



for the Church of England

The CBF Church of England Deposit Fund

**Report and Accounts
Half Year to 31 May 2008
(unaudited)**

Contents

- 1** Report of the Trustee
- 3** Report of the Investment Manager
- 5** Average rates of interest paid
- 6** Statement of total return
- 6** Interest paid table
- 7** Balance sheet
- 7** Summary of deposits placed by maturity
- 8** Notes to the accounts
- 12** Statement of Trustee and Manager responsibilities

Trustee and Manager

(inside back cover)

Description of The CBF Church of England Funds

(outside back cover)

Disability Discrimination Act 1995

Extracts from the Reports & Accounts are available in large print and audio format.

The CBF Church of England Deposit Fund

Report of the Trustee

for the six months ended 31 May 2008

On behalf of the Trustee, I have pleasure in presenting the half year Report and Accounts of The CBF Church of England Deposit Fund (the Fund), which includes a separate report from CCLA Investment Management Limited (the Manager) as Manager of the Fund.

Structure and management

The Fund is a common fund established by the Church Funds Investment Measure 1958 (as amended from time to time), and the Trustee Act 2000.

CBF Funds Trustee Limited (CBFFT), a company incorporated under the Companies Act, limited by guarantee and not having a share capital, is the Trustee and Operator of the Fund. CBFFT has an Audit Committee which meets twice a year to review financial statements and monitor the control environment in which the Fund operates.

CBFFT has delegated to the Manager, which is authorised and regulated by the Financial Services Authority (FSA), the investment management, administration, registrar, secretarial and company secretarial functions of the Fund under Management Agreements dated 15 November 2006.

Under the provisions of the Financial Services and Markets Act 2000 (FSMA), CBFFT is not considered to be operating the Fund by way of business. In consequence, it is not required to be authorised and regulated by the FSA and the trustee directors of CBFFT are not required to be authorised by the FSA for this purpose.

Deposits taken by the Fund are exempted from the FSMA by virtue of the Financial Services and Markets Act (Exemption) Order 2001 and

are not covered by the Financial Services Compensation Scheme. The Manager will pay fair compensation on eligible claims arising from its negligence or error in the management and administration of the Fund.

Charitable status of the Fund

The Fund is entitled to charitable status by virtue of section 25(2) of the Charities Act 1993. In the administration of the Fund, CBFFT is exempt from the jurisdiction of the Charity Commission by virtue of section 5(1) of the Church Funds Investment Measure 1958.

Investment objective of the Fund

The Fund aims to pay competitive rates of interest, which reflect the level of short dated money market rates. The Fund also aims to maintain its AAA/V1 rating received from Fitch Ratings.

Total return benchmark

The Fund's benchmark is the London Interbank 7-day bid rate (LIBID) as measured by the British Bankers Association, before management expenses.

Responsibilities of the Trustee

CBFFT receives a report on the published accounts from the Manager twice a year and is wholly responsible for the Fund. CBFFT monitors the investment management, administration, registration, secretarial and company secretarial services provided by the Manager under respective Management Agreements. It meets quarterly with the Manager to monitor investment strategy, interest rate policy, investment diversification, risk and to review the Fund's performance. In addition, CBFFT reviews the Annual Report and Accounts of the Fund which are prepared on its behalf by the Manager.

The CBF Church of England Deposit Fund

Report of the Trustee

for the six months ended 31 May 2008

CBFFT is responsible for appointing an Audit Committee and the Auditor. It reviews annually the objectives of the Fund in the light of current circumstances.

RBS monitoring service

CBFFT has appointed The Royal Bank of Scotland plc to monitor the Manager in respect of its activities related to the management and administration of the Fund and to provide formal six-monthly reviews of its findings to the Audit Committee. The Royal Bank of Scotland plc has not raised any material issues.

Delegation of functions

Following its regular meetings and consideration of the reports and papers it has received, CBFFT is satisfied that the Manager, to whom it has delegated the administration and management of the Fund, has complied with the terms of the Measure and with the relevant Management Agreements.

Controls and risk management

CBFFT receives and considers regular reports from the Manager. Other ad hoc reports and information are supplied as required.

