

The **co-operative**
asset management

CIS UK Income with Growth Trust

Manager's Report

Interim Report

30th September 2009

Part of The **co-operative** financial services

CIS Unit Managers

Trustee Status

The Trustee is State Street Trustees Limited which holds the title to the Trust's investments on behalf of unitholders. The UK Income with Growth is a "wider-range" investment under the Trustee Investments Act 1961. It is an authorised unit trust scheme under Chapter III of the Financial Services and Markets Act 2000 and is categorised as a UCITS Scheme under the Financial Services Authority New Collective Investment Schemes Sourcebook. Copies of the Trust Deed may be inspected at the offices of the Manager: CIS Building, Miller Street, Manchester.

Manager

CIS Unit Managers Limited
P.O. Box 105
Manchester
M4 8BB
Authorised and regulated by the Financial Services Authority, and a member of the Investment Management Association.

Directors of the Manager

M.A. Summerfield (Chairman)
M.D. Fairbairn
R.T. Goddard (resigned 31st July 2009)
A. Russell (appointed 1st August 2009)
R. Bulmer (appointed 1st August 2009)
P Sharman

Trustee

State Street Trustees Limited
525 Ferry Road
Edinburgh
EH5 2AW
Authorised and regulated by the Financial Services Authority.

Registrar

CIS Unit Managers Limited
P.O. Box 105
Manchester
M4 8BB

Auditors

KPMG LLP
Chartered Accountants
1 The Embankment
Neville Street
Leeds
LS1 4DW

The Co-operative Asset Management

The Co-operative Asset Management is the fund management arm of The Co-operative Financial Services and is independently authorised by the FSA to provide discretionary asset management services to the IFA and institutional markets. We specialise in active UK equities and bonds and gain further insight into alternatives and overseas equities via strategic partnerships to aid selection. We have a long and successful history of managing our customers' money.

The Co-operative was voted the UK's most ethical brand in 2007 and 2008 in the GFK NOP Ethics Brands Survey. As a co-operative, we are owned by our members and we have a tradition of upholding co-operative values which include fairness, honesty and social responsibility.

Our specialist fund management service is unique in the UK, offering a distinctive approach to responsible investing across all of the funds it offers. When we select companies for investment we fully integrate consideration of financial and ESG (environmental, social and governance) issues throughout the investment process. We manage a range of unit trust portfolios, including the UK Income with Growth Trust, and have long-standing experience that few others can match.

Investment Review and Outlook

Investment Objective

The CIS UK Income with Growth Trust aims to provide an above-average and growing income, together with some capital appreciation, from a diverse portfolio of UK securities comprising mainly higher yielding equities in any economic sector, but including some fixed interest securities.

Cumulative performance (% change to 30/09/09)

	6 months	1 year	3 years	Since launch (25/9/89)
Fund	28.7	8.6	(1.9)	348.8
Sector median	27.6	9.1	(6.7)	318.7
Quartile Ranking	2nd	3rd	2nd	1st

Percentage change in value at bid price, to 30.09.09, Net Income re-invested.

Source: Lipper. Measured against UK Equity and Bond Sector.

Investment Review and Outlook

Fund manager's comments

During the six month period ending 30th September 2009, the price of units rose by 28.7% compared to a 27.6% rise in the median of the sector. In the last three years the value of the units has decreased by 1.9% compared to a fall of 6.7% in the median of the sector. The Trust has retained its strong above-average performance relative to the peer group during this period.

We continue to adopt a consistent approach to selection of companies suitable for investment. Our approach for the Income with Growth Trust primarily is to invest in securities with premium rates of dividend growth based upon well managed companies with strong franchises and who take a long-term approach to business planning. We feel, as proven by empirical evidence, that dividend growth lies at the heart of long-term total market return and is integral to investment performance. We also look for equities and fixed securities that offer above-average yields, where the market misjudges the ability of a given company to maintain dividends or coupons at historical rates.

Equities

The period under review has been characterised by a sharp improvement in sentiment regarding the outlook for the world economy. Following an unprecedented seizure of global financial markets, authorities worldwide acted aggressively to stave off the possibility of economic deflation following a rapid contraction of activity in the first quarter of the year. Interest rates were effectively cut to zero whilst governments announced major programmes aimed at cutting taxes and accelerating public spend. In addition, the announcement of more unconventional

measures such as Quantitative Easing led to a sharp improvement in general banking conditions.

With an improving financial framework, economic sentiment rose and forecast growth was upgraded. This was most evident within Asian economies which benefited from significant Chinese monetary and fiscal stimulus and continued consumer expansion. Aligned with a modest valuation, particularly at the start of the period in March, global stock markets exhibited a sharper rebound than many anticipated. Indeed, many corporates demonstrated a strong survival mode at the onset of this crisis and entered the period in a relatively strong financial position. The main focus of market recovery was on companies that were direct beneficiaries of the improving economy and on stocks with a greater international earnings base, particularly in relation to the emerging economies of Asia.

