



for Charities

# **COIF Charities Fixed Interest Fund**

**Report and Accounts  
Half Year ended 30 June 2009  
(unaudited)**

## Contents

- 1 Report of the Board
- 3 Report of the Investment Manager
- 6 Net asset value, unit price range, net distribution, unit prices and total expense ratio
- 8 Statement of total return
- 9 Statement of change in net assets attributable to unitholders
- 10 Portfolio statement
- 12 Balance sheet
- 13 Notes to the accounts
- 20 Distribution table
- 21 Statement of Board, Corporate Trustee and Manager responsibilities

### **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 2009

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 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 half year ended 30 June 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 period to carry out its responsibility for the approval of investment strategy, for setting distribution policy, to monitor investment diversification, suitability and risk and to review the performance of the Fund. In addition, the Board monitored the administration, expenses and pricing of the Fund.

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

### **Controls and risk management**

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

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

### **Responsible investment**

The Board applies an exclusion policy that is consistent with the views of its charity customers in so far as the Fund will not hold corporate bonds in any company whose main business is the manufacture or support of gambling, tobacco or armaments.

D Henderson  
Chairman of the Board

28 July 2009

# Report of the Investment Manager

## for the half year ended 30 June 2009

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

### Performance

At the end of the reporting period the Fund's asset allocation was weighted 64.2% gilt-edged securities/cash, corporate bonds 33.7% and preference shares 2.1%.

Over the period under review, the Fund achieved a total return before management expenses of -1.06%, reflecting a general decline in bond prices. The Fund's return was superior to the FTSE Government All Stocks Total Return Index, which returned -2.12%. While over six months the Fund underperformed its benchmark, the WM Charity Fund Universe, UK Bonds, it outperformed over the twelve months to the end of June 2009. The investment strategy of continuing to maintain an overweight asset allocation in short-dated securities proved

to be beneficial. The corporate bond holdings as well as providing good income levels generally provided higher total returns. The value of an accumulation unit fell from 534.86p to 528.53p, (a total return of -1.18% after management expenses). The value of an income unit fell from 130.98p to 125.82p at 30 June 2009, (a capital return of -3.94%).

Pleasingly, it is expected that the annual distribution rate for the year will remain unchanged at 7.2p per income unit, at the 30 June 2009 the income yield was 5.72%. The corresponding gross redemption yield, after management expenses, was 3.98%. The Fund's income yield is an indication of the expected level of income. The corresponding gross redemption yield is an estimate of total return over the long-term. The Fund's income and gross redemption yields are not guaranteed and will change over time, due to changes in interest rates and the average maturity date of the securities held by the Fund. When the Fund's income yield is higher than the gross

### COIF Charities Fixed Interest Fund

#### Annualised total capital and income return

To 30 June 2009	Six months %	1 year % p.a.	5 years % p.a.	10 years % p.a.
<u>Performance against benchmark and market indices (before expenses)</u>				
<b>COIF Charities Fixed Interest Fund</b>	-1.06	+10.91	+5.70	+5.73
WM Co CFS Universe, UK Bonds	+0.92	+ 9.66	+5.24	+5.25
FTSE UK Govt All Stocks Index	-2.12	+12.94	+6.01	+5.45
<u>Performance after expenses</u>				
<b>Income units*</b>	-1.18	+10.66	+5.50	+5.53
<b>Accumulation units*</b>	-1.18	+10.63	+5.46	+5.50

