



for the Church of England

The CBF Church of England UK Equity Fund

**Report and Accounts
Year ended 30 November 2009**

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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 2009

On behalf of the Trustee, I have pleasure in presenting the Annual 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 (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.

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

Report of the Trustee

for the year ended 30 November 2009

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 & Responsible Investment

CBFFT continues to be represented on the Church of England's Ethical Investment Advisory Group (EIAG) by Mrs Lesley Farrall. The EIAG co-ordinates, develops and recommends ethical investment policy for the Church's three national investment bodies,

(the Church Commissioners and Church of England Pensions Board being the other two), and communicates this to the wider Church through an Annual Report of its work, as well as other research and policy publications. The EIAG makes considered recommendations on a range of material ethical and responsible investment issues, but responsibility rests with the CBFFT for accepting and implementing any recommendations made by the EIAG. The EIAG Annual Report and other publications associated with the Church and ethical investment are available in downloadable form from the Manager and Church of England websites.

The EIAG, in liaison with the three national investment bodies, has initiated a review process of the Ethical Investment policies, commencing with defence and alcohol. We welcome comments and views from clients as part of this process, which will be concluded during 2009.

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

Report of the Trustee

for the year ended 30 November 2009

Corporate Governance

CBFFT receives and considers regular reports from the Manager on proxy voting, which is undertaken in an informed way across the UK equities portfolio. 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 30 November 2009, the Manager voted at 50 UK company meetings. The Fund voted on 639 resolutions; 97% of votes were cast in support of management, 2% against, and 1% were cast in abstention. The majority of action was taken against company remuneration reports, long-term incentive schemes or for board composition reasons. Further information and statistical analysis on corporate governance and the Fund is available on the CBF Church of England Funds part of the CCLA 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 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

22 February 2010

Report of the Investment Manager

for the year ended 30 November 2009

Strategy

Our strategy is to seek long term growth in capital and income and we do this by investing in a portfolio of good quality companies which provide an attractive current yield but which are also able to grow the payment to investors in the future. This focus on relative value naturally gives the portfolio a bias to sectors which are currently out of favour. Areas where the portfolio currently has a high relative weighting include utilities and industrials whilst basic materials, (which includes mining) and oil and gas, are held at below the index weighting.

Performance

Over the year to 30 November the Fund gave a return to investors of +18.32%. It was a period of two distinct parts. It began with significant

market weakness as investors became increasingly concerned about the severity of the economic recession. Later, from depressed levels of valuation and when it became clear that the authorities in the UK and overseas were determined to take sufficient actions to stimulate a recovery, prices rose strongly. The return on the FTSE All-Share Index adjusted for ethical considerations was +29.91%. The Fund's portfolio is biased towards good quality companies paying a high dividend which can be increased in the future. These companies have risen in value over the year, but not at the rate of the market as a whole.

The price of an Accumulation Share rose by 17.65% from 97.67p to 114.91p and the Income Share price rose by 11.52% from 90.01p

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

To 30 November 2009	1 year %	3 years % p.a.	5 years % p.a.
<u>Performance against market indices</u> (before expenses)			
CBF UK Equity Fund	+18.32	-4.05	+4.52
FTSE All-Share Index~	+29.91	-2.46	+5.59
FTSE All-Share Index	+29.28	-1.66	+6.17
<u>Performance after expenses</u>			
Income shares*	+17.69	-4.48	+3.98
Accumulation shares*	+17.65	-4.53	n/a

* Net asset value to net asset value plus income reinvested

~ Adjusted for ethical restrictions

Source: The Manager

Report of the Investment Manager

for the year ended 30 November 2009

to 100.38p. Over the year, despite a very difficult environment for dividend payments, the distribution on the Income Shares was increased by 3.06% to 5.05p.

Based on the net asset value at the year end this gives a yield on the Fund of 5.03% compared with the equivalent yield of 3.35% on the FTSE All-Share Index.

Market Review

The domestic equity market began the year poorly, with investor sentiment dominated by evidence of a rapid slide into economic recession. Particular concerns were the collapse in manufacturing output and rise in unemployment as companies fought to defend their financial position by running down stocks and reducing their workforces. The Bank of England responded by moving interest rates lower, but concerned investors saw the moves as reactive and insufficient for the problem. The result was that, although prices fluctuated substantially from day to day, the overall trend remained down.

