



for Charities

COIF Charities Fixed Interest Fund

Report and Accounts
Year ended 31 December 2009

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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 year ended 31 December 2009

On behalf of the Board, we have pleasure in presenting our annual 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 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.

Report of the Board

for the year ended 31 December 2009

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 year 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 year, 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 year, 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.

Chairman of the Board

The Chairman, Mr David Henderson, on behalf of his fellow Board Members would like to express his appreciation for the significant contribution from Mr Ben Wrey who, since 1998, was a Board Member of the COIF Charity Funds and subsequently was Chairman from 2005 until 2009.

D Henderson
Chairman of the Board

10 March 2010

Report of the Investment Manager

for the year ended 31 December 2009

Performance

In the first half of the reporting period we took advantage of a number of attractive new issues and increased the Fund's corporate bond weighting from the strategically low level adopted during 2008. This asset class subsequently performed strongly and thereby contributed to the Fund's performance over 2009. The Fund's asset allocation at 31 December 2009 was gilt-edged securities/cash 67.6%, corporate bonds 31.7% and preference shares 0.7%.

It was an incredible year for the corporate bond market, driven by an extraordinary rally that started at the end of March 2009. All of the major corporate bond sectors, with the exception of the subordinated financial bonds, performed strongly. The Barclays Capital corporate bond total return index rose by 11.14%. These impressive returns were not

replicated by gilt-edged securities; the FTSE UK Government All Stocks total return index fell by 1.16%.

Over the period the value of an accumulation unit rose from 534.86p to 545.62p, or by 2.01%. The value of an income unit fell from 130.98p to 126.29p at 31 December 2009, a capital return of -3.58%.

Comparison with the Market Indices and the WM Co Charity Fund Service Universe

Over the calendar year, the COIF Charities Fixed Interest Fund achieved a total return before management expenses of 2.27%. This was higher than the negative 1.16% from UK gilts but lower than the 6.63% return of the fixed interest element of the WM Co Charity Fund Universe.

COIF Charities Fixed Interest Fund Total capital and income return

To 31 December 2009	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	+2.27	+5.16	+6.02
WM Co CFS Universe, UK Bonds	+6.63	+5.17	+5.78
New Composite Benchmark	+1.20	+4.78	+5.54
FTSE UK Govt All Stocks Index	-1.16	+4.99	+5.46
<u>Performance after expenses</u>			
Income units*	+2.00	+4.94	+5.81
Accumulation units*	+2.01	+4.91	+5.78

* Net asset value to net asset value plus income reinvested

Source: The Manager and WM

Report of the Investment Manager

for the year ended 31 December 2009

Benchmark

Since its launch in 1990, the COIF Charities Fixed Interest Fund has been compared with the WM Universe (UK bonds) benchmark. We are keen to improve our client reporting by making it timelier and more frequent, and unfortunately the WM Universe results are only published quarterly and many weeks after the end of the quarter.

The COIF Board have therefore decided to change the Fund's benchmark to a customised benchmark based on market indices with effect from 1 April 2010. The new 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. The performance of this customised benchmark is available daily. The long term historic performance of the new benchmark is very similar to that of the WM Universe and therefore in keeping with client expectations. In particular, during the 19 years from 1991 to 2009 in which the Fund returned 8.92% p.a, the customised new benchmark achieved an annualised total return of 8.32%, compared with 8.54% for the current benchmark.

Distribution

The annual distribution rate for the year remained unchanged at 7.2p per income unit. The income yield was 5.70% at the year end. The corresponding gross redemption yield, which is an estimate of the total return of the Fund over the long-term, after management expenses, was 3.47%.

Market Review

The past twelve months have been very volatile for fixed interest securities; the yield on the longest dated gilt fell to a low of 3.6% in early January, reached a high of 4.6% in June and finished the period at 4.3%. During this time the UK economy was, like many others, in recession but as a result of concerted intervention by the Bank of England and other central banks there are now signs of recovery.

The Bank of England's Monetary Policy Committee (MPC), which began a series of aggressive rate cuts towards the end of 2008, reduced the official bank rate in March 2009 to a historical low of just 0.5%. No further interest rate cuts materialised as the MPC believed that a further reduction would probably be insufficient to bring the rate of inflation in line with the target level and could actually have negative consequences.

