



for Charities

# **The COIF Charities Fixed Interest Fund**

**Report and Accounts  
Half Year ended 30 June 2011  
(unaudited)**

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### **Trustee and Manager**

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### **Description of The 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 2011

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

### **Structure and management of the Fund**

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

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

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

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

Trustee (the Trustee), appointing the Auditor to the Fund and agreeing the fees charged by the Trustee, the Manager and the Auditor.

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

### **Objective and benchmark of the Fund**

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

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

### **Investment policy**

The Fund's policy is to invest in sterling denominated debenture or loan stock of overseas governments, local authorities or companies or undertakings, in sterling denominated convertible debenture or loan 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 2011

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

### **Controls and risk management**

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

During the 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 2011

# Report of the Investment Manager

## for the half year ended 30 June 2011

### Performance

The Fund's composite benchmark, Barclays Capital UK Government (Gilt) Index (80%) and the Barclays Capital Sterling Aggregate 100mm Bond Index (20%), rose 1.99%, and the Fund returned 2.10%. The Fund's overweight corporate bond allocation and underweight holding in longer dated securities were the main contributors to this slight out performance.

The Fund's accumulation unit price rose from 580.30p to 591.69p, or by 1.96%. The value of an income unit fell from 127.03p to 125.88p at 30 June 2011, a capital return of -0.91%.

The distribution rate for the six months to 30 June 2011 was 3.60p per income unit. It is our expectation that the annual distribution rate for 2011 will remain unchanged at 7.20p per income unit. The income yield at 30 June 2011 was 5.72%.

The corresponding gross redemption yield, which is an estimate of the future total return of the Fund over the long-term, after management expenses, was 2.84%. The Fund's income and gross redemption yields are not guaranteed and will change over time due to changes in interest rates and the average maturity date of the securities held by the Fund. When the Fund's income yield is higher than the gross redemption yield, some income is being paid at the expense of capital.

### Market Review

The amount of gilts held by UK financial institutions (banks and building societies) has more than trebled in the last two years, with financial regulators having pushed for dramatically higher liquidity ratios, so requiring these institutions to hold more gilt edged securities.

### The COIF Charities Fixed Interest Fund Annualised total capital and income return

To 31 June 2010	Six Months %	1 year %	5 years % p.a.	10 years % p.a.
<u>Performance against benchmark and market indices (before expenses)</u>				
<b>COIF Fixed Interest Fund</b>	+2.10	+3.63	+5.65	+5.91
Composite Benchmark	+1.99	+3.66	+5.46	+5.71
BarCap £ Gilt Index	+1.75	+3.24	+5.67	+5.68
BarCap £ Agg 100mm Non Gilt Index	+2.91	+5.33	+4.49	+5.76
<u>Performance after expenses</u>				
<b>Income units*</b>	+1.96	+3.36	+5.40	+5.69
<b>Accumulation units*</b>	+1.96	+3.36	+5.39	+5.67

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

Source : The Manager

# Report of the Investment Manager

## for the half year ended 30 June 2011

This is reflected by the strong demand for gilts from UK financial institutions. In the three months to April, net gilt issuance of £39.8bn saw UK financial institutions purchase £36.1bn – an absorption rate of over 90%. There has been a noticeable contraction in the amount held by overseas investors. The fifty year gilt which yielded 4.1% in January, hit a high of 4.5% in February but had fallen back towards the end of the reporting period; at 30 June it yielded 4.2%.

Domestically there have been two major factors driving the direction of gilt yields over the reporting period. First, the headline rate of inflation (CPI) has continued to be persistently high relative to the Bank of England's Monetary Policy Committee (MPC) target. In fact, the headline figure has actually not gone below 3% since December 2009 and it has been above target for 34 of the past 40 months. Neither the Bank of England nor any City commentator now expects CPI to fall before the end of this year. The other factor has been the state of the economy which is struggling to recover from the severe recession. The MPC has been divided on how monetary policy should be set in the present environment. The committee has been split three ways with some members voting for an immediate hike in rates, one favouring more quantitative easing, but the majority of the committee members have signalled they are prepared to accommodate higher prices as the economy adjusts from recession to recovery.

