

THE CBF CHURCH OF ENGLAND DEPOSIT FUND  
ANNUAL REPORT AND  
FINANCIAL STATEMENTS

Year ended 31 December 2022

**CCLA**

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\*Collectively, these comprise the Manager's Report.

\*\*Audited.

References to "CCLA" refer to the CCLA Group, comprising CCLA Investment Management Limited and CCLA Fund Managers Limited.

**Disability Discrimination Act 1995**

Extracts from the Annual Report and Financial Statements are available in large print and audio formats.

## REPORT OF THE TRUSTEE for the year ended 31 December 2022

On behalf of the Trustee, I have pleasure in presenting the Annual Report and Financial Statements of The CBF Church of England Deposit Fund (the Fund), which includes a separate report from CCLA Investment Management Limited (the “Manager”) as Manager of the Fund. The Manager is authorised and regulated by the Financial Conduct Authority (“FCA”).

### Structure and management of the Fund

The Fund is a deposit fund established under the Church Funds Investment Measure 1958, as amended by the Church of England (Miscellaneous Provisions) Measure 1995, the Church of England (Miscellaneous Provisions) Measure 2000, the Church of England (Miscellaneous Provisions) Measure 2006, the Church of England (Miscellaneous Provisions) Measure 2010 (together the “Measure”) and the Trustee Act 2000. The Fund was formed on 1 May 1958. The Fund is not a collective investment scheme within the meaning of the Financial Services and Markets Act 2000 (“FSMA”) as amended or changed from time to time.

CBF Funds Trustee Limited (the “Trustee”) is the Trustee and Operator of the Fund. The Trustee is a company incorporated under the Companies Act 1985 (now Companies Act 2006). It is a registered charity (No. 1116932) and is incorporated in England and Wales as a company limited by guarantee.

The Manager has been appointed by the Trustee pursuant to the investment management agreement dated September 2008 to provide discretionary investment management services as well as administrative and registration services under the investment management agreement.

Under the provisions of FSMA, the Trustee is not considered to be operating the Fund “by way of business”. Consequently, it is not required to be authorised or regulated by the FCA and its members are not required to be approved by the FCA for this purpose.

As the Fund is structured as an unregulated fund, deposits in the Fund are not covered by the Financial Services Compensation Scheme.

### Charitable status

The Fund is entitled to charitable status by virtue of section 103(4) of the Charities Act 2011. In the administration of the Fund, the Trustee is exempt from the jurisdiction of the Charity Commission by virtue of section 5(1) of the Measure.

### Investment objective

The Fund aims to provide a high level of capital security and competitive rates of interest.

**REPORT OF THE TRUSTEE**

for the year ended 31 December 2022

**Investment policy**

The Fund is an actively managed, diversified portfolio of sterling denominated money market deposits and instruments. It will principally invest in sterling denominated call accounts, notice accounts, term deposits and money market instruments, but may invest in other assets, which may be either liquid or illiquid in nature.

**Comparator benchmark**

The comparator benchmark for the Fund is the Sterling Overnight Index Average (SONIA), or a similar short-term measure which may replace or succeed it from time to time. This index was chosen as it is widely used in the banking and investment industries and meets accepted international standards of best practice.

The comparator benchmark sets a standard against which the performance of the Fund can be assessed.

**Target investors**

The Fund is intended for eligible charity investors, with at least a basic knowledge of relevant financial instruments, which are affiliated with the Church of England and seeking to invest in an actively managed fund that reflects the investment objective and investment policy of the Fund. Investors should understand that their capital may be at risk and have the ability to bear losses.

Please note that the Manager is not required to assess the suitability or appropriateness of the Fund against each eligible depositor.

Eligible depositors may be either retail or professional clients (both per se and elective).

**Review of investment activities and policies of the Fund**

The Trustee is ultimately responsible for The CBF Church of England Funds and receives reports on the published financial statements.

The Trustee holds at least four meetings each year and monitors the investment, property and cash management, administration, registration and company secretarial services provided by the Manager under the investment management agreement. The Trustee has appointed an audit committee to review the financial statements of the Fund and to receive and consider regular reports from the Manager on the management and administration of the Fund. The deposits placed with financial institutions are held by the Trustee in the name of the Fund. In the event that the Manager elects to invest in money market securities, the Trustee has authorised the appointment of the custodian to hold such securities.

