



for the Church of England

The CBF Church of England Fixed Interest Securities Fund

**Report and Accounts
Half Year ended 31 May 2010
(unaudited)**

Contents

- 1** Report of the Trustee
- 3** Report of the Investment Manager
- 7** Net asset value, share price range, net distribution, share price and total expense ratio
- 9** Portfolio statement
- 11** Statement of total return
- 12** Statement of change in net assets attributable to shareholders
- 13** Balance sheet
- 14** Notes to the accounts
- 22** Distribution table
- 23** 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 Report and Accounts
are available in large print and audio formats.

Report of the Trustee

for the half year ended 31 May 2010

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, which are reviewed by the Audit Committee on an annual basis.

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.

Benchmark

The Fund’s benchmark is a weighted average of the Barclays Capital UK Government (Gilt) Index (80%) and the Barclays Capital Sterling Aggregate 100mm Bond Index (20%), or equivalents.

Responsibilities of the Trustee

CBFFT receives a report on the published accounts from the Manager twice a year and is wholly responsible for the Fund. CBFFT monitors the investment, property and cash management, administration, registration, secretarial and company secretarial services provided by the Manager under the respective Management Agreements. It meets quarterly with the Manager to monitor investment strategy, interest rate policy, investment

Report of the Trustee

for the half year ended 31 May 2010

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

5 July 2010

Report of the Investment Manager

for the half year ended 31 May 2010

Strategy

Having made a significant number of purchases last year, the overweight allocation to corporate bonds was maintained. The Fund holds a broad range of companies reflecting different sectors of the global economy. At the end of the reporting period the Fund's asset allocation weightings were gilt-edged securities/cash 69%, corporate bonds 30% and preference shares 1%.

The main emphasis has been to reduce the average maturity of the assets held by the Fund. This was achieved by selling the very longest dated gilts and increasing the asset allocation to securities maturing within five years. With cash rates still historically low, the cash weighting has been kept to a minimal operating level. Over the half-year the Fund's average term to maturity was reduced by almost 4 years to 10.3 years, compared to the benchmark index of 13.5 years.

Performance

The Fund's composite benchmark, Barclays Capital UK Government (Gilt) Index (80%) and the Barclays Capital Sterling Aggregate 100mm Bond Index (20%), rose 1.96%, the portfolio underperformed the benchmark returning 1.25%. The overweight position in corporate bonds was moderately positive to performance over the period. The Fund's underperformance was principally attributable to the strong performance of long dated gilts in May, which rose in response to the uncertainties within the European Monetary Union. However we do expect long gilt prices to fall as economic growth accelerates and investors demand higher yields to finance the budget deficit.

The CBF Fixed Interest Securities Fund accumulation share price rose from 362.05p to 366.12p, or by 1.12%.

The CBF Church of England Fixed Interest Securities Fund

Annualised total capital and income return

To 31 May 2010	Six Months %	1 year %	5 years % p.a.	10 years % p.a.
<u>Performance against market indices (before expenses)</u>				
CBF Fixed Interest Securities Fund	+1.25	+8.66	+5.05	+5.97
Composite Benchmark	+1.96	+8.51	+4.99	+5.64
BarCap £ Gilt Index	+1.54	+6.42	+5.22	+5.55
BarCap £ Agg 100mm Non Gilt Index	+3.60	+17.16	+3.95	+5.95
<u>Performance after expenses</u>				
Income shares*	+1.13	+8.42	+4.81	+5.79
Accumulation shares*	+1.12	+8.38	+4.75	+5.74

* 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 2010

The value of an income share fell from 158.62p to 155.94p at 31 May 2010, a capital return of -1.69%.

The distribution rate for the six months to 31 May 2010 was 4.40p per income share. It is our expectation that the annual distribution rate for 2010 will remain unchanged at 8.80p per income share. The income yield at 31 May 2010 was 5.64%. The corresponding gross redemption yield, which is an estimate of the future total return of the Fund over the long-term, after management expenses, was 2.92%. 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

