



for the Church of England

The CBF Church of England UK Equity Fund

**Report and Accounts
Half Year to 31 May 2008
(unaudited)**

Contents

- 1** Report of the Trustee
- 4** Report of the Investment Manager
- 6** Statement of Ethical Investment Policy
- 8** Net asset value, share price range, net distribution, share price and total expense ratio
- 10** Statement of total return
- 10** Statement of change in shareholders' net assets
- 11** Portfolio statement
- 13** Balance sheet
- 14** Summary of material portfolio changes
- 16** Notes to the accounts
- 23** Distribution table
- 24** Statement of Trustee and Manager responsibilities

Trustee and Manager

(inside back cover)

Description of The CBF Church of England Funds

(outside back cover)

Disability Discrimination Act 1995

Extracts from the Report and Accounts are available in large print and audio formats.

The CBF Church of England UK Equity Fund

Report of the Trustee

for the six months ended 31 May 2008

On behalf of the Trustee, I have pleasure in presenting the half year Report and Accounts of The CBF Church of England UK Equity Fund (the Fund), which includes a separate report from CCLA Investment Management Limited (the Manager) as Manager of the Fund.

Structure and management

The Fund was established on 1 December 2004 as a common fund by the Church Funds Investment Measure 1958 (as amended from time to time), and the Trustee Act 2000 (the Measure).

CBF Funds Trustee Limited (CBFFT), a company incorporated under the Companies Act, limited by guarantee and not having a share capital, is the Trustee and Operator of the Fund. CBFFT has an Audit Committee which meets twice each year to review the financial statements and monitor the control environment in which the Fund operates. CBFFT has delegated to the Manager, which is authorised and regulated by the Financial Services Authority (FSA), the investment management, administration, registrar, secretarial and company secretarial functions of the Fund under Management Agreements dated 15 November 2006.

Under the provisions of the Financial Services and Markets Act 2000 (FSMA), CBFFT is not considered to be operating the Fund by way of business. In consequence, it is not required to be authorised and regulated by the FSA and the trustee directors of CBFFT are not required to be authorised by the FSA for this purpose. Investments in the Fund are not covered by the Financial Services Compensation Scheme. The Manager will pay fair compensation on eligible claims arising from its negligence or error in the management and administration of the Fund.

Charitable status of the Fund

The Fund is entitled to charitable status by virtue of section 24(9) of the Charities Act 1993. In the administration of the Fund, CBFFT is exempt from the jurisdiction of the Charity Commission by virtue of section 5(1) of the Church Funds Investment Measure 1958.

Investment objective of the Fund

The Fund invests mainly in UK equities with a wide diversification of holdings and may also invest in other assets. The Fund aims to provide an above average income yield and long-term protection of capital from inflation, whilst adopting the Ethical Investment Policy approved by the Board. The objective is reviewed annually.

The Fund aims to make a distribution giving a yield in excess of the dividend yield on the FTSE All-Share Index. The aim is to increase the annual distribution over the longer term.

Total return benchmark

The total return performance benchmark of the Fund, (before management expenses and with gross income reinvested) is the FTSE All-Share Index adjusted for the effects of the Ethical Investment Policy.

Responsibilities of the Trustee

CBFFT monitors the investment management, administration, registration, secretarial and company secretarial services provided by the Manager under the respective Management Agreements. It meets quarterly with the Manager to monitor investment strategy, dividend and interest rate policy, investment diversification and risk and to review the Fund's performance. In addition, CBFFT reviews the Annual Report and Accounts of the Fund prepared on its behalf by the Manager.

The CBF Church of England UK Equity Fund

Report of the Trustee

for the six months ended 31 May 2008

CBFFT is responsible for appointing an Audit Committee, the Auditor and the Safe Custody Agent. It reviews annually the objectives of the Fund in the light of current circumstances.

RBS monitoring service

CBFFT has appointed The Royal Bank of Scotland plc to monitor the Manager in respect of its activities related to the management and administration of the Fund and to provide formal six-monthly reviews of its findings to the Audit Committee. The Royal Bank of Scotland plc has not raised any material issues.

Delegation of functions

Following its regular meetings and consideration of the reports and papers it has received, CBFFT is satisfied that the Manager, to whom it has delegated the administration and management of the Fund, has complied with the terms of the Measure and with the relevant Management Agreements.

Ethical investment

CBFFT continues to support the Church of England's Ethical Investment Advisory Group (EIAG), and is represented on the EIAG by Mrs Farrall, a trustee director of CBFFT. The EIAG co-ordinates and develops ethical investment policy on behalf of the Church's three central investment bodies, (the Church Commissioners and Church of England Pensions Board being the others) and communicates this to the wider Church through an Annual Report of its work. The EIAG makes considered recommendations on a range of ethical and responsible investment issues based upon papers prepared by the research secretariat. Responsibility rests with CBFFT for accepting and implementing any

recommendations made by the EIAG. The EIAG's Annual Report (available in July), and other publications associated with the Church's Ethical Investment Process are available from the Manager, to whom enquiries on this subject should be addressed. Publications are also available to download from the Manager's website at www.ccla.co.uk.

During the period, CBFFT endorsed a revised Statement of Ethical Investment Policy recommended by the EIAG. This has now become the policy for all of the Church's national investment bodies, and is set out on page 6.

