.

### *Responsibilities for the financial statements and the audit*

*Responsibilities of the Manager for the financial statements*  
As explained more fully in the *Statement of Board, Depositary and Manager Responsibilities* set out on page 37, the manager is responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The manager is also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## INDEPENDENT AUDITORS' REPORT to the Trustees of COIF Charities Fixed Interest Fund

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

### *Auditors' responsibilities for the audit of the financial statements*

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

### *Use of this report*

This report, including the opinions, has been prepared for and only for the charity's trustees as a body in accordance with section 144 of the Charities Act 2011 and regulations made under section 154 of that Act (Regulation 24 of The Charities (Accounts and Reports) Regulations 2008) and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### **Other required reporting**

#### *Charities Act 2011 exception reporting*

Under the Charities Act 2011 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- sufficient accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns.

**INDEPENDENT AUDITORS' REPORT**  
to the Trustees of COIF Charities Fixed Interest Fund

We have no exceptions to report arising from this responsibility.

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
7 More London  
Riverside  
London  
14 May 2018

PricewaterhouseCoopers LLP is eligible to act, and has been appointed, as auditor under section 144(2) of the Charities Act 2011.

## RISK AND REWARD PROFILE

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



The Fund is ranked 4 because funds of this type have experienced average rises and falls in value in the past. Please note that even the lowest risk class can lose you money and that extreme market circumstances can mean you suffer severe losses in all cases.

The risk and reward disclosures above are based upon categories of risk which were required to be disclosed as at 31 December 2017, the reporting date of these financial statements. From 1 January 2018, new measures of the categories of risk are in force, with the result that the risk disclosures currently available for the Fund in the Key Information Document are not on a comparable basis to the disclosures above.

For further risk information, please see the Scheme Particulars, which are available on the Manager's website at [www.ccla.co.uk](http://www.ccla.co.uk).

## COMPARATIVE TABLE

## Change in net assets per unit

	Year to 31.12.2017 pence per unit	Income units	
		Year to 31.12.2016 pence per unit	Year to 31.12.2015 pence per unit
Opening net asset value per unit	138.59	131.11	136.30
Return before operating charges*	4.56	13.43	0.72
Operating charges	(0.42)	(0.43)	(0.39)
Return after operating charges*	4.14	13.00	0.33
Distributions on income units	(4.44)	(5.52)	(5.52)
Closing net asset value per unit	138.29	138.59	131.11
* after direct transaction costs of (pence per unit):	–	–	–

## Performance

Return after charges	2.99%	9.92%	0.24%
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## Other information

Closing net asset value (£'000)	104,610	112,500	96,146
Closing number of units	75,645,350	81,176,786	73,330,889
Operating charges**	0.30%	0.31%	0.29%
Direct transaction costs	0.00%	0.00%	0.00%

## Prices (pence per unit)

Highest unit price (offer)	142.87	149.45	142.60
Lowest unit price (bid)	135.67	132.80	131.18

The return after charges has been calculated in accordance with the Statement of Recommended Practice for UK Authorised Funds' (SORP) prescribed calculation methodology. This is for financial statement reporting purposes only and differs from the Fund's performance disclosed in the Report of the Investment Manager.

\*\* Operating charges comprise the Manager's periodic charge and other expenses, including VAT, but before taking account of rebates, as these only offset charges incurred within the underlying funds. The percentages above reflect these charges divided by average net assets for the year.

## COMPARATIVE TABLE

## Change in net assets per unit

	Accumulation units		
	Year to 31.12.2017 pence per unit	Year to 31.12.2016 pence per unit	Year to 31.12.2015 pence per unit
Opening net asset value per unit	835.15	759.68	758.02
Return before operating charges*	27.79	77.99	3.93
Operating charges	(2.54)	(2.52)	(2.27)
Return after operating charges*	25.25	75.47	1.66
Distributions on accumulation units	(31.22)	(30.17)	(31.19)
Retained distributions on accumulation units	31.22	30.17	31.19
Closing net asset value per unit	860.40	835.15	759.68
* after direct transaction costs of (pence per unit):	–	–	–
<b>Performance</b>			
Return after charges	3.02%	9.93%	0.22%
<b>Other information</b>			
Closing net asset value (£'000)	20,842	19,218	19,390
Closing number of units	2,422,419	2,301,095	2,552,400
Operating charges**	0.30%	0.31%	0.29%
Direct transaction costs	0.00%	0.00%	0.00%
<b>Prices (pence per unit)</b>			
Highest unit price (offer)	872.05	883.40	793.09
Lowest unit price (bid)	817.55	769.45	744.63

The return after charges has been calculated in accordance with the Statement of Recommended Practice for UK Authorised Funds' (SORP) prescribed calculation methodology. This is for financial statement reporting purposes only and differs from the Fund's performance disclosed in the Report of the Investment Manager.

\*\* Operating charges comprise the Manager's periodic charge and other expenses, including VAT, but before taking account of rebates, as these only offset charges incurred within the underlying funds. The percentages above reflect these charges divided by average net assets for the year.

