CCLA

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Annual Report & Accounts
For the year ended 31 March 2008

Contents

Disability Discrimination Act 1995
Extracts from the Report & Accounts are available in large print and audio format

CCLA Investment Management Limited

Chairman's Report

The last year has been one of considerable change for CCLA Investment Management Limited (CCLA) We have set ourselves the task of improving the products and services we provide to our customers, and growing our business significantly In order to deliver these objectives we are developing and improving all areas of our operations

This process is expensive and, as a consequence, CCLA recorded a loss for the year ended 31 March 2008 The underlying business continues to be profitable however and the loss is the result of one-off expenditure during the year CCLA has capital and reserves significantly in excess of that required for the business and we have therefore recommended an unchanged dividend should be paid to shareholders

Whilst many of the most difficult changes have already been made, CCLA is likely to remain in an investment phase for the next two years as we deliver improvements to our customers and improve efficiency However, despite the further investment required, your Board is confident that CCLA will be profitable in the coming year and that it will be in a position to grow profitability strongly in the future

There have been a number of changes to the Board since my last report to shareholders In December Rodney Dennis joined as a Non-Executive Director He has extensive experience of investment management which will be particularly valuable as we develop our new strategy On 7 May 2008 Roy Wilson retired from the Board after nearly ten years representing the Local Authorities' Mutual Investment Trust His experience of local government has been very important to the Company and his wise counsel will be missed His replacement, John Galbraith, has a very successful background in local government finance, and we look forward to his contribution to our deliberations in the future

I believe your Board is well equipped to guide CCLA through this important period of change and I am confident that customers, shareholders and staff will benefit from the investment we are making in our business

James Dawnay
Chairman

11 June 2008

Chief Executive's Report

The result for the year ending 31 March 2008 was a loss of £1 293m compared with a profit of £1 367m in the previous year As noted by the Chairman, this is due predominantly to one-off expenditure required to place the organisation in a position to deliver its strategy

During the year we made significant improvements to our investment process which we are confident will improve long-term investment performance and ensure that the products we provide are an excellent match for our clients' requirements In addition to improving the management of existing funds, we are keen to provide our clients with greater choice, and the launch of our Global Equity Income Funds was our first step in that direction We will be launching more products in the coming year to further broaden our appeal

For an organisation that is the largest UK charity fund manager, CCLA was not well known in the charity sector, and we are putting a considerable amount of effort into ensuring that whenever a charity considers the management of their funds, they consider our services To date our primary area of focus has been on the CCLA brand and our deposit funds This has been successful, bringing in £258m of new deposit funds over the last twelve months We will broaden our efforts in the coming year to include a greater emphasis on our long-term funds

We recognise that our aim to grow the business significantly must be accompanied by a strengthening of our risk management, compliance and internal audit functions During the year we substantially increased and improved our resources in these areas

CCLA is a people business, and a change in strategy inevitably requires a change in people Considerable lengths have been taken to ensure that we retain everything that is good about the organisation, whilst at the same time recruiting the skills required to take us forward Unfortunately this resulted in a number of staff redundancies and departures, offset by new faces joining us Where we have had departures, we treated our staff as fairly as possible and made payments in excess of minimum requirements These redundancies resulted in a total of £0 766m in one-off costs

There were two regulatory changes that occurred during the year that resulted in considerable extra workload The first was the large number of FSA rule changes following the introduction of the Markets in Financial Instruments Directive (MiFID) These changes required us to reprint all of our client communications and we used this as an opportunity to introduce our new branding The other regulatory change was in the anti-money laundering rules which significantly increased the information required from our charity clients In due course we need to carry out further checks on our entire client base These regulatory related changes resulted in costs totalling £0 355m during the year

We have approximately 45,000 clients with approximately 100,000 accounts, and looking after these relationships results in the management of a considerable amount of data Our clients are now increasingly asking for on-line access to their accounts which we are keen to provide The provision of up-to-date on-line information requires a different IT infrastructure from that required in our current paper-based service We are also keen to introduce straight-through processing to improve the efficiency and control of our processes The appointment of Sean Curran, our new Chief Operating Officer, gave us the opportunity to review our operating platform As a result of this review we have written off £0 435m previously invested in IT systems We have also started a number of projects which will deliver significant improvements to the quality of customer service as well as our operational efficiency

As the Chairman stated within his report, our aim is to improve the products and services we provide to our customers and grow our business significantly We have achieved a great deal towards this over the last twelve months, and look forward to delivering further improvements for our customers and shareholders in the future

Michael Quicke
Chief Executive

11 June 2008

CCLA Investment Management Limited

Five Year Financial History

Years to 31 March	Funds under Management * £ million	Revenues £'000	Pre-tax profit/(loss) £'000	Capital and reserves £'000
2004	5,042	9,715	1,887	13,364
2005	5,330	11,632	3,384	15,277
2006	4,481	12,367	3,136	16,967
2007	4,679	12,687	1,367	17,482
2008	**4,690**	**13,957**	**(1,293)**	**16,137**

* Value of funds at year end managed by CCLA

Directors' Report

The Directors submit their report and audited accounts for the year ended 31 March 2008

Activity
The principal activity of the Company throughout the year has been the provision of investment management services to collective investment and deposit schemes associated with charities, the Church of England and local authorities The Company also offers ethical and socially responsible investment services, corporate governance voting guidance and segregated discretionary management services to its clients

Future developments in the business
As a result of a review of its strategy in the last financial year, the Company is in a period of significant investment in its business with the aim of improving its products and growing its business

Review of business
The year saw a reduction in pre-tax profitability from a profit of £1,367,273 to a loss of £1,292,593 The loss is a result of a number of significant one-off and transition costs associated with the strategy review

