



for the Church of England

The CBF Church of England Fixed Interest Securities Fund

**Report and Accounts
Half Year ended 31 May 2009
(unaudited)**

Contents

- 1** Report of the Trustee
- 3** Report of the Investment Manager
- 6** Net asset value, share price range, net distribution, share price and total expense ratio
- 8** Statement of total return
- 9** Statement of change in net assets attributable to shareholders
- 10** Portfolio statement
- 12** Balance sheet
- 13** Notes to the accounts
- 20** Distribution table
- 21** Statement of Trustee and Manager responsibilities

Trustee and Manager

(inside back cover)

Description of The CBF Church of England Funds

(outside back cover)

Disability Discrimination Act 1995

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

Report of the Trustee

for the half year ended 31 May 2009

On behalf of the Trustee, I have pleasure in presenting the half year 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 half year ended 31 May 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 period CBFFT, assisted by the Manager, reviewed the Fund's systems of internal control. At each of its meetings, the Audit Committee receives and reviews, a formal risk management report from the Manager. This sets out the main risks facing the Fund, the controls in place to mitigate those risks and the assessment of each risk in terms of both gross exposure and residual exposure after application of mitigating controls.

R Broadhurst
Chairman
CBF Funds Trustee Limited

21 July 2009

Report of the Investment Manager

for the half year ended 31 May 2009

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

Performance

At the end of the reporting period the Fund's asset allocation was weighted 66.4% gilt-edged securities/cash, corporate bonds 31.7% and preference shares 1.9%.

Over the period the FTSE UK Government Bond total return index rose by 2.0%, the value of the CBF Fixed Interest Securities accumulation share rose from 332.39p to 337.80p, or by 1.63%. The lower return compared to the gilt index was predominately due to the banking debt held in the portfolio which performed relatively poorly, though in recent months this sector has shown signs of

a recovery. The value of an income share fell from 153.97p to 152.08p at 31 May 2009, a capital return of -1.23%.

Pleasingly, the annual distribution rate looks set to remain unchanged at 8.80p per income share. The income yield at 31 May 2009 was 5.79%. The corresponding gross redemption yield, which is an estimate of the total return of the Fund over the long-term, after management expenses, was 3.98%. The Fund's income and gross redemption yields are not guaranteed and will change over time, due to changes in interest rates and the average maturity date of the securities held by the Fund. When the Fund's income yield is higher than the gross redemption yield, some income is being paid at the expense of capital.

Market review

The reporting period has been very volatile for fixed interest securities; the yield on the

The CBF Church of England Fixed Interest Securities Fund

Annualised total capital and income return

| To 31 May 2009 | Six Months % | 1 year % p.a. | 5 years % p.a. | 10 years % p.a. |
|---|-----------------|------------------|-------------------|--------------------|
| <u>Performance against market indices (before expenses)</u> | | | | |
| CBF Fixed Interest Securities Fund | +1.75 | + 8.00 | + 5.32 | +5.39 |
| FTSE UK Govt All Stocks Index | +2.00 | +11.12 | + 6.00 | +5.33 |
| <u>Performance after expenses</u> | | | | |
| Income shares* | +1.64 | + 7.80 | + 5.12 | +5.21 |
| Accumulation shares* | +1.63 | + 7.73 | + 5.06 | +5.16 |

* Net asset value to net asset value plus income reinvested

Source: The Manager

Report of the Investment Manager

for the half year ended 31 May 2009

very longest dated gilt fell to a low of 3.6% in early January but finished at 4.6%, in price terms this equates to a 17% fall. The Bank of England (BoE) which had aggressively cut the official bank rate to 0.5% believed that any further interest rate cuts would probably be insufficient to bring the rate of inflation in line with the target level and another cut could actually have negative consequences. In March alternative tools were therefore agreed with the Chancellor to allow the BoE to adopt quantitative easing measures (QE). These new measures, initially a £75 billion buyback programme of gilts and corporate bonds, coupled with higher commodity prices raised concerns about the possibility of higher inflation over the longer term and this caused long gilt yields to rise. Yields also moved higher by the announcement of an unprecedented amount of new government issuance, (over the next 5 years £900 billion of gilts are estimated to be issued). This issuance is required to help finance the bail out of a number of domestic banks. There is growing recognition that in trying to prevent an economic depression the transfer of risk has shifted from the private to the public sector. Standard & Poor's, the rating agency provided a small amount of controversy about the UK fiscal policy by putting its AAA rating on negative watch. In contrast to long yields, short yields fell, as any early increase to the BoE official bank rate was ruled out; this caused the gilt yield curve to steepen. Yields on gilt-edged securities in the middle of the curve were broadly unchanged, supported by

