



Annual Report

UK Equity Fund for Charities and the Bond Fund for Charities

30 June 2009

J.P.Morgan
Asset Management

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The opinions expressed in this report are those held by the authors at the time of going to print.

Fund information

Investment objectives

UK Equity Fund for Charities

The investment objective of the Fund is to maximise total return for participating charities from a diversified portfolio of UK equity shares. The performance benchmark for the Fund is the total return of the FTSE All Share Index.

Bond Fund for Charities

The investment objective of the Fund is to provide participating charities with high income from a diversified portfolio of bonds, with the aim of preserving the value of their capital over the longer term. The performance benchmark for the Fund is the total return of the FTSE British Government All Stocks Index.

Both Funds pay distributions of total revenue less revenue expenses in February, May, August and November.

Investment risks

Past performance is not a guide to the future. The price of investments and the revenue from them may fall as well as rise and investors might not get back the full amount invested. The level of tax benefits and liabilities will depend on individual circumstances and may change in the future. The investment objective of a fund may allow some flexibility in terms of portfolio composition. Investments in smaller companies may involve a higher degree of risk as markets are usually more sensitive to price movements.

The annual management charge of the UK Equity Fund for Charities is currently charged to capital. This allows more revenue to be distributed, but may accordingly constrain capital growth over the longer term.

The Funds are only open to investments by registered charities in England, Wales, Scotland and Northern Ireland provided they are not specifically restricted from participating in common investment funds. In the event that a charity loses its charitable status then it will no longer be able to continue to hold units in the Funds. It is the responsibility of investors to inform the Manager in the event of loss of charitable status, with immediate effect.

The Funds are common investment funds for charities and are constituted under Section 24 of the Charities Act 1993 by schemes of the Charity Commissioners of England and Wales made on 23 March 2006 replacing the original Schemes constituting the Funds. The Royal Bank of Scotland plc is the Trustee of the Funds. The Funds are themselves charities registered with the Charity Commission.

How to acquire units

For full details on how to purchase units, contact the dealing team on 0207 742 9175 at JPMorgan Asset Management Marketing Limited.

Unit prices

The latest issue and redemption prices together with net yields are available from the Manager and are also published in the Financial Times under the name of JPMorgan Charity Funds in the Managed Funds Service section and on our Web Site www.jpnam.co.uk/institutional/charities

Scheme documents

Both the UK Equity Fund for Charities and the Bond Fund for Charities are governed by the Scheme and Scheme Particulars. Copies of these documents are available upon request; please contact the Manager, JPMorgan Asset Management (UK) Limited, 20 Finsbury Street, London EC2Y 9AQ.

Issued by:
JPMorgan Asset Management (UK) Limited.
Authorised and regulated by the Financial Services Authority.

Manager's report for the UK Equity Fund for Charities and the Bond Fund for Charities

We are pleased to present the Annual Report & Accounts for the UK Equity Fund for Charities and the Bond Fund for Charities for the year ended 30 June 2009.

Authorised Status

The UK Equity Fund for Charities and the Bond Fund for Charities are Common Investment Funds. These are collective investment schemes set up by schemes made by the Charity Commission under section 22 of the Charities Act 1960, or section 24 of the Charities Act 1993. Only Charities established in England and Wales and "appropriate bodies" established in Scotland and Northern Ireland may invest in the Funds.

Structure & Liabilities

The assets of each of the funds are treated separately and are invested in accordance with the investment objective and investment policies applicable to each fund. Details of the portfolio structure and investment performance can be found later in this report, prior to the financial statements for each fund.

The UK Equity Fund for Charities and the Bond Fund for Charities are registered charities.

UK Equity Fund for Charities:
Registered Charity Number 1014758

Bond Fund for Charities:
Registered Charity Number 1014756

Changes to Distribution Policy

The methodology by which the quarterly distribution of the UK Equity Fund for Charities has changed from a smoothed set pence per unit basis to a dividend-accrued basis with effect from 1 July 2009.

Advisers

The advisers to the Funds are as follows:

Corporate Trustee

The Royal Bank of Scotland plc
The Broadstone
50 South Gyle Crescent
Edinburgh
EH12 9UZ

Registrar

JPMorgan Asset Management Marketing Limited
125 London Wall
London, EC2Y 5AJ

Auditor

Ernst & Young LLP
Ten George Street
Edinburgh
EH2 2DZ


Manager & Investment Manager

JPMorgan Asset Management (UK) Limited
125 London Wall
London, EC2Y 5AJ

Custodian and Bankers

JPMorgan Chase Bank, N.A.
125 London Wall
London, EC2Y 5AJ

By order of the Manager,



Mr J Broderick
Director
JPMorgan Asset Management (UK) Limited
London
12 August 2009

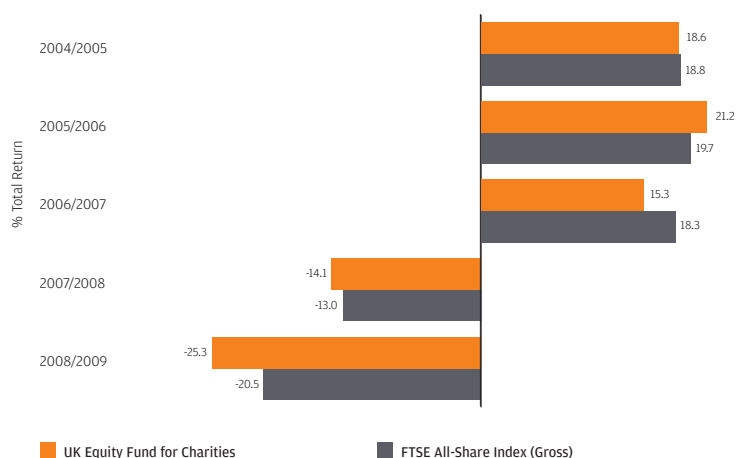


Mr C Fleming
Director
JPMorgan Asset Management (UK) Limited
London
12 August 2009

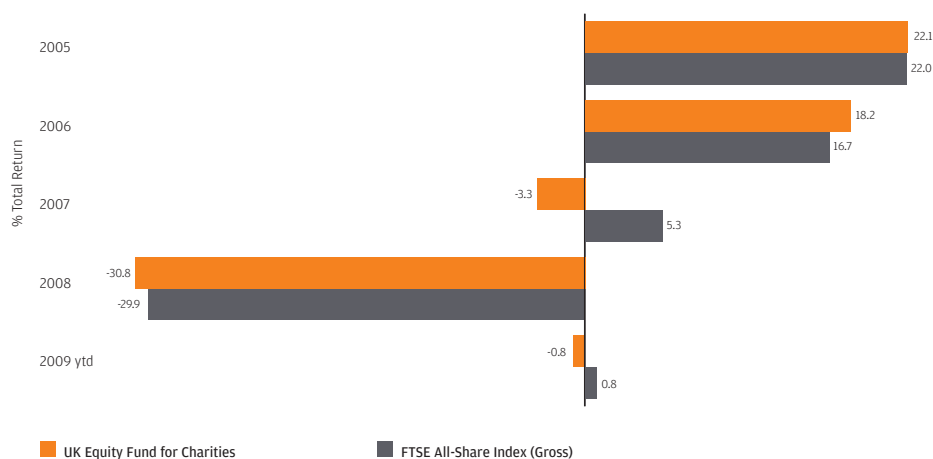
Performance – UK Equity Fund for Charities

As at 30 June 2009

Rolling 12 month returns



Calendar year returns



Source: J.P. Morgan Asset Management, The WM Company.

Total return (bid to bid, gross income reinvested, net of expenses). The Fund's benchmark is the FTSE All-Share Index. (Gross).

- Total distribution per unit of the Fund for the financial year 2008/2009 was 9.60 pence (8.34 pence for 2007/2008).
- The net assets of the Fund were £169.6m as at 30 June 2009 (£241.8m as at 30 June 2008).

Please remember that past performance is not a guide to future returns. The price of investments and the revenue from them may fall as well as rise and investors may not get back the full amount invested.

Investment manager's report

Market background

The year to 30th June 2009 represented the worst 12 month reporting period in absolute return terms for the UK Equity Fund for Charities since the Fund was launched in 1992, although by the end of the period the UK equity market had begun to show some signs of recovery. The UK equity market fell sharply through the late summer and autumn of 2008, as share price volatility rose to unprecedented levels, and the financial crisis at the heart of the market downturn began to claim more and larger victims, and as the economy moved swiftly into a deep and savage recession. On both sides of the Atlantic once mighty financial giants were laid low, or allowed to disappear altogether. Amongst the casualties from July 2008 onwards was the Wall Street investment bank, Lehman Brothers, which was allowed to fall into Chapter 11 bankruptcy in September, whilst in the UK all the quoted former building societies were either nationalised or forced into the arms of larger banks. More significantly, major banks on both sides of the Atlantic were forced to turn to their governments for significant levels of public support as private investors became increasingly concerned that individual banks and the whole banking system might collapse. In the UK, Royal Bank of Scotland and HBOS were part nationalised, and HBOS forced into a humiliating merger with Lloyds TSB, which in turn succumbed to part nationalisation under its new guise of Lloyds Banking Group. Barclays, in a move aimed at avoiding a UK government shareholding, turned to the Gulf to raise new capital from the rulers of Qatar and Abu Dhabi in exchange for significant shareholdings, whilst both Standard Chartered and HSBC raised fresh capital from existing shareholders. In total UK banks have raised £77 billion of new capital from various sources, to offset the £80 billion they have so far written off as a result of the credit crisis. Over the 12 months to June 2009 the UK bank sector underperformed the wider equity market by 21.2%, having earlier in the period been much further behind before the rally in the spring of 2009 ameliorated the position.

Banking stocks were not alone over the last 12 months in giving investors a roller-coaster experience. From July 2008 to June 2009,

commodity prices collapsed from record highs in the second half of 2008, before partially recovering in 2009. Representative of this was the price of crude oil, which fell from a peak of \$147 a barrel in July 2008, to a low of \$34 in February 2009, before doubling to \$70 a barrel at the end of the period. Similar price moves were seen in other industrial commodities and raw materials, as falling consumer demand for finished goods in the developed world led to substantial de-stocking all the way up the supply chain. The share prices of commodity producers, such as miners, which had been so popular in the first half of 2008, collapsed in the second half of the year, before also rallying somewhat in the first half of 2009.