Funds under management were unchanged at £4 7 billion This was the result of the continuing strong growth of the Deposit Funds being offset by the effect of falling equity and property markets on other funds

Over the 2007 calendar year, all of the funds managed other than the COIF and CBF Investment Funds exceeded their performance benchmarks Longer term performance is also satisfactory, with all funds exceeding benchmark over the past three years

The Company has more than adequate reserves to meet the requirements of the business, this has been reviewed in line with the Company's three year business plan

Principal risks and uncertainties
The principal risks and uncertainties facing the Company are general operational risks, a variation in income resulting from investment market volatility, the loss of clients, the departure of key senior staff, and the risk that IT systems do not keep pace with business requirements The Company is currently going through a period of change due to the implementation of the new strategy This process of change introduces additional risks which the Company is actively managing

Statement of going concern
Although a loss had been made in the reporting year, investment in the business has placed CCLA in a stronger position to meet the future needs of the shareholders After making enquiries, that included a comprehensive three-year business plan, the Directors are satisfied that the Company has adequate resources to continue to operate as a going concern for the foreseeable future and have prepared the financial statements on that basis

Results
The loss for the year, after taxation, amounted to £889,562 (2007, profit of £969,859) and is dealt with on page 18 After the distribution of £455,001 (2007, £455,001), the transfer from reserves is £1,471,645 (2007 transfer to reserves, £514,858)

Under the Company's Articles of Association no distribution of profit by way of a dividend is allowed except with the consent of all the members This year the members approved a distribution of £455,001, representing 210p per share for the year, which was payable on 26 March 2008 No other distribution for the year is proposed In respect of the previous year, the members approved a distribution of £455,001, representing 210p per share

Directors
Biographical details of the Directors are shown on page 9 The Directors of the Company during the year have been

* J Dawnay – Chairman
M Quicke – Chief Executive
J Bevan
D Butler (to 30 April 2007)
S Curran (from 1 May 2007)
* R Dennis (from 1 December 2007)
* R Fitzalan Howard
C Peters
* M Roberts
A Robinson
* R Wilson

* Non-Executive Directors

None of the Directors has any interest in any of the Company's shares

Under the Company's Articles of Association, the Directors are not subject to retirement by rotation

Statement of Directors' responsibilities
Corporate Governance policies and arrangements are covered in the report on page 8

The directors are responsible for preparing the Annual Report and Accounts in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice

Company law requires the Directors to prepare accounts for each financial year that give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period

In preparing these accounts, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the accounts, and
- prepare accounts on the going concern basis unless it is inappropriate to presume that the entity will continue in business

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy, at any time, the financial position of the Company and enable them to ensure that the accounts comply with the Companies Act 1985 They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Financial risk management
The Company's financial risk management objectives expose it to a variety of financial risks that include the effect of

- Credit risk – the Company's transactions in sterling cash deposits expose it to the risk that the counterparty will not repay the deposit To minimise this, the Company only deals with a list of highly rated counterparties There is also a risk that a counterparty will be unable to pay amounts in full when due CCLA manages this risk by a combination of active credit control and client diversification
- Liquidity risk – financial instruments held by the Company consist of short-term sterling cash deposits designed to ensure the Company has sufficient available funds for operations
- Interest rate risk – the Company invests its surplus funds in fixed and floating rate deposits Changes in the interest rates will result in income increasing or decreasing
- Debtors and creditors do not earn or pay interest and have been excluded from disclosure of financial instruments

Employees
Details of the Company's employment practices (including the employment of disabled persons) can be found in corporate governance on page 11

Donations
During the year the Company paid voluntary church rates of £1,920 (2007, £1,080)

Policy and practice on payment of creditors
It is the policy of the Company to abide by agreed terms of payment, provided that the supplier performs according to the terms of the contract and that the invoice is duly authorised

At 31 March 2008 the amount owed to trade creditors represented approximately sixteen days' average purchases from suppliers (2007, nine days)

Provision of information to Auditors
So far as each person who was a Director at the date of the signing of this Report is aware, there is no relevant audit information, being the information needed by the auditors in connection with preparing its reports of which the Auditor is unaware Having made enquiries of fellow directors, each director has taken all the steps that they ought to have taken as directors in order to make themselves aware of any audit information and to establish that the auditors are aware of this

Auditors
In accordance with Section 485 and 492 of the Companies Act 2006, resolutions proposing the re-appointment of Ernst & Young LLP, as auditors of the Company and authorising the directors to fix their remuneration will be put to the Annual General Meeting

By order of the Board

Jackie Fox
Company Secretary
80 Cheapside
London EC2V 6DZ
11 June 2008

CCLA Investment Management Limited

Board Profiles

Executive Directors

Michael Quicke is Chief Executive. Before joining the Company was the Chief Executive of Leopold Joseph Holdings PLC, the private banking and asset management group which was quoted on the London Stock Exchange He is a Trustee of the National Trust and Chairman of its Audit Committee and Investment Committee He is a mathematics graduate Appointed to the Board on 8 March 2006 Aged 51

James Bevan is Chief Investment Officer. Before joining the Company he was the Head of Asset Management at Abbey He joined Abbey in 1999 to create Inscape, the multi-manager based service for the mass affluent market and trusts In 2002, he was appointed Abbey's overall Chief Investment Officer and became Head of Asset Management in 2004 for all Abbey companies Prior to Abbey, he was Chief Investment Officer for Barclays Stockbrokers and Barclays Personal Investment Management, having joined BZW in 1988 from research at Cambridge University During his time at Barclays, James was Head of Investment for Charities Appointed to the Board on 6 November 2006 Aged 47

