



for the Church of England

The CBF Church of England Fixed Interest Securities Fund

Annual Report and Accounts
Year to 30 November 2007

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Trustee and Manager

(inside back cover)

Description of The CBF Church of England Funds

(outside back cover)

Disability Discrimination Act 1995

Extracts from the Report and Accounts are available in large print and audio formats.

The CBF Church of England Fixed Interest Securities Fund

Report of the Trustee

for the year ended 30 November 2007

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.

CBF Funds Trustee Limited (CBFFT), a company incorporated under the Companies Act, limited by guarantee and not having 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 15 November 2006.

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 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.

The CBF Church of England Fixed Interest Securities Fund
Report of the Trustee
for the year ended 30 November 2007

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

30 January 2008

The CBF Church of England Fixed Interest Securities Fund

Report of the Investment Manager

for the year ended 30 November 2007

- A sterling bond fund for long-term capital
- Gives no long-term protection of capital against inflation
- Good long-term performance record

Performance

The Fund outperformed the gilt index in the first half of the year due to good asset allocation and the timing of duration changes. However, these gains were eroded as the credit crisis, that began in August, lowered the relative value of the remaining corporate bonds held in the Fund. The Fund returned 2.1% which was slightly lower than the gilt index which returned 2.3%. The value of an accumulation share rose from 309.25p to 314.50p, or by 1.7%. The value of an income share fell from 160.27p to 154.12p at 30 November 2007, a capital return of -3.8%.

The annual distribution rate for the year remained unchanged at 8.80p per income share. The income yield at 30 November 2007 was 5.7%. The corresponding gross redemption yield, which is an estimate of the total return of the Fund over the long-term, after management expenses, was 4.6%. Please note the Fund's income yield is an indication of the expected level of income. The corresponding gross redemption yield is an estimate of total returns over the long-term. 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

Market conditions over the two halves of the reporting year were very different. During the first half of the year yields gradually rose as the United Kingdom (UK) economy showed fairly robust growth at a time when inflationary pressures were picking up. The yield on the benchmark 10 year gilt climbed from 4.5% at the end of November 2006 to over 5% in July 2007. During this period, the Bank of England's Monetary Policy Committee (MPC) continued its tightening cycle, increasing the official bank rate by 0.25% on three occasions to reach 5.75% in July. There was a notable increase in bond issuance and a number of alternative long dated fixed interest products were introduced for pension funds. Both of these factors had a negative impact on long dated gilt yields. The global financial turmoil triggered in early August clearly marked a change in the actual and perceived riskiness of corporate bonds and other assets. There was fear that the slowdown in the United States (US) housing market would impact global economic activity, weakening corporate fundamentals. The market for structured finance products, which had heavily contributed to the demand for corporate bonds and driven yield premiums to unjustifiable tight levels over the past few years, was also effectively closed. Increased risk aversion supported government bond markets as investors demanded Aaa rated assets. In the UK, this caused a material decline of 0.5%-0.6% in short and medium dated gilt yields. The decline in yields moved faster as the financial crisis spread and deepened late into the year end. The 10 year gilt closed just above the level seen 12 months previously at 4.6%.

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

To 30 November 2007	1 Year % p.a.	5 Years % p.a.	10 Years % p.a.
Performance against market indices (before expenses)			
The CBF Church of England Fixed Interest Securities Fund	+2.1	+4.9	+6.4
FTSE UK Govt All Stocks Index	+2.3	+4.6	+6.0
Performance after expenses			
Income shares*	+1.8	+4.7	+6.2
Accumulation shares*	+1.7	+4.7	+6.2

* Net asset value to net asset value plus income reinvested

The CBF Church of England Fixed Interest Securities Fund
Report of the Investment Manager
for the year ended 30 November 2007

Strategy

During the year we reduced the average life of the Fund and took an underweight allocation on long dated securities, which we believe will help to support the capital value. Having significantly reduced the asset allocation to corporate bonds in the previous year, we lowered the allocation further during this year. The timing of the reduction came ahead of possibly the worst ever credit crisis. The yield premium widened dramatically leading to very poor performance from credit. Unsurprisingly, the worst performing sector was banks. As the Fund is structured for longer term investment we did not make any 'fire' sales of the remaining corporate bond holdings as we would expect to increase the allocation to this asset class when the market returns to some normality.