The Manager has established an internal control framework to provide reasonable, but not absolute, assurance on the effectiveness of the internal controls operated on behalf of its clients. The effectiveness of the internal controls is assessed by the directors and senior management of the Manager on a continuing basis.

CBFFT receives internal audit reports on the controls of the Manager. During the period CBFFT, assisted by the Manager, reviewed the Fund's systems of internal control.

At each of its meetings, the Audit Committee receives and reviews a formal risk management report from the Manager. This sets out the main risks facing the Fund, the controls in place to mitigate those risks and the assessment of each risk in terms of both gross and residual exposure after application of mitigating controls.

R Broadhurst
Chairman
CBF Funds Trustee Limited

3 July 2008

The CBF Church of England Deposit Fund

Report of the Investment Manager

for the six months ended 31 May 2008

- A money market fund for short-term cash
- Competitive rates of interest (even on small balances)
- Rated AAA/V1 by Fitch Ratings
- Withdrawal on demand with no loss of interest

Performance

The Fund's interest rate remains highly competitive. The Fund's daily declared interest rate averaged 5.57% over the period (an annual equivalent rate (AER) of 5.69%). Over the half year the Fund's daily declared interest rate was reduced by just 0.38%, while the Bank of England's official bank rate fell by 0.75%. On the 31 May 2008, the declared rate was 5.50%, (5.61% AER). Over the reporting period the Fund achieved a total return before management expenses of 2.97%; this was higher than the Fund's benchmark, the London Interbank 7-day bid rate (7-day LIBID), which averaged 2.70%. Total client deposits (excluding those of the other CBF Funds) as at 31 May 2008 was £944 million. Over the past six months total client deposits increased by £77 million which exceeds the record increase achieved over the whole of last year.

Market review

There continues to be a dislocation between the official bank rate set by the Bank of England's Monetary Policy Committee (MPC) and the rate at which banks are able to borrow in the London money market. This disorder is not only posing problems in the UK but is affecting many of the major money market centres. The efficiency of financial markets is a foremost concern for the Central Banks. If current difficulties are left

unchecked there could be wider consequences for the global economies. The Central Banks have therefore been innovative in providing additional liquidity, introducing various funding schemes as well as cutting interest rates. The Bank of England's MPC on three occasions cut the official bank rate by 0.25%, justifying the reductions on weaker economic growth prospects and a balanced inflation outlook. However, since the last rate cut in April there has been a general rise in money market yields, principally due to the sudden and deteriorating outlook for the rate of inflation. The one-year money market yield has risen to six percent having been as low as 5.05% in January.

Strategy

We maintained the Fund's focus on delivering strong returns for depositors with no compromise on capital security. We believed the market had been over-anticipating the speed at which the MPC would cut the official bank rate and have therefore maintained a strategy of depositing where rates were highest, which was typically for three months. This meant the Fund's weighted average maturity stayed close to the maximum permitted level of 60 days.

Rated AAA/V1 by Fitch Ratings

During the period we reviewed the provision of credit rating services and with the approval of the CBFFT the service provider was changed to Fitch Ratings. We believe Fitch's fund focus, good client reporting and weekly surveillance will be reassuring and beneficial to present and future depositors. Since 30 April 2008, the Fund has been rated by Fitch Ratings. They have assigned the Fund an AAA/V1 money market fund rating. This rating reflects the high

The CBF Church of England Deposit Fund

Report of the Investment Manager

for the six months ended 31 May 2008

quality of the Fund's approved lending list, the employment of an appropriate investment policy, a low overall level of risk through diversification, and the quality of management and internal controls. The rating is awarded to funds that have the lowest credit risk and where the total return exhibits relative stability, performing consistently across a broad range of interest rate scenarios and changing market conditions.

Outlook

The annual rate of inflation is now expected to rise above the MPC's target range of 1% to 3%, which would normally give rise to higher interest rates. However, this more hawkish inflationary outlook comes at a time when UK economic growth is slowing. This deteriorating

outlook together with falling house prices and rising unemployment would normally call for a cut in interest rates.