Sean Curran is Chief Operating Officer. He has overall responsibility for Finance and Operations He has a BSc in Economics and Accounting from Queens University, Belfast and is a fellow of the Institute of Chartered Accountants in Ireland He has 18 years direct experience in the finance industry with significant product and international exposure Appointed to the Board on 1 May 2007 Aged 49

Colin Peters is Investment Director He joined the Company in 1987 having worked previously for Norwich Union and for London and Manchester Assurance He has a BSc in Mathematics and 29 years experience in Finance and in Investment Appointed to the Board on 1 August 1999 Aged 50

Andrew Robinson is Director - Market Development. Prior to joining CCLA, he was Head of Community Development Banking for RBS/Natwest He is a Trustee for the Community Development Foundation, a non-departmental body of the Department for Communities and Local Government, the Lankelly Chase Foundation and the British Association of Settlements and Social Action Centers. He has a BA (Eng Lit) and a MBA He is also fellow of the Royal Society for the Arts, and was awarded an MBE for services to social and community enterprise in 2003 Appointed to the Board on 6 November 2006 Aged 45

Non-Executive Directors

James Dawnay trained in investment management with M&G Group and spent five years in industry before joining the board of SG Warburg in 1983 He was a founder director of Mercury Asset Management Group plc on its flotation in 1985, subsequently becoming chairman of Mercury Fund Managers Limited He joined Martin Currie in 1992, stepping down as deputy chairman in 2000 He is currently chairman of a number of investment trust companies and trustee of several charities including the National Galleries of Scotland He was appointed a Non-Executive 'A' Director of CCLA by The CBF Church of England Investment Fund on 18 June 2004 and Chairman of CCLA on 29 July 2004 Aged 61

Rodney Dennis, having worked for many years as a stockbroker, he then went into fund management, spending most of his career with the Prudential where he became CEO of Prudential Portfolio Managers Whilst in this role, he was listed in the Guardian's "Power 300" List 1999 In June 2001, he became the Regional Director for London for the Princes Trust, a position funded for three years by Coutts & Co Rodney also held the position of Deputy Chief Executive for The Princes Trust until 2003 He currently holds non-executive directorships at Gartmore European Investment Trust, where he was appointed Chairman in 2006, National Australia Group Europe Ltd, National Australia Group DC Pension Scheme and Dixon's Pension Scheme He was appointed the External Non-Executive Director of CCLA on 1 December 2007 Aged 56

Richard Fitzalan Howard worked for 25 years at Robert Fleming Holdings as an investment analyst and fund manager, both in London and New York He was Head of the Charities Division for five years before moving to the newly formed Fleming Family & Partners in 2000 as CEO of FF&P Asset Management Ltd He is a Director of JPMorgan Fleming Smaller Companies Investment Trust, a Trustee of The Dulverton Trust, The College of Arms Trust and the Orders of St John Care Trust, and a member of the Investment Committee of Corpus Christi College, Oxford He was appointed the Non-Executive 'B' Director of CCLA on 9 June 2005. Aged 54

John Galbraith, qualified Accountant (CPFA) and qualified Chartered Secretary John started his career in local government before joining a new town development organisation Following employment as Director of Finance University of Ulster, he joined the HELM Corporation Ltd an international management and financial consulting company operating mainly in the public sector as a Director After some eight years as Vice-Chairman of LAMIT, John was recently appointed Chairman John was appointed Chairman of the Northern Ireland Local Government Officers' Superannuation Committee by the Minister for the Environment of the Northern Ireland Assembly and is on the supervisory Board of a number of small venture capital companies John was recently appointed by the Secretary of State for Health as a member of the National Health Service Pay Review Body He was appointed the Non-Executive 'C' Director of CCLA on 7 May 2008 Aged 66

Miles Roberts qualified as a chartered accountant, completing his career as a partner in KPMG (1972-1991) where he specialised in the financial sector He was a Non-Executive Director of Ecclesiastical Insurance Office plc until 31 December 2005, and is a Non-Executive Director of the North Hampshire Medical Education Trust and a Non-Executive Director of NAVCA He was appointed Non-Executive 'A' Director of CCLA by The CBF Church of England Investment Fund on 1 December 1999 Aged 69

CCLA Investment Management Limited

Corporate Governance Report

This report describes the policies and arrangements put in place by the Company in the light of corporate governance best practice for the year ended 31 March 2008 The Company is not required to comply with the Combined Code of Corporate Governance published by the Financial Reporting Council in July 2003, but in view of its support for good corporate governance, has decided to include those aspects of the Combined Code which it believes to be relevant

Board of Directors

At 31 March 2008, the Board comprised five Executive and five Non-Executive Directors The Board is responsible for the direction of the Company's business, its strategy and overall financial management, and acts in accordance with the Schedule of Matters Reserved for the Board as adopted by the Board All business arising at any meeting of the Board is determined by resolution and no such resolution is effective unless carried by a majority including at least one 'A' Director, one 'B' Director and one 'C' Director

The Board meets formally at least four times per year and met five times in the year ended 31 March 2008 In addition, the Executive Directors formally meet at least eleven times per year to review matters relating to the overall management of the Company

The Non-Executive Directors are appointed by the Shareholders under the terms of the Company's Articles of Association as set out below and are therefore not independent, apart from Rodney Dennis who has been appointed as the Company's External Non-Executive Director

The recently appointed Non-Executive Directors have Letters of Appointment based on the Good Practice Suggestions from the Higgs Report

The 'A' Ordinary shares are owned by The CBF Church of England Investment Fund – the 'A' Shareholder

The 'B' Ordinary shares are owned by the COIF Charities Investment Fund – the 'B' Shareholder

The 'C' Ordinary shares are owned by The Local Authorities' Mutual Investment Trust – the 'C' Shareholder