Much the same pattern was experienced in industrial manufacturing companies, as well as consumer discretionary areas such as leisure and travel, as declining demand from customers put profits under significant downward pressure, with share prices following suit. Any companies with high levels of debt, especially where that debt was due to be renegotiated in the near term, were also treated savagely by the market through much of this period. In the autumn and winter of 2008, and early 2009, all company borrowings were generally regarded as toxic, and it was only after the equity market opened up to allow companies to fund rights issues that a more rational consideration of fundamentals began to occur. In the first six months of 2009, some £50 billion of new equity has been raised by UK quoted companies, almost exclusively for the purpose of rebuilding company balance sheets.

The distress in the global banking system, and the rapidly falling levels of economic activity in the developed world as consumers and companies retrenched their spending, led to significant levels of government and central bank intervention. The UK government cut VAT to try and stimulate consumer expenditure in November 2008 and has allowed the budget deficit to balloon to support the economy; whilst the Bank of England, starting October 2008 has slashed interest rates from 5.0% to 0.5%, and has engaged in significant extra support of the banking system through quantitative easing.

Against this backdrop of unprecedented stock and sector volatility, and frantic measures from the government and the Bank of England, the overall UK equity market fell significantly from the start of the financial year to a low point on 3rd March 2009 before rallying partially over the final four months. From a starting level of 2856, the FTSE All Share Index fell to a low point of 1782 (a decline in price terms of 37.6%), before staging a partial recovery to 2172 (a recovery of 21.8%) by the period end.

In the 2nd half of 2008 and the first two months of 2009, against a background of irrational share price movements which seldom reflected the underlying fundamentals of the companies, the UK Equity Fund for Charities returned -33.9% underperforming its benchmark by 4.9%.

The equity markets started to rally strongly in early March and the portfolio has also enjoyed positive absolute returns since then, returning 13.7%. However, while the rally was driven by the cheapest companies in the market, the best performing value stocks also had the worst growth characteristics, which we seek to avoid as they tend to be "value traps". Small and mid cap stocks outperformed their larger counterparts over the period but the strongest performance came from the smallest, most illiquid names. As a result the fund underperformed the benchmark by a further 0.6% giving a disappointing underperformance for the 12 months to 30 June 2009.

Investment policy

As a broad principle, the investment approach of the UK Equity Fund for Charities is to invest in a broad range of UK companies that, on average, are more cheaply valued, are faster growing, and have better newsflow characteristics, than the wider UK market. This investment approach leads us to concentrate the portfolio holdings on companies either displaying value characteristics or companies with positive momentum attributes. In the declining economic and market conditions of the last 12 months it has also led us to spread the portfolio over a broader number of

companies, to offset some of the effects of extreme volatility at the individual company share price level. As we reported at the interim stage, the UK Equity Fund for Charities has continued to underperform the FTSE All Share Index in the latest period under review, as market conditions have remained extremely challenging.

In the tumultuous conditions in the UK market over the last 12 months, the performance of the UK Equity Fund for Charities was adversely affected by a number of factors. As the economy plunged swiftly into recession, there was a wholesale shift in investor sentiment against value stocks, on concerns that a weak economy would lead to falling sales and profits warnings across the board. Whilst for some companies, especially those with weak balance sheets, these fears were well founded, many cheap well financed companies (such as Charter International) were also savagely sold off to the detriment of the Fund. We remain committed to retaining a bias to value within the portfolio, as over the long term it is proven to add to performance, and after a period where value has underperformed materially, we would expect our value bias to begin to lead renewed outperformance. A second theme which has impacted performance over the last 12 months has been the underperformance of medium and smaller companies where the Fund is overweight. Again, investor concern over the economic exposure of this group of companies to the UK saw significant share price weakness, especially in the autumn and winter period. However as recovery hopes have begun to surface in the last few months, mid and small caps have recovered well – a trend we would expect to be maintained. Finally, extreme volatility across the UK market over the latest 12 month period has made it difficult to lock on to predictive trends within the momentum part of the portfolio. In the aftermath of the collapse of Lehman Brothers in September 2008 stock market volatility was over twice as intense as during the worst periods of the 2000 to 2003 bear market. This situation is now returning to more normal conditions, which should also help portfolio performance.

At a stock and sector level many of the most material positive and negative contributors to overall performance reflect the major themes already highlighted. Holding even a modest underweight position in the banks sector over the last 12 months was detrimental, detracting 1.02% from relative performance, as the sector first collapsed up to March 2009, then rebounded sharply. Equally a modest overweight position in industrial metals impacted performance by 0.80%, as the market worried about the effects of destocking on sector profits. The Fund's overweight position in life insurance detracted 0.81%, as the market worried (in our view wrongly) about the capital position of large UK companies like Legal & General and Aviva; whilst the Fund's overweight in non-life insurance added 0.93% to relative performance, as the competitive position of the Lloyds vehicles, such as Amlin, were boosted by the nationalisation of the US firm AIG. The Fund also benefited from an underweight position in real estate, where a weak UK property market and difficulties in accessing bank lending on reasonable terms weighed on share prices. The Fund's overweight position in the pharmaceuticals sector, which now combines economically defensive attributes with substantial dividend attractions for shares like AstraZeneca, added 0.61% to relative performance over the period.

As we reported at the interim stage, the overall balance of buys and sells for the latest 12 month period is somewhat distorted by large client inflows and outflows over the period. Many of the largest sells for the last 12 months are among the largest holdings within the Fund (HSBC, BP, Royal Dutch Shell), and therefore reflect an element of pro rata selling to fund client outflows. Further down the list of major sales are examples of profit taking on successful overweight holdings such as AstraZeneca, Reckitt Benckiser, BG, and Unilever, as well as a more cautious view on the fundamentals for the miner Anglo American, and the water utility Severn Trent, which prompted sales. The major purchases in part reflect the significant fund raisings by UK companies in the spring of 2009, with HSBC, Standard Chartered, and Lloyds raising significant amounts of new equity from

shareholders at discounted levels. Other major purchases reflect buying back into the depressed resources area (such as Royal Dutch Shell) in 2009 to capture lower valuations, as well as purchases of attractive industrial and consumer companies, such as BAE Systems and GlaxoSmithKline.

Outlook

As we enter the summer months of 2009, we are approaching the anniversary of the period of greatest volatility and distress in the global banking and financial system, and in stock markets. We have already moved past the anniversary of the UK economy moving into negative territory, as Q3 2008 was the first quarter when the UK economy shrank, a trend that has continued in each subsequent quarter since. The main significance of these anniversaries is that moving forward both the UK economy and the UK market will, for a while, enter a period of easier year on year comparisons. For the UK economy the rate of decline in GDP should slow significantly in the coming months (and perhaps even stop declining altogether), as the lagged effects of government spending stimulus, and very loose interest rate policy from the Bank of England, feed through to private sector company and individual spending decisions. For the stock market, the decline in volatility from last autumn's extreme levels, as well as a now very cautious view on prospects for profitability from both company managements and investors, means that current share prices already reflect the economic difficulties of the present, without expecting too much of the future. In general UK companies are now reporting profits and dividends in line with, or a little ahead of, market expectations again (having spent almost a year of adjusting to the recession), and this combined with generally very low valuations for UK companies across a broad spectrum of activities, has allowed the UK market to recover some ground in recent months. We think these trends should continue through the remainder of 2009, allowing investors to make decent positive total returns on their holdings within the UK Equity Fund for Charities.

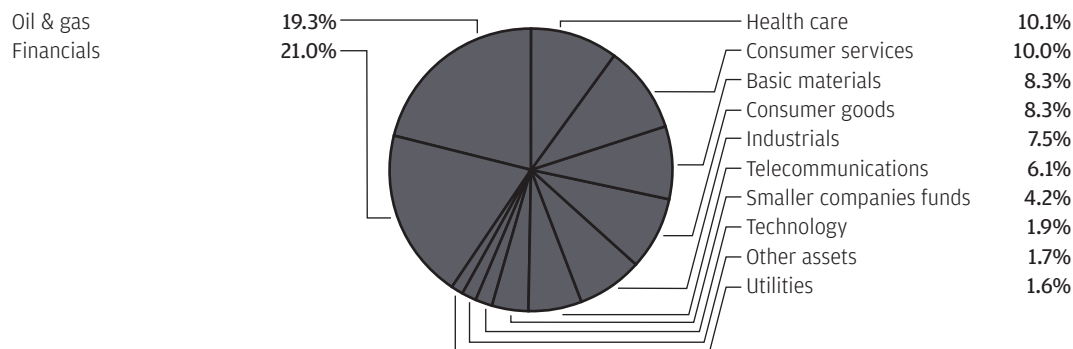
12 August 2009

Portfolio structure

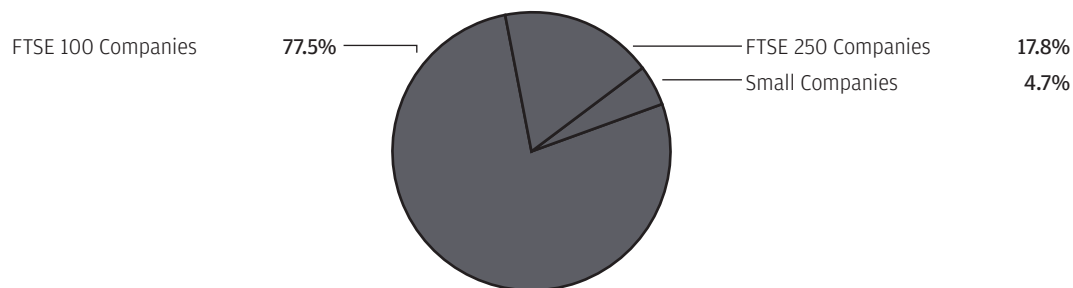
As at 30 June 2009

Portfolio breakdown

Sector profile



Size profile



Investment Strategy

Overweight

Industrials: Attractive valuations of engineering and support services stocks, which have generally reported favourable results

Health Care: Attractive valuations of pharmaceuticals companies, with defensive earnings streams, supported by sterling weakness

Underweight

Consumer Goods: Weak earnings momentum characteristics, as cost pressures rise and the outlook for consumer demand deteriorates; valuations remain un compelling

N.B. Indications of weightings are expressed relative to the composition of the FTSE All-Share Index.

