



for Charities

COIF Charities Fixed Interest Fund

**Report and Accounts
Half year ended 30 June 2010
(unaudited)**

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Details of Board and Manager

(inside back cover)

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.

Report of the Board

for the half year ended 30 June 2010

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 relatively high 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 Fund's benchmark is a weighted average of the Barclays Capital UK Government (Gilt) Index (80%) and the Barclays Capital Sterling Aggregate 100mm Bond Index (20%), or equivalents.

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

Report of the Board

for the half year ended 30 June 2010

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.

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

CCLA has established a risk management framework which provides a methodology for the assessment, mitigation and reporting

of risk, ensuring a high quality of risk management and control is maintained for all funds under the Manager's control. The effectiveness of risks and controls is assessed by the directors and senior management of the Manager, with the help of the Operational Risk Manager, on a continuing basis. On an annual basis, the Board receives and considers an operational risk report from the Operational Risk Manager.

During the period, the Board reviewed the annual operational risk report, which records any residual risks outside the risk appetite set by the Manager, and the actions being taken to mitigate those risks.

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.

D Henderson
Chairman of the Board

27 July 2010

Report of the Investment Manager

for the half year ended 30 June 2010

Performance

The Fund's composite benchmark, Barclays Capital UK Government (Gilt) Index (80%) and the Barclays Capital Sterling Aggregate 100mm Bond Index (20%), rose 5.99%, the portfolio underperformed the benchmark returning 5.06%. The overweight position in corporate bonds was neutral to performance over the period. The Fund's underperformance can be principally attributable to the strong performance of long dated gilts in May, which rose in response to the uncertainties within the European Monetary Union. However we do expect long gilt prices to eventually fall as economic growth accelerates and investors demand higher yields to finance the budget deficit.

The Fund's accumulation unit price rose from 545.62p to 572.48p, or by 4.92%. The value of an income unit rose from 126.29p to 128.82p at 30 June 2010, a capital return of 2.00%.

The distribution rate for the six months to 30 June 2010 was 3.60p per income unit. It is our expectation that the annual distribution rate for 2010 will remain unchanged at 7.2p per income unit. The income yield at 30 June 2010 was 5.59%. The corresponding gross redemption yield, which is an estimate of the future total return of the Fund over the long-term, after management expenses, was 2.84%. 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.

Ethical exclusion policy

We confirm that the funds are managed in accordance with the ethical exclusion policy set by the Board. As a result of our 2008 client survey, this policy changed at the end of 2009.

COIF Charities Fixed Interest Fund Annualised total capital and income return

To 30 June 2010	6 months %	1 year %	5 years % p.a.	10 years % p.a.
<u>Performance against benchmark and market indices (before expenses)</u>				
COIF Charities Fixed Interest Fund	+5.06	+ 8.59	+5.26	+6.13
Composite Benchmark	+5.99	+ 8.67	+4.97	+5.76
BarCap £ Gilt Index	+5.99	+ 7.06	+5.25	+5.67
BarCap £ Agg 100mm Non Gilt Index	+5.99	+15.22	+3.77	+6.08
<u>Performance after expenses</u>				
Income units*	+4.90	+ 8.27	+5.02	+5.91
Accumulation units*	+4.92	+ 8.32	+5.00	+5.89

* Net asset value to net asset value plus income reinvested

Source: The Manager

Report of the Investment Manager

for the half year ended 30 June 2010

Market review

Throughout the last few years concerns had been directed at the level of distressed debt within the global banking system and after being rescued by a number of governments, worries have shifted to the scale of outstanding sovereign debt, particularly in peripheral European countries.

The crucial change in investor perception occurred last November and December beginning with a potential default by Dubai. This was followed by unrest in Greece and concern over the possible consequences for Portugal and Spain. The UK was singled out by the credit rating agencies as the most vulnerable of any top-rated country, with one of the largest budget deficits of the top 20 industrialised nations. It is expected that gross gilt issuance could be near £160 billion in the 2010-2011 financial year, a slightly lower level than the previous year but still reflecting the severity of the government budget deficit, which had risen to over 11% of GDP. The financing situation is very different compared to last year when the Bank of England absorbed a very large proportion of total issuance as part of its Quantitative Easing (QE) programme which helped to depress yields but in February the Bank decided to suspend this programme. The initial reaction to this news was a rise in yields, with the 45 year gilt touching a yield of 4.6%.

