

The **co-operative**
asset management

CIS Sustainable Leaders Trust

Manager's Report



Annual Report

31st May 2010

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 CIS Sustainable Leaders Trust 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)
P. Sharman
R. Bulmer (appointed 1st August 2009)
A. Russell (appointed 5th March 2010)

Advisory Committee

Dr Jane Collier
Antony Hardy (Chairman)
Rosemary Martin
The Rt Hon. The Lord Morris of Manchester AO QSO
David Shreeve
Benjamin Yeoh

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

Investment Manager

The Co-operative Asset Management Limited
Miller Street,
Manchester
M60 0AL.
Authorised and regulated by the Financial Services Authority, and a member of the Investment Management Association.

The Co-operative Asset Management

The CIS Sustainable Leaders Trust is an authorised unit trust scheme, the manager of which is CIS Unit Managers Limited. The Manager has appointed The Co-operative Asset Management Limited to undertake the portfolio management for the scheme. It is, however, important to note that there are no actual changes to the unit trust manager or the way in which the unit trust is managed.

The Co-operative Asset Management is the fund management arm of The Co-operative Financial Services (CFS) and is independently authorised by the Financial Services Authority (FSA) to provide discretionary asset management services.

Investment Objective

The investment objective is to provide capital growth from a diverse portfolio of equities, mainly in the United Kingdom and in any economic sector. Investment will be limited to companies which are likely to benefit from measures taken to improve the environment, human welfare and the quality of life.

The majority of the scheme's assets are represented by investments in quoted UK companies and the remainder in quoted overseas securities.

The core of the investment portfolio consists of shares in companies involved wholly or in part in the manufacture of products, industrial processes or the provision of services associated with improving the environment and the enhancement of human health and safety. In addition, investments may be made in companies considered likely to be medium to long term beneficiaries of changing attitudes towards a cleaner and safer environment, including those seen to be making above-average efforts to minimise environmental damage caused by their activities.

We have a long and successful history of managing our customers' money and our specialist fund management service is unique in the UK market, offering a distinctive approach to responsible investing across all of the funds that we manage. For example, we fully integrate consideration of financial and environmental, social and governance issues throughout the investment process when selecting companies for investment and we also vote at every AGM of companies in respect of equities we hold.

All companies are screened on an environmental basis, so as to exclude any whose operations are thought likely to cause significant damage to the environment.

Further details are available in the prospectus, a copy of which is available on request.

Investment Review and Outlook

Cumulative performance (% change to 31/5/10)

	6 months	1 year	3 years	5 years
Fund	2.9	19.5	-18.8	34.4
FTSE All-Share	2.7	22.9	-12.8	28.6
Sector Median	2.5	21.4	-15.2	23.2
Quartile Ranking	2	3	3	1

Percentage change in value at bid price, to 31.5.10

Source: Lipper. Measured against UK All Companies Sector.

Fund Manager's comments

During the year ended 31st May 2010, the price of the units rose by 19.5% compared to a 22.9% rise in the UK FTSE All-Share Index. In the last three years the value of the units has decreased by 18.8% compared to a fall of 12.8% in the FTSE All-Share Index.

Performance in the year was below that of the peer group and FTSE All Share due to a bias within the fund toward sectors such as healthcare and utilities. These sectors, which encapsulate the sustainable ethos of the Trust, often under perform in the early stages of an economic recovery such as the one seen in the period, as investors seek higher risk companies in sectors such as mining and oil & gas. However, we believe the healthcare and utility sectors are attractively valued and we expect them to deliver good returns for investors over the coming years.

We have a consistent, well defined approach to the selection of companies suitable for the Trust. This has been of particular importance recently due to the high levels of turbulence seen in financial markets. Our approach is to identify well managed, well financed companies with strong franchises and invest in them for the long-term, as we believe this is the best way to grow investors' capital.

These companies are selected for the positive contribution they make to society, thereby ensuring we invest your money responsibly. This approach has been successful in the past, giving us confidence that we can continue to deliver strong relative performance compared to both the UK stock market and the peer group.

It would appear that the two most popular words in the English language are 'deficit' and 'austerity'. During the UK election campaign voters witnessed the unusual sight of politicians falling over themselves to promise bigger cuts and higher taxes to bring 'deficits' under control and declare the onset of the 'age of austerity'. General elections are usually won on promises of expenditure increases and tax cuts, not the reverse. What is the correct way to interpret these pronouncements?