The mood changed fundamentally in March in response to announcements by the authorities that the passive economic support provided by lower borrowing costs would be strengthened. This would involve direct support to the banks and a quantitative easing programme designed to pump cash into an economy where credit shortages had become particularly acute. These

measures were too late to prevent a -2.4% fall in economic activity in the first quarter but were viewed very positively as providing a necessary foundation for stability and ultimate recovery.

These actions came at a severe cost to the government's financial position. With debt already high before the crisis began, a collapse in tax revenues, the need to spend on unemployment support and the cost of the recovery programmes combined to push borrowings towards the acceptable limit.

By the summer it became clear that the international economy was improving, indeed, data for the second quarter showed that Germany, France and Japan had all returned to growth. The UK lagged this trend, but hopes of recovery to come helped keep share prices moving higher into the autumn. Within the market, the strength in prices was not evenly spread. The sharp rise in the market index was in fact due to the performance of a relatively small number of stocks which were expected to be particular beneficiaries of recovery. These had risen dramatically whilst other areas of the market have moved higher, but far less significantly.

With corporate profits and cash flows weak, dividends came under pressure. The financial sector was particularly affected but many other companies responded to adverse business conditions by cutting payments to investors.

Report of the Investment Manager

for the year ended 30 November 2009

Outlook

The UK economy is expected to have emerged from recession in the final quarter of 2009.

However, although this is certainly positive news, the likelihood is that the upturn will be slow by historic standards, with growth constrained by higher taxes, the frail condition of the banking sector and the need for drastic cuts in government expenditure.

Having risen quickly and substantially from the lows reached in March, valuations for the UK equity market as a whole are back to the historic averages and therefore no longer obviously cheap. That though does not mean that there is a shortage of opportunities for the Fund and our expectation is that there will be further progress in the year ahead, both in terms of capital and income growth.

M Humphreys
Fund Manager
CCLA Investment Management Limited

22 February 2010

Top ten changes in portfolio composition

	<i>Cost £'000</i>		<i>Proceeds £'000</i>
Purchases:		Sales:	
Prudential	3,246	National Grid	4,250
Tate & Lyle	3,058	BG	3,547
AstraZeneca	2,830	AstraZeneca	3,186
Vodafone	2,690	Rexam	3,011
Aviva	2,685	Lloyds 9.25% Preference Shares	2,922
International Power	2,683	Invensys	2,858
Standard Life	2,402	British Energy	2,780
Sainsbury (J)	2,154	Randgold Resources	2,692
Centrica	2,111	BT	2,635
United Business Media	2,031	Scottish & Southern Energy	1,846

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

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.

Statement of Ethical Investment Policy

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

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)
- 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

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 2009 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 2009, 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 United Kingdom generally accepted accounting practice, the Church Funds Investment Measure 1958, as amended, and the Trustee Act 2000.

Ernst & Young LLP
Registered Auditor
London

22 February 2010

The maintenance and integrity of the CCLA Investment Management Limited web site is the responsibility of the directors; the work carried out by the auditors of the CBF Church of England UK Equity Fund does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have

occurred to the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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>
2007	146,907	138.53	105,739,878	144.00	298,602
2008	96,017	90.01	106,149,435	97.67	316,327
2009	108,079	100.38	107,308,730	114.91	311,977

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) in November 2008.

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>
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

Net distribution

<i>Year to 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

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

Share price at 30 November 2009

	<i>Bid price pence per share</i>	<i>Offer price pence per share</i>
Income shares	99.88	100.88
Accumulation shares	114.34	115.48

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.

