



for the Church of England

The CBF Church of England UK Equity Fund

**Report and Accounts
Year ended 30 November 2010**

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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.

Report of the Trustee

for the year ended 30 November 2010

On behalf of the Trustee, I have pleasure in presenting the Annual Report and Accounts of The CBF Church of England Investment 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 (together 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 September 2008.

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.

Report of the Trustee

for the year ended 30 November 2010

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 Report and Accounts of the Fund prepared on its behalf by the Manager.

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

Throughout the reporting period, CBFFT continued to be represented on the Church of England's Ethical Investment Advisory Group (EIAG) by Mrs Lesley Farrall. Rev Edward Carter observed the October 2010 EIAG meeting and has subsequently been approved as the CBFFT's representative going forward. The EIAG, CBFFT and CCLA are extremely grateful for the wisdom and dedication Mrs Farrall brought to her EIAG role over many years.

The EIAG advises the Church's three national investing bodies (the Church Commissioners and Church of England Pensions Board being the other two) on ethical investment issues. Responsibility for accepting EIAG recommendations rests with the CBFFT. The EIAG Secretariat at Church House also engages with investee companies on issues of particular concern to the Church. The EIAG produces its own Annual Review.

In 2008 the EIAG, in liaison with the three national investing bodies, initiated a review of all the ethical screening policies. A new defence policy was agreed in 2010, and the current focus is on alcohol, high interest rate lending and pornography. We welcome comments from clients as part of this process via ethics@ccla.co.uk

Two representatives of the manager also attend the EIAG meetings: Michael Quicke, Chief Executive and Helen Wildsmith, Head of Ethical & Responsible Investment. Helen is also the elected representative for the CBF

Report of the Trustee

for the year ended 30 November 2010

Funds on the Steering Group of the £12bn ecumenical Church Investors Group (CIG).

Stewardship & Corporate Governance

The new UK Stewardship Code for Institutional Investors aims to enhance the quality of engagement between institutional investors and companies to help improve long-term returns to shareholders and the efficient exercise of governance responsibilities. Engagement includes pursuing purposeful dialogue on strategy, performance and the management of risk, as well as on issues that are the immediate subject of votes at Annual General Meetings. Rev Edward Carter attended the CIG's trustee training day on the Stewardship Code in October 2010.

The Manager moved from domestic voting to global voting in 2010 in collaboration with the national investing bodies at Church House and other CIG members. During the second half of 2010 the Manager voted on 1,256 resolutions across global markets with 15% abstentions or votes against management (mainly remuneration related in line with the EIAG's long-standing policy in this area).

The Manager's response to the new Stewardship Code and their annual voting record are available at www.ccla.co.uk. Highlights of their stewardship work will continue to appear in the Quarterly Bulletin, and from the end of 2011 the Manager will publish an annual Stewardship Report.

The Church of England national investing bodies are joint signatories to the UN Principles of Responsible Investment (PRI) and the Manager is a member of the Carbon Disclosure Project (CDP) and UK Sustainable Investment and Finance (UKSIF).

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 year 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
24 February 2011

Report of the Investment Manager

for the year ended 30 November 2010

Strategy

Our strategy is to provide investors with long term growth in capital values and income flows sufficient at least to protect them from the erosive effects of inflation. Our approach is to identify and invest in good quality companies which can provide an attractive level of immediate income but which are also strong enough to grow that income in the future. This search for strong relative value will give the portfolio a natural bias away from fashion and towards sectors which are currently out of favour.

Performance

In the year to 30 November the gross return on the Fund was +16.67%. The return on the FTSE All-Share Index, adjusted for ethical considerations, was 10.76%. The Fund's relative performance benefited from a below average

weighting in BP, which performed poorly in the earlier months and also from having a positive exposure to medium sized companies, an area of the market which rose strongly. Although it is pleasing that growth from the portfolio has been so strong, the value at the end of the year fails to reflect the volatility of the period overall, where broad up-trends based on growing confidence in the sustainability of the recovery have been reversed by sudden concerns about developments in the international economy.

