



for the Church of England

The CBF Church of England UK Equity Fund

**Report and Accounts
Half Year ended 31 May 2010
(unaudited)**

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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 half year ended 31 May 2010

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

Structure and management

The Fund was established on 1 December 2004 as a common fund by the Church Funds Investment Measure 1958 (as amended from time to time), and the Trustee Act 2000 (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 half year ended 31 May 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 & 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, currently focussing on alcohol, financial services and pornography. We welcome comments and views from clients as part of this process.

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

Report of the Trustee

for the half year ended 31 May 2010

is a member of the Institutional Investors Group on Climate Change (IIGCC) and signatory to the Investor Statement on Transparency in the Extractives Sector.

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 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.

UK voting was suspended for the first quarter of 2010 to facilitate the Manager's transition to global voting in collaboration with other Church investors. UK voting was restarted in time for the peak 2010 AGM season.

Controls and risk management

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

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

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

R Broadhurst
Chairman
CBF Funds Trustee Limited

5 July 2010

Report of the Investment Manager

for the half year ended 31 May 2010

Strategy

Our strategy over the period has been to invest the portfolio in companies which can provide an attractive level of current income and which have the capacity to grow the payment to investors in the future. We select stocks on their individual merits and it is these rather than any predetermined industry view that determines the weighting to the various industries and sectors of the stock market. This approach creates natural biases towards areas of the market which best offer the characteristics we favour. At present the portfolio has weightings

to utilities, consumer goods and insurance which are higher than those of the broad market indices. These are balanced by below neutral weights to the banking sector, to mining and to oil and gas. The cash weighting is modest, equivalent to approximately 1.7% of total assets.

Performance

The income distribution to investors has been maintained at 2.07p per share. The total return on the Fund was +4.08%, compared to a rise of +1.94% on the FTSE All-Share Index adjusted for the effect of ethical restrictions.

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

To 31 May 2010	Six months %	1 year %	3 years % p.a.	5 years % p.a.
<u>Performance against market indices (before expenses)</u>				
CBF UK Equity Fund	+4.08	+21.30	-6.15	+3.79
FTSE All-Share Index~	+1.94	+22.11	-5.29	+4.49
FTSE All-Share Index	+2.68	+22.94	-4.47	+5.17
<u>Performance after expenses</u>				
Income shares*	+3.79	+20.64	-6.64	+3.26
Accumulation shares*	+3.78	+20.61	-6.68	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 half year ended 31 May 2010

Market Review

The period began with investors in an optimistic mood, looking forward into the New Year with hopes of economic recovery in the UK and internationally. The expectations of an improved economic background and reduced levels of risk increased the perceived attractions of equities, with the result that the UK stock market moved steadily higher in the early months of the half year. Although for much of the period the political background was dominated by an approaching general election this did not weigh too heavily on sentiment, investors choosing to focus on the common promise from all parties to address the budget deficit rather than on differences over how the shortfall would be made good.

In April however the mood began to change as the severity of the problems in Greece became better understood. Very quickly questions were raised about other countries with high levels of outstanding debt or substantial borrowing needs and in this, although the main attention was on Portugal and Spain, concerns were raised about the UK too. The effect on investor confidence was swift and substantial. Share prices began to fall back, establishing a trend which continued through May so that, by the end of that month, the gains made earlier in the year had been substantially erased. Compounding the problems in the UK was the failed BP oil well in

the Gulf of Mexico. As the scale of the problem became clear and the costs of clean-up and restoration became better understood, so the BP share price fell steeply away, contributing to the fall in the UK marked indices.

Outlook

We expect the economy to continue to recover but for the pace of that recovery to be modest relative to past upturns. High unemployment, low wage growth, weak credit flows and government action to reduce the budget deficit will all act to constrain the rate at which activity improves. Company profits should grow more strongly than this, boosted in particular by activities in more buoyant areas overseas and by translation effects as these earnings are converted back into a relatively weak sterling. Although we see a slowly improving trend, this does not mean that we expect progress to be smooth, as there are many factors in play which could cause short term crises of confidence which in turn may have a sharp impact on share prices.

