

COIF Charities Fixed Interest Fund

Annual Report and Accounts
Year to 31 December 2007

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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 Reports and Accounts are available in large print and audio formats.

COIF Charities Fixed Interest Fund

Report of the Board

for the year ended 31 December 2007

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

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

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

Objective and benchmark of the Fund

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

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

Investment Policy

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

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

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.

COIF Charities Fixed Interest Fund

Report of the Board

for the year ended 31 December 2007

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. At each quarterly meeting 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.

Ethical Investment

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

Note to unitholders

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

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

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

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

B Wrey
Chairman of the Board

26 February 2008

COIF Charities Fixed Interest Fund

Report of the Investment Manager

for the year ended 31 December 2007

- 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

The Fund outperformed the gilt index in the first half of the year due to good asset allocation and the timing of duration changes. However, these gains were eroded as the credit crisis, which began in August, lowered the relative value of the remaining corporate bonds held in the Fund. The Fund returned 5.10%, slightly less than the gilt index which returned 5.27%. The value of an accumulation unit rose by 4.86% from 465.51p to 488.13p and the value of an income unit fell by 0.96% from 127.75p to 126.52p over the year.

The annual distribution rate for the year remained unchanged at 7.2p per income unit. The income yield was 5.69% 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 4.32%. Please note 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.

Comparison with the WM Co Charity Fund Service Monitor

Over the calendar year 2007 the COIF Charities Fixed Interest Fund achieved a total return before management expenses of 5.1%. This was 1.1% higher than the Fund's benchmark, the fixed interest element of the WM Co Charity Fund Universe, which achieved a total return of 4.0%.

COIF Charities Fixed Interest Fund

Total capital and income return*

To 31 December 2007	1 Yr % p.a.	5 Yrs % p.a.	10 Yrs % p.a.
<u>Performance against market indices (before expenses)</u>			
COIF Charities Fixed Interest Fund	+5.1	+4.7	+6.3
WM Co CFS Universe, UK Bonds	+4.0	+4.5	+6.1
FTSE UK Govt All Stocks Index	+5.3	+4.5	+6.0
<u>Performance against market indices (after expenses)</u>			
Income units	+4.9	+4.5	+6.1
Accumulation units	+4.9	+4.5	+6.1

*Net asset value to net asset value plus income reinvested

Market review

Market conditions over the two halves were very different. During the first half of the reporting year, yields gradually rose as the UK economy showed fairly robust growth at a time when inflationary pressures had picked up. The yield on the benchmark 10 year gilt climbed from 4.7% at the end of December 2006 to over 5% in July 2007. During the period, the Bank of England's Monetary Policy Committee (MPC) continued its tightening cycle, increasing the official bank rate by 0.25% on three occasions to reach 5.75% in July. There was a notable increase in bond issuance and a number of alternative long dated fixed interest products were introduced for pension funds. Both these factors had a negative impact on long dated gilt yields. The global financial turmoil triggered in early August clearly marked a change in the actual and perceived riskiness of corporate bonds and other assets. There was fear that the slowdown in the US housing market would impact global economic activity, weakening corporate fundamentals. The market for structured finance products, which had heavily contributed to the demand for corporate bonds and driven yield premiums to unjustifiably tight levels over the past few years, was effectively closed. Increased risk aversion supported government bond markets as investors demanded triple-A rated assets. In the UK this caused a material decline of 0.5%-0.6% in short and medium dated gilt yields. The decline in yields accelerated as the financial crisis spread and deepened late into year end. The 10 year gilt closed just below the level seen 12 months previously at 4.5%.

COIF Charities Fixed Interest Fund

Report of the Investment Manager

for the year ended 31 December 2007

Strategy

During the year we reduced the average life of the Fund and took an underweight allocation on long dated securities, which we believe will help support the capital value. Having significantly reduced the asset allocation to corporate bonds in the previous year, we lowered the allocation further during the year. The timing of the reduction came ahead of possibly the worst ever credit crisis. The yield premium widened dramatically leading to very poor relative performance from credit. Unsurprisingly, the worst performing sector was banks. As the Fund is structured for longer term investment we did not make any 'fire' sales of the remaining corporate bond holdings as we expect to increase the allocation to this asset class when the market returns to some normality.

