



for Charities

COIF Charities Fixed Interest Fund

**Report and Accounts
Half Year to 30 June 2008
(unaudited)**

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Details of Board and Manager

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Description of COIF Charity Funds

(outside back cover)

Disability Discrimination Act 1995

Extracts from the Report and Accounts are available in large print and audio formats.

COIF Charities Fixed Interest Fund

Report of the Board

for the six months ended 30 June 2008

On behalf of the Board, we have pleasure in presenting our half year report of COIF Charities Fixed Interest Fund (the Fund).

Structure and management of the Fund

The Fund was set up in 1990 as a common investment fund under the Charities Act 1960. The Scheme dated 29 November 2000 was adopted with effect from 1 January 2001, which replaced the previous Charity Commission Scheme dated 28 June 1995. The Scheme was made under section 24 of the Charities Act 1993.

The Financial Services Authority (FSA) Rules for the operation of Unregulated Collective Investment Schemes apply to CCLA Investment Management Limited's (the Manager) management of the Fund.

The investment management, administration, registrar and secretarial functions of the Fund have been delegated to the Manager. The Fund has a Board which meets at least four times per annum to receive reports and monitor the progress of the Fund. The Board, created under the Scheme, is made up of individuals appointed under the Scheme. Together, these individuals have wide experience of finance, investments, charities and the law. No Board member is required to be authorised by the FSA because no Board member carries out regulated activities in relation to the Fund.

The Board is responsible for setting and subsequently advising on the investment policy of the Fund, monitoring performance, obtaining Charity Commission orders for the appointment and discharge of the Manager and Corporate Trustee (the Trustee), appointing the Auditor to the Fund and

agreeing the fees charged by the Trustee, the Manager and the Auditor.

The Trustee, HSBC Bank plc, appointed under the Scheme is responsible for the supervision and oversight of the Manager's compliance with the Scheme and Scheme Particulars, and also for the custody and safekeeping of the property of the Fund. It is also responsible for the appointment and supervision of the Registrar of the Fund. The division between management and trustee functions provides an additional layer of protection for unitholders.

Objective and benchmark of the Fund

The Fund aims to provide a higher income yield compared to equity investment and a total return in excess of its benchmark. The Fund is intended for long-term investment and by their nature fixed interest securities offer no protection from the effects of inflation.

The total return performance benchmark for the Fund is the WM Co Charity Fund Service Universe for United Kingdom (UK) fixed interest securities, with gross income reinvested and before management expenses.

Investment policy

The Fund's policy is to invest in sterling denominated debenture or loan stock of overseas governments, local authorities or companies or undertakings, in sterling denominated convertible debenture or loan stocks and in preference or convertible preference units provided they are quoted on a recognised stock exchange.

Up to 100% of the Fund may be invested in British government securities. In other respects the Manager must have regard to the need for diversification and suitability of investments.

COIF Charities Fixed Interest Fund

Report of the Board

for the six months ended 30 June 2008

Review of investment activities and policies of the Fund

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

During the period the Board also met quarterly with the Manager to review investments, transactions and policies of the Fund. The Manager's report, which appears later, provides further details.

Controls and risk management

The Board receives and considers regular reports from the Manager. Ad hoc reports and information are supplied to the Board as required. The Manager has established an internal control framework to provide reasonable but not absolute assurance on the effectiveness of the internal controls operated on behalf of its clients. The effectiveness of the internal controls is assessed by the directors and senior management of the Manager on a continuing basis.

During the period the Board, assisted by the Manager, reviewed the Fund's systems of internal control. Every six months the Board receives from the Manager, and reviews, a formal risk management report setting out the main risks facing the Fund, the controls in place to mitigate the risks and the assessment of each risk in terms of both gross and residual exposure after application of mitigating controls.

Responsible investment

The Board applies an exclusion policy that is consistent with the views of its charity customers in so far as the Fund will not hold

corporate bonds in any company whose main business is the manufacture or support of gambling, tobacco or armaments.

Note to unitholders

With effect from 1 January 2007, the Fund is required to account for income from debt securities on an effective yield basis.

Effective yield is a method of recognising income from debt securities that takes account of any difference (i.e. premium or discount) between the amount paid for the security and the amount that will be received if the security is held until its redemption date. It has the effect of adjusting the income arising from a debt security to a level aligned with the yield over the lifetime of the security by transferring any premium or discount to or from capital. As such it does not affect total return.

Prior to this change debt security income was generally accounted for and distributed on a coupon basis. The new rules require the accounting treatment to change to the effective yield method; however, it is permissible in certain circumstances to continue to distribute income on a coupon basis.