Throughout the last few years concerns had been directed at the level of distressed debt within the global banking system and after being bailed out by a number of governments, worries have shifted to the scale of outstanding sovereign debt, particularly in peripheral Europe. The crucial change in investor perception occurred last November and December beginning with a potential default by Dubai. This was followed by unrest in Greece and concern over the possible consequences for Portugal and Spain. The UK was singled out by the credit rating agencies as the most vulnerable of any top-rated country, with one of the largest

budget deficits of the top 20 industrialised nations. Currently it is expected that gross gilt issuance could be near £180 billion in the 2010-2011 financial year, a similar level to the previous year and a reflection of the prevailing government budget deficit, which has risen to over 11% of GDP. The financing situation though is very different to last year, the Bank of England then absorbed a very large proportion of total issuance as part of its Quantitative Easing programme which helped to depress yields but in February the Bank decided to suspend this programme. The initial reaction to this news was a rise in yields, with the 45 year gilt touching 4.6%. Reservations have grown about demand for new gilt issuance. However, yields have subsequently fallen as investors have seen gilts as a safe haven given the problems within the European Monetary Union.

The high priority being given by the new UK coalition government to tackling the budget deficit has also been received positively. Yields have fallen back; the yield on the 45 year gilt at the end of the reporting period was 4.2%. Investor interest in corporate bonds has been strong for most of the reporting period; corporate bond returns were stronger than gilts for five consecutive months with the yield differential (spread) between corporate bonds and gilt-edged securities narrowing from 192 basis points to a low of 139 basis points during April. Though the worries and uncertainties about the European economy caused the spread to widen 40 basis points in just one month, at the end of May the spread was 180 basis points.

Report of the Investment Manager

for the half year ended 31 May 2010

Outlook

In the June 2010 emergency budget, the new coalition government announced severe measures to cut spending and raise taxes. Over the next five years, the country will borrow significantly less than planned under the previous government. This will mean scaling back commitments which will hold back economic growth, however, new forecasts by the government's independent Office of Budget Responsibility predict that economic growth will reach 2.9% during the five-year time frame.

Fitch Ratings welcomed the move and said it showed strong intent but the market awaits verification that the Government has averted a rating downgrade from Standard and Poor's which presently has the UK on "negative rating outlook".

The new fiscal rules, to achieve a balanced budget within five-years, should initially mean that gilt yields remain lower than previously envisaged. There will however be a significant amount of new issuance and at some point the stock purchased under the Q/E programme will need to be sold back to the market. Official bank rate is likely to remain low until the economic recovery is well established, until then further Q/E measures cannot be ruled out.

C Peters
Investment Director
CCLA Investment Management Limited

5 July 2010

Report of the Investment Manager

for the half year ended 31 May 2010

Top ten changes in portfolio composition

	<i>Cost</i> <i>£'000</i>		<i>Proceeds</i> <i>£'000</i>
Purchases:		Sales:	
Treasury 6% Stock 2028	9,325	Treasury 4.5% Stock 2042	5,533
Treasury 8% Stock 2021	4,129	Treasury 4.25% Stock 2036	4,134
Treasury 8% Stock 2013	1,823	Treasury 4.25% Stock 2055	2,947
Conversion 9% Stock 2011	1,271	Treasury 4.75% Stock 2038	2,787
Treasury 8.75% Stock 2017	642	Treasury 8% Stock 2015	1,831
EIB 8.75% Bond 2017	393	Treasury 4.25% Stock 2032	1,207
		Treasury 8% Stock 2021	939
		Treasury 8.75% Stock 2017	583
		Treasury 8% Stock 2013	567
		Treasury 6.25% Stock 2010	419

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.

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
At 31 May 2010	81,376	155.94	50,979,338	366.12	512,411

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
To 31 May 2010	159.09	152.67	368.29	350.49

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
To 31 May 2010	4.40	9.94

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

Share prices at 31 May 2010

	<i>Bid price</i> <i>pence per share</i>	<i>Offer price</i> <i>pence per share</i>
Income shares	155.63	156.25
Accumulation shares	365.39	366.85

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>31.5.2010</i>	<i>31.5.2009</i>
Total expense ratio (annualised)	0.30%	0.27%

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

Portfolio statement

at 31 May 2010 (unaudited)