**Delegation of functions**

Following its regular meetings and consideration of the reports and papers it has received, the Trustee 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 investment management agreement.

**REPORT OF THE TRUSTEE**

for the year ended 31 December 2022

**Controls and risk management**

The Trustee receives and considers regular reports from the Manager. Ad hoc reports and information are supplied as required.

The Trustee has appointed HSBC Bank plc Trustee and Depositary Services to oversee the Manager in respect of its activities related to the management, oversight, supervision and administration of the Fund, including the custody and safekeeping of the property of the Fund. HSBC Bank plc Trustee and Depositary Services also provide semi-annual reviews to the Trustee. This oversight provides an additional layer of comfort for Depositors.

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.

At its periodic audit committee meetings, the Trustee receives a report from the Chief Risk Officer of the Manager which covers the following areas amongst others:

- breaches and complaints recorded on the Fund during the reporting period;
- compliance monitoring reviews relevant to the Fund during the reporting period;
- a summary of the internal audit reviews carried out during the reporting period and any significant findings;
- an enterprise risk report which outlines any operational risk events which impacted the Fund; and
- an investment risk report on the Fund with relevant metrics as at the last month end prior to the audit committee meeting.

**Ethical investment**

The Fund is managed in accordance with ethical investment policies developed by the three National Investing Bodies (the Church Commissioners and Church of England Pensions Board being the other two) based on the advice of the Church's Ethical Investment Advisory Group (EIAG). Responsibility for accepting National Investing Bodies (NIBs) policy and EIAG recommendations rests with the Trustee. The Trustee is represented on the EIAG by C Chan, a director of the Trustee. The Ethical Investment Policy embraces stewardship, engagement and investment exclusions.

**REPORT OF THE TRUSTEE**

for the year ended 31 December 2022

**Responsible investment and stewardship**

The Fund also implements CCLA's responsible investment policy, which we believe will improve long-term Depositor returns. This includes policies to integrate Environmental, Social and Governance (ESG) factors into the investment decision making process and stewardship activities associated with the Fund's holdings, more details can be found at <https://www.ccla.co.uk/sustainability/corporate-governance/approach-esg>.

The Manager is a signatory to both the UK Stewardship Code and the United Nations Principles for Responsible Investment (PRI) and is a member of CDP (formerly the Carbon Disclosure Project), the Institutional Investors Group on Climate Change (IIGCC) and UK Sustainable Investment and Finance Association (UKSIF).

**Investment exclusions**

The NIBs do not wish to directly profit from, or provide capital to, activities that are materially inconsistent with Christian values, and are also mindful of the danger of undermining the credibility, effectiveness and unity of the Church's witness were they to do so. A range of investment exclusions is therefore maintained. The EIAG or the NIBs may, exceptionally, recommend exclusion from investment of any individual company in any line of business on ethical grounds – normally if, after sustained dialogue, the company does not respond positively to concerns about its practices.

In such cases the NIBs will determine individually whether to disinvest if they hold securities issued by the company. The EIAG and NIBs expect a recognition of responsibility and a resolve to improve, rather than perfection.

**Direct investments in equities and corporate debt**

The NIBs do not invest in any company involved in indiscriminate weaponry. Moreover, they do not invest in companies involved in conventional weapons if their strategic military supplies exceed 10% of turnover. The NIBs do not invest in any company that derives more than 3% of revenues from the production or distribution of pornography or in any company, a major part of whose business activity or focus (defined as more than 10% of group revenues) is tobacco, gambling, non-military firearms, or high interest rate lending. The National Investing Bodies will exclude from their investments any company deriving more than 25% of its turnover from the production or licensed sale of alcoholic drinks, except in the case of companies whose sole business is the provision of alcoholic drinks with food. The climate change policy (2015) does not allow investments in companies that derive more than 10% of revenue from tar sands or thermal coal. Individual policy documents are published separately – or are under development – setting out the criteria employed in each area to determine whether companies breach the Church's policy and to explain the theology, ethics and reasoning underlying the policies.

**REPORT OF THE TRUSTEE**  
for the year ended 31 December 2022

More information can be found at  
<https://www.churchofengland.org/about/leadership-and-governance/ethical-investment-advisorygroup/policies-and-reviews>.

