

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

Year ended 31 December 2018

**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 2018

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.

### Structure and management

The Fund is a Common Fund established by the Church Funds Investment Measure 1958 as amended by the Church of England (Miscellaneous Provisions) Measure 1995, Church of England (Miscellaneous Provisions) Measure 2000 and the Trustee Act 2000 (together, the Measure). The Fund was established on 1 May 1958. The Fund is neither a Collective Investment Scheme nor an Unregulated Collective Investment Scheme within the meaning of the Financial Services and Markets Act 2000 (FSMA).

CBF Funds Trustee Limited (CBFFT), a company incorporated under the Companies Act, limited by guarantee and not having a share capital, is the Trustee and Operator of the Fund. CBFFT has an Audit Committee which meets twice a 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 Conduct Authority (FCA), the investment management, administration, registrar, secretarial and company secretarial functions of the Fund under Management Agreements dated September 2008.

Under the provisions of the 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 FCA and the trustee directors of CBFFT are not required to be authorised by the FCA for this purpose.

Deposits taken by the Fund are exempted from the FSMA by virtue of the Financial Services and Markets Act (Exemption) Order 2001 and 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 96(2) of the Charities Act 2011. 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.

**REPORT OF THE TRUSTEE**

for the year ended 31 December 2018

**Investment Objective**

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

**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.

**Benchmark**

London Interbank Sterling 7-Day Bid Rate (7-Day LIBID) is the benchmark for the Fund.

**Suitability**

The Fund is suitable for all of a Church of England charity's short-term investments where they are seeking a high level of capital security and a competitive rate of interest.

**Responsibilities of the Trustee**

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

rate policy, distribution policy, investment diversification, risk and to review the Fund's performance. In addition, CBFFT reviews the Annual Report and Financial Statements of the Fund which are prepared on its behalf by the Manager. CBFFT is responsible for appointing an Audit Committee and the Auditor. It reviews annually the objectives of the Fund in the light of current circumstances.

**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**

The Fund is managed in accordance with the policies of the Church of England's Ethical Investment Advisory Group (EIAG).

The CBF Deposit Fund follows the guidance of the EIAG as available at <https://www.churchofengland.org/about-us/structure/eiag/ethical-investment-policies.aspx>.

Throughout the year, CBFFT was represented on the EIAG by Rev Canon Edward Carter, a CBFFT Trustee Director.

**REPORT OF THE TRUSTEE**

for the year ended 31 December 2018

**Controls and risk management**

CBFFT receives and considers regular reports from the Manager. Other ad hoc reports and information are supplied as required.

CBFFT has appointed HSBC Bank plc to monitor 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. It is also responsible for the appointment and supervision of the Registrar of the Fund. The division between management and these functions provides an additional layer of protection for Depositors. HSBC Bank plc provides a formal review of its findings to the Audit Committee. HSBC Bank plc has not raised any material issues.

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 and residual exposure after application of mitigating controls.

A Brookes, Chair  
CBF Funds Trustee Limited  
3 June 2019

## REPORT OF THE INVESTMENT MANAGER for the year ended 31 December 2018

### Strategy

The Fund is structured to provide both capital security and adequate daily liquidity. The short-term nature of the Fund allows us to alter quickly 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 high 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. The weighted average maturity as at 31 December 2018 was 84 days.

### Performance

Over the reporting period the Fund achieved a total return before management expenses of 0.69%; this was higher than the Fund's benchmark, the 7-day LIBID, which averaged 0.46%.

The Fund's declared interest rate increased over the reporting period. The average rate was 0.50% (an annual equivalent rate (AER) of 0.50%). As at 31 December 2018 the declared interest rate was 0.70%.

Client deposits (excluding those of the other CBF Funds) increased by £2 million and at 31 December 2018 totalled £588 million.

### Market Review

A weak economic performance at the start of the year, combined with a moderating rate of inflation, effectively removed an early rise in interest rates from the Bank of England's (BoE) Monetary Policy Committee (MPC) agenda. However, as time passed, upward revisions to first quarter data and evidence of a bounce in activity in the spring, drew the conclusion that much of the early year weakness was due to weather related factors rather than any fundamental decline in activity.

Steady economic growth over the Summer culminated, at the August meeting of the MPC, in a unanimous decision to increase the BoE's Official Bank Rate (OBR) by 25 basis points to 0.75%, the second increase in a year but also only the second since 2009. The rise, at a time of significant economic uncertainty, was justified by persistent inflation and concerns at the BoE that economic growth, although modest, was still at a

## REPORT OF THE INVESTMENT MANAGER for the year ended 31 December 2018

pace above the economy's long-term capacity. The Committee indicated that, were the economy to continue to develop broadly in line with its projections, an ongoing tightening of monetary policy would be appropriate to return inflation sustainably to the 2% target. Any increases in the OBR were likely to be at a gradual pace and limited in extent.