Deficits are indeed the most important issue facing Governments around the world. They are however not unusual in a historical context. The role of Government is to support the economy at times of recession and this is precisely what happened last year. When the global economy went into recession Governments launched a raft of stimulus measures to support economic activity. These programmes involved borrowing money and, like all borrowing,

Investment Review and Outlook

it cannot be done indefinitely and has to be repaid. This borrowing has created the much talked about deficits that now need to be rectified.

This is where the 'age of austerity' comes in. The options for Governments in dealing with deficits are small in number. The choice is between cutting expenditure and increasing taxes (or both). Expenditure in a Government context relates to the provision of services such as healthcare, education and entitlements such as welfare and pensions. Taxation relates to personal income, corporate profits and other forms of taxes, including indirect taxation such as VAT.

All of these areas will have to be examined for ways to reduce the deficit. Clearly raising taxes, reducing services and cutting welfare payments all lead to a thriftier environment for consumers and companies.

Economic report

The period under review has seen a considerable degree of stabilisation and recovery in world economic output following an unprecedented degree of monetary and fiscal stimulus. 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 principally by the collapse in worldwide credit conditions. Following a significant degree of monetary and fiscal stimulus which combined previously untested unconventional measures such as Quantitative Easing, worries over a global depression were successfully averted. Key asset markets have stabilised and a damaging debt deflation spiral has been effectively circumvented through swift and effective public policy.

Hence the term 'age of austerity', which describes a prolonged period of low economic growth.

The implications for investors are numerous. Interest rates will likely be kept low as a way of supporting the economy as Governments enact measures to bring deficits under control.

This means the returns on cash are likely to remain meagre for some time to come. It also means that gone are the days of a strong economy that would allow even the weakest of businesses to prosper. Those companies likely to thrive in a period of weak economic growth are ones with genuine value-added products and services that tangibly benefit society. Companies such as those helping deal with issues including healthcare provision, climate change and poor infrastructure. These companies are at the core of the Sustainable Leaders fund.

The main engine of economic expansion throughout this year remains Asia. These economies do not suffer the negative fiscal profile of many western economies and enjoy significant financial strength following the implementation of market reforms designed to subdue inflation and raise productivity. With such economies now accounting for over 30% of world GDP, their influence has been vastly inflated by recent economic developments. With ongoing population expansion and a possible fall in high savings rates, emerging economies remain extremely well positioned. They should perform well against developed economies that remain suffocated with high levels of sovereign and consumer debt that will take many years to clear.

Investment Review and Outlook

In the UK, the Monetary Policy Committee has maintained interest rates at historically low levels. After falling nearly 5% in 2009, the economy is expected to witness a tepid recovery in the current year. Consumer debt remains high and the new coalition government is expected to force through a draconian budget to eliminate spiralling deficits which is expected to have a negative impact on future growth.

US economic contraction has been severe with output falling by 2.4% in the previous year. With unemployment remaining historically high, the Federal Reserve is likely to preserve its policy of low interest rates given the political costs of unemployment and ongoing fragility within the domestic economy. Its focus has been to stabilise asset prices and stem rising redundancy trends to ward off a damaging debt reduction process. In the current year, US economic recovery is expected to be amongst the most vibrant of all G7 economies, given strong fiscal and monetary support. In the medium term, the US must work hard to restore full credit intermediation within the banking system and encourage a complete recovery of the small business sector to aid full economic recovery.

The problems faced by Western economies are no more evident than in the Euro area, where a number of peripheral countries, particularly Greece, Portugal and Spain retain characteristics of public debt that are now considered unsustainable. Their ability to downscale overly generous welfare systems and deliver austerity packages which satisfy market aspirations without severely handicapping growth, will be crucial. Markets remain highly nervous with a possible European debt default being a major

concern given the weakness of European banking capital and the likely implications for the European and global financial system. At the very least, Euroland is likely to be a place of inferior economic growth for some considerable time and is unlikely to contribute significantly to global economic expansion any time yet.