\* Net asset value to net asset value plus income reinvested

Source: The Manager and WM

# Report of the Investment Manager

## for the half year ended 30 June 2009

### Market Review

The reporting period has been very volatile for fixed interest securities; the yield on the very longest dated gilt fell to a low of 3.6% in early January, then rose to 4.6% but, at the end the reporting period, was 4.3%. The Bank of England (BoE) which had aggressively cut the official bank rate to 0.5%, believed that any further interest rate cuts would probably be insufficient to bring the rate of inflation in line with the target level and that another cut could actually have negative consequences. In March alternative tools were therefore agreed with the Chancellor to allow the BoE to adopt quantitative easing measures (QE), "printing of money", of up to £150 billion. These new measures, initially a £75 billion Treasury buyback programme of gilts and corporate bonds, coupled with higher commodity prices raised concerns about the possibility of higher inflation over the longer term and this caused long gilt yields to rise. Yields also moved higher by the announcement of an unprecedented amount of new government issuance (over the next 5 years £900 billion of gilts are estimated to be issued). This issuance is required to help finance the bail out of a number of domestic banks. There is growing recognition that in trying to prevent an economic depression the transfer of risk has shifted from the private to the public sector. Standard & Poor's, the rating agency, provided a small amount of controversy about the UK fiscal policy by putting its AAA rating on negative watch. At its May meeting the BoE's Monetary Policy Committee (MPC) voted to increase the amount of QE by a further £50 billion to £125 billion, though there was no mention of how the additional amount would

be split between government and corporate securities. The BoE had already purchased a few corporate bonds; while the number was relatively small, the action provided some long awaited support for some parts of the corporate bond sector. The corporate bond market has been clearly divided with yields on some financial debt rising on fears that coupons could be deferred or even wiped out in the event of complete nationalisation. Non-financial bonds, particularly those in the utility, telecom and pharmaceutical sectors, fared better as investors were attracted by the ability to purchase bonds issued by quality corporate institutions at much higher yields than comparable gilts. With this renewed investor appetite to increase exposure to riskier assets, the severe spread widening endured in the latter half of last year was partially reversed. The yield spread between corporate bonds and gilts narrowed by over 100 basis points from its widest point.

### Strategy

The Fund's average term to maturity was relatively stable at 13.6 years which remains lower than the gilt benchmark index. With the fall in money market rates, cash levels are being kept low but the Fund has an overweight allocation to higher yielding short dated securities. The corporate bond allocation was increased on the expectation that the sector offers attractive yields which will help in the Fund's income generation and should provide superior total returns relative to a portfolio of conventional UK gilt-edged securities. The additional purchases were from various non-financial industries. The purchases included

# Report of the Investment Manager

## for the half year ended 30 June 2009

Scottish and Southern, E.ON and Pfizer. Additionally we bought the inaugural sterling bond issued by the AAA rated 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 bond fits well into the Fund's current fixed interest strategy.

### Outlook

Over the last 18 months the UK has been the prime candidate to be the worst hit developed market in the economic crisis. The principal reason being a heavy reliance on the financial sector, a highly leveraged consumer sector and the most over valued developed housing market in the world. More recently there are indications that the UK's relative position has changed, not because the UK is any better, but because the rest of the world has got worse. With the UK Debt Management Office having to issue an exceptionally large number

of gilts simultaneously accompanied by the BoE buying back gilts makes forecasting the direction of gilt yields extremely difficult. Forecasting has become even more tenuous after the MPC surprisingly revealed it would not raise its QE programme in July by a further £25 billion. We anticipate that the MPC has not finished with QE and are more likely to ask permission from the Treasury to increase the programme should it be required. This could coincide with the release of the August Quarterly Inflation Report. While a further increase in the QE programme would initially mean a possibility of lower gilt yields, ultimately we would expect yields to rise over the longer term.

S Freeman  
Fund Manager  
CCLA Investment Management Limited

28 July 2009

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### 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>
2006	163,545	127.75	111,342,883	465.51	4,646,292
2007	167,856	126.52	110,593,719	488.13	5,722,965
2008	165,538	130.98	111,109,783	534.86	3,742,036
At 30 June 2009	159,373	125.82	113,684,544	528.53	3,091,015

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>
2004	134.68	127.73	432.86	399.57
2005	135.84	129.50	462.97	423.60
2006	135.99	127.49	472.51	450.86
2007	128.72	120.03	489.11	449.09
2008	132.26	119.94	535.93	473.52
To 30 June 2009	130.61	123.90	533.37	505.96