The MPC therefore has a major challenge of striking the right balance between moderating the rate of inflation and improving economic growth. Our expectation is that the official bank rate will remain on hold for most of 2008 and will only be reduced once inflation shows signs of abating.

C Peters
Investment Director
CCLA Investment Management Limited

3 July 2008

Risk warning

The Manager undertakes to exercise reasonable care in its placing of deposits with a selected list of banks and building societies, however it cannot give guarantees regarding repayment of deposits. The daily rate on the

Deposit Fund accounts will fluctuate and past performance is no guarantee of future returns. Deposits in the Fund are not covered by the Financial Services Compensation Scheme.

The CBF Church of England Deposit Fund
Average rates of interest paid
 for the six months ended 31 May 2008 (unaudited)

<i>Month</i>	<i>Actual % p.a.</i>	<i>Gross AER* % p.a.</i>
December 2007	5.88	6.01
January 2008	5.81	5.94
February 2008	5.56	5.68
March 2008	5.40	5.51
April 2008	5.35	5.46
May 2008	5.43	5.54

<i>Year to 30 November</i>	<i>Actual % p.a.</i>	<i>Gross AER* % p.a.</i>
2003	3.42	3.47
2004	4.09	4.15
2005	4.48	4.56
2006	4.45	4.53
2007	5.40	5.51
To 31 May 2008	5.57	5.69

* Annual equivalent rate (AER) illustrates what the annual interest rate would be if the quarterly interest payments were compounded.

The CBF Church of England Deposit Fund
Statement of total return
for the six months ended 31 May 2008 (unaudited)

	<i>Notes</i>	31.5.2008 £'000	31.5.2007 £'000
Gross income		29,190	23,315
Expenses	2	<u>(1,186)</u>	<u>(1,058)</u>
Net income and total return		28,004	22,257
Finance costs: distributions		(27,159)	(21,830)
Net increase in income reserve	7	<u>845</u>	<u>427</u>

The notes on pages 8 to 11 form part of these accounts.

Interest paid table
for the six months ended 31 May 2008 (unaudited)

<i>Period ended</i>	<i>Date of payment</i>	<i>Total</i> £'000	<i>Average rates of interest paid</i>	
			2008 %	2007 %
29 February 2008	6 March 2008	13,593	5.75	4.99
31 May 2008	6 June 2008	<u>13,566</u>	<u>5.39</u>	<u>5.24</u>
		<u>27,159</u>	<u>5.75</u>	<u>5.11</u>

The CBF Church of England Deposit Fund

Balance Sheet

at 31 May 2008 (unaudited)

	Notes	31.5.2008 £'000	30.11.2007 £'000
ASSETS			
Debtors	4	10,397	9,606
Cash and bank balances		837	2,612
Deposits		1,016,459	925,362
Total assets		1,027,693	937,580
LIABILITIES			
Current deposits	5	995,505	904,911
Creditors	6	13,542	14,868
Income reserve	7	18,646	17,801
Total liabilities		1,027,693	937,580
Approved on behalf of the Trustee 3 July 2008		R Broadhurst, <i>Chairman</i> CBF Funds Trustee Limited	

The notes on pages 8 to 11 form part of these accounts.

Summary of deposits placed by maturity

at 31 May 2008 (unaudited)

Repayable	31.5.2008		30.11.2007	
	£'000	%	£'000	%
On call	48,459	4.77	13,362	1.44
Within 5 business days	54,000	5.31	59,000	6.38
Within 30 days	258,000	25.38	169,000	18.26
Between 31 and 60 days	337,000	33.15	393,000	42.47
Between 61 and 91 days	309,000	30.40	251,000	27.13
Between 92 and 182 days	10,000	0.99	20,000	2.16
Between 183 and one year	-	-	20,000	2.16
Total deposits	1,016,459	100.00	925,362	100.00

The CBF Church of England Deposit Fund

Notes to the accounts

(unaudited)

1. Accounting policies

(a) Basis of accounting

The accounts have been prepared under the historical cost basis, as modified by the revaluation of investments, and in accordance with accounting policies set out below and the Statement of Recommended Practice for Authorised Funds issued by the Investment Management Association (IMA) in December 2005.