A Brookes, Chair  
CBF Funds Trustee Limited  
30 May 2023

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The EIAG was established in 1994 and includes representation from The Church Commissioners, The CBF Church of England Funds, the Church of England Pensions Board and up to seven independent members who are appointed by a dedicated Nominations Committee. It is currently

Chaired by Barbara Ridpath who took over from the Right Reverend David Walker, The Bishop of Manchester, on the 8 July 2020. More information about the EIAG is available at [www.churchofengland.org/eiag](http://www.churchofengland.org/eiag).

## REPORT OF THE INVESTMENT MANAGER for the year ended 31 December 2022

### Performance

The Fund's declared rate over the reporting period averaged 1.31% (an annual equivalent rate (AER) of 1.32%); the Fund's comparator benchmark, the Sterling Overnight Index Average returned 1.40%. As of the 31 December 2022 the declared rate was 3.20% (3.24% AER).

Client deposits (excluding those of the other CBF Funds) increased by £56million and as of 31 December 2022, totalled £683million.

### Market Review

As we entered Spring 2022, concerns around a tight labour market and higher wages leading to run-away inflation were mounting. Headline unemployment data released in April came in at 3.8%, falling back to pre-pandemic levels; while job vacancies at record highs suggested that the tightness in the labour market was set to continue. Given the strong employment data, the Bank of England (BoE) raised its Official Bank Rate (OBR) for a third consecutive time, in April, to 0.75%. At that time, the average 3-month and 12-month inter-bank rates were 0.90%, and 1.80% respectively. Markets were pricing in the possibility of the OBR reaching 2.5% in a year's time – a rate not seen since before the 2008/09 financial crisis. Despite the Bank of England's initial rhetoric claiming inflation to be transitory, it became clear that it would not be the case.

During the next three months, the combination of Russia's invasion of Ukraine, record high inflation, and a slowing economy were all pushing the UK into the realms of stagnation. By June, the BoE had made two further changes to the OBR, in a bid to stamp out medium term inflation, taking the rate to 1.25%. Two weeks later CPI inflation confirmed prices had increased by 9.1% compared to the previous year, marking the highest reading in 40 years and suggesting there could be further interest rate tightening to come.

Following months of political uncertainty and an eventual change of Prime Minister, on 23 September, the then Chancellor Kwasi Kwarteng, unleashed his 'fiscal event' with the aim of stimulating growth through a series of fiscally expansive policies across income tax, stamp duty, corporation tax, and the long-awaited Energy Price Guarantee (EPG) scheme, to name a few. All in all, a budget worth over £145bn of stimulus, which, crucially for the UK's economic credibility, was un-costed.

The announcement spooked UK bond and currency markets, with gilt yields spiking above 4% and sterling plunging at one point to an intra-day low of \$1.03, its lowest rate against the US dollar since 1971. Dysfunction in the gilt market meant that a number of pension schemes operating a Liability Driven Investment structure were rumoured to be near collapse.

## REPORT OF THE INVESTMENT MANAGER for the year ended 31 December 2022

This forced the BoE, under its financial stability objective, to step in and become a buyer of last resort for gilts, at a time when it was in fact looking to reduce its gilt holdings as part of a drive to tighten monetary policy.

The consequences of the rash economic decision led to the resignation of the Chancellor, followed by that of Prime Minister Liz Truss, paving the way for Rishi Sunak to take the leadership position.

At this point the money markets were a very different place compared to just a few months prior. The average 3-month inter-bank rate was yielding over 3.30%, and the equivalent 12-month paper yielded close to 5.50%, the volatility increased in the forward money markets, which were now pricing in the prospect of the OBR exceeding 6% in a year's time. The final two months of 2022 were more stable than the second and third quarters as a whole. The new Chancellor, Jeremy Hunt, calmed the markets with a more restrictive budget focused on balancing the books; the Bank of England increased the OBR to 3.5% helping inflation expectations to fall; and confidence started flowing back into the UK gilt markets, as expressed by the 10 year gilt yield falling by 100 basis points from its 4.5% September high, which in turn supported the fall of cash yields from their peak too. Such relief, however, had not yet made its way into

the real economy, with average 2-year mortgage rates staying elevated at around 5.7%, and the cost-of-living crisis continuing to weigh down household disposable incomes. Meanwhile despite market yields being many times greater than a year ago, it was notable that the UK clearing banks were slow to raise interest rates on their charity instant access accounts.

