



for the Church of England

The CBF Church of England UK Equity Fund

**Report and Accounts
Half Year ended 31 May 2011
(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 2011

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

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.

Investment objective of the Fund

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.

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 2011

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

Throughout the reporting period, CBFFT was represented on the Church of England's Ethical Investment Advisory Group (EIAG) by Rev Edward Carter.

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

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

Two representatives of the Manager also attended the EIAG meetings: Michael Quicke, Chief Executive and Helen Wildsmith, Head of Ethical & Responsible Investment. Helen is also the elected representative for the CBF Funds on the Steering Group of the £12bn ecumenical Church Investors Group (CIG).

Stewardship & Corporate Governance

The new UK Stewardship Code for Institutional Investors aims to enhance the quality of engagement between institutional investors and companies to help improve long-term returns to shareholders and the efficient exercise of governance responsibilities.

Report of the Trustee for the half year ended 31 May 2011

Engagement includes pursuing purposeful dialogue on strategy, performance and the management of risk, as well as on issues that are the immediate subject of votes at Annual General Meetings. Rev Edward Carter attended the CIG's trustee training day on the Stewardship Code in October 2010.

The Manager moved from domestic voting to global voting in 2010 in collaboration with the national investing bodies at Church House and other CIG members. During the first half of 2011 the Manager voted on 2,733 resolutions across global markets with 15% abstentions or votes against the management (mainly remuneration related in line with the EIAG's long-standing policy in this area).

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

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

Controls and risk management

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

The Manager has established an internal control framework to provide reasonable, but not absolute, assurance on the effectiveness of the internal controls operated on behalf of its

clients. The effectiveness of the internal controls is assessed by the directors and senior management of the Manager on a continuing basis.

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

R Broadhurst
Chairman
CBF Funds Trustee Limited
12 July 2011

Report of the Investment Manager for the half year ended 31 May 2011

Strategy

Strategy Our objective is to provide investors with long term growth in capital and income, so as to protect the real value of their investment. Our approach is to invest in good quality companies which can provide above average growth in dividends from rising profits. We favour companies with strong franchises which can buy at a discount to their long term intrinsic value. This gives the portfolio a natural bias towards those sectors of the stock market which are temporarily out of favour.

Performance

The return on the Fund over the period was +12.18%, this compares with a return of +10.39% on the FTSE All-Share Index adjusted for the ethical investment policy. The income distribution to investors is unchanged at 2.07p per share.

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

To 31 May 2011	Six Months %	1 year %	3 years % p.a.	5 years % p.a.
<u>Performance against market indices (before expenses)</u>				
CBF UK Equity Fund	12.18	25.74	3.65	4.74
FTSE All-Share Index~	10.39	19.95	3.33	4.24
FTSE All-Share Index	10.81	20.36	4.15	5.00
<u>Performance after expenses</u>				
Income shares*	11.85	25.03	3.09	4.17
Accumulation shares*	11.85	25.01	3.05	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 2011

Market review

The domestic equity market moved smartly higher at the start of the period, buoyed by strong global investment markets and an optimistic view of economic prospects in the year ahead. Since then some further progress has been made but within an environment marked by high levels of day to day volatility. There were some powerful factors supporting prices but these were effectively offset by developing concerns over the domestic economy and trends in the global environment.

A support to the market came from the low level of valuations at the start of the year and the strength of profits from a corporate sector which had acted early in the downturn to reduce costs. Some international trends and in particular the growth of the global economy were also supportive. Against this, the poor rate of recovery in the domestic economy was a concern, particularly when considered in combination with an inflation rate that began the period higher than the Bank of England's 2% target and then rose further, to a rate of 4.5% in May. Investors were also concerned about the financial crisis at the periphery of Europe, not just that Greece, Ireland and Portugal had been forced to seek financial support from the ECB and IMF, but also that other countries might be drawn in to the crisis or that there could be a threat to the stability of the Eurozone.

Outlook

Our expectation is that the UK economy will continue to grow in the period ahead, but at a slow pace. Expansion will be slowed by high unemployment, low wage growth and government action to reduce the budget deficit. Inflation is expected to remain high, rising into the autumn and then declining through 2013 as fuel cost increases and higher taxes drop out of the calculation. Despite this, interest rates are expected to stay at very low levels. Company profits are expected to rise, helped by past cost reductions and the contribution from overseas activities.

We expect share prices to move higher over time but also for volatility to remain elevated.

