



for the Church of England

The CBF Church of England Fixed Interest Securities Fund

**Annual Report and Accounts
Year to 30 November 2008**

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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.

Report of the Trustee

for the year ended 30 November 2008

On behalf of the Trustee, I have pleasure in presenting the Annual Report and Accounts of The CBF Church of England Fixed Interest Securities 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 (together the Measure).

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 each year to review the 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 September 2008.

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.

Investments in the Fund 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 24(9) 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 provide a relatively high income yield compared to equity investment and a total return in excess of its benchmark. The returns from fixed interest securities by their nature are not protected from the effects of inflation.

Total return benchmark

The total return performance benchmark for the Fund is the WM Co Charity Fund Service Universe for United Kingdom fixed interest stocks, including gross income reinvested 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, property and cash management, administration, registration, secretarial and company secretarial services provided by the Manager under the respective Management Agreements. It meets quarterly

Report of the Trustee

for the year ended 30 November 2008

with the Manager to monitor investment strategy, interest rate policy, investment diversification and risk and to review the Fund's performance. In addition, CBFFT reviews the Annual Report and Accounts of the Fund prepared on its behalf by the Manager.

CBFFT is responsible for appointing an Audit Committee, the Auditor and the Safe Custody Agent. 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.

Ethical investment

CBFFT complies with the Ethical Investment Policy of the Church of England and therefore the Fund will not hold corporate bonds in any company otherwise excluded by The CBF Church of England Investment Fund.

Controls and risk management

CBFFT receives and considers regular reports from the Manager. 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 year 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 exposure and residual exposure after application of mitigating controls.

Note to shareholders

With effect from 1 December 2007, the Fund is required to account for income from debt securities on an effective yield basis.

Effective yield is a method of recognising income from debt securities that takes account of any difference (i.e. premium or discount) between the amount paid for the security and the amount that will be received if the security is held until its redemption date. It has the

Report of the Trustee

for the year ended 30 November 2008

effect of adjusting the income arising from a debt security to a level aligned with the yield over the lifetime of the security by transferring any premium or discount to or from capital. As such it does not affect total return.

Prior to this change debt security income was generally accounted for and distributed on a coupon basis. The new rules require the accounting treatment to change to the effective yield method; however, it is permissible in certain circumstances to continue to distribute income on a coupon basis.

The Board has determined that the objective of the Fund is best served by adopting a distribution policy that follows the coupon basis for recognising income and, therefore, the income available for distribution will not be affected by the change in accounting policy.

R Broadhurst
Chairman
CBF Funds Trustee Limited

27 January 2009

Report of the Investment Manager

for the year ended 30 November 2008

- A sterling bond fund for long-term capital
- Gives no long-term protection of capital against inflation
- Aims to achieve good long-term performance

Performance

We reduced the Fund's exposure to corporate bonds last year on the belief the asset class looked expensive relative to gilt-edged securities. As the economic climate deteriorated during 2008 investor demand switched to the highest rated securities and consequently corporate bonds cheapened. During this period of weakness, it was our strategy to re-establish a significant corporate bond weighting which included purchases of UK bank and insurance preference shares. The Fund weightings at 30 November 2008 were gilt-edged securities/cash 69.5%, corporate bonds 28.2% and preference shares 2.3%.

The corporate bond market experienced its worst year in living memory, the Barclays corporate bond total return index fell 5.67% while the FTA UK Government All Stock total return index rose by 9.07%. Given the Fund's exposure to the corporate bond market it returned 5.96%, before expenses.

Over the period the value of an accumulation share rose from 314.50p to 332.39p, or by 5.69%. The value of an income share fell from 154.12p to 153.97p at 30 November 2008, a capital return of -0.10%.

The annual distribution rate for the year remained unchanged at 8.80p per income share. The income yield at 30 November 2008 was 5.72%. The corresponding gross redemption yield, which is an estimate of the total return of the Fund over the long-term, after management expenses, was 4.43%. The Fund's income and gross redemption

The CBF Church of England Fixed Interest Securities Fund Total Capital and Income Return

To 30 November 2008	1 year % p.a.	5 years % p.a.	10 years % p.a.
<u>Performance against market indices (before expenses)</u>			
CBF Fixed Interest Securities Fund	+ 5.96	+ 5.36	+ 5.31
FTSE UK Govt All Stocks Index	+ 9.07	+ 5.98	+ 5.16
<u>Performance after expenses</u>			
Income shares*	+ 5.79	+ 5.18	+ 5.14
Accumulation shares*	+ 5.69	+ 5.11	+ 5.09

* Net asset value to net asset value plus income reinvested

Report of the Investment Manager

for the year ended 30 November 2008

yields are not guaranteed and will change over time, due to changes in interest rates and the average maturity date of the securities held by the Fund. When the Fund's income yield is higher than the gross redemption yield, some income is being paid at the expense of capital.