The price of an Accumulation Share rose by +16.00%, from 114.91p to 133.29p, the Income Share price rose from 100.38p to 110.91p, an increase of 10.49%. In addition, and over the year, despite a continued difficult environment for dividend payments, the distribution payable to investors in the income shares was increased by 2.97% to 5.20p per share.

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

To 30 November 2010	1 year %	3 years % p.a.	5 years % p.a.
<u>Performance against market indices (before expenses)</u>			
CBF UK Equity Fund	16.67	(1.97)	4.02
FTSE All-Share Index ~	10.76	(1.39)	3.87
FTSE All-Share Index	11.52	(0.77)	4.48
<u>Performance after expenses</u>			
Income shares*	16.02	(2.50)	3.49
Accumulation shares*	16.00	(2.54)	n/a

*Net asset value to net asset value plus income reinvested.

~ Adjusted for ethical considerations.

Source: The Manager.

Report of the Investment Manager

for the year ended 30 November 2010

Based on the net asset value at the year end, the yield on the Fund was 4.69% compared with an equivalent yield of 3.09% on the FTSE All-Share Index.

Market review

The domestic equity market was boosted at the start of the period by news that the long recession in domestic economic activity had come to a close, albeit with a fragile upturn which lagged the vigour historically associated with this phase of the economic cycle.

Whatever the strength of the upturn, investors took heart from it and the UK participated fully in a period of rising global equity prices which lasted into the spring. At this point however, the scale of the problems facing the Greek economy became known, causing a sharp reversal in sentiment. Investors were concerned by a number of interwoven factors including the depth of the Greek crisis, the implications for other indebted Euroland economies and a fear that, if governments prioritised deficit reduction rather than growth, the fragile recovery could be undermined.

The negative trend this caused lasted for three months and was sufficient to unwind all the gains made earlier in the year. The down phase came to a close only when it became clear that, for the moment at least, the crisis would not spread beyond Greece, whilst the resolute action of the ECB and IMF to provide the financing requirements was an important factor in rebuilding confidence. Share prices then began to rise, the relief rally boosted further by economic data that showed growth at rates above consensus expectations. The period ended with prices below the very best

levels due to the emergence of a financing crisis in Ireland, a disappointing development but one which lacked the shock factor which had accompanied the Greek crisis earlier in the year.

Outlook

The UK economy will grow again in the year ahead; our expectation is that the pace of expansion will be similar to that experienced in 2010. Activity will benefit from a continuation of the low interest rate environment, from increased business investment and from international trade but will face headwinds from high levels of consumer debt, higher taxes and from unemployment, which is expected to continue at levels similar to those of today.

Although 2010 was a year of positive returns, overall valuations did not become stretched. Given this, and with the economy expanding and profits set to grow, there is scope for the domestic equity market to make further progress in the period ahead. Risks remain of course and the short term volatility, which was a feature of the past year, is likely to continue in 2011.

M Humphreys
Fund Manager
CCLA Investment Management Limited
17 February 2011

Report of the Investment Manager

for the year ended 30 November 2010

Top ten changes in purchases and sales

	<i>Cost</i>		<i>Proceeds</i>
	<i>£'000</i>		<i>£'000</i>
Purchases:		Sales:	
Pearson	2,476	International Power	2,907
Close Brothers	1,751	Johnson Matthey	2,357
GlaxoSmithKline	1,660	HSBC 8.208% Preference shares	2,100
Britvic	1,371	Tullow Oil	1,993
Intermediate Capital	1,187	Interserve	1,819
Electrocomponents	1,179	BT	1,302
Home Retail	1,157	Balfour Beatty	1,074
Amlin	1,152	Senior	992
Aberdeen Asset Management	1,149	Compass	949
BT	1,113	Cadbury	826

Risk warning

The value of the Fund's shares and their revenue 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 lead to risk of concentration.