	<i> Holding</i>	<i> Bid value £'000</i>	<i> % Fund</i>
Government Bonds 64.67% (30.11.09, 67.22%)			
Conversion 9% Stock 2011	5,685,000	6,212	7.64
Treasury 8% Stock 2013	8,830,000	10,664	13.11
Treasury 8% Stock 2015	4,380,000	5,622	6.91
Treasury 8.75% Stock 2017	2,465,000	3,383	4.16
Treasury 8% Stock 2021	5,175,000	7,221	8.88
Treasury 6% Stock 2028	11,560,000	14,303	17.58
Treasury 4.75% Stock 2038	3,850,000	4,156	5.11
Treasury 4.5% Stock 2042	1,000,000	1,044	1.28
Debenture Stocks 1.88% (30.11.09, 1.80%)			
Monks Investment Trust 11% Debenture			
Stock 2012	250,000	288	0.35
British Sugar 10.75% Debenture Stock 2013	500,000	623	0.77
BAA Lynton 10.25% Debenture Stock 2017	500,000	620	0.76
Credit 28.90% (30.11.09, 27.55%)			
Barclays 12% Bond 2010	1,000,000	1,010	1.24
BMW 6.375% Bond 2010	1,020,000	1,023	1.26
Marks & Spencer 6.375% Bond 2011	800,000	837	1.03
ICO 4.625% Bond 2012	1,080,000	1,109	1.36
Network Rail 4.875% Bond 2012	1,350,000	1,434	1.76
Royal Bank of Scotland 10.5% Bond 2013	1,000,000	1,118	1.37
Blue Circle 10.75% Bond 2013	830,000	985	1.21
Wal-Mart 4.75% Bond 2013	645,000	691	0.85
IFFIM 3.375% Bond 2014	500,000	522	0.64
E.ON 5.125% Bond 2014	150,000	162	0.20
Scottish & Southern Energy 5.75% Bond 2014	650,000	703	0.87
Lloyds TSB 6.625% Bond 2015	730,000	748	0.92
NatWest 7.875% Bond 2015	580,000	622	0.77
Centrica 5.5% Bond 2016	750,000	806	0.99
Aviva 9.5% Bond 2016	745,000	931	1.14
EIB 8.75% Bond 2017	1,300,000	1,740	2.14
Bank of Scotland 10.50% Bond 2018	350,000	421	0.52
Telefonica 5.375% Bond 2018	845,000	863	1.06
McDonald's 6.375% Bond 2020	900,000	1,027	1.26
British Telecom 8.625% Bond 2020	1,045,000	1,236	1.52

Portfolio statement

at 31 May 2010 (unaudited)

	<i> Holding</i>	<i> Bid value £'000</i>	<i> % Fund</i>
Atlantia 6.25% Bond 2022	1,150,000	1,230	1.51
Network Rail 4.75% Bond 2024	530,000	549	0.67
Statoilhydro 6.875% Bond 2031	600,000	730	0.90
GlaxoSmithkine 5.25% Bond 2033	1,060,000	1,066	1.31
Pfizer 6.5% Bond 2038	650,000	759	0.93
E.ON 6.75% Bond 2039	1,000,000	1,194	1.47
Preference Shares 0.57% (30.11.09, 0.58%)			
General Accident 7.875% Preference Shares	460,000	467	0.57
INVESTMENT ASSETS		<u>78,119</u>	<u>96.02</u>
NET OTHER ASSETS		3,239	3.98
NET ASSETS		<u><u>81,358</u></u>	<u><u>100.00</u></u>

The above portfolio statement includes 2.5% invested in unrated securities and none invested in securities that are below investment grade.

Statement of total return

for the half year ended 31 May 2010 (unaudited)

		31.5.2010		31.5.2009	
	Notes	£'000	£'000	£'000	£'000
Income					
Net capital losses	2		(1,080)		(860)
Revenue	3	2,039		2,079	
Expenses	4	<u>(120)</u>		<u>(103)</u>	
Net revenue before taxation			<u>1,919</u>		<u>1,976</u>
Total return before distributions			839		1,116
Finance costs: distributions	6		<u>(2,343)</u>		<u>(2,164)</u>
Change in net assets attributable to shareholders from investment activities			<u>(1,504)</u>		<u>(1,048)</u>

Statement of change in net assets attributable to shareholders

for the half year ended 31 May 2010 (unaudited)

	31.5.2010		31.5.2009	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		85,851		72,913
Amounts receivable on issue of shares	2,750		8,213	
Amounts payable on cancellation of shares	(5,788)		(664)	
		(3,038)		7,549
Change in net assets attributable to shareholders from investment activities		(1,504)		(1,048)
Retained distribution on accumulation shares		49		44
Closing net assets attributable to shareholders		<u>81,358</u>		<u>79,458</u>

The above statement shows the comparative closing net assets at 31 May 2009 whereas the opening net assets for the current accounting period commenced on 1 December 2009.

The notes on pages 14 to 21 form part of these accounts.