(b) Income recognition

Interest on bank and building society deposits is accrued on a daily basis.

(c) Expenses

The Manager's periodic charge paid to the Manager, is charged to the income of the Fund before distribution. The fee is based on a fixed percentage of the value of the Fund, which is currently 0.20% p.a. plus VAT. Each month, the value at the end of the previous month is taken to calculate the fee due. This fee covers the provision of investment services and other expenses incurred by the Manager. Audit fees, insurance, bank charges, monitoring fee and the Trustee's administration fee are charged separately to the income of the Fund before distribution.

(d) Distributions

Interest is paid quarterly. The Fund utilises an income reserve to facilitate the payment of interest to depositors (see note 7).

2. Expenses

	31.5.2008	<i>31.5.2007</i>
	£'000	<i>£'000</i>
Payable to the Manager, associates of the Manager and agents of either of them:		
Manager's periodic charge – see note 1(c)	<u>1,166</u>	<u>1,021</u>
Payable to the Trustee, associates of the Trustee and agents of either of them:		
Bank charges	7	6
Monitoring fees	3	2
Trustee's administration fee	<u>-</u>	<u>18</u>
	<u>10</u>	<u>26</u>
Other expenses:		
Insurance	5	7
Audit fee	<u>5</u>	<u>4</u>
	<u>10</u>	<u>11</u>
Total expenses	<u>1,186</u>	<u>1,058</u>

The above expenses include VAT where applicable.

The CBF Church of England Deposit Fund

Notes to the accounts

(unaudited)

3. Taxation

The Fund is exempt from UK income and capital gains tax due to its charitable status pursuant to Sections 505 and 506 of the Income and Corporation Taxes Act 1988. Distributions are paid and reinvested income credited gross to depositors.

4. Debtors

	31.5.2008	<i>30.11.2007</i>
	£'000	<i>£'000</i>
Loans to Diocesan Boards of Finance:		
Due within one year	927	108
Due two to five years	1,060	1,487
Due after five years	23	327
	2,010	1,922
Interest receivable	8,376	7,681
Prepayments	11	3
	<u>10,397</u>	<u>9,606</u>

5. Current deposits

	31.5.2008	<i>30.11.2007</i>
	£'000	<i>£'000</i>
Dioceses, parish and other	943,929	866,875
The CBF Church of England Investment Fund	22,970	24,279
The CBF Church of England Global Equity Income Fund	720	-
The CBF Church of England Fixed Interest Securities Fund	1,467	1,428
The CBF Church of England UK Equity Fund	2,360	2,251
The CBF Church of England Property Fund	24,059	10,078
	<u>995,505</u>	<u>904,911</u>

6. Creditors

	31.5.2008	<i>30.11.2007</i>
	£'000	<i>£'000</i>
Interest payable	13,535	12,716
Accrued expenses	7	7
Amounts payable on withdrawals	-	2,145
	<u>13,542</u>	<u>14,868</u>

The CBF Church of England Deposit Fund

Notes to the accounts

(unaudited)

7. Income reserve

The Fund utilises a reserve which is accumulated out of income and held by CBFFT on trust for depositors for the time being. The principal purpose of the income reserve is to facilitate the payment of interest to depositors at each quarter end even though a proportion of the income earned by the Fund over the quarter will not be received until the maturity date of individual deposits.

The reserve is also available as a provision against potential default of counterparties and is available to augment the Fund's deposit rate.

	31.5.2008	<i>31.5.2007</i>
	£'000	<i>£'000</i>
Income reserve at the start of the period	17,801	16,481
Transfer to income reserve	845	427
Income reserve at the end of the period	<u>18,646</u>	<u>16,908</u>

8. Financial instruments

The main risks arising from the Fund's financial instruments and the Manager's policies for managing these risks are summarised below.

Currency risk

There was no foreign currency exposure within the Fund at 31 May 2008 (30.11.2007, £nil).

There were no derivatives held by the Fund at 31 May 2008 (30.11.2007, £nil).

Interest rate risk

The Fund invests in fixed rate and floating rate deposits. Changes in the interests will result in income either increasing or decreasing.

