

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

Year ended 31 December 2020

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 2020**

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 Deposit 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 appointed an Audit Committee which meets twice each year to review the Financial Statements and to 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, the investment management, administration, registrar, secretarial and company functions of the Fund under an Investment Management Agreement 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 Financial Conduct Authority and the trustee directors of CBFFT are not required to be approved by the Financial Conduct Authority for this purpose.

Deposits taken by the Fund are exempt 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 103(4) 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 2020

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.

Comparator benchmark

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

With effect from 1 January 2021, the comparator benchmark will be replaced by the Sterling Overnight Index Average (SONIA). This index was chosen as it is widely used in the banking and investment industries and meets accepted international standards of best practice.

Target investors

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

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

Responsibilities of the Trustee

CBFFT receives and reviews a report on the published Financial Statements prepared on its behalf by the Manager twice a year. CBFFT is wholly responsible for the Fund.

CBFFT reviews the cash management, administration, registrar, secretarial and company secretarial services provided by the Manager under the Investment Management Agreement. It meets quarterly with the Manager to monitor investment strategy, interest rate policy, investment diversification, risk and to review the Fund's performance.

In addition, CBFFT review the objectives of the Fund annually and is responsible for appointing an Audit Committee, the Auditor and the Custodian.

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 Investment Management Agreement.

REPORT OF THE TRUSTEE for the year ended 31 December 2020

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/leadership-and-governance/ethical-investment-advisory-group/policies-and-reviews>.

CBFFT is represented on the EIAG by S Chan, a CBFFT Trustee Director.

Controls and risk management

CBFFT receives and considers regular reports from the Manager. 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. This monitoring 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, CBFFT receives a report from the Chief Risk Officer of the Manager which includes 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.

A Brookes, Chair
CBF Funds Trustee Limited
19 July 2021

REPORT OF THE INVESTMENT MANAGER for the year ended 31 December 2020

Performance

Over the year, the Fund achieved a total return after management expenses of 0.42%; this was higher than the Fund's benchmark, the London Inter-Bank Sterling 7-Day Bid rate (7-day LIBID), which averaged 0.06%. From 1 January 2021, the new benchmark, as recently communicated, will be the Sterling Overnight Index Average (SONIA), as a comparison its annual return for 2020 was 0.19%.

The Consumer Prices Index annual return for 2020 was 0.65%.

Market Review

January 2020 seems like a bygone era, let alone only twelve months ago. Unemployment was at 3.8%, CPI was at 1.8% and GDP, albeit slowing, entered 2020 on the back of 1% growth. The Conservative Party had just won a landslide general election, with economists suggesting that increased certainty and proposed "levelling-up" initiatives could well result in the UK economy experiencing a "Boris-bounce" in output. Even the Bank of England's (BoE) January 2020 outlook highlighted a decline in uncertainty over the UK's exit from the European Union (EU), coupled with a pickup in global activity, that would energise UK economic growth over the coming twelve months. However, despite these positive remarks, given the inverted sterling yield curve back in August 2019, there remained a cautious undertone within most economic projections.

It didn't take long for things to change. The UK's first COVID-19 case was declared on 29 January, the total rose to 3,000 by mid-March. In response, the newly appointed Chancellor announced an emergency £12bn package of financial support for UK businesses, the NHS and vulnerable people. This coincided with a cut of 50 basis points in the BoE's Official Bank Rate (OBR) to 0.25% with a level not seen since August 2016. To help curb the rising infection rate, on 16 March Boris Johnson announced a full UK lockdown, however this did not fare well with the real economy nor the markets. Within a few days of the announcement UK businesses started to struggle as revenues dried up but expenses still had to be paid. Volatility surged in the Money Markets with deposit rates rising to the highest levels in over a decade, as liquidity became thin on multiple occasions. To further support UK businesses, the Chancellor announced a £350bn package consisting of government-backed loans, a furlough scheme and tax cuts. A few days later, the BoE announced yet further stimulus for the markets, on a scale not seen since the Global Financial Crisis in 2008. The OBR was cut to 0.1%, a new Term Funding scheme for SMEs was established and the asset purchasing programme was increased to £645bn to reduce the cost of borrowing. Despite the OBR hitting a historical low, the rate of saving by individuals soared to an unprecedented 29.1%, over three times higher than the 7.9% sixty-year average, in the second quarter.