The UK labour market proved to be consistently strong over the year. In the summer, the unemployment rate fell to 4.0%, the lowest level since the mid-seventies, helped by falling levels of migration from the European Union (EU). Wages grew at the joint-fastest rate since the summer of 2015, as public sector pay settlements and the tight labour market appeared to be pushing pay agreements higher.

In early November, financial markets interpreted political developments as increasing the possibility of the UK remaining in the EU. This triggered a modest improvement in the sterling exchange rate and a rise in gilt yields as demand from 'safe-haven' investors fell away. Inflation expectations eased on the view that a stronger pound would help contain import price growth.

This relative stability ended when political divisions resurfaced and the Prime Minister decided to postpone a vote on the deal to leave the EU on 29 March 2019 rather than risk splitting Parliament. The renewed uncertainty caused an immediate and sharp market reaction; gilt yields fell, with 50-year yields over 30 basis points lower and the pound lost almost five percent on a trade weighted basis.

In December the MPC voted unanimously to keep rates unchanged. They noted that uncertainty over the UK's exit from the EU, had intensified and this, plus softer global economic growth, could cause UK momentum to slow during Q4 2018 and into the new year.

### Rated AA Af/S1 by Fitch Ratings

The Fund was assigned a AA Af/S1 fund and volatility rating by Fitch Ratings, which was affirmed on 19 September 2018. 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.

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**REPORT OF THE INVESTMENT MANAGER**  
for the year ended 31 December 2018**Outlook**

As at the time of writing there had been no resolution to the Brexit impasse. Until politicians can find a consensus on the way forward regarding Article 50, the majority of BoE's MPC members are likely to prefer to maintain their Official Bank Rate at 0.75%. Therefore, despite the BoE outlook favouring a tightening in monetary policy, there is a possibility there will not be a hike in interest rates this year.

S Freeman  
Director, Investments (Cash)  
CCLA Investment Management Limited  
3 June 2019

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**Risk warning**

CBFFT cannot give guarantees regarding repayment of deposits in the Fund, but undertakes to exercise reasonable care in the placing of deposits.

The daily deposit rate will fluctuate. 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 of The CBF Church of England Deposit Fund

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

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

- give a true and fair view of the financial position of the Fund as at 31 December 2018 and of the net revenue and the net capital gains of its scheme property for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law), and the Trust Deed; and
- have been prepared in accordance with the requirements of the Church Funds Investment Measure 1958, as amended, and the Trustee Act 2000.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: balance sheet as at 31 December 2018; the statement of total return, the statement of change in net assets attributable to depositors for the year then ended; the accounting policies; the distribution tables and the notes to the financial statements.

*Basis for opinion*

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Independence*

We remained independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements.

*Conclusions relating to going concern*

ISAs (UK) require us to report to you when:

- the Authorised Fund Managers' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Authorised Fund Manager has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

**INDEPENDENT AUDITOR'S REPORT****to the shareholders of The CBF Church of England Deposit Fund**

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Fund's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union, are not clear and it is difficult to evaluate all of the potential implications on the fund's business and the wider economy.

*Reporting on other information*

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Authorised Fund Manager is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, 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 audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information.

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 based on these responsibilities.

*Responsibilities for the financial statements and the audit**Responsibilities of the Authorised Fund Manager for the financial statements*

The Authorised Fund Manager is responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Authorised Fund Manager is also responsible for such internal control as they determine 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 Authorised Fund 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 Authorised Fund 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 of The CBF Church of England Deposit Fund

*Auditors' 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 auditors' 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 Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

*Use of this report*

This report, including the opinion, has been prepared for and only for the unitholders of the Fund as a body in accordance with the Trust Deed and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
7 More London  
Riverside  
London  
3 June 2019

## RISK AND REWARD PROFILE

The European Union imposed legislation which sets out detailed guidelines for the calculation of the risk ratings 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 Fund will lose money because of movements in markets.



We have classified this product as 1 out of 7, which is the lowest risk class. This rates the potential losses from future performance at a very low level. The summary risk indicator assumes deposits in the Fund for the recommended holding period of less than one year.

In practice, the risk of the Fund may be significantly higher than that represented in the summary risk indicator. This may include the effect of holding the Fund for less than the recommended holding period, or if market volatility in the future is higher than that experienced over the past.

