



for the Church of England

The CBF Church of England Fixed Interest Securities Fund

**Report and Accounts
Year ended 30 November 2010**

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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 Report and Accounts are available in large print and audio formats.

Report of the Trustee

for the year ended 30 November 2010

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 Fund's Benchmark is a weighted average of the Barclays Capital UK Government (Gilt) Index (80%) and the Barclays Capital Sterling Aggregate 100mm Non Gilt Index (20%) or equivalents.

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

Report of the Trustee

for the year ended 30 November 2010

Management Agreements. It meets quarterly 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.

R Broadhurst
Chairman
CBF Funds Trustee Limited
17 February 2011

Report of the Investment Manager

for the year ended 30 November 2010

Strategy

The Fund holds a broad range of sterling denominated securities issued by companies reflecting different sectors of the global economy, as well as, a number of UK gilt-edged securities. We currently have a bias towards higher rated corporate bonds and the overweight allocation relative to the Fund's benchmark has been retained. At the end of the reporting period the Fund's asset allocation weightings were gilt-edged securities/cash 70.5%, corporate bonds 28.9% and preference shares 0.6%. With deposit rates close to just half of one percent, the cash weighting has been kept to a minimal operating level.

Most economies at this time remain fragile and consequently gilt yields across the whole yield curve have remained at or close to historically low levels. It is our view that the UK economy will not return to a recessionary period in the near term and the strategy during this reporting period reflects that expectation. The average maturity of the portfolio assets has been shortened to protect the capital value of the Fund. This was achieved by selling the very longest dated gilts and increasing the asset allocation to securities maturing within five years. Over the year the Fund's average term to maturity was reduced by more than four years to 9.9 years, compared to the benchmark index of 13.2 years.

Performance

Over the year the Fund's portfolio holdings generated a total return of 4.31%. The Fund's composite benchmark, Barclays Capital UK Government (Gilt) Index (80%) and the Barclays

Capital Sterling Aggregate 100mm Non Gilt Index (20%), produced a total return of 5.22%.

Both gilts and corporate bonds generated positive returns, though there were significant differences in the level of returns. Lower rated securities produced returns in excess of 10% while short dated gilts returned only marginally higher levels than cash returns. The Fund's corporate bond portfolio achieved a higher return than gilts but our preference for stronger rated securities meant the overall return was less than the Barclays Sterling Aggregate index. The Fund's underperformance relative to its benchmark can be principally attributable to the Fund's shorter average life, the overweight allocation of shorter dated securities having a negative affect on overall returns. However, it is our expectation that shorter dated securities will fall less than medium and long dated securities as economic growth accelerates and bond investors demand higher yields.

The CBF Fixed Interest Securities Fund accumulation share price rose from 362.05p to 376.68p, or by 4.04%. The value of an income share fell from 158.62p to 156.09p at 30 November 2010, a capital return of -1.60%.

The annual distribution rate for the year remained unchanged at 8.80p per income share. The income yield at 30 November 2010 was 5.64%. The corresponding gross redemption yield, which is an estimate of the total return of the Fund over the long-term, after management expenses, was 2.64%. The Fund's income and gross redemption yields are not guaranteed and will change over time due

Report of the Investment Manager

for the year ended 30 November 2010

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.

The CBF Church of England UK Fixed Interest Securities Fund Annualised total capital and income return

To 30 November 2010	1 year %	5 years % p.a.	10 years % p.a.
<u>Performance against Benchmark and Market indices (before expenses)</u>			
CBF Fixed Interest Securities Fund	4.31	4.99	5.73
Composite Benchmark	5.22	4.95	5.47
BarCap £ Gilt Index	4.79	5.22	5.43
BarCap £ Agg 100 mm Non Gilt Index	6.85	3.79	5.58
<u>Performance after expenses</u>			
Income shares*	4.05	4.75	5.55
Accumulation shares*	4.04	4.69	5.50

*Net asset value to net asset value plus income reinvested.

Source: The Manager.