### Strategy

The Fund is structured to provide both capital security and adequate daily liquidity. The short-term nature of the Fund allows us to quickly alter the portfolio composition to reflect our assessment of changing market conditions. The assets of the Fund are placed strictly within agreed limits with a diversified list of quality counterparties in order to achieve a very low overall level of risk and high security of capital. The list of approved counterparties is constantly monitored, and lending limits immediately amended following credit rating changes. The Fund has maintained a high level of liquidity to ensure that sufficient money is always readily available to meet client withdrawals. The balance of the Fund was invested for periods of up to one year with the aim of boosting the overall yield of the Fund for the benefit of the depositors. The weighted average maturity as at 31 December 2022 was 58.4 days.

## REPORT OF THE INVESTMENT MANAGER for the year ended 31 December 2022

### Rated AAmmf by Fitch Ratings

Following a regular scheduled review, the 'AAAf/S1' rating was affirmed on 3 October 2022 and again on 27 March 2023 by Fitch Ratings (Fitch). This rating reflects the high quality of the Fund's approved lending list, the employment of an appropriate investment policy, a low overall level of risk through diversification, and the quality of management and internal controls. The rating is awarded to funds that have the lowest credit risk and where the total returns exhibit relative stability, performing consistently across a broad range of interest rate scenarios and changing market conditions.

### Outlook

Unfortunately, for the UK economy, the early part of 2023 has featured many of the same headwinds as we started with 2022.

Since the end of the reporting period, the BoE has continued its monetary policy tightening; at its May 2023 MPC meeting the OBR was raised to 4.50%. While the MPC expects the rate of inflation to fall sharply in the coming months, it now sees CPI only down to 5% by the end of the year, which is actually higher than predicted in its February Monetary Report. The surprise in the May Report was the Bank's new set of economic growth

projections, which were much more positive than they were in the February report. In one of the biggest upgrades to growth forecasts in the MPC history, the Bank no longer thinks the UK will enter a formal recession this year. It largely attributes this good news to falling energy prices and fiscal support in the Government's Spring Budget.

Both the inflation and economic growth numbers will ultimately change, but for now both highlight the mixed news, the economy is proving more resilient than originally predicted for this year, yet prospects for serious economic growth in the short and medium term remain limited and inflation is stubbornly high. Unless there are further unexpected upside surprises, the BoE OBR is now likely to be at, or approaching the top of this interest rate cycle.

S Freeman

Director, Investments (Cash)

CCLA Investment Management Limited

30 May 2023

### Risk warning

The Manager undertakes to exercise reasonable care in its placing of deposits with a selected list of banks and building societies but it cannot give guarantees regarding repayment of deposits. The daily yield on

the Fund is variable and past performance is no guarantee of future returns. Deposits in the Fund are not covered by the Financial Services Compensation Scheme.

## INDEPENDENT AUDITOR'S REPORT

to the shareholders and the CBF Funds Trustee Ltd ('the Trustee')  
of The CBF Church of England Deposit Fund

**Report on the audit of the financial statements***Opinion*

In our opinion the financial statements of  
The CBF Church of England Deposit Fund  
(the 'Fund'):

- give a true and fair view of the financial position of the Fund as at 31 December 2022 and of the net revenue on the property of the Fund for the year ended 31 December 2022;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Church Funds Investment Measure 1958 ('the Measure'), Trust Deed, and the Trustee Act 2000.

We have audited the financial statements which comprise for each fund:

- the statement of total return;
- the statement of change in net assets attributable to shareholders;
- the balance sheet;
- the distribution tables; and
- the summary of significant accounting policies, judgments and estimates applicable to all sub-funds and individual notes.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice), Church Funds Investment Measure 1958 ('the Measure') and the Trustee Act 2000.

*Basis for opinion*

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**INDEPENDENT AUDITOR'S REPORT**

to the shareholders and the CBF Funds Trustee Ltd ('the Trustee')  
of The CBF Church of England Deposit Fund

*Conclusions relating to going concern*

In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Fund's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the trustees and Manager with respect to going concern are described in the relevant sections of this report.

*Other information*

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge

obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

*Responsibilities of trustees and Manager*

As explained more fully in the trustees' responsibilities statement and the Manager's responsibilities statement, the Manager is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Manager is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to liquidate the fund or to cease operations, or has no realistic alternative but to do so.

## INDEPENDENT AUDITOR'S REPORT

to the shareholders and the CBF Funds Trustee Ltd ('the Trustee')  
of The CBF Church of England Deposit Fund

*Auditor's responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at:

[www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

*Extent to which the audit was considered capable of detecting irregularities, including fraud*

Irregularities, including fraud, are instances of non-compliance with laws and regulations.