Statement of Ethical Investment Policy

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

The EIAG makes recommendations on ethical investment policy. The legal responsibility for managing the Church's investments rests with the national investing bodies. These bodies all have a moral and legal responsibility (known as 'fiduciary duty') to further the interests of their beneficiaries. While mindful at all times of beneficiaries' need for financial returns, the investing bodies seek to align their investment policies with the ethics of the Church by acting on the recommendations of the EIAG.

The EIAG positively recommends investment in companies with responsible employment practices, best corporate governance practice, conscientiousness with regard to human

rights, sustainable environmental practice and sensitivity towards the communities in which the business operates. The EIAG recommends against investment in any company that produces pornography or is involved in indiscriminate weaponry. It recommends against investment in companies involved in conventional weapons if their strategic military supplies exceed 10% of turnover.

The EIAG recommends against investment in any company, a major part of whose business activity or focus (defined as more than 25% of group turnover) is tobacco, gambling, alcoholic drinks, doorstep lending or human embryonic cloning.

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.
Website: www.churchofengland.org/about-us/structure/eiag.aspx
E-mail: eiag@churchofengland.org

Report of the Independent Auditor

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

We have audited the financial statements of The CBF Church of England UK Equity Fund for the year ended 30 November 2010 which comprise the statement of total return, the statement of change in shareholders' net assets, the balance sheet, the related notes and the distribution table. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the shareholders of the Fund, as a body, in accordance with the Church Funds Investment Measure 1958, as amended. Our audit work has been undertaken so that we might state to the shareholders of the Fund those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund and the shareholders of the Fund, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Trustee and Auditors

The Trustee is responsible for the preparation of the annual report and the financial statements in accordance with Accounting Standards (United Kingdom generally accepted accounting practice) as set out in the Statement of Trustee and Manager responsibilities in relation to the financial statements.

Our responsibility is to audit the financial statements in accordance with United Kingdom legal and regulatory requirements and International Standards on Auditing (United Kingdom and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with United Kingdom generally accepted accounting practice, the Church Funds Investment Measure 1958, as amended, and the Trustee Act 2000. We also report to you if, in our opinion, the Report of the Investment Manager is not consistent with the financial statements, if the Manager has not kept proper accounting records for the Fund, if the financial statements are not in agreement with those accounting records, or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the annual report and consider whether it is consistent with the audited financial statements. This other information comprises only the Report of the Investment Manager and the other items set out on the contents page. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Report of the Independent Auditor

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

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (United Kingdom and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Trustee in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Fund'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 financial statements.

Opinion

In our opinion the financial statements:

- give a true and fair view in accordance with United Kingdom generally accepted accounting practice of the financial position of the Fund at 30 November 2010, and of the net revenue and the net gains on the scheme property of the Fund for the year then ended; and
- have been properly prepared in accordance with the Statement of Recommended Practice relating to Authorised Funds, The Church Funds Investment Measure, as amended, and the Trustee Act 2000.

Ernst & Young LLP
Registered Auditor
London
24 February 2011

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

Net asset value

<i>At</i> <i>30 November</i>	<i>Net asset value</i> <i>£'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>
2008	96,017	90.01	106,149,435	97.67	316,327
2009	108,079	100.38	107,308,730	114.91	311,977
2010	120,329	110.91	106,575,717	133.29	1,593,250

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 Statement of Recommended Practice for Authorised Funds which was issued by the Investment Management Association (IMA).

Share price range

<i>Year to</i> <i>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>
2006	135.98	116.41	135.09	116.41
2007	147.74	130.38	150.21	130.85
2008	141.33	79.73	146.91	85.10
2009	106.51	72.72	120.00	79.58
2010	119.26	97.15	141.09	113.27

Net distribution

<i>Year to</i> <i>30 November</i>	<i>Income shares pence per share</i>	<i>Accumulation shares pence per share</i>
2006	3.90	0.75
2007	4.40	4.49
2008	4.90	7.20
2009	5.05	4.44
2010	5.20	5.69

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

Share price at 30 November 2010

	<i>Bid price pence per share</i>	<i>Offer price pence per share</i>
Income shares	110.36	111.46
Accumulation shares	132.62	133.96

The share prices are published in the *Financial 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.

