

2183088



CCLA
Investment Management Limited
Serving Churches, Charities and Local Authorities

Annual Report & Accounts
31 March 1999





- CCLA Investment Management Limited (CCLA) provides investment and property management services in the City of London to the Church of England, to charities and other churches and to local authority superannuation funds.
- CCLA was incorporated in 1987 by The Central Board of Finance of the Church of England to own and operate its Investment Office, originally formed in 1958. The company is owned 60% by The Central Board of Finance of the Church of England Investment Fund, 25% by The COIF Charities Investment Fund and 15% by The Local Authorities' Mutual Investment Trust.
- In the year to 31 March 1999 CCLA provided services to capital with a value of £3,514 million. Its turnover was £7.3 million and it had a staff of 71 persons. CCLA is regulated by the Investment Management Regulatory Organisation in the conduct of investment business.
- Of the £3,514 million capital serviced at 31 March 1999, £2,368 million is regulated by IMRO in the conduct of investment business. £1,146 million is not regulated by IMRO in the conduct of investment business.
- CCLA aims to provide high quality investment and property management services at low cost, designed specifically to meet the needs of churches, charitable trusts and local authorities. For small and medium-sized capital sums, there are available a number of associated common investment funds to which CCLA provides investment and administrative services. For more substantial portfolios, it offers investment and property management on a discretionary basis directly to the client.

CCLA Investment Management Limited
St Alphege House, 2 Fore Street, London EC2Y 5AQ
Tel: (020) 7588 1815 Telex: 8954509 Fax: (020) 7588 6291



CCLA Investment Management Limited

Directors

- * T.G. Abell – *Chairman*
Viscount Churchill
- * A.J. Colman, MP (to 20 November 1998)
A.G. Gibbs, FCA
- * W.T.J. Griffin, FCA (to 31 December 1998)
T.H. Lavis
Mrs B.J. Sprigg, FCA
- * C.C. Maltby
- * R. Wilson (from 20 November 1998)
- * B.H.B. Wrey (from 1 January 1999)
- * *Non-executive director*

Secretary and Compliance Officer

Miss J.M. Wilson, ACIS

Managers

S.A.E. Axell
J.H. Barraclough, FRICS
Mrs S.A. Bennison, ACIS
R. Coulson
D. Dyer

B.A. Horton
J.C. Malins Smith
C.J. Peters
Mrs M.A. Toman

Assistant Managers

Mrs E.A. Allen
Mrs M.J. Gow
P. Hannam, ARICS
D.J. Masterson

Mrs P.J. Michel
Mrs T. Oliver, ACCA
Mrs K. Street
B.W. Vince

Registered Office

St Alphage House
2 Fore Street, London EC2Y 5AQ
Telephone: (020) 7588 1815, Telex: 8954509
Fax: (020) 7588 6291

Auditors

PricewaterhouseCoopers

Solicitors

Linklaters & Paines

Bankers

The Royal Bank of Scotland plc

The Company is registered in England, No. 2183088 and is regulated by the Investment Management Regulatory Organisation.