Balance sheet

at 31 May 2010 (unaudited)

	Notes	31.5.2010		30.11.2009	
		£'000	£'000	£'000	£'000
ASSETS					
Investment assets			78,119		83,401
Debtors	7	1,992		2,007	
Cash and bank balances	8	2,381		<u>1,623</u>	
Total other assets			4,373		<u>3,630</u>
Total assets			82,482		87,031
LIABILITIES					
Creditors	9	12		12	
Distribution payable on income shares		1,122		<u>1,168</u>	
Total liabilities			1,134		1,180
Net assets attributable to shareholders			<u>81,358</u>		<u>85,851</u>
Approved on behalf of the Trustee 5 July 2010			R Broadhurst, <i>Chairman</i> CBF Funds Trustee Limited		

The notes on pages 14 to 21 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.

Dividends on preference shares are accrued to revenue on the dates when the shares are first quoted ex-dividend.

Revenue on debt securities is recognised on the effective yield basis which takes into account of the amortisation of any discounts or premiums arising on the purchase price, compared to the final maturity value, over the remaining life of the security. Accrued interest purchased or sold is excluded from the cost of the security and is recognised as revenue of the Fund.

(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).

The Fund has adopted a distribution policy that follows the coupon basis. 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

(unaudited)

(e) Basis of valuation

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

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

2. Net capital losses	31.5.2010	31.5.2009
	£'000	£'000
The net capital losses during the period comprise:		
Non-derivative securities	<u>(1,080)</u>	<u>(860)</u>
3. Revenue	31.5.2010	31.5.2009
	£'000	£'000
Interest on debt securities	2,037	2,059
Interest on The CBF Church of England Deposit Fund	1	20
Bank interest	<u>1</u>	<u>-</u>
	<u>2,039</u>	<u>2,079</u>
4. Expenses	31.5.2010	31.5.2009
	£'000	£'000
Payable to the Manager, associates of the Manager and agents of either of them:		
Manager's periodic charge – see note 1(c)	106	95
Manager's periodic charge rebate – see note 1(c)*	(3)	(4)
Manager's fee for ethical services	<u>1</u>	<u>-</u>
	<u>104</u>	<u>91</u>
Payable to the Trustee, associates of the Trustee and agents of either of them:		
Safe custody fees and transaction charges	6	3
Monitoring fee	<u>4</u>	<u>4</u>
	<u>10</u>	<u>7</u>

Notes to the accounts

(unaudited)

Other expenses:		
Insurance	1	1
Audit fee	4	4
Other	1	-
	<u>6</u>	<u>5</u>
Total expenses	<u>120</u>	<u>103</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.

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:

	31.5.2010	<i>31.5.2009</i>
	£'000	<i>£'000</i>
28 February – interim distribution	1,187	1,075
31 May – interim distribution	1,147	1,151
	<u>2,334</u>	<u>2,226</u>
Add: revenue deducted on cancellation of shares	29	6
Deduct: revenue received on issue of shares	(20)	(68)
Net distribution for the period	<u>2,343</u>	<u>2,164</u>
Net revenue for the period	1,919	1,976
Amortisation under effective yield (FRS 26)	386	192
Transfer from/(to) income reserve – see note 10	38	(4)
Net distribution for the period	<u>2,343</u>	<u>2,164</u>

Details of the distribution per share are set out in the distribution table on page 22

Notes to the accounts

(unaudited)

7. Debtors	31.5.2010	30.11.2009
	£'000	£'000
Accrued revenue	<u>1,992</u>	<u>2,007</u>

8. Cash and bank balances	31.5.2010	30.11.2009
	£'000	£'000
Cash in The CBF Church of England Deposit Fund	2,347	1,580
Cash at bank	34	43
	<u>2,381</u>	<u>1,623</u>

9. Creditors	31.5.2010	30.11.2009
	£'000	£'000
Accrued expenses	<u>12</u>	<u>12</u>

10. Income reserve

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

	31.5.2010	30.11.2009
	£'000	£'000
Income reserve at the start of the period	1,337	1,309
Transfer (from)/to income reserve	(38)	<u>28</u>
Income reserve at the end of the period	<u>1,299</u>	<u>1,337</u>

Notes to the accounts

(unaudited)

11. Financial instruments

Fair value

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

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

Market price risk

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

Currency risk

There is no exposure to foreign currency fluctuations as all investments, 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.