Total expense ratio

	30.11.2010	<i>30.11.2009</i>
Total expense ratio	0.61%	0.61%

The total expense ratio is the ratio of the Fund's total operating costs to its average net assets calculated over the year.

Portfolio statement

at 30 November 2010

	<i>Holding</i>	<i>Bid value £'000</i>	<i>% Fund</i>		<i>Holding</i>	<i>Bid value £'000</i>	<i>% Fund</i>
UNITED KINGDOM 97.64%				Support Services 5.56%			
(30.11.09, 95.87%)				Carillion 200,795 667 0.55			
Oil & Gas Producers 9.68%				Davis Service Group 145,000 567 0.47			
BP	1,183,229	5,039	4.16	Electrocomponents	599,657	1,570	1.30
Royal Dutch Shell B	350,370	6,683	5.52	Fiberweb	204,954	160	0.13
Chemicals 1.62%				Premier Farnell 1,129,096 3,217 2.66			
Elementis	1,736,053	1,955	1.62	Smiths News	536,785	545	0.45
Mining 2.62%				Beverages 1.23%			
BHP Billiton	139,010	3,176	2.62	Britvic	304,060	1,487	1.23
Construction and Materials 0.13%				Food Producers 7.52%			
Morgan Sindall	25,544	160	0.13	Dairy Crest	234,610	846	0.70
Aerospace and Defence 0.05%				Hilton Food Group 91,074 232 0.19			
Umeco	12,542	57	0.05	Tate & Lyle	688,551	3,508	2.90
General Industrials 0.12%				Unilever 253,978 4,511 3.73			
RPC Group	49,472	142	0.12	Household Goods 1.26%			
Electrical & Electrical Equipment 1.59%				Reckitt Benckiser 44,747 1,521 1.26			
Laird	148,396	229	0.19	Pharmaceuticals & Biotechnology 6.70%			
Morgan Crucible	654,103	1,562	1.29	AstraZeneca	81,105	4,429	2.01
Oxford Instruments	23,459	137	0.11	GlaxoSmithKline	468,847	5,680	4.69
Industrial Engineering 4.74%				Food & Drug Retailers 3.94%			
IMI	300,711	2,574	2.13	Sainsbury (J)	673,101	2,393	1.98
Melrose	1,076,228	3,156	2.61	Tesco	572,515	2,372	1.96
Industrial Transportation 0.20%				General Retailers 2.19%			
Stobart Group	168,414	242	0.20	Brown (N) Group	273,022	758	0.63
				Halfords	241,383	987	0.82
				Home Retail	443,658	894	0.74