Outlook

The government bond market rallied strongly in the second half of the year and the key question is whether we have now seen the trough in bond yields. Economic data has played a secondary role during the credit crisis but as the domestic economy now appears to be heading for a swift decline in growth the scope for still lower yields remains, especially for short dated gilts. The complication for longer dated gilts is the likelihood of even higher energy and food prices which will likely keep the rate of inflation stubbornly above the MPC target level of 2%. The demand from pension funds for longer dated assets is likely to wane during the course of 2008 and we are therefore of the view that the bias is for higher yields further along the yield curve. The prospect for credit is extremely uncertain and we anticipate that the yield premium still has further to rise before one is fully compensated for the additional risk undertaken.

C Peters
Investment Director
CCLA Investment Management Limited

30 January 2008

Risk warning

The value of the Fund's shares and their income 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 share value will reflect fluctuations in securities prices. The shares in the Fund are intended only for long term

investment and are not suitable for money liable to be needed in the near future. They are realisable only on each weekly dealing day. The Fund's income and gross redemption yields are not guaranteed and may change over time. When the Fund's income yield is higher than the gross redemption yield, income is being paid at the expense of capital.

The CBF Church of England Fixed Interest Securities Fund

Report of The Independent Auditors

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

We have audited the financial statements of The CBF Church of England Fixed Interest Securities Fund for the year ended 30 November 2007 which comprise the statement of total return, the statement of change in shareholders' net assets, the portfolio statement, the balance sheet, the summary of material portfolio changes, the related notes, and the distribution table. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the shareholders of the Fund, as a body, in accordance with the Church Funds Investment Measure 1958, as amended. Our audit work has been undertaken so that we might state to the shareholders of the Fund those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund and the shareholders of the Fund, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Trustee and Auditors

The Trustee is responsible for the preparation of the annual report and the financial statements in accordance with Accounting Standards (United Kingdom generally accepted accounting practice) as set out in the Statement of Trustee and Manager responsibilities in relation to the financial statements. Our responsibility is to audit the financial statements in accordance with United Kingdom legal and regulatory requirements and International Standards on Auditing (United Kingdom and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with United Kingdom generally accepted accounting practice, the Church Funds Investment Measure 1958, as amended, and the Trustee Act 2000. We also report to you if, in our opinion, the Report of the Investment Manager is not consistent with the financial statements, if the Manager has not kept proper accounting records for the Fund, if the financial statements are not in agreement with those accounting records, or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the annual report and consider whether it is consistent with the

audited financial statements. This other information comprises only of the Report of the Investment Manager and the other items set out on the contents page. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (United Kingdom and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements 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 2007, the net income and the net losses on the scheme property of the Fund for the year then ended; and
- have been properly prepared in accordance with United Kingdom generally accepted accounting practice, the Church Funds Investment Measure 1958, as amended, and the Trustee Act 2000.

Ernst & Young LLP
Registered Auditors
London

30 January 2008

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 Distributions, Share Prices and Total Expense Ratio

Net asset value

At 30 November	Net asset value £'000	Income shares		Accumulation shares	
		Net asset value pence per share	Number of shares in issue	Net asset value pence per share	Number of shares in issue
2005	88,327	163.81	53,103,468	299.54	447,560
2006	80,765*	160.27	48,819,835	309.25	470,141
2007	73,535*	154.12	46,906,124	314.50	401,152

* The net asset value is calculated on a mid-market value basis compared to the Balance Sheet where the investments are valued on a bid-market value basis in accordance with the December 2005 IMA SORP.

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
2003	173.26	159.85	269.07	249.57
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

Net distributions

Year to 30 November	Annual distribution	
	Income shares pence per share	Accumulation shares pence per share
2003	10.80	16.31
2004	10.80	17.00
2005	9.30	16.97
2006	8.80	16.81
2007	8.80	17.72

Share prices at 30 November 2007

	Bid price pence per Share	Offer price pence per share
Income shares	153.81	154.43
Accumulation shares	313.87	315.13

The share prices are published in *The Daily Telegraph*, *Financial Times* and *The Church Times*.
The offer and bid prices are calculated on the net asset value plus or minus a 0.20% surcharge or deduction.