## OPERATING CHARGES ANALYSIS

for the year ended 31 December 2017

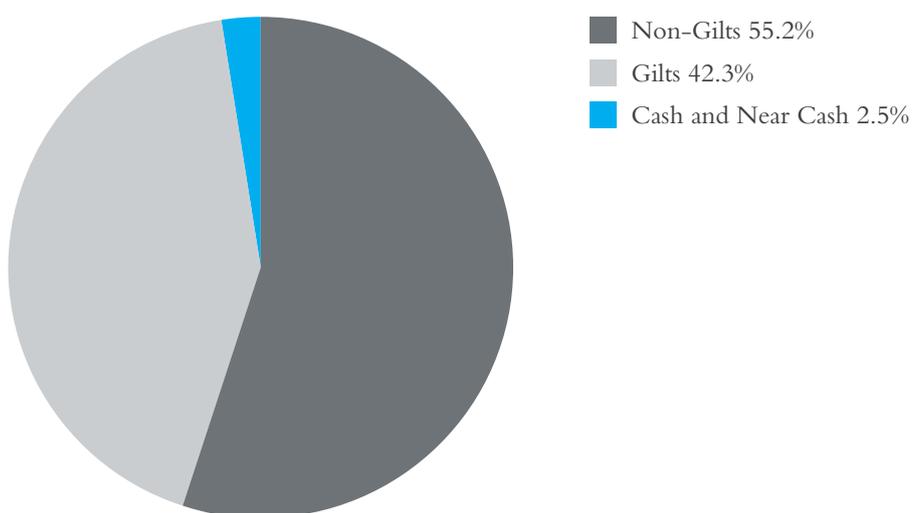
The table below analyses expenses in Note 4 to the financial statements. These expenses also represent the total operating charges, which are shown below as a percentage of average net assets. These percentages are also shown in total in the comparative tables.

	31.12.2017	31.12.2016
	%	%
Manager's periodic charge including VAT	0.26	0.26
Manager's fee for ethical services	0.00	0.00
Safe custody fees and depositary fee	0.02	0.02
Other expenses	0.02	0.03
<b>Total operating charges</b>	<b>0.30</b>	<b>0.31</b>

## PORTFOLIO ANALYSIS

at 31 December 2017

## Portfolio Allocation



## By term to maturity

Period	% Fund
0-5 years	25.2
5-10 years	26.2
10-15 years	13.9
Over 15 years	34.7
Duration (modified)	9.3 yrs
Average term to maturity	12.4 yrs

The portfolio analysis above is consistent with the Fund's factsheets, which differ from the following portfolio statement because prices used here are mid-market rather than bid.

## PORTFOLIO STATEMENT

at 31 December 2017

	Holding	Fair value £'000	% of total net assets
<b>Gilts – 42.18% (31.12.2016, 46.68%)</b>			
Treasury 8% 2021	£2,139,000	2,678	2.14
Treasury 2.25% 2023	£1,240,000	1,337	1.07
Treasury 2.75% 2024	£1,200,000	1,341	1.07
Treasury 5% 2025	£6,975,000	8,936	7.12
Treasury 6% 2028	£7,700,000	11,422	9.10
Treasury 4.5% 2034	£2,492,000	3,543	2.82
Treasury 4.25% 2040	£4,106,375	6,043	4.82
Treasury 4.5% 2042	£3,016,000	4,672	3.72
Treasury 3.25% 2044	£884,000	1,153	0.92
Treasury 4.25% 2046	£7,565,000	11,794	9.40
<b>Non-Gilts – 54.05% (31.12.2016, 52.13%)</b>			
Affordable Housing Finance 3.8% 2044	£1,350,000	1,779	1.42
Asciano Finance 5% 2023	£850,000	957	0.76
AT&T 4.25% 2043	£330,000	358	0.29
AXA Variable Perpetual	£1,430,000	1,636	1.31
Bank of Scotland 10.5% 2018	£1,010,000	1,022	0.82
BL Superstore Finance 4.482% 2025	£145,000	81	0.07
British Telecom 8.625% 2020	£1,065,000	1,239	0.99
Brown Forman 2.6% 2028	£1,370,000	1,404	1.12
Centrica 6.375% 2022	£133,000	159	0.13
Centrica 6.4% 2026	£1,200,000	1,560	1.24
Citigroup 5.125% 2018	£1,281,000	1,330	1.06
Community Finance 5.017% 2034	£700,000	946	0.76
Compass Group 3.85% 2026	£100,000	115	0.09
Coventry Building Society 6% 2019	£1,103,000	1,199	0.96
Deutsche Bahn 2.75% 2022	£157,000	168	0.13
Deutsche Telekom 7.625% 2030	£83,000	128	0.10
Digital Stout 4.75% 2023	£325,000	367	0.29
E.ON 6.75% 2039	£650,000	1,019	0.81
East Japan Railway 4.875% 2034	£1,100,000	1,468	1.17
EIB 5.625% 2032	£115,000	171	0.14
Eversholt 5.831% 2020	£1,145,000	1,289	1.03
Experian Finance 4.75% 2018	£1,140,000	1,179	0.94
Fidelity 7.125% 2024	£830,000	1,043	0.83
Finland (Republic of) 1% 2018	£100,000	101	0.08
FNMA 5.375% 2028	£126,000	168	0.13