Market review

During the year, financial markets have faced extraordinary developments. Since the credit crisis began, credit spreads (the yield difference between corporate bonds and comparable gilt-edged securities) have been the leading indicator of the state of investor confidence. In spite of all the government and central bank action investment grade spreads, both in the financial and non-financial sectors, have persistently widened as the willingness to lend to banks and other financial intermediaries diminished. The Barclays investment grade corporate bond index recently recorded a record high spread of 368 basis points, a year ago it was just 130 basis points, and before the credit crisis it averaged close to 55 basis points. The current extreme levels imply that a high number of companies are expected to default.

Spread widening has been a global phenomena and the flight to quality has revealed the differing expectations that individual governments have the resources or the determination to decisively deal with escalating domestic banking and fiscal issues.

As the banking system struggles to obtain funds, the UK government is set to use its borrowing power to boost activity. In April the UK Debt Management Office had forecast that short, medium and long dated issuance for

the fiscal year 08/09 would be £25 billion, £13 billion and £24 billion respectively. Revisions to these forecasts, made during the November 2008 Pre-Budget Report, were staggering in scale. There was a very large revision to short dated issuance, which is now projected to be £63 billion, while medium and long end issuance will 'only' rise to £33 billion and £31 billion respectively. Total gilt issuance, including index-linked gilts, for this fiscal year is forecast to be £146 billion; trouncing last years record £58 billion. In the following four fiscal years the Chancellor believes the gross financing requirement will be over £500 billion, an unprecedentedly high number and more worryingly there appears to be no determined measures to redress this fiscal imbalance. Therefore, there is the prospect of £100 billion of borrowing per annum becoming entrenched for the foreseeable future. Fortunately, for the government, short dated government paper has provided a refuge for the risk adverse investors, including some investors who would normally use bank deposits, as even these were perceived less secure. Over the past twelve months the yield on the two-year gilt has fallen from 4.5% to just 2.2%, the yield on the 10-year gilt fell from 4.6% to 3.8%.

Outlook

Media headlines have rightly been about developments on Wall Street as the failure or rescue of well known financial firms matters greatly because of the knock on impact on the wider economy. The past year has brought home once again why central banks are concerned with financial stability as well as monetary stability and inflation. The biggest risks to the financial sector are also the biggest downside risks to the economy.

Report of the Investment Manager

for the year ended 30 November 2008

Once the full-blown financial panic retreats, the global economy will be left with higher unemployment, falling global demand and higher financing costs, which means that companies will face a tough time and earnings are set to slow significantly. In the financial sector, rescue packages are now in place but even after the deleveraging and de-risking processes are completed, there is still the prospect of regulatory actions.

Investors have demonstrated an understandably high degree of risk aversion but this will eventually ease and demand for government guaranteed debt will reduce. The present excessive supply of short gilts should

prevent a further decline in yields at this end of the market while the high demand for government debt and a less aggressive level of long issuance means that long gilt yields are likely to be little changed from current levels. However, in the near term other factors such as changes in interest rate expectations and unconventional government policy measures may have a more powerful influence on the market than supply and demand imbalances.

C Peters
Investment Director
CCLA Investment Management Limited

27 January 2009

Risk warning

The Fund's shares and the income from them can fall as well as rise and an investor may not get back the amount originally invested. Past performance is no guarantee of future returns.

The Fund's shares are intended only for long-term investment and are not suitable for money liable to be spent in the near future. They are realisable only on each weekly dealing day.

The Fund's income yield is an indication of the expected level of income. The corresponding gross redemption yield is an estimate of total return over the long term. The Fund's income yield and gross redemption yield are not guaranteed and will change over time. When the Fund's income yield is higher than the gross redemption yield, some income is being paid at the expense of capital.