Total expense ratio

	30.11.2007	30.11.2006
Total expense ratio (annualised)	0.28%	0.28%

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

Statement of Total Return

for the year ended 30 November 2007

	Notes	30.11.2007		30.11.2006	
		£'000	£'000	£'000	£'000
Net losses on investments during the year	2		(3,164)		(2,014)
Income	3	4,585		4,847	
Expenses	4	(209)		(232)	
Net income for the year			4,376		4,615
Total return before distributions			1,212		2,601
Finance costs: distributions	6		(4,256)		(4,533)
Change in net assets attributable to shareholders			(3,044)		(1,932)

Statement of Change in Shareholders' Net Assets

for the year ended 30 November 2007

	30.11.2007		30.11.2006	
	£'000	£'000	£'000	£'000
Net assets at start of the year		79,690		88,327
Movement due to creations and cancellations of shares				
Amounts receivable on creation of shares	2,026		2,117	
Less: amounts payable on cancellation of shares	(5,177)		(8,896)	
		(3,151)		(6,779)
Change in net assets attributable to shareholders (see above)		(3,044)		(1,932)
Retained distribution on accumulation shares		76		74
Net assets at end of the year		73,571		79,690

The notes on pages 11 to 17 form part of these accounts.

Portfolio Statement

at 30 November 2007

	<i> Holding £</i>	<i> Bid value £'000</i>	<i> % Fund</i>
Government Bonds 79.86% (30.11.06, 77.15%)			
Treasury 5% Stock 2008	6,285,000	6,279	8.53
Treasury 5.75% Stock 2009	1,130,000	1,157	1.57
Treasury 6.25% Stock 2010	1,380,000	1,447	1.97
Conversion 9% Stock 2011	8,475,000	9,695	13.18
Treasury 5% Stock 2012	310,000	315	0.43
Treasury 8% Stock 2013	3,980,000	4,647	6.32
Treasury 8% Stock 2015	4,820,000	5,872	7.98
Treasury 8.75% Stock 2017	815,000	1,073	1.46
Treasury 8% Stock 2021	3,325,000	4,410	5.99
Treasury 5% Stock 2025	425,000	444	0.60
Treasury 6% Stock 2028	8,875,000	10,535	14.32
Treasury 4.25% Stock 2036	2,100,000	2,028	2.76
Treasury 4.75% Stock 2038	10,345,000	10,849	14.75
Debenture Stocks 2.16% (30.11.06, 2.07%)			
Monks Inv Trust 11% Deb Stock 2012	250,000	305	0.41
British Sugar 10.75% Deb Stock 2013	500,000	621	0.84
BAA Lynton 10.25% Deb Stock 2017	500,000	667	0.91
Eurosterling Bonds 12.34% (30.11.06, 15.02%)			
BP Capital 5% Bond 2007	1,000,000	999	1.36
Barclays 9.875% Bond 2008	1,000,000	1,012	1.38
RBS 10.5% Bond 2013	1,000,000	1,192	1.62
Blue Circle 10.75% Bond 2013	830,000	1,046	1.42
Bank of Scotland 10.25% Bond 2015	600,000	717	0.97
Aviva 9.5% Bond 2016	500,000	620	0.84
EIB 8.75% Bond 2017	1,000,000	1,275	1.73
Halifax 10.5% Bond 2018	350,000	463	0.63
Network Rail 4.75% 2024	530,000	518	0.70
NatWest 11.5% Conv Bond Undated	750,000	1,241	1.69
Other fixed interest stocks 2.25% (30.11.06, 2.15%)			
EIB 9.5% Bond 2009	450,000	489	0.67
Barclays 12% Bond 2010	1,000,000	1,163	1.58
PORTFOLIO OF INVESTMENTS		<u>71,079</u>	<u>96.61</u>
NET OTHER ASSETS		2,492	3.39
NET ASSETS		<u><u>73,571</u></u>	<u><u>100.00</u></u>

The CBF Church of England Fixed Interest Securities Fund

Balance Sheet

at 30 November 2007

	Notes	30.11.2007		30.11.2006	
		£'000	£'000	£'000	£'000
ASSETS					
Portfolio of investments			71,079		76,813
Debtors	7	1,803		1,806	
Cash and bank balances	8	<u>1,729</u>		<u>2,156</u>	
Total other assets			3,532		3,962
Total assets			74,611		80,775
LIABILITIES					
Creditors	9	8		11	
Distribution payable on income shares		<u>1,032</u>		<u>1,074</u>	
Total liabilities			1,040		1,085
Net assets attributable to shareholders			<u>73,571</u>		<u>79,690</u>
Approved on behalf of the Trustee 30 January 2008			R Broadhurst, <i>Chairman</i> , CBF Funds Trustee Limited		

The notes on pages 11 to 17 form part of these accounts.