## PORTFOLIO STATEMENT

at 31 December 2017

	Holding	Fair value £'000	% of total net assets
Friends Life 12% 2021	£672,000	905	0.72
Friends Life 8.25% 2022	£100,000	128	0.10
GE Capital UK Funding 8% 2039	£1,030,000	1,870	1.49
General Accident 7.875% Preference Shares	1,215,000	1,841	1.47
GlaxoSmithKline Capital 3.375% 2027	£1,100,000	1,232	0.98
GlaxoSmithKline Capital 5.25% 2042	£63,000	92	0.07
Great Rolling Stock 6.5% 2031	£100,000	118	0.10
Heathrow Funding 6% 2020	£1,050,000	1,156	0.92
HSBC 6.5% 2024	£127,000	161	0.13
HSBC 6% 2040	£66,000	91	0.07
Intercontinental Hotels 3.875% 2022	£1,231,000	1,352	1.08
John Lewis 6.125% 2025	£140,000	169	0.14
KFW 1.125% 2019	£151,000	153	0.12
KFW 5.55% 2021	£1,000,000	1,159	0.92
KFW 6% 2028	£228,000	330	0.26
KFW 5% 2036	£294,000	444	0.35
LCR Finance 4.5% 2028	£264,000	341	0.27
Legal and General 5.5% VRN 2064	£100,000	116	0.09
Lloyds TSB 5.125% 2025	£2,118,000	2,635	2.10
Marks and Spencer 3% 2023	£727,000	753	0.60
McDonalds 6.375% 2020	£600,000	664	0.53
Motability 5.625% 2030	£100,000	137	0.11
Munich 6.625% VRN 2042	£100,000	120	0.10
Myriad Capital 4.75% 2043	£1,375,000	1,761	1.40
National Grid North America 1.875% 2018	£1,005,000	1,010	0.81
National Grid 7.375% 2031	£75,000	116	0.09
Nestle 2.25% 2023	£1,780,000	1,874	1.49
Network Rail 4.625% 2020	£284,000	312	0.25
Next 4.375% 2026	£100,000	111	0.09
Old Mutual 8% 2021	£514,000	598	0.48
Orange 5.625% 2034	£65,000	88	0.07
Pepsico 2.5% 2022	£163,000	173	0.14
Pfizer 2.735% 2043	£908,000	916	0.73
Places for People 2.875% 2026	£1,430,000	1,411	1.13
Procter and Gamble 1.8% 2029	£727,000	715	0.57
Prudential 11.375% VRN 2039	£488,000	556	0.44
Rabobank 4% 2022	£100,000	112	0.09
Rio Tinto 4% 2029	£687,000	806	0.64

## PORTFOLIO STATEMENT

at 31 December 2017

	Holding	Fair value £'000	% of total net assets
Rolls-Royce 3.375% 2026	£100,000	110	0.09
Royal Bank of Scotland 5.125% 2024	£1,793,000	2,174	1.73
Santander 5.75% 2026	£2,050,000	2,693	2.15
Scottish Widows PLC 5.5% 2023	£1,060,000	1,212	0.97
Segro 5.625% 2020	£1,425,000	1,598	1.27
Severn Trent 6% 2018	£1,027,000	1,030	0.82
Siemens Financieringsmat 2.75% 2025	£200,000	216	0.17
SSE 5.875% 2022	£134,000	161	0.13
Standard Life 6.546% VRN Perpetual	£72,000	79	0.06
Swedbank 1.25% 2021	£350,000	350	0.28
Telereal 4.01% 2033	£650,000	567	0.45
Temasek Financial 5.125% 2040	£158,000	235	0.19
Tesco 6.125% 2022	£1,010,000	1,165	0.93
Thames Water Utilities 2.625% 2032	£900,000	888	0.71
THFC Funding 5.20% 2043	£620,000	856	0.68
Time Warner Cable 5.25% 2042	£100,000	113	0.09
Transport for London 3.875% 2042	£288,000	367	0.29
Transport for London 3.625% 2045	£1,600,000	1,987	1.58
TSB Banking Group 5.75% VRN 2026	£1,150,000	1,273	1.02
United Utilities 5.375% 2018	£930,000	945	0.75
University of Cambridge 3.75% 2052	£680,000	953	0.76
Vattenfall 6.875% 2039	£55,000	89	0.07
Vodafone 8.125% 2018	£1,077,000	1,146	0.91
Wellcome Trust Finance 4.625% 2036	£129,000	179	0.14
<b>INVESTMENT ASSETS</b>		120,717	96.23
<b>NET OTHER ASSETS</b>		4,735	3.77
<b>TOTAL NET ASSETS</b>		125,452	100.00

STATEMENT OF TOTAL RETURN  
for the year ended 31 December 2017

	Note	Year ended 31.12.2017		Year ended 31.12.2016	
		£'000	£'000	£'000	£'000
Income					
Net capital gains	2		891		8,519
Revenue	3	3,272		3,468	
Expenses	4	(382)		(382)	
Net revenue before taxation		2,890		3,086	
Taxation	5	–		–	
Net revenue after taxation			2,890		3,086
<b>Total return before distributions</b>			<b>3,781</b>		<b>11,605</b>
Distributions	6		(4,182)		(4,868)
<b>Change in net assets attributable to unitholders from investment activities</b>			<b>(401)</b>		<b>6,737</b>

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS  
for the year ended 31 December 2017

	Year ended 31.12.2017		Year ended 31.12.2016	
	£'000	£'000	£'000	£'000
<b>Opening net assets attributable to unitholders</b>		<b>131,718</b>		<b>115,536</b>
Amounts receivable on issue of units	4,122		16,631	
Amounts payable on cancellation of units	(10,713)		(7,939)	
		(6,591)		8,692
Change in net assets attributable to unitholders from investment activities		(401)		6,737
Retained distributions on accumulation units		726		753
<b>Closing net assets attributable to unitholders</b>		<b>125,452</b>		<b>131,718</b>

The notes on pages 24 to 35 and distribution tables on page 36 form part of these financial statements.

