

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

For the year ended 31 December 2023

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 2023**

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 Church Funds Investment Measures 1958.

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 2023

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 Church Funds Investment Measures 1958 and with the investment management agreement.

REPORT OF THE TRUSTEE

for the year ended 31 December 2023

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 2023

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 NIBs may, exceptionally, recommend exclusion from investment of any individual company in any line of business on ethical grounds.

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 sales exceed 10% of revenue. The NIBs do not invest in any company that derives more than 3% of revenue 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 revenue) 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 revenue 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. In addition, the Fund Trustee has approved a restriction on investment in any company that derives more than 10% of its revenue from the production, extraction or refining of oil and gas.

REPORT OF THE TRUSTEE**for the year ended 31 December 2023**

Individual policy documents are published separately setting out the criteria employed in each area to determine whether companies breach then NIB's policy and to explain the theology, ethics and reasoning underlying the policies. More information can be found at <https://www.churchofengland.org/about/leadership-and-governance/ethical-investment-advisory-group/policies-and-reviews>.

The Manager is currently considering the launch of a Charity Authorised Investment Fund ("CAIF"), a new investment vehicle which has specifically been designed by the FCA for the charity sector, to which the assets and liabilities of this entity could be transferred. Any such change of structure would be subject to investor consultation and Trustee approval. Should this be approved, on completion of the transfer, The CBF Church of England Deposit Fund would cease operations and be wound up, with the investors' existing holdings in The CBF Church of England Deposit Fund being replaced with their equivalent in the new CAIF fund. This change in structure is expected to result in savings on at least VAT to the end investor and increased regulatory protection for holders of the fund.

The Archbishops' Council supported the draft legislation that went to Synod, enabling the future conversion of the funds; however, the timetable is still to be determined following the completion of Trustee approvals.

These events and circumstances therefore represent a material uncertainty which may cast significant doubt on The CBF Church of England Deposit Fund's ability to continue as a going concern. In the event that the decision is taken not to make the changes the fund is expected to continue to operate as it does now, and hence continue as a going concern.

Going Concern

Notwithstanding the material uncertainty explained above, the Trustee, having made appropriate enquiries and considered the ability of the Fund to meet its ongoing liabilities, has concluded that it remains appropriate to continue to prepare the financial statements on a going concern basis. In reaching this conclusion, the Trustee has considered that the proposal is contingent on investor consultation and Trustee approval and that the Fund remains a going concern in all other regard.

A Brookes, Chair
CBF Funds Trustee Limited
23 May 2024

REPORT OF THE INVESTMENT MANAGER for the year ended 31 December 2023

Performance

The Fund's declared rate over the reporting period averaged 4.50% (an annual equivalent rate (AER) of 4.57%); the Fund's comparator benchmark, the Sterling Overnight Index Average (SONIA) returned 4.69%. The Fund rules strongly emphasise security and liquidity, this means that after expenses, there is little opportunity to exceed the comparator benchmark. Depositors can assess the competitiveness of the Fund's daily rate by comparing it against the returns from other similar products, as well as alternative options such as savings and banking accounts. As of the 31 December 2023 the declared rate was 5.30%, (5.41% AER).

Client deposits (excluding those of the other CBF Funds) increased by £116 million, the second largest annual increase, as of 31 December 2023 those deposits totalled £791 million.

Market Review

The Bank of England's (BoE) Official Bank Rate (OBR) rose from 3.50% at the beginning of 2023 to 5.25% at the end of the year, although since August there was no change in the OBR. As in 2022 the hikes were in response to more persistent and ingrained inflationary pressures than expected. The headline consumer price inflation (CPI) rate remained well in advance of the BoE's 2% target throughout the period, only showing a meaningful reduction as we approached the final quarter. Meanwhile

core inflation, which excludes volatile food and energy prices, reached its highest rate in over thirty years in May (7.1%), this proved much more resilient over the second half of the year, remaining elevated, even as headline CPI fell. Prices in the services sector, which dominates the UK economy, have also proved stubbornly high, particularly concerning the BoE. Employment data also showed that the labour market remained tight, another indicator that wages were likely to continue rising.

During the middle of the year, market expectations for future interest rates rose significantly in response to evidence of further services inflation. By early July, the market was pricing a peak in the OBR of almost 6.50% by mid-2024. However, a run of better-than-expected inflation data encouraged investors to speculate that the interest rate could peak below 6%. CPI fell to 6.7% in August (it started the year in excess of 10%) and core and services inflation also fell, dropping to 6.2% and 6.8% respectively. This was also supported by a further drop in food prices. It was this release that was widely heralded as the main reason the MPC held interest rates at their subsequent September meeting, the first time since November 2021.

Further supporting the BoE's decision to hold was evidence of a softening labour market, the unemployment rate has been gradually increasing. The reading in the three months to July was 4.3%, up from its low of 3.7% in 2022.