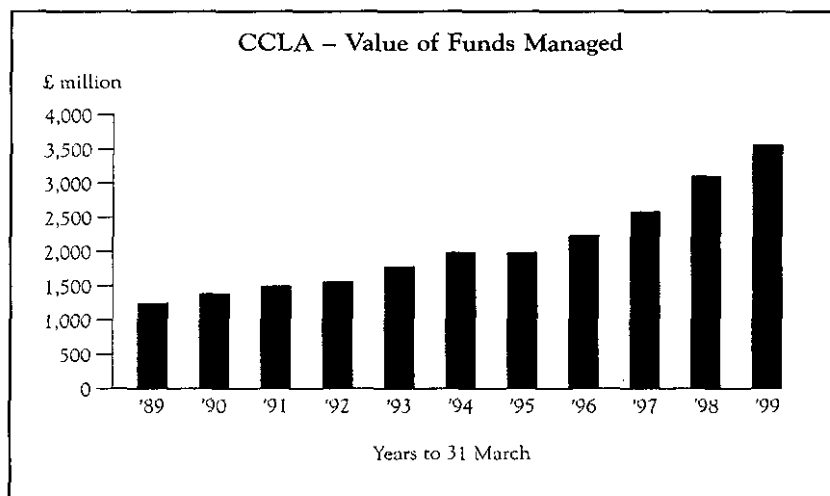
CCLA INVESTMENT MANAGEMENT LIMITED

CHAIRMAN'S REPORT

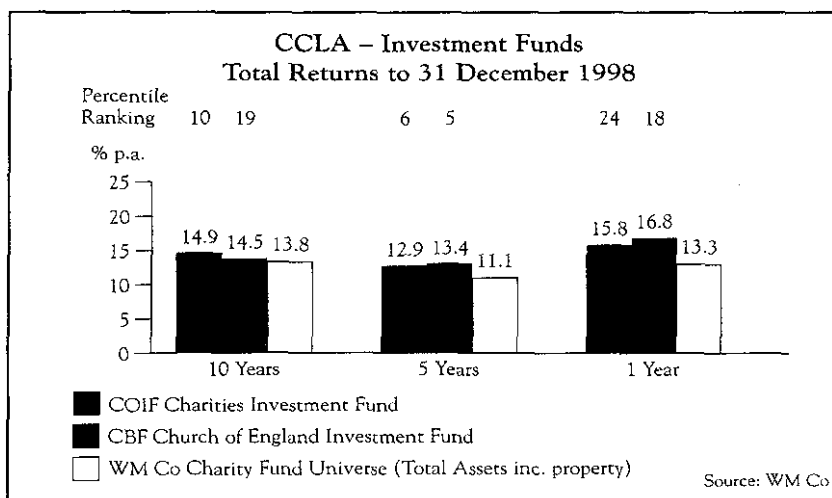
Another Satisfactory Year

In the year to 31 March 1999, CCLA Investment Management Limited increased the value of funds under management, achieved a further satisfactory investment performance for its clients and increased its profits.

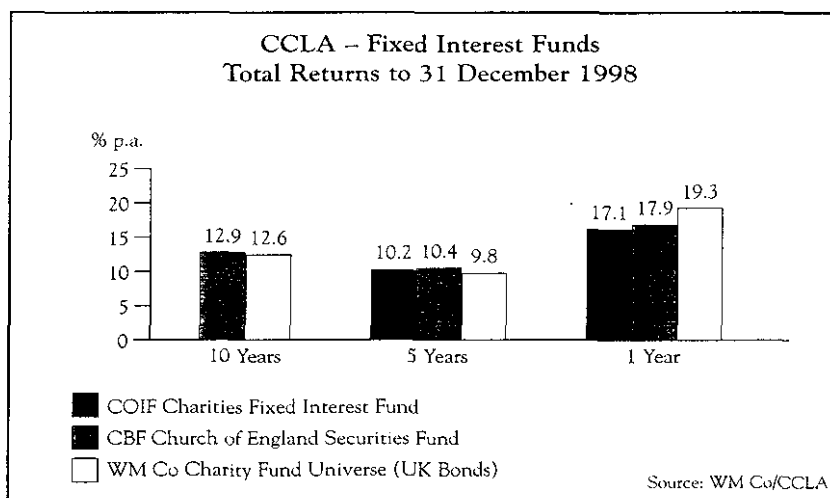
The total value of funds managed rose from £3,161 million to £3,514 million. Of this £242 million was net new money coming in for CCLA's management and £111 million the re-valuation of the assets managed.