**BALANCE SHEET**  
at 31 December 2017

	<i>Note</i>	31.12.2017		31.12.2016	
		£'000	£'000	£'000	£'000
<b>ASSETS</b>					
Fixed assets:					
Investments			120,717		130,156
Current assets:					
Debtors	7	1,671		1,812	
Cash equivalents	8	2,731		3,056	
Cash and bank balances	8	1,216		543	
Total current assets			5,618		5,411
<b>Total assets</b>			<b>126,335</b>		<b>135,567</b>
<b>LIABILITIES</b>					
Creditors					
Other creditors	9	43		2,729	
Distribution payable on income units		840		1,120	
Total creditors			883		3,849
<b>Total liabilities</b>			<b>883</b>		<b>3,849</b>
<b>Net assets attributable to unitholders</b>			<b>125,452</b>		<b>131,718</b>

The financial statements on pages 22 to 36 have been approved by the Board.

Approved on behalf of the Board  
14 May 2018

R Norris, Chairman

The notes on pages 24 to 35 and distribution tables on page 36 form part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

### 1. Accounting policies

#### *(a) Basis of preparation*

The financial statements have been prepared on a going concern basis, in compliance with FRS 102 and in accordance with the Statement of Recommended Practice for UK Authorised Funds (SORP) issued by the Investment Management Association in May 2014, the Charities Act 2011, and in accordance with the Scheme and the Collective Investment Scheme Sourcebook. The financial statements have been prepared under the historical cost basis, as modified by the revaluation of investments.

The Fund is exempt from preparing a statement of cash flows under FRS 102 as substantially all of the Fund's investments are highly liquid, substantially all of the Fund's investments are carried at market value and the Fund provides a statement of changes in net assets.

#### *(b) Revenue recognition*

Interest on Government stocks, debentures, Euro sterling bonds, other fixed interest stocks, bank deposits and deposits in the COIF Charities Deposit Fund are accrued on a daily basis.

Dividends on preference shares are accrued to revenue on the dates when the units are first quoted ex-dividend, or otherwise, on receipt of cash.

Revenue on debt securities is recognised on the effective yield basis which takes into account the amortisation of any discounts or premiums arising on the purchase price, compared to the final maturity value, over the remaining life of the security. Accrued interest purchased or sold is excluded from the cost of the security and is recognised as revenue of the Fund.

Revenue is stated net of irrecoverable tax credits.

#### *(c) Expenses*

During the year, the Manager's periodic charge was paid to the Manager and was charged to the revenue expenses of the Fund before distribution. The fee is based on a fixed percentage of the value of the Fund, which is currently 0.22% p.a. plus VAT, less a management fee rebate for the Fund's deposits in the COIF Charities Deposit Fund.

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2017

1. Accounting policies (*continued*)

(c) Expenses (*continued*)

On a daily basis, the value of the Fund at the end of the previous day is taken to calculate the fee due. This fee covers the provision of investment services and other expenses incurred by the Manager. A fee for ethical services was also charged by the Manager. The Depositary fee, audit, legal, safe custody fees and transaction charges and insurance fees are charged separately to the revenue of the Fund before distribution.

(d) Distributions

Distributions are paid quarterly. The Fund utilises an income reserve, to even out the fluctuations in revenue which arise over the years (see note 10). Movements in the income reserve are therefore adjustments made to the net revenue in determining the distributions.

The Fund has adopted a distribution policy that follows the coupon basis in the instance where this results in a higher distribution than using an effective yield basis. A reconciliation of the net distribution to the net revenue of the Fund as reported in the Statement of Total Return is shown in note 6.

(e) Basis of valuation

Quoted investments, including investments with market observable prices, are valued at bid-market values at the close of business on the last business day of the accounting period.

(f) Cash equivalents

The Manager has treated some assets as Cash equivalents for the purposes of the Balance Sheet disclosure. Investments are regarded as Cash equivalents if they meet all of the following criteria:

- highly liquid investments held in Sterling that are readily convertible to a known amount of cash;
- are subject to an insignificant risk of change in value; and
- provide a return no greater than the rate of a three month high quality government bond.

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2017

2. Net capital gains

	31.12.2017 £'000	31.12.2016 £'000
The net capital gains during the year comprise:		
Realised gains on non-derivative securities*	639	5,857
Unrealised gains on non-derivative securities*	252	2,662
	<b>891</b>	<b>8,519</b>

\* Where net realised gains include gains/(losses) arising in previous years, a corresponding gain/(loss) is included in unrealised gains/(losses).

3. Revenue

	31.12.2017 £'000	31.12.2016 £'000
Interest on debt securities	3,183	3,370
UK dividends	84	84
Interest on the COIF Charities Deposit Fund	1	9
Bank interest	1	2
Manager's periodic charge rebate*	3	3
	<b>3,272</b>	<b>3,468</b>

\* In the prior year this was disclosed as a negative expense, this has been reallocated to the income note in the current year.