The growing maturity and highly indebted state of the Western economic world now stands in sharp contrast to a developing world which continues to outperform relative to the West. China, in particular, has enjoyed a resilient performance during the credit crunch despite the impact of lost export sales to its key US economy. Indeed such resilience has come at the expense of growing inflationary concerns, a situation which has led to a more restrictive credit background imposed by the Chinese authorities and one which is likely to slow economic activity in the second half of the year, particularly within the real estate sector. The longer term success of the Chinese and many advancing economies will be the ability to create a more dynamic internal market based on greater and more sustainable consumption trends. Nevertheless, it will be macro developments in Asia and the actions of authorities that will be central in shaping the course of the global economy over the next decade. This stands in sharp contrast to the traditional hegemony of the US in being the historical driving force behind international macro developments.

Investment Review and Outlook

Outlook

Although much of the headline news is negative in tone, talk of deficits and austerity does not necessarily mean that investors are in for a difficult time. In particular, investors in the UK stock market have access to companies operating in parts of the world that are far less affected by deficits. Areas such as Asia, which due to demographic trends and the sound state of its finances, should grow strongly for some time to come. The international nature of the UK stock market is one of its key attractions. Another is its valuation, which is very reasonable compared to past levels.

In conclusion, whilst we believe there are significant issues to be dealt with to ensure the global economy continues to thrive, we do not believe they are insurmountable. Indeed, in all the negative headlines it is often missed that there are many reasons to be optimistic about the future. Because of this, and the nature of the companies the Trust invests in, we are confident of making good progress in the years to come.

Michael Fox
The Co-operative Asset Management
June 2010

Change in Relation to use of Derivatives

The Prospectus is being updated in relation to the use of derivatives for the efficient management of the portfolio of the Trust. The wording in the Prospectus will be updated in line with current regulations, and to ensure that the use of derivatives for the purposes of efficient portfolio management is consistent across all of our authorised unit trusts. This change will take effect from 1 January 2011.

It is not intended that derivatives will form a major component of the Trust's property and therefore this change is not expected to alter the risk profile of the Trust.

Portfolio Statement

at 31st May 2010

	Holding or nominal value of positions at at 31st May 2010	Market Value £	Percentage of total net assets %
Chemicals – (May 2010: 6.09%, May 2009: 4.59%)			
Johnson Matthey	413,222	6,413,205	2.44
Victrex	922,827	9,597,401	3.65
		16,010,606	6.09
Construction & Materials – (May 2010: 1.05%, May 2009: 1.45%)			
Galliford Try	808,824	2,741,913	1.05
		2,741,913	1.05
General Industrials – (May 2010: 5.04%, May 2009: 4.03%)			
Smiths Group	1,263,154	13,237,854	5.04
		13,237,854	5.04
Industrial Engineering – (May 2010: 4.58%, May 2009: 4.17%)			
Rotork	873,461	12,053,762	4.58
		12,053,762	4.58
Support Services – (May 2010: 11.58%, May 2009: 18.37%)			
Aggreko	661,101	8,323,262	3.17
Camco International Ltd	4,645,000	650,300	0.25
Connaught	1,196,757	3,836,803	1.46
Mears	1,110,000	3,238,425	1.23
Mitie Group	3,074,429	7,101,931	2.70
Rps Group	2,544,679	4,946,856	1.88
Spice	6,248,080	2,343,030	0.89
		30,440,607	11.58
Food Producers – (May 2010: 3.92%, May 2009: 3.60%)			
Cranswick	663,649	5,504,968	2.09
Unilever	257,000	4,823,890	1.83
		10,328,858	3.92

Portfolio Statement

at 31st May 2010

	Holding or nominal value of positions at at 31st May 2010	Market Value £	Percentage of total net assets %
Household Goods & Home Construction – (May 2010: 0.02%, May 2009: 0.18%)			
Telford Homes	50,000	50,000	0.02
		50,000	0.02
Health Care Equipment & Services – (May 2010: 0.93%, May 2009: 4.40%)			
Smith & Nephew	388,821	2,441,796	0.93
		2,441,796	0.93
Pharmaceuticals & Biotechnology – (May 2010: 8.40%, May 2009: 7.45%)			
AstraZeneca	348,860	10,143,105	3.86
GlaxoSmithKline	576,064	6,676,582	2.54
Shire	370,000	5,257,700	2.00
		22,077,387	8.40
Food & Drug Retailers – (May 2010: 2.76%, May 2009: 3.63%)			
Tesco	1,766,924	7,259,407	2.76
		7,259,407	2.76
Media – (May 2010: 4.66%, May 2009: 1.64%)			
ITV	8,450,000	4,808,050	1.83
Pearson	265,000	2,533,400	0.94
WPP	754,000	4,980,170	1.89
		12,321,620	4.66
Travel & Leisure – (May 2010: 1.47%, May 2009: 2.62%)			
Goals Soccer Centre	2,461,487	3,876,842	1.47
		3,876,842	1.47
General Retailers – (May 2010: 1.89%, May 2009: 1.02%)			
Home Retail Group	1,970,000	4,970,310	1.89
		4,970,310	1.89
Mobile Telecommunications – (May 2010: 2.24%, May 2009: 3.83%)			
Vodafone Group	4,212,536	5,889,125	2.24
		5,889,125	2.24