We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the Fund's industry and its control environment, and reviewed the Fund's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and Trustees about their own identification and assessment of the risks of irregularities, including those that are specific to the Fund's business sector.

We obtained an understanding of the legal and regulatory frameworks that the Fund operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the relevant tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the Fund's ability to operate or to avoid a material penalty. These included The Church Funds Investment Measure 1958 and Trustee Act 2000.

We discussed among the audit engagement team, including relevant internal specialists such as financial instruments specialists, regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

**INDEPENDENT AUDITOR'S REPORT**

to the shareholders and the CBF Funds Trustee Ltd ('the Trustee')  
of The CBF Church of England Deposit Fund

As a result of performing the above, we identified the greatest potential for fraud in the valuation and existence of investments due to its significance to the net asset values of the sub-funds. In response we have: involved our financial instruments specialists to assess the applied valuation methodologies; agreed investment holdings to independent confirmations; and agreed investment valuations to reliable independent sources.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;

- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing correspondence with HMRC and the FCA

*Use of our report*

This report is made solely to the shareholders of the Fund, as a body, in accordance with paragraph 14 of the Schedule to the Church Investment Funds Measure 1958. 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 shareholders of the Fund, as a body, for our audit work, for this report, or for the opinions we have formed.

Deloitte LLP  
Statutory Auditor  
Glasgow, United Kingdom  
30 May 2023

## SUMMARY RISK INDICATOR

The UK PRIIPs Regulation requirements set out detailed guidelines for the calculation of the risk ratings of products to be portrayed through a summary risk indicator. It is intended to be a guide to the level of risk of this product compared to other products. It shows how likely it is that the product will lose money because of movements in the markets or because the Manager is not able to pay you. The risk of the product may be significantly higher than the one represented in the summary risk indicator where the product is not held for the recommended holding period (RHP).



The Manager has classified The CBF Church of England Deposit Fund as 1 out of 7, which is the lowest risk class. This rates the potential losses from future performance at a very low level and poor market conditions are very unlikely to impact the Manager's capacity to pay you. This classification is not guaranteed and may change over time and may not be a reliable indication of the future risk profile of the Fund. The lowest category does not mean risk free.

The summary risk indicator assumes deposits in the Fund for the RHP of less than one year.

Depositors can request a withdrawal at any time and the Fund deals on a daily basis. The Fund does not include any protection from counterparty failure, so you could lose some or all of your deposit.

A more detailed description of risk factors that apply to this product is set out in the latest Scheme Information document available on CCLA's website or by request.

**AVERAGE RATES OF INTEREST PAID**  
for the year ended 31 December 2022

Month	Actual % p.a.	Gross AER* % p.a.
January 2022	0.21	0.21
February 2022	0.35	0.35
March 2022	0.50	0.50
April 2022	0.68	0.68
May 2022	0.80	0.80
June 2022	0.92	0.92
July 2022	1.16	1.17
August 2022	1.49	1.50
September 2022	1.76	1.77
October 2022	2.13	2.15
November 2022	2.62	2.64
December 2022	3.03	3.07
Calendar year	Actual % p.a.	Gross AER* % p.a.
2018	0.50	0.50
2019	0.75	0.75
2020	0.42	0.42
2021	0.05	0.05
2022	1.31	1.32

\* Annual Equivalent Rate (AER) illustrates what the annual interest rate would be if the quarterly interest payments were compounded.

The rates are published on the Manager's website at [www.ccla.co.uk](http://www.ccla.co.uk).

## INTEREST PAID TABLE

for the year ended 31 December 2022

Period ended	Date of payment 2022	2021	Total £'000	Average rates of interest paid	
				2022 %	2021 %
31 March	12 April	8 April	695	0.35	0.14
30 June	6 July	6 July	1,624	0.80	0.02
30 September	4 October	6 October	3,062	1.47	0.01
31 December	4 January	7 January	5,027	2.59	0.04
			10,408	1.32	0.05

Amounts paid include interest paid on closed accounts during the year.