The 'D' Ordinary shares (Non-Voting) are owned by the COIF Charities Investment Fund – the 'D' Shareholder

The 'A', 'B' and 'C' Shareholders may from time to time appoint any person to be a Director The maximum number of 'A' Directors is two and the maximum number of 'B' and 'C' Directors is one each The Chairman of the Board shall always be an 'A' Director

The Executive Directors are appointed by the Non-Executive Directors The Executive Directors' contracts of employment, include notice periods of between six and twelve months on either side with termination at age 65

During the year the Company had in place Directors' and Officers' liability insurance The Directors are not aware of any issues giving rise to a claim at date of signing

Directors' Remuneration Report

This report describes the Company's overall remuneration policy and the compensation arrangements for Directors for the year ended 31 March 2008

Remuneration policy and compensation arrangements

The pay review and bonus awards to be made to all CCLA staff, other than Executive Directors are proposed by the Executive Directors following consultation with senior staff A summary of their recommendations, including the effect by department and on senior employees, are considered and approved by a Committee of the Non-Executive Directors, which also approves the pay review and bonus awards to be made to all CCLA Executive Directors

The Company participates in the annual McLagan Investment Management Compensation Survey in respect of all staff including the Executive Directors Through participation in the survey the Company is seeking to ensure that it offers reasonable and market-related remuneration to all staff The Company's policy is designed to ensure that it attracts and retains staff at all levels that have the ability, experience and motivation to operate and manage the business effectively Survey data covering all positions within the Company is considered

Directors' remuneration and fees

Fees for the Non-Executive Directors are determined annually by the Board having regard to both the level of fees payable to Non-Executive Directors generally in the industry and to their responsibilities For the year ended 31 March 2008 the Non-Executive Directors' fees were set at £30,000 p a for the Chairman (previously £26,000 p a) and at £20,000 p a for the other Non-Executive Directors (previously £18,000 p a)

During the year, one of the Executive Directors participated in the Church of England Defined Benefits Scheme and three in the Church of England Defined Contributions Scheme The details of both Schemes are set out in notes 1(e) and 4

The benefits-in-kind provided to the Executive Directors also include private healthcare and life assurance protection, partly provided through the pension schemes and partly through separate life assurance policies Season ticket loans are available to all employees including directors under their terms and conditions of employment

Directors' remuneration and fees in the year were as follows

	2008 £'000	2007 £'000
Emoluments	**1,448**	1,102
Emoluments paid to Non-Executive Directors	**102**	88
Other pension schemes in respect of Directors	**66**	40
Directors accruing benefits under the defined benefits scheme	**1**	1

The highest paid Director received remuneration, excluding pension contribution, of £370,000 (2007, £303,893), pension contributions were £26,600 (2007, £nil) During the year a payment was made for compensation for loss of office amounting to £80,000 (2007, £110,000) At the year end £nil (2007, £10,792) was payable to the Defined Contribution Pension Scheme

Audit Committee
The Audit Committee meets at least twice a year and its membership is the Non-Executive Directors of CCLA excluding the Chairman of the Company The Chairman of the Audit Committee is Miles Roberts (an 'A' nominated Director) The Audit Committee had two meetings in the year to 31 March 2008

The duties of the Audit Committee are

- review the management accounts of the Company,
- review the annual financial statements of the Company,
- monitor and review annually the terms of appointment and remuneration of the Auditors and their independence,
- monitor the engagement of the external Auditor to supply non-audit services,
- receive regular reports from the Compliance Officer and review the compliance function,
- receive a summary of major issues from internal audit work and to review the internal audit function,
- consider the processes for ensuring the appropriateness and effectiveness of the Company's internal controls and risk management systems, and
- report the Audit Committee's proceedings and any recommendations it may make to the Board of Directors

The Audit Committee also receives a report from the Company's Auditors, Ernst & Young LLP, and has the opportunity for a discussion with the Auditors at least once a year without the Executive Directors and Chairman present, to ensure that there are no unresolved issues of concern

The Audit Committee received and reviewed a statement from Ernst & Young LLP regarding the independence of the audit team

Internal control
The Directors and Senior Management of CCLA are responsible for internal controls within the Company Key aspects of the system of internal control include

- management and financial controls,
- operational controls including authorisation limits and segregation of duties,
- risk management,
- staff training and competence,
- compliance and internal audit reporting,
- information systems,
- business continuity, and
- procedure and operations manuals

The Directors of CCLA are responsible for the identification of control objectives relating to the provision of investment management and fund administration services and the design, implementation and maintenance of control procedures to ensure with reasonable assurance on an ongoing basis that the control objectives are achieved In carrying out these responsibilities the Directors have regard not only to the interests of clients but also to those of the owners of the business and the general effectiveness and efficiency of the relevant operations, together with compliance with laws and regulations

In establishing and reviewing the system of internal control, the Directors have regard to the materiality of relevant risks, the likelihood of a loss being incurred and the cost of control It follows, therefore, that the system of internal control can only provide reasonable but not absolute assurance against the risk of material loss

CCLA's Internal Audit function has performed a review of internal controls within CCLA in accordance with revised guidance issued by the Audit and Assurance faculty (AAF) of the Institute of Chartered Accountants in England & Wales (ICAEW)

Internal Audit has assessed the design, documentation and operation of CCLA's control objectives and procedures, as at 31 December 2007, against the core criteria issued by the ICAEW Audit and Assurance faculty

Risk management
The Board is responsible for risk and oversight of the risk management process within the Company