Outlook

The government bond market rallied strongly in the second half of the year and the key question is whether we have now seen the trough in yields. Economic data has played a secondary role during the credit crisis but as the domestic economy now appears to be heading for a swift decline in growth the scope for still lower yields remains, especially for short dated gilts. The complication for longer dated gilts is the likelihood of even higher energy and food prices which will likely keep the rate of inflation stubbornly above the Bank of England's target level of 2%. The demand from pension funds for longer dated assets is likely to wane during the course of 2008 and we are therefore of the view that the bias is for higher yields further along the yield curve. The prospect for credit is extremely uncertain but we believe there are a number of attractive opportunities developing.

S Freeman
Fund Manager
CCLA Investment Management Limited

26 February 2008

Risk warning

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

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

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

COIF Charities Fixed Interest Fund
Report of the Corporate Trustee
for the year ended 31 December 2007

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 year 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.

This report is given on the basis that no breaches are subsequently advised to us by the Auditor before the distribution date. We therefore reserve the right to amend the report in the light of such circumstances.

HSBC Bank plc
Corporate Trustee
8 Canada Square
London E14 5HQ

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

26 February 2008

COIF Charities Fixed Interest Fund

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 2007 which comprise the statement of total return, the statement of change in unitholders' net assets, the portfolio statement, the balance sheet, the summary of material portfolio changes, 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 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.

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 at 31 December 2007 and of the net income and the net gains 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 practice, 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 Auditors
London

26 February 2008

The maintenance and integrity of the CCLA Investment Management Limited website is the responsibility of the directors; the work carried out by the auditors of the COIF Charities Fixed Interest Fund does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes

that may have occurred to the financial statements since they were initially presented on the web site. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

COIF Charities Fixed Interest Fund

Net Asset Value, Unit Price Range, Net Distributions, Unit Prices and Total Expense Ratio

Net asset value

At 31 December	Net asset value £'000	Income units		Accumulation units	
		Net asset value pence per unit	Number of units in issue	Net asset value pence per unit	Number of units in issue
2005	170,214	133.98	113,298,517	462.05	3,986,163
2006	163,545*	127.75	111,342,883	465.51	4,646,292
2007	167,454*	126.52	110,593,719	488.13	5,722,965

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

Unit price range

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

Net distributions

Year to 31 December	Income units pence per unit	Accumulation units pence per unit
2003	8.80	24.76
2004	8.80	25.85
2005	7.20	25.87
2006	7.20	25.63
2007	7.20	27.40

COIF Charities Fixed Interest Fund

Net Asset Value, Unit Price Range, Net Distributions, Unit Prices and Total Expense Ratio

Unit prices at 31 December 2007

	<i>Bid price pence per unit</i>	<i>Offer price pence per unit</i>
Income units	126.27	126.77
Accumulation units	487.15	489.11

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

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

Total expense ratio

	<i>31.12.2007</i>	<i>31.12.2006</i>
Total expense ratio	0.28%	0.29%

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

COIF Charities Fixed Interest Fund
Statement of Total Return
for the year ended 31 December 2007

	Notes	31.12.2007		31.12.2006	
		£'000	£'000	£'000	£'000
Net losses on investments during the year	2		(319)		(8,108)
Income	3	8,494		9,795	
Expenses	4	(454)		(472)	
Net Income for the year			<u>8,040</u>		<u>9,323</u>
Total return before distributions			7,721		1,215
Finance costs: distributions	6		(9,596)		(9,169)
Change in net assets attributable to unitholders			<u>(1,875)</u>		<u>(7,954)</u>

Statement of Change in Unitholders' Net Assets
for the year ended 31 December 2007

	31.12.2007		31.12.2006	
	£'000	£'000	£'000	£'000
Net assets at start of the year		163,890		170,214
Movement due to creations and cancellations of units				
Amounts receivable on creation of units	26,015		11,391	
Less: amounts payable on cancellation of units	<u>(21,902)</u>		<u>(10,901)</u>	
		4,113		490
Change in net assets attributable to unitholders (see above)		(1,875)		(7,954)
Retained distribution on accumulation units		1,707		1,140
Net assets at end of the year		<u>167,835</u>		<u>163,890</u>

The notes on pages 13 to 18 form part of these accounts.