REPORT OF THE INVESTMENT MANAGER for the year ended 31 December 2020

By the end of Spring, lockdowns were put in place across the globe. Factories shut down, people were furloughed and almost all forms of in-person consumption ground to a halt. UK retail and recreation venues were left deserted in favour of online alternatives, leading to a sharp fall in activity nationally. Similarly, as more people were forced to work from home, a significant drop in activity was noticed at transit stations and workplaces throughout April too, both seeing over 70% less footfall than usual. Naturally, all this weighed heavily on UK business confidence with the Services and Manufacturing Purchasing Managers Indices reaching historic lows. Consequently, Q2 GDP fell by 19.8%, the largest quarter-on-quarter decline ever recorded. Despite this backdrop and the EU's own difficulties in agreeing a pandemic recovery fund between its member states, discussions over the UK's exit from the EU were still on-going with no sign of extending the transition period.

In June, the Bank of England's Monetary Policy Committee (MPC) unanimously voted to maintain the OBR at 0.1% and continue with the existing government and corporate bond purchasing programs – which totalled to £745bn by this point. The Bank's review noted that risk asset prices had recovered from March lows, signs of spending had picked up and that GDP had started to recover somewhat. Thanks to the Furlough Scheme, unemployment remained unchanged at 3.9% with expectations that the Scheme would continue to be taken up during the second half of the year. Despite these green shoots the topic of negative interest rates was starting to emerge. External MPC members Silvana Tenreyro and Gertjan Vlieghe had been quite vocal in highlighting the relative merits of this method, however, many other economists do not believe that the use of negative interest rates has proved successful in the EU and Japan. Even Andrew Bailey had suggested his preference for using other tools before considering negative interest rates. By Q3 Central Banks globally started showing more interest in forms of Central Bank Digital Currencies as a method of improving financial stability, efficiency and safety in the payments industry. Some publications have also suggested the same tool can be used as a form of monetary policy in the future.

REPORT OF THE INVESTMENT MANAGER for the year ended 31 December 2020

By the fourth quarter the sterling money market yield curve had largely flattened. The lack of a return premium for making longer dated investments further drove investors to favour shorter dated deposits. Although the US election result and the approval of COVID-19 vaccines reduced some uncertainty in the markets, it was not long before a new strain of the COVID-19 virus caused cases to sharply rise across the UK. Stricter rules were again put in place. Talks over the UK's exit from the EU finally made a breakthrough, with a 1,200-page trade deal being agreed on Christmas Eve. While this brings some clarity for many industries, Financial Services is not one of them. Further discussions are to take place around UK-EU Equivalence rules and the impact that will have on London's position as a European financial hub. As the year came to a close the economic readings highlighted a rise in unemployment to 5.2%, a fall in CPI to 1.1% and a GDP output -9.7% below pre-pandemic levels, while UK Government debt-to-GDP rose to 99.5%, the highest reading since 1962.

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 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 2020 was 93 days.

The Fund's declared interest rate averaged 0.42% (an annual equivalent rate (AER) of 0.42%). As at 31 December 2020 the declared rate was 0.15%. Client deposits (excluding those of the other CBF Funds) increased by £51 million and at 31 December 2020 client deposits totalled £651 million.

Rated AAf/S1 by Fitch Ratings

The Fund was assigned a AAf/S1 fund and volatility rating by Fitch Ratings, which was affirmed on 14 October 2020. 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.