An Assurance Committee has been established by the Executive Directors, which meets quarterly and is chaired by the CEO Its purpose is to review, monitor and ensure the adequacy of CCLA's Compliance, Internal Audit and Risk Management arrangements The Committee reviews the key risks facing the Company and receives regular risk management reports setting out the status of each risk The Committee also reviews the results of the Company's Compliance and Internal Audit Monitoring Programs

The Company uses a computer-based risk management system, which is embedded within the business The system is designed to provide a methodology for the identification, assessment, mitigation and reporting of risks and to ensure a high quality of risk management and control in all areas of the Company Departmental Managers are responsible for the identification and management of risks, largely operational and reputational, arising in their respective areas Positive assurance as to the status of their key risks and management of them is obtained from Managers on a monthly basis Any issues giving rise to concern are discussed and resolved with the relevant Managers

Formal risk management reports are considered at Executive, Audit Committee, Assurance and Board Meetings

Disaster recovery and business continuity
A Disaster Recovery & Business Continuity Committee has been established by the Executive Directors to ensure that appropriate arrangements are in place for business continuity This includes dual sites, documented business recovery plans and periodic testing The Disaster Recovery and Business Continuity Committee consist of a number of senior employees from departments throughout the Company and meets regularly to review and update procedures and review resources available

Employee Policies
Equal opportunities
CCLA is an equal opportunities employer and opposes all forms of discrimination on the grounds of sex, marital status, age, sexual orientation, gender reassignment, colour, race, nationality, religion and belief, ethnic or national origin, or disability It is in the Company's best interests to ensure that all the talents and skills available are considered when employment opportunities arise We take every practicable step to ensure that individuals are treated equally and fairly and that decisions on recruitment, selection, training, conditions of work, promotion, career, management and every other aspect of employment are based solely on objective and job-related criteria

Learning and development
CCLA operates in a competitive and changing environment Our people are highly competent, skilled and knowledgeable assets and we support them in meeting our business objectives Learning and development at CCLA is a continuous and important process which enables individuals to perform their current jobs more effectively, understand regulatory changes and take on new responsibilities to achieve their own aspirations and contribute to CCLA's continuing success

Communication and consultation
Employees are kept fully informed about decisions and developments and the reasons for them through communication, consultation and involvement by appropriate methods This may be achieved through information meetings, seminars, structured meetings or by formal or informal discussions between Managers and their departments, written communication and notice boards

Community involvement
CCLA is a corporate patron of Heart of the City and works with The Brokerage City Link hosting a 'Working in the City' workshop for 30 pupils, from Years 10 to 12, from several London schools Two weeks' work experience is also offered to families of key staff, key clients and contacts with a maximum of three school children per year Where appropriate, unwanted furniture and equipment is donated to schools or charities

Health, safety and security
The health, safety and security of employees is of material importance to the Company The Company has a continuous programme of reviewing its health and safety policies, in light of current legislation and best practice, as well as to ensure that they meet the operational needs of the business

Environmental Policy
CCLA's direct environmental impacts are modest, focused on a single office location in the City of London Nevertheless, the Company recognises it has a responsibility to manage and reduce its impact on the environment as an investor, consumer and employer CCLA has adopted a policy of recycling the materials it uses wherever possible, including paper, glass, plastic and toner cartridges Data that measures our direct environmental impacts is monitored regularly to assess where key improvements can be made CCLA aims to reduce its impact on the environment through the use of energy-saving devices wherever possible CCLA remains committed in its aim of continuous improvement by minimising the negative environmental impacts of its business activities, as well as promoting positive environmental practices within the business CCLA aims to conduct an annual review of its impacts and reports accordingly to stakeholders The Head of Personnel has overall responsibility for the environmental programmes within CCLA, reporting to the Chief Executive and the Board A copy of the Company's Environmental Policy is available on request

Awards
During the year the Company received the Gold Award under the 2007 Clean City Award Scheme

By order of the Board

Jackie Fox
Company Secretary

11 June 2008

Report of the Independent Auditors

to the Shareholders of CCLA Investment Management Limited

We have audited the Company's accounts for the year ended 31 March 2008 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 16 These accounts have been prepared under the accounting policies set out therein

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of Directors and Auditors

The directors' responsibilities for preparing the Annual Report and the accounts in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985 We also report to you whether in our opinion the information given in the directors' report is consistent with the accounts

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed

We read other information contained in the Annual Report, and consider whether it is consistent with the audited accounts This other information comprises only the Directors' Report, the Chairman's Report, the Chief Executive's Report, the Board Profiles and the Corporate Governance section We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts Our responsibilities do not extend to any other information

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts

Opinion

In our opinion

- the accounts give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 March 2008 and of its loss for the year then ended,
- the accounts have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the accounts

Ernst & Young LLP

Ernst & Young LLP
Registered auditor
London SE1 2AF

12 June 2008

CCLA Investment Management Limited

Profit and Loss Account

for the year ended 31 March 2008

	Notes	2008 £'000	2007 £'000
Turnover	2	**13,957**	12,687
Administrative expenses	3	**16,200**	12,174
Operating (loss)/profit		**(2,243)**	513
Interest receivable		**950**	854
(Loss)/profit on ordinary activities before taxation		**(1,293)**	1,367
Tax on profit on ordinary activities	5	**403**	(397)
(Loss)/profit on ordinary activities after taxation		**(890)**	970
Dividend paid		**(455)**	(455)
(Loss)/profit carried forward		**(1,345)**	515

All the Company's operations are continuing operations The Company has no recognised gains or losses other than the profit/loss included in the profit and loss account