Reservations have grown about demand for new gilt issuance. However, yields have subsequently fallen as investors have seen gilts as a safe haven given the problems

within the European Monetary Union. The high priority being given by the new UK coalition government to tackling the budget deficit has also been received positively. Yields have fallen back with the yield on the 45 year gilt at the end of the reporting period being 4.1%. Investor interest in corporate bonds had been strong for most of the reporting period; corporate bond returns were higher than gilts in each month between January and April with the yield differential (spread) between corporate bonds and gilt-edged securities narrowing from 183 basis points to a low of 139 basis points during April. However, the worries and uncertainties about the European economy caused the spread to widen nearly 50 basis points in just over a month; at the end of June the spread was back at 188 basis points.

Strategy

Having made a significant number of purchases last year, the overweight allocation to corporate bonds was maintained. The Fund holds a broad range of companies reflecting different sectors of the global economy. At the end of the reporting period the Fund's asset allocation weightings were gilt-edged securities/cash 67%, corporate bonds 32% and preference shares 1%. The main emphasis has been to reduce the average life of the Fund. This was achieved by selling the very longest dated gilts and increasing the asset allocation to securities maturing within five years. With cash rates still historically low, the cash weighting has been kept to a minimal operating level. Over the half-year the Fund's average term to maturity was reduced by almost 4 years to 10.4 years, compared to the benchmark index of 13.5 years.

Report of the Investment Manager

for the half year ended 30 June 2010

Outlook

In the recent emergency budget, the new coalition government announced severe measures to cut spending and raise taxes. Over the next five years, the country will borrow significantly less than planned under the previous government. This will mean scaling back commitments which will hold back short-term economic growth. However, new forecasts by the government's independent Office of Budget Responsibility predict that economic growth will reach 2.9% over the next five years.

Fitch Ratings welcomed the move and said it showed strong intent, while Standard and Poor's affirmed the UK's sovereign AAA rating but left the rating on negative outlook.

The new fiscal rules, to achieve a balanced budget within five years, should initially mean that gilt yields remain lower than previously envisaged. There will however be a significant amount of new issuance and at some point the stock purchased under the QE programme will need to be sold back to the market. The official bank rate is likely to remain low until the economic recovery is well established, until then further QE measures cannot be ruled out.

S Freeman
Fund Manager
CCLA Investment Management Limited

27 July 2010

Report of the Investment Manager

for the half year ended 30 June 2010

Top ten changes in portfolio composition

	<i>Cost</i>		<i>Proceeds</i>
	<i>£'000</i>		<i>£'000</i>
Purchases:		Sales:	
Treasury 6% Stock 2028	17,828	Treasury 4.25% Stock 2036	8,266
Treasury 8% Stock 2021	8,269	Treasury 4.25% Stock 2055	8,213
Treasury 8% Stock 2013	6,433	Treasury 4.5% Stock 2042	6,587
Treasury 4.75% Stock 2038	3,225	Treasury 4.75% Stock 2038	5,575
Conversion 9% Stock 2011	2,238	Treasury 4.25% Stock 2032	4,158
EIB 8.75% Bond 2017	2,215	Treasury 8% Stock 2015	3,562
		Treasury 8.75% Stock 2017	958
		Conversion 9% Stock 2011	848
		Treasury 8% Stock 2013	626
		Treasury 8% Stock 2021	605

Risk warning

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

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

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

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

Net asset value

<i>At 31 December</i>	<i>Net asset value £'000</i>	<i>Income units</i>		<i>Accumulation units</i>	
		<i>Net asset value pence per unit</i>	<i>Number of units in issue</i>	<i>Net asset value pence per unit</i>	<i>Number of units in issue</i>
2007	167,856	126.52	110,593,719	488.13	5,722,965
2008	165,553	130.98	111,109,783	534.86	3,742,036
2009	161,275	126.29	118,218,057	545.62	2,195,255
At 30 June 2010	161,279	128.82	113,872,976	572.48	2,547,804

The net asset value is calculated on the mid-market value basis compared to the balance sheet where the assets are valued on a bid-market value basis in accordance with the Statement of Recommended Practice for Authorised Funds.