M Humphreys
Fund Manager
CCLA Investment Management Limited

5 July 2010

Report of the Investment Manager

for the half year ended 31 May 2010

Top ten changes in portfolio composition

	<i>Cost</i> <i>£'000</i>		<i>Proceeds</i> <i>£'000</i>
Purchases:		Sales:	
Close Brothers	1,193	International Power	2,907
Intermediate Capital	1,187	Johnson Matthey	2,357
Electrocomponents	1,179	HSBC 8.208% Preference Shares	2,100
Britvic	1,171	Tullow Oil	1,993
Pearson	1,169	Balfour Beatty	1,074
Home Retail	1,157	Cadbury	826
Amlin	1,152	Pennon	691
Aberdeen Asset	1,149	Dairy Crest	533
BT	1,113	Brammer	438
BHP Billiton	615	FirstGroup	415

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 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 promotes 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.
E-mail: ethics@ccla.co.uk
Website: www.cofe.anglican.org/info/ethical

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

Net asset value

<i>At</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</i> <i>pence per share</i>	<i>Number of</i> <i>shares in issue</i>	<i>Net asset value</i> <i>pence per share</i>	<i>Number of</i> <i>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
At 31 May 2010	110,527	102.11	106,493,577	119.25	1,500,665

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</i> <i>30 November</i>	<i>Income shares</i>		<i>Accumulation shares</i>	
	<i>Highest offer</i> <i>pence per share</i>	<i>Lowest bid</i> <i>pence per share</i>	<i>Highest offer</i> <i>pence per share</i>	<i>Lowest bid</i> <i>pence per share</i>
2005	117.98	100.00	-	-
2006	135.98	116.41	135.09	116.41
2007	147.74	130.38	150.21	130.85
2008	141.33	79.73	146.91	85.10
2009	106.51	72.72	120.00	79.58
To 31 May 2010	112.79	98.95	129.99	113.27

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

Net distribution

<i>Year to 30 November</i>	<i>Income shares pence per share</i>	<i>Accumulation shares pence per share</i>
2005	3.50	-
2006	3.90	0.75
2007	4.40	4.49
2008	4.90	7.20
2009	5.05	4.44
To 31 May 2010	2.07	2.91

Share price at 31 May 2010

	<i>Bid price pence per share</i>	<i>Offer price pence per share</i>
Income shares	101.60	102.62
Accumulation shares	118.65	119.85

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

	<i>31.5.2010</i>	<i>31.5.2009</i>
Total expense ratio (annualised)	0.59%	0.60%

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

Portfolio statement

at 31 May 2010 (unaudited)

	<i>Bid</i>			<i>Bid</i>		
	<i>Holding</i>	<i>value</i>	<i>%</i>	<i>Holding</i>	<i>value</i>	<i>%</i>
	<i>£'000</i>	<i>Fund</i>		<i>£'000</i>	<i>Fund</i>	
UNITED KINGDOM 97.98% (30.11.09, 95.87%)						
Oil & Gas Producers 10.86%						
BP	1,183,229	5,854	5.30			
Royal Dutch Shell B	350,370	6,135	5.56			
Chemicals 1.05%						
Elementis	1,736,053	1,154	1.05			
Mining 2.68%						
BHP Billiton	154,750	2,960	2.68			
Construction and Materials 0.13%						
Morgan Sindall	25,544	139	0.13			
Aerospace and Defence 0.83%						
Senior	730,176	867	0.79			
Umeco	12,542	45	0.04			
General Industrials 0.10%						
RPC	49,472	111	0.10			
Electrical & Electrical Equipment 1.29%						
Laird	148,396	178	0.16			
Morgan Crucible	654,103	1,177	1.07			
Oxford Instruments	23,459	61	0.06			
Industrial Engineering 4.67%						
IMI	378,355	2,476	2.24			
Melrose	1,210,567	2,678	2.43			
Industrial Transportation 0.46%						
Stobart	168,414	240	0.22			
Wincanton	115,788	264	0.24			
Support Services 6.24%						
Carillion	200,795	635	0.58			
Davis Service	145,000	564	0.51			
Electrocomponents	599,657	1,281	1.16			
Fiberweb	204,954	116	0.11			
Interserve	889,162	1,807	1.64			
Premier Farnell	1,129,096	2,469	2.24			
Beverages 1.09%						
Britvic	261,326	1,202	1.09			
Food Producers 8.54%						
Dairy Crest	234,610	882	0.80			
Devro	267,306	451	0.41			
Hilton Food	91,074	221	0.20			
Northern Foods	502,703	241	0.22			
Tate & Lyle	688,551	2,893	2.62			
Unilever	253,978	4,742	4.29			
Household Goods 1.31%						
Reckitt Benckiser	44,747	1,452	1.31			
Pharmaceutical and Biotechnology 5.68%						
AstraZeneca	81,105	2,353	2.13			
GlaxoSmithKline	339,403	3,925	3.55			
Food and Drug Retailers 3.95%						
Sainsbury (J)	673,101	2,180	1.97			
Tesco	530,556	2,184	1.98			
General Retailers 1.56%						
Halfords	124,619	612	0.55			
Home Retail	443,658	1,118	1.01			