## SUMMARY OF DEPOSITS PLACED BY MATURITY

for the year ended 31 December 2022

Repayable	Year ended 31.12.2022		Year ended 31.12.2021	
	£'000	%	£'000	%
On call	55,454	6.89	42,965	5.25
Within 5 business days	176,000	21.86	236,000	28.86
Within 30 days	132,000	16.40	58,000	7.09
Between 31 and 60 days	107,000	13.29	128,001	15.65
Between 61 and 91 days	112,000	13.91	90,000	11.01
Between 92 and 182 days	164,970	20.49	119,750	14.64
Between 183 days and one year	57,641	7.16	142,977	17.50
Total deposits	805,065	100.00	817,693	100.00

STATEMENT OF TOTAL RETURN  
for the year ended 31 December 2022

	<i>Note</i>	Year ended 31.12.2022 £'000	Year ended 31.12.2021 £'000
Revenue	2	11,526	1,214
Expenses	3	(1,895)	(1,451)
<b>Net revenue</b>		<b>9,631</b>	<b>237</b>
Distributions		(10,408)	(389)
<b>Net decrease in income reserve</b>		<b>(777)</b>	<b>(626)</b>

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO DEPOSITORS  
for the year ended 31 December 2022

	Year ended 31.12.2022 £'000	Year ended 31.12.2021 £'000
<b>Opening net assets attributable to depositors</b>	–	–
(Decrease)/Increase in total assets	(8,291)	145,475
Decrease/(Increase) in total liabilities	8,291	(145,475)
<b>Closing net assets attributable to depositors</b>	<b>–</b>	<b>–</b>

The notes on pages 20 to 25 form part of these financial statements.

**BALANCE SHEET**  
at 31 December 2022

	<i>Note</i>	31.12.2022 £'000	31.12.2021 £'000
<b>ASSETS</b>			
Loans receivable	5	6,641	7,727
Other debtors	6	4,649	311
Cash		25,453	7,966
Cash equivalents		772,971	802,001
<b>Total assets</b>		<b>809,714</b>	<b>818,005</b>
<b>LIABILITIES</b>			
Current deposits	7	789,494	801,999
Other creditors	8	5,203	212
Income reserve	9	15,017	15,794
<b>Total liabilities</b>		<b>809,714</b>	<b>818,005</b>

The financial statements on pages 18 to 25 have been approved and authorised for issue by the Trustee.

Approved on behalf of the Trustee  
30 May 2023

A Brookes, Chair  
CBF Funds Trustees Limited

The notes on pages 20 to 25 form part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2022

### 1. Accounting policies

#### *(a) Basis of preparation*

The financial statements have been prepared on a going concern basis, in compliance with FRS 102 and in accordance with the Trust Deed, The Church Funds Investment Measures Act 1958 and the Trustee Act 2000.

The Fund is exempt from preparing a statement of cash flows under FRS 102 as substantially all of the Fund's investments are highly liquid, substantially all of the Fund's investments are carried at market value and the Fund provides a statement of change in net assets.

#### *(b) Valuation of deposits*

The Fund's deposits are valued at their acquisition cost as adjusted for amortisation of premium or accretion of discount, rather than at current market value.

#### *(c) Revenue recognition*

Interest on bank and building society deposits, other eligible securities and interest on the Diocesan Loan Scheme are accrued on a daily basis.

#### *(d) Expenses*

During the year, the annual management charge (AMC), paid to the Manager, was taken to the revenue of the Fund before interest paid. The AMC is based on a fixed percentage of the value of the Fund and was 0.15% per annum plus VAT for the period from 1 January 2022 to 23 May 2022 and then changed to 0.20% per annum plus VAT from 24 May 2022.

On a daily basis, the net asset value of the Fund at the end of the previous day is taken to calculate the AMC due. The Manager charges an AMC for the provision of managing investments.

The depositary fee, audit fee, legal fees, safe custody fees and transaction charges, insurance fees and other fees are charged separately to the revenue of the Fund before interest paid.

#### *(e) Distributions*

Interest is paid quarterly. The Fund utilises an income reserve to facilitate the payment of interest to depositors (see note 9). Movement in the income reserve are therefore adjustments made to net revenue in determining the distribution.

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2022

2. Revenue

	Year ended 31.12.2022 £'000	Year ended 31.12.2021 £'000
Interest on deposits at banks and building societies	11,526	1,214

3. Expenses

	Year ended 31.12.2022 £'000	Year ended 31.12.2021 £'000
Payable to the Manager, associates of the Manager and agents of either of them: Manager's periodic charge – see note 1(d)	1,781	1,356
	1,781	1,356

Payable to the Trustee, associates of the Trustee  
and agents of either of them:

Safe custody fees	22	18
Monitoring fee	18	17
Bank charges	3	3
	43	38

Other expenses:

Audit fee	12	10
Insurance fee	12	10
Other fees	47	37
	71	57
Total expenses	1,895	1,451

The above expenses include VAT where applicable.

