

COIF CHARITIES DEPOSIT 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 Deposit Fund (the Fund) for the year ended 31 December 2017.

Structure and management of the Fund

The Fund is a Common Deposit Fund established in 1985 and is now regulated by the Scheme dated 2 April 2008 and made under Section 25 of the Charities Act 1993, now Section 100 of the Charities Act 2011, as amended by resolutions of the Depositary of the Fund dated 13 May 2009, 21 July 2014 and 22 July 2014. The Fund is managed by the Manager as an alternative investment fund in accordance with the FCA Regulations and the Alternative Investment Fund Managers Directive (AIFMD) Legislation.

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 the Manager. No Board member is required to be authorised by the Financial Conduct Authority (FCA) because the Board does not carry out regulated activities in relation to the Fund.

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.

Investment objective

The Fund aims to provide a high level of capital security and competitive rates of interest.

Investment policy

The Fund is an actively managed, diversified portfolio of sterling denominated money market deposits and instruments. It will principally invest in sterling denominated Call Accounts, Notice Accounts, Term Deposits and Money Market Instruments, but may invest in other assets.

Benchmark

London Interbank Sterling 7-Day Bid Rate (7-day LIBID) is the benchmark for the Fund.

Suitability

The Fund is suitable for all of a charity's short-term investments where they are seeking a high level of capital security and a competitive rate of interest.

REPORT OF THE BOARD

for the year ended 31 December 2017

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 strategy, setting interest rate policy, monitoring investment diversification, suitability and risk and for reviewing the performance of the Fund.

In addition, the Board monitors the administration and expenses of the Fund and is also responsible for the appointment of the Fund's Manager and Auditors.

In addition to receiving regular reports on the management of the Fund, the Board also approves the annual and half year Reports and Financial Statements.

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.

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 counterparties. 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>

Controls and risk management

The Board receives and considers regular reports from the Manager. 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 received from the Manager and reviewed a formal risk management report setting out the main risks facing the Fund and the assessment of each risk after application of mitigating controls.

REPORT OF THE BOARD

for the year ended 31 December 2017

European Money Market Fund Regulation

In Q1 2019, the European Money Market Fund regulation will come into force. In its current structure, the Fund will be unable to continue to operate under the new regulation. Legal advice has been sought on the best course of action and based on this advice the Board is confident that an alternative structure will be found that will allow the Fund to continue to operate. The Financial Statements have, therefore, been prepared on a going concern basis.

R Norris

Chairman

14 May 2018

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

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 0.16%.

In the first nine months, the Fund's declared interest rate was reduced from 0.35% to a historical low of 0.18%. However, a modest rise in money market rates in the final quarter enabled the declared interest rate to be increased to 0.30%. In the reporting period, the declared interest rate averaged 0.23% (an annual equivalent rate (AER) of 0.23%).

Client deposits (excluding those of the other COIF Funds) were unchanged, as at 31 December 2017 they totalled £889 million.

Market Review

After triggering Article 50 at the end of March 2017, thereby setting into motion the two-year process of leaving the European Union, the Prime Minister, Theresa May, called a snap General Election for the 8 June 2017. Having anticipated that this would significantly boost her majority, the result, and subsequent need to form a government with outside support from the Democratic Unionist Party, has not provided the certainty market participants were hoping for.

The ten percent fall in the value of the pound since the Brexit vote has caused inflation to jump. Throughout the year, much attention has therefore been paid to the rate of inflation. Despite monthly fluctuations, the trend has been one of steady increase, with many analysts predicting that the Consumer Price Index (CPI) would peak just above 3% in the latter months of 2017, especially as higher energy prices feed into the calculation. The headline CPI increased to 3.1% in November, its highest level in over five years. When focusing upon individual elements of the data, it is apparent that inflation is being driven substantially by currency related factors, rather than domestically generated price pressures. The heightened CPI numbers may therefore moderate in 2018 as sterling weakness falls out of the comparative data. At the same time, the labour market continued to tighten.