CBFFT is supported in its ethical investment priorities through the Manager having signatory status to the UN Principles of Responsible Investment (UNPRI) and via the Carbon Disclosure Project (CDP) relating to climate change. The Manager is also a member of the Institutional Investors Group on Climate Change and a signatory to the Investor Statement on Transparency in the Extractives Sector. The Manager is a corporate member of the Institute of Business Ethics.

Corporate governance

CBFFT receives and considers regular reports from the Manager on proxy voting, which is undertaken across the UK equities portfolio of the Fund. CBFFT has adopted a policy of supporting management, except where proposals are either not considered to be in shareholder interests, or reflect poor corporate governance practice.

In the six months to 31 May 2008, the Manager voted at 42 UK company meetings; 96% of votes were cast in support of management, 2% against, and 2% were cast in abstention.

The CBF Church of England UK Equity Fund

Report of the Trustee

for the six months ended 31 May 2008

The majority of action was taken against company remuneration reports, long-term incentive plans and for Board balance reasons. Further information on corporate governance and the Fund is available on the Manager's website at www.ccla.co.uk.

Controls and risk management

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

The Manager has established an internal control framework to provide reasonable, but not absolute, assurance on the effectiveness of the internal controls operated on behalf of its clients. The effectiveness of the internal controls is assessed by the directors and senior management of the Manager on a continuing basis.

CBFFT receives internal audit reports on the controls of the Manager. During the period CBFFT, assisted by the Manager, reviewed the Fund's systems of internal control. At each of its meetings the Audit Committee receives and reviews a formal risk management report from the Manager. This sets out the main risks facing the Fund, the controls in place to mitigate those risks and the assessment of each risk in terms of both gross and residual exposure after application of mitigating controls.

R Broadhurst
Chairman
CBF Funds Trustee Limited

3 July 2008

The CBF Church of England UK Equity Fund

Report of the Investment Manager

for the six months ended 31 May 2008

- Invested in quoted UK equities
- Managed in compliance with Church of England's ethical investment policy
- Yield comparable to FTSE All-Share Index
- Primarily intended for larger investors

Performance

Over the period under review we have restructured the fund to provide a yield of 1.60% at the 129.00p unit price ruling on the 31st May 2008. The latest payment to unitholders showed an increase of 14.2% on the equivalent period of the preceding year. In terms of overall investment returns the fund produced -5.17%. This compares with a return of -4.16% from the FTSE All-Share Index.

Market review

The domestic equity market began the period poorly. A crisis of confidence at the start of the year saw the UK market fall sharply in January as investor concerns over the scale of the problems in the credit markets were compounded by worries about the economy as a whole. After the initial sharp sell-off prices tried to stabilise but it was only in March that a convincing rally could begin to bring the indices off their lows. Throughout the period volatility remained high. Sector performance showed a wide diversity of returns although basic materials, which includes the metals and mining stocks, stood out as the clear overall best performer. At the other end of the scale telecoms and consumer service sectors both declined by double digit percentages as did the banks – after a very poor performance in 2007.

The CBF Church of England UK Equity Fund Annualised total capital and income return

To 31 May 2008	Six months %	1 year % p.a.	3 year % p.a.
<u>Performance against market indices (before expenses)</u>			
CBF UK Equity Fund	- 5.17	-6.70	+ 10.75
FTSE All-Share Index~	- 4.06	-7.63	+ 10.64
FTSE All-Share Index	- 4.16	-7.12	+ 11.07
<u>Performance after expenses</u>			
Income shares *	- 5.38	-7.13	+ 10.24
Accumulation shares *	- 5.39	-7.16	n/a

* Net asset value to net asset value plus income reinvested

~ Adjusted for ethical restrictions

The CBF Church of England UK Equity Fund

Report of the Investment Manager

for the six months ended 31 May 2008

The financial sector was hit by losses on credit exposures, fears of losses on property loans and by capital raising from HBOS and RBS; the RBS rights issue, raising £12 billion, was the largest ever seen in Europe. Small capitalisation companies sharply underperformed their larger brethren whilst 'growth' stocks continued to outperform 'value'.

In the economy most indicators showed slowing activity so that estimates of growth reduced to a consensus clustered around 1.5%. The housing market started the period in a weak position but deteriorated further. Prices fell consistently and activity plunged under the combined pressure of higher mortgage costs, reduced credit availability and poor sentiment.

Strategy

Our strategy has been to emphasise within the portfolio companies with a reasonable yield which are able to increase the payment to investors in the future. Major transactions over the period include adding to the utilities sector with holdings in National Grid and United Utilities. The holding in Vodafone was reduced and an additional exposure taken in BT Group. In the bank sector we preferred Lloyds TSB and out-of-favour Royal Bank of Scotland and reduced holdings in Barclays and HBOS. After

very strong performances we took profits in the basic material sector with sales of Rio Tinto and Xstrata. In terms of sector weightings the portfolio is strongly overweight in the utilities sector and in financials. Telecoms and oil & gas are broadly neutral whilst consumer goods and health care represent a smaller proportion of the Fund than the FTSE All-Share Index.