UK Equity Fund for Charities

Investment performance

Highest offer/lowest bid price and revenue record

Calendar year	Price range for year		Revenue record
	Highest offer	Lowest bid	Distribution per unit
2004	197.28p	170.31p	5.20p
2005	235.27p	192.48p	5.35p
2006	271.03p	228.34p	6.55p
2007	284.78p	240.17p	8.06p
2008	253.60p	144.01p	9.01p
2009 ^A	175.01p	133.33p	4.80p

^ATo 30 June 2009.

Distributions are shown as total revenue with revenue expenses deducted.

Record of the fund

	Net asset value of fund £'000	Number of units	Net asset value per unit	Historic Yield %
30.06.07	275,448	100,940,461	272.88p	3.02
30.06.08	241,820	106,755,582	226.50p	3.64
30.06.09	169,590	106,197,749	159.69p	5.86

The net asset value and the net asset value per unit are shown ex-dividend at the financial year end.

The historic yield is based on the distributions declared in the last twelve months as a percentage of the Net asset value per unit. This should not be taken as a guide to future yields.

Total expense ratios

Financial year ending	
30.06.08	0.63%
30.06.09	0.61%

The total expense ratio (TER) takes into account the Management fee, inclusive of VAT, payable from capital and all other operating expenses over the financial year and is expressed as a percentage of average daily net asset values over the same period.

Portfolio turnover rate

Financial year ending	
30.06.08	112.47%
30.06.09	85.47%

The portfolio turnover rate (PTR) reflects the total of security purchases and sales, less the total of unit issues and cancellations, expressed as a percentage of the average daily net asset values over the financial year.

Portfolio statement

As at 30 June 2009

Investment - % of Fund	Holding	Market value £'000	Total net assets %
Financials - 21.0% (21.5%)			
Banks - 10.8%			
Barclays	1,424,678	4,032	2.4
HSBC	1,858,054	9,337	5.5
Lloyds Banking Group	2,892,435	2,023	1.2
Standard Chartered	255,767	2,916	1.7
General financial - 2.5%			
International Personal Finance	425,472	312	0.2
Investec	380,094	1,242	0.7
Provident Financial	165,709	1,315	0.8
Tullett Prebon	429,769	1,272	0.8
Life insurance - 4.2%			
Aviva	537,700	1,836	1.1
Legal & General Group	3,980,955	2,261	1.3
Prudential	312,658	1,293	0.8
St James's Place	177,755	352	0.2
Standard Life	743,155	1,383	0.8
Nonlife insurance - 2.7%			
Amlin	689,987	2,085	1.2
Beazley	427,545	416	0.2
Brit Insurance	224,379	424	0.3
Catlin Group	155,406	499	0.3
Hiscox	407,602	1,180	0.7
Real estate - 0.8%			
Big Yellow Group	363,126	1,242	0.7
Unite Group	126,326	172	0.1
Oil & gas - 19.3% (22.0%)			
Oil & gas producers - 18.2%			
BG Group	286,997	2,922	1.7
BP	2,925,158	13,976	8.2
JKX Oil & Gas	124,722	257	0.2
Royal Dutch Shell 'B'	902,859	13,778	8.1
Oil equipment, services & distribution - 1.1%			
Petrofac	274,537	1,839	1.1
Health care - 10.1% (7.7%)			
Pharmaceuticals & biotechnology - 10.1%			
AstraZeneca	284,640	7,601	4.5
GlaxoSmithKline	774,346	8,274	4.9
Shire	132,080	1,104	0.7
Consumer services - 10.0% (4.5%)			
Food & drug retailers - 2.4%			
Morrison (Wm.) Supermarkets	304,742	721	0.4
Sainsbury (J)	240,145	752	0.4
Tesco	748,511	2,647	1.6
General retailers - 3.7%			
Brown (N.) Group	88,981	191	0.1
Debenhams	1,606,125	1,301	0.8
GAME Group	573,103	943	0.6
Halfords Group	173,512	540	0.3
HMV Group	392,209	442	0.3
Kingfisher	404,882	720	0.4
Marks & Spencer Group	318,168	974	0.6
Next	64,395	946	0.6
Media - 1.9%			
Aegis Group	293,069	270	0.2
Informa	112,500	246	0.1
Pearson	115,625	705	0.4
Reed Elsevier	103,967	470	0.3
United Business Media	264,472	1,056	0.6
WPP	131,814	532	0.3
Travel & leisure - 2.0%			
British Airways	153,591	192	0.1
Compass Group	247,554	846	0.5
Domino's Pizza	99,827	205	0.1
Ladbrokes	630,273	1,160	0.7
Wetherspoon (J.D.)	142,464	552	0.3
William Hill	280,428	551	0.3
Basic materials - 8.3% (16.0%)			
Mining - 8.3%			
Anglo American	80,114	1,413	0.8
Antofagasta	410,253	2,410	1.4
BHP Billiton	445,858	6,081	3.6
Eurasian Natural Resources	103,776	679	0.4
Ferrexpo	192,536	258	0.2
Kazakhmys	89,411	563	0.3
Rio Tinto	84,280	1,774	1.0
Rio Tinto (Nil Paid Rights)	44,246	309	0.2
Xstrata	94,809	623	0.4

Investment - % of Fund	Holding	Market value £'000	Total net assets %
Consumer goods - 8.3% (5.4%)			
Beverages - 1.3%			
Diageo	252,504	2,201	1.3
Food producers - 2.6%			
Dairy Crest Group	119,447	383	0.2
Unilever	283,487	4,037	2.4
Household goods - 4.1%			
Bellway	37,317	227	0.1
Berkeley Group 'B'	144,314	1,160	0.7
Reckitt Benckiser Group	177,217	4,902	2.9
Taylor Wimpey	2,104,074	705	0.4
Personal goods - 0.3%			
SSL International	89,091	461	0.3
Industrials - 7.5% (6.7%)			
Aerospace & defence - 2.7%			
BAE Systems	648,321	2,195	1.3
Cobham	655,948	1,133	0.7
QinetiQ Group	528,308	758	0.4
Rolls Royce Group	65,434	237	0.1
Ultra Electronics Holdings	36,282	395	0.2
Construction & materials - 0.6%			
Balfour Beatty	61,491	190	0.1
Keller Group	79,224	438	0.3
Kier Group	19,617	180	0.1
Morgan Sindall	24,954	172	0.1
Electronics & electrical equipment - 0.2%			
Morgan Crucible	184,009	175	0.1
PV Crystalox Solar	295,550	245	0.1
General industrials - 0.5%			
Smiths Group	121,511	852	0.5
Industrial engineering - 0.8%			
Charter	179,266	776	0.5
Rotork	58,445	484	0.3
Support services - 2.7%			
Aggreko	21,747	113	0.1
De La Rue	153,385	1,397	0.8
eaga	176,197	231	0.1
Experian	113,191	514	0.3
G4S	127,874	267	0.2
Intertek Group	45,017	470	0.3
Rentokil Initial	383,780	343	0.2
Travis Perkins	156,934	826	0.5
WSP Group	119,842	264	0.2
Telecommunications - 6.1% (5.5%)			
Fixed line telecommunications - 1.3%			
BT Group	1,296,714	1,316	0.8
Cable & Wireless	650,058	865	0.5
Mobile telecommunications - 4.8%			
Vodafone Group	6,997,603	8,201	4.8
Smaller companies funds - 4.2% (4.6%)			
Aberforth UK Smaller Companies (Accumulation)	32,175	2,402	1.4
JPM UK Smaller Companies 'X' (Income)	2,073,244	4,690	2.8
Technology - 1.9% (0.3%)			
Software & computer services - 1.4%			
Autonomy	76,760	1,103	0.7
AVEVA Group	53,714	385	0.2
Logica	235,518	186	0.1
Micro Focus International	180,505	676	0.4
Technology hardware & equipment - 0.5%			
Pace	377,532	750	0.4
Spirant	383,120	242	0.1
Utilities - 1.6% (4.6%)			
Electricity - 0.8%			
Drax Group	247,264	1,085	0.6
Scottish & Southern Energy	27,703	316	0.2
Gas, water & multiutilities - 0.8%			
Centrica	444,935	992	0.6
National Grid	77,089	422	0.2
Investment assets		166,777	98.3
Net other assets		2,813	1.7
Net assets		169,590	100.0

All holdings are ordinary UK quoted shares or stock units and admitted to official stock exchange listings unless otherwise stated.

The comparative percentage figures in brackets are at 30 June 2008.

Portfolio movements

For the year ended 30 June 2009

	£'000
Total of all purchases for the year (Note 10)	127,210

Major purchases	Cost
HSBC	7,751
Reckitt Benckiser Group	5,147
Centrica	4,836
Barclays	3,909
Royal Dutch Shell 'B'	3,631
GlaxoSmithKline	3,027
Standard Chartered	3,024
BP	2,987
Lloyds Banking Group	2,820
BAE Systems	2,306

	£'000
Total of all sales for the year (Note 10)	128,572

Major sales	Proceeds
HSBC	5,667
BP	5,602
Royal Dutch Shell 'B'	4,883
Anglo American	4,304
AstraZeneca	4,113
Reckitt Benckiser Group	4,057
BG Group	3,745
Centrica	3,363
Unilever	3,181
Severn Trent	2,761

Financial statements

Statement of total return

For the year ended 30 June

	2009		2008	
	£'000	£'000	£'000	£'000
Income				
Net capital losses (Note 2)		(70,034)		(48,081)
Revenue (Note 3)	8,954		9,144	
Expenses (Note 4)	(1,174)		(1,672)	
Net revenue		7,780		7,472
Total return before distributions		(62,254)		(40,609)
Finance costs:				
Distributions (Note 5)		(10,486)		(8,832)
Change in net assets attributable to unitholders from investment activities		(72,740)		(49,441)

Statement of change in net assets attributable to unitholders

For the year ended 30 June

	2009		2008	
	£'000	£'000	£'000	£'000
Opening net assets attributable to unitholders		241,820		275,448
Amounts receivable on issue of units	45,815		32,252	
Amounts payable on cancellation of units	(45,305)		(16,439)	
		510		15,813
Change in net assets attributable to unitholders from investment activities (see above)		(72,740)		(49,441)
Closing net assets attributable to unitholders		169,590		241,820

Balance sheet

As at 30 June

	2009		2008	
	£'000	£'000	£'000	£'000
ASSETS				
Investment assets		166,777		238,924
Debtors (Note 7)	930		1,100	
Cash and bank balances	4,531		6,724	
Total other assets		5,461		7,824
Total assets		172,238		246,748
LIABILITIES				
Creditors (Note 8)	(99)		(2,633)	
Distribution payable on income units	(2,549)		(2,295)	
Total liabilities		(2,648)		(4,928)
Net assets attributable to unitholders		169,590		241,820

The notes to these financial statements are shown on pages 12 and 13.
Registered Charity Number: 1014758

Certification of Accounts

The Manager's Report has been prepared in accordance with the Charities (Accounts and Reports) Regulations 2008.