Report of the Independent Auditors

to the Shareholders of The CBF Church of England Fixed Interest Securities Fund

We have audited the financial statements of The CBF Church of England Fixed Interest Securities Fund for the year ended 30 November 2008 which comprise the statement of total return, the statement of change in shareholders' net assets, the portfolio statement, the balance sheet, the summary of material portfolio changes, 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 shareholders of the Fund, as a body, in accordance with the Church Funds Investment Measure 1958, as amended. Our audit work has been undertaken so that we might state to the shareholders of the Fund 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 Fund and the shareholders of the Fund, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Trustee and Auditors

The Trustee is responsible for the preparation of the annual report and the financial statements in accordance with Accounting Standards (United Kingdom generally accepted accounting practice) as set out in the Statement of Trustee and Manager responsibilities in relation to the financial statements. Our responsibility is to audit the financial statements in accordance with United Kingdom legal and regulatory requirements and International Standards on Auditing (United Kingdom 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 United Kingdom generally accepted accounting practice, the Church Funds Investment Measure 1958, as amended, and the Trustee Act 2000. We also report to you if, in our opinion, the Report of the Investment Manager is not consistent with the financial statements, if the Manager has not kept proper accounting records for the Fund, if the financial statements are not in agreement with those accounting records, or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the annual report and consider whether it is consistent with the audited financial statements. This other information comprises only the Report of the Investment Manager and the other items set out on the contents page. 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 (United Kingdom and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Trustee 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.

Report of the Independent Auditors

to the Shareholders of The CBF Church of England Fixed Interest Securities Fund

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 accounts 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 at 30 November 2008, and of the net income and the net losses on the scheme property of the Fund for the year then ended; and

- have been properly prepared in accordance with United Kingdom generally accepted accounting practice, the Church Funds Investment Measure 1958, as amended, and the Trustee Act 2000.

Ernst & Young LLP
Registered Auditor
London

27 January 2009

The maintenance and integrity of the CCLA Investment Management Limited web site is the responsibility of the directors; the work carried out by the auditors of The CBF Church of England Fixed Interest Securities Fund does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have

occurred to the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Net asset value, share price range, net distribution, share prices and total expense ratio

Net asset value

At 30 November	Net asset value £'000	Income shares		Accumulation shares	
		Net asset value pence per shares	Number of shares in issue	Net asset value pence per share	Number of shares in issue
2006	80,765*	160.27	48,819,835	309.25	470,141
2007	73,553*	154.12	46,906,124	314.50	401,152
2008	72,913*	153.97	46,433,601	332.39	433,386

*The net asset value is calculated on the mid-market value basis compared to the balance sheet where the assets are valued on a bid-market value basis in accordance with the Statement of Recommended Practice for Authorised Funds which was issued by the Investment Management Association (IMA) in December 2005.

Share price range

Year to 30 November	Income shares		Accumulation shares	
	Highest offer pence per share	Lowest bid pence per share	Highest offer pence per share	Lowest bid pence per share
2004	165.40	157.11	280.35	258.43
2005	166.53	158.45	300.49	278.46
2006	168.05	158.59	309.86	296.67
2007	161.08	148.76	317.68	295.17
2008	158.09	147.08	333.05	308.71

Net distribution

Year to 30 November	Income shares pence per share	Accumulation shares pence per share
2004	10.80	17.00
2005	9.30	16.97
2006	8.80	16.81
2007	8.80	17.72
2008	8.80	18.58

Net asset value, share price range, net distribution, share prices and total expense ratio

Share prices at 30 November 2008

	<i>Bid price pence per share</i>	<i>Offer price pence per share</i>
Income shares	153.66	154.28
Accumulation shares	331.73	333.05

The share prices are published in the *Financial Times*, *The Church Times*, and on the Manager's website at www.ccla.co.uk.

The bid and offer prices are calculated on the net asset value minus or plus a 0.20% deduction or surcharge.

Total expense ratio

	<i>30.11.2008</i>	<i>30.11.2007</i>
Total expense ratio	0.29%	0.28%

The total expense ratio is the ratio of the Fund's total operating costs to its average net assets calculated over the year.