Outlook

The domestic equity market faces major uncertainties over the prospects for economic growth and inflation over the balance of 2008 and into 2009. The tight policies needed to control rising price pressures are not helpful to an economy squeezed by a weak housing market and falling consumer activity. Against this backcloth day to day price volatility is likely to stay high. Company valuations are however supportive and discount a level of bad news which is by no means certain. Our expectation is that share prices will be above current levels by the end of the year.

M Humphreys
Fund Manager
CCLA Investment Management Limited

3 July 2008

Risk warning

The value of the Fund's shares and their income can fall as well as rise and an investor may not get back the amount originally invested. Past performance is no guarantee of future returns. The Fund's share value will reflect fluctuations in share prices. The shares in the Fund are

intended only for long term investment and are not suitable for money liable to be needed in the near future. They are realisable only on each weekly dealing day. The Fund mainly invests in stocks from a single geographical area which can risk to risk of concentration.

Statement of Ethical Investment Policy

to the Shareholders of The CBF Church of England UK Equity Fund

Ethical investment considerations form an integral part of the Church of England's witness and mission. Through its Ethical Investment Policy, the Church of England seeks a constructive engagement with the corporate world in order that responsible business practices and high standards of corporate behaviour are encouraged and supported. The Church of England is also mindful of the need to avoid undermining the credibility, effectiveness and unity of the Church's witness by profiting from, or providing capital to, activities that are materially inconsistent with Christian values.

The Ethical Investment Advisory Group (EIAG) of the Church of England carries out ethical investment research on behalf of the three national investment bodies of the Church of England, the Church Commissioners for England, The CBF Church of England Funds, and the Church of England Pensions Board (the national Church investment bodies). It develops policy recommendations, which once agreed by the national Church investment bodies, are then communicated to the wider Church. The General Synod, the Archbishops' Council and the Mission and Public Affairs Council are also represented on the EIAG to provide counsel and wider expertise. The legal authority for investment decisions rests solely with the national Church investment bodies, as well as individual parishes, cathedrals, dioceses and other associated Church of England organisations.

The national Church investment bodies are supportive of companies that seek to develop their businesses successfully and sustainably in the interests of shareholders. The use of positive ethical criteria in assessing companies is firmly incorporated within the Ethical Investment Policy through a process of constructive engagement

with business. Criteria have been identified across five broad areas as:

- responsible employment practices
- best corporate governance practice
- conscientiousness with regard to human rights
- sustainable environmental practice
- sensitivity towards the communities in which business operates

Companies are monitored according to this Statement of Ethical Investment Policy and, where appropriate, by developing an ongoing dialogue and engagement with them. The national Church investment bodies believe this to be the best means of exercising responsible stewardship and shareholder responsibility and of communicating Church concerns. Disinvestment, if recommended, remains the preserve of each national Church investment body, and is only considered if a company's activities fall outside of the Church's Ethical Investment Policy or if, after sustained dialogue, it does not respond positively to the Church's concerns.

Companies that promote pornography or supply armaments are avoided. Separate media and defence investment policies have been published outlining the criteria employed to determine whether companies breach the Church's policy in these areas.

Investment is also avoided in any company a major part of whose business activity or focus is in the following areas, where this is usually defined as exceeding 25% of Group turnover:

- gambling
- tobacco and tobacco related products
- alcoholic beverages (manufacture and licensed sale)

The CBF Church of England UK Equity Fund

Statement of Ethical Investment Policy

to the Shareholders of The CBF Church of England UK Equity Fund

- non-offensive military equipment (see defence investment policy)
- weekly-collected home credit (doorstep lending)
- human embryonic cloning

The national Church investment bodies also reserve the right to avoid investment in companies whose management practices

they judge to be unacceptable. Given the complexity of many companies, some will have business interests in areas the national Church investment bodies seek to avoid, and these are closely monitored to ensure they meet the Church's broader criteria. Advice may be offered in respect of all classes of asset under management including domestic and international securities, land and real estate.

The Church of England Ethical Investment Advisory Group was established in 1994 and includes representation from the Church Commissioners for England, The CBF Church of England Funds, the Church of England

Pensions Board, the General Synod, the Archbishops' Council, and the Mission & Public Affairs Council.
E-mail: ethics@ccla.co.uk
Website: www.cofe.anglican.org/info/ethical

Net asset value, share price range, net distribution, share price and total expense ratio

Net asset value

<i>At 30 November</i>	<i>Net asset value £'000</i>	<i>Income shares</i>		<i>Accumulation shares</i>	
		<i>Net asset value pence per share</i>	<i>Number of shares in issue</i>	<i>Net asset value pence per share</i>	<i>Number of shares in issue</i>
2005	116,391	115.12	101,100,790	-	-
2006	134,834*	131.06	102,296,803	131.56	31,532
2007	146,907*	138.53	105,739,878	144.00	298,602
At 31 May 2008	137,294*	129.00	106,112,207	136.24	298,968

*The net asset value is calculated on the mid-market value basis compared to the balance sheet where the assets are valued on a bid-market value basis in accordance with the December 2005 IMA SORP.