Mr J Broderick

Mr C Fleming

Directors

JPMorgan Asset Management (UK) Limited

London

12 August 2009

Notes to the financial statements for the year ended 30 June

1. Accounting policies

The accounts of the Fund, which is a Common Investment Fund for charities, are presented in accordance with the following 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 applicable accounting standards, the Charities (Accounts and Reports) Regulations 2008 and with the Statement of Recommended Practice for Authorised Funds issued by the IMA in November 2008.

The comparatives for the Statement of total return have been restated to conform with the revised presentational requirements of the new SORP. Other gains/(losses) were previously included as a separate line in the Statement of total return but have now been included in net capital gains/(losses). The other gains/(losses) were £186 (30.06.08: £nil). The presentational amendments to the Statement of total return had no impact on either the Change in net assets attributable to unitholders or the net assets at the end of the year.

- (b) Dividends on equities are recognised when the security is quoted ex-dividend. Dividends on accumulation units are also recognised on an ex-dividend basis and form part of the distribution. Interest on deposits is accounted for on an accruals basis. Other revenue is accounted for on an earned basis.
- (c) The ordinary element of stocks received in lieu of cash dividends is recognised as revenue of the Fund and forms part of the distribution. Any excess in value of shares received over the amount of cash forgone is recognised as capital.
- (d) Special dividends are reviewed on a case by case basis in determining whether the amount is capital or revenue in nature. At the discretion of the Manager those special dividends that are deemed to be capital in nature may form part of the Fund's distribution. Any tax treatment thereon will follow the accounting treatment of the principal amount.
- (e) Management fees (inclusive of VAT) are paid from capital for revenue distribution purposes. Expenses relating to the purchase and sale of investments are also charged to capital. All other expenses are charged to the revenue property of the Fund.
- (f) The Fund, where applicable, will pay a distribution. Distributions made by the Fund to year ending 30 June 2009 were managed with the objective of achieving a regular revenue pattern for unitholders both during each financial year and if appropriate between financial years. In order to facilitate this the Fund carried forward undistributed revenue into the next period. From 1 July 2009 the revenue will no longer be managed in this way, instead the Fund will distribute net revenue earned after expenses. As a result the distributions will fluctuate from quarter to quarter.
- (g) For the purpose of this report, the listed investments of the Fund have been valued on a bid basis at close of business on 30 June 2009.
- (h) All transactions in foreign currencies are converted into sterling at the rates of exchange ruling at the date of such transactions. Foreign currency assets and liabilities at the end of the accounting year are translated at the exchange rate at close of business on 30 June 2009.

2. Net capital losses

	2009 £'000	2008 £'000
Non-derivative securities	(70,034)	(48,081)
Net capital losses	<u>(70,034)</u>	<u>(48,081)</u>

3. Revenue

	2009 £'000	2008 £'000
Distributions from authorised ICVCs	190	197
Distributions from Unit Trusts	92	67
Interest on bank and term deposits	141	236
Revenue from UK equity investments	8,359	8,644
Stock dividends	166	-
Underwriting commission	6	-
Total revenue	<u>8,954</u>	<u>9,144</u>

4. Expenses

	2009 £'000	2008 £'000
Payable to the Manager or associate of the Manager:		
Management fee	944	1,329
Payable to the Trustee or associate of the Trustee:		
Trustee fee	56	79
Payable to other related parties and third parties:		
Audit fee	7	5
Irrecoverable VAT	161	249
Price publication	2	2
Printing and mailing costs	4	4
Professional fees	-	4
	<u>174</u>	<u>264</u>
Total expenses	<u>1,174</u>	<u>1,672</u>

5. Finance costs

Distributions

The distributions take account of amounts receivable on the issue and amounts payable on the cancellation of units and comprise:

	2009 £'000	2008 £'000
First interim dividend distribution	2,338	2,282
Second interim dividend distribution	2,677	2,251
Third interim dividend distribution	2,665	2,224
Final dividend distribution	2,549	2,295
	<u>10,229</u>	<u>9,052</u>
Add: Amounts payable on cancellation of units	534	123
Deduct: Amounts receivable on issue of units	(277)	(343)
Total finance costs	<u>10,486</u>	<u>8,832</u>

Details of the distribution per share are set out on page 14.

6. Movement between net revenue and distributions

	2009 £'000	2008 £'000
Net revenue	7,780	7,472
Add: Management fee paid from capital	944	1,329
Add: Irrecoverable VAT charged to capital	150	233
Add: Special dividends distributable from capital	751	-
Add: Undistributed income brought forward	1,130	928
Less: Undistributed income carried forward	(269)	(1,130)
	<u>10,486</u>	<u>8,832</u>

7. Debtors

	2009 £'000	2008 £'000
Accrued income	895	1,073
Tax recoverable	35	27
Total debtors	<u>930</u>	<u>1,100</u>

8. Creditors

	2009 £'000	2008 £'000
Accrued expenses	86	117
Due to brokers for purchases awaiting settlement	-	153
Due to the Manager for units cancelled	-	2,343
Irrecoverable VAT	13	20
Total creditors	<u>99</u>	<u>2,633</u>

Notes to the financial statements – continued

9. Contingent liabilities

At the year end date the Fund had the following contingent liabilities:

	2009	2008
	£'000	£'000
Nil paid rights	619	446

10. Portfolio transaction costs

	2009	2008
	£'000	£'000
Analysis of total purchase costs		
Purchases in year before transaction costs	126,989	193,300
Commissions	221	525
Total purchase costs	127,210	193,825
Analysis of total sale costs		
Gross sales before transaction costs	128,871	180,346
Commissions	(299)	(527)
Total sale costs	(299)	(527)
Total sales net of transaction costs	128,572	179,819

11. Units in issue

The number of units in issue at the end of the year was 106,197,749 (30.06.08: 106,755,582).

12. Related party transactions

Under the management contract, fees payable to the Manager exclude charges made by JPMorgan Asset Management (UK) Limited on the Fund for any investments made in JPMorgan Asset Management Managed Funds.

Management fees paid to JPMorgan Asset Management (UK) Limited and their associates are shown in Note 4 and details of units created and cancelled by JPMorgan Asset Management (UK) Limited are shown in the Statement of change in net assets attributable to unitholders. The balance due to JPMorgan Asset Management (UK) Limited and their associates at the year end in respect of these transactions was £74,674 (30.06.08: £2,464,663).

Trustee fees paid to The Royal Bank of Scotland plc are shown in Note 4. The balance due to The Royal Bank of Scotland plc at the year end in respect of these transactions was £4,480 (30.06.08: £6,667).

Some of the dealing transactions for the Fund are carried out through associates of the Manager. Such transactions are carried out on an arm's length basis. The commissions paid to these companies over the year were £7,950 (30.06.08: £1,542).

The following party held a material interest in the Fund at the year end date Chase Nominees Limited 69.99% (30.06.08: 14.15%)

13. Financial instruments

In pursuing its investment objective as stated on page 2, the Fund holds a number of financial instruments. The Fund's financial instruments, other than derivatives, comprise securities and other investments, cash balances, debtors and creditors that arise directly from its operations, for example, in respect of sales and purchases awaiting settlement, amounts receivable for creations and payable for redemptions and debtors for accrued income.

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 throughout the year.

Market price risk

Market price risk is the risk that the value of the Fund's investment holdings will fluctuate as a result of changes in market prices caused by factors other than interest rate or foreign currency movement. Market price risk arises mainly from uncertainty about future prices of financial instruments the Fund holds. It represents the potential loss the Fund might suffer through holding market positions in the face of price movements. The Fund's investment portfolio is exposed to market price fluctuations which are monitored by the manager in pursuance of the investment objective and policy as set out in the Scheme Particulars. Adherence to investment guidelines and to investment and borrowing powers set out in the Trust Deed, the Scheme Particulars, and the Charities Accounts Regulations 2008 mitigates the risk of excessive exposure to any particular type of security or issuer.

Foreign currency risk

Foreign currency risk is the risk that the value of the Fund's investment holdings will fluctuate as a result of changes in foreign currency exchange rates. The manager may seek to manage exposure to currency movements by using forward foreign exchange contracts. Currently the Fund's assets by value are not significantly exposed to movements in foreign currency exchange rates. However there can be the occasional exposure, between ex dividend and pay date, on those companies that declare their dividends in currencies other than sterling.

Interest rate risk

Interest rate risk is the risk that the value of the Fund's investment holdings will fluctuate as a result of changes in interest rates.

The Fund does not invest in either fixed or floating rate securities and interest rate risk exposure is restricted to interest receivable on bank deposits or payable on bank overdraft positions which will be affected by fluctuations in interest rates.

Liquidity risk

The Fund's assets comprise mainly of readily realisable securities. The main liability of the Fund is the redemption of any units that investors wish to sell. Assets of the Fund may need to be sold if insufficient cash is available to finance such redemptions.

The risk of low market liquidity, through reduced trading volumes, may affect the ability of the Fund to trade financial instruments at values indicated by market data vendors. From time to time, liquidity may also be affected by stock specific or economic events.

To manage these risks the Investment Manager undertakes detailed research to select appropriate investment opportunities in line with the Fund's objective. All stocks are valued daily but those stocks identified as being less liquid are reviewed on a regular basis for pricing accuracy.

Credit risk

Certain transactions in securities that the Fund enters into expose it to the risk that the counterparty will not deliver the investment for a purchase, or cash for a sale after the Fund has fulfilled its responsibilities. The Fund only buys and sells investments through brokers which have been approved by the manager as an acceptable counterparty. In addition, limits are set to the exposure to any individual broker that may exist at any time and changes in brokers' financial ratings are reviewed.

Fair value of financial assets and financial liabilities

There is no material difference between the value of the financial assets and liabilities, as shown in the balance sheet, and their fair value.