REPORT OF THE INVESTMENT MANAGER for the year ended 31 December 2023

Although wage growth undoubtedly remained too strong, far removed from a level consistent with the Bank's 2% inflation target, tentative signs emerged showing even this may be cooling and with labour demand easing, wage growth should begin to follow.

As the summer drew to a close, the phrasing "higher for longer" became increasingly prevalent in comments made by rate setters, with Huw Pill, the BoE's chief economist, likening the path for interest rates to famous mountains. The first option, he said, is the Matterhorn model. Much like the mountain in the Alps, rates rise precipitously and fall just as swiftly. The second option however could look more like Table Mountain in South Africa. In this scenario, rates would not rise as high, but would stay elevated for longer. Table Mountain is much lower than the Matterhorn, but its peak is a flat plateau. Pill indicated his preference for the Table Mountain model, and this became increasingly accepted by investors.

In the final months of the period, much of the debate focused on how much of a plateau may be required before rates can be cut, especially as the UK economy appeared to be teetering on the brink of a recession. Newly released data from the Office for National Statistics found that the economy shrank slightly in the third and fourth quarter of 2023. Modest increases in industrial production and construction during the three months from July to September had been offset by a slowdown in the larger services sector. Business investment and household expenditure were also lower than in the

previous quarter. The overall effect was a contraction of 0.1% in gross domestic product, a slight downgrade from the previous estimate of zero growth for the quarter.

CPI growth fell relatively sharply as the year came to an end. The headline rate for December was 4.0%, meanwhile core inflation slowed to 5.1%, way below levels expected by the BoE just a few months earlier. In response, the BoE once again held interest rates steady in December, with the Bank at pains to avoid speculation about the timing and pace of rate reductions, though this did not prevent markets from pricing in easier monetary policy conditions well before the end of 2024.

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 financial institutions 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 397 days. The weighted average maturity as at 31 December 2023 was 100.8 days. As confidence grew that

REPORT OF THE INVESTMENT MANAGER for the year ended 31 December 2023

this rate hiking cycle was nearing its end during the final quarter, the Fund's duration was extended as much as Fund parameters allowed.

Rated AA Af/S1 by Fitch Ratings

Following a regular scheduled review, the 'AA Af/S1' rating was affirmed 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.

Responsible investment policy

We monitor our counterparties' Environmental, Social and Governance risk management on a regular basis and take action if necessary. Our research process is based on the work of our Sustainability team and their data providers.

Outlook

The latest data has shown that the UK entered a mild technical recession in the second half of 2023, as the cost of living crisis continued to hit household spending and business activity. This puts the BoE in a very difficult position. It needs to continue to demonstrate it has inflation under control, and it is on track to return inflation back to its 2% target, which will be sustainable, but it also needs to be careful not to push the economy into a deeper recession.

Interest rates are now widely regarded to be in restrictive territory, and the BoE are moving from deciding how high interest rates could go, to how long they need to maintain their current level. We expect the pressure to cut the Official Bank Rate will gradually build as inflation approaches target, and should the spring Budget not prove too inflationary, and the April increase in the National Living Wage does not trigger further unexpected wage inflation, we anticipate the BoE may begin lowering rates in the second half of this year.

S Freeman
Director, Investments (Cash)
CCLA Investment Management Limited
23 May 2024

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 rate 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 Deposit Guarantee.

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 2023 and of the net revenue and the net capital losses on the property of the Fund for the year ended 31 December 2023;
- 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') Scheme Information 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') Scheme Information 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

Material uncertainty related to going concern

We draw attention to note 1[a] in the financial statements, which indicates that the Manager is currently considering the launch of a Charity Authorised Investment Fund, a new investment vehicle which has specifically been designed by the FCA for the charity sector, to which the assets and liabilities of this entity would be transferred. Any such change of structure and transfer would be subject to Investor consultation and Trustee approval. Should this be approved, on completion of the transfer the Fund would cease operations and be wound up. The plan under consideration has been discussed at General Synod and has the support of the Archbishops Council but not yet been put to shareholders and both the timetable and potential outcome of such a vote remain uncertain. As stated in note 1[a], these events or conditions, along with the other matters as set forth in note 1[a], indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

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

INDEPENDENT AUDITOR'S REPORT

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

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.

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. 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.

INDEPENDENT AUDITOR'S REPORT

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

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.

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: 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
23 May 2024

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.