J Bevan
Chief Investment Officer
CCLA Investment Management Limited
12 July 2011

Report of the Investment Manager

for the half year ended 31 May 2011

Top ten changes in portfolio composition

	Cost £'000		Proceeds £'000
Purchases:		Sales:	
Standard Chartered	3,800	Aviva	4,132
Rio Tinto (UK)	2,559	Standard Life	3,691
Rotork	2,081	Melrose	3,293
Scot & South Energy	1,908	Unilever	3,044
Barclays	1,592	Tate&Lyle	2,961
Capita Group	1,587	Prudential	2,889
Lloyds Banking Group	1,279	Utd Business Media	2,608
Bunzl	1,277	Merchants Trust	2,501
Whitbread	1,276	IMI	2,045
Intercontinental	1,258	Morgan Crucible	1,754

Risk warning

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

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

Statement of Ethical Investment Policy

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

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

The EIAG positively recommends investment in companies with responsible employment practices, best corporate governance practice, conscientiousness with regard to human rights, sustainable environmental practice and sensitivity towards the communities in which the business operates. The EIAG recommends against investment in any company that produces pornography or is involved in indiscriminate weaponry. It recommends against investment in companies involved in conventional weapons if their strategic military supplies exceed 10% of turnover.

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

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

the General Synod, the Archbishops' Council, and the Mission & Public Affairs Council.
Website: www.churchofengland.org/about-us/structure/eiag.aspx E-mail: eiag@churchofengland.org

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

Net asset value

At 30 November	<i>Income shares</i>			<i>Accumulation shares</i>	
	Net asset value £'000	Net asset value pence per share	Number of shares in issue	Net asset value pence per share	Number of shares in issue
2008	96,017	90.01	106,149,435	97.67	316,327
2009	108,079	100.38	107,308,730	114.91	311,977
2010	120,329	110.91	106,575,717	133.29	1,593,250
At 31 May 2011	132,118	121.97	106,404,248	149.08	1,593,592

The net asset value is calculated on the mid-market value basis compared to the balance sheet where the assets are valued on a bid-market value basis in accordance with the Statement of Recommended Practice for Authorised Funds which was issued by the Investment Management Association (IMA).

Share price range

Year to 30 November	<i>Income shares</i>		<i>Accumulation shares</i>	
	Highest offer pence per share	Lowest bid pence per share	Highest offer pence per share	Lowest bid pence per share
2006	135.98	116.41	135.09	116.41
2007	147.74	130.38	150.21	130.85
2008	141.33	79.73	146.91	85.10
2009	106.51	72.72	120.00	79.58
2010	119.26	97.15	141.09	113.27
To 31 May 2011	124.38	114.70	150.35	137.84

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
2010	5.20	5.69
To 31 May 2011	2.07	3.42

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

Share price at 31 May 2011

	<i>Bid price pence per share</i>	<i>Offer price pence per share</i>
Income shares	121.36	122.58
Accumulation shares	148.33	149.83

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.

Total expense ratio

	<i>31.5.2011</i>	<i>31.5.2010</i>
Total expense ratio	0.62%	0.59%

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 2011 (unaudited)

	Holding	Bid Value £'000	% Fund		Holding	Bid Value £'000	% Fund
UNITED KINGDOM 97.96% (30.11.2010. 97.64%)				Support Services 9.59%			
Oil & Gas Producers 8.00%				Ashtead Group 406,369 742 0.56			
BP	840,565	3,936	2.98	Berendsen	91,017	441	0.33
Royal Dutch Shell B	301,084	6,619	5.02	Bunzl	171,810	1,316	1.00
Chemicals 3.73%				Capita Group 269,189 1,980 1.50			
Croda International	51,169	996	0.75	Diploma	175,047	637	0.48
Elementis	1,190,793	1,883	1.43	Electrocomponents	327,912	963	0.73
Johnson Matthey	48,045	1,018	0.77	Hays	1,141,793	1,245	0.94
Victrex	67,584	1,019	0.77	Homeserve PLC	169,784	885	0.67
Mining 4.57%				Premier Farnell 1,129,096 3,307 2.51			
BHP Billiton	139,010	3,340	2.53	Smiths News	475,360	465	0.35
Rio Tinto (UK)	63,286	2,686	2.04	Wolseley	32,673	672	0.51
Construction and Materials 1.07%				Beverages 0.72%			
Balfour Beatty	396,773	1,277	0.97	Britvic 216,520 945 0.72			
Morgan Sindall	21,308	137	0.10	Food Producers 2.81%			
Aerospace and defence 0.04%				Cranswick 80,563 611 0.46			
Umeco	12,542	56	0.04	Hilton Food Group	72,319	212	0.16
General Industrials 2.96%				Unilever 97,667 1,924 1.46			
RPC Group	80,392	285	0.22	Household Goods 1.45%			
Rotork	154,215	2,657	2.01	Reckitt Benckiser 55,671 1,913 1.45			
Smiths Group	78,090	964	0.73	Personal Goods 0.54%			
Electrical & Electrical Equipment 0.98%				PZ Cussons 194,021 706 0.54			
Domino Printing	189,080	1,262	0.96	Pharmaceutical & Biotechnology 6.79%			
Oxford Instruments	3,275	25	0.02	AstraZeneca 99,204 3,152 2.39			
Industrial Engineering 1.49%				Dechra Pharm 15,292 75 0.06			
IMI	96,285	998	0.76	GlaxoSmithKline 385,333 5,084 3.85			
Spirax-Sarco Engin	48,535	967	0.73	Shire 33,714 646 0.49			
Industrial Transportation 0.18%				Food & Drug Retailers 2.73%			
Stobart Group	168,414	242	0.18	Sainsbury (J) 373,873 1,292 0.98			
General Retailers 1.93%				Tesco 552,712 2,316 1.76			
				Brown (N) Group 335,301 976 0.74			
				Burberry Group 69,815 920 0.70			

