



for the Church of England

The CBF Church of England Fixed Interest Securities Fund

**Report and Accounts
Year ended 30 November 2009**

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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 2009

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 2009

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

22 February 2010

Report of the Investment Manager

for the year ended 30 November 2009

Strategy

It was our assessment that the introduction of QE would be supportive of bonds and in order that the Fund might benefit from a near term uplift in prices we extended the Fund's average term to maturity towards that of the gilt benchmark index of 14.4 years. This was partly achieved by reducing cash to a minimum level.

A number of changes were made within the corporate bond allocation; the weighting was initially increased on our expectation that the sector offered a unique opportunity. We were able to purchase bonds with varying maturities and very attractive yields. These purchases have helped maintain the Fund's income generation and should also enable superior total returns relative to a portfolio of conventional UK gilt-edged securities. Given the uncertainties within the banking sector and the possibilities of deferred coupon payments the Fund's exposure to this sector was reduced.

Of particular note was the Fund's participation in the inaugural sterling bond issue of the International Finance Facility for Immunisation (IFFIm). IFFIm is a UK registered charity established to accelerate the funding of the immunisation and vaccine programmes of GAVI (formerly the Global Alliance for Vaccines and Immunisation). This five year government guaranteed bond fitted well into the Fund's fixed interest strategy while also supporting this worthy humanitarian programme.

Performance

In the first half of the reporting period we took advantage of a number of attractive new issues and increased the Fund's corporate bond weighting from the strategically low level adopted during 2008. This asset class subsequently performed strongly and thereby contributed to the Fund's strong performance over 2009. The Fund's asset allocation at 30 November 2009 was gilt-edged securities/cash 70.0%, corporate bonds 29.4% and preference shares 0.6%.

The CBF Church of England Fixed Interest Securities Fund

Total capital and income return

To 30 November 2009	1 year %	5 years % p.a.	10 years % p.a.
<u>Performance against market indices (before expenses)</u>			
CBF Fixed Interest Securities Fund	+9.20	+ 5.58	+6.14
FTSE UK Govt All Stocks Index	+6.78	+ 5.70	+5.65
<u>Performance after expenses</u>			
Income shares*	+8.98	+ 5.36	+5.96
Accumulation shares*	+8.92	+ 5.29	+5.91

* Net asset value to net asset value plus income reinvested

Source: The Manager

Report of the Investment Manager

for the year ended 30 November 2009

Fixed interest markets have in the main produced positive capital and total returns. In fact it was an incredible year for the corporate bond market, driven by an extraordinary rally that started at the end of March 2009. All of the major corporate bond sectors, with the exception of the subordinated financial bonds, performed strongly. The Barclays Capital corporate bond total return index rose by 16.31%. These impressive returns were not replicated by gilt-edged securities, the FTSE UK Government All Stock total return index rose by 6.78%.

Over the period, the value of an accumulation share rose from 332.39p to 362.05p, or by 8.92%. The value of an income share rose from 153.97p to 158.62p at 30 November 2009, giving a capital return of 3.02%.

Distribution

The annual distribution rate for the year remained unchanged at 8.80p per income share. The income yield at 30 November 2009 was 5.55%. The corresponding gross redemption yield, which is an estimate of the total return of the Fund over the long-term, after management expenses, was 3.18%.

Market Review

The past twelve months have been very volatile for fixed interest securities; the yield on the longest dated gilt fell to a low of 3.6% in early January, reached a high of 4.6%

in June and finished the period at 4.0%. During this time the UK economy was, like many others, in recession but as a result of concerted intervention by the Bank of England and other central banks there are now signs of recovery. Although the UK economy remained in recession for the whole of this period the rate of decline slowed, the housing market stabilised and economic data improved towards the year end.

In the UK, the Bank of England's Monetary Policy Committee (MPC), which began a series of aggressive rate cuts towards the end of 2008, reduced the official bank rate in March 2009 to a historical low of just 0.5%. No further interest rate cuts materialised as the MPC believed that a further reduction would probably be insufficient to bring the rate of inflation in line with the target level and could actually have negative consequences.