The Board has determined that the objective of the Fund is best served by adopting a distribution policy that follows the coupon basis for recognising income and, therefore, the income available for distribution will not be affected by the change in accounting policy.

B Wrey
Chairman of the Board

21 July 2008

COIF Charities Fixed Interest Fund

Report of the Investment Manager

for the six months ended 30 June 2008

- A high income fund for long-term capital
- Invested only in Sterling fixed income stocks
- Gives no long-term protection for capital against inflation
- Good performance record

Performance

Over the period under review, the Fund achieved a total return before management expenses of -1.94%, reflecting a decline in government and corporate bond prices. The Fund return was better than the FTSE Government All Stocks Total Return Index, which returned -2.23%. The investment strategy of maintaining an overweight asset allocation in short-dated securities proved to be beneficial. The value of an accumulation unit fell from 488.13p at 31 December 2007 to 477.73p at 30 June 2008, (a total return of -2.13% after management expenses). The

value of an income unit fell from 126.52p at 31 December 2007 to 120.31p at 30 June 2008, (a capital return of -4.91%).

It is expected that the annual distribution rate for the year will remain unchanged at 7.2p per income unit. At the 30 June 2008 the income yield was 5.98%. The corresponding gross redemption yield, after management expenses, was 5.15%. The Fund's income yield is an indication of the expected level of income. The corresponding gross redemption yield is an estimate of total return over the long-term. The Fund's income and gross redemption yields are not guaranteed and will change over time, due to changes in interest rates and the average maturity date of the securities held by the Fund. When the Fund's income yield is higher than the gross redemption yield, some income is being paid at the expense of capital.

COIF Charities Fixed Interest Fund

Annualised total capital and income return

To 30 June 2008	Six months %	1 year % p.a.	5 years % p.a.	10 years % p.a.
<u>Performance against market indices (before expenses)</u>				
COIF Charities Fixed Interest Fund	-1.94	+5.99	+3.67	+5.51
WM Co CFS Universe, UK Bonds	-1.98	+4.17	+3.37	+5.29
FTSE UK Govt All Stocks Index	-2.23	+6.18	+3.48	+5.21
<u>Performance after expenses</u>				
Income units*	-2.11	+5.81	+3.44	+5.31
Accumulation units*	-2.13	+5.76	+3.41	+5.28

* Net asset value to net asset value plus income reinvested

Source: The Manager and WM

COIF Charities Fixed Interest Fund

Report of the Investment Manager

for the six months ended 30 June 2008

Market review

Bond markets have endured a very volatile period; there were some exceptional differences in yields between UK gilt-edged stocks and corporate bonds, especially debt issued by financial institutions. The poor performance in bank debt came amid a series of write-downs by a number of international banks as they recapitalised their balance sheets, reduced dividends, shed assets, and absorbed structured investment vehicles and hedge funds. In response to the financial uncertainties, Central Banks have continued to be innovative in providing additional liquidity. The Bank of England hopes that the launch of a special liquidity scheme will ease the funding pressures; it allows banks to swap temporarily high quality assets that are currently illiquid for UK Treasury Bills. The Central Banks have also made other changes including regulatory rule changes and interest rate cuts (the Bank of England Monetary Policy Committee reduced the official bank rate from 5.50% to 5.00%). The 'fire sale' of troubled US investment bank Bear Stearns to JP Morgan may have been an inflection point though; since the bank was sold there has been early signs of investor confidence

returning to the corporate bond market. Credit spreads (the yield difference between corporate bonds and government bonds) have started to narrow from the historically wide levels seen in March. Worrying though for bond investors is the deterioration in the inflation outlook as the rise in energy, commodity and food prices is beginning to feed through the economy. The unwelcomed prospect of inflation exceeding the Bank of England's upper target band of 3% for a sustained period has caused a correction in government bond yields. Having touched a low of 4.3% in March, the 10 year gilt yield had risen 0.9% to 5.2% at the end of the reporting period.

Strategy

Less than 12 months ago, credit spreads were exceptionally narrow, but investors' attitude to risk changed dramatically as financial uncertainties developed and consequently credit spreads widened rapidly to historically wide levels. The severe weakness in the corporate bond market has, we believe, provided a good opportunity to increase the Fund's exposure to this asset class. We purchased a selected number of corporate bonds and preference

COIF Charities Fixed Interest Fund

Report of the Investment Manager

for the six months ended 30 June 2008

shares across various industry sectors and of varying credit ratings. The Fund's overall credit weighting has increased from 13.0% to 26.0%. The Fund, relative to the UK government bond index, continues to have an overweight exposure to short dated securities and is underweight longer maturities; the average term to maturity was 13.9 years at the period end.