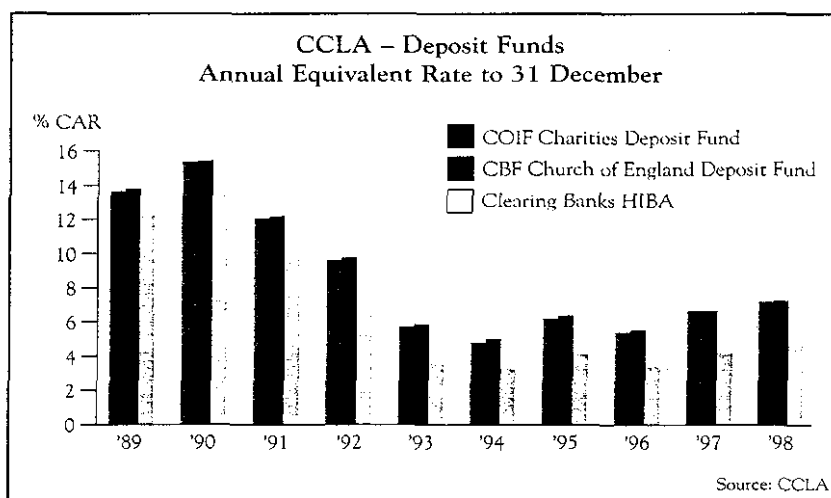
We delivered an excellent investment performance again last year in our two main equity funds, the CBF Church of England and the COIF Charity Investment Funds. Both outperformed their performance benchmarks of the WM Charity Service Universe by a significant margin in calendar 1998. Over the last 5 years, the percentile ranking of these two Funds have been 5 and 6 out of 100 in this performance measurement service.



Our fixed interest funds, while giving a good absolute return again last year, underperformed their benchmark as sterling Eurobonds weakened in the September financial crisis. Nevertheless, the performance of these funds, the CBF Church of England Fixed Interest Securities and the COIF Charities Fixed Interest Funds, has been excellent over the last five years.

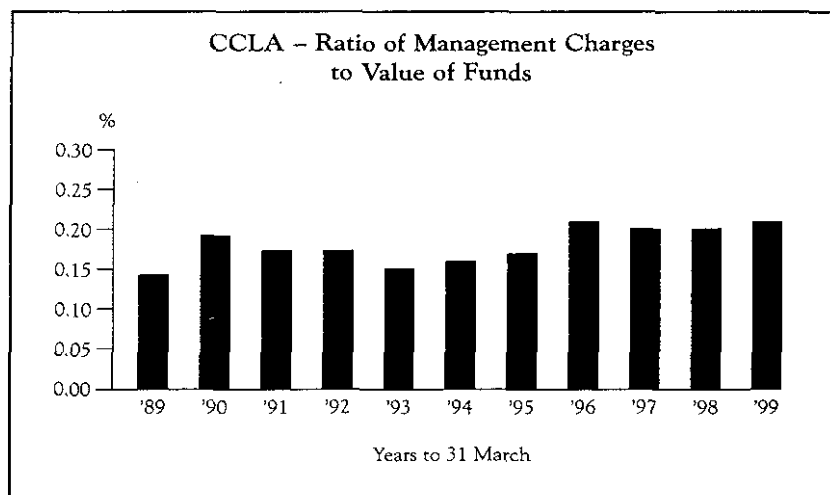


Our two Deposit Funds for the Church of England and Charities attracted substantial new sums last year, reflecting the special attraction of the above average deposit rates which they paid in a period of falling short-term rates.



CCLA's financial position strengthened

With the rise in the value of funds under management, CCLA's profit after taxation rose sharply from £1,283,211 to £1,922,350. More than half the funds managed are invested in equities and our management fees, in common with commercial unit trusts, are linked to market values.



In consequence, the Company's capital and reserves were further strengthened to £5.69 million at year end. These reserves are necessary both to meet regulatory requirements and to ensure that the company, managing substantial funds in the cyclical financial industry, is well-capitalised.

Dividend Increase

I am glad to report that we have therefore been able to increase again the total annual dividends paid to our three shareholders – the CBF Church of England Investment Fund, the COIF Charities Investment Fund and The Local Authorities' Mutual Investment Trust – to 120.0p per share, or by 20%, for the year to 31 March 1999.

Composition of Funds Managed

The analysis of the Funds which we managed at 31 March 1999 is shown below:

At 31 March	Analysis of Funds	
	1999 £ million	1998 £ million
CBF Church of England Funds	1,517	1,394
COIF Charity Funds	1,652	1,448
LAMIT Funds	139	132
Other CCLA Clients	206	187
	<u>£3,514</u>	<u>£3,161</u>

New Church of England Property Fund

In March 1999, we extended the range of asset allocation choice available to our Church of England investors by the introduction of a CBF Church of England Property Fund. We believe that this is timely in view of the requirement for income yield from church charitable trusts at a time when equity income is constrained by the abolition of ACT, fixed interest stocks are at substantial premiums to their redemption values and deposit rates have fallen.