Portfolio statement

at 31 May 2011 (unaudited)

	Holding	Bid Value £'000	% Fund		Holding	Bid Value £'000	% Fund
Halfords	160,840	644	0.49				
Media 5.15%				Nonlife Insurance 3.41%			
BSkyB	254,096	2,113	1.60	Abbey Protection	439,209	349	0.26
Chime				Admiral Group	72,423	1,247	0.95
Communications	60,375	180	0.14	Amlin	223,849	951	0.72
Informa	220,941	961	0.73	Hiscox	229,459	968	0.73
Pearson	224,721	2,564	1.94	Jardine Lloyd	140,451	978	0.74
Rightmove	88,582	977	0.74				
Travel & Leisure 6.00%				Life Insurance/Assurance 3.93%			
Cineworld Group	209,701	435	0.33	Aviva	223,063	974	0.74
Compass Group	328,931	1,942	1.47	Legal & General	835,311	977	0.74
Domino's Pizza	252,789	1,006	0.76	Prudential	307,960	2,270	1.72
FirstGroup	275,457	932	0.71	Standard Life	458,256	961	0.73
Go-Ahead Group	53,354	766	0.58				
Intercontinental	123,155	1,594	1.21	Real Estate 0.47%			
Whitbread	75,847	1,236	0.94	Safestore Holdings	414,249	627	0.47
Mobile Telecommunications 5.76%							
Vodafone	4,499,031	7,599	5.76	General Financial 3.95%			
				Aberdeen Asset	538,911	1,262	0.96
Electricity 2.34%				Close Brothers Group	159,107	1,270	0.96
International Power	349,815	1,115	0.85	Hargreaves Lansdown	264,736	1,674	1.27
Scot & South Energy	143,089	1,970	1.49	Intermediate Cap Gp	293,453	1,011	0.77
				Software and Computer 0.99%			
Gas Water & Multiutilities 6.32%				Computacenter	66,572	290	0.22
Centrica	810,122	2,576	1.95	Emis Group	10,975	59	0.04
National Grid	469,000	2,934	2.22	Sage Group	332,840	966	0.73
Pennon Group	190,642	1,286	0.97				
Severn Trent	101,965	1,543	1.17	NET INVESTMENT ASSETS		129,244	97.96
				NET OTHER ASSETS		2,698	2.04
Banks 10.07%				NET ASSETS		<u>131,942</u>	<u>100.00</u>
Barclays	591,536	1,636	1.24				
HSBC Holdings	1,009,279	6,406	4.86				
Lloyds Banking Group	2,508,244	1,304	0.99				
Standard Chartered	241,766	3,935	2.98				

Statement of total return

for the half year ended 31 May 2011 (unaudited)

		31.5.2011		31.5.2010	
	Notes	£'000	£'000	£'000	£'000
Income					
Net capital gains/(losses)	2		11,466		1,561
Revenue	3	3,083		2,638	
Expenses	4	<u>(399)</u>		<u>(341)</u>	
Net revenue before taxation			2,684		2,297
Taxation			<u>5</u>		<u>-</u>
Total return before distributions			14,155		3,858
Finance costs: distributions	6		(2,257)		(2,231)
Change in net assets attributable to shareholders from investment activities			<u>11,898</u>		<u>1,627</u>

Statement of change in net assets attributable to shareholders for the half year ended 31 May 2011 (unaudited)

	31.5.2011		31.5.2010	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		120,190		108,077
Amounts receivable on issue of shares	65		1,661	
Amounts payable on cancellation of shares	<u>(265)</u>		<u>(969)</u>	
		(200)		692
Change in net assets attributable to shareholders from investment activities		11,898		1,627
Retained distribution on accumulation shares		54		33
Closing net assets attributable to shareholders		<u>131,942</u>		<u>110,429</u>

The above statement shows the comparative closing net assets at 31 May 2010 whereas the opening net assets for the current accounting period commenced on 1 December 2010.

The notes on pages 17 to 24 form part of these accounts.