Share price range

<i>Year to 30 November</i>	<i>Income shares</i>		<i>Accumulation shares</i>	
	<i>Highest offer pence per share</i>	<i>Lowest bid pence per share</i>	<i>Highest offer pence per share</i>	<i>Lowest bid pence per share</i>
2005	117.98	100.00	-	-
2006	135.98	116.41	135.09	116.41
2007	147.74	130.38	150.21	130.85
To 31 May 2008	141.33	118.46	146.91	123.81

Net distribution

<i>Year to 30 November</i>	<i>Income shares pence per share</i>	<i>Accumulation shares pence per share</i>
2005	3.50	-
2006	3.90	0.75
2007	4.40	4.49
To 31 May 2008	2.07	3.16

The CBF Church of England UK Equity Fund

Net asset value, share price range, net distribution, share price and total expense ratio

Share price at 31 May 2008

	<i>Bid price pence per share</i>	<i>Offer price pence per share</i>
Income shares	128.35	129.65
Accumulation shares	135.56	136.92

The share prices are published in the *Financial Times*, *The Church Times*, and on the Manager's website at www.ccla.co.uk.

The bid and offer prices are calculated on the net asset value minus or plus a 0.5% deduction or surcharge respectively.

The Fund's income shares were first issued on 1 December 2004, the date of the launch of the Fund. The Fund's accumulation shares were first issued on 23 October 2006 at a price of 133.24p.

Total expense ratio

Total expense ratio (annualised)	<i>31.5.2008</i> 0.60%	<i>31.5.2007</i> 0.48%
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The total expense ratio is the ratio of the Fund's total operating costs to its average net assets calculated over the period.

The CBF Church of England UK Equity Fund

Statement of total return

for the six months ended 31 May 2008 (unaudited)

	Notes	31.5.2008		31.5.2007	
		£'000	£'000	£'000	£'000
Net (losses)/gains on investments during the period	2		(10,793)		12,721
Income	3	3,256		2,246	
Expenses	4	(411)		(341)	
Net income for the period			2,845		1,905
Total return before distributions			(7,948)		14,626
Finance costs: distributions	6		(2,205)		(1,848)
Change in net assets attributable to shareholders			(10,153)		12,778

The notes on pages 16 to 22 form part of these accounts.

Statement of change in shareholders' net assets

for the six months ended 31 May 2008 (unaudited)

	31.5.2008		31.5.2007	
	£'000	£'000	£'000	£'000
Net assets at start of the period		146,912		134,453
Movements due to creations and cancellations of shares				
Amounts receivable on creation of shares	749		2,939	
Less: amounts payable on cancellation of shares	(218)		-	
		531		2,939
Change in net assets attributable to shareholders		(10,153)		12,778
Retained distribution on accumulation shares		9		3
Net assets at end of the period		137,299		150,173

The CBF Church of England UK Equity Fund

Portfolio statement

at 31 May 2008 (unaudited)

	<i>Bid</i>			<i>Bid</i>			
	<i>value</i>	<i>%</i>		<i>value</i>	<i>%</i>		
<i>Holding</i>	<i>£'000</i>	<i>Fund</i>	<i>Holding</i>	<i>£'000</i>	<i>Fund</i>		
UNITED KINGDOM 98.80%			Household goods 1.35%				
(30.11.07, 98.07%)			Barrat Developments	41,652	76	0.06	
Oil & gas producers 15.85%			Bovis Homes	427,047	1,765	1.29	
BG	325,213	4,114	3.00				
BP	1,127,968	6,855	4.99				
Royal Dutch Shell B							
shares	280,973	5,912	4.31	Pharmaceuticals & biotechnology 1.92%			
Tullow Oil	547,283	4,868	3.55	AstraZeneca	119,873	2,642	1.92
Oil equipment services 1.99%			Food & drug retailers 1.76%				
AMEC	327,021	2,727	1.99	Tesco	584,905	2,422	1.76
Chemicals 2.28%			General retailers 1.60%				
Elementis	927,904	675	0.49	Marks & Spencer	580,015	2,203	1.60
Johnson Matthey	122,146	2,460	1.79				
Forestry & paper 0.09%			Media 0.55%				
Mondi	35,000	126	0.09	Informa	120,000	461	0.34
				Trinity Mirror	125,000	284	0.21
Mining 7.23%			Travel & leisure 3.75%				
BHP Billiton	403,986	7,728	5.63	Compass	727,944	2,728	1.99
Randgold Resources	102,585	2,202	1.60	Holidaybreak	112,597	576	0.42
				Intercontinental			
Industrial engineering 0.75%				Hotels	55,531	462	0.34
IMI	200,000	1,025	0.75	National Express	150,000	1,370	1.00
Support services 2.44%			Fixed line telecommunications 4.32%				
Capita	120,000	811	0.59	BT	2,674,742	5,932	4.32
Interserve	485,688	2,317	1.69				
Wolseley	40,000	220	0.16	Mobile telecommunications 3.55%			
				Vodafone	3,006,410	4,876	3.55
Food producers 3.63%			Electricity 5.45%				
Premier Foods	650,700	807	0.59	British Energy	358,190	2,627	1.91
Unilever	250,000	4,175	3.04	International Power	571,199	2,538	1.85
				Scottish & Southern			
				Energy	158,121	2,326	1.69

The CBF Church of England UK Equity Fund

Portfolio statement

at 31 May 2008 (unaudited)