Alternative monetary policy tools were then agreed with the Chancellor including quantitative easing measures (QE). This unconventional policy began in March and has seen the Bank of England (BoE) buying UK gilt-edged securities on a vast scale, as well as a small amount of corporate bonds. The purpose of QE has been to initiate an increase in the money supply, help restore economic growth and re-establish confidence within the financial market. This unprecedented support from the central bank immediately

Report of the Investment Manager

for the year ended 30 November 2009

achieved the latter intention; corporate bonds benefited hugely as investors concluded that this was a positive development. This change of stance led to an extraordinary rally in most corporate bond sectors during the second half of the reporting period. Non-financial bonds, particularly those in the utility, telecom and pharmaceutical sectors, fared well. The best performance came from the riskier high-yield bonds, those below investment grade which had suffered more in earlier periods. However, it was not all plain sailing; a number of bonds issued by banks that required government help during the financial crisis underperformed on fear that coupon payments could be deferred for a period of time.

This strong corporate performance relative to gilts meant that the yield difference between them narrowed from the exceptionally wide point of 450 basis points to 191 basis points, though this is still higher than the long term historical average of about 90 basis points.

Benchmark

Since its launch in 1977, the CBF Church of England Fixed Interest Securities Fund has been compared with the WM Universe (UK bonds) benchmark. We are keen to improve our client reporting by making it timelier and more frequent, and unfortunately the WM Universe results are only published quarterly and many weeks after the end of the quarter.

The CBF Funds Trustees have therefore decided to change the Fund's benchmark to a customised benchmark based on market indices with effect from 1 March 2010. The new benchmark is a weighted average of the Barclays Capital UK Government (Gilt) Index (80%) and the Barclays Capital Sterling Aggregate 100MM Bond Index (20%), or equivalents. The performance of this customised benchmark is available daily. The long term historic performance of the new benchmark is very similar to that of the WM Universe and therefore in keeping with client expectations. In particular, during the 18 years from 1991 to 2008 the customised benchmark achieved an annualised total return of 8.72%, compared with 8.64% for the current benchmark.

Outlook

The BoE forecasted GDP growth rising back to over 3% by the end of 2010 and into 2011 – much in line with the UK Treasury's forecast. Many commentators have expressed these numbers as optimistic. Key to any decision on further QE will be the MPC's assessment of whether the economic recovery is on track. The data so far released for the fourth quarter tentatively suggest that a weak recovery should have got under way. QE in which the government is acting as both a seller of new gilts and a buyer of existing stock, is likely to finish during 2010. Therefore, in a matter of months the gilt market will be the principle source of the government's borrowing needs. This development is likely to lead to lower prices, and higher yields. The increase in yields,

Report of the Investment Manager

for the year ended 30 November 2009

which will inevitably prompt a generalised rise in borrowing costs and hamper growth, will depend on the credibility of the government's fiscal plans. The gilt market will become increasingly focused on the opinion polls running up to the General Election and the possible make up of the next government. The probability of a strong majority for the winning party should contain the increase in gilt yields as such a majority should hopefully produce a government that will deal with the soaring government debt. However a hung parliament would probably have the opposite

effect, adding to the upward pressure on bond yield; not least because such an outcome would be deemed to raise the possibility that the UK's 'Triple A' sovereign rating will come under threat.

C Peters
Investment Director
CCLA Investment Management Limited

22 February 2010

Top ten changes in portfolio composition

	<i>Cost</i> <i>£'000</i>		<i>Proceeds</i> <i>£'000</i>
Purchases:		Sales:	
Treasury 4.5% Stock 2042	5,342	Treasury 6% Stock 2028	6,098
Treasury 8% Stock 2013	4,163	Conversion 9% Stock 2011	3,947
Treasury 4.25% Stock 2055	3,023	Treasury 6.25% Stock 2010	2,775
Conversion 9% Stock 2011	2,798	Treasury 4.75% Stock 2038	1,528
Treasury 8% Stock 2021	2,601	Treasury 4.5% Stock 2042	1,006
Treasury 8.75% Stock 2017	2,530	Abbey 7.5% Bond 2015	633
Treasury 8% Stock 2015	2,479	Abbey 8.625% Preference Shares	624
Treasury 4.25% Stock 2036	2,152	Natwest 11.5% Perpetual	589
Treasury 4.25% Stock 2032	1,254	Bank of Scotland 10.25% Bond 2015	585
E.ON 2039 6.75% Bond 2039	948	Natwest 9% Preference Shares	549

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 2009 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.

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

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.