Portfolio Statement

at 31st May 2010

	Holding or nominal value of positions at at 31st May 2010	Market Value £	Percentage of total net assets %
Electricity – (May 2010: 3.81%, May 2009: 9.38%)			
International Power	814,107	2,394,289	0.91
Scottish & Southern Energy	725,780	7,591,659	2.90
		9,985,948	3.81
Gas, Water & Multiutilities – (May 2010: 2.60%, May 2009: 8.75%)			
National Grid	776,286	3,845,721	1.46
National Grid PLC	310,514	418,418	0.16
Severn Trent	217,000	2,584,470	0.98
		6,848,609	2.60
Banks – (May 2010: 15.43%, May 2009: 8.34%)			
Barclays Bank	2,830,000	8,734,795	3.32
HSBC Holdings	1,394,274	8,848,063	3.36
Lloyds Banking Group	17,250,000	9,998,100	3.80
Royal Bank Of Scotland Group	11,300,000	5,322,300	2.02
Standard Chartered	464,000	7,697,760	2.93
		40,601,018	15.43
Life Insurance – (May 2010: 2.10%, May 2009: 0.70%)			
Prudential	1,020,000	5,513,100	2.10
		5,513,100	2.10
Real Estate Investments & Services – (May 2010: 1.62%, May 2009: 2.13%)			
St. Modwen Properties	2,397,270	4,269,538	1.62
		4,269,538	1.62
Real Estate Investment Trusts – (May 2010: 2.22%, May 2009: 2.02%)			
Shaftesbury	1,550,000	5,846,600	2.22
		5,846,600	2.22

Portfolio Statement

at 31st May 2010

	Holding or nominal value of positions at at 31st May 2010	Market Value £	Percentage of total net assets %
United States – (May 2010: 15.87%, May 2009: 3.60%)			
Apple Inc	38,800	6,746,056	2.58
Cisco Systems	455,000	7,380,740	2.81
Donaldson Co Inc	105,000	3,194,760	1.21
eBay Inc	299,000	4,491,306	1.71
Google Inc	13,600	4,575,092	1.74
Hewlett-Packard Co	154,000	4,957,111	1.89
Intel Corp	370,000	5,519,737	2.10
Microsoft Corp	270,000	4,807,571	1.83
		41,672,373	15.87
Portfolio of investments		258,437,273	98.28
Net current assets		4,527,751	1.72
Net assets		262,965,024	100.00
All holdings are ordinary shares unless otherwise stated.			
Sectors held in May 2009 not held in May 2010			
Beverages – May 2009 0.82%			
Software & Computer Services – May 2009 0.66%			
Switzerland – May 2009 0.65%			
France – May 2009 0.40%			

Summary of Material Portfolio Changes

for the year ended 31st May 2010

Significant Purchases	Cost £000	Significant Sales	Proceeds £000
Lloyds Banking Group	11,046	Smith & Nephew	8,532
Barclays Bank	9,623	HSBC Holdings	7,614
AstraZeneca	7,933	Aggreko	7,480
Cisco Systems	7,496	International Power	7,350
Royal Bank Of Scotland Group	5,626	Severn Trent	5,485
Home Retail Group	5,617	Amazon.com Inc	4,486
ITV	5,340	National Grid	4,175
Apple Inc	5,325	Telefonica SA	4,094
Standard Chartered	5,297	Standard Chartered	3,939
Shire	5,296	Rps Group	3,355
Microsoft Corp	5,151	AstraZeneca	3,171
Hewlett-Packard Co	5,110	CVS Caremark Corp	2,778
Google Inc	4,905	Wolseley	2,691
Intel Corp	4,854	GlaxoSmithKline	2,580
Telefonica SA	4,700	Galliford Try	2,574
Prudential	3,836	Spice	2,556
HSBC Holdings	3,369	Scottish & Southern Energy	2,463
Victrex	3,165	Connaught	2,440
Mears	3,157	Republic Services	2,409
eBay Inc	2,984	St. Modwen Properties	2,341
Total cost of purchases, including the above, for the year (see Note 5)	<u>147,961</u>	Total proceeds from sales, including the above, for the year (see Note 5)	<u>99,282</u>