Portfolio statement

at 30 November 2010

	<i> Holding</i>	<i> Bid value £'000</i>	<i> % Fund</i>		<i> Holding</i>	<i> Bid value £'000</i>	<i> % Fund</i>
Media 4.21%				Standard Life	2,237,221	4,499	3.72
Pearson	257,347	2,382	1.97				
Utd Business Media	439,781	2,707	2.24				
Travel & Leisure 2.66%				General Financial 7.21%			
Cineworld Group	209,701	429	0.35	Aberdeen Asset Management	984,343	1,761	1.46
Compass	233,361	1,295	1.07	Close Brothers	240,098	1,903	1.57
FirstGroup	158,528	573	0.47	Foreign & Colonial Asset Management	1,005,911	762	0.63
Go-Ahead	77,057	926	0.77	Henderson Group Intermediate	1,028,916	1,224	1.01
Mobile Telecommunications 5.97%				Capital Group	472,517	1,478	1.22
Vodafone	4,499,031	7,230	5.97	Investec	119,000	591	0.49
Electricity 1.18%				Man Group	380,489	1,008	0.83
International Power	349,815	1,425	1.18	Equity Investments 1.94%			
Gas Water & Multiutilities 7.03%				Merchants Trust	605,000	2,347	1.94
Centrica	859,571	2,639	2.18	NET INVESTMENT ASSETS	<u>118,145</u>	<u>97.64</u>	
National Grid	533,540	3,028	2.50	OTHER NET ASSETS	2,044	2.36	
Pennon	218,410	1,371	1.13	NET ASSETS	<u><u>120,189</u></u>	<u><u>100.00</u></u>	
Severn Trent	101,965	1,473	1.22				
Banks 4.91%							
HSBC	916,586	5,941	4.91				
Nonlife Insurance 2.83%							
Abbey Protection	439,209	374	0.31				
Admiral	56,211	858	0.71				
Amlin	278,241	1,045	0.86				
Catlin	345,605	1,145	0.95				
Life Insurance/Assurance 10.55%							
Aviva	1,199,462	4,252	3.51				
Prudential	708,949	4,023	3.32				

Statement of total return

for the year ended 30 November 2010

		30.11.2010		30.11.2009	
	Notes	£'000	£'000	£'000	£'000
Income					
Net capital gains	2		12,257		12,028
Revenue	3	5,191		5,260	
Expenses	4	(694)		(582)	
Net revenue			<u>4,497</u>	<u></u>	<u>4,768</u>
Total return before distributions			16,754		16,706
Finance costs: distributions	6		(5,611)		(5,418)
Change in net assets attributable to unitholders from investment activities			<u>11,143</u>		<u>11,288</u>

Statement of change in net assets attributable to shareholders

for the year ended 30 November 2010

	30.11.2010		30.11.2009	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		108,077		95,793
Amounts receivable on issue of shares	1,863		1,011	
Amounts payable on cancellation of shares	(970)		(29)	
		893		982
Change in net assets attributable to shareholders from investment activities		11,143		11,288
Retained distribution on accumulation shares		76		14
Closing net assets attributable to shareholders		<u>120,189</u>		<u>108,077</u>

The notes on pages 19 to 26 form part of these accounts.

Balance sheet

at 30 November 2010

		30.11.2010		30.11.2009	
	Notes	£'000	£'000	£'000	£'000
ASSETS					
Investment assets			118,145		103,609
Debtors	7	487		643	
Cash and bank balances	8	3,448		5,566	
Total other assets			3,935		6,209
Total assets			122,080		109,818
LIABILITIES					
Creditors	9	14		13	
Distribution payable on income shares		1,877		1,728	
Total liabilities			1,891		1,741
Net assets attributable to shareholders			120,189		108,077
Approved on behalf of the Trustee 24 February 2011			R Broadhurst, Chairman CBF Funds Trustee Ltd		

The notes on pages 19 to 26 form part of these accounts.

Notes to the accounts

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 November 2008.

(b) Revenue recognition

Dividends on ordinary stock, including special dividends where appropriate, are credited to revenue 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 revenue, 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 revenue 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 revenue 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 revenue.

(e) 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, which is 0.50% p.a. plus VAT. The Fund receives a management fee rebate credited to the revenue of the Fund for its deposits in The CBF Church of England Deposit Fund, where management fees are charged to revenue. 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. A fee for ethical services is also charged by the Manager. Audit, legal, safe custody fees, transaction charges, insurance fees and monitoring fees are charged separately to the revenue of the Fund before distribution.

Notes to the accounts

(f) Distributions

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

(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.