Unit price range

<i>Year to 31 December</i>	<i>Income units</i>		<i>Accumulation units</i>	
	<i>Highest offer pence per unit</i>	<i>Lowest bid pence per unit</i>	<i>Highest offer pence per unit</i>	<i>Lowest bid units per unit</i>
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
2008	132.26	119.94	535.93	473.52
2009	131.62	123.90	560.56	505.96
To 30 June 2010	130.30	125.39	573.63	542.97

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

Net distribution

<i>Year to 31 December</i>	<i>Income units pence per unit</i>	<i>Accumulation units pence per unit</i>
2005	7.20	25.87
2006	7.20	25.63
2007	7.20	27.40
2008	7.20	28.65
2009	7.20	30.94
To 30 June 2010	3.60	15.63

Unit prices at 30 June 2010

	<i>Bid price pence per unit</i>	<i>Offer price pence per unit</i>
Income units	128.56	129.08
Accumulation units	571.33	573.63

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

	30.6.2010	30.6.2009
Total expense ratio (annualised)	0.29%	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.

Portfolio statement

at 30 June 2010 (unaudited)

	<i> Holding</i>	<i> Bid value £'000</i>	<i> % Fund</i>
Government Bonds 65.37% (31.12.2009, 65.02%)			
Conversion 9% Stock 2011	16,040,000	17,423	10.81
Treasury 8% Stock 2013	16,215,000	19,615	12.16
Treasury 8% Stock 2015	4,370,000	5,648	3.50
Treasury 8.75% Stock 2017	6,030,000	8,370	5.19
Treasury 8% Stock 2021	9,400,000	13,339	8.27
Treasury 6% Stock 2028	23,100,000	29,057	18.02
Treasury 4.75% Stock 2038	8,000,000	8,785	5.45
Treasury 4.5% Stock 2042	3,000,000	3,183	1.97
Debenture Stocks 1.36% (31.12.2009, 1.38%)			
Monks Investment Trust 11% Debenture Stock 2012	550,000	632	0.39
British Sugar 10.75% Debenture Stock 2013	800,000	964	0.60
BAA Lynton 10.25% Debenture Stock 2017	500,000	590	0.37
Credit 30.77% (31.12.2009, 30.27%)			
Barclays Bank 12% Bond 2010	520,260	521	0.32
World Bank 9.5% Bond 2010	750,000	765	0.47
Marks & Spencer 6.375% Bond 2011	2,065,000	2,158	1.34
ICO 4.625% Bond 2012	2,650,000	2,700	1.67
Network Rail 4.875% Bond 2012	2,000,000	2,123	1.32
BOC 12.25% Bond 2012/2017	682,000	821	0.51
The Royal Bank of Scotland 10.5% Bond 2013	1,000,000	1,121	0.70
Blue Circle 10.75% Bond 2013	1,500,000	1,772	1.10
Wal-Mart 4.75% Bond 2013	1,650,000	1,773	1.10
IFFIM 3.375% Bond 2014	1,000,000	1,052	0.65
E.ON 5.125% Bond 2014	350,000	380	0.24
Scottish & Southern Energy 5.75% Bond 2014	1,350,000	1,466	0.91
Lloyds TSB 6.625% Bond 2015	2,000,000	2,049	1.27
NatWest 7.875% Bond 2015	1,470,000	1,584	0.98
Centrica 5.5% Bond 2016	2,150,000	2,330	1.44
Aviva 9.5% Bond 2016	2,600,000	3,267	2.03
EIB 8.75% Bond 2017	3,700,000	4,976	3.09

Portfolio statement

at 30 June 2010 (unaudited)

	<i> Holding</i>	<i> Bid value £'000</i>	<i> % Fund</i>
Bank of Scotland 10.50% Bond 2018	500,000	602	0.37
Telefonica 5.375% Bond 2018	2,150,000	2,210	1.37
McDonald's 6.375% Bond 2020	2,300,000	2,668	1.65
British Telecom 8.625% Bond 2020	2,150,000	2,571	1.59
Atlantia 6.25% Bond 2022	2,365,000	2,541	1.58
Network Rail 4.75% Bond 2024	2,130,000	2,247	1.39
GlaxoSmithKline 5.25% Bond 2033	2,400,000	2,461	1.53
Pfizer 6.5% Bond 2038	850,000	1,010	0.63
E.ON 6.75% Bond 2039	2,000,000	2,447	1.52
Preference Shares 0.67% (31.12.2009, 0.69%)			
General Accident 7.875% Preference Shares	1,065,000	1,084	0.67
INVESTMENT ASSETS		<u>158,305</u>	<u>98.17</u>
NET OTHER ASSETS		2,948	1.83
NET ASSETS		<u><u>161,253</u></u>	<u><u>100.00</u></u>

The above portfolio statement includes 2.0% invested in unrated securities and none invested in securities that are below investment grade.