REPORT OF THE INVESTMENT MANAGER
for the year ended 31 December 2020**Outlook**

Amid rising vaccination rates and receding Covid-19 transmission, the BoE has upgraded its domestic economic assessment for this year and next. The BoE now expects the economy to meet, and possibly exceed, its pre-virus level later this year, while the unemployment rate is now expected to rise considerably less than previously thought. Despite this, the BoE has implied that any tightening in its OBR will not come until the economic recovery has proven to be a sustainable one. Therefore, the Fund's Declared Rate is likely to stay at its historically low level for the remainder of the year, but the likelihood of negative interest rates has reduced markedly.

S Freeman
Director, Investments (Cash)
CCLA Investment Management Limited
19 July 2021

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 not a reliable indicator of future results. 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 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 2020 and of the net revenue on its scheme property for the year then ended; and
- 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), the applicable law, and the Trust Deed.
- 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: the balance sheet as at 31 December 2020; the statement of total return, the statement of change in net assets attributable to depositors for the year then ended and the notes to the financial statements, which include a description of the significant accounting policies.

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

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 the date on which the financial statements are authorised for issue.

INDEPENDENT AUDITOR'S REPORT

to the shareholders of The CBF Church of England Deposit Fund

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

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Fund's ability to continue as a going concern.

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

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 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.

Report of the Investment Manager

In our opinion, the information given in the Report of the Investment Manager for the financial year for which the financial statements are prepared is consistent with the financial statements.

Responsibilities for the financial statements and the audit

Responsibilities of the Manager for the financial statements

As explained more fully in the Statement of Trustee and Manager Responsibilities set out on page 25, the 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 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.

INDEPENDENT AUDITOR'S REPORT

to the shareholders of The CBF Church of England Deposit Fund

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 wind up or terminate the Fund, or has no realistic alternative but to do so.

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.

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.

Based on our understanding of the Fund/industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of the Trust Deed and we considered the extent to which non-compliance might have a material effect on the financial statements, in particular which may directly impact on the determination of amounts and disclosures in the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue or to increase the net asset value of the Fund and assumptions and judgements made by management in their significant accounting estimates. Audit procedures performed included:

- Discussions with the Manager, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Reviewing relevant meeting minutes, including those of the Manager's board of directors;
- Identifying and testing journal entries, specifically any journals posted as part of the financial year end close process;
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing; and
- Challenging assumptions and judgements made by management in their significant accounting estimates.

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

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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. 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 Fund's shareholders as a body in accordance with the Trust Deed and for no other purpose. We do not, in giving these opinions, 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
London
19 July 2021

SUMMARY RISK INDICATOR

The European Union imposed legislation which sets 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.

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. 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 2020

Month	Actual % p.a.	AER* % p.a.
January 2020	0.75	0.75
February 2020	0.75	0.75
March 2020	0.50	0.50
April 2020	0.40	0.40
May 2020	0.40	0.40
June 2020	0.40	0.40
July 2020	0.40	0.40
August 2020	0.40	0.40
September 2020	0.40	0.40
October 2020	0.30	0.30
November 2020	0.20	0.20
December 2020	0.17	0.17
Calendar year	Actual % p.a.	AER* % p.a.
2016	0.47	0.47
2017	0.28	0.28
2018	0.50	0.50
2019	0.75	0.75
2020	0.42	0.42

* 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.

INTEREST PAID TABLE

for the year ended 31 December 2020

Period ended	Date of payment 2020	2019	Total £'000	Average rates of interest paid	
				2020 %	2019 %
31 March	6 April	4 April	1,168	0.67	0.75
30 June	6 July	4 July	700	0.40	0.75
30 September	6 October	4 October	783	0.40	0.75
31 December	7 January	3 January	422	0.22	0.75
			3,073	0.42	0.75

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

SUMMARY OF DEPOSITS PLACED BY MATURITY

for the year ended 31 December 2020

Repayable	Year ended 31.12.2020		Year ended 31.12.2019	
	£'000	%	£'000	%
On call	20,655	3.08	27,900	3.91
Within 5 business days	157,000	23.38	188,000	26.37
Within 30 days	2,000	0.30	47,000	6.59
Between 31 and 60 days	89,963	13.40	144,000	20.19
Between 61 and 91 days	83,000	12.36	113,000	15.85
Between 92 and 182 days	162,050	24.13	127,000	17.81
Between 183 days and one year	156,753	23.35	66,160	9.28
Total deposits	671,421	100.00	713,060	100.00