Year 2000

In anticipation of the Year 2000, our major business critical systems have now all been tested, any necessary amendments made and successfully re-tested. We believe that we are well prepared for the date change and subject to unforeseen circumstances with external suppliers, should be able to provide our services to our clients without interruption.

Board and Management Changes

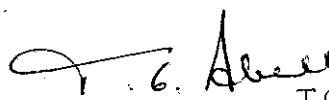
During the year, Mr Tom Griffin, retired as a non-executive Director of CCLA Investment Management Limited. I thank him for his valued services to us over the years. Following his election as a Member of Parliament, Mr Antony Colman resigned from the Board and I thank him also for his services. I am delighted to welcome Mr Ben Wrey, the Chairman of Henderson Investors, and Councillor Roy Wilson, the Chairman of LAMIT, to our Board as non-executive Directors.

The Board has appointed Mr Andrew Gibbs to be the Managing Director of CCLA Investment Management Limited on the retirement of Viscount Churchill from this post on 31 July 1999. Andrew Gibbs has been with the office for 20 years and will continue to be the Director responsible for the COIF Charity Funds.

Mr Tim Lavis, who has been with us for 15 years, has been appointed to be in charge of our Investment Department and will be the Director responsible for the CBF Church of England Funds. Mr Colin Peters has been appointed a Director with effect from 1 August 1999 and will be responsible for our fixed interest and cash management.

Last year was another busy one for the staff of CCLA and the Directors thank them for their hard work and success during the period.

21 May 1999


T G Abell
Chairman

CCLA Investment Management Limited – Financial History

Years to 31 March	Value of Funds (a) £ million	Management Charge (b) £'000	Management Charge Ratio %	Pre-tax Profits £'000	Capital & Reserves (c) £'000
1989	1,254	1,720	0.14	109	297
1990	1,384	2,501	0.18	122	353
1991	1,497	2,570	0.17	145	463
1992	1,546	2,556	0.17	303	689
1993	1,793	2,707	0.15	262	885
1994	1,960	3,110	0.16	356	1,146
1995	1,973	3,404	0.17	440	1,468
1996	2,255	4,706	0.21	1,184	2,184
1997	2,578	5,241	0.20	1,306	2,965
1998	3,161	6,235	0.20	1,924	4,031
1999	3,514	7,311	0.21	2,745	5,693

(a) Value of Funds at year end to which CCLA provides services

(b) Management charges before Value Added Tax

(c) Capital & Reserves at year end. Company commenced trading 1 April 1988

CCLA INVESTMENT MANAGEMENT LIMITED

DIRECTORS' REPORT

The Directors submit their report and audited accounts for the year ended 31 March 1999.

Activity

The principal activity of the company throughout the year has been the provision of investment management services, either by the secondment of staff and the provision of facilities to the Trustees of common investment schemes associated with the Church of England and Local Authorities, or by direct management of the investment portfolios of individual local authorities, charities and the COIF Charity Funds. However during the year, management agreements have been entered into for the management of all common investment funds and staff are now no longer seconded to the individual trustee bodies.

Results

The profit for the year, after taxation, amounted to £1,922,350 (1998, £1,283,211) and is dealt with on page 7. The transfer to reserves is £1,662,350 (1998, £1,066,544).

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 Directors are recommending that a distribution be made of £260,000 or 120p per share (1998, £216,667 or 100p per share).

Fixed Assets

Details of changes of fixed assets are set out in note 6 to the accounts.

Directors

The Directors of the Company during the year have been:

T.G. Abell
Viscount Churchill
A.J. Colman (to 20 November 1998)
A.G. Gibbs
W.T.J. Griffin (to 31 December 1998)
T.H. Lavis
C.C. Maltby
Mrs B.J. Sprigg
R. Wilson (from 20 November 1998)
B.H.B. Wrey (from 1 January 1999)

None of the Directors have any interest in any of the Company's shares.