the fact the BoE QE measure is targeting this particular maturity sector. At its May meeting the BoE's Monetary Policy Committee voted to increase the amount of QE by a further £50 billion to £125 billion, though there was no mention of how the additional amount would be split between government and corporate securities. The BoE had already purchased a few corporate bonds, while the number was relatively small; the action provided some long awaited support for some parts of the corporate bond sector. The corporate bond market has been clearly divided with yields on financial debt rising on fears that coupons could be deferred or even wiped out in the event of nationalisation. Non-financial bonds, particularly those in the utility, telecom and pharmaceutical sectors, fared better as investors were attracted by the ability to purchase bonds issued by quality corporate institutions at much higher yields than comparable gilts. With this renewed investor appetite to increase risk, the severe spread widening endured in the latter half of last year was partially reversed. The yield spread between corporate bonds and gilts narrowed by over 100 basis points from its widest point.

Strategy

The Fund's average term to maturity was relatively stable at 13.8 years which remains lower than the gilt benchmark index. With the fall in money market rates, cash levels are being kept low but the Fund has an overweight allocation to higher yielding short dated securities. The corporate bond

Report of the Investment Manager

for the half year ended 31 May 2009

allocation was increased on our expectation that the sector offers attractive yields which will help in the Fund's income generation and provide superior total returns relative to a portfolio of conventional UK gilt-edged securities. The additional purchases were from various non-financial industries. The purchases included Scottish and Southern, E.ON, Statoil, Pfizer, Autostrade, McDonald's and British Telecom. Additionally we bought the inaugural sterling bond issued by the AAA rated 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 bond fits well into the Fund's current fixed interest strategy.

Outlook

Over the last 18 months the UK has been the prime candidate to be the worst hit developed market in this crisis. The principal reason being a heavy reliance on the financial sector, a highly leveraged consumer sector and the most over valued developed housing market in the world. More recently there are indications that the UK's relative position has changed, not because the UK is any better, but because the rest of the world has got worse. The severe fall in sterling has probably helped on a relative basis. With the UK Debt Management Office having to issue an exceptionally large number of gilts simultaneously accompanied by the Bank of England buying back gilts makes forecasting the direction of gilt yields extremely difficult. Ultimately we would expect yields to rise over the longer term.

C Peters
Investment Director
CCLA Investment Management Limited

21 July 2009

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 revenue. 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.

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

Net asset value

| At 30 November | Net asset value £'000 | Income shares | | Accumulation shares | |
|-------------------|-----------------------------|---------------------------------------|---------------------------------|---------------------------------------|---------------------------------|
| | | Net asset value pence per share | Number of shares in issue | Net asset value pence per share | Number of shares in issue |
| 2006 | 80,765 | 160.27 | 48,819,835 | 309.25 | 470,141 |
| 2007 | 73,553 | 154.12 | 46,906,124 | 314.50 | 401,152 |
| 2008 | 72,913 | 153.97 | 46,433,601 | 332.39 | 433,386 |
| At 31 May 2009 | 79,550 | 152.08 | 51,338,771 | 337.80 | 436,296 |

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

| Year to 30 November | Income shares | | Accumulation shares | |
|------------------------|----------------------------------|-------------------------------|----------------------------------|-------------------------------|
| | Highest offer pence per share | Lowest bid pence per share | Highest offer pence per share | Lowest bid pence per share |
| 2004 | 165.40 | 157.11 | 280.35 | 258.43 |
| 2005 | 166.53 | 158.45 | 300.49 | 278.46 |
| 2006 | 168.05 | 158.59 | 309.86 | 296.67 |
| 2007 | 161.08 | 148.76 | 317.68 | 295.17 |
| 2008 | 158.09 | 147.08 | 333.05 | 308.71 |
| To 31 May 2009 | 161.50 | 150.57 | 348.61 | 325.02 |

