

COIF CHARITIES DEPOSIT FUND  
ANNUAL REPORT AND  
FINANCIAL STATEMENTS

Year ended 31 December 2018

**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 2018**

On behalf of the Board, I have pleasure in presenting the Annual Report and Financial Statements of the COIF Charities Deposit 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 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 2018

### 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 (PRI) 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 2018

**European Money Market Fund Regulation**

On 11 December 2018, the Economic Secretary to the UK Treasury concluded that Charitable Common Deposit Funds were not exempt from the new EU Money Market Fund Regulation. Depositors were informed of this decision by a letter dated 1 January 2019. The Fund therefore submitted an application to be categorised as a Low Volatility Net Asset Value Fund (LVNAV) to the UK FCA on 17 January 2019. The FCA authorised that application on 14 March 2019.

N Morecroft

Chairman

21 May 2019

## REPORT OF THE INVESTMENT MANAGER for the year ended 31 December 2018

### Performance

Over the reporting period the Fund achieved a total return before management expenses of 0.68%; this was higher than the Fund's benchmark, the 7-day LIBID, which averaged 0.46%.

The Fund's declared interest rate increased over the reporting period. The average rate was 0.45% (an annual equivalent rate (AER) of 0.45%). As at 31 December 2018 the declared interest rate was 0.55%.

Client deposits (excluding those of the other COIF Funds) increased by £24 million and at the year end totalled £914 million.

### Market Review

A weak economic performance at the start of the year, combined with a moderating rate of inflation, effectively removed an early rise in interest rates from the Bank of England's (BoE) Monetary Policy Committee (MPC) agenda. However, as time passed, upward revisions to first quarter data and evidence of a bounce in activity in the spring, drew the conclusion that much of the early year weakness was due to weather related factors rather than any fundamental decline in activity.

Steady economic growth over the summer culminated, at the August meeting of the MPC,

in a unanimous decision to increase the BoE's Official Bank Rate (OBR) by 25 basis points to 0.75%, the second increase in a year but also only the second since 2009. The rise, at a time of significant economic uncertainty, was justified by persistent inflation and concerns at the BoE that economic growth, although modest, was still at a pace above the economy's long-term capacity. The Committee indicated that, were the economy to continue to develop broadly in line with its projections, an ongoing tightening of monetary policy would be appropriate to return inflation sustainably to the 2% target. Any increases in OBR were likely to be at a gradual pace and limited in extent.

The UK labour market proved to be consistently strong over the year. In the summer, the unemployment rate fell to 4.0%, the lowest level since the mid-seventies, helped by falling levels of migration from the European Union (EU). Wages grew at the joint-fastest rate since the summer of 2015, as public sector pay settlements and the tight labour market appeared to be pushing pay agreements higher.

In early November financial markets interpreted political developments as increasing the possibility of the UK remaining in the EU. This triggered a modest improvement in the sterling exchange rate and a rise in gilt yields as demand from 'safe-haven' investors fell away. Inflation expectations eased on the view that a stronger pound would help contain import price growth.

## REPORT OF THE INVESTMENT MANAGER for the year ended 31 December 2018

This relative stability ended when political divisions resurfaced and the Prime Minister decided to postpone a vote on the deal to leave the EU on 29 March 2019 rather than risk splitting Parliament. The renewed uncertainty caused an immediate and sharp market reaction; gilt yields fell, with 50-year yields over 30 basis points lower and the pound lost almost five percent on a trade weighted basis.

In December the MPC voted unanimously to keep rates unchanged. They noted that uncertainty over the UK's exit from the EU had intensified and this, plus softer global economic growth, could cause UK momentum to slow during Q4 2018 and into the new year.

### 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 high 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 invested for periods of up to one year with the aim of boosting the overall yield for the benefit

of the depositors. As the Fund was subject to the new EU Money Market Fund regulation methodology from the first quarter of 2019, the weighted average maturity was lowered to below the new maximum limit of 60 days (previously 120 days); as at 31 December 2018 it was 58 days.