Audit fee net of VAT is £8,320 (31.12.2021, £9,600).

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2022

4. Taxation

The Fund has charitable status and is exempt from UK Income and Capital Gains Tax pursuant to Part 11 Chapter 3 of the Corporation Tax Act 2010. Distributions are paid and reinvested revenue credited gross to depositors.

5. Loans receivable

	31.12.2022 £'000	31.12.2021 £'000
Loans to Diocesan Boards of Finance:		
Due within one year	84	790
Due within two to five years	2,797	3,127
Due after five years	3,760	3,810
	<b>6,641</b>	<b>7,727</b>

As at 31 December 2022, there were 21 (31.12.2021, 23) outstanding variable interest rate loans with the Dioceses, ranging from £1,000 to £1,000,000 (31.12.2021, from £2,000 to £1,000,000). During the year interest chargeable on the loans was between 0.76% and 2.68% (31.12.2021, between 0.56% and 0.70%).

6. Other debtors

	31.12.2022 £'000	31.12.2021 £'000
Interest receivable	4,646	302
Prepayments	3	9
	<b>4,649</b>	<b>311</b>

7. Current deposits

	31.12.2022 £'000	31.12.2021 £'000
Dioceses, parishes and other	674,913	626,665
The CBF Church of England Investment Fund	112,691	169,431
The CBF Church of England Global Equity Income Fund	–	4,076
The CBF Church of England UK Equity Fund	1,175	1,000
The CBF Church of England Property Fund	715	710
The CBF Church of England Fixed Interest Securities Fund	–	117
	<b>789,494</b>	<b>801,999</b>

Deposits are repayable to clients on demand.

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2022

8. Other creditors

	31.12.2022 £'000	31.12.2021 £'000
Interest payable	5,026	77
Accrued expenses	177	135
	<b>5,203</b>	<b>212</b>

There were unclaimed distributions as at 31 December 2022 of £2.76 (31.12.2021, £1.70).

9. Income reserve

The Fund utilises a reserve which is accumulated out of revenue. The principal purpose of the income reserve is to facilitate the payment of interest to depositors at each distribution period end, even though a proportion of the revenue earned by the Fund over the quarter will not be received until the maturity date of individual deposits.

The reserve is also available as a provision against potential default of counterparties and permits, subject to the limits agreed by the Board, and provision of loans to Diocesan Authorities (up to the value of the reserve) without detriment to the Funds AAAf/S1 Fitch rating. The reserve can also be used to augment the Fund's deposit rate.

	Year ended 31.12.2022 £'000	Year ended 31.12.2021 £'000
Income reserve at the start of the year	15,794	16,420
Transfer from income reserve	(777)	(626)
Income reserve at the end of the year	<b>15,017</b>	<b>15,794</b>

10. Financial instruments

The main risks arising from the Fund's financial instruments and the Manager's policies for managing these risks are summarised below.

*Credit risk*

The Fund is exposed to a risk regarding the repayment of deposits from the counterparties. To minimise this, the assets of the Fund are strictly placed, within agreed limits, with a diversified list of quality counterparties in order to achieve a very low overall level of risk and high security of capital. The list of approved counterparties is constantly monitored by the Investment Committee and credit limits immediately amended following credit rating upgrades and downgrades.

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2022

10. Financial instruments (continued)

*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 repayment requests from depositors.

*Currency risk*

There was no foreign currency exposure within the Fund at 31 December 2022 (31.12.2021, £nil).

There were no derivatives held by the Fund during the current year or prior year.

*Interest rate risk*

The Fund invests in fixed rate and floating rate deposits. Changes in the interest rate will result in revenue either increasing or decreasing; this may also result in a reassessment of interest paid to depositors.