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 2009, and of the net revenue and the net gains 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

22 February 2010

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 price and total expense ratio

Net asset value

<i>At 30 November</i>	<i>Net asset value £'000</i>	<i>Income shares</i>		<i>Accumulation shares</i>	
		<i>Net asset value pence per share</i>	<i>Number of shares in issue</i>	<i>Net asset value pence per share</i>	<i>Number of shares in issue</i>
2007	73,553	154.12	46,906,124	314.50	401,152
2008	72,913	153.97	46,433,601	332.39	433,386
2009	85,878	158.62	53,099,591	362.05	456,676

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 November 2008.

Share price range

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

Net distribution

<i>Year to 30 November</i>	<i>Income shares pence per share</i>	<i>Accumulation shares pence per share</i>
2005	9.30	16.97
2006	8.80	16.81
2007	8.80	17.72
2008	8.80	18.58
2009	8.80	19.36

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

Share price at 30 November 2009

	<i>Bid price pence per share</i>	<i>Offer price pence per share</i>
Income shares	158.30	158.94
Accumulation shares	361.33	362.77

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 0.20% deduction or surcharge.

Total expense ratio

	30.11.2009	30.11.2008
Total expense ratio	0.29%	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 2009

	<i> Holding</i>	<i> Bid value £'000</i>	<i> % Fund</i>
Government Bonds 67.22% (30.11.08, 65.19%)			
Treasury 6.25% Stock 2010	400,000	422	0.49
Conversion 9% Stock 2011	4,550,000	5,139	5.99
Treasury 8% Stock 2013	7,780,000	9,457	11.01
Treasury 8% Stock 2015	5,840,000	7,483	8.72
Treasury 8.75% Stock 2017	2,430,000	3,357	3.91
Treasury 8% Stock 2021	2,820,000	3,963	4.62
Treasury 6% Stock 2028	3,760,000	4,744	5.53
Treasury 4.25% Stock 2032	1,250,000	1,282	1.49
Treasury 4.25% Stock 2036	4,250,000	4,337	5.05
Treasury 4.75% Stock 2038	6,550,000	7,285	8.49
Treasury 4.5% Stock 2042	6,500,000	7,002	8.16
Treasury 4.25% Stock 2055	3,070,000	3,227	3.76
Debenture Stocks 1.80% (30.11.08, 2.20%)			
Monks Investment Trust 11% Debenture Stock 2012	250,000	294	0.34
British Sugar 10.75% Debenture Stock 2013	500,000	632	0.74
BAA Lynton 10.25% Debenture Stock 2017	500,000	615	0.72
Credit 27.55% (30.11.08, 25.97%)			
EIB 9.5% Bond 2009	450,000	451	0.51
Barclays 12% Bond 2010	1,000,000	1,069	1.24
BMW 6.375% Bond 2010	1,020,000	1,046	1.22
Marks & Spencer 6.375% Bond 2011	800,000	850	0.99
ICO 4.625% Bond 2012	1,080,000	1,146	1.33
Network Rail 4.875% Bond 2012	1,350,000	1,442	1.68
Royal Bank of Scotland 10.5% Bond 2013	1,000,000	1,103	1.28
Blue Circle 10.75% Bond 2013	830,000	1,001	1.17
Wal-Mart 4.75% Bond 2013	645,000	683	0.80
IFFIM 3.375% Bond 2014	500,000	508	0.59
E.ON 5.125% Bond 2014	150,000	159	0.18
Scottish & Southern Energy 5.75% Bond 2014	650,000	689	0.80
Lloyds TSB 6.625% Bond 2015	730,000	737	0.86
NatWest 7.875% Bond 2015	580,000	600	0.70
Centrica 5.5% Bond 2016	750,000	788	0.92

Portfolio statement

at 30 November 2009

	<i> Holding</i>	<i> Bid value £'000</i>	<i> % Fund</i>
Aviva 9.5% Bond 2016	745,000	902	1.05
EIB 8.75% Bond 2017	1,000,000	1,329	1.55
Bank of Scotland 10.50% Bond 2018	350,000	404	0.47
Telefonica 5.375% Bond 2018	845,000	880	1.03
McDonald's 6.375% Bond 2020	900,000	1,025	1.19
British Telecom 8.625% Bond 2020	1,045,000	1,219	1.42
Atlantia 6.25% Bond 2022	1,150,000	1,251	1.46
Network Rail 4.75% Bond 2024	530,000	547	0.64
Statoilhydro 6.875% Bond 2031	600,000	740	0.86
GlaxoSmithkine 5.25% Bond 2033	1,060,000	1,089	1.27
Pfizer 6.5% Bond 2038	650,000	771	0.90
E.ON 6.75% Bond 2039	1,000,000	1,232	1.44
Preference Shares 0.58% (30.11.08, 2.33%)			
General Accident 7.875% Preference Shares	460,000	501	0.58
INVESTMENT ASSETS		<u>83,401</u>	<u>97.15</u>
NET OTHER ASSETS		2,450	2.85
NET ASSETS		<u><u>85,851</u></u>	<u><u>100.00</u></u>

The above portfolio statement includes 2.4% invested in unrated securities and none invested in securities that are below investment grade.