### Rated AA Af/S1 by Fitch Ratings

The Fund had been assigned a AA Af/S1 fund and volatility rating by Fitch ratings, which was affirmed on 19 September 2018. Historically the Fund had fallen outside of the scope of Money Market Fund (MMF) regulations and accordingly Fitch had viewed its bond fund criteria as the most appropriate approach to evaluating risk in the Fund. However, as the Financial Conduct Authority had categorised the Fund as a LVNAV MMF under the new European Market Fund Regulation, on 23 April Fitch Ratings announced it was more appropriate for the Fund to now follow its Global MMF criteria. As a consequence, since 23 April 2019 Fitch has assigned the Fund a 'AA Ammf' rating (highest rating), and had simultaneously affirmed and withdrawn the previous 'AA Af'/'S1' rating assigned under the Global Bond Fund Rating Criteria.

### 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.

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**REPORT OF THE INVESTMENT MANAGER**  
for the year ended 31 December 2018

**Outlook**

As at the time of writing there had been no resolution to the Brexit impasse. Until politicians can find a consensus on the way forward regarding Article 50, the majority of BoE's MPC members are likely to prefer to maintain their Official Bank Rate at 0.75%. Therefore, despite the BoE outlook favouring a tightening in monetary policy, there is a possibility there will not be a hike in interest rates this year.

S Freeman  
Director, Investments (Cash)  
CCLA Fund Managers Limited  
21 May 2019

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**Risk warning**

The Manager undertakes to exercise reasonable care in its placing of deposits with a selected list of banks and building societies, 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 2018

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  
21 May 2019

## INDEPENDENT AUDITOR'S 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 2018, 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 2018 and 31 December 2018;
- 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 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 2018; 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 summary 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*

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.

We have nothing to report in respect of the above matters.

## INDEPENDENT AUDITOR'S 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 the Fund's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union, are not clear and it is difficult to evaluate all of the potential implications on the Fund's business and the wider economy.

### *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 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, Trustee, Depositary and Manager set out on page 28, 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 if necessary, to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## INDEPENDENT AUDITOR'S 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 is either intend to liquidate the Fund or to cease operations, or have 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 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 (Part 4 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 by the Fund; or
- the financial statements are not in agreement with the accounting records and returns.

**INDEPENDENT AUDITOR'S 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  
21 May 2019

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 European Union imposed legislation which sets out detailed guidelines for the calculation of the risk ratings to be portrayed through a summary risk indicator. It is intended to be a guide to the level of risk of this product compared to other products. It shows how likely it is that the Fund will lose money because of movements in markets.



We have classified this product as 1 out of 7, which is the lowest risk class. This rates the potential losses from future performance at a very low level. The summary risk indicator assumes deposits in the Fund for the recommended holding period of less than one year.

In practice, the risk of the Fund may be significantly higher than that represented in the summary risk indicator. This may include the effect of holding the Fund for less than the recommended holding period, or if market volatility in the future is higher than that experienced over the past.

The Fund is not admitted to trading on a secondary market and no alternative liquidity facility is promoted by the manager or a third party, so should be considered illiquid. However, depositors can request a withdrawal at any time and the Fund deals on a daily basis. This product does not include any protection from future market performance so you could lose some or all your deposit.

A more detailed description of risk factors that apply to this product is set out in the latest Scheme Particulars document available on CCLA's website or by request.

**AVERAGE RATES OF INTEREST PAID**  
for the year ended 31 December 2018

Month	Actual % p.a.	Gross AER* % p.a.
January 2018	0.31	0.31
February 2018	0.32	0.32
March 2018	0.33	0.33
April 2018	0.37	0.37
May 2018	0.40	0.40
June 2018	0.45	0.45
July 2018	0.50	0.50
August 2018	0.55	0.55
September 2018	0.55	0.55
October 2018	0.55	0.55
November 2018	0.55	0.55
December 2018	0.55	0.55
Calendar year	Actual % p.a.	Gross AER* % p.a.
2014	0.42	0.42
2015	0.45	0.45
2016	0.42	0.42
2017	0.23	0.23
2018	0.45	0.45

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

## INTEREST PAID TABLE

for the year ended 31 December 2018

Period ended	Date of payment	Total £'000	Average rates of interest paid	
			2018 %	2017 %
31 March	6 April 2018/4 April 2017	847	0.32	0.30
30 June	3 July 2018/4 July 2017	1,096	0.41	0.23
30 September	2 October 2018/4 October 2017	1,425	0.53	0.19
31 December	4 January 2019/4 January 2018	1,577	0.55	0.22
		4,945	0.45	0.23