The CBF Church of England Fixed Interest Securities Fund
Summary of Material Portfolio Changes
for the year ended 30 November 2007

	<i>Cost</i>
	<i>£'000</i>
Total purchases for the year (Note 15)	9,495
Purchases:	
Treasury 6% Stock 2028	2,225
Treasury 4.75% Stock 2038	1,455
Treasury 5% Stock 2008	1,380
Treasury 4.25% Stock 2055	1,357
Treasury 8% Stock 2015	1,132
Conversion 9% Stock 2011	992
Treasury 8% Stock 2013	480
Treasury 6.25% Stock 2010	474
	<i>Proceeds</i>
	<i>£'000</i>
Total sales for the year (Note 15)	12,064
Sales:	
Treasury 6.25% Stock 2010	2,223
Treasury 8% Stock 2021	1,499
Treasury 5% Stock 2008	1,452
Treasury 4.25% Stock 2055	1,382
Treasury 4.25% Stock 2036	1,358
ICO 4.5% 2011	969
Treasury 4.25% Stock 2036	951
Treasury 6% Stock 2028	853
Toyota Motor Credit 4.625% 2011	481
Tesco 6.625% Bond 2010	478
Network Rail 4.875% Bond 2015	272
Treasury 5% Stock 2012	146

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

The CBF Church of England Fixed Interest Securities Fund

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 accounting policies set out below and the Statement of Recommended Practice for Authorised Funds issued by the Investment Management Association (IMA) in December 2005.

(b) Income recognition

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

(c) Expenses

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

(d) Distributions

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

(e) Basis of valuation

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

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

2. Net losses on investments

30.11.2007
£'000

30.11.2006
£'000

The net losses on investments during the year comprise:

Non-derivative securities

(3,164)

(2,014)

The CBF Church of England Fixed Interest Securities Fund

Notes to the Accounts

3. Income	30.11.2007	<i>30.11.2006</i>
	£'000	<i>£'000</i>
Interest on debt securities	4,465	4,761
Interest on The CBF Church of England Deposit Fund	88	75
Bank interest	28	11
Other income	4	-
	<u>4,585</u>	<u>4,847</u>
4. Expenses	30.11.2007	<i>30.11.2006</i>
	£'000	<i>£'000</i>
Payable to the Manager, associates of the Manager and agents of either of them:		
Manager's periodic charge – see Note 1(c)	189	214
Manager's periodic charge rebate– see Note 1(c)*	(5)	(5)
	<u>184</u>	<u>209</u>
Payable to the Trustee, associates of the Trustee and agents of either of them:		
Safe custody fees	5	6
Monitoring fee	11	8
	<u>16</u>	<u>14</u>
Other expenses:		
Insurance fee	1	1
Audit fee	7	7
Other expenses	1	1
	<u>9</u>	<u>9</u>
Total expenses	<u>209</u>	<u>232</u>

The above expenses include irrecoverable VAT where applicable.

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

5. Taxation

The Fund is exempt from UK income and capital gains tax due to its charitable status pursuant to Sections 505 and 506 of the Income and Corporation Taxes Act 1988. Distributions are paid and reinvested income credited gross to shareholders on the basis that all recoverable UK taxation has been reclaimed.

The CBF Church of England Fixed Interest Securities Fund

Notes to the Accounts

6. Finance costs

Distributions

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

	30.11.2007	30.11.2006
	£'000	£'000
28 February – interim distribution	1,067	1,176
31 May – interim distribution	1,065	1,114
31 August – interim distribution	1,057	1,093
30 November – final distribution	1,050	1,094
	4,239	4,477
Add: income deducted on cancellation of shares	38	70
Deduct: income received on creation of shares	(21)	(14)
Net distribution for the year	<u>4,256</u>	<u>4,533</u>
Net income for the year	4,376	4,615
Transfer to income reserve – see Note 10	(120)	(82)
Net distribution for the year	<u>4,256</u>	<u>4,533</u>

Details of the distribution per share are set out in the distribution table on page 18.