Market review

After cutting the official bank rate to half of one percent in March 2009, the Bank of England's Monetary Policy Committee (MPC) believed that the economy could not be rejuvenated by further interest rate cuts. The MPC then embarked on a Quantitative Easing programme (QE) with the aim to get money flowing around the economy; they purchased £200 billion of fixed interest securities, predominantly UK gilt-edged securities, over a period of just nine months. With the economy showing signs of recovery the MPC suspended QE in February 2010. The withdrawal of this major purchaser at a time of unprecedented gilt issuance, while

not a surprise, led to an immediate rise in yields; the gilt maturing in 50 years time rising from 4.20% to 4.60%, almost a five year high. Uncertainty of who would govern the UK after the May 2010 General Election also weighed on sentiment and during this time bonds issued by corporates notably outperformed gilt-edged securities. The yield difference, or spread, between Sterling corporate bonds and gilts fell from 194 to 139 basis points. An inconclusive election result saw the formation of a UK coalition government but its austerity measures and the high priority given to tackle the huge budget deficit was taken most positively.

Report of the Investment Manager

for the year ended 30 November 2010

This was in sharp contrast to austerity plans suggested by a few certain European countries. The belief that these governments could not solve their economic problems on their own resulted in certain countries government bond yields rising to levels well above those seen before European economic union in 1999. Greece became the first country to ask for help, with its Eurozone partners and the IMF providing bailout loans at a very penal rate but significantly below the rates in the international bond market. The huge multi billion euro rescue package was also anticipated to stop contagion spreading.

Concerns about the general economic policies within Europe as well as those in the US led to renewed expectations that further fiscal or monetary action may be required from governments and central banks. These worries caused German, US and UK government bond yields to fall; the yield on the 50 year gilt fell to 3.80%, while certain bond yields stayed high and corporate bond yield spreads widened to levels seen at the start of the year. The US Federal Reserve decided to implement a second round of quantitative easing while the European Central Bank continued to supply liquidity in the money markets. The UK MPC talked about additional QE but while the rate of inflation remained stubbornly above its target level the majority of committee members thought further QE was inappropriate. The announcement in the November Bank of England Inflation Report that inflation is likely to remain above target for the whole of 2011 was unexpected. Investor confidence weakened on the assumption that the MPC could not return

inflation to 2% in the medium term without having to raise the official bank rate and yields rose in response.

The European woes resurfaced towards the end of the reporting period which finally required the Irish government to seek financial aid from the IMF and Eurozone members, as well as, the ECB having to heavily support certain bond markets. This support was a relief and investor demand returned in favour of certain bonds which caused those yields to fall and US, German and UK to rise. The 50 year gilt yield closed at 4.20% and the corporate bond/gilt yield spread at 189 basis points.

Outlook

In recent weeks there have been a number of data releases which have been surprising and highlight the MPC's policy dilemma, with upside risks to inflation and downside risks to economic growth.

There are increasing claims that the Bank of England is losing its anti inflationary credibility reflecting the fact that inflation has persistently been above the target level, December's annual CPI inflation rate was 3.7%. The rate of CPI inflation is likely to exceed 4% during the first six months of 2011 and stay well above the 2% target level for the whole of 2011.

At the end of January, the first release of 2010 fourth quarter economic growth data revealed that the economy had shrunk by half a percentage point. Nevertheless, excluding the estimated impact of the very poor weather, GDP growth would have only been

Report of the Investment Manager

for the year ended 30 November 2010

flat, still substantially lower than the market forecast of +0.5%.

A very accommodative monetary stance is still appropriate for an economy which, even before the recent extreme weather conditions, was slowing. By the second quarter it should be clearer as to how the economy is coping. Providing strong economic growth re-establishes itself the first increase in the Bank of England's Official Bank Rate could occur late in 2011.

Once economic growth prospects improve we expect bond investors to demand higher yields. Bond prices are therefore expected to fall, with medium and long dated securities falling more than shorter dated securities.