COIF Charities Fixed Interest Fund

Portfolio Statement

at 31 December 2007

	<i> Holding</i>	<i> Bid value £'000</i>	<i> % Fund</i>
Government Stocks 84.63% (31.12.06, 81.33%)			
Treasury 5% Stock 2008	6,000,000	6,000	3.57
Treasury 5.75% Stock 2009	3,000,000	3,077	1.83
Treasury 6.25% Stock 2010	8,650,000	9,104	5.42
Conversion 9% Stock 2011	26,970,000	30,962	18.45
Treasury 8% Stock 2013	9,000,000	10,562	6.29
Treasury 8% Stock 2015	8,200,000	10,050	5.99
Treasury 8.75% Stock 2017	5,000,000	6,617	3.94
Treasury 8% Stock 2021	7,900,000	10,599	6.32
Treasury 6% Stock 2028	16,815,000	20,288	12.09
Treasury 4.25% Stock 2032	3,500,000	3,432	2.05
Treasury 4.25% Stock 2036	7,740,000	7,651	4.56
Treasury 4.75% Stock 2038	22,040,000	23,706	14.12
Debenture Stocks 1.37% (31.12.06, 1.46%)			
Monks Investment Trust 11% Deb. Stock 2012	550,000	669	0.40
British Sugar 10.75% Deb. Stock 2013	800,000	983	0.58
BAA Lynton 10.25% Deb. Stock 2017	500,000	655	0.39
Eurosterling Bonds 9.38% (31.12.06, 12.55%)			
EIB 6.25% Bond 2008	1,000,000	1,009	0.60
Bank of Scotland 6.375% Bond 2008	600,000	600	0.36
Barclays 9.875% Bond 2008	1,250,000	1,263	0.75
RBS 10.5% Bond 2013	1,000,000	1,194	0.71
Blue Circle 10.75% Bond 2013	1,500,000	1,859	1.11
Bank of Scotland 10.25% Bond 2015	900,000	1,084	0.65
Aviva 9.5% Bond 2016	2,000,000	2,491	1.48
EIB 8.75% Bond 2017	2,000,000	2,577	1.54
Bank of Scotland 10.50% Bond 2018	500,000	665	0.40
Network Rail 4.75% Bond 2024	2,130,000	2,116	1.26
Nat West 11.5% Conv Bond	525,000	875	0.52
Other Fixed Interest Stocks 2.18% (31.12.06, 2.30%)			
EIB 9.5% Bond 2009	1,250,000	1,360	0.81
World Bank 9.5% Bond 2010	750,000	837	0.50
Barclays 12% ULS 2010	520,260	599	0.36
BOC 12.25% ULS 2012/17	682,000	864	0.51
PORTFOLIO OF INVESTMENTS		163,748	97.56
NET OTHER ASSETS		4,087	2.44
NET ASSETS		<u>167,835</u>	<u>100.00</u>

COIF Charities Fixed Interest Fund

Balance Sheet

at 31 December 2007

	Notes	31.12.2007		31.12.2006	
		£'000	£'000	£'000	£'000
ASSETS					
Portfolio of investments			163,748		160,015
Debtors	7	2,662		2,706	
Cash and bank balances	8	<u>3,428</u>		<u>3,199</u>	
Total other assets			<u>6,090</u>		<u>5,905</u>
Total assets			169,838		165,920
LIABILITIES					
Creditors	9	10		26	
Distribution payable on income units		<u>1,993</u>		<u>2,004</u>	
Total liabilities			2,003		2,030
Net assets attributable to unitholders			<u>167,835</u>		<u>163,890</u>
Approved on behalf of the Board 26 February 2008		B Wrey, <i>Chairman</i> R Fitzalan Howard, <i>Board Member</i>			

The notes on pages 13 to 18 form part of these accounts.