The notes on pages 21 to 28 form part of these accounts

CCLA Investment Management Limited

Balance Sheet

at 31 March 2008

	Notes	2008 £'000	2008 £'000	2007 £'000	2007 £'000
Fixed assets	6		**1,193**		1,589
Current assets					
Debtors	7	**1,245**		850	
Short-term deposits		**15,000**		15,000	
Cash at bank and in hand		**1,027**		2,139	
		17,272		17,989	
Creditors: amounts falling due within one year	8	**2,141**		1,922	
Net current assets			**15,131**		16,067
Total assets less current liabilities			**16,324**		17,656
Provisions for liabilities	9		**187**		174
Net assets			**16,137**		17,482
Capital and reserves					
Called up share capital	10		**217**		217
Reserves	11				
'A' Shares		**6,683**		6,468	
'B' Shares		**4,903**		4,773	
'C' Shares		**1,081**		1,048	
'D' Shares		**2,387**		2,267	
General		**2,211**		2,194	
			17,265		16,750
Profit and loss account	11		**(1,345)**		515
Total shareholders' funds			**16,137**		17,482

The notes on pages 21 to 28 form part of these accounts

Approved by the Board on 11 June 2008

On behalf of the Board
James Dawnay, Chairman
Michael Quicke, Chief Executive

CCLA Investment Management Limited

Cash Flow Statement

for the year ended 31 March 2008

	Notes	2008 £'000	2007 £'000
Net cash (outflow)/inflow from operating activities	13	**(1,260)**	862
Net cash inflow from returns on investments and servicing of finance			
Interest received		**936**	786
Taxation			
Corporation tax paid		**(115)**	(745)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		**(218)**	(869)
Equity dividends paid			
Dividends paid		**(455)**	(455)
Net cash outflow before financing		**(1,112)**	(421)
Decrease in net funds	14	**(1,112)**	(421)
Reconciliation of net cash flow to movement in net cash			
(Decrease) /increase in cash		**(1,112)**	79
Cash from short term deposits		**-**	(500)
Movement in net cash	14	**(1,112)**	(421)
Net cash at 1 April 2007	14	**17,139**	17,560
Net cash at 31 March 2008	14	**16,027**	17,139

The notes on pages 21 to 28 form part of these accounts

Notes to the Accounts

forming part of the accounts for the year ended 31 March 2008

1. Accounting policies

(a) Basis of accounting

The accounts have been prepared under the historical cost convention in accordance with applicable Accounting Standards

(b) Turnover

Turnover represents amounts invoiced by the Company in respect of services rendered during the year, excluding value added tax, and are credited to turnover on an accruals basis

(c) Interest income

Interest income comprises interest on cash and bank balances and short-term money market deposits and is accounted for on an accruals basis

(d) Fixed assets

All fixed assets of a value in excess of £1,000 are initially recorded at cost, less any provision for impairment Depreciation is provided on all fixed assets at rates calculated to write off the cost at the date of acquisition of each asset evenly over its expected useful life The expected useful life of different categories of assets is as follows

(i) Expected useful life of IT equipment is three years, except portable computers which have a useful life of two years Computer software purchased externally has an expected useful life of three years HiPort, a major software development, has an expected useful life of seven years External costs incurred on major software development projects to be implemented in future years are not capitalised until the success of such developments can be demonstrated

(ii) Expected useful life of leasehold improvements and office equipment is five years

The carrying values of fixed assets are reviewed when events or changes in circumstances indicate that the carrying values of assets may not be recoverable

(e) Contribution to pension schemes

The Church of England Pensions Board administers both of the following Schemes and is independent of the Company's finances

The Church of England Defined Contributions Scheme covering employees over the age of 18 who joined the Company on or after 1 April 1997 Pension contributions payable by the Company are charged to the profit and loss account as they fall due

The Church of England Defined Benefit Scheme (DBS) covering employees over the age of 18 who joined the Company prior to 1 April 1997 The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method

CCLA is unable to identify its share of the underlying assets and liabilities in relation to its participation in the DBS, as each employer is exposed to actuarial risks associated with the current and former employees of other entities participating in the Scheme In accordance with FRS 17 the Company accounts for the DBS as a defined contribution scheme and recognises only the contributions payable each year The contribution rate for the Company was revised from 1 January 2006 to 40 06% of pensionable salaries

(f) **Deferred taxation**
Deferred tax is recognised in respect of all timing differences that have been originated but not reversed at balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which future reversal of the underlying timing differences can be deducted Deferred tax is measured on an undiscounted basis at rates expected to apply in the periods in which timing differences reverse, based on rates and laws enacted or substantively enacted at the balance sheet date

(g) **Operating leases**
Rentals payable under operating leases are charged against profit in equal amounts over the periods of the leases Incentives received to enter into leases of premises are amortised over the initial period of the lease to the first rent review date at which time rentals will revert to market rate

(h) **Provision for liabilities**
A provision is recognised when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle that obligation

2. Turnover

The turnover of the Company was made entirely in the United Kingdom and derives from the class of business as noted in the Directors' Report The turnover for the year was £13,957,284 (2007, £12,687,111) of which £13,714,137 (2007, £12,274,629) is derived from services provided to shareholders of the Company, The CBF Church of England Investment Fund, the COIF Charities Investment Fund and The Local Authorities' Mutual Investment Trust and their associated Funds Other turnover was £243,147 (2007, £412,482)

3. Administrative expenses

	2008	2007
	£'000	£'000
Administrative expenses included		
Auditors' remuneration		
Audit services	**44**	26
Non-audit services	**21**	-
FRAG 21 Report	-	72
VAT advice	-	26
Services to clients	-	25
Other	-	5
Depreciation of fixed assets	**419**	449
Operating lease costs		
Premises	**521**	548
Other	-	4

4. Employees and Directors

The average number of number of staff employed by the Company, including Executive Directors by function was