Statement of Manager's Responsibilities in Relation to the Report and Financial Statements of the Trust

Financial statements for the year ended 31st May 2010, and this Manager's Report, have been prepared in accordance with the rules of the Collective Investment Schemes Sourcebook, published by the Financial Services Authority ("the COLL rules"). These require the Manager to prepare financial statements for each accounting period which give a true and fair view of the financial affairs of the Trust and of its net revenue and net gains or losses on the property of the Trust.

In preparing the financial statements the Manager is required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- comply with the disclosure requirements of the Statement of Recommended Practice relating to Authorised Funds

- follow generally accepted accounting principles and applicable accounting standards
- keep proper accounting records which enable it to demonstrate that the financial statements as prepared comply with the above requirements.
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Trust will continue in operation.

The Manager is responsible for the management of the Trust in accordance with its Trust Deed, Prospectus and the COLL rules. The Manager has general responsibility for taking such steps as are reasonably open to it to prevent and detect fraud and other irregularities.

Statement of the Trustee's Responsibilities in Relation to the Financial Statements of the Trust

The Trustee is under a duty to take into its custody or under its control all of the property of the Scheme and to hold it in trust for the holders of units. Under the rules in the Financial Services Authority's Collective Investment Schemes Sourcebook relating to Reports, it is also the duty of the Trustee to

enquire into the conduct of the Manager in the management of the Scheme in each accounting period and to report thereon to unitholders in a report which shall contain the matters prescribed by the rules. A copy of the Trustee's report is included in this Report.

Independent Auditor's Report to the Unitholders of the Trust

We have audited the financial statements of the Trust for the year ended 31st May 2010 which comprise the Statement of Total Return, the Statement of Change in Net Assets Attributable to Unitholders, the Balance Sheet together with the related notes and the Distribution Table.

These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Trust's unitholders, as a body, in accordance with Rule 4.5.12 of the Collective Investment Schemes Sourcebook issued

by the Financial Services Authority under section 247 of the Financial Services and Markets Act 2000. Our audit work has been undertaken so that we might state to the Trust's unitholders those matters we are required to state to them in an auditor's report and for no other purpose.

To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trust and the Trust's unitholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Manager (CIS Unit Managers Limited) and the Auditor

As described in the Statement of Manager's Responsibilities on page 13, the Manager is responsible for preparing the Annual Report and the financial statements in accordance with applicable law, UK financial services rules and regulations and UK Accounting Standards (UK Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant 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 Trust Deed, the Statement of Recommended Practice relating to Authorised Funds and the rules in the Collective Investment Schemes Sourcebook published by the Financial Services Authority.

In addition, we report to you whether the information given in the Manager's Report is consistent with the financial statements.

We also report to you if, in our opinion, proper accounting records for the Trust have not been kept or if the financial statements are not in agreement with those records. We also state whether we have received all the information and explanations necessary for the purposes of our audit.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. 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.

Independent Auditors' Report to the Unitholders of the Trust (cont'd)

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 Trust'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

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the financial position of the Trust as at 31st May 2010 and of the net revenue and the net capital gains on the property of the Trust for the year then ended
- the financial statements have been properly prepared in accordance with the Trust Deed, the Statement of Recommended Practice relating to Authorised Funds and the rules in the Collective Investment Schemes Sourcebook published by the Financial Services Authority and
- the information given in the Manager's Report is consistent with the financial statements.

We have received all the information and explanations which we consider necessary for the purposes of the audit.

Karen T Orr
For and on behalf of KPMG LLP,
Statutory Auditor
Chartered Accountants
1 The Embankment,
Neville Street,
Leeds, LS1 4DW
9th August 2010.

Trustee's Report

Having carried out such procedures as we considered necessary to discharge our responsibilities as Trustee of the Scheme, it is our opinion, based on the information available to us and the explanations provided, that the Manager has, in all material respects, managed the Scheme during the period in accordance with the investment and borrowing powers and restrictions applicable to the Scheme, and otherwise in accordance with the provisions of the Trust Deed and the rules in the Financial Services Authority's Collective Investment Schemes Sourcebook.