In relation to these trends, the Trust has been relatively active during this period. Following a sharp sell-off in global equity markets, value began to emerge in a number of companies which retain attractive profiles, particularly in regard to emerging Asian exposure where we anticipate growth, on a longer term basis, to be superior to that of Western markets. On this basis, we added to existing holdings in Johnson Matthey and established new positions in companies such as Intercontinental Hotels, Rio Tinto and Aggreko. In addition, a decision was taken to add to our banks position following the end of the credit crunch. Our view here was to invest in better capitalised groups which were not in receipt of state aid and enjoyed a strong position in developing markets. As a

Investment Review and Outlook

result we added to our existing positions in Standard Chartered and HSBC and began a new holding in Barclays. These timely investment decisions proved instrumental in ensuring the Trust outperformed its median for this period.

One of the most visible aspects of this particular equity rally, aside from its magnitude and rapidity, was the market appetite to buy into distressed assets characterised by companies with weak balance sheets and no dividend yield. This so-called 'Dash for Trash' was not without cost for the Trust given its reliance on income. More serious, has been the significant and long-lasting fall in levels of dividend income instigated by management's short term capital needs and generally unsustainable dividend levels within a more difficult economic environment. This has been most evident in the banks which previously provided one third of market income and whose problems have been well documented. To reflect this, the Trust has had to put through an income cut to reflect this new reality. Nevertheless, a yield of 4.8% still compares favourably to the low cash rates being offered across the market.

Fixed Interest

During this period, 10-year gilt yields have risen from 3.1 to 3.6%. This reflects a view that economic recovery will raise inflationary pressures and the deterioration in public finances will increase supply. Nevertheless, after a sharp sell-off earlier in the period, gilt prices have subsequently risen as deflationary worries became more seriously entrenched and the government's policy of direct purchase through quantitative easing has become more established. The Trust holding in gilts has been minimal for much of this period.

With a view that the credit default rate is close to peaking, corporate bond spreads against gilts have tightened considerably. Assertive management action at the start of the credit crunch ensured corporate liquidity has risen such that debt servicing costs and interest coverage have improved noticeably whilst liquid assets remain high. Over the period, the corporate yield premium over gilts has moved in from 4.5% to less than 3%. Much of this impact was felt within financial credit as bank nationalisation worries subsided. The Trust has increased its allocation in Corporate Bonds from 21 to 27% of Trust assets during this period investing in a range of new names such as Bank of America, Prudential and Punch Taverns.

Outlook

It remains the strategy of the Trust to maintain the optimum asset allocation between equities, credit and gilts which best delivers sustainable income and capital performance with an overall premium level of yield. We believe that the outlook for global economic growth will be sub trend for the next few years reflecting the protracted nature of debt reduction in Western markets and the length of time it will take for the banking system to once again become fully operational. It is our view that emerging markets will retain a superior profile based upon more favourable consumer demographics and the more attractive financial characteristics within this region.

Asset allocation is likely to remain biased towards UK equities given their more attractive valuation in comparison to gilts and credit and the greater long term dividend growth potential. Within this, equity allocation is likely to be focused on stocks

Investment Review and Outlook

with good emerging market exposure and well positioned Western companies who can out-perform within a relatively harsher economic environment. It is our view that corporate bonds still retain some value on a historical basis notwithstanding the recent rise in many good quality investment grade bonds and the possibility of merger and acquisition activity as confidence returns. These factors will be monitored closely. We believe gilts to be fairly valued considering the current UK economic outlook and, as such, are likely to retain a minimal investment at this time.

Economic report

The period under review has seen the tail-end of a sharp and pronounced economic contraction followed by a surprising degree of stabilisation. At the start of this period, the global economy was experiencing the latter stages of a very aggressive and pronounced trend of economic contagion caused by a withdrawal of global trade finance and elimination of surplus labour and excess inventory. Following a significant degree of monetary and fiscal expansion which encompassed previously untried unconventional policies, global economic weakness has now slowed considerably. The main engine of economic expansion remains Asia, although conditions in Western markets have also reversed, such that global growth is now expected to challenge the historical high of 4.0% during 2010.

Many large economies including Japan and the US fell at annualised rates of between 6-8% in the first quarter. Governments and Central Banks responded immediately with heavy fiscal spend and the adoption of zero interest rate policies. In addition, the assumption of more unconventional policy such as Quantitative Easing was designed to flood

markets with liquidity and manipulate downwards longer term rates of interest. Such policies have met with increasing success. Forward looking indicators relating to business surveys and ordering expectations have showed much improvement whilst a recovery in global asset prices such as residential housing, bodes well for consumer confidence and bank balance sheets. Economic forecasts for 2010 are now more soundly based than has been the case for some time.

In the UK, the Monetary Policy Committee maintained interest rates at historically low levels of 0.5%. At the same time the Treasury instigated a significant fiscal expansion taking public debt projections towards 100%, a historical high for the peace-time economy. Following on from an unprecedented Q1 fall in economic output of 2.4%, the second quarter has shown some improvement, but at -0.8% is still well below trend. Such improvement has been based principally in restocking and fiscal spend as opposed to retail sales growth which remain relatively muted. Despite forecast upgrades, the UK retains the most serious debt problem of all OECD economies and will take some time to achieve full recovery. In addition, the banking bust has left the financial system weakened such that a rising monetary base is hoarded by banks as opposed to being lent out to fund a consumer recovery.