Alternative monetary policy tools were then agreed with the Chancellor including quantitative easing measures (QE). This unconventional policy began in March and has seen the Bank of England buying UK gilt-edged securities on a vast scale, as well as a small amount of corporate bonds. The purpose of QE has been to initiate an increase in the money supply, help restore economic growth and re-establish confidence within the financial market. This unprecedented support from the central bank immediately achieved the latter intention; corporate bonds benefited hugely as investors concluded that this was a positive development. This change of stance led to an extraordinary

Report of the Investment Manager

for the year ended 31 December 2009

rally in most corporate bond sectors during the second half of the reporting period. Non-financial bonds, particularly those in the utility, telecom and pharmaceutical sectors, fared well. The best performance came from the riskier high-yield bonds, those below investment grade which had suffered more in earlier periods. However, it was not all plain sailing; a number of bonds issued by banks that required government help during the financial crisis underperformed on fear that coupon payments could be deferred for a period of time.

This strong corporate performance relative to gilts meant that the yield difference between them narrowed from the exceptionally wide point of 450 basis points to 187 basis points, though this is still higher than the long term historical average of about 90 basis points.

Strategy

It was our assessment that the introduction of QE would be supportive of bonds and in order that the Fund might benefit from a near term uplift in prices we extended the Fund's average term to maturity towards that of the gilt benchmark index of 14.4 years. This was partly achieved by reducing cash to a minimum level.

A number of changes were made within the corporate bond allocation; the weighting was initially increased on our expectation that the sector offered a unique opportunity. We were able to purchase bonds with varying maturities and very attractive yields. These purchases have helped maintain the Fund's income generation and should also enable superior total

returns relative to a portfolio of conventional UK gilt-edged securities. Given the uncertainties within the banking sector and the possibilities of deferred coupon payments the Fund's exposure to this sector was reduced.

Of particular note was the Fund's participation in the inaugural sterling bond issue of the International Finance Facility for Immunisation (IFFIm). IFFIm is a UK registered charity established to accelerate the funding of the immunisation and vaccine programmes of GAVI (formerly the Global Alliance for Vaccines and Immunisation). This five year government guaranteed bond fitted well into the Fund's fixed interest strategy while also supporting this worthy humanitarian programme.

Outlook

The BoE forecasted GDP growth bouncing back to 3% by the end of 2010 and into 2011 – much in line with the UK Treasury's forecast. Many commentators have expressed these numbers as optimistic. Key to any decision on further QE will be the MPC's assessment of whether the economic recovery is on track. The data so far released for the fourth quarter of 2009 tentatively suggest that a weak recovery should have got under way. QE in which the government is acting as both a seller of new gilts and a buyer of existing stock, is likely to finish during 2010. Therefore, in a matter of months the gilt market will be the principle source of the government's borrowing needs. The Bank will no longer be supporting gilt prices. This development is likely to lead to lower prices, and higher yields. The increase

Report of the Investment Manager

for the year ended 31 December 2009

in yields, which will inevitably prompt a generalised rise in borrowing costs and hamper growth, will depend on the credibility of the government's fiscal plans. The gilt market will become increasingly focused on the opinion polls running up to the General Election and the possible make up of the next government. The probability of a strong majority for the winning party should contain any increase in gilt yields as it hopefully produces a government able to deal with the soaring government debt. However,

a hung parliament would probably have the opposite effect, adding to the upward pressure on bond yields; not least as such an outcome could raise the possibility that the UK's 'Triple-A' sovereign rating comes under threat.