Distribution table

Distribution in pence per unit

	£'000	2008/09 pence per unit	£'000	2007/08 pence per unit
Distribution paid 30 November 2008 for the quarter ended 30 September 2008 (2007/08: Paid 30 November 2007)				
Total revenue	2,365	2.428149	2,309	2.086435
Less: expenses	27	0.028149	27	0.023935
Distribution	2,338	2.400000	2,282	2.062500
Distribution paid 28 February 2009 for the quarter ended 31 December 2008 (2007/08: Paid 29 February 2008)				
Total revenue	2,693	2.414466	2,278	2.087482
Less: expenses	16	0.014466	27	0.024982
Distribution	2,677	2.400000	2,251	2.062500
Distribution paid 31 May 2009 for the quarter ended 31 March 2009 (2007/08: Paid 31 May 2008)				
Total revenue	2,683	2.415816	2,249	2.085956
Less: expenses	18	0.015816	25	0.023456
Distribution	2,665	2.400000	2,224	2.062500
Distribution payable 31 August 2009 for the quarter ended 30 June 2009 (2007/08: Paid 31 August 2008)				
Total revenue	2,568	2.417666	2,326	2.177754
Less: expenses	19	0.017666	31	0.027754
Distribution	2,549	2.400000	2,295	2.150000
Total distribution for the year ended 30 June				
Total revenue	10,309	9.676097	9,162	8.437627
Less: expenses	80	0.076097	110	0.100127
Distribution	10,229	9.600000	9,052	8.337500

The Fund makes four distributions each year in February, May, August and November of its total revenue less revenue expenses for the quarterly periods ending the previous 31 December, 31 March, 30 June and 30 September respectively. (See Note 1(f)). A distribution voucher is provided to each unitholder.

Statements

in relation to the Financial Statements of the Fund

Statement of the Manager's Responsibilities

The Manager is required under The Charities (Accounts and Reports) Regulations 2008 and the Scheme Particulars to prepare financial statements for each accounting year which give a true and fair view of the financial position of the Fund at the end of the year, the amounts to be distributed and the change in net assets for the year.

In preparing the financial statements, the Manager is required to use suitable accounting policies and apply them consistently and to make reasonable and prudent judgements and estimates. The financial statements are prepared in accordance with applicable accounting standards and on the basis that the Fund will continue in operation.

The Manager is also responsible for the administration and management of the Fund including its investments. The Manager must carry out regular valuations of the Fund's property and will ensure that the units are correctly priced.

Statement of the Trustee's Responsibilities

Under the Scheme which came into force on 31 March 2000, the Trustee is responsible for the custody and control of the property of the Fund, the collection of all revenue due to the Fund, and the claiming of any repayment of tax which may be due. The Trustee may create and cancel units in accordance with the instructions of the Manager (except where permitted not to by the Scheme Particulars). The Trustee will make distributions and allocations of revenue to unitholders as applicable.

The Trustee also has the duty of supervision and oversight of the Manager's compliance with the Scheme and the Scheme Particulars. In particular, the Trustee must be satisfied that the Manager is not exceeding his powers and that the Manager is maintaining adequate and proper records.

The Trustee is required to take all steps and execute all documents which are necessary to secure that purchases and sales of investments of the Fund are properly completed, and is required to exercise voting rights attaching to such investments as properly instructed by the Manager.

The Trustee is responsible for the appointment of the registrar and for the supervision and oversight of the registrar. The Trustee is responsible for supervision and oversight of any other delegate which it appoints. In addition, the Trustee is responsible for the appointment and dismissal of persons engaged in connection with the Fund, for the making of an annual report on the discharge of its responsibilities for the management of the Fund, and, where applicable, is responsible for the authorisation of payments out of the property of the Fund of reasonable costs and expenses of the Board, including the remuneration of a secretary to the Board.

Finally, the Trustee is responsible for the winding up of the Fund.

Report of the Trustee to unitholders of UK Equity Fund for Charities for the year ended 30 June 2009

We confirm that in the Trustee's opinion the Manager has managed the Scheme in all material respects in accordance with the limitations imposed on the investment and borrowing powers of the Manager and Trustee by the Scheme and by the Scheme Particulars, and otherwise in accordance with the provisions of the Scheme and the Scheme Particulars.

The Royal Bank of Scotland plc
Trustee and Depositary Services
Edinburgh
12 August 2009

Independent Auditors' report

to the unitholders of UK Equity Fund for Charities

We have audited the Fund's financial statements for the year ended 30 June 2009 which comprise the Statement of Total Return, Statement of Change in Net Assets Attributable to Unitholders, Balance Sheet, the related notes 1 to 13 and 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 Section 44A of the Charities Act 2006. 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 auditors' 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 Manager, Trustee and Auditors

The Manager's responsibilities for preparing the Annual Report and the financial statements in accordance with Scheme Particulars, Applicable Law, and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Manager's Responsibilities in relation to the financial statements. The trustee is required to take reasonable care to ensure compliance by the manager with all relevant requirements.

Our responsibility is to audit the financial statements in accordance with UK legal and regulatory requirements and International Standards on Auditing (UK 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 the Charities Act 2006. We also report to you whether, in our opinion, the Report of the Manager is not consistent with the financial statements, whether the Manager has not kept proper accounting records for the Fund or whether the financial statements are not in agreement with those records, and if we have not received all the information and explanations we require for our audit.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Fund information, Manager's report, Performance, Investment manager's report, Portfolio structure, Investment performance, Portfolio statement, Portfolio movements and the Report of the Trustee. 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 (UK 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 Manager in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Fund's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the financial position of the Fund as at 30 June 2009 and of the net revenue and the net losses on the scheme property of the Fund for the year then ended;
- have been properly prepared in accordance with the Charities Act 2006 and Regulation 4 of the Charities (Accounts and Reports) Regulation 2008 and the 2008 Statement of Recommended Practice relating to Authorised Funds.

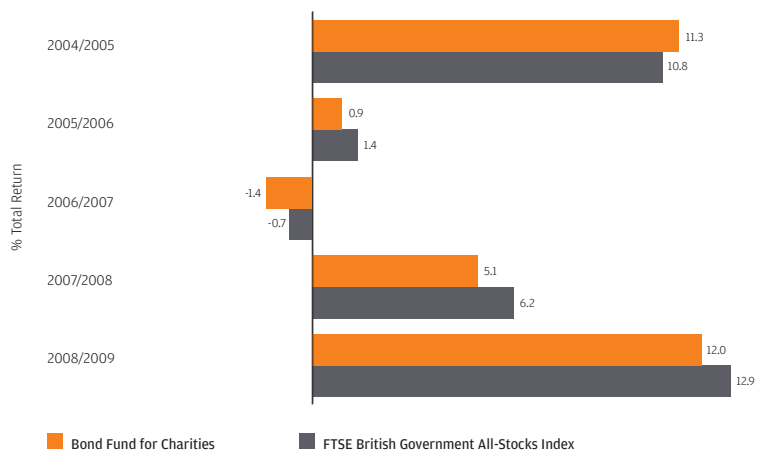
Ernst & Young LLP

Registered Auditor
Edinburgh
12 August 2009

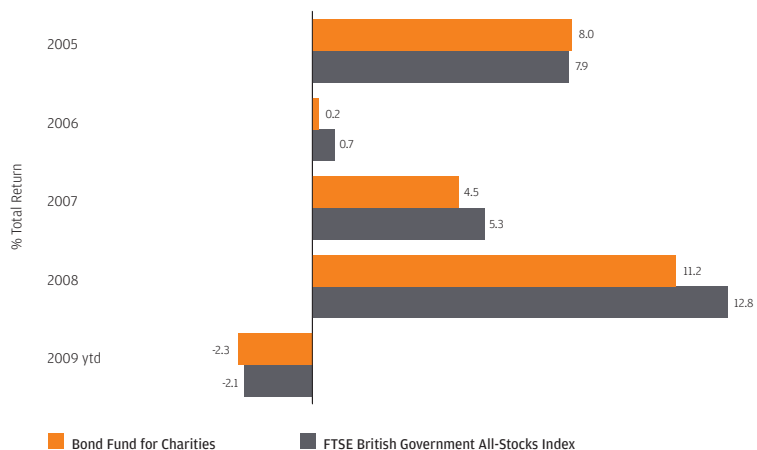
Performance – Bond Fund for Charities

As at 30 June 2009

Rolling 12 month returns



Calendar year returns



Source: J.P. Morgan Asset Management, The WM Company.

Total return (bid to bid, gross income reinvested, net of expenses). The Fund's benchmark is the FTSE British Government All-Stocks Index.

- Total distribution per unit of the Fund for the financial year 2008/2009 was 5.04 pence (5.54 pence for 2007/2008).
- The net assets of the Fund were £121.1m as at 30 June 2009 (£186.9m as at 30 June 2008).

Please remember that past performance is not a guide to future returns. The price of investments and the revenue from them may fall as well as rise and investors may not get back the full amount invested.

Investment manager's report

Market background

The effects of the financial crisis spread rapidly through the global economy, with equity markets plunging to new lows for the cycle and economists revising down growth estimates significantly worldwide. Unrelenting bad economic news, disappointment in policy developments and negative sentiment towards banks caused Central banks and governments continued response to the economic collapse to cut interest rates close to zero in several countries.

The Monetary Policy Committee (MPC) of the Bank of England (BoE), started the review period with rates at 5.00%. Given the continuation of difficult market conditions and bleak economic data they embarked upon a period of aggressive rate cutting to end the period at 0.50%, the lowest in the history of the Bank.

The interest rate was cut in October by 0.50% and the MPC were heavily criticised for not cutting more, followed by an unexpectedly aggressive cut in November of 1.50% to a 54-year low of 3.00%, subsequently followed by a further cut of 1.00% at the December meeting to 2.00%. The final cut of 2008 took rates to a level last seen in 1694, with the market clearly expecting further cuts in the future months. This was followed by the Bank cutting rates by 50 basis points at each of the monthly meetings over the first quarter leaving the rate at 0.50%

The UK launched its Asset Protection Scheme and the BoE also announced that it would buy GBP 75 billion which was subsequently extended to GBP 125 billion of assets to expand the monetary supply and aid the recession hit economy. Following the budget, Standard & Poor's put the UK on negative outlook based upon the view that UK public debt may approach 100% of GDP and remain at that level in the medium term.

Previous Inflation fears rescinded as the soaring energy costs that helped to drive consumer price inflation to a 16-year high of

5.2% in September began to retreat with the decrease in oil prices from the peak in July. The Bank of England believed that inflation would be below the Bank's 2% target within a few months, but it took until June 2009 for the CPI to fall below the 2% target for the first time since September 2007. The CPI rose 0.3% on the month in June causing inflation to ease to 1.8% from 2.2% in May.