US economic contraction was severe in the first quarter with the annualised rate of output falling 6.4%. As a result of this, the rate of unemployment rose from 8.1 to 9.8%, a level generally considered politically unacceptable. As a result, the US has maintained short term interest rates effectively at zero and has also introduced Quantitative Easing. In addition, the Treasury instigated a number of

Investment Review and Outlook

legislative moves designed to assist a reconstruction of the US banking industry. Such moves involve an unprecedented rise in national debt that could reach 100% of GDP. Recent economic performance has been more encouraging and reflects the level of stimulus undertaken. In addition, a stabilisation of housing weakness is a key requirement for any longer term economic revival. Nevertheless, as with the UK, the US has suffered a vast negative wealth impact and remains embroiled in high debt and weak employment trends. The measures instigated by the Fed to stave off deflation look to have been successful, although a normalisation of policy will probably expose the US economy to a longer term rate of trend growth that is inferior to historical levels.

Most other global economies have exhibited a similar trend to this pattern with a sharp contraction of activity to be followed by a rapid stabilisation as accommodative monetary and fiscal policy took hold. This was especially evident in export economies such as Japan and Germany where annualised declines fell to previously unprecedented levels. The most vibrant economy has been China, particularly following a vigorously launched fiscal expansion package and in spite of its historical export dependency. The growth in Chinese infrastructure spend and resilience of internal consumer spend has surprised on the upside and has done much to generate forecast near term growth of 7-8% in GDP. It is this performance which is leading the world economy out of recession and creating an Intra-Asian trading region capable of replacing the traditional economic hegemony of the Western hemisphere.

The evidence has increased that a range of measures instigated by world central banks and governments are now having a large impact. It appears likely that the recession in many economies may be over in the current year and that the global economy has already past its maximum point of weakness. Given the ongoing state of consumer de-leveraging and liquidity constraints that reside in the banking system, longer term recovery in traditional Western economies is expected to be inferior to historical levels. On the basis of a stronger financial system and the possibility of rapidly rising consumer incomes, it seems reasonable that the old world order is being replaced by greater prominence of Asian and emerging market demand, a trend we expect to be in existence for some time.

Performance Record

Unit prices

Units, which are exclusively income units, were initially offered to the public at £1.00.

	Highest buying price	Lowest selling price	Distribution (pence per unit)
1st Jan 2004 to 31st Dec 2004	178.3p	148.5p	8.2005
1st Jan 2005 to 31st Dec 2005	202.3p	164.5p	8.4568
1st Jan 2006 to 31st Dec 2006	227.8p	188.0p	8.7199
1st Jan 2007 to 31st Dec 2007	233.8p	198.0p	8.7394
1st Jan 2008 to 31st Dec 2008	225.2p	137.2p	8.7521
1st Jan 2009 to 30th Sept 2009	184.5p	135.5p	8.4073

Trust details

	Total net asset value	Total units in issue	Net asset value per unit
31st March 2007	£316,017,537	148,868,000	212.3
31st March 2008	£308,611,753	160,915,000	191.8
31st March 2009	£232,382,206	170,996,000	135.9
30th September 2009	£307,558,283	178,757,000	172.1

It should be remembered that past performance is not a reliable indicator of future performance and that the value of units, and the income derived from them, can vary.

Total Expense Ratio (TER)

31st March 2009	1.53%
30th September 2009	1.53%

The TER is the ratio of the scheme's operating costs to its average net assets.

Statement of Total Return

for the period ended 30th September 2009

	Notes	2009		2008	
		£	£	£	£
Net gains/(losses) on investments	2		64,375,892		(40,100,428)
Other losses	3	(560)		–	
Income	4	6,715,341		7,426,677	
Expenses	5	<u>(2,100,820)</u>		<u>(2,379,459)</u>	
Net income before taxation		4,613,961		5,047,218	
Taxation	6	<u>-</u>		<u>(2,685)</u>	
Net income after taxation			<u>4,613,961</u>		<u>5,044,533</u>
Total return before distributions			68,989,853		(35,055,895)
Finance costs: Distributions	7		(5,520,653)		(5,869,647)
Change in net assets attributable to unitholders			<u>63,469,200</u>		<u>(40,925,542)</u>

Statement of Change in Unitholders' Net Assets

for the period ended 30th September 2009

	2009		2008	
	£	£	£	£
Net assets at the start of the period		232,382,206		308,611,753
<i>Movement due to sales/repurchase of units</i>				
Amounts received on creation of units	<u>11,641,734</u>		<u>11,044,660</u>	
		11,641,734		11,044,660
Change in net assets attributable to unitholders (see above)		63,469,200		(40,925,542)
Unclaimed distributions		65,143		23
Net assets at the end of the period		<u>307,558,283</u>		<u>278,730,894</u>