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 Recommended Holding Period 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 2023

Month	Actual % p.a.	Gross AER* % p.a.
January 2023	3.41	3.46
February 2023	3.72	3.77
March 2023	3.86	3.91
April 2023	3.93	3.99
May 2023	4.12	4.19
June 2023	4.30	4.37
July 2023	4.68	4.76
August 2023	4.98	5.07
September 2023	5.14	5.24
October 2023	5.21	5.32
November 2023	5.28	5.38
December 2023	5.30	5.41
Calendar year	Actual % p.a.	Gross AER* % p.a.
2019	0.75	0.75
2020	0.42	0.42
2021	0.05	0.05
2022	1.31	1.32
2023	4.50	4.57

* 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 2023

Period ended	Date of payment		Total £'000	Average rates of interest paid	
	2023	2022		2023 %	2022 %
31 March	4 April	12 April	7,096	3.66	0.35
30 June	4 July	6 July	7,536	4.12	0.80
30 September	5 October	4 October	9,507	4.93	1.47
31 December	4 January	4 January	10,750	5.26	2.59
			34,889	4.49	1.32

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

SUMMARY OF DEPOSITS PLACED BY MATURITY

for the year ended 31 December 2023

Repayable	Year ended 31.12.2023		Year ended 31.12.2022	
	£'000	%	£'000	%
On call	54,107	6.69	55,454	6.89
Within 5 business days	97,000	12.00	176,000	21.86
Within 30 days	55,000	6.81	132,000	16.40
Between 31 and 60 days	103,000	12.75	107,000	13.29
Between 61 and 91 days	84,000	10.39	112,000	13.91
Between 92 and 182 days	226,000	27.97	164,970	20.49
Between 183 days and one year	189,036	23.39	57,641	7.16
Total deposits	808,143	100.00	805,065	100.00

STATEMENT OF TOTAL RETURN
for the year ended 31 December 2023

	Note	Year ended 31.12.2023		Year ended 31.12.2022	
		£'000	£'000	£'000	£'000
Net capital losses			(35)		–
Revenue	2	37,593		11,526	
Expenses	3	(2,023)		(1,895)	
Net revenue			35,570		9,631
Total return before distributions			35,535		9,631
Distributions			(34,889)		(10,408)
Net increase/(decrease) in income reserve			646		(777)

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO DEPOSITORS
for the year ended 31 December 2023

	Year ended 31.12.2023		Year ended 31.12.2022	
	£'000		£'000	
Opening net assets attributable to depositors		–		–
Increase/(Decrease) in total assets		10,655		(8,291)
(Increase)/Decrease in total liabilities		(10,655)		8,291
Closing net assets attributable to depositors		–		–

The notes on pages 20 to 26 form part of these financial statements.

BALANCE SHEET
at 31 December 2023

	<i>Note</i>	31.12.2023 £'000	31.12.2022 £'000
ASSETS			
Loans receivable	5	3,005	6,641
Other debtors	6	12,226	4,649
Cash		24,107	25,453
Cash equivalents		781,031	772,971
Total assets		820,369	809,714
LIABILITIES			
Current deposits	7	793,745	789,494
Other creditors	8	10,961	5,203
Income reserve	9	15,663	15,017
Total liabilities		820,369	809,714

The financial statements on pages 18 to 26 have been approved and authorised for issue by the Trustee.

Approved on behalf of the Trustee
23 May 2024

A Brookes, Chair
CBF Funds Trustees Limited

The notes on pages 20 to 26 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2023

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 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.

The Manager is currently considering the launch of a Charity Authorised Investment Fund ("CAIF"), a new investment vehicle which has specifically been designed by the FCA for the charity sector, to which the assets and liabilities of this entity could be transferred. Any such change of structure would be subject to investor consultation and Trustee approval. Should this be approved, on completion of the transfer, The CBF Church of England Deposit Fund would cease operations and be wound up, with the investors' existing holdings in The CBF Church of England Deposit Fund being replaced with their equivalent in the new CAIF fund. This change in structure is expected to result in savings on at least VAT to the end investor and increased regulatory protection for holders of the fund.

The Archbishops' Council supported the draft legislation that went to Synod, enabling the future conversion of the funds; however, the timetable is still to be determined following the completion of Trustee approvals.

These events and circumstances therefore represent a material uncertainty which may cast significant doubt on The CBF Church of England Deposit Fund's ability to continue as a going concern. In the event that the decision is taken not to make the changes the fund is expected to continue to operate as it does now, and hence continue as a going concern.

Notwithstanding the material uncertainty explained above, the Trustee, having made appropriate enquiries and considered the ability of the Fund to meet its ongoing liabilities, has concluded that it remains appropriate to continue to prepare the financial statements on a going concern basis. In reaching this conclusion, the Trustee has considered that the proposal is contingent on investor consultation and Trustee approval and that the Fund remains a going concern in all other regard.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2023

1. Accounting policies (continued)

(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% per annum plus VAT for the year.

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.