COIF Charities Fixed Interest Fund
Summary of Material Portfolio Changes
for the year ended 31 December 2007

	<i>Cost £'000</i>
Total purchases for the year (note 14)	30,010
Purchases:	
Treasury 6% Stock 2028	3,932
Treasury 5% Stock 2008	3,686
Treasury 4.25% Stock 2055	3,622
Treasury 6.25% Stock 2010	3,539
Treasury 5.75% Stock 2009	3,070
Treasury 8% Stock 2015	2,441
Treasury 4.75% Stock 2038	2,170
Treasury 8% Stock 2013	2,052
Treasury 4.25% Stock 2032	1,999
Treasury 8.75% Stock 2017	1,750
Conversion 9% Stock 2011	1,749
	<i>Proceeds £'000</i>
Total sales for the year (note 14)	23,131
Sales:	
Treasury 6.25% Stock 2010	5,197
Treasury 4.25% Stock 2055	3,688
Treasury 4.25% Stock 2036	3,621
Treasury 5% Stock 2008	3,188
Treasury 8.75% Stock 2017	2,764
Network Rail 4.875% Bond 2015	1,230
Treasury 8.5% Stock 2007	1,001
Treasury 8% Stock 2021	976
Toyota Motor Credit 4.625% Bond 2011	962
Treasury 5% Stock 2025	504

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

COIF Charities Fixed Interest Fund

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 December 2005.

(b) Income recognition

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

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

(c) Expenses

During the year, the Manager's periodic charge, paid to the Manager, was charged to the income of the Fund before distribution. The fee is based on a fixed percentage of the value of the Fund, which is currently 0.22% p.a. plus VAT (2006, 0.22% p.a. plus VAT), less a management fee rebate for the Fund's deposits in COIF Charities Deposit Fund. Each month, the value at the end of the previous month is taken to calculate the fee due. This fee covers the provision of investment services and other expenses incurred by the Manager. The Trustee fee, audit, legal, safe custody fees and transaction charges and insurance are charged separately to the income of the Fund before distribution.

(d) Distributions

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

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

(e) Basis of valuation

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

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

COIF Charities Fixed Interest Fund

Notes to the Accounts

2. Net losses on investments

	31.12.2007 £'000	<i>31.12.2006</i> <i>£'000</i>
The net losses on investments during the year comprise:		
Non-derivative securities	<u>(319)</u>	<u><i>(8,108)</i></u>

3. Income

	31.12.2007 £'000	<i>31.12.2006</i> <i>£'000</i>
Interest on debt securities	8,305	9,666
Interest on COIF Charities Deposit Fund	135	111
Bank interest	54	18
	<u>8,494</u>	<u><i>9,795</i></u>

4. Expenses

	31.12.2007 £'000	<i>31.12.2006</i> <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)	416	430
Manager's periodic charge rebate – see note 1(c)*	(9)	<i>(8)</i>
	<u>407</u>	<u><i>422</i></u>
Payable to the Trustee, associates of the Trustee and agents of either of them:		
Trustee fee	19	18
Safe custody fees and transaction charges	18	21
	<u>37</u>	<u><i>39</i></u>
Other expenses:		
Insurance fee	3	4
Audit fee	7	7
	<u>10</u>	<u><i>11</i></u>
	<u>454</u>	<u><i>472</i></u>

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

The above expenses include VAT where applicable.

5. Taxation

The Fund is exempt from UK income tax and capital gains tax due to its charitable status pursuant to Sections 505 and 506 of the Income and Corporation Taxes Act 1988. Distributions are paid and reinvested income credited gross to unitholders on the basis that all recoverable UK taxation has been reclaimed.