Statement of total return

for the half year ended 30 June 2010 (unaudited)

	Notes	30.6.2010		30.6.2009	
		£'000	£'000	£'000	£'000
Income					
Net capital gains/(losses)	2		3,994		(6,166)
Revenue	3	3,968		4,305	
Expenses	4	(228)		<u>(218)</u>	
Net revenue before taxation			<u>3,740</u>		<u>4,087</u>
Total return before distributions			7,734		(2,079)
Finance costs: distributions	6		(4,565)		(4,522)
Change in net assets attributable to unitholders from investment activities			<u>3,169</u>		<u>(6,601)</u>

The notes on pages 16 to 24 form part of these accounts.

Statement of change in net assets attributable to unitholders

for the half year ended 30 June 2010 (unaudited)

	30.6.2010		30.6.2009	
	£'000	£'000	£'000	£'000
Opening net assets attributable to unitholders		161,220		165,542
Amounts receivable on issue of units	8,619		10,739	
Amounts payable on cancellation of units	<u>(12,143)</u>		<u>(10,834)</u>	
		(3,524)		(95)
Change in net assets attributable to unitholders from investment activities		3,169		(6,601)
Retained distribution on accumulation units		388		469
Closing net assets attributable to unitholders		<u>161,253</u>		<u>159,315</u>

The above statement shows the comparative closing net assets at 30 June 2009 whereas the opening net assets for the current accounting period commenced on 1 January 2010.

The notes on pages 16 to 24 form part of these accounts.

Balance sheet

at 30 June 2010 (unaudited)

	Notes	30.6.2010		31.12.2009	
		£'000	£'000	£'000	£'000
ASSETS					
Investment assets			158,305		156,970
Debtors	7		2,625		3,093
Cash and bank balances	8		<u>2,382</u>		<u>3,305</u>
Total other assets			<u>5,007</u>		<u>6,398</u>
Total assets			163,312		163,368
LIABILITIES					
Creditors	9		10		20
Distribution payable on income units			<u>2,049</u>		<u>2,128</u>
Total liabilities			2,059		2,148
Net assets attributable to unitholders			<u><u>161,253</u></u>		<u><u>161,220</u></u>
Approved on behalf of the Board					
27 July 2010				D Henderson, <i>Chairman</i>	

The notes on pages 16 to 24 form part of these accounts.

Notes to the accounts

(unaudited)

1. Accounting policies

(a) Basis of accounting

The accounts have been prepared under the historical cost basis, as modified by the revaluation of investments, and in accordance with policies set out below, the Statement of Recommended Practice (Accounting and Reporting by Charities) issued by the Charity Commission in March 2005 and the Statement of Recommended Practice for Authorised Funds issued by the Investment Management Association (IMA) in November 2008.

(b) Revenue 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.

Dividends on preference shares are accrued to revenue on the dates when the shares are first quoted ex-dividend.

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

(c) Expenses

During the period, the Manager's periodic charge, paid to the Manager, 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 0.22% 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. A fee for ethical services is also charged by the Manager. The Trustee fee, audit, legal, safe custody fees and transaction charges and insurance fees are charged separately to the revenue of the Fund before distribution.

Notes to the accounts

(unaudited)

(d) Distributions

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

The Fund has adopted a distribution policy that follows the coupon basis. A reconciliation of the net distribution to the net revenue of the Fund as reported in the Statement of Total Return is shown in note 6.

(e) Basis of valuation

All 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.

2. Net capital gains/(losses)	30.6.2010	30.6.2009
	£'000	£'000
The net capital gains/(losses) during the period comprise:		
Non-derivative securities	3,994	(6,166)
	<u>3,994</u>	<u>(6,166)</u>
3. Revenue	30.6.2010	30.6.2009
	£'000	£'000
Interest on debt securities	3,961	4,276
Interest on COIF Charities Deposit Fund	7	29
	<u>3,968</u>	<u>4,305</u>

Notes to the accounts

(unaudited)

4. Expenses	30.6.2010	30.6.2009
	£'000	£'000
Payable to the Manager, associates of the Manager and agents of either of them:		
Manager's periodic charge – see note 1(c)	206	198
Manager's periodic charge rebate – see note 1(c)*	(4)	(4)
Manager's fee for ethical services	1	1
	<u>203</u>	<u>195</u>
Payable to the Trustee, associates of the Trustee and agents of either of them:		
Trustee fee	10	7
Safe custody fees and transaction charges	8	10
	<u>18</u>	<u>17</u>
Other expenses:		
Insurance fee	2	2
Audit fee	4	4
Professional fees	1	-
	<u>7</u>	<u>6</u>
	<u>228</u>	<u>218</u>

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

The above expenses include VAT where applicable.