The interest rate profile of the Fund's financial assets and liabilities at 31 May 2008 was as follows:

<i>Currency</i>	<i>Floating rate financial assets* £'000</i>	<i>Fixed rate financial assets £'000</i>	<i>Financial assets not carrying interest £'000</i>	<i>Total £'000</i>
Sterling	51,306	968,000	8,387	1,027,693

The CBF Church of England Deposit Fund

Notes to the accounts

(unaudited)

Currency	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000
Sterling	1,014,151	-	13,542	1,027,693

30 November 2007

Currency	Floating rate financial assets* £'000	Fixed rate financial assets £'000	Financial assets not carrying interest £'000	Total £'000
Sterling	17,896	912,000	7,684	937,580

Currency	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000
Sterling	922,712	-	14,868	937,580

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

All financial liabilities are due to be settled within one year, or on demand.

9. Related party transactions

The Manager's periodic charge is paid to the Manager, a related party to the Fund. The amounts paid in respect of the Manager's periodic charge are disclosed in note 2. There were no outstanding balances due to the Manager at 31 May 2008 (30.11.2007, £nil). There were no other transactions entered into with the Manager during the period.

CBFFT, as Trustee, is a related party to the Fund. The amounts paid in respect of the Trustee's administration fee are disclosed in note 2. There were no outstanding balances due to CBFFT at 31 May 2008 (30.11.2007, £nil). Balances held on behalf of other CBF Church of England Funds are disclosed in note 5. There were no other transactions entered into with CBFFT during the period.

The CBF Church of England Deposit Fund

Statement of Trustee and Manager responsibilities

The Trustee shall comply with the duty of care when exercising their powers and discharging their duties under the Church Funds

Investment Measure 1958 as amended by the Church of England (Miscellaneous Provisions) Measure 1995 and the Trustee Act 2000 (together the Measure) to:

- make and revise the written statement of the investment objectives of the Fund and details of such investment objectives will be included in the Scheme Information;
- determine the criteria and methods for evaluating the performance of the Fund;
- appoint the Auditor of the Fund and settle their terms of engagement;
- determine the rate of remuneration of the Manager in accordance with the Measure and the Scheme Information;
- supervise and oversee the Manager's compliance with the Measure and the Scheme Information. In particular, the Trustee shall be satisfied on a continuing basis that the Manager is competently exercising the powers and discharging the duties conferred or imposed on it by or pursuant to the provisions of the Measure, and ensure the Manager is maintaining adequate and proper records;
- appoint, supervise and oversee any Registrar or other delegate whom it has appointed in accordance with the provisions of the Scheme;
- review the custody and control of the property of the Fund and the collection of all income due to the Fund in accordance with the Measure;
- apply interest payments to depositors based on their average daily balance in the Fund; and
- take all steps and execute all documents which

are necessary to ensure that the deposits and withdrawals for the Fund are properly completed.

Preparation of accounts

The Trustee of the Fund is required, by the Measure, to prepare accounts which give a true and fair view of the financial position of the Fund at each half year and year end valuation date. The net income for the period, together with a report on the operation of the Fund is also required. In preparing these accounts, the Trustee:

- selects suitable accounting policies that are appropriate for the Fund and applies them on a consistent basis;
- complies with the disclosure requirements of the Statement of Recommended Practice relating to Authorised Funds issued by the Investment Management Association (IMA) in December 2005;
- follows generally accepted accounting principles and applicable United Kingdom accounting standards;
- keeps proper accounting records which enables them to demonstrate that the accounts, as prepared, comply with the above requirements;
- makes judgments and estimates that are prudent and reasonable; and
- prepares the accounts on the basis that the Fund will continue in operation unless it is inappropriate to presume this.

The Trustee is also required to manage the Fund in accordance with the Measure and has delegated to the Manager the day-to-day management, accounting and administration of the Fund, as permitted by the Measure. The Manager is required to carry out these duties in accordance with the Measure and take reasonable steps for the prevention and detection of fraud and other irregularities.