Outlook

The sudden worsening of the inflation outlook has resulted in a gilt market correction. Yields on short dated gilts have risen sharply and at current levels indicate that there will be no further interest rate easing. We believe this correction may have now swung too far. The

prospect for longer dated gilts is less optimistic. We expect the deterioration in public finances, at a time when the domestic economy is slowing, to mean that the already heavy funding programme of gilt issuance will have to be increased further. The increase in issuance comes at a time when we expect that demand from pension funds for longer dated assets is likely to decrease.

S Freeman
Fund Manager
CCLA Investment Management Limited

21 July 2008

Risk Warning

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

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

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

COIF Charities Fixed Interest Fund

Net asset value, unit price range, net distribution, unit prices and total expense ratio

Net asset value

At 31 December	Net asset value £'000	Income units		Accumulation units	
		Net asset value pence per unit	Number of units in issue	Net asset value pence per unit	Number of units in issue
2005	170,214	133.98	113,298,517	462.05	3,986,163
2006	163,545*	127.75	111,342,883	465.51	4,646,292
2007	167,856*	126.52	110,593,719	488.13	5,722,965
At 30 June 2008	161,468*	120.31	110,133,492	477.73	6,064,005

* The net asset value is calculated on a mid-market value basis compared to the balance sheet where the investments are valued on a bid-market value basis in accordance with the December 2005 IMA SORP.

Unit price range

Year to 31 December	Income units		Accumulation units	
	Highest offer pence per unit	Lowest bid pence per unit	Highest offer pence per unit	Lowest bid pence per unit
2003	140.43	130.18	408.57	390.08
2004	134.68	127.73	432.86	399.57
2005	135.84	129.50	462.97	423.60
2006	135.99	127.49	472.51	450.86
2007	128.72	120.03	489.11	449.09
To 30 June 2008	127.99	120.07	493.75	473.52

Net distribution

Year to 31 December	Income units pence per unit	Accumulation units pence per unit
2003	8.80	24.76
2004	8.80	25.85
2005	7.20	25.87
2006	7.20	25.63
2007	7.20	27.40
To 30 June 2008	3.60	14.17

COIF Charities Fixed Interest Fund

Net asset value, unit price range, net distribution, unit prices and total expense ratio

Unit prices at 30 June 2008

	<i>Bid price pence per unit</i>	<i>Offer price pence per unit</i>
Income units	120.07	120.55
Accumulation units	476.77	478.69

The unit prices are published in the *Financial Times* and on the Manager's website at www.ccla.co.uk.

The bid and offer prices are calculated on the net asset value minus or plus a 0.20% deduction or surcharge.

Total expense ratio

	<i>30.6.2008</i>	<i>30.6.2007</i>
Total expense ratio (annualised)	0.30%	0.28%

The total expense ratio is the ratio of the Fund's total operating costs to its average net assets calculated over the period.

COIF Charities Fixed Interest Fund
Statement of total return
for the six months ended 30 June 2008 (unaudited)

	Notes	30.6.2008		30.6.2007	
		£'000	£'000	£'000	£'000
Net losses on investments during the period	2		(7,742)		(8,905)
Income	3	4,488		4,127	
Expenses	4	(241)		(231)	
Net income for the period			4,247		3,896
Total return before distributions			(3,495)		(5,009)
Finance costs: distributions	6		(4,816)		(4,795)
Change in net assets attributable to unitholders			(8,311)		(9,804)

Statement of change in unitholders' net assets
for the six months ended 30 June 2008 (unaudited)

	30.6.2008		30.6.2007	
	£'000	£'000	£'000	£'000
Net assets at start of the period		167,835		163,890
Movement due to creations and cancellations of units				
Amounts receivable on creation of units		3,469		17,935
Less: amounts payable on cancellation of units		(2,368)		(7,502)
		1,101		10,433
Change in net assets attributable to unitholders (see above)		(8,311)		(9,804)
Retained distribution on accumulation units		861		904
Net assets at end of the period		161,486		165,423

The notes on pages 12 to 18 form part of these accounts.