State Street Trustees Limited,
Trustee of CIS Sustainable Leaders,
525 Ferry Road,
Edinburgh EH5 2AW
9th August 2010.

Performance Record

Unit prices

The fund units are Income Units only. They were first offered to the public at £1 each.

	Highest buying price during the year (p)	Lowest selling price during the year (p)	Distribution paid during the year (pence per unit)
1st Jan 2005 to 31st Dec 2005	262.2	205.4	2.8381
1st Jan 2006 to 31st Dec 2006	341.0	246.8	2.7743
1st Jan 2007 to 31st Dec 2007	367.6	301.5	1.9450
1st Jan 2008 to 31st Dec 2008	330.3	281.6	2.6563
1st Jan 2009 to 31st Dec 2009	289.4	190.3	4.5001
1st Jan 2010 to 31st May 2010	307.9	257.6	3.2759

Trust details

	Total net asset value (£)	Total units in issue	Net asset value per unit (p)
31st May 2007	179,555,688	51,923,000	345.8
31st May 2008	193,551,292	65,252,000	296.6
31st May 2009	179,128,683	78,804,000	227.3
31st May 2010	262,965,024	98,253,000	267.6

It should be remembered that past performance is not a reliable indicator of future performance and that the value of units and income derived from them can vary. The net asset value per unit does not include the income which has been distributed at the end of the financial year and therefore will not match the unit price at the end of the year.

Total Expense Ratio (TER)

For the 12 months to 31st May 2009	1.52%
For the 12 months to 31st May 2010	1.53%

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

Portfolio Turnover Rate (PTR)

For the 12 months to 31st May 2009	26.58%
For the 12 months to 31st May 2010	81.42%

The PTR is the measure of how frequently assets within the Fund are bought and sold by the Manager.

Statement of Total Return

for the year ended 31st May 2010

	Notes	2010		2009	
		£	£	£	£
Income					
Net capital gains / (losses)	4		33,585,909		(45,608,016)
Revenue	6	7,569,867		5,760,685	
Expenses	7	(3,624,026)		(2,598,292)	
Finance costs: Interest	9	(294)		–	
Net revenue before taxation		3,945,547		3,162,393	
Taxation	8	(52,196)		(21,458)	
Net revenue after taxation			3,893,351		3,140,935
Total return before distributions			37,479,260		(42,467,081)
Finance costs: Distributions	9		(3,894,023)		(3,141,980)
Change in net assets attributable to unitholders from investment activities			33,585,237		(45,609,061)

Statement of Change in net assets attributable to Unitholders

for the year ended 31st May 2010

	2010		2009	
	£	£	£	£
Opening net assets attributable to unitholders		179,128,683		193,551,292
Amounts receivable on issue of units	50,232,241		31,186,255	
		50,232,241		31,186,255
Change in net assets attributable to unitholders from investment activities		33,585,237		(45,609,061)
Unclaimed distributions		18,863		197
Closing net assets attributable to unitholders		262,965,024		179,128,683

Notes to the Financial Statements

as at 31st May 2010

1. Accounting policies

Basis of preparation

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 Management Association in November 2008.

Previously the requirements of the Statement of Recommended Practice for Authorised Funds issued by the IMA in December 2005 have been applied.

As a result of the reanalysis in the Statement of Total Return as set out below, the comparative figures have been restated. The reanalysis did not change either the total return or net assets attributable to Unitholders in either the current or preceding year.

In addition, adopting the Statement of Recommended Practice for Financial Statements of Authorised Funds, issued by the IMA in November 2008, has resulted in certain changes to presentation which include:

- Returns from capital property are now disclosed as net capital gains/(losses) and income from income property is disclosed as revenue.
- Portfolio Turnover Ratios are now included in the Performance Record, which has had no impact on these financial statements.

Other gains

- Currency gains were previously included as a separate line in the Statement of Total Return but have now been included in net capital gains/(losses). The effect of this change has been to reduce other gains in the comparative period by £968 and reduce net capital losses by the same amount.

Basis of valuation of investments

Listed investments are valued at closing bid prices, at the last valuation point of the year.

Exchange rates

Assets and liabilities in currencies other than Sterling are translated into Sterling at the rates of exchange ruling at Balance Sheet date. Revenue and expenditure transactions are translated at the rates of exchange ruling at the date of transaction.