S Freeman
Fund Manager
CCLA Investment Management Limited

10 March 2010

Top ten changes in portfolio composition

	<i>Cost</i> <i>£'000</i>		<i>Proceeds</i> <i>£'000</i>
Purchases:		Sales:	
Treasury 4.25% Stock 2055	8,863	2011 9% Conversion	8,626
Treasury 8% Stock 2013	6,524	Treasury 4.75% Stock 2038	4,682
Treasury 8% Stock 2015	5,672	Treasury 6% Stock 2028	4,666
Treasury 8.75% Stock 2017	3,897	Treasury 4.5% Stock 2042	2,541
Treasury 8% Stock 2021	3,732	Treasury 6.25% Stock 2010	2,504
Conversion 9% Stock 2011	3,158	Treasury 8% Stock 2021	2,012
E.ON 6.75% Bond 2039	1,899	Treasury 8% Stock 2015	1,738
Scottish & Southern Energy		Abbey 7.5% Bond 2015	1,734
5.75% Bond 2014	1,345	2013 8% UKT	1,708
IFFIM 3.375% Bond 2014	994	Abbey 8.625% Preference Shares	1,426
Pfizer 6.5% Bond 2038	841		

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.

Report of the Corporate Trustee for the year ended 31 December 2009

We confirm that based upon the information available to us, we are of the opinion that the Manager of the Scheme has, in all material respects, managed the Scheme during the period covered by these accounts in accordance with the limitations imposed upon the investment and borrowing powers of the Manager and Trustee, and in accordance with the provisions of the Scheme.

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

*HSBC Bank plc is authorised and regulated by
the Financial Services Authority*

10 March 2010

Report of the Independent Auditor to the unitholders of COIF Charities Fixed Interest Fund

We have audited the financial statements of COIF Charities Fixed Interest Fund for the year ended 31 December 2009 which comprise the statement of total return, the statement of change in unitholders' net assets, the balance sheet, the related notes and the distribution table. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the unitholders of the Fund, as a body, in accordance with the Scheme of the Charity Commissioners under the Charities Act 1993. Our audit work has been undertaken so that we might state to the unitholders of the Fund those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund and the unitholders of the Fund, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Board, Manager and Auditor

The Manager is responsible for the preparation of the annual report and the financial statements in accordance with Accounting Standards (United Kingdom generally accepted accounting practice) as set out in the Statement of the Board, Trustee and Manager responsibilities in relation to the financial statements.

Our responsibility is to audit the financial statements in accordance with United Kingdom legal and regulatory requirements and International Standards on Auditing (United Kingdom and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with United Kingdom generally accepted accounting practice, the Charities (Accounts and Reports) Regulations 1995 and the Scheme of the Charity Commissioners under the Charities Act 1993. We also report to you if, in our opinion, the Report of the Investment Manager is not consistent with the financial statements, if the Manager has not kept proper accounting records for the Fund, if the financial statements are not in agreement with those accounting records, or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the annual report and consider whether it is consistent with the audited financial statements. This other information comprises only the Report of the Investment Manager and the other items set out on the contents page. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Report of the Independent Auditor to the unitholders of COIF Charities Fixed Interest Fund

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (United Kingdom and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Trustee in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Fund's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements:

- give a true and fair view in accordance with United Kingdom generally accepted accounting practice of the financial position of the Fund as at 31 December 2009 and of the net income and the net losses on the scheme property of the Fund for the year then ended; and
- have been properly prepared in accordance with United Kingdom generally accepted accounting principles, Regulation 4 of the Charities (Accounts and Reports) Regulations 1995 and the Scheme of the Charity Commissioners under the Charities Act 1993, dated 29 November 2000.

Ernst & Young LLP
Registered Auditor
London

10 March 2010

The maintenance and integrity of the CCLA Investment Management Limited website is the responsibility of the directors of CCLA Investment Management Limited; the work carried out by the auditor of the COIF Fixed Interest Fund does not involve consideration of these matters and, accordingly, the auditor

accepts no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of the accounts may differ from legislation in other jurisdictions.