## Net distribution

<i>Year to 31 December</i>	<i>Income units pence per unit</i>	<i>Accumulation units pence per unit</i>
2004	8.80	25.85
2005	7.20	25.87
2006	7.20	25.63
2007	7.20	27.40
2008	7.20	28.65
To 30 June 2009	3.60	15.05

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

## Unit prices at 30 June 2009

	<i>Bid price pence per unit</i>	<i>Offer price pence per unit</i>
Income units	125.57	126.07
Accumulation units	527.47	529.59

The unit prices are published in the *Financial Times* and on the Manager's website at [www.ccla.co.uk](http://www.ccla.co.uk).

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

## Total expense ratio

	<i>30.6.2009</i>	<i>30.6.2008</i>
Total expense ratio (annualised)	0.28%	0.30%

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

# Statement of total return

## for the half year ended 30 June 2009 (unaudited)

	Notes	30.6.2009		30.6.2008	
		£'000	£'000	£'000	£'000
Income					
Net capital losses	2		<b>(6,166)</b>		(7,742)
Revenue	3	<b>4,305</b>		4,488	
Expenses	4	<b><u>(218)</u></b>		<u>(241)</u>	
Net revenue before taxation			<b><u>4,087</u></b>		<u>4,247</u>
<b>Total return before distributions</b>			<b>(2,079)</b>		(3,495)
Finance costs: distributions	6		<b>(4,522)</b>		(4,816)
<b>Change in net assets attributable to unitholders from investment activities</b>			<b><u>(6,601)</u></b>		<u>(8,311)</u>

The notes on pages 13 to 19 form part of these accounts.

# Statement of change in net assets attributable to unitholders

for the half year ended 30 June 2009 (unaudited)

	30.6.2009		30.6.2008	
	£'000	£'000	£'000	£'000
<b>Opening net assets attributable to unitholders</b>		<b>165,542</b>		167,835
Amounts receivable on issue of units	<b>10,739</b>		3,469	
Amounts payable on cancellation of units	<b><u>(10,834)</u></b>	<b>(95)</b>	<b><u>(2,368)</u></b>	1,101
Change in net assets attributable to unitholders from investment activities		<b>(6,601)</b>		(8,311)
Retained distribution on accumulation units		<b>469</b>		861
<b>Closing net assets attributable to unitholders</b>		<b><u>159,315</u></b>		<b><u>161,486</u></b>

The above statement shows the comparative closing net assets at 30 June 2008 whereas the opening net assets for the current accounting period commenced on 1 January 2009.