The unemployment rate has fallen to 4.3%, the lowest since 1975, with the ratio of unemployed to vacancies at its lowest on record. It would ordinarily be expected that this would result in upward pressure on wages; however, to date, wage growth has been subdued, remaining anchored at around 2%. The result of this has been a continued squeeze in real incomes. All of these issues meant the Bank of England's (BoE) Monetary Policy Committee (MPC) faced a delicate balancing act in responding to the combination of a cooling domestic economy, a decline in real earnings and a period with inflation materially above the 2% target.

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

The BoE MPC kept its Official Bank Rate (OBR) unchanged at its September 2017 meeting, but in the days after that announcement there was a clear change of tone from many of the MPC members. After many “false dawns”, the rhetoric this time convinced market commentators that an increase in the OBR was imminent. At its next meeting in November, the BoE did raise interest rates, for the first time in over a decade, setting the OBR 25 basis points higher at 0.5%; this reversed the August 2016 emergency cut.

In the commentary following the rate decision, the BoE suggested that any further rate increases are likely to be “gradual” and “limited”. This implies that the MPC do not intend to raise interest rates rapidly or to lift them back to pre-crisis levels anytime soon. It is of course possible that should there be a positive surprise to growth or inflation, it would lead to a faster pick-up in interest rates.

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 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 31 December 2017 was 81 days.

Rated AA Af/S1 by Fitch Ratings

The Fund was assigned a AA Af/S1 fund and volatility rating by Fitch Ratings, which was affirmed on 11 October 2017. 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 their data providers.

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

Outlook

At this point it appears unlikely that UK interest rates will rise quickly given the absence of a strong economic performance. The wild card for the UK economic outlook is Brexit. There is a lack of clarity around which type of Brexit deal may be done, or indeed there will be any deal at all. Moreover, there is instability within the Conservative government and the possibility of a leadership contest. All of this uncertainty makes it a challenging task for the BoE to optimise the timing of any rate increases to its Official Bank Rate.

S Freeman
Director, Investments (Cash)
CCLA Fund Managers Limited
14 May 2018

Risk warning

The Manager undertakes to exercise reasonable care in its placing of deposits with a selected list of banks and building societies, 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.

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 Trustee of COIF Charities Deposit Fund

Report on the audit of the financial statements *Opinion*

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

- give a true and fair view of the state of the Fund's affairs as at 31 December 2017, of its incoming resources and application of resources for the year then ended and of the movements in the net assets of the Fund between their position as at 1 January 2017 and 31 December 2017;
- 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
- 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 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 depositors for the year then ended; 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 Fund 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 Manager's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Manager has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Fund'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 Trustee of COIF Charities Deposit Fund

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to Fund'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 Manager is 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.

Reports of the Board and of the Investment Manager

Under the Charities Act 2011 we are required to report to you if, in our opinion the information given in the Report of the Board and the Report of the Investment Manager 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 27, 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 Trustee of COIF Charities Deposit 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. 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 Fund's trustee 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 Trustee of COIF Charities Deposit 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 1 based upon the history of returns for funds of this type. 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.

AVERAGE RATES OF INTEREST PAID
for the year ended 31 December 2017

Month	Actual % p.a.	Gross AER* % p.a.
January 2017	0.35	0.35
February 2017	0.30	0.30
March 2017	0.25	0.25
April 2017	0.25	0.25
May 2017	0.23	0.23
June 2017	0.20	0.20
July 2017	0.20	0.20
August 2017	0.19	0.19
September 2017	0.18	0.18
October 2017	0.18	0.18
November 2017	0.22	0.22
December 2017	0.26	0.26
Calendar year	Actual % p.a.	Gross AER* % p.a.
2013	0.49	0.49
2014	0.42	0.42
2015	0.45	0.45
2016	0.42	0.42
2017	0.23	0.23

* Annual Equivalent Rate (AER) 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 year ended 31 December 2017

Period ended	Date of payment	Total £'000	Average rates of interest paid	
			2017 %	2016 %
31 March	6 April	745	0.30	0.45
30 June	4 July	563	0.23	0.45
30 September	5 October	536	0.19	0.43
31 December	4 January	599	0.22	0.37
		2,443	0.23	0.42

Amounts paid include interest paid on closed accounts during the year.