Portfolio Statement

as at 30th September 2009

	Holding or nominal value of positions at 30th September 2009	Market Value £	Percentage of total net assets %
Corporate Bonds – (Sep 2009: 26.05%, March 2009: 16.93%)			
Anglo American Capital 6.875% Gtd MTN 2018	2,100,000	2,204,026	0.72
Anheuser-Busch Inbev 6.5% Gtd Mtn 2017	3,000,000	3,225,783	1.05
Aviva 6.125% 2022	1,850,000	1,477,778	0.48
Barclays Bank 10% 2021	3,000,000	3,004,424	0.98
Barclays Bank 5.75% Snr Mtn 2021	2,500,000	3,814,506	1.25
Barclays Bank 6% 2017	4,000,000	2,565,528	0.83
BG Energy 5.125% 2017	2,000,000	2,082,554	0.68
Cadbury Schweppes Finance 7.25% MTN 2018	3,900,000	4,414,616	1.44
Compass Group 6.375% Nts 2012	4,000,000	4,285,264	1.39
EDF 6.125% Bds 2034	2,000,000	2,258,532	0.73
Enel Societa 6.25% Bds 2019	3,000,000	3,217,200	1.05
First Group 6.125% 2019	4,700,000	4,623,498	1.50
HSBC Holdings 6.75% EMTN 2028	4,000,000	4,531,412	1.47
HSBC Holdings 7% Sub EMTN 2038	2,400,000	2,813,244	0.91
Imperial Tobacco 9% 2022	3,000,000	2,645,925	0.86
Imperial Tobacco Group 8.125% 15/03/24	2,300,000	3,691,614	1.20
ING Bank 6.875% 2018	3,000,000	2,902,077	0.94
Linde Finance BV 5.875% MTN 2023	2,000,000	2,044,704	0.66
Merrill Lynch 7.75% Snr Mtn 2018	1,450,000	1,557,209	0.51
Motability Operations 6.625% Mtn 2019	2,500,000	2,686,050	0.87
National Grid 6.375% 2020	2,700,000	2,956,203	0.96
Prudential 11.375% Fr Mtn 2039	1,500,000	1,921,986	0.62
Punch Taverns Finance 7.274% Nts 2022	2,000,000	2,010,590	0.65
Rolls Royce 6.75% Gtd Nts 2019	1,500,000	1,662,210	0.54
Severn Trent Water LTD 6% 2018	1,160,000	1,240,594	0.40
Standard Chartered 8.103%	4,000,000	4,208,132	1.37
Telefonica Emisiones 5.375% Gtd MTN 2018	3,000,000	3,057,186	0.99
Vodafone Group 5.625% Nts 2025	3,000,000	3,065,187	1.00
		80,168,031	26.05

Portfolio Statement

as at 30th September 2009

	Holding or nominal value of positions at 30th September 2009	Market Value £	Percentage of total net assets %
Oil & Gas Producers – (Sep 2009: 9.13%, March 2009: 11.88%)			
Bg Group	816,667	8,909,837	2.90
BP	1,760,000	9,790,880	3.18
Royal Dutch Shell 'B' Ord Euro	535,716	9,375,030	3.05
		<u>28,075,747</u>	<u>9.13</u>
Chemicals – (Sep 2009: 2.48%, March 2009: 2.01%)			
Johnson Matthey	545,352	7,640,382	2.48
		<u>7,640,382</u>	<u>2.48</u>
Mining – (Sep 2009: 5.56%, March 2009: 4.75%)			
Anglo American	200,000	4,096,000	1.34
Bhp Billiton	210,000	3,607,800	1.17
Rio Tinto	348,625	9,395,444	3.05
		<u>17,099,244</u>	<u>5.56</u>
Construction & Materials – (Sep 2009: 0.66%, March 2009: 0.87%)			
Balfour Beatty	626,000	2,021,980	0.66
		<u>2,021,980</u>	<u>0.66</u>
Aerospace & Defense – (Sep 2009: 2.91%, March 2009: 3.09%)			
BAE Systems	875,000	3,049,375	0.99
Rolls Royce Group	595,000	2,813,755	0.91
VT Group	550,000	3,091,000	1.01
		<u>8,954,130</u>	<u>2.91</u>
General Industrials – (Sep 2009: 2.23%, March 2009: 1.57%)			
Smiths Group	301,666	2,648,627	0.86
Wolseley	280,000	4,216,800	1.37
		<u>6,865,427</u>	<u>2.23</u>
Industrial Engineering – (Sep 2009: 1.18%, March 2009: 1.59%)			
Rotork	322,344	3,623,147	1.18
		<u>3,623,147</u>	<u>1.18</u>
Support Services – (Sep 2009: 2.02%, March 2009: 1.70%)			
Aggreko	644,895	4,546,510	1.48
Michael Page	500,000	1,652,500	0.54
		<u>6,199,010</u>	<u>2.02</u>