2. Revenue

	Year ended 31.12.2023 £'000	Year ended 31.12.2022 £'000
Interest on deposits at banks and building societies	37,593	11,526
	37,593	11,526

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2023

3. Expenses

	Year ended 31.12.2023 £'000	Year ended 31.12.2022 £'000
Payable to the Manager, associates of the Manager and agents of either of them:		
Manager's periodic charge – see note 1(d)	1,901	1,781
	1,901	1,781
Payable to the Trustee, associates of the Trustee and agents of either of them:		
Safe custody fees	22	22
Monitoring fee	18	18
Bank charges	4	3
	44	43
	Year ended 31.12.2023 £'000	Year ended 31.12.2022 £'000
Other expenses:		
Audit fee	10	12
Insurance fee	11	12
Other fees	57	47
	78	71
Total expenses	2,023	1,895

The above expenses include VAT where applicable.

Audit fee net of VAT is £8,750 (31.12.2022, £8,320).

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.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2023

5. Loans receivable

	31.12.2023 £'000	31.12.2022 £'000
Loans to Diocesan Boards of Finance:		
Due within one year	207	84
Due within one to two years	193	–
Due within two to five years	1,230	2,797
Due after five years	1,375	3,760
	3,005	6,641

As at 31 December 2023, there were 10 (31.12.2022, 21) outstanding variable interest rate loans with the Dioceses, ranging from £30,000 to £900,000 (31.12.2022, from £1,000 to £1,000,000). During the year interest chargeable on the loans was between 3.17% to 4.48% (31.12.2022, between 0.76% and 2.68%).

6. Other debtors

	31.12.2023 £'000	31.12.2022 £'000
Interest receivable	12,218	4,646
Prepayments	8	3
	12,226	4,649

7. Current deposits

	31.12.2023 £'000	31.12.2022 £'000
Dioceses, parishes and other	791,125	674,913
The CBF Church of England Investment Fund	1,878	112,691
The CBF Church of England UK Equity Fund	–	1,175
The CBF Church of England Property Fund	742	715
	793,745	789,494

Deposits are repayable to clients on demand.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2023

8. Other creditors

	31.12.2023 £'000	31.12.2022 £'000
Interest payable	10,751	5,026
Accrued expenses	210	177
	10,961	5,203

There were unclaimed distributions as at 31 December 2023 of £103,315.98 (31.12.2022, £2.76).

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

	Year ended 31.12.2023 £'000	Year ended 31.12.2022 £'000
Income reserve at the start of the year	15,017	15,794
Transfer from income reserve	646	(777)
Income reserve at the end of the year	15,663	15,017

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 2023

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 2023 (31.12.2022, £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 2023 was:

Currency	Floating rate financial assets* £'000	Fixed rate financial assets £'000	Financial assets not carrying interest £'000	Total £'000
Sterling	79,107	729,036	12,226	820,369

Currency	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000
Sterling	809,408	–	10,961	820,369

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2023

10. Financial instruments (continued)

Interest rate risk (continued)

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

* 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 £77,000 in interest revenue (31.12.2022, £81,000).

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 £175,787 was due to the Manager at 31 December 2023 (31.12.2022, £160,476). There were no other transactions entered into with the Manager during the year (31.12.2022, £nil).

CBFFT, as Trustee, is a related party to the Fund. There were no outstanding balances due to CBFFT at 31 December 2023 (31.12.2022, £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 (31.12.2022, £nil).

There is no individual account that had a deposit in excess of 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 (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 Church Funds Investment Measures 1958 and the Scheme Information;
- exercise supervision and oversight of the Manager's compliance with the Church Funds Investment Measures 1958 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 Church Funds Investment Measures 1958 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 Church Funds Investment Measures 1958;
- 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 Church Funds Investment Measures 1958, 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 Church Funds Investment Measures 1958 and has delegated to the Manager the day-to-day management, accounting and administration of the Fund, as permitted by the Church Funds Investment Measures 1958.

Manager responsibilities

The Manager is required to carry out these duties in accordance with the Church Funds Investment Measures 1958 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* – resigned on 22 May 2023
O Home – appointed on 4 September 2023
C Johnson
N Lewis* – resigned on 4 September 2023
A Milligan* – appointed on 4 September 2023
M Orr* – appointed on 4 September 2023
D Rees*

* *Members of the Audit Committee*

Manager and Registrar

CCLA Investment Management Limited
Registered Office Address:
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EC4R 3AB
Telephone: 0207 489 6000
Client Service:
Freephone: 0800 022 3505
Email: clientservices@ccla.co.uk
www.ccla.co.uk
Authorised and regulated by the Financial Conduct Authority

Transfer Agent

FNZ TA Services Limited
7th Floor, 2 Redman Place
London
EC20 1JQ

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

HSBC Bank plc
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

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)

Both companies are authorised and regulated by the Financial Conduct Authority. Registered address: One Angel Lane, London EC4R 3AB.

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