COIF Charities Fixed Interest Fund

Portfolio statement

At 30 June 2008 (unaudited)

	<i> Holding</i>	<i> Bid value £'000</i>	<i> % Fund</i>
Government Bonds	71.55%	(31.12.07, 84.63%)	
Treasury 5.75%			
Stock 2009	3,000,000	3,024	1.87
Treasury 6.25%			
Stock 2010	4,305,000	4,412	2.73
Conversion 9%			
Stock 2011	23,505,000	25,949	16.07
Treasury 8%			
Stock 2013	8,240,000	9,268	5.74
Treasury 8%			
Stock 2015	4,160,000	4,848	3.00
Treasury 8.75%			
Stock 2017	4,435,000	5,529	3.42
Treasury 8%			
Stock 2021	2,870,000	3,610	2.24
Treasury 6%			
Stock 2028	16,675,000	18,704	11.58
Treasury 4.25%			
Stock 2032	3,500,000	3,190	1.98
Treasury 4.25%			
Stock 2036	7,740,000	7,163	4.44
Treasury 4.75%			
Stock 2038	22,040,000	22,304	13.81
Treasury 4.5%			
Stock 2042	7,715,000	7,541	4.67
Debenture Stocks	1.37%	(31.12.07, 1.37%)	
Monks Investment Trust			
11% Debenture			
Stock 2012	550,000	641	0.40
British Sugar 10.75% Bond 2013	800,000	937	0.58
BAA Lynton 10.25% Debenture			
Stock 2017	500,000	622	0.39

	<i> Holding</i>	<i> Bid value £'000</i>	<i> % Fund</i>
Credit	24.07%	(31.12.07, 11.56%)	
EIB 6.25% Bond			
2008	1,000,000	1,000	0.62
EIB 9.5% Bond			
2009	1,250,000	1,324	0.82
BMW 6.375%			
Bond 2010	2,650,000	2,640	1.63
Barclays Bank			
12% Bond 2010	520,260	574	0.36
World Bank 9.5%			
Bond 2010	750,000	810	0.50
Marks & Spencer			
6.375% Bond 2011	1,650,000	1,589	0.98
Network Rail			
4.875% Bond 2012	1,250,000	1,216	0.75
ICO 4.625% Bond			
2012	2,650,000	2,541	1.57
BOC 12.25%			
Bond 2012/2017	682,000	812	0.50
Wal-Mart 4.75%			
Bond 2013	1,650,000	1,574	0.97
Royal Bank of Scotland 10.5%			
Bond 2013	1,000,000	1,129	0.70
Blue Circle 10.75%			
Bond 2013	1,500,000	1,654	1.02
Lloyds TSB			
6.625% Bond 2015	1,000,000	990	0.61
Bank of Scotland			
10.25% Bond 2015	900,000	972	0.60
NatWest 7.875%			
Bond 2015	1,470,000	1,545	0.96
Abbey National			
7.5% Bond 2015	1,000,000	983	0.61
Aviva 9.5% Bond			
2016	2,600,000	3,077	1.91
Centrica 5.5%			
Bond 2016	1,450,000	1,326	0.82

COIF Charities Fixed Interest Fund

Portfolio statement

At 30 June 2008 (unaudited)

	<i>Holding</i>	<i>Bid value £'000</i>	<i>% Fund</i>
EIB 8.75% Bond 2017	2,000,000	2,430	1.51
Telefonica 5.375% Bond 2018	1,650,000	1,468	0.91
Bank of Scotland 10.5% Bond 2018	500,000	583	0.36
McDonald's 6.375% Bond 2020	2,000,000	1,960	1.22
British Telecom 8.625% Bond 2020	1,650,000	1,788	1.11
Atlantia 6.25% Bond 2022	1,650,000	1,528	0.95
Network Rail 4.75% Bond 2024	2,130,000	1,973	1.22
GlaxoSmithKline 5.25% Bond 2033	750,000	666	0.41

	<i>Holding</i>	<i>Bid value £'000</i>	<i>% Fund</i>
NatWest 11.5% Convertible Bond Undated	525,000	729	0.45
Preference Shares 0.45% (31.12.07, 0.00%)			
General Accident 7.875% Preference Shares	700,000	732	0.45
PORTFOLIO OF INVESTMENTS		<u>157,355</u>	<u>97.44</u>
NET OTHER ASSETS		<u>4,131</u>	<u>2.56</u>
NET ASSETS		<u>161,486</u>	<u>100.00</u>

Balance sheet

at 30 June 2008 (unaudited)

	<i>Notes</i>	<i>30.6.2008</i>		<i>31.12.2007</i>	
		<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
ASSETS					
Portfolio of investments			157,355		163,748
Debtors	7	2,744		2,662	
Cash and bank balances	8	3,381		<u>3,428</u>	
Total other assets			6,125		6,090
Total assets			163,480		169,838
LIABILITIES					
Creditors	9	12		10	
Distribution payable on income units		1,982		<u>1,993</u>	
Total liabilities			1,994		2,003
Net assets attributable to unitholders			161,486		<u>167,835</u>
Approved on behalf of the Board					
21 July 2008					
B Wrey, <i>Chairman</i>					

The notes on pages 12 to 18 form part of these accounts.