Recognition of revenue

Dividends on equities are recognised when the security is quoted ex-dividend. Other revenue is accounted for on an accruals basis.

Treatment of expenses

CIS Unit Managers Limited makes an annual management charge of 1.5% of the value of the Trust. All expenses, except those relating to the purchase and sale of investments and stamp duty reserve tax, are charged against revenue.

Treatment of stock and special dividends

The ordinary element of stocks received in lieu of cash dividends is recognised as revenue of the Trust. It forms part of the distribution in accordance with the Statement of Recommended Practice.

Taxation

Deferred tax is provided using the liability method on all timing differences arising on the treatment of certain items for taxation and accounting purposes, calculated at the rate at which it is anticipated the timing differences will reverse. Deferred tax assets are recognised only to the extent they are regarded as recoverable.

Stamp duty reserve tax suffered on the surrender of units is charged against unitholders' net assets in the statement of change in net assets attributable to unitholders.

Notes to the Financial Statements

as at 31st May 2010

2. Distribution policy

The excess of revenue over expenses, as disclosed in the financial statements, is distributable to unitholders. Any revenue deficit is deducted from capital. Interim distributions are paid to unitholders half-yearly.

3. Risk Management policies

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 below. 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.

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.

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

for the year ended 31st May 2010

4. Net capital gains/(losses) on investments

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

	2010	2009
	£	£
Non derivative securities	33,565,428	(45,608,984)
Currency gains	20,481	968
Net capital gains/(losses)	<u>33,585,909</u>	<u>(45,608,016)</u>

5. Purchases, sales and transaction costs

	2010	2009
	£	£
Purchases excluding transaction costs	147,347,236	56,967,223
Commissions	172,892	80,390
Taxes	440,977	277,470
Panel of takeovers and mergers levy	93	102
Total purchase transaction costs	613,962	357,962
Purchases including transaction costs	<u>147,961,198</u>	<u>57,325,185</u>
Sales excluding transaction costs	99,415,491	20,000,781
Commissions	(133,361)	(30,001)
Panel of takeovers and mergers levy	(91)	(31)
Sec fee	(133)	0
Total sales transaction costs	(133,585)	(30,032)
Total sales net of transaction costs	<u>99,281,906</u>	<u>19,970,749</u>

Notes to the Financial Statements

for the year ended 31st May 2010

6. Revenue

	2010	2009
	£	£
UK dividends	7,067,591	5,274,683
Property income dividends	73,625	172,050
Overseas dividends	347,971	128,640
Bank interest	19,800	185,312
Underwriting commission	60,880	—
Total revenue	<u>7,569,867</u>	<u>5,760,685</u>

7. Expenses

	2010	2009
	£	£
Payable to the Manager, associates of the Manager and their agents		
Manager's periodic charge	3,545,366	2,539,426
Payable to the Trustee, associates of the Trustee and their agents		
Trustee's fee	51,309	38,830
Safe custody charges	17,818	12,317
Activity charges	3,070	1,640
	<u>72,197</u>	<u>52,787</u>
Other expenses		
Audit fee	6,463	6,079
	<u>6,463</u>	<u>6,079</u>
Total expenses	<u>3,624,026</u>	<u>2,598,292</u>

Notes to the Financial Statements

for the year ended 31st May 2010

8. Taxation

a) Analysis of charge for period

	2010	2009
	£	£
Corporation tax	–	–
Overseas tax	42,589	19,296
Adjustments in respect of prior periods	–	2,162
Total taxation	42,589	21,458
Total deferred tax	9,607	–
Total taxation	52,196	21,458

Corporation tax has been provided at a rate of 20% (May 2009: 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:

	2010	2009
	£	£
Net income before tax	3,945,547	3,162,393
Corporation tax @ 20%	789,109	632,479
Effects of:		
Non taxable UK franked income	(1,466,122)	(1,054,937)
Other short term timing differences	(12,809)	–
Irrecoverable overseas tax	42,589	19,296
Unrelieved management expenses	689,822	422,458
Adjustments in respect of prior periods	–	2,162
Current tax charge for the period (note 8a)	42,589	21,458

Notes to the Financial Statements

for the year ended 31st May 2010

c) Deferred tax position

	2010	2009
	£	£
Provision at start of period	–	–
Deferred tax charge in the period	9,607	–
Provision at end of period	<u>9,607</u>	<u>–</u>
Deferred taxation provided comprises:		
Withholding tax payable on accrued overseas dividends	9,607	–

At the period end, there is a potential deferred tax asset of £3,700,793 (2009: £3,010,971) in relation to surplus management expenses and £nil (2009: £329,598) in relation to excess unutilised foreign tax available for double taxation relief. 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 period or the prior years.