The growth of the UK, measured by GDP, stagnated in 2008 - ending 16 years of economic expansion. Third quarter GDP figures were revised down to -0.6%, showing that the UK economy shrank to levels not seen since 1990. GDP for the fourth quarter displayed a -1.5% contraction, clearly displaying the severity of the recessionary environment. GDP for the first quarter of 2009 was revised down by 0.5%, taking the growth rate to -2.4% quarter-on-quarter - the largest fall in more than fifty years. The economy shrank by 5.6% in the year to June, a much more pronounced drop than the Bank forecast.

The economic downturn has triggered a large increase in unemployment, with the claimant count increasing to display a 75,700 increase in November, taking the total above 1 million - the biggest monthly rise since March 1991. This rate steadily increased into 2009 with the UK unemployment rate rising to 7.6% (2.4 million people) in May versus 7.2% in April, the highest total in more than 10 years, showing that unemployment is still rising steadily but at a significantly slower pace than seen in the first quarter of this year.

After more than a year of downbeat economic data, some recent indicators have suggested that the housing market may be reaching a floor. The pace of house price declines has moderated and there has been an increase in buyer interest. According to the Nationwide, house prices had fallen by 9.3% over the year, but had risen by 0.9% month-on-month in June. That was above the consensus and the third rise registered in the past four months.

Investment policy

Fixed Income markets endured a difficult time over the review period. In the early stages of Q4, equity markets fell sharply, credit spreads widened dramatically and economic growth in the major economies began to retrench. Credit markets continued to weaken on the back of deteriorating economic data, rating downgrades, profit warnings, weak earnings as well as poor secondary market liquidity.

The portfolio was relatively well positioned at the beginning of the review period with holdings of UK Gilts and Agencies of 90%, whilst having reducing the high quality corporate and asset-backed securities to 10%. The portfolio started the period with an overall long duration position. Having anticipated that the Bank of England would decrease rates given the continued dire economic data; post the Lehman default we were concerned by the daily volatility and large intra-day moves experienced by the market. We instigated a long 5-yr duration position to express our interest rate views, backed by our proprietary policy indicator, that there would be a very rapid ease in base rates. This view was based upon the bleak economic outlook and lack of signs of stabilisation.

During the fourth quarter we instigated a long 10-yr duration position and the MPC swung aggressively in response to a wide set of macro-economic variables (slack in the economy, inflation, wage growth and weakening manufacturing) and closed at a profit in January. We continued to hold the 5-yr duration position into year-end and finished 2008 long versus the benchmark. With positions bulleted in the belly of global curves, our portfolios were directionally positioned in favour of lower long end yields, and we maintained this position as quantitative easing began in the UK.

Thematically we have continued to hold a long duration position through-out 2009, whilst our positioning in various tactical curve

positions was a small negative for fund. We additionally opened a small cross market spread trade between the UK versus Europe to take advantage of the market fundamental and technicals including the increased net supply of gilts following the winding down of Quantitative Easing, this positioning was a small positive.

At the end of 2008 and during the first quarter of 2009 we took a more defensive stance to asset allocation and decreased our non-government exposure as liquidity remained poor, and attempted to reposition the portfolio as market prices improved by purchasing Gilts and Agencies. Later in the first quarter this allocation was reduced, on the back of better market sentiment, and we increased our exposure to agencies and investment grade corporate bonds at the expense of outright Gilt issuance. The agencies predominately are focused on 3-yr maturity Government Guaranteed issuance. This type of instrument offers an incremental yield advantage versus pure government bonds with little extra risk. We added short dated investment grade corporates to the portfolio, as these are higher yielding versus governments highly rated and believed to offer little default risk.

Over the review period, the underperforming allocation of the fund can be focused on the Securitised asset exposure (the asset backed and mortgage backed securities - ABS, MBS) and also to a lesser extent the corporate exposure (Investment grade corporates). Liquidity within these portions of the market had been difficult since the Lehman default, as spread markets were impacted by risk aversion and de-leveraging. After reviewing each individual security within the portfolio, where prudent, we either sold or scaled backed positions, seeking to upgrade the quality of corporate positions, better insulating the fund from the ongoing effects of the credit crunch.

As market risk improved we increased the allocation to the investment grade credit during Q209; splitting the holdings between energy and financial institutions and these were one of the main drivers of the funds performance alongside a rebound in securitized markets, as corporates outperformed those of government bonds. Based upon the attractiveness of spreads and our continued belief that senior debt holders are unlikely to be impaired; we selectively looked to add to our allocation.

Market outlook

In addition to reducing conventional policy rates, the BoE has increased its balance sheet. These measures have bolstered short-term confidence and activity and, as a result, clear indications have emerged that growth is stabilising. Fading inventory drags and net trade gains will sustain the pace of growth in the second half of the year, but an ongoing adjustment in household saving looks likely to limit the strength of the recovery going into 2010. The BoE, having acted aggressively to date, stands ready to extend QE should growth falter, while headline inflation is likely to fall below 1%. The gilt issuance forecast for the financial year 2009/10 has surprised on the upside at £220bn, driven mainly by an extra £38bn in the Government's cash requirement due to financial sector interventions. This weight of future supply of Gilts makes us believe that the UK will underperform other markets. We expect that yields will decrease from present levels, and will continue to hold a long duration position within the portfolio. In the credit market, we expect more opportunities over the summer and are creating buying capacity for any correction that may occur. We are mindful to temper our near term view of a correction with our longer term view of accumulating risk during this asset transfer period.

12 August 2009

Portfolio structure

As at 30 June 2009

Underweight

Shorts (0-5 years):

Underweight on a market value basis, but overweight on a duration basis, with our short UK long versus long Europe trade reflecting the thinking that European bonds will outperform those of the UK.

Underweight

Mediums (5-15 years):

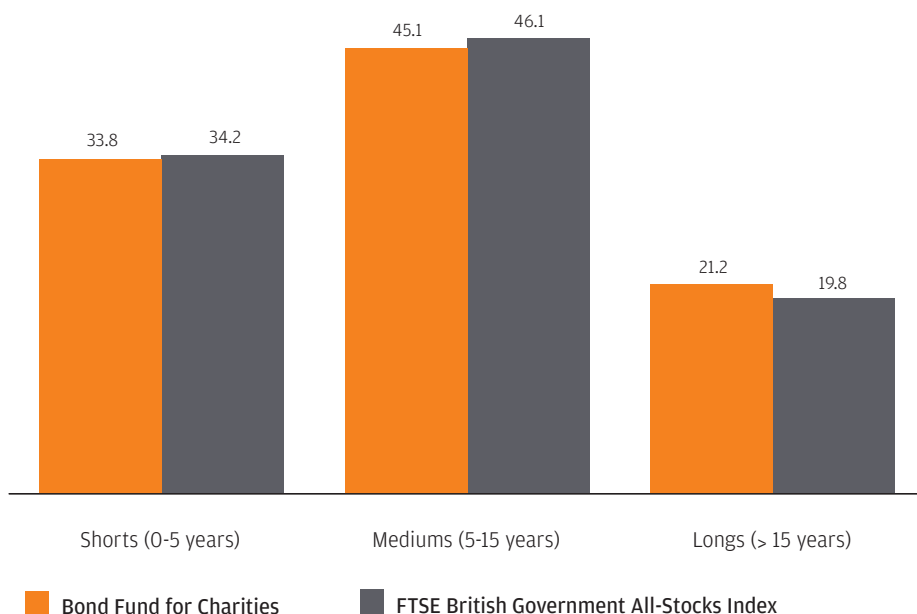
Overall we are underweight this sector for both market value and duration, so that we can better express our view at the short and long end.

Overweight

Longs (>15 years):

Overweight on a market value and duration basis reflecting the movement and opportunities within the Quantitative Easing basket.

Portfolio breakdown %



Bond Fund for Charities

Investment performance

Highest offer/lowest bid price and revenue record

Calendar year	Price range for year		Revenue record Distribution per unit
	Highest offer	Lowest bid	
2004	119.57p	113.16p	6.15p
2005	122.19p	115.65p	5.83p
2006	123.34p	115.19p	5.48p
2007	116.30p	108.02p	5.50p
2008	123.03p	108.30p	5.38p
2009 ^A	123.32p	114.58p	2.40p

^ATo 30 June 2009.

Distributions are shown as total revenue with revenue expenses deducted.

Record of the fund

	Net asset value of fund £'000	Number of units	Net asset value per unit	Historic Yield %
30.06.07	155,545	143,316,882	108.53p	4.68
30.06.08	186,893	172,081,038	108.60p	5.10
30.06.09	121,114	103,899,514	116.57p	4.46

The net asset value and the net asset value per unit are shown ex-dividend at the financial year end.

The historic yield is based on the distributions declared in the last twelve months as a percentage of the Net asset value per unit. This should not be taken as a guide to future yields.

Total expense ratios

Financial year ending	
30.06.08	0.34%
30.06.09	0.34%

The total expense ratio (TER) takes into account the Management fee, inclusive of VAT, payable from capital and all other operating expenses over the financial year and is expressed as a percentage of average daily net asset values over the same period.

Portfolio turnover rate

Financial year ending	
30.06.08	121.99%
30.06.09	132.10%

The portfolio turnover rate (PTR) reflects the total of security purchases and sales, less the total of unit issues and cancellations, expressed as a percentage of the average daily net asset values over the financial year.