COIF Charities Fixed Interest Fund

Summary of material portfolio changes

for the six months ended 30 June 2008 (unaudited)

	<i>Cost £'000</i>
Total purchases for the period (note 15)	40,239
Purchases:	
Treasury 4.5% Stock 2042	11,159
Conversion 9% Stock 2011	3,611
BMW 6.375% Bond 2010	2,695
ICO 4.625% Bond 2012	2,629
McDonald's 6.375% Bond 2020	2,057
British Telecom 8.625% Bond 2020	1,912
Atlantia 6.25% Bond 2022	1,646
Marks & Spencer 6.375% Bond 2011	1,640
Wal-Mart 4.75% Bond 2013	1,613
NatWest 7.875% Bond 2015	1,601
Telefonica 5.375% Bond 2018	1,529
Centrica 5.5% Bond 2016	1,387
Network Rail 4.875% Bond 2012	1,243
Abbey National 7.5% Bond 2015	1,047
Lloyds TSB 6.625% Bond 2015	1,038
Treasury 6.25% Stock 2010	739
Aviva 9.5% Bond 2016	737
General Accident 7.875% Preference Shares	735
GlaxoSmithKline 5.25% Bond 2033	707
Treasury 6% Stock 2028	514
	<i>Proceeds £'000</i>
Total sales for the period (note 15)	38,240
Sales/maturities:	
Conversion 9% Stock 2011	7,466
Treasury 8% Stock 2021	6,711
Treasury 6.25% Stock 2010	5,308
Treasury 5% Stock 2008	4,998
Treasury 8% Stock 2015	4,955
Treasury 4.5% Stock 2042	3,603
Barclays Bank 9.875% Bond 2008	1,250
Treasury 5% Stock 2008	1,000
Treasury 8% Stock 2013	897
Treasury 8.75% Stock 2017	743
Treasury 6% Stock 2028	709
Bank of Scotland 6.375% Bond 2008	600

The above represent the total purchases and sales aggregated per investment during the period.

COIF Charities Fixed Interest Fund

Notes to the accounts

(unaudited)

1. Accounting policies

(a) Basis of accounting

The accounts have been prepared under the historical cost basis, as modified by the revaluation of investments, and in accordance with policies set out below, the Statement of Recommended Practice (Accounting and Reporting by Charities) issued by the Charity Commission in March 2005 and the Statement of Recommended Practice for Authorised Funds issued by the Investment Management Association (IMA) in December 2005.

(b) Income recognition

Interest on Government stocks, debentures, Euro sterling bonds, other fixed interest stocks and bank and COIF Charities Deposit Fund balances is accrued on a daily basis.

With effect from 1 January 2007, income on debt securities has been accounted for on an effective yield basis. Prior to this, income on debt securities was calculated on an accrual of coupon basis. In accordance with paragraph 1.15 of the IMA SORP 2005, the Fund has not restated comparative information to reflect this change in accounting policy. If comparative information had been restated the main adjustments required would be to decrease income on debt securities with a corresponding increase in net gains on investments. There would be no overall net impact on the total return before distributions or on the net assets of the Fund.

(c) Expenses

During the period, the Manager's periodic charge, paid to the Manager, was charged to the income of the Fund before distribution. The fee is based on a fixed percentage of the value of the Fund, which is currently 0.22% p.a. plus VAT (2007, 0.22% p.a. plus VAT), less a management fee rebate for the Fund's deposits in COIF Charities Deposit Fund. Each month, the value at the end of the previous month is taken to calculate the fee due. This fee covers the provision of investment services and other expenses incurred by the Manager. The Trustee fee, audit, legal, safe custody fees and transaction charges and insurance are charged separately to the income of the Fund before distribution.

(d) Distributions

Distributions are paid quarterly. The Fund utilises an income reserve to even out the fluctuations in income which arise over the years (see note 10).

It is the Fund's policy to distribute net income to unit holders where income exceeds expenses at the end of the accounting period. For the purpose of calculating the distribution, income on debt securities is computed as the higher of the amount determined on an accrual of coupon basis and an effective yield basis. The Fund has therefore adopted a distribution policy that follows the coupon basis for recognising income. A reconciliation of the net distribution to the net income of the Fund as reported in the Statement of Total Return is shown in note 6.