Statement of total return

for the year ended 30 November 2009

	Notes	30.11.2009		30.11.2008	
		£'000	£'000	£'000	£'000
Income					
Net capital gains/(losses)	2		2,853		(27)
Revenue	3	4,261		4,243	
Expenses	4	(220)		(206)	
Net revenue before taxation			<u>4,041</u>		<u>4,037</u>
Total return before distributions			6,894		4,010
Finance costs: distributions	6		<u>(4,481)</u>		<u>(4,171)</u>
Change in net assets attributable to shareholders from investment activities			<u>2,413</u>		<u>(161)</u>

The notes on pages 16 to 23 form part of these accounts.

Statement of change in net assets attributable to shareholders

for the year ended 30 November 2009

	30.11.2009		30.11.2008	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		72,913		73,571
Amounts receivable on issue of shares	14,074		3,303	
Amounts payable on cancellation of shares	(3,637)		(3,876)	
		10,437		(573)
Change in net assets attributable to shareholders from investment activities		2,413		(161)
Retained distribution on accumulation shares		88		76
Closing net assets attributable to shareholders		<u>85,851</u>		<u>72,913</u>

Balance sheet

at 30 November 2009

	Notes	30.11.2009		30.11.2008	
		£'000	£'000	£'000	£'000
ASSETS					
Investment assets			83,401		69,771
Debtors	7	2,007		1,710	
Cash and bank balances	8	1,623		<u>2,463</u>	
Total other assets			3,630		<u>4,173</u>
Total assets			87,031		73,944
LIABILITIES					
Creditors	9	12		10	
Distribution payable on income shares		1,168		<u>1,021</u>	
Total liabilities			1,180		1,031
Net assets attributable to shareholders			85,851		<u>72,913</u>
Approved on behalf of the Trustee 22 February 2010			R Broadhurst, <i>Chairman</i> CBF Funds Trustee Limited		

The notes on pages 16 to 23 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.

Previously the requirements of the SORP issued by the IMA in December 2005 had been applied. There was no change to either the total return or net assets attributable to shareholders as presented in the preceding year.

(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.

(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 gains/(losses)	30.11.2009	30.11.2008
	£'000	£'000
The net capital gains/(losses) during the year comprise:		
Non-derivative securities	<u>2,853</u>	<u>(27)</u>
3. Revenue	30.11.2009	30.11.2008
	£'000	£'000
Interest on debt securities	4,218	4,102
Interest on The CBF Church of England		
Deposit Fund	43	125
Bank interest	-	16
	<u>4,261</u>	<u>4,243</u>

Notes to the accounts

4. Expenses	30.11.2009	30.11.2008
	£'000	£'000
Payable to the Manager, associates of the Manager and agents of either of them:		
Manager's periodic charge – see note 1(c)	199	187
Manager's periodic charge rebate – see note 1(c)*	(6)	(6)
Manager's fee for ethical services	2	-
	<u>195</u>	<u>181</u>
Payable to the Trustee, associates of the Trustee and agents of either of them:		
Safe custody fees and transaction charges	8	6
Monitoring fee	8	9
	<u>16</u>	<u>15</u>
Other expenses:		
Insurance	1	1
Audit fee	7	9
Legal fee	1	-
	<u>9</u>	<u>10</u>
Total expenses	<u>220</u>	<u>206</u>

The above expenses include VAT where applicable.

* This amount represents the rebate of management fees credited to the Fund's revenue for the Fund's deposit 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.

Notes to the accounts

6. Finance costs

Distributions

Distributions take account of revenue received on the issue of shares and revenue deducted on the cancellation of shares, and comprise:

	30.11.2009	<i>30.11.2008</i>
	£'000	<i>£'000</i>
28 February – interim distribution	1,075	1,047
31 May – interim distribution	1,151	1,045
31 August – interim distribution	1,154	1,045
30 November – final distribution	1,191	1,042
	<u>4,571</u>	<u>4,179</u>
Add: revenue deducted on cancellation of shares	29	24
Deduct: revenue received on issue of shares	(119)	(32)
Net distribution for the year	<u>4,481</u>	<u>4,171</u>
Net revenue for the year	4,041	4,037
Amortisation under effective yield (FRS 26)	468	235
Transfer to income reserve – see note 10	(28)	(101)
Net distribution for the year	<u>4,481</u>	<u>4,171</u>

Details of the distribution per share are set out in the distribution table on page 24.