# Portfolio statement

## at 30 June 2009 (unaudited)

	<i> Holding</i>	<i> Bid value £'000</i>	<i> % Fund</i>
<b>Government Bonds 61.96% (31.12.2008, 66.34%)</b>			
Conversion 9% Stock 2011	18,700,000	21,467	13.48
Treasury 8% Stock 2013	8,850,000	10,658	6.69
Treasury 8% Stock 2015	5,220,000	6,759	4.24
Treasury 8.75% Stock 2017	3,900,000	5,432	3.41
Treasury 8% Stock 2021	3,920,000	5,504	3.45
Treasury 6% Stock 2028	11,400,000	14,034	8.81
Treasury 4.25% Stock 2032	3,500,000	3,458	2.17
Treasury 4.25% Stock 2036	8,500,000	8,289	5.20
Treasury 4.75% Stock 2038	10,280,000	10,880	6.83
Treasury 4.5% Stock 2042	12,000,000	12,227	7.68
<b>Debenture Stocks 1.48% (31.12.2008, 1.44%)</b>			
Monks Investment Trust 11% Debenture Stock 2012	550,000	671	0.42
British Sugar 10.75% Bond 2013	800,000	1,007	0.63
BAA Lynton 10.25% Debenture Stock 2017	500,000	686	0.43
<b>Credit 32.16% (31.12.2008, 27.63%)</b>			
EIB 9.5% Bond 2009	1,250,000	1,295	0.81
Barclays Bank 12% Bond 2010	520,260	574	0.36
BMW 6.375% Bond 2010	2,650,000	2,711	1.70
World Bank 9.5% Bond 2010	750,000	824	0.52
Marks & Spencer 6.375% Bond 2011	2,065,000	2,133	1.34
ICO 4.625% Bond 2012	2,650,000	2,756	1.73
Network Rail 4.875% Bond 2012	2,000,000	2,107	1.32
BOC 12.25% Bond 2012/2017	682,000	851	0.53
Blue Circle 10.75% Bond 2013	1,500,000	1,558	0.98
The Royal Bank of Scotland 10.5% Bond 2013	1,000,000	999	0.63
Wal-Mart 4.75% Bond 2013	1,650,000	1,717	1.08
E.ON 5.125% Bond 2014	350,000	361	0.23
IFFIM 3.375% Bond 2014	1,000,000	987	0.62
Scottish & Southern Energy 5.75% Bond 2014	1,350,000	1,409	0.88
Abbey National 7.5% Bond 2015	2,000,000	1,550	0.97
Bank of Scotland 10.25% Bond 2015	900,000	568	0.36
LloydsTSB 6.625% Bond 2015	2,000,000	1,930	1.21
NatWest 7.875% Bond 2015	1,470,000	1,403	0.88
Aviva 9.5% Bond 2016	2,600,000	2,953	1.85

# Portfolio statement

## at 30 June 2009 (unaudited)

	<i>Holding</i>	<i>Bid value £'000</i>	<i>% Fund</i>
Centrica 5.5% Bond 2016	2,150,000	2,174	1.37
EIB 8.75% Bond 2017	2,000,000	2,614	1.64
Bank of Scotland 10.50% Bond 2018	500,000	502	0.31
Telefonica 5.375% Bond 2018	2,150,000	2,162	1.36
British Telecom 8.625% Bond 2020	2,150,000	2,249	1.41
McDonald's 6.375% Bond 2020	2,300,000	2,550	1.60
Atlantia 6.25% Bond 2022	2,365,000	2,398	1.50
Network Rail 4.75% Bond 2024	2,130,000	2,136	1.34
GlaxoSmithkline 5.25% Bond 2033	2,400,000	2,305	1.45
Pfizer 6.5% Bond 2038	850,000	944	0.59
E.ON 6.375% Bond 2039	2,000,000	2,220	1.39
Natwest 11.5% Perpetual	525,000	315	0.20
<b>Preference Shares 2.12% (31.12.2008, 2.37%)</b>			
Abbey 8.625% Preference Shares	1,600,000	1,372	0.86
General Accident 7.875% Preference Shares	1,065,000	916	0.58
Natwest 9% Preference Shares	1,600,000	<u>1,076</u>	<u>0.68</u>
<b>INVESTMENT ASSETS</b>		155,691	97.72
<b>NET OTHER ASSETS</b>		3,624	2.28
<b>NET ASSETS</b>		<u>159,315</u>	<u>100.00</u>

The above portfolio statement includes 3.6% invested in unrated securities and 0.6% invested in securities that are below investment grade.

# Balance sheet

## at 30 June 2009 (unaudited)

	Notes	30.6.2009		31.12.2008	
		£'000	£'000	£'000	£'000
<b>ASSETS</b>					
Investment assets			<b>155,691</b>		161,867
Debtors	7	<b>2,722</b>		2,970	
Cash and bank balances	8	<b><u>2,959</u></b>		<u>2,725</u>	
Total other assets			<b>5,681</b>		5,695
<b>Total assets</b>			<b><u>161,372</u></b>		<u>167,562</u>
<b>LIABILITIES</b>					
Creditors	9		<b>10</b>	20	
Distribution payable on income units			<b><u>2,047</u></b>	<u>2,000</u>	
<b>Total liabilities</b>			<b>2,057</b>		2,020
<b>Net assets attributable to unitholders</b>			<b><u>159,315</u></b>		<u>165,542</u>
Approved on behalf of the Board					
28 July 2009					
D Henderson, <i>Chairman</i>					

The notes on pages 13 to 19 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.