	<i>Bid</i>				<i>Bid</i>		
	<i>value</i>	<i>%</i>		<i>value</i>	<i>%</i>		
<i>Holding</i>	<i>£'000</i>	<i>Fund</i>		<i>Holding</i>	<i>£'000</i>	<i>Fund</i>	
Gas, water & multiutilities 10.59%				Real estate 1.40%			
Centrica	150,000	440	0.32	Hammerson	15,000	137	0.10
National Grid	775,914	5,784	4.21	Savills	697,004	1,784	1.30
Pennon	347,160	2,250	1.64				
Severn Trent	161,867	2,357	1.72	General financial 3.53%			
United Utilities	496,289	3,712	2.70	Collins Stewart	943,434	842	0.61
				Man	646,077	4,009	2.92
Banks 13.08%				Equity investments 1.44%			
HSBC	696,788	5,938	4.32	Merchants Trust	475,000	<u>1,983</u>	<u>1.44</u>
Lloyds TSB	1,285,523	4,933	3.59				
Royal Bank of				PORTFOLIO OF INVESTMENTS			
Scotland	1,745,207	296	0.22		135,647	98.80	
Royal Bank of				NET OTHER ASSETS			
Scotland Nil Paid	1,066,515	3,983	2.90		1,652	1.20	
Standard Chartered	150,000	2,813	2.05	NET ASSETS			
					<u>137,299</u>	<u>100.00</u>	
Life insurance 10.25%							
Aviva	568,439	3,581	2.61				
Friends Provident	2,910,681	3,522	2.57				
Legal & General	1,300,000	1,556	1.13				
Prudential	275,000	1,827	1.33				
Standard Life	1,431,624	3,590	2.61				

The CBF Church of England UK Equity Fund

Balance sheet

at 31 May 2008 (unaudited)

	Notes	31.5.2008		30.11.2007	
		£'000	£'000	£'000	£'000
ASSETS					
Portfolio of investments			135,647		144,072
Debtors	7	690		1,224	
Cash and bank balances	8	<u>2,428</u>		<u>3,211</u>	
Total assets			<u>3,118</u>		<u>4,435</u>
			<u>138,765</u>		<u>148,507</u>
LIABILITIES					
Creditors	9	12		9	
Distribution payable on income shares		<u>1,454</u>		<u>1,586</u>	
Total liabilities			1,466		1,595
Net assets attributable to shareholders			<u>137,299</u>		<u>146,912</u>
Approved on behalf of the Trustee 3 July 2008			R Broadhurst, <i>Chairman</i> CBF Funds Trustee Limited		

The notes on pages 16 to 22 form part of these accounts.

Summary of material portfolio changes

for the six months ended 31 May 2008 (unaudited)

	<i>Cost</i> <i>£'000</i>
Total purchases for the period (note 14)	64,129
Major purchases:	
Royal Bank of Scotland	4,357
BT	3,836
Standard Life	3,568
United Utilities	3,431
National Grid	3,405
Friends Provident	3,058
Tullow Oil	3,021
Lloyds TSB	2,686
Savills	2,513
Bovis Homes	2,459
Randgold Resources	2,445
Johnson Matthey	2,420
Interserve	2,361
British Energy	2,360
AMEC	2,333
BHP Billiton	2,323
International Power	2,306
Pennon	2,227
Merchants Trust	2,031
Marks & Spencer	1,793

The above summary represents the 20 largest purchases aggregated per investment during the period.

The CBF Church of England UK Equity Fund

Summary of material portfolio changes

for the six months ended 31 May 2008 (unaudited)

	<i>Proceeds</i> <i>£'000</i>
Total sales for the period (note 14)	61,668
Major sales:	
GlaxoSmithKline	4,293
Reckitt Benckiser	4,212
Rio Tinto (UK)	3,950
Vodafone	3,923
Royal Dutch Shell B shares	3,592
Anglo American	3,548
Xstrata	3,188
Barclays	2,525
HSBC	1,899
Tesco	1,867
BG	1,851
Mouchel	1,748
HBOS	1,743
Homeserve	1,720
Wm Morrison Supermarkets	1,386
Associated British Foods	1,336
Royal & Sun Alliance	1,271
BP	1,259
Kelda	1,107
Aegis	1,006

The above summary represents the 20 largest sales aggregated per investment during the period.

Notes to the accounts

(unaudited)

1. Accounting policies

(a) Basis of accounting

The accounts have been prepared under the historical cost basis, as modified by the revaluation of investments, and in accordance with the accounting policies set out below and the Statement of Recommended Practice for Authorised Funds issued by the Investment Management Association (IMA) in December 2005.

(b) Income recognition

Dividends on ordinary stocks, including special dividends where appropriate, are credited to income on the dates when the investments are first quoted ex-dividend. Interest on bank and The CBF Church of England Deposit Fund balances is accrued on a daily basis. Underwriting commission is recognised when an issue takes place and is taken to income, except where the Fund is required to take up all or some of the shares underwritten, in which case a proportion of the commission is taken to capital.

(c) Stock dividends

The ordinary element of stocks received in lieu of cash dividends is recognised as income of the Fund. Any enhancement above the cash dividends is treated as capital.

(d) Special dividends, share buy-back or additional share issue

Whether a special dividend, share buy-back or additional share issue is income or capital by nature depends upon the facts of each individual case. It is likely that where the receipt of a special dividend results in a significant reduction in the capital value of the holding, then the special dividend is regarded as capital by nature. Otherwise, the special dividends are regarded as income.