7. Debtors

	30.11.2009	<i>30.11.2008</i>
	£'000	<i>£'000</i>
Accrued revenue	<u>2,007</u>	<u>1,710</u>

8. Cash and bank balances

	30.11.2009	<i>30.11.2008</i>
	£'000	<i>£'000</i>
Cash in The CBF Church of England Deposit Fund	1,580	2,347
Cash at bank	43	116
	<u>1,623</u>	<u>2,463</u>

Notes to the accounts

9. Creditors

	30.11.2009	<i>30.11.2008</i>
	£'000	<i>£'000</i>
Accrued expenses	<u>12</u>	<i><u>10</u></i>

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.

	30.11.2009	<i>30.11.2008</i>
	£'000	<i>£'000</i>
Income reserve at the start of the year	<u>1,309</u>	<i>1,208</i>
Transfer to income reserve	<u>28</u>	<i>101</i>
Income reserve at the end of the year	<u><u>1,337</u></u>	<i><u><u>1,309</u></u></i>

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 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.

Notes to the accounts

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.

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 2009 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	1,623	83,401	2,007	87,031

<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	-	-	1,180	1,180

Notes to the accounts

30 November 2008

<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

* 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 2009 (30.11.2008, £nil).

The fixed rate element of the portfolio at 30 November 2009 is further analysed in the following table.

<i>Currency</i>	<i>Fixed rate financial assets £'000</i>	<i>Weighted average interest rate %</i>	<i>Weighted average period for which the rate is fixed Years</i>
Sterling	82,900	3.58	14.5
Sterling – undated	501	7.20	-

30 November 2008

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

Notes to the accounts

12. Commitments and contingent liabilities

There were no commitments or contingent liabilities at 30 November 2009 (30.11.2008, £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 2009 (30.11.2008, £nil). There were no other transactions entered into with the Manager during the year.

CBFFFT, 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 CBFFFT at 30 November 2009 (30.11.2008, £nil). There were no other transactions entered into with CBFFFT during the year.

At 30 November 2009 a cash balance of £1,580,530 (30.11.2008, £2,346,502) was held in The CBF Church of England Deposit Fund.

14. Portfolio transaction costs

	30.11.2009	<i>30.11.2008</i>
	£'000	<i>£'000</i>
Analysis of total purchase costs:		
Purchases in year before transaction costs	17,697	27,334
Commissions	1	3
Total gross purchases	<u>17,698</u>	<u>27,337</u>
Analysis of total sale costs:		
Gross sales in year before transaction costs	9,673	25,083
Commissions	-	-
Total sales net of transaction costs	<u>9,673</u>	<u>25,083</u>

Distribution table

for the year ended 30 November 2009

<i>Period ended</i>	<i>Date paid/payable</i>	<i>Distributions paid/payable pence per share</i>	
		2009	<i>2008</i>
Income shares			
28 February 2009	30 April 2009	2.20	2.20
31 May 2009	31 July 2009	2.20	2.20
31 August 2009	30 October 2009	2.20	2.20
30 November 2009	29 January 2010	2.20	2.20
		<u>8.80</u>	<u>8.80</u>
		<i>Revenue accumulated pence per share</i>	
		2009	<i>2008</i>
Accumulation shares			
28 February 2009		4.58	4.56
31 May 2009		5.03	4.62
31 August 2009		4.82	4.73
30 November 2009		4.93	4.67
		<u>19.36</u>	<u>18.58</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 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:

Statement of Trustee and Manager responsibilities

- 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;
- 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)

E Carter (appointed 1.2.10)

J Clunie *

L Farrall

N Pearson (resigned 14.10.09)

G Pollard (appointed 1.2.10)

S Steele

Rev Dr R Turnbull *

R Williams *

**Members of the Audit Committee*

Secretary

J Fox

Investment Manager, Administrator and Registrar

CCLA Investment Management Limited

*Authorised and regulated by
the Financial Services Authority*

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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

The Royal Bank of Scotland plc

62/63 Threadneedle Street

London EC2R 8LA

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.

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 now
- 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

- 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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