In the current economic situation yields on fixed interest securities have not moved in a clear direction but have been driven by investor reaction to economic and political developments. The UK and global economic recovery deteriorated markedly in recent weeks which has pushed the gilt 10 year yield close to

its lowest point in six months. The weaker global growth prospects led to renewed concerns that Greece may default on its outstanding debt. This uncertainty caused investors to seek assets deemed isolated from the Eurozone. Gilts which just twelve months ago had been singled out as the most vulnerable of any top-rated country, were again one of the most sought after assets. Notably, gilts out performed German government bonds; the yield difference at the ten-year maturity is now just 0.3%, the smallest gap since 2009.

Following the recession many companies reduced their debts and overall costs leaving them in a good financial position. This readjustment has been generally positive for corporate bonds, the spread between gilts and investment grade debt has narrowed from 186 to 183 basis points, as measured by Barclays Capital indices.

### Strategy

The Fund holds a broad range of sterling denominated securities issued by companies reflecting different sectors of the global economy, as well as a number of UK gilt-edged securities. There is currently a bias towards higher rated corporate bonds and the overweight allocation of corporate bonds relative to the Fund's benchmark has been maintained. At the end of the reporting period the Fund's asset allocation weightings were gilt-edged securities/cash 65.2%, corporate bonds 34.1% and preference shares 0.7%.

The present emphasis of our strategy is to protect the capital value of the Fund by keeping the average maturity of the portfolio assets significantly shorter than the benchmark. This is on the expectation that investors will eventually demand to be compensated because of the

# Report of the Investment Manager

## for the half year ended 30 June 2011

high relative level of inflation and a growing economy. The Fund's average term to maturity was 10.0 years, compared to the benchmark index of 13.9 years.

### Outlook

Yields obtainable across the whole spectrum of the gilt yield curve are very low by any historical standard. We would suggest that further quantitative easing would be the catalyst to justify a sustained move lower. The MPC have made it clear that a sustained economic recovery is required before any monetary tightening will be sanctioned. However, market commentators and analytical comments, in our view, are now too pessimistic. The underlying growth trend we expect will be expansionary in coming quarters, equivalent to an annual rate between 1.5-2.5%, while not above trend it is significant given the scale of adjustment taking place in bank and private sector balance sheets.

Accordingly we see a good chance that the forthcoming Q3 GDP figures surprise on the upside and consequently gilt yields will readjust to reflect this. Our positioning towards the short end therefore reflects our view that monetary tightening will be held off. With relatively weak economic conditions and inflation beginning to fall back gilt prices will tighten. However, we also anticipate that longer dated gilts offer insufficient yield to compensate for the uncertainties that lie ahead. The present level of spreads leaves us supporting high quality corporate bonds.

J Bevan  
Chief Investment Officer  
CCLA Investment Management Limited  
28 July 2011

# Report of the Investment Manager

## for the half year ended 30 June 2011

### Top ten changes in portfolio composition

	Cost £'000		Proceeds £'000
<b>Purchases:</b>		<b>Sales:</b>	
Treasury 8% Stock 2015	6,309	Conversion 9% Stock 2011	14,532
Treasury 8% Stock 2013	2,349	Treasury 8.75% Stock 2017	2,866
Treasury 8% Stock 2021	1,285	Treasury 4.5% Stock 2042	2,080
Treasury 4.5% Stock 2042	1,262	Treasury 6% Stock 2028	1,197
Treasury 6% Stock 2028	1,231	Treasury 8% Stock 2021	690
Treasury 8.75% Stock 2017	721	Treasury 4.75% Stock 2038	540
Centrica 5.5% Bond 2016	376	Treasury 8% Stock 2013	416
GSK 5.25% Bond 2033	300		
Pfizer 6.5% Bond 2038	291		
Atlantia 6.25% Bond 2022	249		

#### 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 price and expense ratio

## Net asset value

At 31 December	Net asset value £'000	<i>Income units</i>		<i>Accumulation units</i>	
		Net asset value pence per units	Number of units in issue	Net asset value pence per unit	Number of units in issue
2008	165,553	130.98	111,109,783	534.86	3,742,036
2009	161,275	126.29	118,218,057	545.62	2,195,255
2010	158,921	127.03	113,646,413	580.30	2,544,362
At 30 June 2011	152,234	125.88	109,806,892	591.69	2,400,271

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 which was issued by the Investment Management Association (IMA).