Statement of total return

for the year ended 30 November 2008

	Notes	30.11.2008		30.11.2007	
		£'000	£'000	£'000	£'000
Net losses on investments during the year	2		(27)		(3,164)
Income	3	4,243		4,585	
Expenses	4	<u>(206)</u>		<u>(209)</u>	
Net income for the year			<u>4,037</u>		<u>4,376</u>
Total return before distributions			4,010		1,212
Finance costs: distributions	6		(4,171)		(4,256)
Change in net assets attributable to shareholders			<u>(161)</u>		<u>(3,044)</u>

Statement of change in shareholders' net assets

for the year ended 30 November 2008

	30.11.2008		30.11.2007	
	£'000	£'000	£'000	£'000
Net assets at start of the year		73,571		79,690
Movement due to creations and cancellations of shares				
Amounts receivable on creation of shares		3,303	2,026	
Less: amounts payable on cancellation of shares		(3,876)	(5,177)	(3,151)
		(573)		
Change in net assets attributable to shareholders		(161)		(3,044)
Retained distribution on accumulation shares		76		76
Net assets at end of the year		<u>72,913</u>		<u>73,571</u>

The notes on pages 17 to 24 form part of these accounts.

Portfolio statement

at 30 November 2008

	<i>Holding</i>	<i>Bid value £'000</i>	<i>% Fund</i>
Government Bonds 65.19% (30.11.07, 79.86%)			
Treasury 5.75% Stock 2009	300,000	312	0.43
Treasury 6.25% Stock 2010	3,000,000	3,238	4.44
Conversion 9% Stock 2011	5,580,000	6,456	8.85
Treasury 5% Stock 2012	310,000	329	0.45
Treasury 8% Stock 2013	4,350,000	5,253	7.20
Treasury 8% Stock 2015	3,910,000	4,923	6.75
Treasury 8.75% Stock 2017	585,000	795	1.09
Treasury 8% Stock 2021	1,280,000	1,771	2.43
Treasury 5% Stock 2025	425,000	452	0.62
Treasury 6% Stock 2028	8,665,000	10,393	14.25
Treasury 4.25% Stock 2036	2,100,000	2,092	2.87
Treasury 4.75% Stock 2038	8,000,000	8,866	12.16
Treasury 4.5% Stock 2042	2,510,000	2,662	3.65
Debenture Stocks 2.20% (30.11.07, 2.16%)			
Monks Investment Trust 11% Debenture Stock 2012	250,000	311	0.43
British Sugar 10.75% Debenture Stock 2013	500,000	623	0.85
BAA Lynton 10.25% Debenture Stock 2017	500,000	671	0.92
Credit 25.97% (30.11.07, 14.59%)			
EIB 9.5% Bond 2009	450,000	482	0.66
Barclays 12% Bond 2010	1,000,000	1,128	1.55
BMW 6.375% Bond 2010	1,020,000	991	1.36
Marks & Spencer 6.375% Bond 2011	800,000	740	1.01
ICO 4.625% Bond 2012	1,080,000	1,102	1.51
Network Rail 4.875% Bond 2012	1,350,000	1,383	1.90
Blue Circle 10.75% Bond 2013	830,000	850	1.17
Royal Bank of Scotland 10.5% Bond 2013	1,000,000	1,092	1.50
Wal-Mart 4.75% Bond 2013	645,000	647	0.89
Abbey National 7.5% Bond 2015	730,000	629	0.86
Bank of Scotland 10.25% Bond 2015	600,000	553	0.76
Lloyds TSB 6.625% Bond 2015	730,000	720	0.99
NatWest 7.875% Bond 2015	580,000	589	0.81

Portfolio statement

at 30 November 2008

	<i> Holding</i>	<i> Bid value £'000</i>	<i> % Fund</i>
Aviva 9.5% Bond 2016	745,000	850	1.17
Centrica 5.5% Bond 2016	750,000	676	0.93
EIB 8.75% Bond 2017	1,000,000	1,310	1.80
Bank of Scotland 10.5% Bond 2018	350,000	387	0.53
Telefonica 5.375% Bond 2018	845,000	691	0.95
British Telecom 8.625% Bond 2020	645,000	614	0.84
McDonald's 6.375% Bond 2020	700,000	711	0.97
Atlantia 6.25% Bond 2022	800,000	756	1.04
Network Rail 4.75% Bond 2024	530,000	515	0.71
GlaxoSmithKline 5.25% Bond 2033	760,000	641	0.88
NatWest 11.5% Perpetual	750,000	863	1.18
Preference Shares 2.33% (30.11.07, 0.00%)			
Abbey 8.625% Preference Shares	700,000	674	0.92
General Accident 7.875% Preference Shares	460,000	445	0.61
Natwest 9% Preference Shares	700,000	585	0.80
PORTFOLIO OF INVESTMENTS		<u>69,771</u>	<u>95.69</u>
NET OTHER ASSETS		3,142	4.31
NET ASSETS		<u><u>72,913</u></u>	<u><u>100.00</u></u>