7. Debtors

	30.11.2007	30.11.2006
	£'000	£'000
Accrued income	1,803	1,805
Prepayments	-	1
	<u>1,803</u>	<u>1,806</u>

8. Cash and bank balances

	30.11.2007	30.11.2006
	£'000	£'000
Cash in The CBF Church of England Deposit Fund	1,428	1,599
Cash at bank	301	557
	<u>1,729</u>	<u>2,156</u>

9. Creditors

	30.11.2007	30.11.2006
	£'000	£'000
Accrued expenses	8	11

The CBF Church of England Fixed Interest Securities Fund

Notes to the Accounts

10. Income reserve

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

	30.11.2007	30.11.2006
	£'000	£'000
Income reserve at start of the year	1,088	1,006
Transfer to income reserve	120	82
Income reserve at end of the year	<u>1,208</u>	<u>1,088</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 consistently 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.

The CBF Church of England Fixed Interest Securities Fund

Notes to the Accounts

Currency risk

There is no exposure to foreign currency fluctuations as all investments, income 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 income may be affected by changes to interest rates relevant to particular securities or as a result of the Manager being able 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 expectations of such movements in the future.

The interest rate profile of the Fund's financial assets and liabilities as at 30 November 2007 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	1,729	71,079	1,803	74,611

<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	-	-	1,040	1,040

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 2007 (30.11.2006, £nil).

The CBF Church of England Fixed Interest Securities Fund

Notes to the Accounts

30 November 2006

<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	2,156	76,813	1,806	80,775

<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	-	-	1,085	1,085

* 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.

The fixed rate element of the portfolio at 30 November 2007 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	69,838	4.90	12.6
Sterling - undated	1,241	6.85	-

30 November 2006

<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	75,301	4.67	13.5
Sterling - undated	1,512	5.50	-

The CBF Church of England Fixed Interest Securities Fund

Notes to the Accounts

13. Commitments and contingent liabilities

There were no commitments or contingent liabilities at 30 November 2007 (30.11.2006, £nil).

14. Related party transactions

The Manager's periodic charge is paid to the Manager, a related party to the Fund. The amounts paid in respect of the Manager's periodic charge are disclosed in Note 4. There were no outstanding balances due to the Manager at 30 November 2007 (30.11.2006, £nil). There were no other transactions entered into with the Manager during the year.

CBFFT, as Trustee, is a related party to the Fund. The amounts paid in respect of the Trustee's administration fee are disclosed in Note 4. There were no outstanding balances due to CBFFT at 30 November 2007 (30.11.06, £nil). There were no other transactions entered into with CBFFT during the year.

At 30 November 2007 a cash balance of £1,427,690 (30.11.2006, £1,599,043) was held in The CBF Church of England Deposit Fund.

15. Portfolio transaction costs

	30.11.2007 £'000	<i>30.11.2006</i> <i>£'000</i>
Analysis of total purchase costs:		
Purchases in period before transaction costs	9,495	56,151
Commission	-	-
Gross purchases total	<u>9,495</u>	<u>56,151</u>
Analysis of total sale costs:		
Gross sales in period before transaction costs	12,065	63,122
Commission	(1)	(2)
Total sales net of transaction costs	<u>12,064</u>	<u>63,120</u>

The CBF Church of England Fixed Interest Securities Fund

Distribution Table

for the year ended 30 November 2007

<i>Period ended</i>	<i>Date paid/payable</i>	<i>Dividends paid/payable pence per share</i>	
		<i>2007</i>	<i>2006</i>
Income shares			
28 February 2007	30 April 2007	2.20	2.20
31 May 2007	31 July 2007	2.20	2.20
31 August 2007	31 October 2007	2.20	2.20
30 November 2007	31 January 2008	2.20	2.20
		<u>8.80</u>	<u>8.80</u>
		<i>Income accumulated pence per share</i>	
Accumulation shares			
28 February 2007		4.32	4.13
31 May 2007		4.45	4.13
31 August 2007		4.49	4.13
30 November 2007		4.46	4.42
		<u>17.72</u>	<u>16.81</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 settle their terms of engagement;
- determine the rate of remuneration of the Manager in accordance with the Measure 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 which it has appointed in accordance with the provisions of the Scheme;
- review the custody and control of the property of the Fund and the collection of all income due to the Fund in accordance with the Measure;
- make distributions to investors holding income shares and make allocations to investors holding accumulation shares in proportion to their respective shares in the property of the Fund; and
- take all steps and execute all documents which are necessary to ensure that the purchases and sales of investments for the Fund are properly completed.