Net distribution

| Year to 30 November | Income shares pence per share | Accumulation shares pence per share |
|------------------------|----------------------------------|--|
| 2004 | 10.80 | 17.00 |
| 2005 | 9.30 | 16.97 |
| 2006 | 8.80 | 16.81 |
| 2007 | 8.80 | 17.72 |
| 2008 | 8.80 | 18.58 |
| To 31 May 2009 | 4.40 | 9.61 |

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

Share price at 31 May 2009

| | <i>Bid price pence per share</i> | <i>Offer price pence per share</i> |
|---------------------|--------------------------------------|--|
| Income shares | 151.78 | 152.38 |
| Accumulation shares | 337.12 | 338.48 |

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

| | <i>31.5.2009</i> | <i>31.5.2008</i> |
|----------------------------------|------------------|------------------|
| Total expense ratio (annualised) | 0.27% | 0.30% |

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

Statement of total return

for the half year ended 31 May 2009 (unaudited)

| | Notes | 31.5.2009 | | 31.5.2008 | |
|---|-------|-----------|-----------------------|-----------|-----------------------|
| | | £'000 | £'000 | £'000 | £'000 |
| Income | | | | | |
| Net capital losses | 2 | | (860) | | (1,898) |
| Revenue | 3 | 2,079 | | 1,922 | |
| Expenses | 4 | (103) | | (106) | |
| Net revenue before taxation | | | <u>1,976</u> | | <u>1,816</u> |
| Total return before distributions | | | 1,116 | | (82) |
| Finance costs: distributions | 6 | | <u>(2,164)</u> | | <u>(2,096)</u> |
| Change in net assets attributable to shareholders from investment activities | | | <u>(1,048)</u> | | <u>(2,178)</u> |

The notes on pages 13 to 19 form part of these accounts.

Statement of change in net assets attributable to shareholders

for the half year ended 31 May 2009 (unaudited)

| | 31.5.2009 | | 31.5.2008 | |
|--|--------------|----------------------|--------------|----------------------|
| | £'000 | £'000 | £'000 | £'000 |
| Opening net assets attributable to shareholders | | 72,913 | | 73,571 |
| Amounts receivable on issue of shares | 8,213 | | 420 | |
| Amounts payable on cancellation of shares | (664) | | (815) | |
| | | 7,549 | | (395) |
| Change in net assets attributable to shareholders from investment activities | | (1,048) | | (2,178) |
| Retained distribution on accumulation shares | | 44 | | 36 |
| Closing net assets attributable to shareholders | | <u>79,458</u> | | <u>71,034</u> |

The above statement shows the comparative closing net assets at 31 May 2008 whereas the opening net assets for the current accounting period commenced on 1 December 2008.

Portfolio statement

at 31 May 2009 (unaudited)

| | <i> Holding</i> | <i> Bid value £'000</i> | <i> % Fund</i> |
|--|-----------------|---------------------------------|--------------------|
| Government Bonds 63.03% (30.11.08, 65.19%) | | | |
| Treasury 5.75% Stock 2009 | 300,000 | 308 | 0.39 |
| Treasury 6.25% Stock 2010 | 2,410,000 | 2,603 | 3.28 |
| Conversion 9% Stock 2011 | 5,700,000 | 6,611 | 8.32 |
| Treasury 5% Stock 2012 | 310,000 | 336 | 0.42 |
| Treasury 8% Stock 2013 | 4,775,000 | 5,826 | 7.33 |
| Treasury 8% Stock 2015 | 4,200,000 | 5,522 | 6.95 |
| Treasury 8.75% Stock 2017 | 585,000 | 813 | 1.02 |
| Treasury 8% Stock 2021 | 3,050,000 | 4,276 | 5.38 |
| Treasury 5% Stock 2025 | 425,000 | 459 | 0.58 |
| Treasury 6% Stock 2028 | 5,600,000 | 6,808 | 8.57 |
| Treasury 4.25% Stock 2032 | 900,000 | 879 | 1.11 |
| Treasury 4.25% Stock 2036 | 2,630,000 | 2,489 | 3.13 |
| Treasury 4.75% Stock 2038 | 6,550,000 | 6,745 | 8.49 |
| Treasury 4.5% Stock 2042 | 6,500,000 | 6,404 | 8.06 |
| Debenture Stocks 2.04% (30.11.08, 2.20%) | | | |
| Monks Investment Trust 11% Debenture Stock 2012 | 250,000 | 300 | 0.38 |
| British Sugar 10.75% Debenture Stock 2013 | 500,000 | 636 | 0.80 |
| BAA Lynton 10.25% Debenture Stock 2017 | 500,000 | 687 | 0.86 |
| Credit 29.64% (30.11.08, 25.97%) | | | |
| EIB 9.5% Bond 2009 | 450,000 | 470 | 0.59 |
| Barclays 12% Bond 2010 | 1,000,000 | 1,113 | 1.40 |
| BMW 6.375% Bond 2010 | 1,020,000 | 1,036 | 1.30 |
| Marks & Spencer 6.375% Bond 2011 | 800,000 | 822 | 1.03 |
| ICO 4.625% Bond 2012 | 1,080,000 | 1,132 | 1.43 |
| Network Rail 4.875% Bond 2012 | 1,350,000 | 1,433 | 1.80 |
| Blue Circle 10.75% Bond 2013 | 830,000 | 824 | 1.04 |
| Royal Bank of Scotland 10.5% Bond 2013 | 1,000,000 | 1,002 | 1.26 |
| Wal-Mart 4.75% Bond 2013 | 645,000 | 667 | 0.84 |
| E.ON 5.125% Bond 2014 | 150,000 | 155 | 0.20 |
| IFFIM 3.375% Bond 2014 | 500,000 | 501 | 0.63 |
| Scottish & Southern Energy 5.75% Bond 2014 | 650,000 | 679 | 0.86 |
| Abbey National 7.5% Bond 2015 | 730,000 | 546 | 0.69 |