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

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 pence 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

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

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

Unit prices at 31 December 2009

	<i>Bid price pence per unit</i>	<i>Offer price pence per unit</i>
Income units	126.04	126.54
Accumulation units	544.53	546.71

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

	31.12.2009	31.12.2008
Total expense ratio	0.29%	0.30%

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

Portfolio statement

at 31 December 2009

	<i> Holding</i>	<i> Bid value £'000</i>	<i> % Fund</i>
Government Bonds 65.02% (31.12.2008, 66.34%)			
Conversion 9% Stock 2011	14,800,000	16,586	10.29
Treasury 8% Stock 2013	11,390,000	13,701	8.50
Treasury 8% Stock 2015	7,210,000	9,078	5.63
Treasury 8.75% Stock 2017	6,745,000	9,028	5.60
Treasury 8% Stock 2021	3,740,000	5,048	3.13
Treasury 6% Stock 2028	8,180,000	9,840	6.10
Treasury 4.25% Stock 2032	4,305,000	4,188	2.60
Treasury 4.25% Stock 2036	8,500,000	8,228	5.10
Treasury 4.75% Stock 2038	10,280,000	10,843	6.72
Treasury 4.5% Stock 2042	9,620,000	9,805	6.08
Treasury 4.25% Stock 2055	8,570,000	8,495	5.27
Debenture Stocks 1.38% (31.12.2008, 1.44%)			
Monks Investment Trust 11% Debenture Stock 2012	550,000	648	0.40
British Sugar 10.75% bond 2013	800,000	955	0.59
BAA Lynton 10.25% Debenture Stock 2017	500,000	625	0.39
Credit 30.27% (31.12.2008, 27.63%)			
Barclays Bank 12% Bond 2010	520,260	551	0.34
BMW 6.375% Bond 2010	2,650,000	2,697	1.67
World Bank 9.5% Bond 2010	750,000	789	0.49
Marks & Spencer 6.375% Bond 2011	2,065,000	2,188	1.36
ICO 4.625% Bond 2012	2,650,000	2,794	1.73
Network Rail 4.875% Bond 2012	2,000,000	2,121	1.32
BOC 12.25% Bond 2012/2017	682,000	846	0.52
The Royal Bank Of Scotland 10.5% Bond 2013	1,000,000	1,098	0.68
Blue Circle 10.75% Bond 2013	1,500,000	1,793	1.11
Wal-Mart 4.75% Bond 2013	1,650,000	1,738	1.08
IFFIM 3.375% Bond 2014	1,000,000	1,011	0.63
E.ON 5.125% Bond 2014	350,000	368	0.23
Scottish & Southern Energy 5.75% Bond 2014	1,350,000	1,427	0.88
Lloyds TSB 6.625% Bond 2015	2,000,000	1,988	1.23
NatWest 7.875% Bond 2015	1,470,000	1,496	0.93
Centrica 5.5% Bond 2016	2,150,000	2,222	1.38
Aviva 9.5% Bond 2016	2,600,000	3,062	1.90
EIB 8.75% Bond 2017	2,000,000	2,591	1.61

Portfolio statement

at 31 December 2009

	<i>Holding</i>	<i>Bid value £'000</i>	<i>% Fund</i>
Bank of Scotland 10.50% Bond 2018	500,000	561	0.35
Telefonica 5.375% Bond 2018	2,150,000	2,196	1.36
McDonald's 6.375% Bond 2020	2,300,000	2,528	1.57
British Telecom 8.625% Bond 2020	2,150,000	2,446	1.52
Atlantia 6.25% Bond 2022	2,365,000	2,476	1.54
Network Rail 4.75% Bond 2024	2,130,000	2,109	1.31
GlaxoSmithkine 5.25% Bond 2033	2,400,000	2,362	1.46
Pfizer 6.5% Bond 2038	850,000	980	0.61
E.ON 6.75% Bond 2039	2,000,000	2,359	1.46
Preference Shares 0.69% (31.12.2008, 2.37%)			
General Accident 7.875% Preference Shares	1,065,000	1,105	0.69
INVESTMENT ASSETS		<u>156,970</u>	<u>97.36</u>
NET OTHER ASSETS		4,250	2.64
NET ASSETS		<u><u>161,220</u></u>	<u><u>100.00</u></u>

The above portfolio statement includes 2.1% invested in unrated securities and none invested in securities that are below investment grade.

Statement of total return

for the year ended 31 December 2009

	Notes	31.12.2009		31.12.2008	
		£'000	£'000	£'000	£'000
Income					
Net capital (losses)/gains	2		(5,983)		5,395
Revenue	3	9,581		9,893	
Expenses	4	(454)		(475)	
Net revenue before taxation			9,127		9,418
Total return before distributions			3,144		14,813
Finance costs: distributions	6		(9,147)		(9,511)
Change in net assets attributable to unitholders from investment activities			<u>(6,003)</u>		<u>5,302</u>

The notes on pages 17 to 24 form part of these accounts.