(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. 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.

(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).

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

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

# Notes to the accounts

## (unaudited)

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.

<b>2. Net capital losses</b>	<b>30.6.2009</b>	<b>30.6.2008</b>
	<b>£'000</b>	<b>£'000</b>
The net capital losses during the period comprise:		
Non-derivative securities	<b><u>(6,166)</u></b>	<b><u>(7,742)</u></b>
<b>3. Revenue</b>	<b>30.6.2009</b>	<b>30.6.2008</b>
	<b>£'000</b>	<b>£'000</b>
Interest on debt securities	<b>4,276</b>	4,372
Interest on COIF Charities Deposit Fund	<b>29</b>	88
Bank interest	<b>-</b>	28
	<b><u>4,305</u></b>	<b><u>4,488</u></b>
<b>4. Expenses</b>	<b>30.6.2009</b>	<b>30.6.2008</b>
	<b>£'000</b>	<b>£'000</b>
Payable to the Manager, associates of the Manager and agents of either of them:		
Manager's periodic charge – see note 1(c)	<b>198</b>	215
Manager's periodic charge rebate – see note 1(c)*	<b>(4)</b>	(4)
Manager's professional fee for ethical services	<b>1</b>	-
	<b><u>195</u></b>	<b><u>211</u></b>
Payable to the Trustee, associates of the Trustee and agents of either of them:		
Trustee fee	<b>7</b>	10
Safe custody fees and transaction charges	<b>10</b>	13
	<b><u>17</u></b>	<b><u>23</u></b>
Other expenses:		
Insurance fee	<b>2</b>	2
Audit fee	<b>4</b>	5
	<b><u>6</u></b>	<b><u>7</u></b>
	<b><u>218</u></b>	<b><u>241</u></b>

\*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.

# Notes to the accounts

## (unaudited)

### 5. Taxation

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

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

### 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:

	<b>30.6.2009</b>	<i>30.6.2008</i>
	<b>£'000</b>	<i>£'000</i>
31 March – interim distribution	<b>2,245</b>	2,419
30 June – interim distribution	<b>2,277</b>	2,411
	<b>4,522</b>	4,830
Add: revenue deducted on cancellation of units	<b>77</b>	16
Deduct: revenue received on issue of units	<b>(77)</b>	(30)
Net distribution for the period	<b>4,522</b>	4,816
Net revenue for the period	<b>4,087</b>	4,247
Amortisation under effective yield (FRS 26)	<b>502</b>	650
Transfer to income reserve – see note 10	<b>(67)</b>	(81)
Net distribution for the period	<b>4,522</b>	4,816

Details of the distribution per unit are set out in the distribution table on page 20.

### 7. Debtors

	<b>30.6.2009</b>	<i>31.12.2008</i>
	<b>£'000</b>	<i>£'000</i>
Accrued revenue	<b>2,721</b>	2,970
Prepayments	<b>1</b>	-
	<b>2,722</b>	2,970

### 8. Cash and bank balances

	<b>30.6.2009</b>	<i>31.12.2008</i>
	<b>£'000</b>	<i>£'000</i>
Cash in COIF Charities Deposit Fund	<b>2,914</b>	2,771
Cash at bank	<b>45</b>	(46)
	<b>2,959</b>	2,725

### 9. Creditors

	<b>30.6.2009</b>	<i>31.12.2008</i>
	<b>£'000</b>	<i>£'000</i>
Accrued expenses	<b>10</b>	20

# 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.

	<b>30.6.2009</b>	<i>31.12.2008</i>
	<b>£'000</b>	<i>£'000</i>
Income reserve at the start of the period	<b>1,455</b>	1,302
Transfer to income reserve	<b>67</b>	153
Income reserve at the end of the period	<b><u>1,522</u></b>	<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 period and the comparative period.