COIF Charities Fixed Interest Fund

Notes to the accounts

(unaudited)

(e) Basis of valuation

Listed investments are valued at bid-market values at the close of business on the last business day of the accounting period. Any unquoted, unlisted, delisted or suspended investments are stated at cost or valuation by the Manager and reviewed by the Board.

Suspended securities are valued by the Manager having regard to the last dealing price on the date of suspension and subsequent available information. Suspended securities are written off after they have been carried at nil value for two years.

	30.6.2008	30.6.2007
	£'000	£'000
2. Net losses on investments		
The net losses on investments during the period comprise:		
Non-derivative securities	<u>(7,742)</u>	<u>(8,905)</u>
3. Income		
Interest on debt securities	4,372	4,044
Interest on COIF Charities Deposit Fund	88	58
Bank interest	<u>28</u>	<u>25</u>
	<u>4,488</u>	<u>4,127</u>
4. Expenses		
Payable to the Manager, associates of the Manager and agents of either of them:		
Manager's periodic charge – see note 1(c)	215	212
Manager's periodic charge rebate – see note 1(c)*	<u>(4)</u>	<u>(4)</u>
	<u>211</u>	<u>208</u>
Payable to the Trustee, associates of the Trustee and agents of either of them:		
Trustee fee	10	9
Safe custody fees and transaction charges	13	9
	<u>23</u>	<u>18</u>
Other expenses:		
Insurance fee	2	2
Audit fee	<u>5</u>	<u>3</u>
	<u>7</u>	<u>5</u>
	<u>241</u>	<u>231</u>

*This amount represents the rebate of management fees credited to the Fund's income for its deposits in the COIF Charities Deposit Fund where the management fees are charged to income.

The above expenses include VAT where applicable.

COIF Charities Fixed Interest Fund

Notes to the accounts

(unaudited)

5. Taxation

The Fund is exempt from UK income tax and capital gains tax due to its charitable status pursuant to Sections 505 and 506 of the Income and Corporation Taxes Act 1988.

Distributions are paid and reinvested income credited gross to unitholders on the basis that all recoverable UK taxation has been reclaimed.

6. Finance costs

Distributions

Distributions take account of income received on the creation of units and income deducted on the cancellation of units, and comprise:

	30.6.2008	<i>30.6.2007</i>
	£'000	<i>£'000</i>
31 March – interim distribution	2,419	2,428
30 June – interim distribution	2,411	<u>2,472</u>
	4,830	4,900
Add: income deducted on cancellation of units	16	67
Deduct: income received on creation of units	(30)	(172)
Net distribution for the period	4,816	<u>4,795</u>
Net income for the period	4,247	3,896
Amortisation under effective yield (FRS 26)	650	1,007
Transfer to income reserve – see note 10	(87)	(108)
Overdistributed income	6	-
Net distribution for the period	4,816	<u>4,795</u>

Details of the distribution per unit are set out in the distribution table on page 18.

7. Debtors

	30.6.2008	<i>31.12.2007</i>
	£'000	<i>£'000</i>
Accrued income	2,743	2,662
Prepayments	1	-
	2,744	<u>2,662</u>

8. Cash and bank balances

	30.6.2008	<i>31.12.2007</i>
	£'000	<i>£'000</i>
Cash in COIF Charities Deposit Fund	2,659	1,825
Cash at bank	722	1,603
	3,381	<u>3,428</u>

9. Creditors

	30.6.2008	<i>31.12.2007</i>
	£'000	<i>£'000</i>
Accrued expenses	12	<u>10</u>

COIF Charities Fixed Interest Fund

Notes to the accounts

(unaudited)

10. Income reserve

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

	30.6.2008	<i>31.12.2007</i>
	£'000	<i>£'000</i>
Income reserve at the start of the period	1,301	1,035
Transfer to income reserve	87	108
Income reserve at the end of the period	<u>1,388</u>	<u>1,143</u>

11. Financial instruments

Fair value

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

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

Market price risk

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

Currency risk

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

Credit risk

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

COIF Charities Fixed Interest Fund

Notes to the accounts

(unaudited)

Liquidity risk

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

Interest rate risk

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

The interest rate profile of the Fund's financial assets and liabilities are set out below:

30 June 2008

Currency	Floating rate financial assets* £'000	Fixed rate financial assets £'000	Financial assets not carrying interest £'000	Total £'000
Sterling	3,381	157,355	2,744	163,480

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

31 December 2007

Currency	Floating rate financial assets* £'000	Fixed rate financial assets £'000	Financial assets not carrying interest £'000	Total £'000
Sterling	3,428	163,748	2,662	169,838

Currency	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000
Sterling	-	-	2,003	2,003

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

The fixed rate element of the portfolio is further analysed in the following table.