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

## SUMMARY OF DEPOSITS PLACED BY MATURITY

at 31 December 2018

Repayable	31.12.2018		31.12.2017	
	£'000	%	£'000	%
On call	110,555	9.77	99,370	9.52
Within 5 business days	285,000	25.18	160,000	15.33
Within 30 days	83,461	7.37	44,001	4.22
Between 31 and 60 days	203,002	17.93	144,907	13.89
Between 61 and 91 days	246,001	21.73	233,998	22.42
Between 92 and 182 days	108,000	9.54	225,307	21.59
Between 183 days and one year	96,000	8.48	136,000	13.03
Total deposits	1,132,019	100.00	1,043,583	100.00

STATEMENT OF TOTAL RETURN  
for the year ended 31 December 2018

	<i>Note</i>	Year ended 31.12.2018 £'000	Year ended 31.12.2017 £'000
Revenue	2	7,157	4,457
Expenses	3	(2,615)	(2,421)
<b>Net revenue</b>		<b>4,542</b>	<b>2,036</b>
Distributions		(4,945)	(2,446)
<b>Net decrease in income reserve</b>		<b>(403)</b>	<b>(410)</b>

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO DEPOSITORS  
for the year ended 31 December 2018

	Year ended 31.12.2018 £'000	Year ended 31.12.2017 £'000
<b>Opening net assets attributable to depositors</b>	–	–
Increase in total assets	89,439	103,282
Increase in total liabilities	(89,439)	(103,282)
<b>Closing net assets attributable to depositors</b>	<b>–</b>	<b>–</b>

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

**BALANCE SHEET**  
at 31 December 2018

	<i>Note</i>	31.12.2018 £'000	31.12.2017 £'000
<b>ASSETS</b>			
Debtors	5	2,432	1,429
Cash		21,315	39,245
Cash equivalents		1,110,704	1,004,338
<b>Total assets</b>		<b>1,134,451</b>	<b>1,045,012</b>
<b>LIABILITIES</b>			
Current deposits	6	1,129,942	1,041,093
Creditors	7	1,821	828
Income reserve	8	2,688	3,091
<b>Total liabilities</b>		<b>1,134,451</b>	<b>1,045,012</b>

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

Approved on behalf of the Board  
21 May 2019

N Morecroft, Chairman

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

## NOTES TO THE FINANCIAL STATEMENTS

### for the year ended 31 December 2018

#### 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 cost 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 change 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*

Up to 31 December 2018, interest was paid quarterly. From 1 January 2019, interest is paid monthly.

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 2018

2. Revenue

	31.12.2018	31.12.2017
	£'000	£'000
Interest on deposits at banks and building societies	7,157	4,457

3. Expenses

	31.12.2018	31.12.2017
	£'000	£'000
Payable to the Manager, associates of the Manager and agents of either of them:		
Manager's periodic charge – see note 1(d)	2,303	2,282
Manager's fee for ethical services	9	9
	2,312	2,291
Other expenses:		
Custodian fees	25	23
Depositary fees	24	23
Audit fees	10	9
Insurance fees	9	11
Bank charges	4	2
Legal fees	64	5
LVNAV implementation fees	147	–
Other fees	20	57
	303	130
Total expenses	2,615	2,421

Audit fee net of VAT is £8,310 (31.12.2017, £8,068).

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 2018

5. Debtors

	31.12.2018 £'000	31.12.2017 £'000
Interest receivable	2,420	1,422
Prepayments	12	7
	<b>2,432</b>	<b>1,429</b>

6. Current deposits

	31.12.2018 £'000	31.12.2017 £'000
Charities and Trusts	914,389	889,929
COIF Charities Investment Fund	142,204	116,673
COIF Charities Property Fund	45,662	5,108
COIF Charities Ethical Investment Fund	19,008	23,024
COIF Charities Global Equity Income Fund	5,470	3,628
COIF Charities Fixed Interest Fund	3,209	2,731
	<b>1,129,942</b>	<b>1,041,093</b>

7. Creditors

	31.12.2018 £'000	31.12.2017 £'000
Interest payable	1,574	599
Accrued expenses	247	229
	<b>1,821</b>	<b>828</b>

There was unclaimed interest as at 31 December 2018 of £456 (31.12.2017, £197).

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2018

**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.

On conversion to an LVNAV Fund, the Fund crystallised the income reserve and intends to pay an equal amount each day over the next five years.

	31.12.2018 £'000	31.12.2017 £'000
Income reserve at the start of the year	3,091	3,501
Transfer from income reserve	(403)	(410)
Income reserve at the end of the year	2,688	3,091

**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 by the Investment Committee 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 2018 (31.12.2017, £nil).