C Peters
Investment Director
CCLA Investment Management Limited
17 February 2011

Top ten purchases and sales

	<i>Cost</i> £'000		<i>Proceeds</i> £'000
Purchases:		Sales:	
Treasury 6% Stock 2028	9,325	Treasury 4.5% Stock 2042	5,533
Treasury 8% Stock 2013	5,184	Treasury 4.25% Stock 2036	4,134
Treasury 8% Stock 2021	4,129	Treasury 4.25% Stock 2055	2,947
Conversion 9% Stock 2011	1,271	Treasury 4.75% Stock 2038	2,787
Treasury 8.75% Stock 2017	642	Conversion 9% Stock 2011	2,121
Telefonica 5.375% Bond 2018	541	Treasury 8% Stock 2015	1,831
EIB 8.75% Bond 2017	393	Treasury 4.25% Stock 2032	1,207
Treasury 8% Stock 2015	359	BMW 6.375% Bond 2010	1,020
		Barclays 12% Bond 2010	1,000
		Treasury 8% Stock 2021	939

Risk warning

The Fund's shares and the revenue 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 revenue is being paid at the expense of capital.

Report of the Independent Auditor

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 2010 which comprise the statement of total return, the statement of change in shareholders' net assets, the balance sheet, 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

Report of the Independent Auditor

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

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.

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 2010, and of the net revenue and the net losses on the scheme property of the Fund for the year then ended; and
- have been properly prepared in accordance with the Statement of Recommended Practice relating to Authorised Funds, The Church Funds Investment Measure, as amended, and the Trustee Act 2000.

Ernst & Young LLP
Registered Auditor
London
17 February 2011

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

Net asset value

<i>At</i>	<i>Net asset value</i>	<i>Income shares</i>		<i>Accumulation shares</i>	
		<i>Net asset value</i>	<i>Number of</i>	<i>Net asset value</i>	<i>Number of</i>
<i>30 November</i>	<i>£'000</i>	<i>pence per share</i>	<i>shares in issue</i>	<i>pence per share</i>	<i>shares in issue</i>
2008	72,913	153.97	46,433,601	332.39	433,386
2009	85,878	158.62	53,099,591	362.05	456,676
2010	81,527	156.09	50,710,682	376.68	630,126

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)

Share price range

<i>Year to</i>	<i>Income shares</i>		<i>Accumulation shares</i>	
	<i>Highest offer</i>	<i>Lowest bid</i>	<i>Highest offer</i>	<i>Lowest bid</i>
<i>30 November</i>	<i>pence per share</i>	<i>pence per share</i>	<i>pence per share</i>	<i>pence per share</i>
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
2009	161.50	150.57	362.77	325.02
2010	163.22	152.67	384.76	350.49

Net distribution

<i>Year to</i>	<i>Income shares</i>	<i>Accumulation shares</i>
<i>30 November</i>	<i>pence per share</i>	<i>pence per share</i>
2006	8.80	16.81
2007	8.80	17.72
2008	8.80	18.58
2009	8.80	19.36
2010	8.80	20.22

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

Share price at 30 November 2010

	<i>Bid price pence per share</i>	<i>Offer price pence per share</i>
Income shares	155.78	156.40
Accumulation shares	375.93	377.43

The share prices are published in the *Financial 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 0.2% deduction or surcharge respectively.