Portfolio statement

at 31 May 2010 (unaudited)

	<i>Holding</i>	<i>Bid value £'000</i>	<i>% Fund</i>		<i>Holding</i>	<i>Bid value £'000</i>	<i>% Fund</i>
Media 3.07%				Life Insurance 10.61%			
Pearson	120,561	1,145	1.04	Aviva	1,199,462	3,836	3.47
United Business				Prudential	708,949	3,835	3.47
Media	439,781	2,245	2.03	Standard Life	2,237,221	4,056	3.67
Travel and Leisure 4.23%				General Financial 6.61%			
Cineworld	209,701	381	0.35	Aberdeen Asset	984,343	1,387	1.26
Compass	411,751	2,203	1.99	Charles Taylor	26,085	57	0.05
FirstGroup	158,528	597	0.54	Close Brothers	167,922	1,201	1.08
Go-Ahead	77,057	986	0.89	F&C Asset			
Thomas Cook	243,682	506	0.46	Management	1,005,911	579	0.52
Fixed Line Telecom 0.97%				Henderson	1,028,916	1,392	1.26
BT	841,000	1,067	0.97	Intermediate			
Mobile Telecommunications 5.63%				Capital	472,517	1,229	1.11
Vodafone	4,499,031	6,213	5.63	Investec	119,000	583	0.53
Electricity 0.92%				Man	380,489	885	0.80
International Power	349,815	1,015	0.92	Equity Investments 1.83%			
Gas Water and Multiutilities 6.50%				Merchants Trust	605,000	2,026	1.83
Centrica	859,571	2,361	2.14	NET INVESTMENT			
National Grid NPD	176,440	242	0.22	ASSETS	108,201	97.98	
National Grid	441,100	2,202	1.99	NET OTHER ASSETS	2,228	2.02	
Pennon	218,410	1,146	1.04	NET ASSETS	<u>110,429</u>	<u>100.00</u>	
Severn Trent	101,965	1,221	1.11				
Banks 5.20%							
HSBC	916,586	5,753	5.20				
Nonlife Insurance 1.97%							
Abbey Protection	439,209	350	0.32				
Admiral	23,347	301	0.27				
Amlin	278,241	1,043	0.94				
Catlin	150,000	490	0.44				

Statement of total return

for the half year ended 31 May 2010 (unaudited)

	Notes	31.5.2010		31.5.2009	
		£'000	£'000	£'000	£'000
Income					
Net capital gains/(losses)	2		1,561		(836)
Revenue	3	2,638		2,281	
Expenses	4	(341)		(271)	
Net revenue before taxation			<u>2,297</u>		<u>2,010</u>
Total return before distributions			3,858		1,174
Finance costs: distributions	6		(2,231)		(2,216)
Change in net assets attributable to shareholders from investment activities			<u>1,627</u>		<u>(1,042)</u>