	2008 Number	2007 Number
Investment Management and Research	**18**	18
Business Development & Client Service	**23**	19
Company Secretarial & Compliance	**8**	6
Administration and Finance	**46**	49
	95	92
The costs incurred in respect of these employees were	**£'000**	£'000
Salaries	**7,129**	5,179
Social security costs	**809**	612
Other pension costs	**707**	687
	8,645	6,478

Details of Directors' remuneration can be seen on page 12 within the Directors' remuneration report

Pension costs

The Company operates a defined contribution pension scheme (DCS) for all employees who joined after 1 April 1997 The assets of the Scheme are held separately from those of the Company within the Church Workers Pension Fund DCS and are administered by The Church of England Pensions Board The pension cost in respect of this Scheme represents contributions payable by the Company to the Scheme and amounted to £424,882 (2007, £348,027) Contributions amounting to £nil (2007, £11,596) were outstanding at the year end Life assurance costs for this Scheme amounted to £5,101 (2007, £4,583)

CCLA also participates in the Church of England Defined Benefits Scheme, part of the Church Workers Pension Fund for those employees in employment as at 31 March 1997 The pension cost in respect of this Scheme for the year was £253,604 (2007, £354,830) At 31 March 2008 CCLA had 16 active members (2007, 17) and 49 deferred pensioner members (2007, 48) in the Fund No contributions were outstanding at the year end The most recent completed valuation was at 31 December 2004 The assumptions which have the most significant effect on the results of the valuation are those relating to the return on investments and the rates of increase in salaries and pensions The 31 December 2004 valuation assumed that the investment returns would be 7% per annum, that salary increases would average 4 75% per annum and that present and future pensions would increase at the rate of 2% per annum

At the date of the 31 December 2004 valuation, the market value of the assets of the total Church Benefits Scheme (DBS), covering all participating employees was £125 5m The market value was sufficient to cover 86 5% of the value of the benefits that had accrued to members, after assumptions mentioned above

The Company also incurred other pension costs of £23,796 (2007, £5,131) during the year

5. Tax on profit on ordinary activities

(a) The charge for tax on the profit on ordinary activities is made up as follows

	2008	2007
Current taxation:	**£'000**	£'000
UK corporation tax on (losses)/profits of the year	**(358)**	396
Adjustment in respect of previous years	**(5)**	-
Total current tax (note 5(b))	**(363)**	396
Deferred tax (note 5(c))	**(40)**	1
Taxation on profit on ordinary activities	**(403)**	397

(b) The tax assessed for the year is less than (2007, more than) the standard rate of corporation tax in the UK and the difference is made up as follows

	2008	2007
	£'000	£'000
(Loss)/profit on ordinary activities before tax	**(1,293)**	1,367
UK corporation taxation on losses (2007, profits) at 30%	**(388)**	410
Effects of:		
Expenses not deductible for tax purposes	**54**	45
Capital allowances for the year in excess of depreciation	**(12)**	(59)
Adjustment for effective rate	**(12)**	-
Prior year adjustment	**(5)**	-
Current tax losses utilised (2007, charge) (note 5(a))	**(363)**	396

(c) Provision for deferred tax

	2008	2007
	£'000	£'000
Provision at start of year	**(31)**	(30)
Charged to profit and loss account	**40**	(1)
Provision at end of year	**9**	(31)

Deferred tax consists of origination of the following timing differences		
Accelerated capital allowances	**9**	(30)
Other timing differences	**-**	(1)
	9	(31)

6. Fixed assets

	IT equipment	Leasehold Improvements & general equipment	Total
Cost	£'000	£'000	£'000
At 1 April 2007	2,829	605	3,434
Additions	72	146	218
Disposals	(502)	(138)	(640)
At 31 March 2008	**2,399**	**613**	**3,012**
Accumulated depreciation			
At 1 April 2007	1,453	393	1,846
Charge for year	307	112	419
Disposals	(323)	(123)	(446)
At 31 March 2008	**1,437**	**382**	**1,819**
Net book value			
At 31 March 2008	**962**	**231**	**1,193**
At 31 March 2007	1,377	212	1,589

7. Debtors

	2008	2007
	£'000	£'000
Tax receivable	**363**	-
Prepayments and accrued income	**750**	710
Other debtors	**132**	140
	1,245	850

8. Creditors: Amounts falling due within one year

	2008	2007
	£'000	£'000
Trade creditors	**324**	159
Corporation tax	**-**	117
Other taxation and social security costs	**1,252**	894
Accruals	**565**	752
	2,141	1,922

Contribution to the Church of England Defined Contribution Pension Scheme amounting to £nil (2007, £11,596) was payable as at 31 March 2008 and is included in accruals above

9. Provision for liabilities

	Dilapidation provision	Deferred tax provision notes 5(c)	Total
	£'000	£'000	£'000
At 1 April 2007	143	31	174
Charged to the profit and loss account	44	(31)	13
At 31 March 2008	**187**	**-**	**187**

The lease agreement relating to 80 Cheapside requires the re-instatement of the premises to the same condition in which they were prior to CCLA Investment Management Limited taking up tenancy An estimated amount is being provided to the end of the agreement at 29 September 2011

10. Called up share capital

Authorised	2008 £'000	2007 £'000
300,000 'A' Ordinary shares of £1 each	**300**	300
65,000 'B' Ordinary shares of £1 each	**65**	65
75,000 'C' Ordinary shares of £1 each	**75**	75
60,000 'D' Ordinary non-voting shares of £1 each	**60**	60
	500	500
Allotted and fully paid		
130,000 'A' Ordinary shares of £1 each	**130**	130
28,167 'B' Ordinary shares of £1 each	**28**	28
32,500 'C' Ordinary shares of £1 each	**33**	33
26,000 'D' Ordinary non-voting shares of £1 each	**26**	26
	217	217