Directors and Officers Liability Insurance was in place throughout the year.

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

Charitable and Political Donations

The Company has not made any charitable or political donations during the year.

Auditors

In accordance with section 384 of the Companies Act 1985, a resolution proposing the reappointment of PricewaterhouseCoopers, Chartered Accountants, as auditors of the Company will be put to the Annual General Meeting.

St Alphage House,
2 Fore Street,
London EC2Y 5AQ.
21 May 1999

By order of the Board


Miss J.M. Wilson, Company Secretary

CCLA INVESTMENT MANAGEMENT LIMITED

PROFIT AND LOSS ACCOUNT

for the year ended 31 March 1999

	Notes	£	1999 £	1998 £
Turnover	2		7,310,624	6,235,269
Administration expenses	3		<u>4,921,982</u>	<u>4,567,280</u>
Operating profit			2,388,642	1,667,989
Interest receivable			<u>356,334</u>	<u>256,758</u>
Profit on ordinary activities before taxation			2,744,976	1,924,747
Taxation	5		<u>822,626</u>	<u>641,536</u>
Profit after taxation			1,922,350	1,283,211
Dividends paid – Interim			162,500	–
proposed – Final			97,500	216,667
Balance brought forward		1,066,544		779,684
Transferred to Reserves	11	<u>1,066,544</u>	<u>779,684</u>	<u>–</u>
Balance carried forward			<u><u>1,662,350</u></u>	<u><u>1,066,544</u></u>

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

The notes on pages 10 to 15 form part of these accounts.

CCLA INVESTMENT MANAGEMENT LIMITED

BALANCE SHEET

at 31 March 1999

	Notes	1999 £	1998 £
Fixed Assets	6	191,213	197,903
Current Assets			
Debtors	7	306,339	352,115
Cash at bank and in hand	8	6,627,161	4,904,650
		<u>6,933,500</u>	<u>5,256,765</u>
Creditors: Amounts falling due within one year	9	<u>1,431,264</u>	<u>1,423,569</u>
Net Current Assets		<u>5,502,236</u>	<u>3,833,196</u>
Total Assets less Current Liabilities		<u>5,693,449</u>	<u>4,031,099</u>
Capital and Reserves			
Called up share capital	10	216,667	216,667
Profit and loss account	11	1,662,350	1,066,544
Reserves	11		
'A' Shares		1,601,538	1,162,030
'B' Shares		1,591,772	1,127,960
'C' Shares		218,588	133,844
General		<u>402,534</u>	<u>324,054</u>
		<u>3,814,432</u>	<u>2,747,888</u>
Total Shareholders' Funds		<u>5,693,449</u>	<u>4,031,099</u>

The notes on pages 10 to 15 form part of these accounts.

Approved by the Board on 21 May 1999

T.G. Abell
Churchill

On behalf of the Board
T.G. Abell, Chairman
Churchill, Director

CCLA INVESTMENT MANAGEMENT LIMITED

CASH FLOW STATEMENT

for the year ended 31 March 1999

	1999	1998
	£	£
Net Cash Inflow from Operating Activities (Note 13)	2,477,780	1,827,084
Returns on Investments and Servicing of Finance		
Interest received	<u>366,942</u>	<u>247,807</u>
Net Cash Inflow from Returns on Investments and Servicing of Finance	366,942	247,807
Taxation		
Corporation tax paid	(578,820)	(413,317)
Advance Corporation tax paid	<u>(54,167)</u>	<u>(23,833)</u>
	(632,987)	(437,150)
Capital Expenditure & Financial Investment		
Payments to acquire tangible fixed assets	(110,057)	(54,017)
Equity Dividends Paid		
Dividends paid	<u>(379,167)</u>	<u>(95,333)</u>
Net Cash Inflow before Financing	1,722,511	1,488,391
Increase in Net Funds (Note 14)	<u>1,722,511</u>	<u>1,488,391</u>

The notes on pages 10 to 15 form part of these accounts.