SUMMARY OF DEPOSITS PLACED BY MATURITY

at 31 December 2017

Repayable	31.12.2017		31.12.2016	
	£'000	%	£'000	%
On call	99,370	9.52	88,296	9.39
Within 5 business days	160,000	15.33	40,000	4.25
Within 30 days	44,001	4.22	100,000	10.64
Between 31 and 60 days	144,907	13.89	148,011	15.74
Between 61 and 91 days	233,998	22.42	194,004	20.64
Between 92 and 182 days	225,307	21.59	249,760	26.57
Between 183 days and one year	136,000	13.03	120,005	12.77
Total deposits	1,043,583	100.00	940,076	100.00

STATEMENT OF TOTAL RETURN
for the year ended 31 December 2017

	<i>Note</i>	Year ended 31.12.2017 £'000	Year ended 31.12.2016 £'000
Revenue	2	4,457	5,813
Expenses	3	(2,421)	(2,237)
Net revenue		2,036	3,576
Distributions		(2,446)	(3,909)
Net decrease in income reserve		(410)	(333)

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

	Year ended 31.12.2017 £'000	Year ended 31.12.2016 £'000
Opening net assets attributable to depositors	–	–
Increase in total assets	103,282	53,713
Increase in total liabilities	(103,282)	(53,713)
Closing net assets attributable to depositors	–	–

The notes on pages 19 to 24 forms part of these financial statements.

BALANCE SHEET
at 31 December 2017

	<i>Note</i>	31.12.2017 £'000	31.12.2016 £'000
ASSETS			
Debtors	5	1,429	1,654
Cash*		39,245	35,190
Cash equivalents*		1,004,338	904,886
Total assets		1,045,012	941,730
LIABILITIES			
Current deposits	6	1,041,093	937,107
Creditors	7	828	1,122
Income reserve	8	3,091	3,501
Total liabilities		1,045,012	941,730

The financial statements on pages 17 to 24 have been approved by the Board.

Approved on behalf of the Board
14 May 2018

R Norris, Chairman

The notes on pages 19 to 24 forms part of these financial statements.

* In the prior year this was disclosed as Deposits, this has been reallocated to cash and cash equivalents in the current year.

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, the Charities Act 2011, and in accordance with the Scheme and the Collective Investment Scheme Sourcebook, in so far as it applies to the Fund. The financial statements have been prepared under historical costs basis, as modified by 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) Valuations of deposits

The Fund's deposits are valued at their acquisition cost as adjusted for amortisation of premium or accretion of discount, rather than at current market value.

(c) Revenue recognition

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

(d) Expenses

During the year, the Manager's periodic charge was paid to the Manager, and was 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% p.a. plus VAT. On a daily basis, the value of the Fund at the previous day is taken to calculate the fee due. The fee covers the provision of investment services and other expenses incurred by the Manager. Audit fee, insurance fees, bank charges and the Depositary's administration fee are charged separately to the revenue of the Fund before distribution.

(e) Distributions

Interest is paid quarterly. The Fund utilises an income reserve to facilitate the payment of interest to depositors (see note 8). Movements in the income reserve are therefore adjustments made to net revenue in determining the distributions.

Distributions received by the Fund from other collective investment schemes may include equalisations, which are taken to capital and do not form part of the Fund's distribution.

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

2. Revenue

	31.12.2017 £'000	31.12.2016 £'000
Interest on deposits at banks and building societies	4,457	5,813

3. 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 (c)	2,282	2,088
Manager's fee for ethical services	9	9
	2,291	2,097
Other expenses:		
Custodian fees	23	20
Depositary fees	23	20
Audit fees	9	14
Insurance fees	11	12
Bank charges	2	4
Other fees	62	70
	130	140
Total expenses	2,421	2,237

Audit fee net of VAT is £8,068 (31.12.2016, £7,833).