Statement of change in net assets attributable to shareholders

for the half year ended 31 May 2010 (unaudited)

	31.5.2010		31.5.2009	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		108,077		95,793
Amounts receivable on issue of shares	1,661		812	
Amounts payable on cancellation of shares	<u>(969)</u>		<u>-</u>	
		692		812
Change in net assets attributable to shareholders from investment activities		1,627		(1,042)
Retained distribution on accumulation shares		33		7
Closing net assets attributable to shareholders		<u>110,429</u>		<u>95,570</u>

The above statement shows the comparative closing net assets at 31 May 2009 whereas the opening net assets for the current accounting period commenced on 1 Dec 2009.

The notes on pages 15 to 22 form part of these accounts.

Balance sheet

at 31 May 2010 (unaudited)

	Notes	31.5.2010		30.11.2009	
		£'000	£'000	£'000	£'000
ASSETS					
Investment assets			108,201		103,609
Debtors	7	783		643	
Cash and bank balances	8	3,269		<u>5,566</u>	
Total other assets			4,052		<u>6,209</u>
Total assets			112,253		109,818
LIABILITIES					
Creditors	9	365		13	
Distribution payable on income shares		1,459		<u>1,728</u>	
Total liabilities			1,824		1,741
Net assets attributable to shareholders			<u>110,429</u>		<u>108,077</u>
Approved on behalf of the Trustee 5 July 2010			R Broadhurst, <i>Chairman</i> CBF Funds Trustee Limited		

The notes on pages 15 to 22 form part of these accounts.

Notes to the accounts

(unaudited)

1. Accounting policies

(a) Basis of accounting

The accounts have been prepared under the historical cost basis, as modified by the revaluation of investments, and in accordance with the accounting policies set out below and the Statement of Recommended Practice for Authorised Funds issued by the Investment Management Association (IMA) in November 2008.

(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, which is currently 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

(unaudited)

(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)	31.5.2010	31.5.2009
	£'000	£'000
The net capital gains/(losses) during the period comprise:		
Non-derivative securities	<u>1,561</u>	<u>(836)</u>
3. Revenue	31.5.2010	31.5.2009
	£'000	£'000
UK dividends	2,622	2,262
Interest on The CBF Church of England Deposit Fund	16	19
	<u>2,638</u>	<u>2,281</u>

Notes to the accounts

(unaudited)

4. Expenses	31.5.2010	31.5.2009
	£'000	£'000
Payable to the Manager, associates of the Manager and agents of either of them:		
Manager's periodic charge – see note 1(e)	327	263
Manager's periodic charge rebate – see note 1(e)*	(6)	(4)
Manager's fee for ethical services	4	-
	<u>325</u>	<u>259</u>
Payable to the Trustee, associates of the Trustee and agents of either of them:		
Safe custody fees and transaction charges	6	3
Monitoring fee	4	4
	<u>10</u>	<u>7</u>
Other expenses:		
Audit fee	5	4
Insurance	1	1
	<u>6</u>	<u>5</u>
Total expenses	<u>341</u>	<u>271</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

(unaudited)

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:

	31.5.2010	<i>31.5.2009</i>
	£'000	<i>£'000</i>
February – interim distribution	747	751
May – interim distribution	1,490	1,472
	<u>2,237</u>	<u>2,223</u>
Add: revenue deducted on cancellation of shares	-	-
Deduct: revenue received on issue of shares	(6)	(7)
Net distribution for the period	<u>2,231</u>	<u>2,216</u>
Net income for the period	2,297	2,010
Transfer to income reserve – see note 10	(397)	(57)
Manager's periodic charge – see note 1(e)	331	263
Net distribution for the period	<u>2,231</u>	<u>2,216</u>

Details of the distribution per share are set out in the distribution table on page 22.