4. Expenses

	31.12.2017 £'000	31.12.2016 £'000
Payable to the Manager, associates of the Manager and agents of either of them:		
Manager's periodic charge – see note 1(c)	338	325
Manager's fee for ethical services	4	4
	<b>342</b>	<b>329</b>

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2017

4. Expenses (*continued*)

	31.12.2017 £'000	31.12.2016 £'000
Payable to the Depository, associates of the Depository and agents of either of them:		
Depository fee	11	10
Safe custody fees	9	9
	20	19
Other expenses:		
Audit fee	11	17
Insurance fee	1	2
Other fees	8	15
	20	34
Total expenses	382	382

Audit fee net of VAT is £9,587 (31.12.2016, £9,308).

The above expenses include VAT where applicable.

\* This amount represents the rebate of management fees credited to the Fund's revenue for the Fund's deposit in the COIF Charities Deposit Fund where the management fees are charged to revenue.

5. Taxation

The Fund has charitable status and is exempt from UK Income and Capital Gains Tax pursuant to Part II Chapter 3 of the Corporation Tax Act 2010. Distributions are paid and reinvested revenue credited gross to unitholders on the basis that all recoverable UK taxation has been reclaimed.

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2017

6. Distributions

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

	31.12.2017 £'000	31.12.2016 £'000
31 March – interim distribution	1,055	1,196
30 June – interim distribution	1,044	1,206
30 September – interim distribution	1,032	1,203
31 December – final distribution	1,024	1,292
	<b>4,155</b>	<b>4,897</b>
Add: revenue deducted on cancellation of units	49	49
Deduct: revenue received on issue of units	(22)	(78)
Net distribution for the year	<b>4,182</b>	<b>4,868</b>
Net revenue after taxation for the year	2,890	3,086
Amortisation under effective yield	1,820	1,490
Transfer from/(to) income reserve – see note 10	(528)	292
Net distribution for the year	<b>4,182</b>	<b>4,868</b>

Details of the distribution per unit are set out in the distribution tables on page 36.

There were unclaimed distributions as at 31 December 2017 of £4,422 (31.12.2016, £12).

7. Debtors

	31.12.2017 £'000	31.12.2016 £'000
Accrued revenue	1,670	1,811
Rebate management fee receivable	1	1
	<b>1,671</b>	<b>1,812</b>

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

## 8. Cash and bank balances and Cash equivalents

	31.12.2017 £'000	31.12.2016 £'000
Cash equivalents: cash in the COIF Charities Deposit Fund	2,731	3,056
Cash and bank balances: cash at bank	1,216	543

## 9. Other creditors

	31.12.2017 £'000	31.12.2016 £'000
Accrued expenses	43	43
Amount payable on cancellation of units	–	2,686
	43	2,729

## 10. Income reserve

The income reserve, accumulated out of revenue, is used to smooth fluctuations in the revenue received in the Fund. The income reserve is included in the total value of the Fund and is attributable to income unitholders.

	31.12.2017 £'000	31.12.2016 £'000
Income reserve at the start of the year	554	846
Transfer to/(from) income reserve	528	(292)
Income reserve at the end of the year	1,082	554

## 11. Financial instruments

*Fair value*

Securities held by the Fund are valued at bid-market value (see note 1(e)). Bid-market value is considered to be a fair representation of the amount repayable to unitholders should they wish to sell their units. Other financial assets and liabilities of the Fund are included in the balance sheet at their fair value.

The main risks arising from the Fund's financial instruments and the Manager's policies for managing these risks are summarised below. These policies have been applied consistently throughout the year and the comparative year.

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2017

11. Financial instruments (continued)

*Market price risk*

This is an actively managed Fund, which invests in sterling fixed interest securities. Investors are thus exposed to market price risk, which can be defined as the uncertainty about future price movements of the financial instruments the Fund is invested in. Market price risk arises mainly from economic factors, including investor confidence and is not limited to interest rate and currency movements. This exposure to market price risk may result in substantial fluctuations in the unit price from time to time, although there will generally be a positive correlation in the movement of the unit price to the markets the Fund is invested in. The Fund seeks to minimise the risks by holding a diversified portfolio of investments in line with the Fund's investment objectives. Risk is monitored at both the asset allocation and stock selection levels by Directors of the Manager on a regular basis and also by the Board.

At 31 December 2017, if the price of the investments held by the Fund increased or decreased by 5%, with all other variables remaining constant, then the net assets attributable to unitholders, and profit or loss, would increase or decrease respectively by approximately £6,036,000 (31.12.2016, £6,508,000).

*Credit risk*

The Fund's transactions in securities expose it to the risk that the counterparty will not deliver the investment for a purchase or the cash for a sale. To minimise this, the Fund only deals with an approved list of brokers maintained by the Manager. The corporate bond holdings in the Fund are also exposed to the risk of issuer default; however, we mitigate this risk by purchasing investment grade bonds.