CCLA INVESTMENT MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS

forming part of the accounts for the year ended 31 March 1999

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.

(c) Fixed Assets

(i) Depreciation is provided on computer equipment at rates calculated to write off the full cost over an expected useful life of three years.

(ii) Depreciation is provided on other assets at rates calculated to write off the full cost of each asset over an expected useful life of five years.

(d) Contribution to pensions

The Company operates a non-contributory final salary pension scheme covering employees over the age of 18 who joined the Company prior to 1 April 1997. Contributions are paid to the Scheme in accordance with the recommendation of independent actuaries made triennially. A contributory defined contributions Scheme covering employees over the age of 18 who joined the Company on or after 1 April 1997 is in operation. Both Schemes' funds are administered by the Church of England Pensions Board and are independent of the Company's finances.

(e) Deferred taxation

Deferred taxation is calculated using the liability method on all timing differences between the accounting and taxation treatment of income and expense where, in the opinion of the Directors, it is probable that a liability to taxation will crystallise.

(f) Operating leases

Rentals payable under operating leases are charged against profit as incurred.

2 TURNOVER

The turnover of the Company for the year was made entirely in the United Kingdom and derives from the class of business as noted in the Directors' Report. 92.52% (1998, 92.64%) of the turnover is derived from services provided to shareholders of the Company.

3 ADMINISTRATION EXPENSES

	1999	1998
Management expenses include:	£	£
Auditors' remuneration	9,000	7,900
Depreciation of fixed assets	116,522	106,138
Hire of equipment	26,911	21,400
	<u>152,433</u>	<u>135,438</u>

4 EMPLOYEES AND DIRECTORS

Staff Costs

Staff costs, including those of executive Directors, during the year amount to:

	1999	1998
	£	£
Salaries	2,189,077	1,840,737
Social security costs	194,575	152,379
Other pension costs	310,856	280,896
	<u>2,694,508</u>	<u>2,274,012</u>

The average weekly number of employees, including executive Directors, during the year was 71 (1998, 65).

Pension Costs

The Company operates a defined contribution pension scheme 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 Scheme 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 £31,852 (1998, £5,116). No contributions were outstanding at the year end.

The Company also operates a non contributory pension scheme providing benefits based on final pensionable salary for those employees in employment as at 31 March 1997. The assets of the scheme are held by the Church Workers Pension Fund DBS Scheme in a separate pool in respect of CCLA Investment Management Limited. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the Company. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The most recent valuation was at 31 December 1995. 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. It is assumed that the investment returns would be 8.5% per annum, that salary increases would average 6.5% per annum and that present and future pensions would increase at the rate of 4% per annum.

The pension cost in respect of the non-contributory Scheme for the year was £272,864 (1998, £269,974).

The most recent actuarial valuation showed that the market value of the assets was £3,395,490 and that the actuarial value of those assets represented 128% of the benefits that had accrued to members, after allowing for expected future increases in earnings. The contribution of the Company is currently 18.4% of pensionable salary.

The Company also made payments of £ 6,140 (1998, £5,806) during the year to other pension schemes.

Directors' Remuneration and Fees

Executive Directors' Remuneration and Fees in the year are as follows:

	1999	1998
	£	£
Emoluments	<u>327,013</u>	<u>305,285</u>
Emoluments paid to non-executive Directors	<u>29,250</u>	<u>31,000</u>
Directors accruing benefits under the Defined Benefits Scheme	<u>4</u>	<u>4</u>

The Chairman received emoluments of £10,000 (1998, £10,000).

The highest paid Director received remuneration, excluding pension contribution, of £104,117 (1998, £97,014). Accumulated total accrued pension at year end £41,967.

The number of Directors who received remuneration in the following ranges was:

	1999	1998
£	£	£
Nil	1	—
1-5,000	2	—
5,001-10,000	3	4
60,001-65,000	—	1
65,001-70,000	1	1
70,001-75,000	1	—
75,001-80,000	—	1
80,001-85,000	1	—
90,001-95,000	—	—
95,001-100,000	—	1
100,001-105,000	1	—

5 TAXATION

The charge for taxation is made up as follows:

	1999	1998
	£	£
Current Year		
Corporation tax on profit for the year at the rate of 31% (1998, 31%)	861,508	641,536
Advanced Corporation tax paid	(54,167)	(23,834)
Prior year adjustment	(38,882)	-
	<u>768,459</u>	<u>617,702</u>

The Directors do not consider that any provision for deferred taxation is required at the present time since the net book value of fixed assets is less than their income tax written down value.