STATEMENT OF TOTAL RETURN
for the year ended 31 December 2020

	<i>Note</i>	Year ended 31.12.2020 £'000	Year ended 31.12.2019 £'000
Revenue	2	4,170	6,249
Expenses	3	(1,901)	(1,801)
Net revenue		2,269	4,448
Distributions		(3,073)	(5,125)
Net decrease in income reserve		(804)	(677)

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO DEPOSITORS
for the year ended 31 December 2020

	Year ended 31.12.2020 £'000	Year ended 31.12.2019 £'000
Opening net assets attributable to depositors	–	–
Increase in total assets	(41,874)	47,976
Increase in total liabilities	41,874	(47,976)
Closing net assets attributable to depositors	–	–

The notes on pages 19 to 24 form part of these financial statements.

BALANCE SHEET
at 31 December 2020

	<i>Note</i>	31.12.2020 £'000	31.12.2019 £'000
ASSETS			
Loans receivable	5	7,790	7,160
Other debtors	6	1,109	1,344
Cash		15,655	17,884
Cash equivalents		647,976	688,016
Total assets		672,530	714,404
LIABILITIES			
Current deposits	7	655,528	695,682
Other creditors	8	582	1,498
Income reserve	9	16,420	17,224
Total liabilities		672,530	714,404

The financial statements on pages 17 to 24 have been approved by the Trustee.

Approved on behalf of the Trustee
19 July 2021

A Brookes, Chair
CBF Funds Trustees Limited

The notes on pages 19 to 24 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2020

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, 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 0.20% p.a. plus VAT during the year. From 5 January 2021 and until further notice, the AMC applied to the Fund will be temporarily reduced by 0.05% to 0.15% p.a. plus VAT. The reduction is implemented by means of a rebate from CCLA to the funds. This temporary measure is expected to remain for an initial period of at least six months. Depositors will receive advance notice of any reversion to 0.20%.

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. From 1 October 2019, the Manager ceased charging the fee for ethical and stewardship services.

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 2020

2. Revenue

	Year ended 31.12.2020 £'000	Year ended 31.12.2019 £'000
Interest on deposits at banks and building societies	4,170	6,249

3. Expenses

	Year ended 31.12.2020 £'000	Year ended 31.12.2019 £'000
Payable to the Manager, associates of the Manager and agents of either of them:		
Manager's annual management charge – see note 1(d)	1,794	1,686
Manager's fee for ethical services*	–	6
	1,794	1,692

* From 1 October 2019, CCLA no longer charge for the ethical and stewardship services.

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

Safe custody fees	19	18
Monitoring fee	17	16
Bank charges	4	5
	40	39

Other expenses:

Audit fee	11	10
Insurance fee	8	3
Other fees	48	57
	67	70
Total expenses	1,901	1,801

Audit fee net of VAT is £9,000 (31.12.2019, £8,726).

The above expenses include VAT where applicable.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2020

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

	31.12.2020	31.12.2019
	£'000	£'000
Loans to Diocesan Boards of Finance:		
Due within one year	50	–
Due within two to five years	5,265	5,404
Due after five years	2,475	1,756
	7,790	7,160

As at 31 December 2020, there were 24 (31.12.2019, 24) outstanding variable interest rate loans with the Dioceses, ranging from £3,000 to £1,000,000 (31.12.2019, from £4,000 to £1,000,000).

During the year interest chargeable on the loans was between 0.72% and 1.30% (31.12.2019, 1.30%).