Balance sheet

at 30 November 2008

	Notes	30.11.2008		30.11.2007	
		£'000	£'000	£'000	£'000
ASSETS					
Portfolio of investments			69,771		71,079
Debtors	7	1,710		1,803	
Cash and bank balances	8	<u>2,463</u>		<u>1,729</u>	
Total other assets			<u>4,173</u>		<u>3,532</u>
Total assets			73,944		74,611
LIABILITIES					
Creditors	9	10		8	
Distribution payable on income shares		<u>1,021</u>		<u>1,032</u>	
Total liabilities			1,031		1,040
Net assets attributable to shareholders			<u>72,913</u>		<u>73,571</u>
Approved on behalf of the Trustee 27 January 2009			R Broadhurst, <i>Chairman</i> CBF Funds Trustee Limited		

The notes on pages 17 to 24 form part of these accounts.

Summary of material portfolio changes

for the year ended 30 November 2008

	<i>Cost</i> <i>£'000</i>
Total purchases for the period (note 14)	27,337
Purchases:	
Treasury 4.5% Stock 2042	4,610
Treasury 6.25% Stock 2010	3,674
Treasury 8% Stock 2013	1,990
Conversion 9% Stock 2011	1,811
Network Rail 4.875% Bond 2012	1,344
ICO 4.625% Bond 2012	1,071
BMW 6.375% Bond 2010	1,037
Treasury 5.75% Stock 2009	1,023
Atlantia 6.25% Bond 2022	793
M & S 6.375% Bond 2011	790
Telefonica 5.375% Bond 2018	781
Lloyds TSB 6.625% Bond 2015	748
British Telecom 8.625% Bond 2020	747
Abbey National 7.5% Bond 2015	737
Abbey 8.625% Preference Shares	720
McDonald's 6.375% Bond 2020	719
Centrica 5.5% Bond 2016	708
GlaxoSmithKline 5.25% Bond 2033	699
Natwest 9% Preference Shares	674
NatWest 7.875% Bond 2015	631
	<i>Proceeds</i> <i>£'000</i>
Total sales for the period (note 14)	25,083
Sales/maturities:	
Conversion 9% Stock 2011	5,043
Treasury 5% Stock 2008	4,984
Treasury 8% Stock 2021	2,727
Treasury 4.75% Stock 2038	2,485
Treasury 4.5% Stock 2042	2,176
Treasury 6.25% Stock 2010	1,986
Treasury 5.75% Stock 2009	1,866
Treasury 8% Stock 2015	1,760
Treasury 8% Stock 2013	1,502
Treasury 8.75% Stock 2017	302
Treasury 6% Stock 2028	252

The above represents the 20 largest purchases, and total sales aggregated per investment during the year.

Notes to the accounts

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 the 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 Government stocks, debentures, convertible loan stocks, other fixed interest stocks, bank and The CBF Church of England Deposit Fund balances is accrued on a daily basis.

With effect from 1 December 2007, income on debt securities has been accounted for on an effective yield basis. Prior to this, income on debt securities was calculated on an accrual of coupon basis. In accordance with paragraph 1.15 of the IMA SORP 2005, the Fund has not restated comparative information to reflect this change in accounting policy. If comparative information had been restated the main adjustments required would be to decrease income on debt securities with a corresponding increase in net gains on investments. There would be no overall net impact on the total return before distributions or on the net assets of the Fund.

(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 0.22% p.a. plus VAT, less a management fee rebate for the Fund's deposits in The CBF Church of England Deposit Fund. Each month, the value at the end of the previous month is taken to calculate the fee due. This fee covers the provision of investment services and other expenses incurred by the Manager. Audit, legal, safe custody fees and transaction charges, insurance and monitoring fee are charged separately to the income of the Fund before distribution.

(d) Distributions

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

It is the Fund's policy to calculate the distribution based on the income on debt securities which is computed as the higher of the amount determined on an accrual of coupon basis and an effective yield basis. The Fund has therefore adopted a distribution policy that follows the coupon basis for recognising income. A reconciliation of the net distribution to the net income of the Fund as reported in the Statement of Total Return is shown in note 6.