The Fund is not admitted to trading on a secondary market and no alternative liquidity facility is promoted by the Manager or a third party, so should be considered illiquid. However, depositors can request a withdrawal at any time and the Fund deals on a daily basis. This product does not include any protection from future market performance so you could lose some or all 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 2018

Month	Actual % p.a.	Gross AER* % p.a.
January 2018	0.35	0.35
February 2018	0.35	0.35
March 2018	0.36	0.36
April 2018	0.40	0.40
May 2018	0.40	0.40
June 2018	0.45	0.45
July 2018	0.50	0.50
August 2018	0.55	0.55
September 2018	0.57	0.57
October 2018	0.65	0.65
November 2018	0.67	0.67
December 2018	0.70	0.70
Calendar year	Actual % p.a.	Gross AER* % p.a.
2014	0.50	0.50
2015**	0.50	0.50
2016	0.47	0.47
2017	0.28	0.28
2018	0.50	0.50

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

\*\* 13 months to 31 December 2015.

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

## INTEREST PAID TABLE

for the year ended 31 December 2018

Period ended	Date of payment	Total £'000	Average rates of interest paid	
			2018 %	2017 %
31 March	6 April 2018/4 April 2017	552	0.35	0.33
30 June	3 July 2018/4 July 2017	656	0.42	0.27
30 September	2 October 2018/4 October 2017	840	0.54	0.25
31 December	4 January 2019/4 January 2018	1,088	0.67	0.28
		<b>3,136</b>	<b>0.50</b>	<b>0.28</b>

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

## SUMMARY OF DEPOSITS PLACED BY MATURITY

for the year ended 31 December 2018

Repayable	Year ended 31.12.2018		Year ended 31.12.2017	
	£'000	%	£'000	%
On call	24,071	3.66	69,435	10.63
Within 5 business days	118,000	17.96	85,000	13.02
Within 30 days	32,000	4.87	28,001	4.29
Between 31 and 60 days	92,002	14.00	87,503	13.40
Between 61 and 91 days	116,000	17.66	123,000	18.83
Between 92 and 182 days	179,001	27.24	175,200	26.82
Between 183 days and one year	96,000	14.61	85,000	13.01
Total deposits	<b>657,074</b>	<b>100.00</b>	<b>653,139</b>	<b>100.00</b>

STATEMENT OF TOTAL RETURN  
for the year ended 31 December 2018

	<i>Note</i>	Year ended 31.12.2018 £'000	Year ended 31.12.2017 £'000
Revenue	2	4,504	2,968
Expenses	3	(1,636)	(1,674)
<b>Net revenue</b>		<b>2,868</b>	<b>1,294</b>
Distributions		(3,136)	(1,768)
<b>Net decrease in income reserve</b>		<b>(268)</b>	<b>(474)</b>

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO DEPOSITORS  
for the year ended 31 December 2018

	Year ended 31.12.2018 £'000	Year ended 31.12.2017 £'000
<b>Opening net assets attributable to depositors</b>	<b>–</b>	<b>–</b>
Increase in total assets	1,689	48,433
Increase in total liabilities	(1,689)	(48,433)
<b>Closing net assets attributable to depositors</b>	<b>–</b>	<b>–</b>

The notes on pages 17 to 22 form part of these financial statements.

**BALANCE SHEET**  
at 31 December 2018

	<i>Note</i>	31.12.2018 £'000	31.12.2017 £'000
<b>ASSETS</b>			
Loans receivable	5	7,823	10,701
Other debtors	6	1,531	899
Cash		14,085	33,482
Cash equivalents		642,989	619,657
<b>Total assets</b>		<b>666,428</b>	<b>664,739</b>
<b>LIABILITIES</b>			
Current deposits	7	647,301	645,974
Other creditors	8	1,226	596
Income reserve	9	17,901	18,169
<b>Total liabilities</b>		<b>666,428</b>	<b>664,739</b>

The financial statements on pages 15 to 22 have been approved by the Trustee.

Approved on behalf of the Trustee  
3 June 2019

A Brookes, Chair  
CBF Funds Trustees Limited

The notes on pages 17 to 22 form part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2018

### 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, and the Collective Investment Scheme Sourcebook in so far as it applies to the Fund.

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 is accrued on a daily basis. Interest on the Diocesan Loan Scheme is accrued on a monthly basis.

#### *(d) Expenses*

The Manager's periodic charge and fee for ethical and stewardship services, paid to the Manager, are charged to the revenue of the Fund before distribution. The fee is based on a fixed percentage of the value of the Fund, which is currently 0.20% p.a. plus VAT. On a daily basis, the value of the Fund at the end of the previous day is taken to calculate the fee due. This fee covers the provision of investment services and other expenses incurred by the Manager. A fee for governance services is also charged by the Manager. Audit fees, insurance, bank charges and the Trustee's administration fee are charged separately to the revenue of the Fund before distribution.