6 FIXED ASSETS

	Computer Equipment £	General Equipment £	Total £
Cost			
At 1 April 1998	485,952	342,564	828,516
Additions	77,682	32,375	110,057
Disposals	(3,626)	(85,326)	(88,952)
At 31 March 1999	<u>560,008</u>	<u>289,613</u>	<u>849,621</u>
Accumulated Depreciation			
At 1 April 1998	399,236	231,377	630,613
Charge for year	73,263	43,259	116,522
Disposals	(3,626)	(85,101)	(88,727)
At 31 March 1999	<u>468,873</u>	<u>189,535</u>	<u>658,408</u>
Net Book Value			
At 31 March 1999	<u>91,135</u>	<u>100,078</u>	<u>191,213</u>
At 31 March 1998	<u>86,716</u>	<u>111,187</u>	<u>197,903</u>

7 DEBTORS

	1999	1998
	£	£
Amounts falling due within one year:		
Other debtors	109,361	134,780
Prepayments	196,978	217,335
	<u>306,339</u>	<u>352,115</u>

8 CASH AT BANK AND IN HAND

	1999	1998
	£	£
One month term deposit	5,500,000	3,500,000
Cash at bank and in hand	1,127,161	1,404,650
	<u>6,627,161</u>	<u>4,904,650</u>

9 CREDITORS: Amounts falling due within one year

	1999	1998
	£	£
ACT Payable on interim dividend	40,625	54,167
Creditors	60,323	79,082
Corporation tax	807,341	641,536
Other taxation and social security costs	198,521	176,526
Accruals	226,954	255,591
Dividend payable	97,500	216,667
	<u>1,431,264</u>	<u>1,423,569</u>

10 CALLED UP SHARE CAPITAL

	1999	1998
	£	£
Authorised:		
300,000 'A' Ordinary shares of £1 each	300,000	300,000
125,000 'B' Ordinary shares of £1 each	125,000	125,000
75,000 'C' Ordinary shares of £1 each	75,000	75,000
	<u>500,000</u>	<u>500,000</u>
Allotted and fully paid:		
130,000 'A' Ordinary shares of £1 each	130,000	130,000
54,167 'B' Ordinary shares of £1 each	54,167	54,167
32,500 'C' Ordinary shares of £1 each	32,500	32,500
	<u>216,667</u>	<u>216,667</u>

'A' Ordinary shares are owned by CBF Church of England Investment Fund.

'B' Ordinary shares are owned by the COIF Charities Investment Fund.

'C' Ordinary shares are owned by Local Authorities' Mutual Investment Trust.

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 Directors paid an interim dividend of £162,500 representing 75p per share. They also recommend the payment of a final dividend of £97,500 representing a total of 120p per share (1998, £216,667 representing 100p per share).

Within four weeks of the adoption of these accounts the Directors will allocate the balance of profit for the year in accordance with the provisions of clause 28 of the Articles of Association and transfer the amounts allocated to the appropriate reserves, as follows:

	1999	1998
	£	£
For holders of 'A' Ordinary shares	677,642	439,508
For holders of 'B' Ordinary shares	726,531	463,812
For holders of 'C' Ordinary shares	133,847	84,744
General Reserve	124,330	78,480
	<u>1,662,350</u>	<u>1,066,544</u>

All shares have equal voting rights attached.