(e) Management expenses

The Manager's periodic charge, paid to the Manager, is charged to the capital of the Fund. The fee is based on a fixed percentage of the value of the Fund. In January 2008 this increased from 0.40% p.a. plus VAT to 0.50% p.a. plus VAT. The Fund received a management fee rebate credited to the income expenses of the Fund for its deposits in The CBF Church of England Deposit Fund, where management fees are charged to income. Each month, the value at the end of the previous month is taken to calculate the fee due. This fee covers the provision of investment services and other expenses incurred by the Manager. Audit, legal, safe custody fees, transaction charges, insurance fees and monitoring fees are charged separately to the income of the Fund before distribution.

(f) Distributions

Distributions are paid quarterly. The Fund utilises an income reserve to even out fluctuations in income which arise over the years (see note 10).

The CBF Church of England UK Equity Fund

Notes to the accounts

(unaudited)

(g) Basis of valuation

Listed investments are valued at bid-market values at the close of business on the last business day of the accounting period. Any unlisted, delisted, unquoted or suspended investments are stated at cost or valuation by the Manager and reviewed by the Trustee.

Suspended securities are valued by the Manager and take into account the last dealing price on the date of suspension and subsequent information available. Suspended securities are written off after they have been carried at nil value for two years.

2. Net (losses)/gains on investments	31.5.2008	31.5.2007
	£'000	£'000
The net (losses)/gains on investments during the period comprise:		
(Losses)/gains on non-derivative securities	<u>(10,793)</u>	<u>12,721</u>
3. Income	31.5.2008	31.5.2007
	£'000	£'000
UK dividends	3,154	2,182
Interest on The CBF Church of England Deposit Fund	63	13
Bank interest	39	51
	<u>3,256</u>	<u>2,246</u>
4. Expenses	31.5.2008	31.5.2007
	£'000	£'000
Payable to the Manager, associates of the Manager and agents of either of them:		
Manager's periodic charge – see note 1(e)	396	326
Manager's periodic charge rebate – see note 1(e)*	(3)	(1)
	<u>393</u>	<u>325</u>
Payable to the Trustee, associates of the Trustee and agents of either of them:		
Safe custody fees and transaction charges	7	4
Monitoring fee	5	4
Trustee's administration fee	-	3
	<u>12</u>	<u>11</u>

The CBF Church of England UK Equity Fund

Notes to the accounts

(unaudited)

	31.5.2008	31.5.2007
	£'000	£'000
Other expenses:		
Audit fee	5	4
Insurance	1	1
	<u>6</u>	<u>5</u>
Total expenses	<u>411</u>	<u>341</u>

The above expenses include VAT where applicable.

* This amount represents the rebate of management fees credited to the Fund's income for its holding in The CBF Church of England Deposit Fund, where management fees are charged to income.

5. Taxation

The Fund is exempt from UK income and capital gains tax due to its charitable status pursuant to Sections 505 and 506 of the Income and Corporation Taxes Act 1988. Distributions are paid and reinvested income credited gross to shareholders on the basis that all recoverable UK taxation has been reclaimed.

6. Finance costs

Distributions

Distributions take account of income received on the creation of shares and income deducted on the cancellation of shares, and comprise:

	31.5.2008	31.5.2007
	£'000	£'000
29 February – interim distribution	746	614
31 May – interim distribution	1,460	1,254
	<u>2,206</u>	<u>1,868</u>
Add: income deducted on cancellation of shares	1	-
Deduct: income received on creation of shares	(2)	(20)
Net distribution for the period	<u>2,205</u>	<u>1,848</u>
Net income for the period	2,845	1,905
Transfer to income reserve – see note 10	(1,032)	(386)
Manager's periodic charge – see note 1(e)	396	326
Trustee's administration fee charged to capital	-	3
Income not distributed	(4)	-
Net distribution for the period	<u>2,205</u>	<u>1,848</u>

Detail of the distribution made during the period can be found in the distribution table on page 23.

The CBF Church of England UK Equity Fund

Notes to the accounts

(unaudited)

7. Debtors	31.5.2008	30.11.2007
	£'000	£'000
Sales awaiting settlement	-	580
Accrued income	684	643
Prepayments	6	1
	<u>690</u>	<u>1,224</u>

8. Cash and bank balances	31.5.2008	30.11.2007
	£'000	£'000
Cash in The CBF Church of England Deposit Fund	2,360	2,251
Cash at bank	68	960
	<u>2,428</u>	<u>3,211</u>

9. Creditors	31.5.2008	30.11.2007
	£'000	£'000
Accrued expenses	12	9

10. Income reserve

The income reserve, accumulated out of income, is used to smooth fluctuations in the income received in the Fund. The income reserve is included in the total value of the Fund attributable to income shareholders.

	31.5.2008	31.5.2007
	£'000	£'000
Income reserve at the start of the period	686	598
Transfer to income reserve	1,032	386
Income reserve at the end of the period	<u>1,718</u>	<u>984</u>

Notes to the accounts

(unaudited)

11. Financial instruments

Fair value

Securities held by the Fund are valued at bid-market value (see note 1(g)). Bid-market value is considered to be a fair representation of the amount repayable to shareholders should they wish to sell their shares. Other financial assets and liabilities of the Fund are included in the balance sheet at their fair value.