Total expense ratio

	30.11.2010	30.11.2009
Total expense ratio	0.30%	0.29%

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

Portfolio statement

at 30 November 2010

	<i> Holding</i>	<i> Bid value £'000</i>	<i> % Fund</i>		<i> Holding</i>	<i> Bid value £'000</i>	<i> % Fund</i>
Government Bonds 66.60%				Credit 27.14% (30.11.09, 27.55%)			
(30.11.09, 67.22%)				Marks and Spencer			
Conversion 9%				6.375% M&S			
Stock 2011	3,700,000	3,892	4.78	Bond 2011	800,000	828	1.02
Treasury 8%				Network Rail 4.875%			
Stock 2013	11,610,000	13,869	17.02	Bond 2012	1,350,000	1,415	1.74
Treasury 8%				ICO 4.625%			
Stock 2015	4,655,000	6,002	7.36	Bond 2012	1,080,000	1,090	1.34
Treasury 8.75%				Wal-Mart 4.75%			
Stock 2017	2,465,000	3,429	4.21	Bond 2013	645,000	689	0.85
Treasury 8%				Royal Bank of			
Stock 2021	5,175,000	7,331	9.00	Scotland 10.5%			
Treasury 6%				Bond 2013	1,000,000	1,110	1.36
Stock 2028	11,560,000	14,508	17.80	Blue Circle 10.75%			
Treasury 4.75%				Bond 2013	830,000	973	1.19
Stock 2038	3,850,000	4,193	5.15	E.ON 5.125%			
Treasury 4.5%				Bond 2014	150,000	163	0.20
Stock 2042	1,000,000	1,049	1.29	Scottish and Southern			
				Energy 5.75%			
Debenture Stocks 1.77% (30.11.09, 1.80%)				Bond 2014	650,000	708	0.87
Monks Investment				IFFIM 3.375%			
Trust 11% Debenture				Bond 2014	500,000	527	0.65
Stock 2012	250,000	280	0.34	Lloyds TSB 6.625%			
British Sugar				Bond 2015	730,000	763	0.94
10.75% Debenture				Natwest 7.875%			
Stock 2013	500,000	569	0.70	Bond 2015	580,000	627	0.77
BAA Lynton 10.25%				Aviva 9.5%			
Debenture				Bond 2016	745,000	943	1.16
Stock 2017	500,000	592	0.73	Centrica 5.5%			
				Bond 2016	750,000	825	1.01
				EIB 8.75%			
				Bond 2017	1,300,000	1,745	2.14

Portfolio statement

at 30 November 2010

	<i>Holding</i>	<i>Bid value £'000</i>	<i>% Fund</i>		<i>Holding</i>	<i>Bid value £'000</i>	<i>% Fund</i>
Telefonica 5.375%				Preference Shares 0.58% (30.11.09, 0.58%)			
Bond 2018	1,350,000	1,374	1.69	General Accident			
Bank of Scotland				7.875% Preference			
10.50% Bond 2018	350,000	426	0.52	Shares	460,000	476	0.58
McDonald's 6.375%							
Bond 2020	900,000	1,057	1.30	INVESTMENT ASSETS	<u>78,311</u>	<u>96.09</u>	
British Telecom				OTHER NET ASSETS	3,190	3.91	
8.625% Bond 2020	1,045,000	1,283	1.57				
Atlanta 6.25%				NET ASSETS	<u>81,501</u>	<u>100.00</u>	
Bond 2022	1,150,000	1,238	1.52				
Network Rail							
4.75% Bond 2024	530,000	561	0.69				
Statoilhydro 6.875%							
Bond 2031	600,000	731	0.90				
GlaxoSmithKline							
5.25% Bond 2033	1,060,000	1,070	1.31				
Pfizer 6.5%							
Bond 2038	650,000	761	0.93				
E.ON 6.75%							
Bond 2039	1,000,000	1,214	1.49				

Statement of total return

for the year ended 30 November 2010

	Notes	30.11.2010		30.11.2009	
		£'000	£'000	£'000	£'000
Income					
Net capital (losses)/gains	2		(732)		2,853
Revenue	3	4,152		4,261	
Expenses	4	(238)		(220)	
Net revenue			3,914		4,041
Total return before distributions			3,182		6,894
Finance costs: distributions	6		(4,634)		(4,481)
Change in net assets attributable to shareholders from investment activities			(1,452)		2,413

The notes on pages 18 to 25 form part of these accounts.

Statement of change in net assets attributable to shareholders

for the year ended 30 November 2010

	30.11.2010		30.11.2009	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		85,851		72,913
Amounts receivable on issue of shares	4,964		14,074	
Amounts payable on cancellation of shares	(7,972)		(3,637)	
		(3,008)		10,437
Change in net assets attributable to shareholders from investment activities		(1,452)		2,413
Retained distribution on accumulation shares		110		88
Closing net assets attributable to shareholders		81,501		85,851

The notes on pages 18 to 25 form part of these accounts.

Balance sheet

at 30 November 2010

		30.11.2010		30.11.2009	
	Notes	£'000	£'000	£'000	£'000
ASSETS					
Investment assets			78,311		83,401
Debtors	7	1,927		2,007	
Cash and bank balances	8	2,392		1,623	
Total other assets			4,319		3,630
Total assets			82,630		87,031
LIABILITIES					
Creditors	9	13		12	
Distribution payable on income shares		1,116		1,168	
Total liabilities			1,129		1,180
Net assets attributable to shareholders					
			81,501		85,851
Approved on behalf of the Trustee 17 February 2011				R Broadhurst, Chairman CBF Funds Trustee Ltd	

The notes on pages 18 to 25 form part of these accounts.