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 revenue credited gross to unitholders on the basis that all recoverable UK taxation has been reclaimed.

Notes to the accounts

(unaudited)

6. Finance costs

Distributions

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

	30.6.2010	<i>30.6.2009</i>
	£'000	<i>£'000</i>
31 March – interim distribution	2,275	2,245
30 June – interim distribution	2,250	2,277
	<u>4,525</u>	<u>4,522</u>
Add: revenue deducted on cancellation of units	85	77
Deduct: revenue received on issue of units	(45)	(77)
Net distribution for the period	<u>4,565</u>	<u>4,522</u>
Net revenue for the period	3,740	4,087
Amortisation under effective yield (FRS 26)	828	502
Transfer to income reserve – see note 10	(3)	(67)
Net distribution for the period	<u>4,565</u>	<u>4,522</u>

Details of the distribution per unit are set out in the distribution table on page 24.

7. Debtors

	30.6.2010	<i>31.12.2009</i>
	£'000	<i>£'000</i>
Accrued revenue	<u>2,625</u>	<u>3,093</u>

8. Cash and bank balances

	30.6.2010	<i>31.12.2009</i>
	£'000	<i>£'000</i>
Cash in COIF Charities Deposit Fund	2,256	3,082
Cash at bank	126	223
	<u>2,382</u>	<u>3,305</u>

9. Creditors

	30.6.2010	<i>31.12.2009</i>
	£'000	<i>£'000</i>
Accrued expenses	<u>10</u>	<u>20</u>

Notes to the accounts

(unaudited)

10. Income reserve

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

	30.6.2010	<i>31.12.2009</i>
	£'000	<i>£'000</i>
Income reserve at the start of the period	1,492	1,455
Transfer to income reserve	3	37
Income reserve at the end of the period	<u>1,495</u>	<u>1,492</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 year and the comparative year.

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, revenue and short-term debtors and creditors are denominated in Sterling.

Notes to the accounts

(unaudited)

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.

Liquidity risk

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

Interest rate risk

The Fund invests in fixed interest securities. The revenue may be affected by changes in interest rates relevant to particular securities or as a result of the Manager being unable to secure similar returns 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 risk profile of the Fund's financial assets and liabilities are set out below:

30 June 2010

<i>Currency</i>	<i>Floating rate financial assets* £'000</i>	<i>Fixed rate financial assets £'000</i>	<i>Financial assets not carrying interest £'000</i>	<i>Total £'000</i>
Sterling	2,382	157,221	3,709	163,312

<i>Currency</i>	<i>Floating rate financial liabilities £'000</i>	<i>Fixed rate financial liabilities £'000</i>	<i>Financial liabilities not carrying interest £'000</i>	<i>Total £'000</i>
Sterling	-	-	2,059	2,059

Notes to the accounts

(unaudited)

31 December 2009

	<i>Floating rate financial assets*</i>	<i>Fixed rate financial assets</i>	<i>Financial assets not carrying interest</i>	<i>Total</i>
<i>Currency</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Sterling	3,305	155,865	4,198	163,368

	<i>Floating rate financial liabilities</i>	<i>Fixed rate financial liabilities</i>	<i>Financial liabilities not carrying interest</i>	<i>Total</i>
<i>Currency</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Sterling	-	-	2,148	2,148

* 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.

30 June 2010

	<i>Fixed rate financial assets</i>	<i>Weighted average interest rate</i>	<i>Weighted average period for which the rate is fixed</i>
<i>Currency</i>	<i>£'000</i>	<i>%</i>	<i>Years</i>
Sterling	157,221	3.21	10.4

31 December 2009

	<i>Fixed rate financial assets</i>	<i>Weighted average interest rate</i>	<i>Weighted average period for which the rate is fixed</i>
<i>Currency</i>	<i>£'000</i>	<i>%</i>	<i>Years</i>
Sterling	155,865	3.84	14.1

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 2010 (31.12.2009, £nil).

Notes to the accounts

(unaudited)

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 2010 (31.12.2009, £nil).