## Unit price range

Year to 31 December	<i>Income units</i>		<i>Accumulation units</i>	
	Highest offer pence per unit	Lowest bid pence per unit	Highest offer pence per unit	Lowest bid pence per unit
2006	135.99	127.49	472.51	450.86
2007	128.72	120.03	489.11	449.09
2008	132.26	119.94	535.93	473.52
2009	131.62	123.90	560.56	505.96
2010	133.80	125.39	594.69	542.97
To 30 June 2011	128.93	123.95	597.47	566.31

## Net distribution

<i>Year to 31 December</i>	<i>Income units pence per unit</i>	<i>Accumulation units pence per unit</i>
2006	7.20	25.63
2007	7.20	27.40
2008	7.20	28.65
2009	7.20	30.94
2010	7.20	31.96
To 30 June 2011	3.60	15.80

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

## Unit price at 30 June 2011

	<i>Bid price pence per unit</i>	<i>Offer price pence per unit</i>
Income units	125.63	126.13
Accumulation units	590.51	592.87

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>30.6.2011</i>	<i>30.6.2010</i>
Total expense ratio (annualised)	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 period.

# Portfolio statement

## at 30 June 2011 (unaudited)

	Holding	Bid Value £'000	% Fund
<b>GOVERNMENT BONDS 61.74% (31.12.10, 65.92%)</b>			
Conversion 9% Stock 2011	18,850	21,785	14.24
Treasury 8% Stock 2013	10,700	13,481	8.81
Treasury 8% Stock 2015	4,425	6,007	3.93
Treasury 8.75% Stock 2017	10,200	14,228	9.30
Treasury 8% Stock 2021	23,075	28,560	18.67
Treasury 6% Stock 2028	7,500	8,101	5.30
Treasury 4.75% Stock 2038	2,200	2,291	1.50
Treasury 4.5% Stock 2042			
<b>Debenture Stocks 1.37% (31.12.10, 1.32%)</b>			
Monks Investment Trust 11% Debenture Stock 2012	550	591	0.39
British Sugar 10.75% Debenture Stock 2013	800	904	0.59
BAA Lynton 10.25% Debenture Stock 2017	500	597	0.39
<b>Credit 32.53% (31.12.10, 30.55%)</b>			
Marks & Spencer 6.375% Bond 2011	2,065	2,093	1.37
Network Rail 4.875% Bond 2012	2,000	2,054	1.34
ICO 4.625% Bond 2012	2,650	2,681	1.75
BOC 12.25% Bond 2012/2017	682	767	0.50
Wal-Mart 4.75% Bond 2013	1,650	1,738	1.14
Royal Bank of Scotland 10.5% Bond 2013	1,000	1,098	0.72
Blue Circle 10.75% Bond 2013	1,500	1,752	1.15
E.ON 5.125% Bond 2014	350	376	0.25
Scottish and Southern Energy 5.75% Bond 2014	1,350	1,462	0.96
IFFIM 3.375% Bond 2014	1,000	1,050	0.69
Lloyds TSB 6.625% Bond 2015	2,000	2,060	1.35
Natwest 7.875% Bond 2015	1,470	1,581	1.03
Aviva 9.5% Bond 2016	2,600	3,246	2.12
Centrica 5.5% Bond 2016	2,500	2,738	1.79
EIB 8.75% Bond 2017	3,700	4,863	3.18
Telefonica 5.375% Bond 2018	2,800	2,882	1.88
Bank of Scotland 10.50% Bond 2018	500	591	0.39
McDonald's 6.375% Bond 2020	2,300	2,671	1.75
British Telecom 8.625% Bond 2020	2,150	2,654	1.74
Atlantia 6.25% Bond 2022	2,600	2,819	1.84