7. Debtors

	31.5.2010	<i>30.11.2009</i>
	£'000	<i>£'000</i>
Accrued income	783	643
	<u>783</u>	<u>643</u>

8. Cash and bank balances

	31.5.2010	<i>30.11.2009</i>
	£'000	<i>£'000</i>
Cash in The CBF Church of England Deposit Fund	3,236	5,523
Cash at bank	33	43
	<u>3,269</u>	<u>5,566</u>

9. Creditors

	31.5.2010	<i>30.11.2009</i>
	£'000	<i>£'000</i>
Purchases awaiting settlement	353	-
Accrued expenses	12	13
	<u>365</u>	<u>13</u>

Notes to the accounts

(unaudited)

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.

	31.5.2010	<i>30.11.2009</i>
	£'000	<i>£'000</i>
Income reserve at the start of the period	1,692	<i>1,877</i>
Transfer to/(from) income reserve	397	<i>(185)</i>
Income reserve at the end of the period	<u>2,089</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 period and comparative period.

Market price risk

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

Currency risk

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

Notes to the accounts

(unaudited)

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 31 May 2010 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	3,269	-	108,984	112,253

<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	-	-	1,824	1,824

Notes to the accounts

(unaudited)

30 November 2009

<i>Currency</i>	<i>Floating rate financial assets*</i> <i>£'000</i>	<i>Fixed rate financial assets</i> <i>£'000</i>	<i>Financial assets not carrying interest</i> <i>£'000</i>	<i>Total</i> <i>£'000</i>
Sterling	5,566	2,121	102,131	109,818

<i>Currency</i>	<i>Floating rate financial liabilities</i> <i>£'000</i>	<i>Fixed rate financial liabilities</i> <i>£'000</i>	<i>Financial liabilities not carrying interest</i> <i>£'000</i>	<i>Total</i> <i>£'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 31 May 2010 (30.11.2009, £nil).

12. Commitments and contingent liabilities

There were no commitments or contingent liabilities at 31 May 2010 (30.11.2009, £nil).

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 31 May 2010 (30.11.2009, £nil). There were no other transactions entered into with the Manager during the period.

CBFFT, as Trustee, is a related party to the Fund. The amounts paid in respect of the Trustee's administration fee are disclosed in note 4. There were no outstanding balances due to at 31 May 2010 (30.11.2009, £nil). There were no other transactions entered into with CBFFT during the period.

Notes to the accounts

(unaudited)

At 31 May 2010 a cash balance of £3,235,476 (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 92.4% holding of the total shares in issue in the Fund as at 31 May 2010 (30.11.2009, 93.1%).

14. Portfolio transaction costs

	31.5.2010	<i>31.5.2009</i>
	£'000	<i>£'000</i>
Analysis of total purchase costs:		
Purchases in period before transaction costs	17,551	30,873
Commissions	14	21
Total gross purchases	<u>17,565</u>	<u>30,894</u>
Analysis of total sale costs:		
Gross sales in period before transaction costs	14,335	32,207
Commissions	(8)	(21)
Total sales net of transaction costs	<u>14,327</u>	<u>32,186</u>

Distribution table

for the half year ended 31 May 2010 (unaudited)

<i>Period ended</i>	<i>Date paid/payable</i>	<i>Distributions paid/payable pence per share</i>	
		2010	<i>2009</i>
Income shares			
28 February 2010	30 April 2010	0.70	0.70
31 May 2010	31 July 2010	1.37	1.37
		<u>2.07</u>	<u>2.07</u>
			<i>Revenue accumulated pence per share</i>
		2010	<i>2009</i>
Accumulation shares			
28 February 2010		0.89	0.86
31 May 2010		2.02	1.46
		<u>2.91</u>	<u>2.32</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)

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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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

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Solicitors

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66 Lincoln's Inn Fields

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Independent Auditor

Ernst & Young LLP

1 More London Place

London SE1 2AF



CCLA INVESTMENT MANAGEMENT LIMITED **The CBF Church of England Funds**

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

A CHOICE OF FUNDS

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

Investment Fund

- A suitable 'all-in-one' long-term fund for most church organisations
- Highly diversified and well-balanced spread of investments
- Designed to help meet growth and income requirements
- Focus on delivering attractive, growing income
- 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 by Fitch Ratings. This reflects the high credit quality of the portfolio.

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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