Reserve movements in the year have been as follows:

	P & L	Reserves				
	Account	'A' Shares	'B' Shares	'C' Shares	General	Total
	£	£	£	£	£	£
At 1 April 1998	1,066,544	1,162,030	1,127,960	133,844	324,054	3,814,432
Transfer to Reserves	(1,066,544)	439,508	463,812	84,744	78,480	-
Profit for year	1,662,350	-	-	-	-	1,662,350
At 31 March 1999	<u>1,662,350</u>	<u>1,601,538</u>	<u>1,591,772</u>	<u>218,588</u>	<u>402,534</u>	<u>5,476,782</u>

12 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1999	1998
	£	£
Profit for the Financial year	1,922,350	1,283,211
Dividends	(260,000)	(216,667)
Net additions to shareholders' funds	1,662,350	1,066,544
Opening shareholders' funds	4,031,099	2,964,555
Closing shareholders' funds	<u>5,693,449</u>	<u>4,031,099</u>

13 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	1999	1998
	£	£
Operating Activities		
Operating profit	2,388,642	1,667,989
Depreciation charge	116,522	106,138
Loss on disposal	224	—
Increase/(decrease) in debtors	(2,208)	19,962
Increase in creditors	(25,400)	32,995
Net Cash Inflow from Operating Activities	<u>2,477,780</u>	<u>1,827,084</u>

14 ANALYSIS OF CHANGES IN NET FUNDS DURING THE YEAR

	£
Balance at 1 April 1998	4,904,650
Net cash inflow	1,722,511
Balance at 31 March 1999	<u>6,627,161</u>

15 COMMITMENTS

The Company has 4 leases for premises in St Alphage House:

	Premises	Other	Total
	£	£	£
Within one to two years	631,888	37,120	669,008
Within two to five years	552,902	6,183	559,085
	<u>1,184,790</u>	<u>43,303</u>	<u>1,228,093</u>

The above figure for premises is based on a flat rental charge only.

16 SUBSIDIARY UNDERTAKING

The Company owns the whole of the issued share capital of Range Nominees Limited. This Company, which has an issued share capital of £9, was acquired at no cost. It does not trade and acts solely as a nominee Company for the purpose of holding investments belonging to investment clients. The subsidiary undertaking has not been consolidated as it is not material to the accounts.

17 YEAR 2000

The Company is determined to ensure that its business and its clients are not affected by the millennium date change. Comprehensive testing of business critical systems has been completed and the Company is confident that these are therefore Year 2000 compliant. All other computers, telecommunications and building control systems in the Year 2000 programme will be ready and tested by the end of July 1999. Contingency plans are being prepared to deal with unforeseen or external failures.

Nonetheless, the failure of external parties to resolve their own Year 2000 issues could expose the Company to potential losses, impairment of business processes and activities, and financial markets disruption.

The total cost of achieving Year 2000 compliance is not envisaged to be material to the Company's future results and is being expensed as part of the normal operating costs of the business. It is not envisaged that *additional staff resources will be necessary to achieve compliance.*

REPORT OF THE AUDITORS

to the Shareholders of CCLA Investment Management Limited

We have audited the accounts on pages 7 to 15 which have been prepared under the historical cost convention and the accounting policies set out on page 10.

Respective responsibilities of Directors and Auditors

The directors are responsible for preparing the Annual Report, including as described on page 6, the accounts. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and our profession's ethical guidance.

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. We also report to you if, in our opinion, the directors' report is not consistent with the accounts, if 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 transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts.

Basis of opinion

We conducted our audit in accordance with Auditing Standards 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 judgements 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 of the state of the Company's affairs as at 31 March 1999 and of its profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers
PricewaterhouseCoopers
Chartered Accountants
and Registered Auditors
32 London Bridge Street
London

21 May 1999

CCLA INVESTMENT MANAGEMENT LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the Directors to prepare accounts and cash flows for each financial year which 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 those accounts, the Directors are required to

- select suitable accounting policies and then apply them consistently;
- make judgements 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;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to 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.



CCLA Investment Management Limited

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

The CBF Church of England Funds

Investment Fund
Fixed Interest Securities Fund
Deposit Fund
Property Fund

The COIF Charity Funds

Investment Fund
Fixed Interest Fund
Deposit Fund

The Local Authorities' Mutual Investment Trust

Equity Fund
Property Fund

The United Services Trustee

Combined Charitable Capital Fund
Combined Charitable Income Fund