COIF Charities Fixed Interest Fund

Notes to the Accounts

6. Finance costs

Distributions

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

	31.12.2007	<i>31.12.2006</i>
	£'000	<i>£'000</i>
31 March – interim distribution	2,428	<i>2,295</i>
30 June – interim distribution	2,472	<i>2,258</i>
30 September – interim distribution	2,382	<i>2,311</i>
31 December – final distribution	<u>2,394</u>	<i><u>2,308</u></i>
	9,676	<i>9,172</i>
Add: income deducted on cancellation of units	151	<i>73</i>
Deduct: income received on creation of units	<u>(231)</u>	<i><u>(76)</u></i>
Net distribution for the year	<u>9,596</u>	<i><u>9,169</u></i>
Net income for the year	8,040	<i>9,323</i>
Amortisation under effective yield (FRS 26)	1,823	<i>-</i>
Transfer to income reserve – see note 10	<u>(267)</u>	<i><u>(154)</u></i>
Net distribution for the year	<u>9,596</u>	<i><u>9,169</u></i>

Details of the distribution per unit are set out in the distribution table on page 19.

7. Debtors

	31.12.2007	<i>31.12.2006</i>
	£'000	<i>£'000</i>
Accrued income	<u>2,662</u>	<i><u>2,706</u></i>
	2,662	<i>2,706</i>

8. Cash and bank balances

	31.12.2007	<i>31.12.2006</i>
	£'000	<i>£'000</i>
Cash in COIF Charities Deposit Fund	1,825	<i>2,579</i>
Cash at bank	<u>1,603</u>	<i><u>620</u></i>
	<u>3,428</u>	<i><u>3,199</u></i>

9. Creditors

	31.12.2007	<i>31.12.2006</i>
	£'000	<i>£'000</i>
Accrued expenses	<u>10</u>	<i><u>26</u></i>
	10	<i>26</i>

10. Income reserve

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

	31.12.2007	<i>31.12.2006</i>
	£'000	<i>£'000</i>
Income reserve at start of the year	1,035	<i>881</i>
Transfer to income reserve	<u>267</u>	<i><u>154</u></i>
Income reserve at end of the year	<u>1,302</u>	<i><u>1,035</u></i>

COIF Charities Fixed Interest Fund

Notes to the Accounts

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

Credit risk

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

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

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

31 December 2007

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

COIF Charities Fixed Interest Fund
Notes to the Accounts

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

31 December 2006

<i>Currency</i>	<i>Floating rate financial assets* £'000</i>	<i>Fixed rate financial assets £'000</i>	<i>Financial assets not carrying interest £'000</i>	<i>Total £'000</i>
Sterling	3,199	160,015	2,706	165,920

<i>Currency</i>	<i>Floating rate financial liabilities £'000</i>	<i>Fixed rate financial liabilities £'000</i>	<i>Financial liabilities not carrying interest £'000</i>	<i>Total £'000</i>
Sterling	-	-	2,030	2,030

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

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

31 December 2007

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

31 December 2006

<i>Currency</i>	<i>Fixed rate financial assets £'000</i>	<i>Weighted average interest rate %</i>	<i>Weighted average period for which rate is fixed Years</i>
Sterling	158,959	4.84	13.7
Sterling - undated	1,056	5.52	-

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 2007 (31.12.2006, £nil).

COIF Charities Fixed Interest Fund

Notes to the Accounts

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 2007 (31.12.2006, £nil).

14. Related party transactions

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

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

At 31 December 2007, the balances due to the Manager and HSBC Bank plc were as set out below:

	31.12.2007	<i>31.12.2006</i>
	£'000	<i>£'000</i>
CCLA	-	-
HSBC Bank plc Trustee fee	5	6
HSBC Bank plc safe custody fees and transaction charges	2	2

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

15. Portfolio transaction costs

	31.12.2007	<i>31.12.2006</i>
	£'000	<i>£'000</i>
Analysis of total purchase costs:		
Purchases in period before transaction costs	30,010	130,838
Commissions	-	<u>1</u>
Total gross purchases	<u>30,010</u>	<u>130,839</u>
Analysis of total sale costs:		
Gross sales in period before transaction costs	23,132	128,941
Commissions	(1)	<u>(4)</u>
Total sales net of transaction costs	<u>23,131</u>	<u>128,937</u>