Portfolio Statement

as at 30th September 2009

	Holding or nominal value of positions at 30th September 2009	Market Value £	Percentage of total net assets %
Beverages – (Sep 2009: 2.14%, March 2009: 2.04%)			
Diageo	250,000	2,411,250	0.78
SABMiller	272,945	4,176,059	1.36
		<u>6,587,309</u>	<u>2.14</u>
Food Producers – (Sep 2009: 1.71%, March 2009: 1.57%)			
Tate & Lyle	409,463	1,726,296	0.56
Unilever	200,000	3,540,000	1.15
		<u>5,266,296</u>	<u>1.71</u>
Household Goods & Home Construction – (Sep 2009: 0.61%, March 2009: 0.55%)			
Bellway	225,294	1,864,308	0.61
		<u>1,864,308</u>	<u>0.61</u>
Tobacco – (Sep 2009: 5.75%, March 2009: 7.00%)			
British American Tobacco	595,000	11,715,550	3.81
Imperial Tobacco Group	335,000	5,969,700	1.94
		<u>17,685,250</u>	<u>5.75</u>
Health Care Equipment & Services – (Sep 2009: 0.23%, March 2009: 0.46%)			
Smith & Nephew	128,387	718,967	0.23
		<u>718,967</u>	<u>0.23</u>
Pharmaceuticals & Biotechnology – (Sep 2009: 4.02%, March 2009: 7.05%)			
AstraZeneca	140,000	3,966,200	1.29
GlaxoSmithKline	680,000	8,408,200	2.73
		<u>12,374,400</u>	<u>4.02</u>
General Retailers – (Sep 2009: 1.44%, March 2009: 1.46%)			
Marks & Spencer Group	810,000	2,979,180	0.97
Next	80,000	1,458,400	0.47
		<u>4,437,580</u>	<u>1.44</u>
Travel & Leisure – (Sep 2009: 5.34%, March 2009: 7.35%)			
Arriva	905,000	4,510,520	1.47
Compass Group	1,737,834	6,635,050	2.16
Intercontinental Hotels Group	485,000	3,989,125	1.30
Ladbrokes	666,470	1,252,297	0.41
		<u>16,386,992</u>	<u>5.34</u>

Portfolio Statement

as at 30th September 2009

	Holding or nominal value of positions at 30th September 2009	Market Value £	Percentage of total net assets %
Fixed Line Telecommunications – (Sep 2009: 0.88%, March 2009: 0.66%)			
BT Group	2,047,500	2,721,128	0.88
		2,721,128	0.88
Mobile Telecommunications – (Sep 2009: 1.28%, March 2009: 5.19%)			
Vodafone Group	2,800,000	3,936,800	1.28
		3,936,800	1.28
Electricity – (Sep 2009: 4.43%, March 2009: 5.13%)			
International Power	1,310,294	3,826,058	1.24
Scottish & Southern Energy	838,780	9,813,726	3.19
		13,639,784	4.43
Gas, Water & Multiutilities – (Sep 2009: 2.23%, March 2009: 2.28%)			
National Grid	415,000	2,523,200	0.84
Pennon Group	434,493	2,069,056	0.67
Severn Trent	230,000	2,216,050	0.72
		6,808,306	2.23
Banks – (Sep 2009: 12.01%, March 2009: 5.85%)			
Barclays Bank	2,245,000	8,383,953	2.73
HSBC Holdings ORD	2,590,413	18,648,382	6.06
Standard Chartered	645,000	9,894,300	3.22
		36,926,635	12.01
Life Insurance – (Sep 2009: 1.12%, March 2009: 0.79%)			
Prudential	568,333	3,441,256	1.12
		3,441,256	1.12
Real Estate Investment Trusts – (Sep 2009: 2.38%, March 2009: 0.89%)			
Hammerson	1,840,688	7,320,416	2.38
		7,320,416	2.38
Finance Companies – (Sep 2009: 1.06%, March 2009: 0.93%)			
ICAP	775,000	3,254,225	1.06
		3,254,225	1.06

Portfolio Statement

as at 30th September 2009

	Holding or nominal value of positions at 30th September 2009	Market Value £	Percentage of total net assets %
Portfolio of Investments		304,016,751	98.85
Net current assets		3,541,532	1.15
Net assets		<u>307,558,283</u>	<u>100.00</u>
All holdings are ordinary shares unless otherwise stated			
Sectors held March 2009 not held in September 2009			
Government Securities – 3.30%			
Oil Equipment, Services & Distribution – 1.25%			
Industrial Transportation – 0.34%			

Balance Sheet

as at 30th September 2009

		September 2009		March 2009	
	Notes	£	£	£	£
Assets					
Portfolio of investments					
			304,016,751		228,959,953
Debtors	8	3,396,910		8,844,505	
Cash and bank balances	9	<u>2,972,057</u>		<u>5,347,271</u>	
Total other assets			<u>6,368,967</u>		<u>14,191,776</u>
Total assets			310,385,718		243,151,729
Liabilities					
Creditors	10	(434,236)		(4,582,033)	
Distribution payable	7	<u>(2,393,199)</u>		<u>(6,187,490)</u>	
Total other liabilities			(2,827,435)		(10,769,523)
Net assets attributable to unitholders					
			<u>307,558,283</u>		<u>232,382,206</u>
M. A. Summerfield (Chairman)			P. Sharman (Director)		
30th November 2009					