Portfolio statement

at 31 May 2009 (unaudited)

| | <i> Holding</i> | <i> Bid value £'000</i> | <i> % Fund</i> |
|--|-----------------|---------------------------------|----------------------|
| Bank of Scotland 10.25% Bond 2015 | 600,000 | 374 | 0.47 |
| Lloyds TSB 6.625% Bond 2015 | 730,000 | 691 | 0.87 |
| NatWest 7.875% Bond 2015 | 580,000 | 547 | 0.69 |
| Aviva 9.5% Bond 2016 | 745,000 | 826 | 1.04 |
| Centrica 5.5% Bond 2016 | 750,000 | 751 | 0.95 |
| EIB 8.75% Bond 2017 | 1,000,000 | 1,328 | 1.67 |
| Bank of Scotland 10.5% Bond 2018 | 350,000 | 343 | 0.43 |
| Telefonica 5.375% Bond 2018 | 845,000 | 822 | 1.04 |
| British Telecom 8.625% Bond 2020 | 1,045,000 | 1,029 | 1.29 |
| McDonald's 6.375% Bond 2020 | 900,000 | 960 | 1.21 |
| Atlantia 6.25% Bond 2022 | 1,150,000 | 1,133 | 1.43 |
| Network Rail 4.75% Bond 2024 | 530,000 | 527 | 0.66 |
| Statoilhydro ASA 6.875% Bond 2031 | 600,000 | 664 | 0.83 |
| GlaxoSmithKline 5.25% Bond 2033 | 1,060,000 | 989 | 1.25 |
| Pfizer 6.5% Bond 2038 | 650,000 | 663 | 0.83 |
| E.ON 6.375% Bond 2039 | 1,000,000 | 1,066 | 1.34 |
| NatWest 11.5% Perpetual | 750,000 | 450 | 0.57 |
| Preference Shares 1.88% (30.11.08, 2.33%) | | | |
| Abbey 8.625% Preference Shares | 700,000 | 604 | 0.76 |
| General Accident 7.875% Preference Shares | 460,000 | 392 | 0.49 |
| Natwest 9% Preference Shares | 700,000 | 504 | 0.63 |
| INVESTMENT ASSETS | | <u>76,745</u> | <u>96.59</u> |
| NET OTHER ASSETS | | 2,713 | 3.41 |
| NET ASSETS | | <u><u>79,458</u></u> | <u><u>100.00</u></u> |

The above portfolio statement includes 3.9% invested in unrated securities and 1.0% invested in securities that are below investment grade.