	30.11.2010	<i>30.11.2009</i>
	£'000	<i>£'000</i>
2. Net capital gains		
The net capital gains during the year comprise:		
Non-derivative securities	<u>12,257</u>	<i><u>12,028</u></i>
3. Revenue		
	30.11.2010	<i>30.11.2009</i>
	£'000	<i>£'000</i>
UK dividends	5,149	<i>5,197</i>
Interest on The CBF Church of England Deposit Fund	42	<i>62</i>
Bank interest	-	<i>1</i>
	<u>5,191</u>	<i><u>5,260</u></i>

Notes to the accounts

4. Expenses	30.11.2010	<i>30.11.2009</i>
	£'000	<i>£'000</i>
Payable to the Manager, associates of the Manager and agents of either of them:		
Manager's periodic charge – see note 1(e)	666	555
Manager's periodic charge rebate – see note 1(e)*	(9)	(8)
Manager's fees for ethical services	9	8
	<u>666</u>	<u>555</u>
Payable to the Trustee, associates of the Trustee and agents of either of them:		
Safe custody fees and transaction charges	6	8
Monitoring fee	10	8
	<u>16</u>	<u>16</u>
Other expenses:		
Audit fee	9	9
Insurance	1	1
Other expenses	2	1
	<u>12</u>	<u>11</u>
Total expenses	<u>694</u>	<u>582</u>

The above expenses include VAT where applicable.

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

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 revenue credited gross to shareholders on the basis that all recoverable UK taxation has been reclaimed.

Notes to the accounts

6. Finance costs

Distribution

Distributions, which are paid on the last working day of the month, take account of revenue received on the issue of shares and revenue deducted on the cancellation of shares, and comprise:

	30.11.2010	<i>30.11.2009</i>
	£'000	<i>£'000</i>
28 February – interim distribution	749	751
31 May - interim distribution	1,489	1,472
31 August - interim distribution	1,484	1,472
30 November - final distribution	1,895	1,732
	<u>5,617</u>	<u>5,427</u>
Add: revenue deducted on cancellation of shares	3	-
Deduct: revenue received on issue of shares	(9)	<i>(9)</i>
Net distribution for the year	<u>5,611</u>	<u>5,418</u>
Net revenue for the year	4,497	4,678
Transfer from/(to) income reserve – see note 10	448	185
Manager's periodic charge – see note 1(e)	666	555
Net distribution for the year	<u>5,611</u>	<u>5,418</u>

Details of the distribution per share are set out in the distribution table on page 27.

7. Debtors

	30.11.2010	<i>30.11.2009</i>
	£'000	<i>£'000</i>
Accrued income	487	643
	<u>487</u>	<u>643</u>

8. Cash and bank balances

	30.11.2010	<i>30.11.2009</i>
	£'000	<i>£'000</i>
Cash in The CBF Church of England Deposit Fund	3,395	5,523
Cash at bank	53	43
	<u>3,448</u>	<u>5,566</u>

Notes to the accounts

	30.11.2010	<i>30.11.2009</i>
	£'000	<i>£'000</i>
9. Creditors		
Accrued expenses	14	<i>13</i>
	<u>14</u>	<i><u>13</u></i>

10. Income reserve

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

	30.11.2010	<i>30.11.2009</i>
	£'000	<i>£'000</i>
Income reserve at the start of the year	1,692	<i>1,877</i>
Transfer (from)/to income reserve	(448)	<i>(185)</i>
Income reserve at the end of the year	<u>1,244</u>	<i><u>1,692</u></i>

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.

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 year and the comparative year.

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.

Notes to the accounts

Currency risk

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

Credit risk

The Fund's transactions in securities expose it to the risk that the counterparty will not deliver the investment for a purchase or the cash for a sale. To minimise this, the Fund only deals with an approved list of brokers maintained by the Manager.

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 interest rate profile of the Fund's financial assets and liabilities at 30 November 2010 was as set out opposite:

<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	3,448	-	118,632	122,080

<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	-	-	1,891	1,891

Notes to the accounts

30 November 2009

<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	5,566	2,121	102,131	109,818

<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	-	-	1,741	1,741

* 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 30 November 2010 (30.11.2009, £nil).