**Portfolio asset allocation by credit rating**

Rating category	31.12.2017 % Fund	31.12.2016 % Fund
AAA	10	11.8
AA	51.3	55.8
A	11.4	9.9
BBB	20.2	18.6
Non investment grade	1.4	1.8
Not rated (Debentures/Preference Shares)	5.7	2.1

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

## 11. Financial instruments (continued)

*Liquidity risk*

Financial instruments held by the Fund, excluding short-term debtors and creditors, are made up of sterling fixed interest securities and sterling cash deposits. These assets are generally liquid and enable the Fund to meet the payment of any redemption of units that unitholders may wish to make.

*Currency risk*

There is no exposure to foreign currency fluctuations as all investments, revenue and short-term debtors and creditors are denominated in sterling.

*Interest rate risk*

The Fund invests in fixed and floating rate securities and cash deposits. The revenue may be affected by changes in interest rates relevant to particular securities or as a result of the Manager being unable to secure similar returns on the disposal or redemption of securities. The value of fixed interest securities may be affected by interest rate movements or the expectation of such movements in the future.

As at 31 December 2017, it is estimated that a 1% movement in interest rates would result in an opposite movement of £11,323,000 (31.12.2016, £12,495,000) in net assets attributable to unitholders and profit or loss.

The total exposure at 31 December 2017 was:

Currency	Floating rate financial assets* £'000	Fixed rate financial assets £'000	Financial assets not carrying interest £'000	Total £'000
Sterling	9,696	114,968	1,671	126,335
Currency	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000
Sterling	—	—	883	883

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2017

11. Financial instruments (continued)

Interest rate risk (continued)

The total exposure at 31 December 2016 was:

Currency	Floating rate financial assets* £'000	Fixed rate financial assets £'000	Financial assets not carrying interest £'000	Total £'000
Sterling	7,820	124,555	3,192	135,567

Currency	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000
Sterling	–	–	3,849	3,849

\* 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 31 December 2017 (31.12.2016, £nil).

12. Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31 December 2017 (31.12.2016, £nil).

13. Board remuneration

The Board members receive no remuneration from the COIF Charity Funds. Mrs R Norris is a director of the Manager's parent company, CCLA Investment Management Limited (CCLA IM) and received remuneration from CCLA IM, which is disclosed in CCLA IM's financial statements.

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2017

**14. Related party transactions**

The Manager's periodic charge and fee for ethical and stewardship services are paid to the Manager, a related party to the Fund. The amounts incurred in respect of these charges are disclosed in note 4. An amount of £27,983 was due to the Manager at 31 December 2017 (31.12.2016, £29,797). There were no other transactions entered into with the Manager during the year.

There were no other transactions entered into with the Manager during the year.

At 31 December 2017 a cash balance of £2,730,828 (31.12.2016, £3,055,911) was held in the COIF Charities Deposit Fund. During the year, the Fund received interest of £1,602 (31.12.2016, £9,247) from the COIF Charities Deposit Fund.

There is no individual investor holding more than 20% of the Fund.

**15. Portfolio transaction costs**

*For the year ended 31 December 2017*

The purchases and sales of securities incurred no direct transaction costs during the year.

The average portfolio dealing spread, as at the balance sheet date was 0.39%. There is no foreign exchange impact as all investments are denominated in sterling.

Unlike shares, the majority of other types of investments (such as bonds, money market instruments, derivatives) have no separately identifiable transaction costs; these costs form part of the dealing spread. Dealing spreads vary considerably depending on the transaction value and market sentiment.

*For the year ended 31 December 2016*

The purchases and sales of securities incurred no direct transaction costs during the year.

The average portfolio dealing spread, as at the balance sheet date was 0.52%. There is no foreign exchange impact as all investments are denominated in sterling.

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2017

15. Portfolio transaction costs (*continued*)

Unlike shares, the majority of other types of investments (such as bonds, money market instruments, derivatives) have no separately identifiable transaction costs; these costs form part of the dealing spread. Dealing spreads vary considerably depending on the transaction value and market sentiment.

16. Unitholders' funds – reconciliation of units

	31.12.2017	
	Income units	Accumulation units
Opening number of units at beginning of year	81,176,786	2,301,095
Units issued in year	1,950,025	165,711
Units cancelled in year	(6,912,119)	(138,936)
Units converted in year	(569,342)	94,549
Closing number of units at end of year	75,645,350	2,422,419

All units carry the same rights.

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2017

17. Fair value of financial assets and financial liabilities

In respect of financial assets and liabilities other than investments, there is no material difference between their value, as shown on the balance sheet, and their fair value.

Investments are held at fair value. An analysis of the valuation technique used to derive the fair value of the investments is shown below:

The fair value of investments has been determined using the following hierarchy:

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

For the year ended 31 December 2017

Category	1 £'000	2 £'000	3 £'000	Total £'000
Investment Assets	59,450	61,267	–	120,717
	59,450	61,267	–	120,717

For the year ended 31 December 2016

Category	1 £'000	2 £'000	3 £'000	Total £'000
Investment Assets	66,401	63,755	–	130,156
	66,401	63,755	–	130,156

For financial instruments which have quoted prices for identical instruments in active markets, those prices are taken to be fair value.

For financial instruments for which the Manager uses valuation techniques using observable market data, the inputs include: prices of recent transactions for identical instruments in inactive markets; broker quotes; evaluated pricing data from data providers; or prices quoted for closely similar (but not identical) instruments.