COIF Charities Fixed Interest Fund
Distribution Table
for the year ended 31 December 2007

<i>Period ended</i>	<i>Date of payment</i>	<i>Distributions paid/payable pence per unit</i>	
		2007	2006
Income units			
31 March 2007	31 May 2007	1.80	1.80
30 June 2007	31 August 2007	1.80	1.80
30 September 2007	30 November 2007	1.80	1.80
31 December 2007	29 February 2008	1.80	1.80
		<u>7.20</u>	<u>7.20</u>
		<i>Income accumulated pence per unit</i>	
Accumulation units			
31 March 2007		6.65	6.38
30 June 2007		6.77	6.29
30 September 2007		6.98	6.43
31 December 2007		7.00	6.53
		<u>27.40</u>	<u>25.63</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 income due to the Fund in accordance with the Scheme;
- the creation and cancellation of units in accordance with the instructions of the Manager (except where the Scheme Particulars permit the Trustee to disregard those instructions);
- making distributions to Participating Charities holding income units and making allocations to Participating Charities holding 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;
- 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;
- winding up the Fund; and
- taking all steps and executing all documents which are necessary to secure that the purchases and sales of investments for or of the Fund are properly completed.

Statement of Board, Corporate Trustee and Manager Responsibilities

Responsibilities of the Manager

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

- select suitable accounting policies that are appropriate for the Fund and apply them on a consistent basis;
- comply with the disclosure requirements of the Statement of Recommended Practice relating to Authorised Funds issued by the Investment Management Association (IMA) in December 2005;
- follow generally accepted accounting principles and applicable accounting standards;
- keep proper accounting records which 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

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

P Cawdron, FCA, *Company Director*

T Clark (appointed 26.02.08), *Solicitor*

A Daws (appointed 26.02.08), *Solicitor*

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

D Henderson, FCA, *Company Director*

A Huntley, FRICS

F Quint, *Barrister*

N Wilson (retired 26.02.08), *Solicitor, a former Partner, Slaughter and May*

Secretary

J Fox

Investment Manager, Administrator and Registrar

CCLA Investment Management Limited

Authorised and regulated by the Financial Services Authority

80 Cheapside, London EC2V 6DZ

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Client Service:

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Facsimile: 0844 561 5126

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Directors responsible for the Fund

M Quicke

(Chief Executive)

J Bevan

(Chief Investment Officer)

S Curran

(Chief Operating Officer from 1 May 2007)

D Butler

(Chief Operating Officer to 30 April 2007)

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

A Young

Corporate Trustee and Custodian

HSBC Bank plc

8 Canada Square, London, E14 5HQ

Banker

The Royal Bank of Scotland plc

62/63 Threadneedle Street, London, EC2R 8LA

Solicitors

Bates Wells & Braithwaite LLP

2-6 Cannon Street, London EC4M 6YH

Farrer & Co LLP

66 Lincoln's Inn Fields, London, WC2A 3LH

Independent Auditor

Ernst & Young LLP

1 More London Place, London, SE1 2AF



CCLA INVESTMENT MANAGEMENT LIMITED **COIF Charity Funds**

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

- **COIF CHARITIES INVESTMENT FUND**
 - A suitable 'all-in-one' long-term fund for most charities
 - Highly diversified and well-balanced spread of investments
 - Designed to help meet growth and income requirements
 - Focus on delivering attractive, growing income
- **COIF CHARITIES 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 (triple A) credit rating*

*The Deposit Fund has consistently achieved a Aaa rating from the credit rating agency Moody's Investors Service – the highest possible.

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

CCLA INVESTMENT MANAGEMENT LTD

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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 and is the manager of the COIF Charity Funds (Registered Charity Nos. 218873, 803610, 1046249, 1093084 and 1121433).

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