Market price risk

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

Currency risk

There is no exposure to foreign currency fluctuations as all investments, 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

## (unaudited)

### Liquidity risk

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

### Interest rate risk

The Fund invests in fixed interest securities. The 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 2009

<b>Currency</b>	<b>Floating rate financial assets*</b> £'000	<b>Fixed rate financial assets</b> £'000	<b>Financial assets not carrying interest</b> £'000	<b>Total</b> £'000
<b>Sterling</b>	<b>2,959</b>	<b>155,691</b>	<b>2,722</b>	<b>161,372</b>

<b>Currency</b>	<b>Floating rate financial liabilities</b> £'000	<b>Fixed rate financial liabilities</b> £'000	<b>Financial liabilities not carrying interest</b> £'000	<b>Total</b> £'000
<b>Sterling</b>	<b>-</b>	<b>-</b>	<b>2,057</b>	<b>2,057</b>

31 December 2008

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

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

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

# Notes to the accounts

## (unaudited)

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

30 June 2009

<b>Currency</b>	<b>Fixed rate financial assets £'000</b>	<b>Weighted average interest rate %</b>	<b>Weighted average period for which the rate is fixed Years</b>
<b>Sterling</b>	<b>152,012</b>	<b>4.14</b>	<b>13.1</b>
<b>Sterling – undated</b>	<b>3,679</b>	<b>11.58</b>	<b>-</b>

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 30 June 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 30 June 2009 (31.12.2008, £nil).

# Notes to the accounts

## (unaudited)

### 14. Related party transactions

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

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

At 30 June 2009, the balances due to the Manager and HSBC Bank Plc were as set out below:

	<b>30.6.2009</b>	<i>31.12.2008</i>
	<b>£'000</b>	<i>£'000</i>
The Manager	-	-
HSBC Bank Plc – Trustee fee	<b>2</b>	3
HSBC Bank Plc – safe custody and transaction charges	<b>5</b>	4

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

At 30 June 2009 a cash balance of £2,914,545 (31.12.08, £2,770,718) was held in the COIF Charities Deposit Fund.

### 15. Portfolio transaction costs

	<b>30.6.2009</b>	<i>30.6.2008</i>
	<b>£'000</b>	<i>£'000</i>
Analysis of total purchase costs:		
Purchases in period before transaction costs	<b>12,396</b>	40,232
Commissions	<b>1</b>	7
Total gross purchases	<b><u>12,397</u></b>	<u>40,239</u>
Analysis of total sale costs:		
Gross sales in period before transaction costs	<b>11,903</b>	38,240
Commissions	-	-
Total sales net of transaction costs	<b><u>11,903</u></b>	<u>38,240</u>

# Distribution table

for the half year ended 30 June 2009 (unaudited)

<i>Period ended</i>	<i>Date paid/payable</i>	<i>Distributions paid/payable pence per unit</i>	
		<b>2009</b>	2008
<b>Income units</b>			
31 March 2009	29 May 2009	<b>1.80</b>	1.80
30 June 2009	28 August 2009	<b>1.80</b>	1.80
		<b><u>3.60</u></b>	<u>3.60</u>
		<i>Revenue accumulated pence per unit</i>	
		<b>2009</b>	2008
<b>Accumulation units</b>			
31 March 2009		<b>7.60</b>	7.11
30 June 2009		<b>7.45</b>	7.06
		<b><u>15.05</u></b>	<u>14.17</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 (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*  
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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**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 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 and Global Equity Funds. Any charity in England and Wales may invest in the Fixed Interest, and Property Funds. CCLA Investment Management Limited operates as the Investment Manager and Administrator of the Funds.

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

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

**CCLA INVESTMENT MANAGEMENT LIMITED**

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