CCLA INVESTMENT MANAGEMENT LIMITED

The CBF Church of England Deposit Fund

Trustee – CBF Funds Trustee Limited

R Broadhurst (Chairman)

J Clunie*

L Farrall

N Pearson

S Steele

Rev Dr R Turnbull*

R Williams*

**Members of the Audit Committee*

Secretary

J Fox

Manager, Administrator and Registrar

CCLA Investment Management Limited

*Authorised and regulated by
the Financial Services Authority*

80 Cheapside

London EC2V 6DZ

Telephone: 020 7489 6000

Client Service:

Freephone: 0800 022 3505

Facsimile: 0844 561 5126

Email: clientservices@ccla.co.uk

www.ccla.co.uk

Directors responsible for the Fund

M Quicke (Chief Executive)

J Bevan (Chief Investment Officer)

S Curran (Chief Operating Officer)

C Peters (Investment Director)

A Robinson (Director Market Development)

Fund Manager

C Peters

Client Relationship Manager

A Best

Company Secretary

J Fox

Head of Operational Risk, Internal Audit and Compliance

A Kemp

Banker and Monitoring Service

The Royal Bank of Scotland plc

62/63 Threadneedle Street

London EC2R 8LA

Solicitors

Bates Wells & Braithwaite LLP

2-6 Cannon Street

London EC4M 6YH

Farrer & Co LLP

66 Lincoln's Inn Fields

London WC2A 3LH

Independent Auditor

Ernst & Young LLP

1 More London Place

London SE1 2AF



CCLA INVESTMENT MANAGEMENT LIMITED **The CBF Church of England Funds**

The CBF Church of England Funds provide Church of England parishes, dioceses and other church charitable trusts with a ready-made service to look after their money and investments. These Funds aim to provide prudent management of church money avoiding unnecessary risks but at the same time seeking to deliver satisfactory investment results.

A CHOICE OF FUNDS

The six CBF Church of England Funds aim to meet most of the investment and deposit needs of a Church trust.

Investment Fund

- A suitable 'all-in-one' long-term fund for most church organisations
- Highly diversified and well-balanced spread of investments
- Designed to help meet growth and income requirements
- Focus on delivering attractive, growing income
- Aligned with the Church of England's Ethical Investment Policy

Global Equity Income Fund

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

UK Equity Fund

- The only UK equity fund entirely aligned with the Church of England's Ethical Investment Policy
- High quality, well-diversified portfolio
- Designed to help meet growth and income requirements
- Usually held with other investments such as overseas equities, bonds and cash to give a broad spread of assets and achieve overall objectives

* The Deposit Fund has been awarded an AAA/V1 money market fund rating from the credit rating agency Fitch Ratings.

Fixed Interest Securities Fund

- Long-term investment focused on income
- Gross income paid quarterly
- Usually held with other investments such as equities and cash to give a broad spread of assets and achieve combined income and growth objectives

Property Fund

- High quality, well-diversified commercial and industrial property portfolio
- Focus on delivering attractive income
- Actively managed to add value
- Usually held with other investments such as equities, bonds and cash to give a broad spread of assets and achieve combined income and growth objectives

Deposit Fund

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

The Funds are common funds established under the Church Funds Investment Measure 1958 (as amended from time to time). CBF Funds Trustee Limited, a company incorporated under the Companies Act is the Trustee and Operator of the Funds. CCLA Investment Management Limited manages the investment of the Funds. The value of the investments may fall as well as rise and an investor may not get back the full amount originally invested.

CCLA Investment Management Limited (registered in England No. 2183088 at 80 Cheapside, London EC2V 6DZ) is authorised and regulated by the Financial Services Authority. CBF Funds Trustee Limited is a Registered Charity No. 1116932 and is registered in England as a company limited by guarantee (No. 5957490).

CCLA INVESTMENT MANAGEMENT LIMITED

80 Cheapside

London EC2V 6DZ

Client Service:

Freephone: 0800 022 3505

Facsimile: 0844 561 5126

Email: clientservices@ccla.co.uk

www.ccla.co.uk

CCLA Investment Management Limited is committed to making a positive contribution to environmental protection. Where possible we seek to ensure our suppliers are using environmentally friendly production processes. This document is printed on a fully recycled paper containing 100% post consumer waste and is certified as a Forest Stewardship Council (FSC) recycled product.