6. Other debtors

	31.12.2020	31.12.2019
	£'000	£'000
Interest receivable	1,100	1,343
Prepayments	9	1
	1,109	1,344

7. Current deposits

	31.12.2020	31.12.2019
	£'000	£'000
Dioceses, parishes and other	650,517	599,886
The CBF Church of England Investment Fund	3,772	88,159
The CBF Church of England Property Fund	582	566
The CBF Church of England Global Equity Income Fund	436	1,094
The CBF Church of England Fixed Interest Securities Fund	220	233
The CBF Church of England UK Equity Fund	1	5,744
	655,528	695,682

Deposits are repayable to clients on demand.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2020

8. Other creditors

	31.12.2020 £'000	31.12.2019 £'000
Interest payable	421	1,342
Accrued expenses	161	156
	582	1,498

There were unclaimed distributions as at 31 December 2020 of £2 (31.12.2019, £2).

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 Funds AAAf/S1 Fitch rating. The reserve can also be used to augment the Fund's deposit rate.

	Year ended 31.12.2020 £'000	Year ended 31.12.2019 £'000
Income reserve at the start of the year	17,224	17,901
Transfer from income reserve	(804)	(677)
Income reserve at the end of the year	16,420	17,224

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 2020

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 2020 (31.12.2019, £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 2020 was:

Currency	Floating rate financial assets* £'000	Fixed rate financial assets £'000	Financial assets not carrying interest £'000	Total £'000
Sterling	75,655	595,766	1,109	672,530

Currency	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000
Sterling	671,948	–	582	672,530

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2020

10. Financial instruments (continued)

Interest rate risk (continued)

The total exposure at 31 December 2019 was:

Currency	Floating rate financial assets* £'000	Fixed rate financial assets £'000	Financial assets not carrying interest £'000	Total £'000
Sterling	52,900	660,160	1,344	714,404

Currency	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000
Sterling	712,906	–	1,498	714,404

* 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 £73,000 in interest revenue (31.12.2019, £70,000).

11. Related party transactions

The Manager's annual management charge is paid to the Manager, a related party to the Fund. The amounts incurred in respect of this are disclosed in note 3. Please see note 1(d) for further information. An amount of £146,198 was due to the Manager at 31 December 2020 (31.12.2019, £145,889). There were no other transactions entered into with the Manager during the year (31.12.2019, £nil).

CBFFT, as Trustee, is a related party to the Fund. There were no outstanding balances due to CBFFT at 31 December 2020 (31.12.2019, £nil). There were no other transactions entered into with CBFFT during the year (31.12.2019, £nil).

Deposit balances held on behalf of other CBF Church of England Funds are disclosed in note 7.

There is no individual depositor 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.

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)

DIRECTORY

Trustee Directors

A Brookes (Chair)
S Chan*
P Chandler – appointed 9 June 2020
G Dixon* – appointed 18 June 2020
C Johnson
N Lewis*
G Pollard – resigned 10 February 2020
D Rees* – appointed 9 June 2020
M Woodmore*

* *Members of the Audit Committee*

Secretary

J Fox

Manager and Registrar

CCLA Investment Management Limited
Senator House, 85 Queen Victoria Street
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www.ccla.co.uk
Authorised and regulated by the Financial Conduct Authority

Administrator

HSBC Bank plc
8 Canada Square
Canary Wharf
London
E14 5HQ
Authorised and regulated by the Financial Conduct Authority

Executive Directors of the Manager

P Hugh Smith (Chief Executive Officer)
J Bevan (Chief Investment Officer)
E Sheldon (Chief Operating Officer)
A Robinson, MBE (Director Market Development)

Non-Executive Directors of the Manager

R Horlick (Chair)
J Jesty – appointed 24 April 2020
C Johnson
G Newson
A Roughead – appointed 24 April 2020
J Tattersall – retired 8 July 2020

Fund Managers

S Freeman
R Evans
S Mehta

Company Secretary

J Fox

Chief Risk Officer

R Plumridge – resigned 31 January 2020
JP Lim – appointed 1 May 2020

Head of Ethical and Responsible Investment

J Corah

Third Party Advisers

Banker

HSBC Bank plc
60 Queen Victoria Street
Canary Wharf
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

ABOUT CCLA

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

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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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