Notes to the accounts

(e) Basis of valuation

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

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

2. Net losses on investments

30.11.2008
£'000

30.11.2007
£'000

The net losses on investments during the year comprise:

Non-derivative securities

(27)

(3,164)

3. Gross Income

30.11.2008
£'000
4,102

30.11.2007
£'000
4,465

Interest on debt securities

Interest on The CBF Church of England

Deposit Fund

Bank interest

Other interest

125

16

-

4,243

88

28

4

4,585

Notes to the accounts

4. Expenses

	30.11.2008 £'000	30.11.2007 £'000
Payable to the Manager, associates of the Manager and agents of either of them:		
Manager's periodic charge – see note 1(c)	187	189
Manager's periodic charge rebate – see note 1(c)*	(6)	(5)
	<u>181</u>	<u>184</u>
Payable to the Trustee, associates of the Trustee and agents of either of them:		
Safe custody fees and transaction charges	6	5
Monitoring fee	9	11
	<u>15</u>	<u>16</u>
Other expenses:		
Insurance	1	1
Audit fee	9	7
Other expenses	-	1
	<u>10</u>	<u>9</u>
Total expenses	<u>206</u>	<u>209</u>

The above expenses include VAT where applicable.

* This amount represents the rebate of management fees credited to the Fund's income for the Fund's deposit in The CBF Church of England Deposit Fund where management fees are charged to income.

5. Taxation

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

Distributions are paid and reinvested income credited gross to shareholders on the basis that all recoverable UK taxation has been reclaimed.

Notes to the accounts

6. Finance costs

Distributions

Distributions take account of income received on the creation of shares and income deducted on the cancellation of shares, and comprise:

	30.11.2008	30.11.2007
	£'000	£'000
29 February – interim distribution	1,047	1,067
31 May – interim distribution	1,045	1,065
31 August – interim distribution	1,045	1,057
30 November – final distribution	1,042	1,050
	4,179	4,239
Add: income deducted on cancellation of shares	24	38
Deduct: income received on creation of shares	(32)	(21)
Net distribution for the year	4,171	4,256
Net income for the year	4,037	4,376
Amortisation under effective yield (FRS 26)	235	-
Transfer to income reserve – see note 10	(101)	(120)
Net distribution for the year	4,171	4,256

Details of the distribution per share are set out in the distribution table on page 25.

7. Debtors

	30.11.2008	30.11.2007
	£'000	£'000
Accrued income	1,710	1,803

8. Cash and bank balances

	30.11.2008	30.11.2007
	£'000	£'000
Cash in The CBF Church of England Deposit Fund	2,347	1,428
Cash at bank	116	301
	2,463	1,729

9. Creditors

	30.11.2008	30.11.2007
	£'000	£'000
Accrued expenses	10	8

Notes to the accounts

10. Income reserve

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

	30.11.2008	30.11.2007
	£'000	£'000
Income reserve at the start of the year	1,208	1,088
Transfer to income reserve	<u>101</u>	<u>120</u>
Income reserve at the end of the year	<u>1,309</u>	<u>1,208</u>

11. Financial instruments

Fair value

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

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

Market price risk

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

Currency risk

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

Notes to the accounts

Credit risk

The Fund's transactions in securities expose it to the risk that the counterparty will not deliver the investment for a purchase or the cash for a sale. To minimise this, the Fund only deals with an approved list of brokers maintained by the Manager.

Liquidity risk

Financial instruments held by the Fund, excluding short-term debtors and creditors, are made up of Sterling fixed interest securities and Sterling cash deposits. These assets are generally liquid and enable the Fund to meet the payment of any redemption of shares that shareholders may wish to make.

Interest rate risk

The Fund invests in fixed interest securities. The income 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 following the disposal or redemption of securities. The value of fixed interest securities may be affected by interest rate movements or the expectation of such movements in the future.

The interest rate risk profile of the Fund's financial assets and liabilities at 30 November 2008 was as set out below:

<i>Currency</i>	<i>Floating rate financial assets* £'000</i>	<i>Fixed rate financial assets £'000</i>	<i>Financial assets not carrying interest £'000</i>	<i>Total £'000</i>
Sterling	2,463	69,771	1,710	73,944

<i>Currency</i>	<i>Floating rate financial liabilities £'000</i>	<i>Fixed rate financial liabilities £'000</i>	<i>Financial liabilities not carrying interest £'000</i>	<i>Total £'000</i>
Sterling	-	-	1,031	1,031

Notes to the accounts

30 November 2007

	<i>Floating rate financial assets*</i> £'000	<i>Fixed rate financial assets</i> £'000	<i>Financial assets not carrying interest</i> £'000	<i>Total</i> £'000
Currency				
Sterling	1,729	71,079	1,803	74,611

	<i>Floating rate financial liabilities</i> £'000	<i>Fixed rate financial liabilities</i> £'000	<i>Financial liabilities not carrying interest</i> £'000	<i>Total</i> £'000
Currency				
Sterling	-	-	1,040	1,040

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

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

There were no derivatives held by the Fund at 30 November 2008 (30.11.2007, £nil).