14. Related party transactions

The Manager's periodic charge and fee for ethical services are paid to the Manager. The Trustee fee, safe custody and transaction charges are paid to HSBC Bank plc. Both are 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 revenue for its deposits in the COIF Charities Deposit Fund where the management fees are charged to revenue.

At 30 June 2010, the balances due to the Manager and HSBC Bank plc were as set out below:

	30.6.2010	31.12.2009
	£'000	£'000
The Manager	-	-
HSBC Bank plc – Trustee fee	3	5
HSBC Bank plc – safe custody and transaction charges	3	6

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

At 30 June 2010 a cash balance of £2,255,800 (31.12.09, £3,082,352) was held in the COIF Charities Deposit Fund.

Notes to the accounts

(unaudited)

15. Portfolio transaction costs

	30.6.2010	<i>30.6.2009</i>
	£'000	<i>£'000</i>
Analysis of total purchase costs:		
Purchases in year before transaction costs	40,217	12,396
Commissions	-	1
Total gross purchases	<u>40,217</u>	<u>12,397</u>
Analysis of total sale costs:		
Gross sales in year before transaction costs	42,050	11,903
Commissions	-	-
Total sales net of transaction costs	<u>42,050</u>	<u>11,903</u>

Distribution table

for the half year ended 30 June 2010 (unaudited)

<i>Period ended</i>	<i>Date paid/payable</i>	<i>Distributions paid/payable</i>	
		<i>pence per unit</i>	
		2010	<i>2009</i>
Income units			
31 March 2010	28 May 2010	1.80	1.80
30 June 2010	31 August 2010	1.80	1.80
		<u>3.60</u>	<u>3.60</u>
		<i>Income accumulated</i>	
		<i>pence per unit</i>	
		2010	<i>2009</i>
Accumulation units			
31 March 2010		7.81	7.60
30 June 2010		7.82	7.45
		<u>15.63</u>	<u>15.05</u>

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 29 November 2000, 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. 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 revenue due to the Fund in accordance with the Scheme;

Statement of Board, Corporate Trustee and Manager responsibilities

- the issue 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 accumulation units in proportion to their respective shares 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.
- comply with the disclosure requirements of the Statement of Recommended Practice relating to Authorised Funds issued by the Investment Management Association (IMA) in November 2008;
- follow generally accepted accounting principles and applicable accounting standards;
- keep proper accounting records which enables 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.

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;

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

D Henderson, Chairman of the Board, FCA, *Company Director*

T Bell, FRICS

P Cawdron, FCA, *Company Director* (resigned 10.3.10)

T Clark, *Solicitor*

A Daws, *Solicitor*

R Fitzalan Howard, *Chairman, FF&P Asset Management Limited*

G Newson, MRICS

Secretary

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

J Fox

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

A Kemp

Socially Responsible Investment

H Wildsmith

Corporate Trustee and Custodian

HSBC Bank plc

8 Canada Square, London E14 5HQ

Banker

The Royal Bank of Scotland plc

62/63 Threadneedle Street, London EC2R 8LA

Solicitors

Farrer & Co LLP

66 Lincoln's Inn Fields, London WC2A 3LH

Independent Auditor

Ernst & Young LLP

1 More London Place

London SE1 2AF



CCLA INVESTMENT MANAGEMENT LIMITED **COIF Charity Funds**

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

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 ETHICAL INVESTMENT FUND

- An actively managed fund with a diversified portfolio suitable for a wide range of charities
- Managed with a strong regard for ethical and socially responsible investment principles
- A focus on long term returns and a rising income stream for investors

COIF CHARITIES GLOBAL EQUITY INCOME FUND

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

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 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

COIF CHARITIES DEPOSIT FUND

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

* The Deposit Fund is rated AAA/V1 by Fitch Ratings. This reflects the high credit quality of the portfolio and its low volatility.

The COIF Charity Funds are common investment funds established by the Charity Commission for England and Wales under Section 24 of the Charities Act 1993. The Deposit Fund was established under Section 25 of the Charities Act 1993. Any charity in the United Kingdom within the meaning of the Charities Act 1993 (as amended or replaced) may invest in the Deposit, Investment, Ethical Investment and Global Equity Funds. Any charity in England and Wales may invest in the Fixed Interest, and Property Funds. CCLA Investment Management Limited operates as the Investment Manager and Administrator of the Funds.

The value of the investments may fall as well as rise and an investor may not get back the full amount originally invested. 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.

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