# Portfolio statement

## at 30 June 2011 (unaudited)

	Holding	Bid Value £'000	% Fund
Network Rail 4.75% Bond 2024	2,130	2,245	1.47
GlaxoSmithKline 5.25% Bond 2033	2,700	2,718	1.78
Pfizer 6.5% Bond 2038	1,100	1,280	0.84
E.ON 6.75% Bond 2039	2,000	2,349	1.54
<b>Preference Shares 0.71% (31.12.10, 0.69%)</b>			
General Accident 7.875% Preference Shares	1,065	1,081	0.71
<b>INVESTMENT ASSETS</b>		<u>147,394</u>	<u>96.35</u>
<b>NET OTHER ASSETS</b>		<u>5,096</u>	<u>3.65</u>
<b>NET ASSETS</b>		<u><u>152,490</u></u>	<u><u>100.00</u></u>

# Statement of total return

for the half year ended 30 June 2011 (unaudited)

	Notes	30.6.2011		30.6.2010	
		£'000	£'000	£'000	£'000
Income					
Net capital gains/(losses)	2		<b>(1,193)</b>		3,994
Revenue	3	<b>4,478</b>		3,968	
Expenses	4	<u><b>(227)</b></u>		<u>(228)</u>	
Net revenue			<u><b>4,251</b></u>		<u>3,740</u>
<b>Total return before distributions</b>			<b>3,058</b>		7,734
Finance costs: distributions	6		<u><b>(4,395)</b></u>		<u>(4,565)</u>
<b>Change in net assets attributable to unitholders from investment activities</b>			<u><u><b>(1,337)</b></u></u>		<u><u>3,169</u></u>

# Statement of change in net assets attributable to unitholders

## for the half year ended 30 June 2011 (unaudited)

	30.6.2011		30.6.2010	
	£'000	£'000	£'000	£'000
<b>Opening net assets attributable to unitholders</b>		<b>158,996</b>		161,220
Amounts receivable on issue of units	<b>6,925</b>		8,619	
Amounts payable on cancellation of units	<u><b>(12,464)</b></u>		<u>(12,143)</u>	
		<b>(5,539)</b>		(3,524)
Change in net assets attributable to unitholders from investment activities		<b>(1,337)</b>		3,169
Retained distribution on accumulation units		<u><b>370</b></u>		<u>388</u>
<b>Closing net assets attributable to unitholders</b>		<u><b>152,490</b></u>		<u>161,253</u>

The above statement shows the comparative closing net assets at 30 June 2010 whereas the opening net assets for the current accounting period commenced on 1 January 2011.

The notes on pages 16 to 23 form part of these accounts.

# Balance sheet

## at 30 June 2011 (unaudited)

	Notes	30.6.2011		31.12.2010	
		£'000	£'000	£'000	£'000
<b>ASSETS</b>					
Investment assets			<b>147,394</b>		156,579
Debtors	7	<b>2,426</b>		3,042	
Cash and bank balances	8	<b>4,916</b>		<u>1,446</u>	
Total other assets			<b>7,342</b>		<u>4,488</u>
<b>Total assets</b>			<b>154,736</b>		161,067
<b>LIABILITIES</b>					
Creditors	9	<b>270</b>		24	
Distribution payable on income units		<b>1,976</b>		<u>2,047</u>	
<b>Total liabilities</b>			<b>2,246</b>		2,071
<b>Net assets attributable to unitholders</b>			<b><u>152,490</u></b>		<u>158,996</u>
Approved on behalf of the Board			D Henderson, Chairman		
28 July 2011					

The notes on pages 16 to 23 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 October 2010.

#### (b) Revenue recognition

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

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

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

#### (c) Expenses

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

#### (d) Distributions

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

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

# Notes to the accounts

## (unaudited)

### (e) Basis of valuation

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

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

<b>2. Net capital gains/(losses)</b>	<b>30.6.2011</b>	30.6.2010
	<b>£'000</b>	£'000
The net capital gains/(losses) during the period comprise:		
Non-derivative securities	<b><u>(1,193)</u></b>	<b><u>3,994</u></b>
<b>3. Revenue</b>	<b>30.6.2011</b>	31.12.2010
	<b>£'000</b>	£'000
Interest on debt securities	<b>4,468</b>	3,961
Interest on the COIF Charities Deposit Fund	<b>9</b>	7
Interest on the Public Sector Deposit Fund	<b>1</b>	-
	<b><u>4,478</u></b>	<b><u>3,968</u></b>
<b>4. Expenses</b>	<b>30.6.2011</b>	30.6.2010
	<b>£'000</b>	£'000
Payable to the Manager, associates of the Manager and agents of either of them:		
Manager's periodic charge – see note 1(c)	<b>203</b>	206
Manager's periodic charge rebate – see note 1(c)*	<b>(1)</b>	(4)
Manager's fee for ethical services	<b>1</b>	1
	<b><u>203</u></b>	<b><u>203</u></b>