12. Commitments and contingent liabilities

There were no commitments or contingent liabilities at 30 November 2010 (30.11.2009, £nil).

13. Related party transactions

The Manager's periodic charge and fee for ethical and stewardship services (including EIAG costs) are 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 30 November 2010 (30.11.2009, £nil). There were no other transactions entered into with the Manager during the year.

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 at 30 November 2010 (30.11.2009, £nil). There were no other transactions entered into with CBFFT during the year.

Notes to the accounts

At 30 November 2010 a cash balance of £3,395,113 (30.11.2009, £5,522,936) was held in The CBF Church of England Deposit Fund.

The CBF Church of England Investment Fund had a 92.2% holding of the total shares in issue in the Fund as at 30 November 2010 (30.11.2009, 93.1%).

14. Portfolio transaction costs

	30.11.2010	<i>30.11.2009</i>
Analysis of total purchase costs:	£'000	<i>£'000</i>
Purchases in period before transaction costs	24,903	<i>55,727</i>
Commissions	19	<i>41</i>
Gross total purchases	<u>24,922</u>	<i><u>55,768</u></i>
Analysis of total sales costs:		
Sales in year before transaction costs	22,450	<i>58,044</i>
Commissions	(13)	<i>(40)</i>
Total sales net of transaction costs	<u>22,437</u>	<i><u>58,004</u></i>

Distribution table

for the year ended 30 November 2010

<i>Period ended</i>	<i>Date paid/payable</i>	<i>Dividends paid/payable pence per share</i>	
		2010	2009
Income shares			
28 February 2010	30 April 2010	0.70	0.70
31 May 2010	30 July 2010	1.37	1.37
28 August 2010	29 October 2010	1.37	1.37
30 November 2010	31 January 2011	1.76	1.61
		<u>5.20</u>	<u>5.05</u>
		<i>Revenue accumulated pence per share</i>	
		2010	2009
Accumulation shares			
28 February 2010		0.89	0.86
31 May 2010		2.02	1.46
28 August 2010		1.54	0.71
30 November 2010		1.24	1.41
		<u>5.69</u>	<u>4.44</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 revenue due to the Fund in accordance with the Measure;
- make distributions to investors holding income shares and make allocations to investors holding accumulation shares in proportion to their respective shares in the property of the Fund; and
- take all steps and execute all documents which are necessary to ensure that the purchases and sales of investments for the Fund are properly completed.

Statement of Trustee and Manager responsibilities

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 year and year end valuation date. The net revenue for the year, together with a report on the operation of the Fund is also required. The accounts show the net asset value of the shares in the Fund as at the date to which the accounts are prepared, the amount of revenue per share, and the amount of revenue, if any, to be transferred to capital pursuant to paragraph 11 of the Schedule to the Measure. 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 November 2008;
- 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)

Rev E Carter

J Clunie *

L Farrall

G Pollard

S Steele

Rev Dr R Turnbull *

R Williams *

**Members of the Audit Committee*

Secretary

J Fox

Manager, Administrator and Registrar

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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

C Peters

Company Secretary

J Fox

Head of Operational Risk

Internal Audit and Compliance

A Kemp

Head of Ethical and Responsible Investment

H Wildsmith

Banker and Monitoring Service

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Safe-Custody Agent

The Northern Trust Company

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London E14 5NT

Solicitors

Farrer & Co LLP

66 Lincoln's Inn Fields

London WC2A 3LH

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. For more than 45 years, the CBF Church of England Funds have had a successful record.

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
- Working with the EIAG to reflect appropriately ethical values in your investments

Global Equity Income Fund

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

UK Equity Fund

- The only UK equity fund managed to reflect Church ethical values
- 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

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

- An attractive rate
- Interest paid gross
- No minimum balance
- Easy access
- Simple operation
- Excellent service
- Free BACS transfers
- AAA credit rating *

* The Deposit Fund is rated AAA/V1 by Fitch Ratings. This reflects the high credit quality of the portfolio and its low volatility.

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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