Summary of Material Portfolio Changes

for the period ended 30th September 2009

Significant Purchases	Cost £000	Significant Sales	Proceeds £000
Barclays Bank	6,807	Vodafone Group	6,221
Wolseley	4,000	Treasury 5% Stk 2025	4,423
HSBC Holdings	3,810	GlaxoSmithKline	4,030
Barclays Bank 10% 2021	3,566	Amec	3,990
Hammerson	3,219	Treasury 4.75% Stk 2015	3,019
Anheuser-Busch Inbev 6.5% Gtd Mtn 2017	3,133	Intercontinental Hotels Group	2,986
Treasury Stk 4.75% 2015	2,815	Treasury 4% Stk 2016	2,898
National Grid	2,507	Severn Trent	2,493
Motability Operations Group 6.625% Mtn 2019	2,497	AstraZeneca	2,367
Barclays Bank 5.75% Snr Mtn 2021	2,490	BP	1,842
Punch Taverns Finance 7.274% Nts 2022	2,023	Pfizer Inc 6.5% Bds 2038	1,676
BG Energy 5.125% Nts 2017	1,998	Imperial Tobacco Group	1,666
EDF 6.125% Bds 2034	1,935	Treasury 4.75% Stk 2038	1,665
Prudential 11.375% Fr Mtn 2039	1,856	Aviva 6.875% 2038	1,657
Treasury 4.75% Stk 2038	1,722	Rexam	1,447
Merrill Lynch & Co Inc 7.75% Snr Mtn 2018	1,542	HSBC Holdings	1,351
Rolls Royce Group 6.75% Gtd Nts 2019	1,485	Shanks Group	1,187
Pfizer Inc 6.5% Bds 2038	1,485	Royal Dutch Shell 'B' Shares	1,136
Severn Trent	1,342	Imi	1,086
Michael Page International	1,339	Forth Ports	852
Total cost of purchases, including the above, for the period (see Note 14)	<u>61,388</u>	Total proceeds from sales, including the above, for the period (see Note 14)	<u>50,826</u>

Notes to the Financial Statements

as at 30th September 2009

1 Accounting policies

- a) The financial statements have been prepared under the historical cost basis, as modified by the revaluation of investments, and in accordance with the Statement of Recommended Practice for Authorised Funds issued by the Investment Managers Association in December 2005.
- (b) Dividends on equities are recognised when the security is quoted ex-dividend. Interest on debt securities is recognised on an effective interest rate basis. Other income is accounted for on a receipt basis.
- (c) In addition to the initial charge of 5% contained in the spread, CIS Unit Managers Limited makes an annual management charge of 1.5% of the value of the Trust which is deducted from the Trust's capital and all other charges also deducted from the Trust's capital.
- (d) The ordinary element of stocks received in lieu of cash dividends is recognised as income of the fund. It forms part of the distribution in accordance with the Statement of Recommended Practice.
- (e) Special dividends will ordinarily be treated as capital unless there is sufficient evidence that they are income in nature.
- (f) The Trust is not more than 60% invested in qualifying investments (as defined by The Authorised Investment Funds (Tax) Regulations 2006, Reg. 19.) and where applicable will pay a dividend distribution to unit holders quarterly.
- (g) The investments of the Trust have been valued at bid price at noon on 30th September 2009, the last valuation point in the accounting period.
- (h) Assets and liabilities in currencies other than sterling are translated into sterling at the rates of exchange ruling at 30th September 2009. Income and expenditure transactions are translated at the rates of exchange ruling at the date of transaction.
- (i) In accordance with FRS 16 "Current Tax", dividend income and taxation are stated net of any associated tax credits.
- (j) In accordance with FRS 19 "Deferred Tax", deferred tax is fully provided for on all timing differences. Deferred tax assets are recognised to the extent that they are regarded as recoverable.

2 Net gains/(losses) on Investments

The net gains/(losses) on investments during the period comprise:

	2009	2008
	£	£
Non-derivative securities	64,375,892	(40,100,428)
Net gains/(losses) on investments	<u>64,375,892</u>	<u>(40,100,428)</u>

Notes to the Financial Statements

for the period ended 30th September 2009

3 Other losses

	2009	2008
	£	£
Currency losses	(560)	–
	<u>(560)</u>	<u>–</u>

4 Income

	2009	2008
	£	£
UK dividends	4,360,847	4,887,124
Bond interest	2,218,408	2,351,660
Property income dividend	127,928	11,882
Overseas dividends	–	19,228
Bank interest	8,158	156,783
Total income	<u>6,715,341</u>	<u>7,426,677</u>

5 Expenses

	2009	2008
	£	£
Payable to the Manager, associates of the Manager and their agents:		
Manager's periodic charge	<u>2,055,351</u>	<u>2,339,762</u>
Payable to the Trustee, associates of the Trustee and their agents:		
Trustee's fee	30,725	34,745
Safe custody charges	10,199	1,714
Activity charges	<u>1,440</u>	<u>65</u>
	42,364	36,524
Other expenses		
Audit fee	<u>3,105</u>	<u>3,173</u>
	3,105	3,173
Total expenses	<u>2,100,820</u>	<u>2,379,459</u>

Notes to the Financial Statements

for the period ended 30th September 2009

6 Taxation

a) Analysis of charge for period

	2009	2008
	£	£
Overseas tax	—	1,635
Current tax charge	—	1,635
Total deferred tax	—	1,050
Total taxation	—	2,685

Corporation tax has been provided at a rate of 20% (2008: 20%)

b) Factors affecting the current tax charge for the period

The tax assessed for the period is lower than the standard rate of corporation tax in the UK for a unit trust company (20%). The differences are explained below:

	2009	2008
	£	£
Net income before tax	4,614,521	5,047,218
Corporation tax @ 20%	922,904	1,009,444
<i>Effects of:</i>		
Non-taxable UK dividend income	(872,169)	(977,425)
(Decrease) in excess management expenses	(50,735)	(30,619)
Irrecoverable overseas tax	—	1,635
Other short-term timing differences	—	(1,400)
Current tax charge for the period (note 5a)	—	1,635

At the period end, there is a potential deferred tax asset of £4,038,551 (2008: £4,185,070) in relation to surplus management expenses. It is unlikely the fund will generate sufficient taxable profits in the future to utilise these amounts and therefore no deferred tax asset has been recognised in the periods or the prior years.