# Notes to the accounts

## (unaudited)

Payable to the Trustee, associates of the Trustee  
and agents of either of them:

Safe custody fees and transaction charges	<b>9</b>	10
Monitoring fee	<b>10</b>	8
	<u><b>19</b></u>	<u>18</u>

Other expenses:

Insurance	<b>1</b>	2
Audit fee	<b>4</b>	4
Professional fees	<u>-</u>	<u>1</u>
	<b>5</b>	7
Total expenses	<u><b>227</b></u>	<u>228</u>

The above expenses include VAT where applicable.

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

## 5. Taxation

The Fund is exempt from UK income 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 shareholders on the basis that all recoverable UK taxation has been reclaimed.

# Notes to the accounts

## (unaudited)

### 6. Finance costs

#### Distributions

Distributions, which are paid on the last working day of the month, take account of revenue received on the issue of units and revenue deducted on the cancellation of units, and comprise:

	<b>30.6.2011</b>	30.6.2010
	<b>£'000</b>	£'000
31 March – interim distribution	<b>2,166</b>	2,275
30 June – interim distribution	<b>2,166</b>	2,250
	<b>4,332</b>	4,525
Add: revenue deducted on cancellation of shares	<b>100</b>	85
Deduct: revenue received on issue of shares	<b>(37)</b>	(45)
Net distribution for the period	<b>4,395</b>	4,565
Net revenue for the period	<b>4,251</b>	3,740
Transfer from income reserve – see note 10	-	828
Amortisation under effective yield (FRS 26)	<b>144</b>	(3)
Net distribution for the period	<b>4,395</b>	4,565

Details of the distribution per unit are set out in the distribution table on page 23

### 7. Debtors

	<b>30.6.2011</b>	31.12.2010
	<b>£'000</b>	£'000
Accrued revenue	<b>2,426</b>	3,042

### 8. Cash and bank balances

	<b>30.6.2011</b>	31.12.2010
	<b>£'000</b>	£'000
Cash in the COIF Charities Deposit Fund	<b>92</b>	1,350
Cash in the Public Sector Deposit Fund	<b>4,900</b>	-
Cash at bank	<b>(76)</b>	96
	<b>4,916</b>	1,446

### 9. Creditors

	<b>30.6.2011</b>	31.12.2010
	<b>£'000</b>	£'000
Accrued expenses	<b>270</b>	24

# Notes to the accounts

## (unaudited)

### 10. Income Reserve

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

	<b>30.6.2011</b>	31.12.2010
	<b>£'000</b>	£'000
Income reserve at the start of the period	<b>1,492</b>	1,455
Transfer from income reserve	<b>(144)</b>	37
Income reserve at the end of the period	<b><u>1,348</u></b>	<u>1,492</u>

### 11. Financial instruments

#### Fair Value

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

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

#### Market price risk

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

#### Currency risk

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

#### 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 unitholders may wish to make.

### Interest rate risk

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

The interest rate profile of the Fund's financial assets and liabilities at 30 June 2011 was as set out below:

<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	4,916	147,394	2,426	154,736

<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	-	-	2,246	2,246

31 December 2010

<i>Currency</i>	<i>Floating rate financial assets* £'000</i>	<i>Fixed rate financial assets £'000</i>	<i>Financial assets not carrying interest £'000</i>	<i>Total £'000</i>
Sterling	1,446	156,579	3,042	161,067

<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	-	-	2,071	2,071

# Notes to the accounts

## (unaudited)

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

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 2011 (31.12.2010, £nil).

The fixed rate element of the portfolio at 30 June 2011 is further analysed in the following table.