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2018

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 total exposure at 31 December 2018 was:

Currency	Floating rate financial assets* £'000	Fixed rate financial assets £'000	Financial assets not carrying interest £'000	Total £'000
Sterling	148,556	983,463	2,432	1,134,451

Currency	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000
Sterling	1,129,942	–	4,509	1,134,451

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	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 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 2018

**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 2018 (31.12.2017, £nil).

It is estimated that a 1 basis point increase/decrease in interest rates would result an increase/decrease of £105,000 in interest revenue (31.12.2017, £101,000).

**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 £231,676 was due to the Manager at 31 December 2018 (31.12.2017, £211,579). 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 (31.12.2017, £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 was a director of the Manager's parent company, CCLA Investment Management Limited (CCLA IM) from 1 January 2018 through to her resignation on 17 October 2018 and received remuneration from CCLA IM, which is disclosed in CCLA IM's financial statements. Mr Glenn Newson was appointed a Director of CCLA IM on 29 October 2018 and received remuneration from CCLA IM, which is disclosed in CCLA IM's financial statements.

## STATEMENT OF BOARD, TRUSTEE, DEPOSITARY AND MANAGER RESPONSIBILITIES

### Responsibilities of the Board

The Board shall comply with the duty of care when exercising its powers and discharging its duties under the Scheme, as follows:

- making and revising the written statement of the investment objectives of the Fund and ensuring that details of such investment objectives will be included in the Scheme Particulars;
- determining the criteria and methods for evaluating the performance of the Fund;
- 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;
- appointing the Auditor of the Fund and agreeing their terms of engagement;
- making an annual report on the discharge of the Board's responsibilities;
- determining the rate of remuneration of the Trustee and the Manager in accordance with the Scheme and the Scheme Particulars;
- applying to the Commission for an order to discharge the Trustee from the provisions of the Scheme and an order to appoint a new Trustee of the provisions of the Scheme;
- making representations to the Trustee on the winding up of the Fund: provided that any Board member who has any interests in the Trustee or the Manager 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
- informing the Charity Commission promptly and in writing if the Board is not satisfied at any time as to the compliance of the Trustee or the Manager with the Scheme or the Scheme Particulars.

Under the Alternative Investment Fund Managers Directive ("AIFMD"), the Board has certain additional responsibilities including:

- the duty to inform the FCA promptly and in writing if the Board is not satisfied with the compliance of the Trustee or the Manager with the applicable provisions of AIFMD; and
- the direct power (without reference to the Charity Commission) to require the removal of the Manager and/or the Trustee where it considers for good and sufficient reason that a change of Manager or Trustee is in the interests of the Participating Charities.

## STATEMENT OF BOARD, TRUSTEE, DEPOSITARY AND MANAGER RESPONSIBILITIES

### Responsibilities of the Trustee

The Trustee shall be responsible for those aspects of the administration and management of the Fund and its property which are specified in the Scheme. The Trustee shall comply with the duty of care when exercising its powers and discharging its duties. The following are the duties and powers of the Trustee:

- the supervision and oversight of the Manager's compliance with the Scheme and the Scheme Particulars. In particular, the Trustee shall be satisfied that the Manager is competently exercising its powers and discharging its duties under the Scheme, and that the Manager is maintaining adequate and proper records;
- the appointment, supervision and oversight of any Registrar or other delegate which it has appointed in accordance with the Scheme;
- the custody and control of the property of the Fund and the collection of all income due to the Fund;
- the maintenance of the Registrar of depositing charities by the Manager (except where the Scheme Particulars permit the Trustee to disregard those instructions);
- making distributions or allocations to Participating Charities in proportion to their respective deposits in the property of the Fund;

- the making of an annual report on the discharge of its responsibilities for the management of the Fund; and
- winding up the Fund.

The Trustee shall take all steps and execute all documents as are necessary to secure that instructions given to it by the Manager are carried out as to the exercise of rights (including voting rights) attaching to the ownership of property of the Fund and that the purchases and sales of investments for or of the Fund are properly completed.

The Trustee shall maintain such records as are necessary to enable it to comply with this Scheme and with section 130 of the Charities Act and to demonstrate that such compliance has been achieved.