9. Finance costs

Distributions

The distributions take account of income received on the creation of units and income deducted on the cancellation of units and comprise:

	2010	2009
	£	£
Interim	1,088,410	755,017
Final	<u>3,218,670</u>	<u>2,695,201</u>
Net distribution for the year	4,307,080	3,450,218
Revenue received on issue of units	(413,351)	(308,238)
Finance costs: Interest	294	–
Total finance costs	<u>3,894,023</u>	<u>3,141,980</u>

Notes to the Financial Statements

as at 31st May 2010

10. Debtors

	2010	2009
	£	£
Accrued income	802,123	528,003
Overseas accrued income	64,045	–
Amount receivable for creation of units	–	85,290
Overseas tax recoverable	14,682	19,520
Bank interest	2,103	1,640
	<u>882,953</u>	<u>634,453</u>

11. Cash and bank balances

	2010	2009
	£	£
Cash and bank balances	<u>7,198,032</u>	<u>5,218,789</u>

Notes to the Financial Statements

as at 31st May 2010

12. Creditors

	2010	2009
	£	£
Manager's periodic charge	310,201	214,016
Trustee's fee	5,122	3,408
Audit fee	6,463	6,210
Other fees	3,171	–
Withholding tax payable	9,607	–
	334,564	223,634

13. Capital commitments

At 31st May 2010 there were no outstanding capital commitments (May 2009: Nil) in respect of nil and partly paid securities held by the Trust.

14. 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 7 of 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 Movement in Unitholders'

Funds. Any amounts due to or from the Manager and Trustee at the end of the accounting period are disclosed in notes 10 (Debtors) and 12 (Creditors).

Notes to the Financial Statements

as at 31st May 2010

15. Risk Disclosures

The Fund's currency exposure is analysed below:

	2010	2009
	£	£
Sterling	221,228,605	170,705,734
Euro	–	715,084
Swiss Franc	–	1,184,760
US Dollars	41,736,419	6,523,105
	<u>262,965,024</u>	<u>179,128,683</u>

The profile of the currency is as follows:

Currency	Investments 2010 (£)	Other Net Assets 2010 (£)	Total 2010 (£)
Sterling	216,764,899	4,463,706	221,228,605
Euro	–	–	–
Swiss Franc	–	–	–
US Dollars	41,672,374	64,045	41,736,419
Total	<u>258,437,273</u>	<u>4,527,751</u>	<u>262,965,024</u>

Currency	Investments 2009 (£)	Other Net Assets 2009 (£)	Total 2009 (£)
Sterling	167,885,161	2,820,573	170,705,734
Euro	715,084	–	715,084
Swiss Franc	1,165,240	19,520	1,184,760
US Dollars	6,428,790	94,315	6,523,105
Total	<u>176,194,275</u>	<u>2,934,408</u>	<u>179,128,683</u>

Distributions Table

for the year ended 31st May 2010

Interim Distribution

Group 1 – Units purchased prior to 1st June 2009

Group 2 – Units purchased on or after 1st June 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	1.1880	–	1.1880	1.0800
Group 2	–	1.1880	1.1880	1.0800

Final Distribution

Group 1 – Units purchased prior to 1st December 2009

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

	Net Income 2010 pence per unit	Equalisation 2010 pence per unit	Distribution payable 2010 pence per unit	Distribution payable 2009 pence per unit
Income units				
Group 1	3.2759	–	3.2759	3.4201
Group 2	0.8862	2.3897	3.2759	3.4201

Prices

The price of the CIS Sustainable Leaders 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 2369965.**

The Co-operative Asset Management Limited provides asset management services to CIS Unit Managers Limited which is the authorised Manager of the CIS Sustainable Leaders Trust.

This report is issued by The Co-operative Asset Management on behalf of CIS Unit Managers Limited. Any advice from Co-operative Financial Advisers will relate only to a range of the products and services available from members of the CFS Marketing Group and a limited number of other companies.