The fixed rate element of the portfolio at 30 November 2008 is further analysed in the following table.

<i>Currency</i>	<i>Fixed rate financial assets</i> £'000	<i>Weighted average interest rate</i> %	<i>Weighted average period for which the rate is fixed</i> Years
Sterling	67,204	4.59	13.0
Sterling – undated	2,567	9.57	-

30 November 2007

	<i>Fixed rate financial assets</i> £'000	<i>Weighted average interest rate</i> %	<i>Weighted average period for which the rate is fixed</i> Years
Currency			
Sterling	69,838	4.90	12.6
Sterling – undated	1,241	6.85	-

Notes to the accounts

12. Commitments and contingent liabilities

There were no commitments or contingent liabilities at 30 November 2008 (30.11.2007, £nil).

13. 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 4. There were no outstanding balances due to the Manager at 30 November 2008 (30.11.2007, £nil). There were no other transactions entered into with the Manager during the year.

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 4. There were no outstanding balances due to CBFFT at 30 November 2008 (30.11.2007, £nil). There were no other transactions entered into with CBFFT during the year.

At 30 November 2008 a cash balance of £2,346,502 (30.11.2007, £1,427,690) was held in The CBF Church of England Deposit Fund.

14. Portfolio transaction costs

	30.11.2008	30.11.2007
	£'000	£'000
Analysis of total purchase costs:		
Purchases in period before transaction costs	27,334	9,495
Commissions	3	-
Total gross purchases	<u>27,337</u>	<u>9,495</u>
Analysis of total sale costs:		
Gross sales in period before transaction costs	25,083	12,065
Commissions	-	(1)
Total sales net of transaction costs	<u>25,083</u>	<u>12,064</u>

Distribution table

for the year ended 30 November 2008

<i>Period ended</i>	<i>Date paid/payable</i>	<i>Distributions paid/payable pence per share</i>	
		2008	2007
Income shares			
29 February 2008	30 April 2008	2.20	2.20
31 May 2008	31 July 2008	2.20	2.20
31 August 2008	31 October 2008	2.20	2.20
30 November 2008	30 January 2009	2.20	2.20
		<u>8.80</u>	<u>8.80</u>
		<i>Income accumulated pence per share</i>	
Accumulation shares			
29 February 2008		4.56	4.32
31 May 2008		4.62	4.45
31 August 2008		4.73	4.49
30 November 2008		4.67	4.46
		<u>18.58</u>	<u>17.72</u>

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 agree their terms of engagement;
- determine the rate of remuneration of the Trustee and the Manager in accordance with the Scheme 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;
- make distributions to investors holding income shares and make allocations to investors holding accumulation shares in proportion to their respective shares in the property of the Fund; and
- take all steps and execute all documents which are necessary to ensure that the purchases and sales of investments 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 year, together with a report on the operation of the Fund is also required. The accounts show the net asset value of the shares in the Fund as at the date to which the accounts are prepared, the amount of income per share, and the amount of income, if any, to be transferred to capital pursuant to paragraph 11 of the Schedule to the Measure. In preparing these accounts, the Trustee:

- selects suitable accounting policies that are appropriate for the Fund and applies them on a consistent basis;

Statement of Trustee and Manager responsibilities

- 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
Fixed Interest Securities 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

Investment Manager, Administrator and Registrar

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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

Company Secretary

J Fox

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

A Kemp

Banker and Monitoring Service

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The Northern Trust Company
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London E14 5NT

Solicitors

Farrer & Co LLP
66 Lincoln's Inn Fields
London WC2A 3LH

Independent Auditor

Ernst & Young LLP
1 More London Place
London SE1 2AF



CCLA INVESTMENT MANAGEMENT LIMITED **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

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 Deposit Fund is rated AAA/V1 by Fitch Ratings. This reflects the high credit quality of the portfolio and its low volatility.

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).

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