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 November 2008.

(b) Revenue 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. Revenue from fixed rate securities is recognised on an effective yield basis. Preference shares are recognised on an XD basis.

(c) Expenses

The Manager's periodic charge, paid to the Manager is charged to the revenue 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. A fee for ethical services is also charged by the Manager. Audit, legal, safe custody fees and transaction charges, insurance and monitoring fee are charged separately to the revenue of the Fund before distribution.

(d) Distributions

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

It is the Fund's policy to calculate the distribution based on the revenue 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 revenue. 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 capital (losses)/gains	30.11.2010	30.11.2009
The net capital (losses)/gains during the period comprise:	£'000	£'000
Non-derivative securities	(732)	2,853
	<u> </u>	<u> </u>
3. Revenue	30.11.2010	30.11.2009
	£'000	£'000
UK dividends	36	-
Interest on debt securities	4,103	4,218
Interest on the CBF Church of England:	-	-
Deposit Fund	11	43
Bank interest	2	-
	<u>4,152</u>	<u>4,261</u>
4. Expenses	30.11.2010	30.11.2009
Payable to the Manager, associates of the Manager and agents of either of them:	£'000	£'000
Manager's periodic charge – see note 1(c)	213	199
Manager's periodic charge rebate – see note 1(c)*	(5)	(6)
Manager's fee for ethical screening services	2	2
	<u>210</u>	<u>195</u>
Payable to the Trustee, associates of the Trustee and agents of either of them:		
Safe custody fees and transaction charges	7	8
Monitoring fee	9	8
	<u>16</u>	<u>16</u>

Notes to the accounts

	30.11.2010	30.11.2009
	£'000	£'000
Other expenses:		
Insurance	1	1
Audit fee	9	7
Legal fee	1	1
Other expenses	1	-
	<u>12</u>	<u>9</u>
Total expenses	<u>238</u>	<u>220</u>

The above expenses include VAT where applicable.

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

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 revenue credited gross to shareholders on the basis that all recoverable UK taxation has been reclaimed.

6. Finance costs

Distributions

Distributions, which are paid on the last working day of the month, take account of revenue received on the issue of shares and revenue deducted

on the cancellation of shares, and comprise:

	30.11.2010	30.11.2009
	£'000	£'000
28 February – interim distribution	1,187	1,075
31 May – interim distribution	1,147	1,151
31 August - interim distribution	1,142	1,154
30 November - final distribution	1,149	1,191
	<u>4,625</u>	<u>4,571</u>
Add: revenue deducted on cancellation of shares	13	29
Deduct: revenue received on issue of shares	(4)	(119)
Net distribution for the period	<u>4,634</u>	<u>4,481</u>

Notes to the accounts

	30.11.2010	30.11.2009
	£'000	£'000
Net revenue for the period	3,914	4,041
Transfer from/(to) income reserve – see note 10	59	(28)
Amortisation under effective yield (FRS 26)	661	468
Net distribution for the period	<u>4,634</u>	<u>4,481</u>

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

7. Debtors	30.11.2010	30.11.2009
	£'000	£'000
Accrued income	1,927	2,007
	<u>1,927</u>	<u>2,007</u>

8. Cash and bank balances	30.11.2010	30.11.2009
	£'000	£'000
Cash in The CBF Church of England Deposit Fund	2,284	1,580
Cash at bank	108	43
	<u>2,392</u>	<u>1,623</u>

9. Creditors	30.11.2010	30.11.2009
	£'000	£'000
Accrued expenses	13	12
	<u>13</u>	<u>12</u>

10. Income reserve

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

	30.11.2010	30.11.2009
	£'000	£'000
Income reserve at the start of the period	1,337	1,309
Transfer (from)/to income reserve	(59)	28
Income reserve at the end of the period	<u>1,278</u>	<u>1,337</u>

Notes to the accounts

11. Financial instruments

Fair share

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 year and the comparative year.