#### *(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 2018

2. Revenue

	Year ended 31.12.2018 £'000	Year ended 31.12.2017 £'000
Interest on deposits at banks and building societies	4,504	2,968

3. Expenses

	Year ended 31.12.2018 £'000	Year ended 31.12.2017 £'000
Payable to the Manager, associates of the Manager and agents of either of them:		
Manager's periodic charge – see note 1(d)	1,562	1,559
Manager's fee for ethical services	9	9
	1,571	1,568

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

Safe custody fees	16	14
Monitoring fee	15	15
Bank charges	4	2
	35	31

Other expenses:

Audit fee	10	9
Insurance fee	3	5
Other fees	17	61
	30	75
<b>Total expenses</b>	<b>1,636</b>	<b>1,674</b>

Audit fee net of VAT is £8,310 (31.12.2017, £8,068)

The above expenses include VAT where applicable.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2018

**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**

	31.12.2018 £'000	31.12.2017 £'000
Loans to Diocesan Boards of Finance:		
Due within one year	295	2,161
Due within two to five years	3,820	4,655
Due after five years	3,708	3,885
	<b>7,823</b>	<b>10,701</b>

As at 31 December 2018, there were 29 (31.12.2017, 42) outstanding variable interest rate loans with the Dioceses, ranging from £500 to £1,000,000 (31.12.2017, from £400 to £1,000,000). During the year interest chargeable on the loans was between 0.90% and 1.25% (31.12.2017, between 0.80% and 0.90%).

**6. Other debtors**

	31.12.2018 £'000	31.12.2017 £'000
Interest receivable	1,530	898
Prepayments	1	1
	<b>1,531</b>	<b>899</b>

**7. Current deposits**

	31.12.2018 £'000	31.12.2017 £'000
Dioceses, parishes and other	588,464	585,984
The CBF Church of England Investment Fund	48,980	53,473
The CBF Church of England Global Equity Income Fund	5,764	2,740
The CBF Church of England UK Equity Fund	2,544	2,493
The CBF Church of England Fixed Interest Securities Fund	1,144	1,259
The CBF Church of England Property Fund	405	25
	<b>647,301</b>	<b>645,974</b>

Deposits are repayable to clients on demand.

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2018

8. Other creditors

	31.12.2018 £'000	31.12.2017 £'000
Interest payable	1,085	450
Accrued expenses	141	146
	1,226	596

There were unclaimed distributions as at 31 December 2018 of £1 (31.12.2017, £8).

9. Income reserve

The Fund utilises a reserve which is accumulated out of revenue and held by CBFFT on trust for depositors for the time being. 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 Fund's AAAf/S1 Fitch rating. The reserve can also be used to augment the Fund's deposit rate.

	Year ended 31.12.2018 £'000	Year ended 31.12.2017 £'000
Income reserve at the start of the year	18,169	18,643
Transfer from income reserve	(268)	(474)
Income reserve at the end of the year	17,901	18,169

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 2018

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 2018 (31.12.2017, £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 2018 was:

Currency	Floating rate financial assets* £'000	Fixed rate financial assets £'000	Financial assets not carrying interest £'000	Total £'000
Sterling	49,071	615,826	1,531	666,428

  

Currency	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000
Sterling	665,202	–	1,226	666,428

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2018

10. Financial instruments (continued)

Interest rate risk (continued)

The total exposure at 31 December 2017 was:

Currency	Floating rate financial assets* £'000	Fixed rate financial assets £'000	Financial assets not carrying interest £'000	Total £'000
Sterling	124,435	539,405	899	664,739

  

Currency	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000
Sterling	664,593	–	146	664,739

\* 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.

It is estimated that a 1 basis point increase/decrease in interest rates would result in an increase/decrease of £65,000 in interest revenue (31.12.2017, £65,000).

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 £136,499 was due to the Manager at 31 December 2018 (31.12.2017, £135,678).

There were no other transactions entered into with the Manager during the year (31.12.2017, £nil).

CBFFT, as Trustee, is a related party to the Fund. There were no outstanding balances due to CBFFT at 31 December 2018 (31.12.2017, £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 (31.12.2017, £nil).

There is no individual investor holding more than 20% of the Fund.