The total exposure at 31 December 2022 was:

Currency	Floating rate financial assets* £'000	Fixed rate financial assets £'000	Financial assets not carrying interest £'000	Total £'000
Sterling	80,453	724,612	4,649	809,714

  

Currency	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000
Sterling	804,511	–	5,203	809,714

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2022

10. Financial instruments (continued)

Interest rate risk (continued)

The total exposure at 31 December 2021 was:

Currency	Floating rate financial assets* £'000	Fixed rate financial assets £'000	Financial assets not carrying interest £'000	Total £'000
Sterling	67,965	749,729	311	818,005

  

Currency	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000
Sterling	817,793	–	212	818,005

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

All financial liabilities are due to be settled within one year or on demand.

It is estimated that a 1 basis point increase/decrease in interest rates would result in an increase/decrease of £81,000 in interest revenue (31.12.2021, £76,000).

11. Related party transactions

The Manager's periodic charge and fee for ethical and stewardship services are paid to the Manager, a related party to the Fund. The amounts incurred in respect of these charges are disclosed in note 3.

An amount of £160,476 was due to the Manager at 31 December 2022 (31.12.2021, £120,793). There were no other transactions entered into with the Manager during the year (31.12.2021, £nil).

CBFFT, as Trustee, is a related party to the Fund. There were no outstanding balances due to CBFFT at 31 December 2022 (31.12.2021, £nil). Balances held on behalf of other CBF Church of England Funds are disclosed in note 7. There were no other transactions entered into with CBFFT during the year (31.12.2021, £nil).

There is no individual account that had a deposit in excess of 20% of the Fund.

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**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 Measure (as amended from time to time) and the Trustee Act 2000 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;
- exercise supervision and oversight of 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;
- review the appointment, supervision and oversight of any Registrar or other delegate whom it has appointed in accordance with the provisions of the Scheme Information;
- 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;
- apply interest payments to depositors based on their average daily balance in the Fund; and
- take all steps and execute all documents which are necessary to ensure that the deposits and withdrawals for the Fund are properly completed.

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**STATEMENT OF TRUSTEE AND MANAGER RESPONSIBILITIES****Preparation of financial statements**

The Trustee of the Fund is required, by the Measure, to prepare Financial Statements 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. In preparing these Financial Statements, 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 FRS 102;
- keeps proper accounting records which enables them to demonstrate that the Financial Statements, as prepared, comply with the above requirements;
- makes judgments and estimates that are prudent and reasonable; and
- prepares the Financial Statements on the going concern basis, 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.

**Manager responsibilities**

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.

**CBF Funds Trustee Limited**  
(Charity Registration No. 1116932)

**DIRECTORY**

**Trustee Directors**

A Brookes (Chair)  
C Chan\*  
P Chandler  
G Dixon\*  
C Johnson  
N Lewis\*  
D Rees\*

\* *Members of the Audit Committee*

**Secretary**

J Fox

**Manager and Registrar**

CCLA Investment Management Limited  
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*Authorised and regulated by the Financial Conduct Authority*

**Administrator**

HSBC Bank plc  
8 Canada Square  
Canary Wharf  
London  
E14 5HQ

*HSBC Bank plc is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority*

**Executive Directors of the Manager**

P Hugh Smith (Chief Executive Officer)

E Sheldon (Chief Operating Officer)

A Robinson, MBE (Director Market Development)

**Non-Executive Directors of the Manager**

R Horlick (Chair)

J Jesty

C Johnson

A Roughead

C West

J Hobart

**Fund Managers**

S Freeman

R Evans

S Mehta

**Company Secretary**

J Fox

**Chief Risk Officer**

J-P Lim

**Head of Sustainability**

J Corah

**Third Party Advisers**

**Banker**

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8 Canada Square  
Canary Wharf  
London  
E14 5HQ

**Custodian**

HSBC Bank plc  
8 Canada Square  
Canary Wharf  
London  
E14 5HQ

**Independent Auditor**

Deloitte LLP  
110 Queen Street  
Glasgow  
G1 3BX

## ABOUT CCLA

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Founded in 1958, CCLA is now the UK's largest charity fund manager. Well known for managing investments for charities, religious organisations and the public sector, CCLA began a new phase in its development in 2022, now welcoming other types of investor.

Our purpose is to help our clients maximise their impact on society by harnessing the power of investment markets. This requires us to provide a supportive and stable environment for our staff and deliver trusted, responsibly managed and strongly performing products and services to our clients, irrespective of their size.

# CCLA

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CCLA is the trading name for CCLA Investment Management Limited (Registered in England and Wales No. 2183088) and CCLA Fund Managers Limited (Registered in England and Wales No. 8735639)

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