Portfolio statement

As at 30 June 2009

Investment - % of Fund	Holding	Market value £'000	Total net assets %
Government stock - 76.9% (89.6%)			
Euro denominated - 1.7%			
Germany 2.25% 2014	2,400,000	2,022	1.7
Sterling denominated - 75.2%			
Italy 6% 2028 ^A	650,000	697	0.6
Kommunal Banken 4.875% 2012	490,000	514	0.4
Treasury 4.25% 2011	1,640,000	1,720	1.4
Treasury 5% 2012	1,379,000	1,478	1.2
Treasury 2.25% 2014	11,761,000	11,302	9.3
Treasury 4.75% 2015	2,112,000	2,327	1.9
Treasury 4% 2016	6,355,000	6,710	5.5
Treasury 5% 2018	9,182,648	10,345	8.5
Treasury 4.5% 2019	4,245,000	4,524	3.7
Treasury 4.75% 2020	400,000	438	0.4
Treasury 8% 2021	3,854,000	5,411	4.5
Treasury 4% 2022	3,719,000	3,729	3.1
Treasury 5% 2025	3,084,000	3,364	2.8
Treasury 4.25% 2027	12,000	12	-
Treasury 6% 2028	5,855,000	7,208	6.0
Treasury 4.25% 2032	5,610,000	5,542	4.6
Treasury 4.5% 2034	3,315,000	3,358	2.8
Treasury 4.25% 2036	5,840,000	5,695	4.7
Treasury 4.75% 2038	5,109,000	5,407	4.5
Treasury 4.5% 2042	5,353,000	5,454	4.5
Treasury 4.25% 2046	300,000	294	0.2
Treasury 4.25% 2049	685,000	671	0.6
Treasury 4.25% 2055	3,985,000	3,913	3.2
War Loan 3.5% Perpetual	1,261,000	978	0.8
Corporate bonds - 22.1% (10.0%)			
Sterling denominated - 22.1%			
Annington Finance No.1 8% 2021	770,000	916	0.8
Bank of Scotland 4.625% 2011	980,000	1,025	0.9
Barclays Bank 2.875% 2011	3,513,000	3,540	2.9
BP Capital Markets 5.75% 2010	1,272,000	1,297	1.1
Broadgate Financing 'A2' 4.949% 2031	914,795	806	0.7
Export Development Canada 5% 2010	650,000	671	0.6
GE Capital Funding 2.75% 2011	3,000,000	3,018	2.5
GE Capital UK Funding FRN Jan 2010	1,000,000	982	0.8
GE Capital UK Funding FRN Jun 2010	330,000	319	0.3
Granite Mortgages FRN 2043	944,586	665	0.5
HBOS 4.875% Convertible 2010	865,000	866	0.7
KFW 5.55% 2021	700,000	771	0.6
Lloyds Banking Group 2.75% 2012	3,811,000	3,797	3.1
National Air Traffic Service 5.25% 2026 ^A	970,000	888	0.7
Network Rail Infrastructure 4.75% 2035	915,000	908	0.7
Permanent Financing No.3 5A 5.521% 2042	959,000	939	0.8
Royal Bank of Scotland 4.125% 2011	3,565,000	3,689	3.0
Shell International Finance 5.25% 2010	1,200,000	1,219	1.0
SLM Student Loan Trust 5.15% 2015	566,000	508	0.4
Supra-national - 0.4% (0.4%)			
Sterling denominated - 0.4%			
Eurofima 4.375% 2013	460,000	472	0.4
Forward currency contracts - 0.0% (0.0%)			
Euro			
Forward foreign currency position 04/08/09	2,039,372	2,039	1.7
Forward foreign currency position 04/08/09	€(2,385,231)	(2,033)	(1.7)
Investment assets		120,415	99.4
Net other assets		699	0.6
Net assets		121,114	100.0
All holdings are ordinary UK quoted shares or stock units and admitted to official stock exchange listings unless otherwise stated.			
The comparative percentage figures in brackets are at 30 June 2008.			
^A Whilst the Fund is unlikely to hold securities with a rating of less than AA, it is permissible. There are currently two assets that are A+ rated and given their current credit analysis we remain happy to continue to hold these securities within the Fund.			
Portfolio credit ratings			Market value £'000
AAA			115,005
AA+			2,522
AA			1,297
A+			1,585
Total bonds			120,409
Forward currency contracts			6
Investment assets			120,415

Portfolio movements

For the year ended 30 June 2009

	£'000
Total of all purchases for the year	148,613

Major purchases	Cost
Treasury 6.25% 2010	20,846
Treasury 4.25% 2011	19,198
Treasury 2.25% 2014	16,129
Treasury 5% 2018	12,723
Treasury 4.5% 2013	7,389
Treasury 8% 2021	6,808
Royal Bank of Scotland 4.125% 2011	6,216
Treasury 4.75% 2015	5,238
Treasury 5% 2025	4,914
Treasury 5% 2014	4,698

	£'000
Total of all sales for the year	229,885

Major sales	Proceeds
Treasury 5% 2012	47,128
Treasury 5% 2014	28,590
Treasury 8% 2021	24,003
Treasury 6.25% 2010	21,818
Treasury 4.25% 2011	17,508
Treasury 4.25% 2036	13,873
Treasury 4.25% 2032	12,753
Treasury 4.5% 2013	7,549
Treasury 6% 2028	6,610
Treasury 5% 2025	6,468

Financial statements

Statement of total return

For the year ended 30 June

	2009		2008	
	£'000	£'000	£'000	£'000
Income				
Net capital gains (Note 2)		15,380		926
Revenue (Note 3)	7,014		9,286	
Expenses (Note 4)	(540)		(658)	
Net revenue		6,474		8,628
Total return before distributions		21,854		9,554
Finance costs:				
Distributions (Note 5)		(7,079)		(9,531)
Change in net assets attributable to unitholders from investment activities		14,775		23

Statement of change in net assets attributable to unitholders

For the year ended 30 June

	2009		2008	
	£'000	£'000	£'000	£'000
Opening net assets attributable to unitholders		186,893		155,545
Amounts receivable on issue of units	5,937		54,298	
Amounts payable on cancellation of units	(86,491)		(22,973)	
		(80,554)		31,325
Change in net assets attributable to unitholders from investment activities (see above)		14,775		23
Closing net assets attributable to unitholders		121,114		186,893

Balance sheet

As at 30 June

	2009		2008	
	£'000	£'000	£'000	£'000
ASSETS				
Investment assets		120,415		186,918
Debtors (Note 7)	7,048		2,188	
Cash and bank balances	363		160	
Total other assets		7,411		2,348
Total assets		127,826		189,266
LIABILITIES				
Creditors (Note 8)	(5,487)		(60)	
Distribution payable on income units	(1,225)		(2,313)	
Total liabilities		(6,712)		(2,373)
Net assets attributable to unitholders		121,114		186,893

The notes to these financial statements are shown on pages 25 and 26.
Registered Charity Number: 1014756

Certification of Accounts

The Manager's Report has been prepared in accordance with the Charities (Accounts and Reports) Regulations 2008.

Mr J Broderick

Mr C Fleming

Directors

JPMorgan Asset Management (UK) Limited

London

12 August 2009

Notes to the financial statements for the year ended 30 June

1. Accounting policies

The accounts of the Fund, which is a Common Investment Fund for charities, are presented in accordance with the following 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 applicable accounting standards, the Charities (Accounts and Reports) Regulations 2008 and with the Statement of Recommended Practice for Authorised Funds issued by the IMA in November 2008.

The comparatives for the Statement of total return have been restated to conform with the revised presentational requirements of the new SORP. Other gains/(losses) were previously included as a separate line in the Statement of total return but have now been included in net capital gains/(losses). The other gains/(losses) were £4,022 (30.06.08: £nil). The presentational amendments to the Statement of total return had no impact on either the Change in net assets attributable to unitholders or the net assets at the end of the year.

- (b) Interest on debt securities is recognised on the effective interest rate basis which takes 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 dealt with as revenue.
- (c) The Fund will distribute net revenue earned after expenses at the end of each accounting period. The impact of the coupon distribution election on distributable revenue can be seen in note 6.
- (d) Interest on deposits is accounted for on an accruals basis. Other revenue is accounted for on an earned basis.
- (e) All expenses, except those relating to the purchase and sale of investments, are charged to the revenue property of the Fund.
- (f) For the purpose of this report, the listed investments of the Fund have been valued on a bid basis at close of business on 30 June 2009.
- (g) All transactions in foreign currency assets and liabilities are converted into sterling at the rates of exchange ruling at the date of such transactions. Foreign currency assets and liabilities at the end of the accounting year are translated at the exchange rate at close of business on 30 June 2009.

2. Net capital gains

	2009	2008
	£'000	£'000
Currency gains	4	-
Forward currency contracts	6	-
Non-derivative securities	15,370	926
Net capital gains	15,380	926

3. Revenue

	2009	2008
	£'000	£'000
Interest on bank and term deposits	84	16
Interest on fixed-interest securities	6,930	9,270
Total revenue	7,014	9,286

4. Expenses

	2009	2008
	£'000	£'000
Payable to the Manager or associate of the Manager:		
Management fee	404	487
Payable to the Trustee or associate of the Trustee:		
Trustee fee	48	58
Payable to other related parties and third parties:		
Audit fee	7	5
Irrecoverable VAT	75	98
Price publication	2	2
Printing and mailing costs	4	4
Professional fees	-	4
	88	113
Total expenses	540	658

5. Finance costs

Distributions

The distributions take account of amounts receivable on the issue and amounts payable on the cancellation of units and comprise:

	2009	2008
	£'000	£'000
First interim interest distribution	2,189	2,425
Second interim interest distribution	2,126	2,459
Third interim interest distribution	1,297	2,397
Final interest distribution	1,226	2,313
	6,838	9,594
Add: Amounts payable on cancellation of units	264	173
Deduct: Amounts receivable on issue of units	(23)	(236)
Total finance costs	7,079	9,531

Details of the distribution per share are set out on page 27.

6. Movement between net revenue and distributions

	2009	2008
	£'000	£'000
Net revenue	6,474	8,628
Add: Amortised interest on fixed-interest securities	605	903
	7,079	9,531

7. Debtors

	2009	2008
	£'000	£'000
Accrued income	1,209	2,188
Due from brokers for sales awaiting settlement	5,839	-
Total debtors	7,048	2,188

8. Creditors

	2009	2008
	£'000	£'000
Accrued expenses	35	51
Due to brokers for purchases awaiting settlement	5,446	-
Irrecoverable VAT	6	9
Total creditors	5,487	60

9. Portfolio transaction costs

No portfolio transactions costs were incurred during the current or prior year.

10. Units in issue

The number of units in issue at the end of the year was 103,899,514 (30.06.08: 172,081,038).

Notes to the financial statements – continued

11. Related party transactions

Under the management contract, fees payable to the Manager exclude charges made by JPMorgan Asset Management (UK) Limited on the Fund for any investments made in JPMAM Managed Funds.

Management fees paid to JPMorgan Asset Management (UK) Limited and their associates are shown in Note 4 and details of units created and cancelled by JPMorgan Asset Management (UK) Limited are shown in the Statement of change in net assets attributable to unitholders. The balance due to JPMorgan Asset Management (UK) Limited and their associates at the year end in respect of these transactions was £25,034 (30.06.08: £38,788).