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

	30.11.2009	30.11.2008
Total expense ratio	0.61%	0.62%

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 2009

	<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 95.87%			Support Services 3.68%			
(30.11.08, 97.07%)						
Oil & Gas Producers 13.12%						
BP	1,070,229	6,148	5.69	Brammer	372,802	475 0.44
Royal Dutch Shell B	350,370	6,084	5.63	Interserve	889,162	1,841 1.70
Tullow Oil	157,454	1,941	1.80	Premier Farnell	1,088,446	1,668 1.54
Chemicals 2.68%				Food Producers 9.73%		
Elementis	1,736,053	803	0.74	Cadbury	165,131	1,330 1.23
Johnson Matthey	141,482	2,095	1.94	Dairy Crest	388,668	1,456 1.35
Mining 2.07%				Hilton Food	91,074	178 0.17
BHP Billiton	120,521	2,238	2.07	Northern Foods	255,443	165 0.15
Construction & Materials 1.03%				Tate & Lyle	688,551	2,855 2.64
Balfour Beatty	385,000	983	0.91	Unilever	253,978	4,528 4.19
Morgan Sindall	25,544	133	0.12	Household Goods 1.23%		
Aerospace & Defence 0.43%				Reckitt Benckiser	42,997	1,332 1.23
Senior	730,176	436	0.40	Pharmaceutical & Biotechnology 5.91%		
Umeco	12,542	37	0.03	AstraZeneca	77,781	2,113 1.96
Electrical & Electrical Equipment 1.09%				GlaxoSmithKline	339,403	4,265 3.95
Laird	148,396	165	0.15	Food & Drug Retailers 3.93%		
Morgan Crucible	654,103	972	0.90	Sainsbury (J)	645,727	2,078 1.92
Oxford Instruments	22,871	48	0.04	Tesco	514,183	2,175 2.01
Industrial Engineering 3.84%				Media 1.77%		
Fenner	139,135	256	0.24	United Business		
IMI	361,362	1,777	1.64	Media	439,781	1,915 1.77
Melrose	1,171,451	2,114	1.96	Travel & Leisure 3.69%		
Industrial Transportation 0.30%				Cineworld	209,701	299 0.28
Clarkson	40,185	323	0.30	Compass	391,639	1,687 1.56
				FirstGroup	271,602	1,063 0.98
				Go-Ahead	77,057	935 0.87

Portfolio statement

at 30 November 2009

	<i>Holding</i>	<i>Bid value £'000</i>	<i>% Fund</i>		<i>Holding</i>	<i>Bid value £'000</i>	<i>% Fund</i>
Mobile Telecommunications 5.71%				Life insurance 12.44%			
Vodafone	4,499,031	6,166	5.71	Aviva	1,199,462	4,442	4.11
				Prudential	708,949	4,431	4.10
Electricity 3.17%				Standard Life	2,198,092	4,572	4.23
International Power	1,239,070	3,430	3.17				
				General Financial 2.30%			
Gas Water & Multiutilities 7.23%				Henderson	1,028,916	1,272	1.18
Centrica	859,571	2,188	2.03	Man	380,489	1,211	1.12
National Grid	426,325	2,814	2.60				
Pennon	349,579	1,738	1.61	Equity investments 1.83%			
Severn Trent	101,965	1,070	0.99	Merchants Trust	605,000	1,978	1.83
Banks 6.00%				Preference Shares 1.96%			
HSBC	916,586	6,479	6.00	HSBC 8.208%			
				Preference shares	2,000,000	<u>2,121</u>	<u>1.96</u>
Non-life Insurance 0.73%							
Abbey Protection	439,209	325	0.30	INVESTMENT ASSETS	103,609	95.87	
Catlin	150,000	461	0.43	NET OTHER ASSETS	4,468	4.13	
				NET ASSETS	<u>108,077</u>	<u>100.00</u>	

Statement of total return

for the year ended 30 November 2009

		30.11.2009		30.11.2008	
	Notes	£'000	£'000	£'000	£'000
Income					
Net capital gains/(losses)	2		12,028		(52,166)
Revenue	3	5,260		6,436	
Expenses	4	(582)		(772)	
Net revenue before taxation			<u>4,678</u>		<u>5,664</u>
Total return before distributions			16,706		(46,502)
Finance costs: distributions	6		(5,418)		(5,221)
Change in net assets attributable to shareholders from investment activities			<u>11,288</u>		<u>(51,723)</u>

The notes on pages 18 to 25 form part of these accounts.