Balance sheet

at 31 May 2009 (unaudited)

| | Notes | 31.5.2009 | | 30.11.2008 | |
|---|-------|--------------|--|--------------|---------------|
| | | £'000 | £'000 | £'000 | £'000 |
| ASSETS | | | | | |
| Investment assets | | | 76,745 | | 69,771 |
| Debtors | 7 | 2,636 | | 1,710 | |
| Cash and bank balances | 8 | 1,858 | | <u>2,463</u> | |
| Total other assets | | | 4,494 | | <u>4,173</u> |
| Total assets | | | 81,239 | | 73,944 |
| LIABILITIES | | | | | |
| Creditors | 9 | 651 | | 10 | |
| Distribution payable on income shares | | 1,130 | | <u>1,021</u> | |
| Total liabilities | | | 1,781 | | 1,031 |
| Net assets attributable to shareholders | | | <u>79,458</u> | | <u>72,913</u> |
| Approved on behalf of the Trustee 21 July 2009 | | | R Broadhurst, <i>Chairman</i> CBF Funds Trustee Limited | | |

The notes on pages 13 to 19 form part of these accounts.

Notes to the accounts

(unaudited)

1. Accounting policies

(a) Basis of accounting

The accounts have been prepared under the historical cost basis, as modified by the revaluation of investments, and in accordance with 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.

(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. 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.

(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.

Notes to the accounts

(unaudited)

| | | |
|--|---------------------|------------------|
| 2. Net capital losses | 31.5.2009 | 31.5.2008 |
| | £'000 | £'000 |
| The net capital losses during the period comprise: | | |
| Non-derivative securities | (860) | (1,898) |
| | <u>(860)</u> | <u>(1,898)</u> |
| 3. Revenue | 31.5.2009 | 31.5.2008 |
| | £'000 | £'000 |
| Interest on debt securities | 2,059 | 1,778 |
| Interest on The CBF Church of England Deposit Fund | 20 | 111 |
| Bank interest | - | 33 |
| | <u>2,079</u> | <u>1,922</u> |
| 4. Expenses | 31.5.2009 | 31.5.2008 |
| | £'000 | £'000 |
| Payable to the Manager, associates of the Manager and agents of either of them: | | |
| Manager's periodic charge – see note 1(c) | 95 | 95 |
| Manager's periodic charge rebate – see note 1(c)* | (4) | (2) |
| | <u>91</u> | <u>93</u> |
| Payable to the Trustee, associates of the Trustee and agents of either of them: | | |
| Safe custody fees and transaction charges | 3 | 3 |
| Monitoring fee | 4 | 4 |
| | <u>7</u> | <u>7</u> |
| Other expenses: | | |
| Insurance | 1 | 1 |
| Audit fee | 4 | 5 |
| | <u>5</u> | <u>6</u> |
| Total expenses | <u>103</u> | <u>106</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.

Notes to the accounts

(unaudited)

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

| | 31.5.2009 | <i>31.5.2008</i> |
|---|---------------------|------------------|
| | £'000 | <i>£'000</i> |
| 28 February – interim distribution | 1,075 | 1,047 |
| 31 May – interim distribution | 1,151 | 1,044 |
| | <u>2,226</u> | <u>2,091</u> |
| Add: revenue deducted on cancellation of shares | 6 | 7 |
| Deduct: revenue received on issue of shares | (68) | (2) |
| Net distribution for the period | <u>2,164</u> | <u>2,096</u> |
| | | |
| Net revenue for the period | 1,976 | 1,816 |
| Amortisation under effective yield (FRS 26) | 192 | 416 |
| Transfer to income reserve – see note 10 | (4) | (136) |
| Net distribution for the period | <u>2,164</u> | <u>2,096</u> |

Details of the distribution per share are set out in the distribution table on page 20.

7. Debtors

| | 31.5.2009 | <i>30.11.2008</i> |
|---------------------------|---------------------|-------------------|
| | £'000 | <i>£'000</i> |
| Sales awaiting settlement | 673 | - |
| Accrued income | 1,962 | 1,710 |
| Prepayments | 1 | - |
| | <u>2,636</u> | <u>1,710</u> |

8. Cash and bank balances

| | 31.5.2009 | <i>30.11.2008</i> |
|--|---------------------|-------------------|
| | £'000 | <i>£'000</i> |
| Cash in The CBF Church of England Deposit Fund | 1,798 | 2,347 |
| Cash at bank | 60 | 116 |
| | <u>1,858</u> | <u>2,463</u> |

Notes to the accounts

(unaudited)