COIF Charities Fixed Interest Fund

Notes to the accounts

(unaudited)

30 June 2008

<i>Currency</i>	<i>Fixed rate financial assets £'000</i>	<i>Weighted average interest rate %</i>	<i>Weighted average period for which rate is fixed Years</i>
Sterling	155,894	5.48	13.9
Sterling – undated	1,461	7.90	-

31 December 2007

<i>Currency</i>	<i>Fixed rate financial assets £'000</i>	<i>Weighted average interest rate %</i>	<i>Weighted average period for which rate is fixed Years</i>
Sterling	162,873	7.15	12.8
Sterling – undated	875	11.50	-

All financial liabilities are due to be settled within one year, or on demand.

There were no derivatives held by the Fund at 30 June 2008 (31.12.2007, £nil).

12. Board remuneration

The Board members receive no remuneration from COIF Charity Funds. Mr R Fitzalan Howard is a Director of the Manager and receives remuneration from the Manager, which is disclosed in that Company's accounts.

13. Commitments and contingent liabilities

There were no commitments or contingent liabilities at 30 June 2008 (31.12.2007, £nil).

14. Related party transactions

The Manager's periodic charge is paid to the Manager and the Trustee fee, safe custody and transaction charges are paid to HSBC Bank plc, both related parties to the Fund. The amounts paid in respect of these charges are disclosed in note 4.

A rebate of management fees is credited to the Fund's income for its deposits in the COIF Charities Deposit Fund where the management fees are charged to income.

At 30 June 2008, the balances due to the Manager and HSBC Bank plc were as set out on the following page:

COIF Charities Fixed Interest Fund

Notes to the accounts

(unaudited)

	30.6.2008	31.12.2007
	£'000	£'000
The Manager	-	-
HSBC Bank plc – Trustee fee	7	5
HSBC Bank plc – safe custody and transaction charges	2	2

There were no other transactions entered into with the Manager or HSBC Bank plc during the period.

At 30 June 2008 a cash balance of £2,659,135 (31.12.07, £1,824,439) was held in the COIF Charities Deposit Fund.

15. Portfolio transaction costs

	30.6.2008	30.6.2007
	£'000	£'000
Analysis of total purchase costs:		
Purchases in period before transaction costs	40,232	24,511
Commissions	7	-
Total gross purchases	<u>40,239</u>	<u>24,511</u>
Analysis of total sale costs:		
Gross sales in period before transaction costs	38,240	11,727
Commissions	-	(1)
Total net sales	<u>38,240</u>	<u>11,726</u>

Distribution table

for the six months ended 30 June 2008 (unaudited)

<i>Period ended</i>	<i>Date paid/payable</i>	<i>Distributions paid/payable pence per unit</i>	
		2008	2007
Income units			
31 March 2008	30 May 2008	1.80	1.80
30 June 2008	29 August 2008	1.80	1.80
		<u>3.60</u>	<u>3.60</u>
Accumulation units			
31 March 2008		7.11	6.65
30 June 2008		7.06	6.77
		<u>14.17</u>	<u>13.42</u>

COIF Charities Fixed Interest Fund

Statement of Board, Corporate Trustee 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, dated 12 July 2002, for the Fund to:

- make and revise the written statement of the investment objectives of the Fund and 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 Trustee and the Manager in accordance with the Scheme and the Scheme Particulars;
- apply 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: provided that any Board member who has any interests in the Trustee or the new Trustee 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 Trustee or the Manager with the Scheme or the Scheme Particulars.

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. To the extent of those duties and powers, the Trustee is a charity trustee of the Fund within the meaning of the Charities Act 1993. The Trustee 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 Trustee:

- the supervision and oversight of the Manager's compliance with the Scheme and the Scheme Particulars. In particular, the Trustee shall be satisfied on a continuing basis that the Manager is competently exercising the powers and competently discharging the duties conferred or imposed on it by or pursuant to the provisions of 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 provisions of this Scheme;
- the custody and control of the property of the Fund and the collection of all income due to the Fund in accordance with the Scheme;
- the creation and cancellation of units in accordance with the instructions of the Manager (except where the Scheme Particulars permit the Trustee to disregard those instructions);
- making distributions to Participating Charities holding income units and making allocations to Participating Charities holding

COIF Charities Fixed Interest Fund

Statement of Board, Corporate Trustee and Manager responsibilities

accumulation units in proportion to their respective units 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
- the authorisation of payment out of the property of the Fund of any reasonable costs or expenses of the Board members incurred by them in the execution of their duties in accordance with the Scheme.