Notes to the Financial Statements

for the period ended 30th September 2009

6 Taxation (continued)

c) Deferred tax position

	2009	2008
	£	£
Opening balance	–	–
Movement charged for the period (note 5a)	–	1,050
<i>Closing balance</i>	<u>–</u>	<u>1,050</u>
Deferred taxation provided comprises:		
Withholding tax payable on accrued overseas dividends	–	1,050

7 Finance costs

	2009	2008
	£	£
Distributions		
The distributions take account of income received on the creation of units and income deducted on the cancellation of units and comprise:		
First Quarterly	3,167,568	3,286,780
Second Quarterly	<u>2,393,199</u>	<u>2,624,470</u>
	5,560,767	5,911,250
Deduct: Income received on creation of units	(40,114)	(41,603)
Add: Income paid on liquidation of units	–	–
Net distribution for the period	<u>5,520,653</u>	<u>5,869,647</u>
Total finance costs	<u>5,520,653</u>	<u>5,869,647</u>

Details of the distribution per unit are set out in the table on page 26.

Notes to the Financial Statements

as at 30th September 2009

8 Debtors

	Sept 2009	March 2009
	£	£
Sales awaiting settlement	440,702	5,689,748
UK dividends	673,842	1,225,281
Property income dividend	127,928	23,049
Accrued bond income	2,149,402	1,857,335
Bank interest	519	4,230
Amount receivable for creation of units	-	39,785
Overseas tax reclaimable	4,517	5,077
Total debtors	<u>3,396,910</u>	<u>8,844,505</u>

9 Cash and bank balances

	Sept 2009	March 2009
	£	£
Cash and bank balances	<u>2,972,057</u>	<u>5,347,271</u>

10 Creditors

	Sept 2009	March 2009
	£	£
Purchases awaiting settlement	-	4,252,403
Manager's periodic charge	413,288	312,437
Trustee fee	5,464	4,814
Audit fee	15,484	12,379
Total creditors	<u>434,236</u>	<u>4,582,033</u>

Notes to the Financial Statements

as at 30th September 2009

11 Capital Commitments

At 30th September 2009 there were no outstanding capital commitments (March 2009: Nil) in respect of nil and partly paid securities held by the Trust.

12 Related Parties

The Manager and Trustee are related to the Fund as defined by Financial Reporting Standard 8 'Related Party Disclosures' and are named on page 2. Fees received by the Manager and the Trustee are disclosed in Note 5 to the financial statements. By virtue of the Regulations governing authorised unit trusts, the Manager is party to every transaction in respect of units of the Fund, which are summarised in the statement of changes in unitholder's assets.

Any amounts due to or from the Manager and Trustee at the end of the accounting period are disclosed in notes 8 (Debtors) and 10 (Creditors).

13 Derivatives and other Financial Instruments

In pursuing the Fund's aims set out on page 3, the Fund holds a number of financial instruments which include:

- Equity shares held in accordance with the Fund's investment objectives and policies.
- Cash, liquid resources and short-term debtors and creditors that arise directly from its operations.

The main risks arising from the Fund's financial instruments are market price and credit liquidity risks.

The Manager reviews each of these risks and they are summarised opposite. These policies have remained unchanged since the beginning of the year to which these financial statements relate.

Market price risk

Market risk arises mainly from uncertainty about future prices of financial instruments held.

It represents the potential loss the Fund might suffer through holding market positions in the face of price movements. The asset allocation of the portfolio is reviewed in order to manage the risk associated with particular industry sectors whilst continuing to follow the investment objective. An individual fund manager has responsibility for monitoring the existing portfolio selected in accordance with an overall asset allocation parameter and seeks to ensure that the Fund invests in a diversified fashion, to reduce the risk of exposure to a significant event affecting a single security, or industry, subject to the obligation under the Fund's objective to invest in securities which share certain characteristics.

Notes to the Financial Statements

as at 30th September 2009

13 Derivatives and other Financial Instruments (continued)

Foreign Currency Risk

The income of the Fund's investments can be significantly affected by currency translation movements, as a portion of the Fund's income is denominated in currencies other than Sterling, which is the Fund's base currency. The Fund does not hedge on foreign exchange rates.

The Fund's currency exposure is analysed below:

	September 2009	March 2009
	£	£
Sterling	307,553,766	232,377,129
US Dollar	4,517	5,077
	<u>307,558,283</u>	<u>232,382,206</u>

The profile of the currency is as follows:

Currency	Investments 2009 (£)	Other Net Assets 2009 (£)	Total 2009 (£)
Sterling	304,016,751	3,537,015	307,553,766
US Dollar	–	4,517	4,517
Total	<u>304,016,751</u>	<u>3,541,532</u>	<u>307,558,283</u>

Currency	Investments March 2009 (£)	Other Net Assets March 2009 (£)	Total March 2009 (£)
Sterling	228,959,953	3,417,176	232,377,129
US Dollar	–	5,077	5,077
Total	<u>228,959,953</u>	<u>3,422,253</u>	<u>232,382,206</u>

Interest Rate Risk

The Fund invests in fixed and variable rate securities, any change to the interest rates relevant for particular securities may result in either income increasing or decreasing, or the Manager being unable to secure similar returns on the expiry of contracts or the sale of securities. In addition, changes to prevailing rates or changes in expectations of future rates may result in an increase or decrease in the value of the securities held.