## DISTRIBUTION TABLES

for the year ended 31 December 2017

Period ended	Date paid/payable	Dividends paid/payable pence per unit	
		2017	2016
<b>Income units</b>			
31 March	31 May	1.11	1.38
30 June	31 August	1.11	1.38
30 September	30 November	1.11	1.38
31 December	28 February	1.11	1.38
		4.44	5.52
<b>Revenue accumulated</b>			
		pence per unit	
		2017	2016
<b>Accumulation units</b>			
31 March		7.95	7.47
30 June		7.67	7.75
30 September		8.00	7.47
31 December		7.60	7.48
		31.22	30.17

## STATEMENT OF BOARD, DEPOSITARY AND MANAGER RESPONSIBILITIES

**Responsibilities of the Board**

The Board shall comply with the duty of care when exercising their powers and discharging their duties under the Scheme of the Charity Commission made under the Charities Act 1993 (amended Charities Act 2011), dated 29 November 2000, for the Fund to:

- make and revise the written statement of the investment objectives of the Fund and ensure that details of such investment objectives will be included in the Scheme Particulars;
- determine the criteria and methods for evaluating the performance of the Fund;
- appoint the Auditor of the Fund and agree their terms of engagement;
- make an annual report on the discharge of the Board's responsibilities;
- determine the rate of remuneration of the Depositary and the Manager in accordance with the Scheme and the Scheme Particulars;
- apply to the Commission for an order to discharge the Depositary from the provisions of the Scheme and an order to appoint a new Depositary of the provisions of the Scheme provided that any Board member who has any interests in the Depositary or the new Depositary shall not participate in the Board's discussions and decisions on the matter and shall not be counted in the quorum necessary for the transaction of such business; and
- inform the Charity Commission promptly and in writing if the Board is not satisfied at any time as to the compliance of the Depositary or the Manager with the Scheme or the Scheme Particulars.

Under AIFMD the Board has acquired certain additional powers including:

- the duty to inform the FCA promptly if the Board is not satisfied with the compliance of the Depositary or the Manager with AIFMD;
- the direct power (without reference to the Charity Commission) to require the removal of the Manager and the Depositary where it considers for good and sufficient reason that a change of Manager or Depositary is desirable in the interests of the Participating Charities; and
- granting prior written approval to the Manager should the Manager wish to enter into certain types of investment or a specific course of borrowing on behalf of the Fund.

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**STATEMENT OF BOARD, DEPOSITARY AND MANAGER RESPONSIBILITIES****Responsibilities of the Depositary**

The Depositary must ensure that the Fund is managed in accordance with the Financial Conduct Authority's Investment Funds Sourcebook, ("the Sourcebook"), the Alternative Investment Fund Managers Directive ("AIFMD") (together "the Regulations") and the Fund's Scheme Particulars.

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

The Depositary is responsible for the safekeeping of the assets of the Fund in accordance with the Regulations.

The Depositary must ensure that:

- the Fund's cash flows are properly monitored and that cash of the Fund is booked into the cash accounts in accordance with the Regulations;
- the sale, issue, repurchase, redemption and cancellation of units are carried out in accordance with the Regulations;
- the assets under management and the net asset value per share of the Fund are calculated in accordance with the Regulations;
- any consideration relating to transactions in the Fund's assets is remitted to the Fund within the usual time limits;

- that the Fund's income is applied in accordance with the Regulations; and
- the instructions of the Alternative Investment Fund Manager ("the AIFM") are carried out (unless they conflict with the Regulations).

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

## STATEMENT OF BOARD, DEPOSITARY AND MANAGER RESPONSIBILITIES

**Responsibilities of the Manager**

The Manager of the Fund is required by the Scheme to prepare Financial Statements for the Fund in accordance with the Statement of Recommended Practice for UK Authorised Funds (SORP) issued by the Investment Management Association in May 2014. The Manager is required to:

- select suitable accounting policies that are appropriate for the Fund and apply them on a consistent basis;
- comply with the disclosure requirements of the Statement of Recommended Practice for UK Authorised Funds (SORP) issued by the Investment Management Association in May 2014;
- follow generally accepted accounting principles and applicable accounting standards;
- keep proper accounting records which enable the Manager to demonstrate that the Financial Statements as prepared comply with the above requirements;
- make judgments and estimates that are reasonable and prudent; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume this.

The Manager is required to manage and administer the Fund in accordance with the Scheme, maintain accounting records and take reasonable steps for the prevention and detection of fraud and other irregularities. The Depositary has appointed the Manager to act as Registrar to the Fund.

Under AIFMD, the Manager has acquired certain additional responsibilities including, ensuring compliance with AIFMD and that any delegation by the Manager is in accordance with AIFMD.

Should the Manager wish to retire, the Manager can only be discharged from its duties under the Scheme following the appointment of a replacement Manager who is eligible under AIFMD to act as Manager of the Fund.

## AIFMD DISCLOSURES

**Manager Remuneration**

The Manager has no employees, but carries out its services through employees of its parent company, CCLA IM.

Recharges for these services are levied in respect of CCLA IM's year ending on 31 March each year. The recharge for the year to 31 March 2017 was £17,157,000. A recharge of £15,551,000 was levied in the year to 31 March 2016.

The average number of full time equivalent staff of CCLA IM, including temporary staff, for the year ended 31 March 2017 was 110 (year ended 31 March 2016, 99).