Statement of change in net assets attributable to unitholders

for the year ended 31 December 2009

	31.12.2009		31.12.2008	
	£'000	£'000	£'000	£'000
Opening net assets attributable to unitholders		165,542		167,835
Amounts receivable on issue of units	26,850		10,492	
Amounts payable on cancellation of units	(25,983)		(19,613)	
		867		(9,121)
Change in net assets attributable to unitholders from investment activities		(6,003)		5,302
Retained distribution on accumulation units		814		1,526
Closing net assets attributable to unitholders		<u>161,220</u>		<u>165,542</u>

Balance sheet

at 31 December 2009

	Notes	31.12.2009		31.12.2008	
		£'000	£'000	£'000	£'000
ASSETS					
Investment assets			156,970		161,867
Debtors	7	3,093		2,970	
Cash and bank balances	8	<u>3,305</u>		<u>2,725</u>	
Total other assets			6,398		5,695
Total assets			<u>163,368</u>		<u>167,562</u>
LIABILITIES					
Creditors	9	20		20	
Distribution payable on income units		<u>2,128</u>		<u>2,000</u>	
Total liabilities			2,148		2,020
Net assets attributable to unitholders			<u>161,220</u>		<u>165,542</u>
Approved on behalf of the Board					
10 March 2010			D Henderson, <i>Chairman</i>		

The notes on pages 17 to 24 form part of these accounts.

Notes to the accounts

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.

Previously, the requirements of the SORP issued by the IMA in December 2005 had been applied. There was no change to either the total return or net assets attributable to shareholders as presented in the preceding year.

(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 of 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 year, 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

(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 (losses)/gains	30.12.2009	31.12.2008
	£'000	£'000
The net capital (losses)/gains during the year comprise:		
Non-derivative securities	<u>(5,983)</u>	<u>5,395</u>
3. Revenue	31.12.2009	31.12.2008
	£'000	£'000
Interest on debt securities	9,542	9,685
Interest on COIF Charities Deposit Fund	39	176
Bank interest	-	32
	<u>9,581</u>	<u>9,893</u>

Notes to the accounts

4. Expenses

	31.12.2009	<i>31.12.2008</i>
	£'000	<i>£'000</i>
Payable to the Manager, associates of the Manager and agents of either of them:		
Manager's periodic charge – see note 1(c)	407	423
Manager's periodic charge rebate – see note 1(c)*	(9)	(8)
Manager's fee for ethical services	2	-
	<u>400</u>	<u>415</u>
Payable to the Trustee, associates of the Trustee and agents of either of them:		
Trustee fee	18	19
Safe custody fees and transaction charges	24	<u>22</u>
	<u>42</u>	<u>41</u>
Other expenses:		
Insurance fee	3	3
Audit fee	9	9
Professional fees	-	2
Sundry fees	-	<u>5</u>
	<u>12</u>	<u>19</u>
	<u>454</u>	<u>475</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

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:

	31.12.2009	<i>31.12.2008</i>
	£'000	<i>£'000</i>
31 March – interim distribution	2,244	2,421
30 June – interim distribution	2,276	2,411
30 September – interim distribution	2,303	2,363
31 December – final distribution	2,295	<u>2,273</u>
	9,118	9,468
Add: revenue deducted on cancellation of units	225	141
Deduct: revenue received on issue of units	(196)	<u>(98)</u>
Net distribution for the year	<u>9,147</u>	<u>9,511</u>
Net revenue for the year	9,127	9,418
Amortisation under effective yield (FRS 26)	57	246
Transfer to income reserve – see note 10	(37)	<u>(153)</u>
Net distribution for the year	<u>9,147</u>	<u>9,511</u>

Details of the distribution per unit are set out in the distribution table on page 25.