Risk

The main risks arising from the Fund's financial instruments and the Manager's policies for managing these risks are summarised below. These policies have been applied throughout the period and comparative period.

Market price risk

This is an actively-managed Fund, which invests in UK equities. Investors are thus exposed to market price risk, which can be defined as the uncertainty about future price movements of the financial instruments the Fund is invested in. Market price risk arises mainly from economic factors, including investor confidence, and is not limited to interest rate movements. This exposure to market price risk may result in substantial fluctuations in the share price from time to time, although there will generally be a close correlation in the movement of the share price to the markets the Fund is invested in. The Fund seeks to minimise the risks by holding a diversified portfolio of investments in line with the Fund's investment objectives. Risk is monitored at both the asset allocation and stock selection levels by Directors of the Manager on a regular basis.

Currency risk

There is no exposure to foreign currency fluctuations as all investments, income and short-term debtors and creditors are denominated in Sterling.

Liquidity risk

Financial instruments held by the Fund, excluding short-term debtors and creditors, are made up of UK equities and sterling cash deposits. These assets are generally liquid and enable the Fund to meet the payment of any redemption of shares that shareholders may wish to make.

Interest rate risk

The majority of the Fund's financial assets are equities which do not earn interest or have maturity dates.

The CBF Church of England UK Equity Fund

Notes to the accounts

(unaudited)

The interest rate profile of the Fund's financial assets and liabilities at 31 May 2008 was as set out below:

<i>Currency</i>	<i>Floating rate financial assets* £'000</i>	<i>Fixed rate financial assets £'000</i>	<i>Financial assets not carrying interest £'000</i>	<i>Total £'000</i>
Sterling	2,428	-	136,337	138,765

<i>Currency</i>	<i>Floating rate financial liabilities £'000</i>	<i>Fixed rate financial liabilities £'000</i>	<i>Financial liabilities not carrying interest £'000</i>	<i>Total £'000</i>
Sterling	-	-	1,466	1,466

30 November 2007

<i>Currency</i>	<i>Floating rate financial assets* £'000</i>	<i>Fixed rate financial assets £'000</i>	<i>Financial assets not carrying interest £'000</i>	<i>Total £'000</i>
Sterling	3,211	-	145,296	148,507

<i>Currency</i>	<i>Floating rate financial liabilities £'000</i>	<i>Fixed rate financial liabilities £'000</i>	<i>Financial liabilities not carrying interest £'000</i>	<i>Total £'000</i>
Sterling	-	-	1,595	1,595

* The floating rate financial assets of the Fund earn interest at rates based on either LIBOR or base rate. All financial liabilities are due to be settled within one year, or on demand.

There were no derivatives held by the Fund at 31 May 2008 (30.11.2007, £nil).

12. Commitments and contingent liabilities

There were no commitments or contingent liabilities at 31 May 2008 (30.11.2007, £nil).

The CBF Church of England UK Equity Fund

Notes to the accounts

(unaudited)

13. Related party transactions

The Manager's periodic charge is paid to the Manager, a related party to the Fund. The amounts paid in respect of the Manager's periodic charge are disclosed in note 4. There were no outstanding balances due to the Manager at 31 May 2008 (30.11.2007, £nil). There were no other transactions entered into with the Manager during the period.

CBFFT, as Trustee, is a related party to the Fund. The amounts paid in respect of the Trustee's administration fee are disclosed in note 4. There were no outstanding balances due to CBFFT at 31 May 2008 (30.11.2007, £nil). There were no other transactions entered into with CBFFT during the period.

At 31 May 2008 a cash balance of £2,360,092 (30.11.2007, £2,250,755) was held in The CBF Church of England Deposit Fund.

The CBF Church of England Investment Fund had a 93.98% holding of the total shares on issue in the Fund as at 31 May 2008 (30.11.2007, 94.30%).

14. Portfolio transaction costs

	31.5.2008	<i>31.5.2007</i>
	£'000	<i>£'000</i>
Analysis of total purchase costs:		
Purchases in period before transaction costs	64,088	13,299
Commissions	41	27
Gross purchases total	<u>64,129</u>	<u>13,326</u>
Analysis of total sales costs:		
Gross sales in period before transaction costs	61,721	11,629
Commissions	(53)	(9)
Total net sales	<u>61,668</u>	<u>11,620</u>

The CBF Church of England UK Equity Fund

Distribution table

for the six months ended 31 May 2008 (unaudited)

<i>Period ended</i>	<i>Date paid/payable</i>	<i>Dividends paid/payable pence per share</i>	
		2008	2007
Income shares			
29 February 2008	30 April 2008	0.70	0.60
31 May 2008	31 July 2008	<u>1.37</u>	<u>1.20</u>
		<u>2.07</u>	<u>1.80</u>
		<i>Income accumulated pence per share</i>	
		2008	2007
Accumulation shares			
29 February 2008		0.92	0.49
31 May 2008		<u>2.24</u>	<u>1.66</u>
		<u>3.16</u>	<u>2.15</u>

Statement of Trustee and Manager responsibilities

The Trustee shall comply with the duty of care when exercising their powers and discharging their duties under the Church Funds Investment Measure 1958 as amended by the Church of England (Miscellaneous Provisions) Measure 1995 and the Trustee Act 2000 (together the Measure) to:

- make and revise the written statement of the investment objectives of the Fund and details of such investment objectives will be included in the Scheme Information;
- determine the criteria and methods for evaluating the performance of the Fund;
- appoint the Auditor of the Fund and settle their terms of engagement;
- determine the rate of remuneration of the Manager in accordance with the Measure and the Scheme Information;
- supervise and oversee the Manager's compliance with the Measure and the Scheme Information. In particular, the Trustee shall be satisfied on a continuing basis that the Manager is competently exercising the powers and discharging the duties conferred or imposed on it by or pursuant to the provisions of the Measure, and ensure the Manager is maintaining adequate and proper records;
- appoint, supervise and oversee any Registrar or other delegate whom it has appointed in accordance with the provisions of the Scheme;
- review the custody and control of the property of the Fund and the collection of all income due to the Fund in accordance with the Measure;
- apply interest payments to depositors based on their average daily balance in the Fund; and
- take all steps and execute all documents which

are necessary to ensure that the deposits and withdrawals for the Fund are properly completed.

Preparation of accounts

The Trustee of the Fund is required, by the Measure, to prepare accounts 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 income for the period, together with a report on the operation of the Fund is also required. In preparing these accounts, the Trustee:

- selects suitable accounting policies that are appropriate for the Fund and applies them on a consistent basis;
- complies with the disclosure requirements of the Statement of Recommended Practice relating to Authorised Funds issued by the Investment Management Association (IMA) in December 2005;
- follows generally accepted accounting principles and applicable United Kingdom accounting standards;
- keeps proper accounting records which enables them to demonstrate that the accounts, as prepared, comply with the above requirements;
- makes judgments and estimates that are prudent and reasonable; and
- prepares the accounts on the basis that the Fund will continue in operation unless it is inappropriate to presume this.

The Trustee is also required to manage the Fund in accordance with the Measure and has delegated to the Manager the day-to-day management, accounting and administration of the Fund, as permitted by the Measure. The Manager is required to carry out these duties in accordance with the Measure and take reasonable steps for the prevention and detection of fraud and other irregularities.

CCLA INVESTMENT MANAGEMENT LIMITED

The CBF Church of England UK Equity Fund

Trustee – CBF Funds Trustee Limited

R Broadhurst (Chairman)

J Clunie*

L Farrall

N Pearson

S Steele

Rev Dr R Turnbull*

R Williams*

**Members of the Audit Committee*

Secretary

J Fox

Manager, Administrator and Registrar

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the Financial Services Authority*

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Directors responsible for the Fund

M Quicke (Chief Executive)

J Bevan (Chief Investment Officer)

S Curran (Chief Operating Officer)

C Peters (Investment Director)

A Robinson (Director Market Development)

Fund Manager

N Debenham (to 31 December 2007)

M Humphreys (from 1 January 2008)

Company Secretary

J Fox

Socially Responsible Investment

N White

Head of Operational Risk, Internal Audit and Compliance

A Kemp

Banker and Monitoring Service

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London EC2R 8LA

Safe-Custody Agent

The Northern Trust Company
50 Bank Street
Canary Wharf
London E14 5NT

Solicitors

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London EC4M 6YH

Farrer & Co LLP

66 Lincoln's Inn Fields
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Independent Auditor

Ernst & Young LLP
1 More London Place
London SE1 2AF



CCLA INVESTMENT MANAGEMENT LIMITED

The CBF Church of England Funds

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

A CHOICE OF FUNDS

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

Investment Fund

- A suitable 'all-in-one' long-term fund for most church organisations
- Highly diversified and well-balanced spread of investments
- Designed to help meet growth and income requirements
- Focus on delivering attractive, growing income
- Aligned with the Church of England's Ethical Investment Policy

Global Equity Income Fund

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

UK Equity Fund

- The only UK equity fund entirely aligned with the Church of England's Ethical Investment Policy
- High quality, well-diversified portfolio
- Designed to help meet growth and income requirements
- Usually held with other investments such as overseas equities, bonds and cash to give a broad spread of assets and achieve overall objectives

* The Deposit Fund has been awarded an AAA/V1 money market fund rating from the credit rating agency Fitch Ratings.

Fixed Interest Securities Fund

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

Property Fund

- High quality, well-diversified commercial and industrial property portfolio
- Focus on delivering attractive income
- Actively managed to add value
- Usually held with other investments such as equities, bonds and cash to give a broad spread of assets and achieve combined income and growth objectives

Deposit Fund

- A great rate
- Interest paid gross
- No minimum balance
- Easy access
- Simple operation
- Excellent service
- Free BACS transfers
- AAA/V1 credit rating*

The Funds are common funds established under the Church Funds Investment Measure 1958 (as amended from time to time). CBF Funds Trustee Limited, a company incorporated under the Companies Act is the Trustee and Operator of the Funds. CCLA Investment Management Limited manages the investment of the Funds. The value of the investments may fall as well as rise and an investor may not get back the full amount originally invested.

CCLA Investment Management Limited (registered in England No. 2183088 at 80 Cheapside, London EC2V 6DZ) is authorised and regulated by the Financial Services Authority. CBF Funds Trustee Limited is a Registered Charity No. 1116932 and is registered in England as a company limited by guarantee (No. 5957490).

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