9. Creditors

| | 31.5.2009 | <i>30.11.2008</i> |
|-------------------------------|-------------------|-------------------|
| | £'000 | <i>£'000</i> |
| Purchases awaiting settlement | 643 | - |
| Accrued expenses | 8 | 10 |
| | <u>651</u> | <u>10</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.

| | 31.5.2009 | <i>30.11.2008</i> |
|---|---------------------|-------------------|
| | £'000 | <i>£'000</i> |
| Income reserve at the start of the period | 1,309 | 1,208 |
| Transfer to income reserve | 4 | 101 |
| Income reserve at the end of the period | <u>1,313</u> | <u>1,309</u> |

11. Financial instruments

Fair value

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

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

Market price risk

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

Notes to the accounts

(unaudited)

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 31 May 2009 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 | 1,858 | 76,745 | 2,636 | 81,239 |

| Currency | Floating rate financial liabilities £'000 | Fixed rate financial liabilities £'000 | Financial liabilities not carrying interest £'000 | Total £'000 |
|-----------------|--|---|--|------------------------|
| Sterling | - | - | 1,781 | 1,781 |

Notes to the accounts

(unaudited)

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 31 May 2009 (30.11.2008, £nil).

The fixed rate element of the portfolio at 31 May 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 | 74,795 | 4.24 | 13.3 |
| Sterling – undated | 1,950 | 12.60 | - |

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

(unaudited)

12. Commitments and contingent liabilities

There were no commitments or contingent liabilities at 31 May 2009 (30.11.2008, £nil).

13. Related party transactions

The Manager's periodic charge is paid to the Manager, a related party to the Fund. The amounts paid in respect of the Manager's periodic charge are disclosed in note 4. There were no outstanding balances due to the Manager at 31 May 2009 (30.11.2008, £nil). There were no other transactions entered into with the Manager during the period.

CBFFT, as Trustee, is a related party to the Fund. The amounts paid in respect of the Trustee's administration fee are disclosed in note 4. There were no outstanding balances due to CBFFT at 31 May 2009 (30.11.2008, £nil). There were no other transactions entered into with CBFFT during the period.

At 31 May 2009 a cash balance of £1,798,414 (30.11.2008, £2,346,502) was held in The CBF Church of England Deposit Fund.

14. Portfolio transaction costs

| | 31.5.2009 | <i>31.5.2008</i> |
|--|----------------------|------------------|
| | £'000 | <i>£'000</i> |
| Analysis of total purchase costs: | | |
| Purchases in period before transaction costs | 17,697 | 17,906 |
| Commissions | 1 | <u>2</u> |
| Total gross purchases | <u>17,698</u> | <u>17,908</u> |
| Analysis of total sale costs: | | |
| Gross sales in period before transaction costs | 9,673 | 18,135 |
| Commissions | - | <u>-</u> |
| Total sales net of transaction costs | <u>9,673</u> | <u>18,135</u> |

Distribution table

for the half year ended 31 May 2009 (unaudited)

| <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 | <u>2.20</u> |
| | | <u>4.40</u> | <u>4.40</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 | <u>4.62</u> |
| | | <u>9.61</u> | <u>9.18</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 half 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.

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

CCLA INVESTMENT MANAGEMENT LIMITED
The CBF Church of England
Fixed Interest Securities Fund

Trustee – CBF Funds Trustee Limited

R Broadhurst (Chairman)

J Clunie*

L Farrall

N Pearson

S Steele

Rev Dr R Turnbull*

R Williams*

**Members of the Audit Committee*

Secretary

J Fox

Investment Manager, Administrator and Registrar

CCLA Investment Management Limited

*Authorised and regulated by
the Financial Services Authority*

80 Cheapside

London EC2V 6DZ

Telephone: 020 7489 6000

Client Service:

Freephone: 0800 022 3505

Facsimile: 0844 561 5126

Email: clientservices@ccla.co.uk

www.ccla.co.uk

Directors responsible for the Fund

M Quicke (Chief Executive)

J Bevan (Chief Investment Officer)

S Curran (Chief Operating Officer)

C Peters (Investment Director)

A Robinson (Director Market Development)

Fund Manager

C Peters

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).

CCLA INVESTMENT MANAGEMENT LIMITED

80 Cheapside

London EC2V 6DZ

Client Service:

Freephone: 0800 022 3505

Facsimile: 0844 561 5126

Email: clientservices@ccla.co.uk

www.ccla.co.uk