7. Debtors

	31.12.2009	<i>31.12.2008</i>
	£'000	<i>£'000</i>
Accrued revenue	<u>3,093</u>	<u>2,970</u>

8. Cash and bank balances

	31.12.2009	<i>31.12.2008</i>
	£'000	<i>£'000</i>
Cash in COIF Charities Deposit Fund	3,082	2,771
Cash at bank	223	<u>(46)</u>
	<u>3,305</u>	<u>2,725</u>

9. Creditors

	31.12.2009	<i>31.12.2008</i>
	£'000	<i>£'000</i>
Accrued expenses	<u>20</u>	<u>20</u>

Notes to the accounts

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.

	31.12.2009	<i>31.12.2008</i>
	£'000	<i>£'000</i>
Income reserve at the start of the year	1,455	1,302
Transfer to income reserve	37	153
Income reserve at the end of the year	<u>1,492</u>	<u>1,455</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.

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.

Notes to the accounts

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:

31 December 2009

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

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

31 December 2008

Currency	Floating rate financial assets* £'000	Fixed rate financial assets £'000	Financial assets not carrying interest £'000	Total £'000
Sterling	2,725	161,867	2,970	167,562

Currency	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000
Sterling	-	-	2,020	2,020

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

Notes to the accounts

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

31 December 2009

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

31 December 2008

<i>Currency</i>	<i>Fixed rate financial assets £'000</i>	<i>Weighted average interest rate %</i>	<i>Weighted average period for which the rate is fixed Years</i>
Sterling	157,325	4.14	15.0
Sterling – undated	4,542	9.38	-

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 2009 (31.12.2008, £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 31 December 2009 (31.12.2008, £nil).

Notes to the accounts

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 31 December 2009, the balances due to the Manager and HSBC Bank plc were as set out below:

	31.12.2009	<i>31.12.2008</i>
	£'000	<i>£'000</i>
The Manager	-	-
HSBC Bank plc – Trustee fee	5	3
HSBC Bank plc – safe custody and transaction charges	6	4

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

At 31 December 2009 a cash balance of £3,082,352 (31.12.08, £2,770,718) was held in the COIF Charities Deposit Fund.

15. Portfolio transaction costs

	31.12.2009	<i>31.12.2008</i>
	£'000	<i>£'000</i>
Analysis of total purchase costs:		
Purchases in year before transaction costs	38,823	56,661
Commissions	1	9
Total gross purchases	<u>38,824</u>	<u>56,670</u>
Analysis of total sale costs:		
Gross sales in year before transaction costs	37,682	59,849
Commissions	(1)	-
Total sales net of transaction costs	<u>37,681</u>	<u>59,849</u>

Distribution table

for the year ended 31 December 2009

<i>Period ended</i>	<i>Date paid/payable</i>	<i>Distributions paid/payable</i>	
		<i>pence per unit</i>	
		2009	2008
Income units			
31 March 2009	29 May 2009	1.80	1.80
30 June 2009	28 August 2009	1.80	1.80
30 September 2009	30 November 2009	1.80	1.80
31 December 2009	26 February 2010	1.80	1.80
		<u>7.20</u>	<u>7.20</u>
		<i>Revenue accumulated</i>	
		<i>pence per unit</i>	
		2009	2008
Accumulation units			
31 March 2009		7.60	7.11
30 June 2009		7.45	7.06
30 September 2009		7.62	7.24
31 December 2009		8.27	7.24
		<u>30.94</u>	<u>28.65</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.

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 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.

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 (appointed 25.2.09), *FCA, Company Director*
B Wrey, Chairman of the Board, *Former Chairman, Henderson Global Investors* (resigned 25.2.09)
T Bell, FRICS
P Cawdron, FCA, *Company Director* (resigned 10.3.10)
T Clark, *Solicitor*
A Daws, *Solicitor*
R Fitzalan Howard, *Chief Executive, FF&P Asset Management Limited*
G Newson, MRICS
Mrs F Quint, *Barrister* (resigned 25.2.09)

Secretary

J Fox

Investment Manager, Administrator and Registrar

CCLA Investment Management Limited

*Authorised and regulated by
the Financial Services Authority*

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London EC2V 6DZ
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Freephone: 0800 022 3505
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Email: clientservices@ccla.co.uk
www.ccla.co.uk

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

Ethical & 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 from 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 now
- 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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