'A' Ordinary shares are owned by The CBF Church of England Investment Fund
'B' Ordinary shares are owned by the COIF Charities Investment Fund
'C' Ordinary shares are owned by The Local Authorities' Mutual Investment Trust
'D' Ordinary non-voting shares are owned by the COIF Charities Investment Fund
The 'D' shares are non-voting shares otherwise all other rights attached to the 'A', 'B' and 'C' shares also apply to 'D' shares

11. Profit and loss account

By its Articles of Association the Company is not allowed to distribute its profits except with the consent of all its members This year the members approved a distribution of £455,001 (2007, £455,001), representing 210p per share for the year, which was payable on 26 March 2008 No other distribution for the year is proposed

Within four weeks of the adoption of these accounts the Directors will allocate the balance of loss (2007, profit) for the year in accordance with the provisions of clause 29 of the Articles of Association and transfer the amounts allocated to the appropriate reserves, as follows

	2008 £'000	2007 £'000
For holders of 'A' Ordinary shares	**(559)**	215
For holders of 'B' Ordinary shares	**(353)**	130
For holders of 'C' Ordinary shares	**(83)**	33
For holders of 'D' Ordinary non-voting shares	**(326)**	120
General reserve	**(24)**	17
	(1,345)	515

Reserve movements in the year have been as follows

	Profit and Loss Account	'A' Shares £'000	'B' Shares £'000	'C' Shares £'000	'D' Shares £'000	General Reserves £'000	Total £'000
At 1 April 2007	515	6,468	4,773	1,048	2,267	2,194	17,265
Transfer to reserves	(515)	215	130	33	120	17	-
Loss for year	(1,345)	-	-	-	-	-	(1,345)
At 31 March 2008	**(1,345)**	**6,683**	**4,903**	**1,081**	**2,387**	**2,211**	**15,920**

12. Reconciliation of movements in shareholders' funds

	2008 £'000	2007 £'000
(Loss)/profit for the financial year	(890)	970
Dividends	(455)	(455)
Net (reduction)/increase to shareholders' funds	(1,345)	515
Opening shareholders' funds	17,482	16,967
Closing shareholders' funds	16,137	17,482

13. Reconciliation of operating profit to net cash inflow from operating activities

	2008 £'000	2007 £'000
Operating (loss)/profit	(2,243)	513
Depreciation charge	419	449
Disposal of fixed assets	194	-
Accrued fixed assets	-	(85)
Decrease/(increase) in debtors	21	(114)
Increase in creditors	349	99
Net cash (outflow)/inflow from operating activities	**(1,260)**	862

14. Analysis of change in net funds during the year

	2008 £'000	2007 £'000
Net funds at start of year	17,139	17,560
Net cash outflow	(1,112)	(421)
Net funds at end of year	**16,027**	17,139
Net funds at end of year comprise		
Short-term deposits	15,000	15,000
Cash at bank and in hand	1,027	2,139
	16,027	17,139

15. Commitments

The Company has annual commitments under operating leases as set out below

	Premises £'000	Other £'000	Total £'000
At 31 March 2007			
Within one year	690	4	694
Within two to five years	690	-	690
	1,380	4	1,384
At 31 March 2008			
Within one year	690	-	690
Within two to five years	690	-	690
After five years	-	-	-
	1,380	-	1,380

The figure for premises relates to the lease for the two floors at 80 Cheapside which commenced on 24 June 2003 and terminates on 29 September 2011

16. Related party transactions

During the year CCLA, as manager of the Funds listed below, carried out transactions which related solely to management fees charged to the Funds by CCLA in the normal course of its business The names of the related parties and the value of the transactions are as follows

	Value of transactions 2008 £'000	Value of transactions 2007 £'000
The CBF Church of England Investment Fund	**5,800**	5,296
COIF Charities Investment Fund	**7,049**	6,154
The Local Authorities' Mutual Investment Trust	**864**	825

The above mentioned related parties are the shareholders of the Company

At 31 March 2008, there were no amounts receivable (2007, £nil) by CCLA from related parties

CCLA Investment Management Limited

Directors	* J Dawnay - Chairman M Quicke - Chief Executive J Bevan S Curran * R Dennis * R Fitzalan Howard * J Galbraith C Peters * M Roberts A Robinson * Non-Executive Director
Company Secretary	J Fox
Registered Office	80 Cheapside, London EC2V 6DZ T 0844 5615000 F 0844 5615126 www ccla co uk
Auditors	Ernst & Young LLP, 1 More London Place, London SE1 2AF
Solicitors	Farrer & Co LLP, 66 Linclon's Inn Fields, London WC2A 3LH
Bankers	The Royal Bank of Scotland plc, 62/63 Threadneedle Street, London EC2R 8LA

CCLA Investment Management Limited provides investment management and administrative services in the following Funds

The CBF Church of England Funds
The CBF Church of England Deposit Fund
The CBF Church of England Fixed Interest Securities Fund
The CBF Church of England Global Equity Income Fund
The CBF Church of England Investment Fund
The CBF Church of England Property Fund
The CBF Church of England UK Equity Fund

COIF Charity Funds
COIF Charities Deposit Fund
COIF Charities Fixed Interest
COIF Charities Global Equity Income Fund
COIF Charities Investment Fund
COIF Charities Property Fund

The Local Authorities' Mutual Investment Trust
The Local Authorities' Property Fund

CCLA also offers segregated discretionary investment management services

For more information on these Funds please contact CCLA's Client Service Department on 0800 022 3505 or visit our website

The Company is registered in England No 2183088 and is authorised and regulated by the Financial Services Authority