<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	146,314	3.25	10.0

31 December 2010

<i>Currency</i>	<i>Fixed rate financial assets £'000</i>	<i>Weighted average interest rate %</i>	<i>Weighted average period for which the rate is fixed Years</i>
Sterling	155,485	3.22	10.0

## 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 2011 (31.12.2010, £nil).

## 14. Related party transactions

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

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

At 30 June 2011, the balances due to the Manager and HSBC Bank plc were as set out below:

# Notes to the accounts

(unaudited)

	<b>30.6.2011</b>	31.12.2010
	<b>£'000</b>	£'000
HSBC Bank plc - Trustee fee	<u>8</u>	<u>9</u>
HSBC Bank plc - safe custody and transactions charges	<u><u>6</u></u>	<u><u>7</u></u>

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

At 30 June 2011 a cash balance of £91,825 (31.12.10, £1,348,020) was held in the COIF Charities Deposit Fund and a cash balance of £4,900,000 (31.12.2010, nil) was held in the Public Sector Deposit Fund.

<b>15. Portfolio transaction costs</b>	<b>30.6.2011</b>	30.6.2010
	<b>£'000</b>	£'000
Analysis of total purchase costs:		
Purchases in period before transaction costs	<u>14,372</u>	<u>40,217</u>
Total Gross purchases	<u><u>14,372</u></u>	<u><u>40,217</u></u>
Analysis of total sales costs:		
Gross sales in period before transaction costs	<u>22,321</u>	<u>42,050</u>
Total sales net of transaction costs	<u><u>22,321</u></u>	<u><u>42,050</u></u>

# Distribution table

## for the half year ended 30 June 2011 (unaudited)

<i>Period ended</i>	<i>Date paid/payable</i>	<i>Dividends paid/payable pence per unit</i>	
		<b>2011</b>	2010
<b>Income units</b>			
31 March 2011	31 May 2011	<b>1.80</b>	1.80
30 June 2011	31 August 2011	<b>1.80</b>	1.80
		<u><b>3.60</b></u>	<u>3.60</u>
		<u><u><b>3.60</b></u></u>	<u><u>3.60</u></u>
		<i>Revenue accumulated pence per unit</i>	
		<b>2011</b>	2010
<b>Accumulation shares</b>			
31 March 2011		<b>7.92</b>	7.81
30 June 2011		<b>7.88</b>	7.82
		<u><b>15.80</b></u>	<u>15.63</u>
		<u><u><b>15.80</b></u></u>	<u><u>15.63</u></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.
- 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.

## 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 October 2010;

# **CCLA INVESTMENT MANAGEMENT LIMITED**

## **COIF Charities Fixed Interest Fund**

**(Charity Registration No. 803610)**

### **Board**

D Henderson, Chairman of the Board, FCA,  
Company Director  
T Bell, FRICS  
T Clark, Solicitor  
A Daws, Solicitor  
R Fitzalan Howard, Chairman, FF&P Asset  
Management Limited  
G Newson, MRICS

### **Secretary**

J Fox

### **Manager, Administrator and Registrar**

#### **CCLA Investment Management Limited**

*Authorised and regulated by  
the Financial Services Authority*

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Email: [clientservices@ccla.co.uk](mailto:clientservices@ccla.co.uk)  
[www.ccla.co.uk](http://www.ccla.co.uk)

#### **Directors responsible for the Fund**

M Quicke (Chief Executive)  
J Bevan (Chief Investment Officer)  
S Curran (Chief Operating Officer)  
C Peters (Investment Director)  
A Robinson (Director Market Development)

#### **Fund Manager**

J Bevan

#### **Company Secretary**

J Fox

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

A Kemp

#### **Head of Ethical and 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.

#### A CHOICE OF SIX FUNDS

The six COIF Charity Funds aim to meet most of the investment and deposit needs of 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

#### Ethical Investment Fund

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

#### Global Equity Income Fund

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

#### Fixed Interest Fund

- Long-term investment focused on income
- Gross income paid quarterly
- Usually held with other investments such as equities

The Deposit Fund is rated AAA by Fitch Ratings. This reflects the high credit quality of the portfolio.

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

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

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

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and cash to give a broad spread of assets and achieve combined income and growth objectives

#### 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

#### Deposit Fund

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