Notes to the accounts

(unaudited)

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 2010 was as set out below:

<i>Currency</i>	<i>Floating rate financial assets* £'000</i>	<i>Fixed rate financial assets £'000</i>	<i>Financial assets not carrying interest £'000</i>	<i>Total £'000</i>
Sterling	2,381	78,119	1,992	82,492

<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	-	-	1,134	1,134

Notes to the accounts

(unaudited)

30 November 2009

<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

* 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 2010 (30.11.2009, £nil).

The fixed rate element of the portfolio at 31 May 2010 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	77,652	3.4	10.3
Sterling – undated	467	7.8	-

30 November 2009

<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	3.6	14.5
Sterling – undated	501	7.2	-

Notes to the accounts

(unaudited)

12. Commitments and contingent liabilities

There were no commitments or contingent liabilities at 31 May 2010 (30.11.2009, £nil).

13. Related party transactions

The Manager's periodic charge and professional fee for ethical services are paid to the Manager, a related party to the Fund. The amounts paid to the Manager are disclosed in note 4. There were no outstanding balances due to the Manager at 31 May 2010 (30.11.2009, £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 2010 (30.11.2009, £nil). There were no other transactions entered into with CBFFT during the period.

At 31 May 2010 a cash balance of £2,347,083 (30.11.2009, £1,580,530) was held in The CBF Church of England Deposit Fund.

14. Portfolio transaction costs

	31.5.2010	<i>31.5.2009</i>
	£'000	<i>£'000</i>
Analysis of total purchase costs:		
Purchases in period before transaction costs	17,583	17,697
Commissions	-	1
Total gross purchases	<u>17,583</u>	<u>17,698</u>
Analysis of total sale costs:		
Gross sales in period before transaction costs	20,949	9,673
Commissions	-	-
Total sales net of transaction costs	<u>20,949</u>	<u>9,673</u>

Distribution table

for the half year ended 31 May 2010 (unaudited)

<i>Period ended</i>	<i>Date paid/payable</i>	<i>Distributions paid/payable pence per share</i>	
		2010	<i>2009</i>
Income shares			
28 February 2010	30 April 2010	2.20	2.20
31 May 2010	31 July 2010	2.20	2.20
		<u>4.40</u>	<u>4.40</u>
		<i>Revenue accumulated pence per share</i>	
		2010	<i>2009</i>
Accumulation shares			
28 February 2010		4.88	4.58
31 May 2010		5.06	5.03
		<u>9.94</u>	<u>9.61</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.

Statement of Trustee and Manager responsibilities

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 period, together with a report on the operation of the Fund is also required. The accounts show the net asset value of the shares in the Fund as at the date to which the accounts are prepared, the amount of revenue per share, and the amount of revenue, if any, to be transferred to capital pursuant to paragraph 11 of the Schedule to the Measure. In preparing these accounts, the Trustee:

- selects suitable accounting policies that are appropriate for the Fund and applies them on a consistent basis;
- complies with the disclosure requirements of the Statement of Recommended Practice relating to Authorised Funds issued by the Investment Management Association (IMA) in November 2008;
- follows generally accepted accounting principles and applicable United Kingdom accounting standards;

- keeps proper accounting records which enables them to demonstrate that the accounts, as prepared, comply with the above requirements;
- makes judgments and estimates that are prudent and reasonable; and
- prepares the accounts on the basis that the Fund will continue in operation unless it is inappropriate to presume this.

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

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

Trustee – CBF Funds Trustee Limited

R Broadhurst (Chairman)
Rev E Carter
J Clunie *
L Farrall
G Pollard
S Steele
Rev Dr R Turnbull *
R Williams *

*Members of the Audit Committee

Secretary

J Fox

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

UK Equity Fund

- The only UK equity fund managed to reflect Church ethical values
- High quality, well-diversified portfolio
- Designed to help meet growth and income requirements
- Usually held with other investments such as overseas equities, bonds and cash to give a broad spread of assets and achieve overall objectives

Fixed Interest Securities Fund

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

Property Fund

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

Deposit Fund

- An attractive rate
- Interest paid gross
- No minimum balance
- Easy access
- Simple operation
- Excellent service
- Free BACS transfers
- AAA credit rating *

* The Deposit Fund is rated AAA by Fitch Ratings. This reflects the high credit quality of the portfolio.

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

Printed on 100% post consumer waste and is certified by the Forest Stewardship Council (FSC).