In general if interest rates rise the income potential of the Fund also rises but the value of fixed rate securities will decline. A fall in interest rates will in general have the opposite effect.

Notes to the Financial Statements

as at 30th September 2009

13 Derivatives and other Financial Instruments (continued)

Interest Rate Risk Profile of Financial Assets and Financial Liabilities

The interest rate risk profile of the Fund's financial assets and liabilities at 30th September 2009 compared to the previous period end was:

Currency	Floating Rate financial assets £	Fixed Rate financial assets	Financial assets not carrying interest £	Total £
September 2009				
Sterling	2,972,057	304,016,751	3,392,393	310,381,201
US Dollars	–	–	4,517	4,517
Total	<u>2,972,057</u>	<u>304,016,751</u>	<u>3,396,910</u>	<u>310,385,718</u>
March 2009				
Sterling	5,347,271	56,228,177	181,571,204	243,146,652
US Dollars	–	–	5,077	5,077
Total	<u>5,347,271</u>	<u>56,228,177</u>	<u>181,576,281</u>	<u>243,151,729</u>

Currency	Floating Rate financial liabilities £	Financial assets not carrying interest £	Total £
September 2009			
Sterling	–	2,827,435	2,827,435
US Dollars	–	–	–
Total	–	<u>2,827,435</u>	<u>2,827,435</u>
March 2009			
Sterling	–	10,769,523	10,769,523
US Dollars	–	–	–
Total	–	<u>10,769,523</u>	<u>10,769,523</u>

Currency	Weighted average interest rate		Weighted average period for which rate is fixed	
	September 2009	March 2009	September 2009	March 2009
Sterling	6.95%	6.47%	11.5 years	12.4 years

Liquidity Risk

The Fund's assets comprise mainly readily available realisable securities, which can be sold to meet funding requirements if and when necessary. The main liability of the fund is the redemption of any units that investors wish to sell.

Notes to the Financial Statements

as at 30th September 2009

14 Portfolio Transaction Costs

The cost of transactions during the period were:

	2009		2008	
Analysis of total purchase costs	£	£	£	£
Purchases in period before transaction costs		61,207,110		123,043,343
Stamp Duty	139,215		272,949	
Commissions	42,114		81,768	
PTM Levy	33		37	
Total purchase costs		181,362		354,754
Gross purchases total		<u>61,388,472</u>		<u>123,398,097</u>

	2009		2008	
Analysis of total sales costs	£	£	£	£
Gross sales before transaction costs		50,876,839		108,469,097
Commissions	(50,937)		(47,737)	
PTM Levy	(60)		(37)	
Total sale costs		(50,997)		(47,774)
Total sales net of transaction costs		<u>50,825,842</u>		<u>108,421,323</u>

Stamp Duty is paid at 0.5% on all UK share purchases, PTM levy is paid at £1 for each UK share purchase or sale where the cost or proceeds is over £10,000.

Distribution Table

Quarterly Distribution

For the period ended 30th June 2009

Group 1 – Units purchased prior to 1st April 2009

Group 2 – Units purchased on or after 1st April 2009

	Net Income 2009 pence per unit	Equalisation 2009 pence per unit	Distribution payable 2009 pence per unit	Distribution payable 2008 pence per unit
Income units				
Group 1	1.8000	–	1.8000	2.0000
Group 2	1.1590	0.6410	1.8000	2.0000

Interim Distribution

For the period ended 30th September 2009

Group 1 – Units purchased prior to 1st July 2009

Group 2 – Units purchased on or after 1st July 2009

	Net Income 2009 pence per unit	Equalisation 2009 pence per unit	Distribution payable 2009 pence per unit	Distribution payable 2008 pence per unit
Income units				
Group 1	1.3388	–	1.3388	1.5750
Group 2	0.4154	0.9234	1.3388	1.5750

Prices

The price of the CIS UK Income with Growth Trust is calculated using the dual pricing method, which means that two dealing prices are quoted. The buying price is the price at which you can buy units, and the selling price is the price at which you can sell the units back to the Manager.

The difference between the buying and selling prices, currently 5%, is known as the spread. This includes the initial management charge to cover the expenses of selling the units and administration. Full details of how the Trust is priced are contained in the prospectus.

Prospectus

Copies of the most recent Prospectus may be obtained, free of charge, from:
CIS Unit Managers Limited, PO Box 105, Manchester M4 8BB.

Please call 08457 46 46 46 if you would like to receive this information in an alternative format such as large print, audio or Braille.

The Co-operative Asset Management Limited is authorised and regulated by the Financial Services Authority.

**Registered Office: Miller Street, Manchester M60 0AL.
Registered in England and Wales, number 03858994.**

The Co-operative Asset Management Limited provides asset management services to CIS Unit Managers Limited which is the authorised Manager of the CIS UK Income with Growth Trust.

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