During the year ended 31 December 2017 and the prior year, remuneration was paid to CCLA IM staff as shown below. Totals for staff whose actions have a material impact on the risk profile of the Fund ("identified staff") are shown separately.

	Year to 31 December 2017		
	Fixed	Variable	Total
	remuneration	remuneration	
	£'000	£'000	£'000
Identified staff	1,174	960	2,134
Other staff	8,274	2,632	10,906
<b>Total</b>	<b>9,448</b>	<b>3,592</b>	<b>13,040</b>

	Year to 31 December 2016		
	Fixed	Variable	Total
	remuneration	remuneration	
	£'000	£'000	£'000
Identified staff	1,132	767	1,899
Other staff	7,571	2,135	9,706
<b>Total</b>	<b>8,703</b>	<b>2,902</b>	<b>11,605</b>

Remuneration above is the total remuneration for CCLA IM; it is not possible to separate the element of that relating only to this fund. The components of remuneration are appropriately balanced and do not create a conflict of interest for the Fund.

(Charity Registration No. 803610)

#### Board

R Norris, MSc (Chairman)  
K Corrigan, FCCA  
A Daws, Solicitor  
J Hobart, MA  
N Morecroft, ASIP  
G Newson, MRICS  
J West, FCA

#### Secretary

J Fox

#### Manager

CCLA Fund Managers Limited

#### Investment Manager and Registrar

CCLA Investment Management Limited  
*Both CCLA Fund Managers Limited and CCLA Investment Management Limited are authorised and regulated by the Financial Conduct Authority*  
Senator House, 85 Queen Victoria Street  
London EC4V 4ET  
Telephone: 0207 489 6000  
Client Service:  
Freephone: 0800 022 3505  
Email: [clientservices@ccla.co.uk](mailto:clientservices@ccla.co.uk)  
[www.ccla.co.uk](http://www.ccla.co.uk)

#### Administrator

HSBC Securities Services (UK) Limited  
1-2 Lochside Way  
Edinburgh Park  
Edinburgh EH12 9DT  
*Authorised and regulated by the Financial Conduct Authority*

#### Executive Directors of the Manager

M Quicke, OBE (Chief Executive)  
J Bevan (Chief Investment Officer)  
A McMillan (Chief Operating Officer)  
A Robinson, MBE (Director Market Development)

#### Non-Executive Directors of the Manager

R Horlick (appointed 4 December 2017)  
R Norris (appointed 4 December 2017)  
T Salmon, OBE (appointed 4 December 2017)  
J Tattersall (appointed 4 December 2017)  
R Williams (appointed 4 December 2017)

#### Fund Manager

J Bevan

#### Company Secretary

J Fox

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

S Forrest (resigned 31 January 2018)  
R Plumridge (from 31 January 2018)

#### Head of Ethical and Responsible Investment

J Corah

#### Third Party Advisors

*Custodian, Trustee and Depositary*  
HSBC Bank plc  
8 Canada Square  
London E14 5HQ

#### Banker

HSBC Bank plc  
60 Queen Victoria Street  
London EC4N 4TR

#### Solicitors

Farrer & Co LLP  
66 Lincoln's Inn Fields  
London WC2A 3LH

#### Independent Auditors

PricewaterhouseCoopers LLP  
7 More London Riverside  
London SE1 2RT

## CCLA COIF Charity Funds

The COIF Charity Funds provide a simple and practical way for charities to obtain, at reasonable cost, professional investment and cash management for their long-term and short-term investments.

### A choice of Funds

The six COIF Charity Funds aim to meet most of the investment and deposit needs of charities. They all have low levels of minimum investment, pay income gross and are supported by strong customer service.

#### Investment Fund

- A suitable long-term fund for most charities
- Highly diversified and well-balanced spread of investments
- Designed to deliver rising income and long term capital growth
- Managed to client-driven responsible investment and UK Stewardship Code principles

#### Ethical Investment Fund

- A suitable long-term fund for most charities
- Highly diversified and well-balanced spread of investments
- Designed to deliver rising income and long-term capital growth
- Managed to client-driven ethical investment and UK Stewardship Code principles

#### Global Equity Income Fund

- The delivery of a strong total return from investment in high yielding global equities
- Distributing a high and growing level of income
- Managed to client-driven responsible investment and UK Stewardship Code principles

#### Fixed Interest Fund

- Investment in UK government securities and corporate bonds
- Distributing a high level of income
- Usually held with other investments such as equities and cash to give a broad spread of assets and achieve combined income and growth objectives

#### Property Fund

- The delivery of a good level of income and capital growth from investment in a portfolio of UK properties
- A diversified range of office, commercial and industrial properties
- Actively managed to add value

#### Deposit Fund

- High level of security of capital from a well diversified range of deposits with strong banks
- Rated AAAf/S1 by Fitch Ratings, reflecting the high quality of the portfolio
- Daily liquidity

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 Income Funds. Any charity in England and Wales may invest in the Fixed Interest and Property Funds. CCLA Fund Managers Limited is the Manager of the Funds. The Manager has appointed CCLA Investment Management Limited as the Investment Manager and HSBC Securities Services (UK) Limited as 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**

**CCLA Fund Managers Limited**

Senator House, 85 Queen Victoria Street, London EC4V 4ET

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