## 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 from time to time) 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;
- 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 this Scheme;
- review the custody and control of the property of the Fund and the collection of all revenue due to the Fund in accordance with the Measure;
- 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;
- follows generally accepted accounting principles and applicable United Kingdom accounting standards;
- 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)

**Trustee Directors**

R Williams (Chair) – resigned 21 May 2018  
A Brookes (Chair) – appointed 21 May 2018  
Rev Canon E Carter  
S Chan\*  
C Johnson  
N Lewis\*  
G Pollard  
P Read\*  
S Steele\* – resigned 26 February 2018  
Rev Dr R Turnbull\* – resigned 21 May 2018  
M Woodmore\*

\* *Members of the Audit Committee*

**Secretary**

J Fox

**Manager and Registrar**

CCLA Investment Management Limited  
Senator House, 85 Queen Victoria Street  
London  
EC4V 4ET  
Telephone: 0207 489 6000  
Client Service:  
Freephone: 0800 022 3505  
Email: [clientservices@ccla.co.uk](mailto:clientservices@ccla.co.uk)  
[www.ccla.co.uk](http://www.ccla.co.uk)

*Authorised and regulated by the Financial Conduct Authority*

**Administrator**

HSBC Securities Services (UK) Limited  
1-2 Lochside Way  
Edinburgh Park  
Edinburgh  
EH12 9DT

*Authorised and regulated by the Financial Conduct Authority*

**Executive Directors of the Manager**

M Quicke, OBE (Chief Executive)  
J Bevan (Chief Investment Officer)  
A McMillan (Chief Operating Officer) –  
retired 19 November 2018  
E Sheldon (Chief Operating Officer) –  
appointed 19 November 2018  
FCA approval granted 4 December 2018  
A Robinson, MBE (Director Market Development)

**Non-Executive Directors of the Manager**

R Horlick (Chair)  
C Johnson – from 8 June 2018  
G Newson – from 29 October 2018  
R Norris – resigned 17 October 2018  
T Salmon, OBE – resigned 1 January 2019  
J Tattersall  
R Williams – resigned 8 June 2018

**Fund Managers**

S Freeman  
R Evans

**Company Secretary**

J Fox

**Head of Risk, Internal Audit and Compliance**

S Forrest – resigned 31 January 2018  
R Plumridge – from 31 January 2018

**Head of Ethical and Responsible Investment**

J Corah

**Third Party Advisors****Banker**

HSBC Bank plc  
60 Queen Victoria Street  
London  
EC4N 4TR

**Custodian**

HSBC Bank plc  
8 Canada Square  
London  
E14 5HQ

**Solicitors**

Farrer & Co LLP  
66 Lincoln's Inn Fields  
London  
WC2A 3LH

**Independent Auditors**

PricewaterhouseCoopers LLP  
7 More London Riverside  
London  
SE1 2RT

## The CBF Church of England Funds

The CBF Church of England Funds provide Church of England parishes, dioceses and other church charitable trusts with a ready-made service to look after their money and investments. These Funds aim to provide prudent management of Church money avoiding unnecessary risks, but at the same time seeking to deliver satisfactory investment results.

### A choice of Funds

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

#### Investment Fund

- A suitable 'all-in-one' long-term fund for most church organisations
- Highly diversified and well-balanced spread of investments
- Designed to help meet growth and income requirements
- Focus on delivering attractive, growing income
- Working with the EIAG to reflect appropriately ethical values in your investments

#### Global Equity Income Fund

- Attractive income
- Steady income in the future
- Strong growth opportunities from the global economy

#### UK Equity Fund

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

#### Fixed Interest Securities Fund

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

#### Property Fund

- Investing in high quality, well-diversified commercial and industrial property
- Focus on delivering attractive income
- Actively managed to add value

#### Deposit Fund

- An attractive rate
- Interest paid gross
- No minimum balance
- Easy access
- Simple operation
- Excellent service
- Free BACS transfers
- AAAf/S1 Fund rating from Fitch Ratings

The Funds are common funds established under the Church Funds Investment Measure 1958 (as amended from time to time). CBF Funds Trustee Limited, a company incorporated under the Companies Act, is the Trustee and Operator of the Funds. CCLA Investment Management Limited manages the investment of the Funds.

The value of the investments may fall as well as rise and an investor may not get back the full amount originally invested.

## ABOUT CCLA

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Founded in 1958, CCLA is one of the UK's largest charity fund managers.  
Managing investments for charities, religious organisations  
and the public sector is all that we do.

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 all organisations, irrespective of their size.

# CCLA

**CCLA Investment Management Limited**  
Senator House, 85 Queen Victoria Street, London EC4V 4ET  
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[www.ccla.co.uk](http://www.ccla.co.uk)

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

Both companies are authorised and regulated by the Financial Conduct Authority. Registered address: Senator House, 85 Queen Victoria Street, London EC4V 4ET.

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