Preparation of accounts

The Trustee of the Fund is required, by the Measure, to prepare accounts which give a true and fair view of the financial position of the Fund at each half year and year end valuation date. The net income for the year, together with a report on the operation of the Fund is also required. The accounts show the net asset value of the shares in the Fund as at the date to which the accounts are prepared, the amount of income per share, and the amount of income, if any, to be transferred to capital pursuant to paragraph 11 of the Schedule to the Measure. In preparing these accounts, the Trustee:

- selects suitable accounting policies that are appropriate for the Fund and applies them on a consistent basis;
- complies with the disclosure requirements of the Statement of Recommended Practice relating to Authorised Funds issued by the Investment Management Association (IMA) in December 2005;
- follows generally accepted accounting principles and applicable United Kingdom accounting standards;
- keeps proper accounting records which enables them to demonstrate that the accounts, as prepared, comply with the above requirements;
- makes judgments and estimates that are prudent and reasonable; and
- prepares the accounts on the basis that the Fund will continue in operation unless it is inappropriate to presume this.

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

CCLA INVESTMENT MANAGEMENT LIMITED

The CBF Church of England Fixed Interest Securities Fund

Trustee - CBF Funds Trustee Limited

R Broadhurst (Chairman)
J Clunie*
L Farrall
N Pearson
S Steele
Rev Dr R Turnbull*
N Pearson
R Williams*

* Members of the Audit Committee

J Fox (Secretary)

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 from 1 May 2007)
D Butler (Chief Operating Officer to 30 April 2007)
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

Bates, Wells & Braithwaite LLP
2-6 Cannon Street, London EC4M 6YH
Farrer & Co LLP
66 Lincoln 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

Six CBF Church of England Funds aim to meet most of the investment and deposit needs of a Church trust.

- **Investment Fund**
 - A suitable 'all-in-one' long-term fund for most church organisations
 - Highly diversified and well-balanced spread of investments
 - Designed to help meet growth and income requirements
 - Focus on delivering attractive, growing income
 - Aligned with the Church of England's Ethical Investment Policy
- **Global Equity Income Fund**
 - Attractive income now
 - Rising income in the future
 - Strong growth opportunities from the global economy
- **UK Equity Fund**
 - The only UK equity fund entirely aligned with the Church of England's Ethical Investment Policy
 - High quality, well-diversified portfolio
 - Designed to help meet growth and income requirements
 - Usually held with other investments such as overseas equities, bonds and cash to give a broad spread of assets and achieve overall objectives
- **Fixed Interest Securities Fund**
 - Long-term investment focused on income
 - Gross income paid quarterly
 - Usually held with other investments such as equities and cash to give a broad spread of assets and achieve combined income and growth objectives
- **Property Fund**
 - High quality, well-diversified commercial and industrial property portfolio
 - Focus on delivering attractive income
 - Actively managed to add value
 - Usually held with other investments such as equities, bonds and cash to give a broad spread of assets and achieve combined income and growth objectives
- **Deposit Fund**
 - A great rate
 - Interest paid gross
 - No minimum balance
 - Easy access
 - Simple operation
 - Excellent service
 - Free BACS transfers
 - Aaa (triple A) credit rating*

* The Deposit Fund has consistently achieved a Aaa rating from the credit rating agency Moody's Investors Service – the highest possible.

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 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 is committed to making a positive contribution to environmental protection. We seek to ensure our suppliers are using environmentally friendly production processes. The paper and board used for this publication contains 50% recovered waste and 50% virgin fiber, and is certified as a Forest Stewardship Council (FSC) mixed source product.

CCLA INVESTMENT MANAGEMENT LTD

80 Cheapside
London EC2V 6DZ
Client Service:
Freephone: 0800 022 3505
Facsimile: 0844 561 5126
Email: clientservices@ccla.co.uk
www.ccla.co.uk