## STATEMENT OF BOARD, TRUSTEE, 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 maintenance of the Registrar of depositing charities are carried out in accordance with the Regulations;
- the assets under management 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, TRUSTEE, DEPOSITARY AND MANAGER RESPONSIBILITIES

### Responsibilities of the Manager

The Manager shall be responsible for those aspects of the administration and management of the Fund and its property which are specified in the Scheme. The Manager shall comply with the duty of care when exercising its powers and discharging its duties under this Scheme. The following are the duties and powers of the Manager:

- instructing the Trustee with respect to the maintenance of deposits and withdrawals;
- managing the investments of the Fund in conformity with the investment objectives made by the Board;
- ensuring that regular valuations of the property of the Fund are carried out;
- the creation and revision of the Scheme Particulars;
- maintenance of a daily record of deposits and withdrawals on behalf of the Trustee;
- the creation of all records in respect of the Fund, available for inspection by the Trustee;
- the preparation of reports and accounts in respect of every accounting period; and
- the supervision and oversight of any appointed delegate.

The Manager of the Fund is required by the Scheme to:

- prepare and submit to the Commission a statement of accounts and annual report complying with the requirements of the Charities Act 2011 and the Charities (Accounts and Reports) Regulations 2008, as amended or replaced from time to time; and
- prepare and submit to the Commission a half-yearly report and accounts for the Fund made up to the date of the interim balance sheet.

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 relating to Authorised Funds issued by The Investment 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;

**STATEMENT OF BOARD, TRUSTEE, DEPOSITARY AND  
MANAGER RESPONSIBILITIES**

- make judgments and estimates that are reasonable and prudent; and
- prepare the Financial Statements on the basis that the Fund will continue in operation unless it is inappropriate to presume this.

The Trustee has appointed the Manager to act as Registrar to the Fund.

Under AIFMD, the Manager has certain additional responsibilities including, ensuring compliance with the applicable provisions of 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 delegates the performance of its services to employees of its parent company, CCLA IM.

Recharges for these services of CCLA IM to the Manager are levied in respect of CCLA IM's year ending on 31 March each year. The recharge for the year to 31 March 2018 was £22,700,000. A recharge of £17,157,000 was levied in the year to 31 March 2017.

The average number of full time equivalent staff of CCLA IM, including temporary staff, for the year ended 31 March 2018 was 121 (year ended 31 March 2017, 110).

During the year ended 31 December 2018 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 2018		
	Fixed	Variable	Total
	remuneration	remuneration	
	£'000	£'000	£'000
Identified staff	1,155	1,267	2,422
Other staff	8,744	3,113	11,857
<b>Total</b>	<b>9,899</b>	<b>4,380</b>	<b>14,279</b>

	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>

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) – resigned 17 October 2018  
 N Morecroft, ASIP (Chairman)  
 K Corrigan, FCCA  
 A Daws, Solicitor  
 J Hobart, MA  
 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) –  
 retired 19 November 2018  
 E Sheldon (Chief Operating Officer) –  
 appointed 19 November 2018  
 FCA approval granted 4 December 2018  
 A Robinson, MBE (Director Market Development)

#### Non-Executive Directors of the Manager

R Horlick (Chairman)  
 C Johnson (from 8 June 2018)  
 G Newson (from 29 October 2018)  
 R Norris (resigned 17 October 2018)  
 T Salmon, OBE (resigned 1 January 2019)  
 J Tattersall  
 R Williams (resigned 8 June 2018)

#### Fund Manager

S Freeman  
 R Evans

#### Company Secretary

J Fox

#### Head of 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

#### Solicitor

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

#### Independent Auditor

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.

## ABOUT CCLA

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Founded in 1958, CCLA is one of the UK's largest charity fund managers.  
Managing investments for charities, religious organisations  
and the public sector is all that we do.

Our purpose is to help our clients maximise their impact on society by harnessing the power of investment markets. This requires us to provide a supportive and stable environment for our staff and deliver trusted, responsibly managed and strongly performing products and services to all organisations, irrespective of their size.

# CCLA

### **CCLA Fund Managers Limited**

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

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

CCLA is the trading name for CCLA Investment Management Limited (Registered in England No. 2183088)  
and CCLA Fund Managers Limited (Registered in England No. 8735639).

Both companies are authorised and regulated by the Financial Conduct Authority. Registered address: Senator House, 85 Queen Victoria Street, London EC4V 4ET.  
Printed on 100% post consumer waste and is certified by the Forest Stewardship Council (FSC).