Trustee fees paid to The Royal Bank of Scotland plc are shown in Note 4. The balance due to The Royal Bank of Scotland plc at the year end in respect of these transactions was £3,004 (30.06.08: £4,953).

The following party held a material interest in the Fund at the year end date: Chase Nominees Limited 67.25% (30.06.08: 17.66%)

12. Financial instruments

In pursuing its investment objective as stated on page 2, the Fund holds a number of financial instruments. The Fund's financial instruments, other than derivatives, comprise securities and other investments, cash balances, debtors and creditors that arise directly from its operations, for example, in respect of sales and purchases awaiting settlement, amounts receivable for creations and payable for redemptions and debtors for accrued income.

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 throughout the year.

Market price risk

Market price risk is the risk that the value of the Fund's investment holdings will fluctuate as a result of changes in market prices caused by factors other than interest rate or foreign currency movement. Market price risk arises mainly from uncertainty about future prices of financial instruments the Fund holds. It represents the potential loss the Fund might suffer through holding market positions in the face of price movements. The Fund's investment portfolio is exposed to market price fluctuations which are monitored by the manager in pursuance of the investment objective and policy as set out in the Scheme Particulars. Adherence to investment guidelines and to investment and borrowing powers set out in the Trust Deed, the Scheme Particulars, and the Charities Accounts Regulations 2008 mitigates the risk of excessive exposure to any particular type of security or issuer.

Foreign currency risk

Foreign currency risk is the risk that the value of the Fund's investment holdings will fluctuate as a result of changes in foreign currency exchange rates. The manager may seek to manage exposure to currency movements by using forward foreign exchange contracts.

Interest rate risk

Interest rate risk is the risk that the value of the Fund's investment holdings will fluctuate as a result of changes in interest rates.

The Fund invests in fixed and floating rate securities. The income of the Fund may be affected by changes to interest rates relevant to particular securities or as a result of the manager being unable to secure similar returns on the expiry of contracts or sale of securities. The value of fixed interest securities may be affected by interest rate movements or the expectation of such movements in the future. Interest receivable on bank deposits or payable on bank overdraft positions will be affected by fluctuations in interest rates.

The tables below detail the interest rate profile of the Fund's assets and liabilities as at the year end.

Currency	Total assets £'000	Floating rate financial assets £'000	Fixed rate financial assets £'000	Financial assets not carrying any interest £'000
30.06.09				
Euro	(11)	-	2,022	(2,033)
UK Sterling	127,837	2,329	116,421	9,087
30.06.08				
UK Sterling	189,266	160	186,918	2,188
				Financial liabilities not carrying any interest £'000
Currency		Total liabilities £'000	Floating rate financial liabilities £'000	
30.06.09				
UK Sterling		6,712	-	6,712
30.06.08				
UK Sterling		2,373	-	2,373
				Fixed rate financial assets
Currency			Weighted average interest rate	Weighted average period for which rate is fixed (years) ^a
30.06.09				
UK Sterling			3.6%	14.0
30.06.08				
UK Sterling			5.1%	15.9

The floating rate financial assets comprise investments in variable interest rate paying corporate bonds and sterling denominated bank balances that bear interest at rates based on LIBOR.

^a The Fund held certain stocks with no redemption date which were excluded when this figure was calculated.

Liquidity risk

The Fund's assets comprise mainly of readily realisable securities. The main liability of the Fund is the redemption of any units that investors wish to sell. Assets of the Fund may need to be sold if insufficient cash is available to finance such redemptions.

Credit risk

Certain transactions in securities that the Fund enters into expose it to the risk that the counterparty will not deliver the investment for a purchase, or cash for a sale

after the Fund has fulfilled its responsibilities. The Fund only buys and sells investments through brokers which have been approved by the manager as an acceptable counterparty. In addition, limits are set to the exposure to any individual broker that may exist at any time and changes in brokers' financial ratings are reviewed.

Fair value of financial assets and financial liabilities

There is no material difference between the value of the financial assets and liabilities, as shown in the balance sheet, and their fair value.

Distribution table

Distribution in pence per unit

	£'000	2008/09 pence per unit	£'000	2007/08 pence per unit
Distribution paid 30 November 2008 for the quarter ended 30 September 2008 (2007/08: Paid 30 November 2007)				
Total revenue	2,348	1.408712	2,583	1.443105
Less: expenses	159	0.095735	158	0.088469
Distribution	2,189	1.312977	2,425	1.354636
Distribution paid 28 February 2009 for the quarter ended 31 December 2008 (2007/08: Paid 29 February 2008)				
Total revenue	2,283	1.417157	2,632	1.542732
Less: expenses	157	0.097358	173	0.101471
Distribution	2,126	1.319799	2,459	1.441261
Distribution paid 31 May 2009 for the quarter ended 31 March 2009 (2007/08: Paid 31 May 2008)				
Total revenue	1,424	1.344657	2,560	1.493330
Less: expenses	127	0.119626	163	0.095193
Distribution	1,297	1.225031	2,397	1.398137
Distribution payable 31 August 2009 for the quarter ended 30 June 2009 (2007/08: Paid 31 August 2008)				
Total revenue	1,323	1.272578	2,477	1.439160
Less: expenses	97	0.092935	164	0.094865
Distribution	1,226	1.179643	2,313	1.344295
Total distribution for the year ended 30 June				
Total revenue	7,378	5.443104	10,252	5.918327
Less: expenses	540	0.405654	658	0.379998
Distribution	6,838	5.037450	9,594	5.538329

The Fund makes four distributions each year in February, May, August and November of its total revenue less revenue expenses for the quarterly periods ending the previous 31 December, 31 March, 30 June and 30 September respectively. (See Note 1(b)). A distribution voucher is provided to each unitholder.

Statements

in relation to the Financial Statements of the Fund

Statement of the Manager's Responsibilities

The Manager is required under The Charities (Accounts and Reports) Regulations 2008 and the Scheme Particulars to prepare financial statements for each accounting year which give a true and fair view of the financial position of the Fund at the end of the year, the amounts to be distributed and the change in net assets for the year.

In preparing the financial statements, the Manager is required to use suitable accounting policies and apply them consistently and to make reasonable and prudent judgements and estimates. The financial statements are prepared in accordance with applicable accounting standards and on the basis that the Fund will continue in operation.

The Manager is also responsible for the administration and management of the Fund including its investments. The Manager must carry out regular valuations of the Fund's property and will ensure that the units are correctly priced.

Statement of the Trustee's Responsibilities

Under the Scheme which came into force on 31 March 2000, the Trustee is responsible for the custody and control of the property of the Fund, the collection of all revenue due to the Fund, and the claiming of any repayment of tax which may be due. The Trustee may create and cancel units in accordance with the instructions of the Manager (except where permitted not to by the Scheme Particulars). The Trustee will make distributions and allocations of revenue to unitholders as applicable.

The Trustee also has the duty of supervision and oversight of the Manager's compliance with the Scheme and the Scheme Particulars. In particular, the Trustee must be satisfied that the Manager is not exceeding his powers and that the Manager is maintaining adequate and proper records.

The Trustee is required to take all steps and execute all documents which are necessary to secure that purchases and sales of investments of the Fund are properly completed, and is required to exercise voting rights attaching to such investments as properly instructed by the Manager.

The Trustee is responsible for the appointment of the registrar and for the supervision and oversight of the registrar. The Trustee is responsible for supervision and oversight of any other delegate which it appoints. In addition, the Trustee is responsible for the appointment and dismissal of persons engaged in connections with the Fund, for the making of an annual report on the discharge of its responsibilities for the management of the Fund, and, where applicable, is responsible for the authorisation of payments out of the property of the Fund of reasonable costs and expenses of the Board, including the remuneration of a secretary to the Board.

Finally, the Trustee is responsible for the winding up of the Fund.

Report of the Trustee to unitholders of Bond Fund for Charities for the year ended 30 June 2009

We confirm that in the Trustee's opinion the Manager has managed the Scheme in all material respects in accordance with the limitations imposed on the investment and borrowing powers of the Manager and Trustee by the Scheme and by the Scheme Particulars, and otherwise in accordance with the provisions of the Scheme and the Scheme Particulars.

The Royal Bank of Scotland plc
Trustee and Depositary Services
Edinburgh
12 August 2009

Independent Auditors' report

to the Unitholders of the Bond Fund for Charities

We have audited the Fund's financial statements for the year ended 30 June 2009 which comprise the Statement of Total Return, Statement of Change in Net Assets Attributable to Unitholders, Balance Sheet, the related notes 1 to 12 and 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 Section 44A of the Charities Act 2006. 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 auditors' 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 Manager, Trustee and Auditors

The Manager's responsibilities for preparing the Annual Report and the financial statements in accordance with Scheme Particulars, Applicable Law, and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Manager's Responsibilities in relation to the financial statements. The trustee is required to take reasonable care to ensure compliance by the manager with all relevant requirements.

Our responsibility is to audit the financial statements in accordance with UK legal and regulatory requirements and International Standards on Auditing (UK 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 the Charities Act 2006. We also report to you whether, in our opinion, the Report of the Manager is not consistent with the financial statements, whether the Manager has not kept proper accounting records for the Fund or whether the financial statements are not in agreement with those records, and if we have not received all the information and explanations we require for our audit.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Fund information, Manager's report, Performance, Investment manager's report, Portfolio structure, Investment performance, Portfolio statement, Portfolio movements and the Report of the Trustee. 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 (UK 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 Manager in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Fund's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the financial position of the Fund as at 30 June 2009 and of the net revenue and the net gains on the scheme property of the Fund for the year then ended;
- have been properly prepared in accordance with the Charities Act 2006 and Regulation 4 of the Charities (Accounts and Reports) Regulation 2008 and the 2008 Statement of Recommended Practice relating to Authorised Funds.

Ernst & Young LLP

Registered Auditor
Edinburgh
12 August 2009

J.P. Morgan Asset Management
Finsbury Dials
20 Finsbury Street
London EC2Y 9AQ
www.jpnam.co.uk/institutional/charities
Tel No: 020 7742 6000

For further information
Katie Delacombe
katie.j.delacombe@jpmorgan.com
Tel No: 020 7742 5307

Telephone lines are recorded and may be monitored for security and training purposes.

Opinions expressed in this report are those held by the authors at the time of going to print.

Approved for use in the United Kingdom by: JPMorgan Asset Management (UK) Limited, 125 London Wall, London EC2Y 5AJ, England.
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