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, revenue and short-term debtors and creditors are denominated in Sterling.

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.

Notes to the accounts

Interest rate risk

The Fund invests in fixed interest securities. The revenue 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 profile of the Fund's financial assets and liabilities at 30 November 2010 was as set out below:

Currency	Floating rate financial assets* £'000	Fixed rate financial assets £'000	Financial assets not carrying interest £'000	Total £'000
Sterling	2,392	78,311	1,927	82,630

Currency	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000
Sterling	-	-	1,129	1,129

30 November 2009

Currency	Floating rate financial assets* £'000	Fixed rate financial assets £'000	Financial assets not carrying interest £'000	Total £'000
Sterling	1,623	83,401	2,007	87,031

Currency	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000
Sterling	-	-	1,180	1,180

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

Notes to the accounts

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 2010 (30.11.2009, £nil).

The fixed rate element of the portfolio at 30 November 2010 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	77,835	3.10	10.1
Sterling – undated	476	7.60	-

30 November 2009

<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	82,900	3.58	14.5
Sterling – undated	501	7.20	-

12. Commitments and contingent liabilities

There were no commitments or contingent liabilities at 30 November 2010 (30.11.2009, £nil).

13. Related party transactions

The Manager's periodic charge and professional fee for ethical services are paid to the Manager, a related party to the Fund. The amounts paid to the Manager are disclosed in note 4. There were no outstanding balances due to the Manager at 30 November 2010 (30.11.2009, £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 2010 (30.11.2009, £nil). There were no other transactions entered into with CBFFT during the year.

At 30 November 2010 a cash balance of £2,283,521 (30.11.2009, £1,580,350) was held in The CBF Church of England Deposit Fund.

Notes to the accounts

14. Portfolio transaction costs

	30.11.2010	30.11.2009
	£'000	£'000
Analysis of total purchase costs:		
Purchases in period before transaction costs	21,844	17,697
Commissions	-	1
Total Gross purchases	<u>21,844</u>	<u>17,698</u>
Analysis of total sales costs:		
Gross sales in period before transaction costs	23,070	9,673
Commissions	-	-
Total sales net of transaction costs	<u>23,070</u>	<u>9,673</u>

Distribution table

for the year ended 30 November 2010

<i>Period ended</i>	<i>Date paid/payable</i>	<i>Dividends paid/payable</i> <i>pence per share</i>	
Income shares		2010	2009
28 February 2010	30 April 2010	2.20	2.20
31 May 2010	30 July 2010	2.20	2.20
31 August 2010	29 October 2010	2.20	2.20
30 November 2010	31 January 2011	2.20	2.20
		<u>8.80</u>	<u>8.80</u>
		<i>Revenue accumulated</i> <i>pence per share</i>	
Accumulation shares		2010	2009
28 February 2010		4.88	4.58
31 May 2010		5.06	5.03
31 August 2010		5.12	4.82
30 November 2010		5.16	4.93
		<u>20.22</u>	<u>19.36</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:

- determine the criteria and methods for evaluating the performance of the Fund;
- appoint the Auditor of the Fund and agree their terms of engagements
- 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 revenue 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 year and year end valuation date. The net revenue 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 revenue per share, and the amount of revenue, 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;
- complies with the disclosure requirements of the Statement of Recommended Practice relating to Authorised Funds issued by the Investment Management Association (IMA) in November 2008;

Statement of Trustee and Manager responsibilities

- 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)

Rev E Carter

J Clunie *

L Farrall

G Pollard

S Steele

Rev Dr R Turnbull *

R Williams *

**Members of the Audit Committee*

Secretary

J Fox

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

Head of Ethical and Responsible Investment

H Wildsmith

Banker and Monitoring Service

The Royal Bank of Scotland plc

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Safe-Custody Agent

The Northern Trust Company

50 Bank Street, Canary Wharf

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. For more than 45 years, the CBF Church of England Funds have had a successful record.

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
- Working with the EIAG to reflect appropriately ethical values in your investments

Global Equity Income Fund

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

UK Equity Fund

- The only UK equity fund managed to reflect Church ethical values
- 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

- An attractive 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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