Responsibilities of the Manager

The Manager of the Fund is required by the Scheme to prepare accounts for the Fund in accordance with the Statement of Recommended Practice 2005 (Accounting and Reporting by Charities). 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 Management Association (IMA) in December 2005;

- follow generally accepted accounting principles and applicable accounting standards;
- keep proper accounting records which enable the Manager to demonstrate that the accounts as prepared comply with the above requirements;
- make judgments and estimates that are reasonable and prudent; and
- prepare the accounts on the basis that the Fund will continue in operation unless it is inappropriate to presume this.

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

CCLA INVESTMENT MANAGEMENT LIMITED
COIF Charities Fixed Interest Fund
(Charity Registration No. 803610)

Board

B Wrey, Chairman of the Board, *Former Chairman, Henderson Global Investors*

P Cawdron, FCA, *Company Director*

T Clark (appointed 26.2.08), *Solicitor*

A Daws (appointed 26.2.08), *Solicitor*

R Fitzalan Howard, *Chief Executive, FF&P Asset Management Limited*

D Henderson, FCA, *Company Director*

A Huntley, FRICS (resigned 29.4.08)

Mrs F Quint, *Barrister*

N Wilson (retired 26.2.08), *Solicitor, a former Partner, Slaughter and May*

Secretary

Mrs J Fox

Investment Manager, Administrator and Registrar

CCLA Investment Management Limited

*Authorised and regulated by
the Financial Services Authority*

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Directors responsible for the Fund

M Quicke (Chief Executive)

J Bevan (Chief Investment Officer)

S Curran (Chief Operating Officer)

C Peters (Investment Director)

A Robinson (Director Market Development)

Fund Manager

S Freeman

Company Secretary

Mrs J Fox

Socially Responsible Investment

Ms H Wildsmith

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

A Kemp

Corporate Trustee and Custodian

HSBC Bank plc

8 Canada Square

London E14 5HQ

Banker

The Royal Bank of Scotland plc

62/63 Threadneedle Street

London EC2R 8LA

Solicitors

Bates Wells & Braithwaite LLP

2-6 Cannon Street

London EC4M 6YH

Farrer & Co LLP

66 Lincoln's Inn Fields

London WC2A 3LH

Independent Auditor

Ernst & Young LLP

1 More London Place

London SE1 2AF



CCLA INVESTMENT MANAGEMENT LIMITED

COIF Charity Funds

The COIF Charity Funds provide a ready and practical means for charities to obtain, at reasonable cost, constant professional investment and cash management for their long-term capital and short-term cash. They also provide protection through diversification combined with simplified administration.

COIF Charities Investment Fund

- A suitable 'all-in-one' long-term fund for most charities
- Highly diversified and well-balanced spread of investments
- Designed to help meet growth and income requirements
- Focus on delivering attractive, growing income

COIF Charities Fixed Interest Fund

- Long-term investment focused on income
- Gross income paid quarterly
- Usually held with other investments such as equities and cash to give a broad spread of assets and achieve combined income and growth objectives

COIF Charities Global Equity Income Fund

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

COIF Charities Deposit Fund

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

COIF Charities Property Fund

- High quality, well-diversified commercial and industrial property portfolio
- Focus on delivering attractive income
- Actively managed to add value
- Usually held with other investments such as equities, bonds and cash to give a broad spread of assets and achieve combined income and growth objectives

* The Deposit Fund has been awarded an AAA/V1 money market fund rating from the credit rating agency Fitch Ratings.

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 and Global Equity Funds. Any charity in England and Wales may invest in the Fixed Interest and Property Funds. CCLA Investment Management Limited operates as the Investment Manager and Administrator of the Funds.

The value of the investments may fall as well as rise and an investor may not get back the full amount originally invested. Deposits in the Deposit Fund are not covered by the Financial Services Compensation Scheme.

CCLA Investment Management Limited (registered in England No. 2183088 – registered office 80 Cheapside, London EC2V 6DZ) is authorised and regulated by the Financial Services Authority.

CCLA INVESTMENT MANAGEMENT LIMITED

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CCLA Investment Management Limited is committed to making a positive contribution to environmental protection. Where possible we seek to ensure our suppliers are using environmentally friendly production processes and our paper and board contain 50% recovered waste and 50% virgin fibre, and is certified as a Forest Stewardship Council (FSC) mixed source product.