Statement of change in net assets attributable to shareholders

for the year ended 30 November 2009

	30.11.2009		30.11.2008	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		95,793		146,912
Amounts receivable on issue of shares	1,011		904	
Amounts payable on cancellation of shares	(29)		(322)	
		982		582
Change in net assets attributable to shareholders from investment activities		11,288		(51,723)
Retained distribution on accumulation shares		14		22
Closing net assets attributable to shareholders		<u>108,077</u>		<u>95,793</u>

Balance sheet

at 30 November 2009

	Notes	30.11.2009		30.11.2008	
		£'000	£'000	£'000	£'000
ASSETS					
Investment assets			103,609		92,983
Debtors	7	643		1,712	
Cash and bank balances	8	<u>5,566</u>		<u>5,215</u>	
Total other assets			<u>6,209</u>		<u>6,927</u>
Total assets			109,818		99,910
LIABILITIES					
Creditors	9	13		2,525	
Distribution payable on income shares		<u>1,728</u>		<u>1,592</u>	
Total liabilities			1,741		4,117
Net assets attributable to shareholders			<u>108,077</u>		<u>95,793</u>
Approved on behalf of the Trustee 22 February 2010			R Broadhurst, <i>Chairman</i> CBF Funds Trustee Limited		

The notes on pages 18 to 25 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.

Previously the requirements of the SORP issued by the IMA in December 2005 had been applied. There was no change to either the total return or net assets attributable to shareholders as presented in the preceding year.

(b) Revenue recognition

Dividends on ordinary stocks, 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. In January 2008 this increased from 0.40% p.a. plus VAT to 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.

2. Net capital gains/(losses)	30.11.2009	30.11.2008
	£'000	£'000
The net capital gains/(losses) during the year comprise:		
Non-derivative securities	<u>12,028</u>	<u>(52,166)</u>
3. Revenue	30.11.2009	30.11.2008
	£'000	£'000
UK dividends	5,197	6,242
Interest on The CBF Church of England Deposit Fund	62	92
Bank interest	1	21
Underwriting commission	-	81
	<u>5,260</u>	<u>6,436</u>

Notes to the accounts

4. Expenses

	30.11.2009	<i>30.11.2008</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)	555	748
Manager's periodic charge rebate – see note 1(e)*	(8)	(5)
Manager's fee for ethical services	8	-
	<u>555</u>	<u>743</u>
Payable to the Trustee, associates of the Trustee and agents of either of them:		
Safe custody fees and transaction charges	8	9
Monitoring fee	8	8
	<u>16</u>	<u>17</u>
Other expenses:		
Audit fee	9	9
Insurance	1	2
Other Expenses	1	1
	<u>11</u>	<u>12</u>
Total expenses	<u>582</u>	<u>772</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

Distributions

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:

	30.11.2009	<i>30.11.2008</i>
	£'000	<i>£'000</i>
February – interim distribution	751	746
May – interim distribution	1,472	1,460
August – interim distribution	1,472	1,420
November – final distribution	1,732	1,597
	<u>5,427</u>	<u>5,223</u>
Add: revenue deducted on cancellation of shares	-	1
Deduct: revenue received on issue of shares	(9)	(3)
Net distribution for the year	<u>5,418</u>	<u>5,221</u>
Net income for the year	4,678	5,664
Transfer from/(to) income reserve – see note 10	185	(1,191)
Manager's periodic charge – see note 1(e)	555	748
Net distribution for the year	<u>5,418</u>	<u>5,221</u>

Details of the distribution per share are set out in the distribution table on page 26.

7. Debtors

	30.11.2009	<i>30.11.2008</i>
	£'000	<i>£'000</i>
Sales awaiting settlement	-	1,050
Accrued income	643	661
Prepayments	-	1
	<u>643</u>	<u>1,712</u>

8. Cash and bank balances

	30.11.2009	<i>30.11.2008</i>
	£'000	<i>£'000</i>
Cash in The CBF Church of England Deposit Fund	5,523	5,127
Cash at bank	43	88
	<u>5,566</u>	<u>5,215</u>

Notes to the accounts

9. Creditors

	30.11.2009	<i>30.11.2008</i>
	£'000	<i>£'000</i>
Purchases awaiting settlement	-	2,514
Accrued expenses	13	11
	<u>13</u>	<i><u>2,525</u></i>

10. Income reserve

The income reserve, accumulated out of revenue, 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.