The above expenses include VAT, where applicable.

4. Taxation

The Fund is exempt from UK Income and Capital Gains Tax due to its charitable status pursuant to Part 11 Chapter 3 of the Corporation Tax Act 2010. Distributions are paid and reinvested revenue is credited gross to depositors.

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

5. Debtors

	31.12.2017 £'000	31.12.2016 £'000
Interest receivable	1,422	1,647
Prepayments	7	7
	1,429	1,654

6. Current deposits

	31.12.2017 £'000	31.12.2016 £'000
Charities and Trusts	889,929	889,815
COIF Charities Investment Fund	116,673	27,604
COIF Charities Ethical Investment Fund	23,024	10,056
COIF Charities Property Fund	5,108	5,488
COIF Charities Fixed Interest Fund	2,731	3,056
COIF Charities Global Equity Income Fund	3,628	1,088
	1,041,093	937,107

7. Creditors

	31.12.2017 £'000	31.12.2016 £'000
Interest payable	599	918
Accrued expenses	229	204
	828	1,112

There was unclaimed interest as at 31 December 2017 of £197.00 (31.12.2016, £nil).

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

8. **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 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.

	31.12.2017 £'000	31.12.2016 £'000
Income reserve at the start of the year	3,501	3,834
Transfer from income reserve	(410)	(333)
Income reserve at the end of the year	3,091	3,501

9. **Financial instruments**

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.

Credit risk

The Fund is exposed to the risk regarding the repayment of deposits from counterparties. 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.

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 repayment requests from depositors.

Currency risk

There was no foreign currency exposure within the Fund at 31 December 2017 (31.12.2016, £nil).

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

9. Financial instruments (continued)

Interest rate risk

The Fund invests in fixed rate and floating rate deposits. Changes in the interest rates achieved will result in revenue either increasing or decreasing; this may also result in a reassessment of interest paid to depositors.

The interest rate risk profile of the Fund's financial assets and liabilities at 31 December 2017 was as follows:

Currency	Floating rate financial assets* £'000	Fixed rate financial assets £'000	Financial assets not carrying interest £'000	Total £'000
Sterling	182,371	861,212	1,429	1,045,012

Currency	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000
Sterling	1,041,093	–	3,919	1,045,012

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	171,298	768,778	1,654	941,730

Currency	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000
Sterling	937,107	–	4,623	941,730

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

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

9. Financial instruments (continued)

Interest rate risk (continued)

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).

It is estimated that a 1 basis point increase/decrease in interest rates would result an increase/decrease of £101,000 in interest revenue.

10. Fair value of financial assets and liabilities

There is no material difference between the value of the financial assets and liabilities as shown in the balance sheet and their fair value.

11. 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 3. An amount of £211,579 was due to the Manager at 31 December 2017 (31.12.2016, £190,657). There were no other transactions entered into with the Manager during the year. Balances held on behalf of other COIF Charity Funds are disclosed in note 6.

The Manager's parent company, CCLA Investment Management Limited (CCLA IM), is also a related party to the Fund. There have been no transactions with CCLA IM during the year (31.12.2016, £nil).

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

12. 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 IM and received remuneration from CCLA IM, which is disclosed in CCLA IM's financial statements.

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 2 April 2008, 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 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 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.

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;

- 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;
- 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
Total	9,448	3,592	13,040

	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
Total	8,703	2,902	11,605

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. 1046249)

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
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 Managers

S Freeman
R Evans
D Mannifield (until 31 March 2017)

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 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

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CCLA Fund Managers Limited (Registered in England No. 8735639) and CCLA Investment Management Limited (Registered in England No. 2183088) are authorised and regulated by the Financial Conduct Authority. Registered address: Senator House, 85 Queen Victoria Street, London, EC4V 4ET.

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