	30.11.2009	<i>30.11.2008</i>
	£'000	<i>£'000</i>
Income reserve at the start of the year	1,877	686
Transfer (from)/to income reserve	(185)	1,191
Income reserve at the end of the year	<u>1,692</u>	<i><u>1,877</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 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 2009 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	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

Notes to the accounts

30 November 2008

<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	5,215	3,548	91,147	99,910

<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	-	-	4,117	4,117

* 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 2009 (30.11.2008, £nil).

12. Commitments and contingent liabilities

There were no commitments or contingent liabilities at 30 November 2009 (30.11.2008, £nil).

Notes to the accounts

13. Related party transactions

The Manager's periodic charge and fee for ethical services 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 2009 (30.11.2008, £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 to CBFFT at 30 November 2009 (30.11.2008, £nil). There were no other transactions entered into with CBFFT during the year.

At 30 November 2009 a cash balance of £5,522,936 (30.11.2008, £5,126,890) was held in The CBF Church of England Deposit Fund.

The CBF Church of England Investment Fund had a 93.08% holding of the total shares in issue in the Fund as at 30 November 2009 (30.11.2008, 93.93%).

14. Portfolio transaction costs

	30.11.2009	<i>30.11.2008</i>
	£'000	<i>£'000</i>
Analysis of total purchase costs:		
Purchases in year before transaction costs	55,727	117,472
Commissions	41	71
Gross purchases total	<u>55,768</u>	<u>117,543</u>
Analysis of total sales costs:		
Gross sales in year before transaction costs	58,044	116,531
Commissions	(40)	(65)
Total sales net of transaction costs	<u>58,004</u>	<u>116,466</u>

Distribution table

for the year ended 30 November 2009

<i>Period ended</i>	<i>Date paid/payable</i>	<i>Dividends paid/payable pence per share</i>	
		2009	2008
Income shares			
28 February 2009	30 April 2009	0.70	0.70
31 May 2009	31 July 2009	1.37	1.37
28 August 2009	30 October 2009	1.37	1.33
30 November 2009	29 January 2010	1.61	1.50
		<u>5.05</u>	<u>4.90</u>
		<i>Revenue accumulated pence per share</i>	
		2009	2008
Accumulation shares			
28 February 2009		0.86	0.92
31 May 2009		1.46	2.24
28 August 2009		0.71	2.64
30 November 2009		1.41	1.40
		<u>4.44</u>	<u>7.20</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.

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:

Statement of Trustee and Manager responsibilities

- 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)
E Carter (appointed 1.2.10)
J Clunie *
L Farrall
N Pearson (resigned 14.10.09)
G Pollard (appointed 1.2.10)
S Steele
Rev Dr R Turnbull *
R Williams *

**Members of the Audit Committee*

Secretary

J Fox

Manager, Administrator and Registrar

CCLA Investment Management Limited

*Authorised and regulated by
the Financial Services Authority*

80 Cheapside
London EC2V 6DZ
Telephone: 020 7489 6000
Client Service:
Freephone: 0800 022 3505
Facsimile: 0844 561 5126
Email: clientservices@ccla.co.uk
www.ccla.co.uk

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

M Humphreys

Company Secretary

J Fox

**Head of Operational Risk,
Internal Audit and Compliance**

A Kemp

Socially Responsible Investment

H Wildsmith

Banker and Monitoring Service

The Royal Bank of Scotland plc
62/63 Threadneedle Street
London EC2R 8LA

Safe-Custody Agent

The Northern Trust Company
50 Bank Street
Canary Wharf
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 now
- 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

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

CCLA INVESTMENT MANAGEMENT LIMITED

80 Cheapside

London EC2V 6DZ

Client Service:

Freephone: 0800 022 3505

Facsimile: 0844 561 5126

Email: clientservices@ccla.co.uk

www.ccla.co.uk