Balance sheet

at 31 May 2011 (unaudited)

	Notes	31.5.2011		30.11.2010	
		£'000	£'000	£'000	£'000
ASSETS					
Investment assets			129,244		118,145
Debtors	7	1,600		487	
Cash and bank balances	8	<u>3,445</u>		<u>3,448</u>	
Total other assets			<u>5,045</u>		<u>3,935</u>
Total assets			134,289		122,080
LIABILITIES					
Creditors	9	889		14	
Distribution payable on income shares		<u>1,458</u>		<u>1,877</u>	
Total liabilities			2,347		1,891
Net assets attributable to shareholders			<u><u>131,942</u></u>		<u><u>120,189</u></u>
Approved on behalf of the Trustee 12 July 2011			R Broadhurst, Chairman CBF Funds Trustee Limited		

The notes on pages 17 to 24 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 stock, including special dividends where appropriate, are credited to revenue on the dates when the investments are first quoted ex-dividend. Interest on bank and The CBF Church of England Deposit Fund balances is accrued on a daily basis. Underwriting commission is recognised when an issue takes place and is taken to revenue, except where the Fund is required to take up all or some of the shares underwritten, in which case a proportion of the commission is taken to capital.

(c) Stock dividends

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

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

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

(e) Expenses

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

(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).

Notes to the accounts

(unaudited)

(g) Basis of valuation

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

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

2. Net capital gains/(losses)	31.5.2011	31.5.2010
	£'000	£'000
The net capital gains/(losses) during the period comprise:		
Non-derivative securities	<u>11,466</u>	<u>1,561</u>
3. Revenue	31.5.2011	31.5.2010
	£'000	£'000
UK dividends	3,070	2,622
Interest on The CBF Church of England Deposit Fund	5	16
Bank interest	8	-
	<u>3,083</u>	<u>2,638</u>
4. Expenses	31.5.2011	31.5.2010
	£'000	£'000
Payable to the Manager, associates of the Manager and agents of either of them:		
Manager's periodic charge – see note 1(e)	384	327
Manager's periodic charge rebate – see note 1(e)*	(4)	(6)
Manager's fee for ethical services	5	4
	<u>385</u>	<u>325</u>

Notes to the accounts

(unaudited)

Payable to the Trustee, associates of the Trustee and agents of either of them:

Safe custody fees and transaction charges	4	6
Trustee expense	-	-
Monitoring fee	4	4
	<u>8</u>	<u>10</u>
Other expenses:		
Audit fee	4	5
Trustee liability insurance	1	1
Other	1	-
	<u>6</u>	<u>6</u>
Total expenses	<u>399</u>	<u>341</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:

	31.5.2011	31.5.2010
	£'000	£'000
28 February – interim distribution	764	747
31 May – interim distribution	1,492	1,490
	2,256	2,237
Add: revenue deducted on cancellation of shares	1	-
Deduct: revenue received on issue of shares	-	(6)
Net distribution for the period	<u>2,257</u>	<u>2,231</u>
Net income for the period	2,684	2,297
Transfer to income reserve – see note 10	(811)	(397)
Manager's periodic charge – see note 1(e)	384	331
Net distribution for the period	<u>2,257</u>	<u>2,231</u>

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

7. Debtors

	31.5.2011	30.11.2010
	£'000	£'000
Accrued income	703	487
Sales awaiting settlement	897	-
	<u>1,600</u>	<u>487</u>

8. Cash and bank balances

	31.5.2011	30.11.2010
	£'000	£'000
Cash in The CBF Church of England Deposit Fund	2,299	3,395
Cash in The Public Sector Deposit Fund	1,650	-
Cash at bank	(504)	53
	<u>3,445</u>	<u>3,448</u>

Notes to the accounts

(unaudited)

9. Creditors	31.5.2011	30.11.2010
	£'000	£'000
Accrued expenses	<u>889</u>	<u>14</u>

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.

	31.5.2011	30.11.2010
	£'000	£'000
Income reserve at the start of the period	1,244	1,692
Transfer to/(from) income reserve	811	(448)
Income reserve at the end of the period	<u>2,055</u>	<u>1,244</u>

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.

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 2011 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	3,445	-	130,844	134,289

<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	-	-	2,347	2,347

Notes to the accounts

(unaudited)

30 November 2010

<i>Currency</i>	<i>Floating rate financial assets* £'000</i>	<i>Fixed rate financial assets £'000</i>	<i>Financial assets not carrying interest £'000</i>	<i>Total £'000</i>
Sterling	3,448	-	118,632	122,080

<i>Currency</i>	<i>Floating rate financial liabilities £'000</i>	<i>Fixed rate financial liabilities £'000</i>	<i>Financial liabilities not carrying interest £'000</i>	<i>Total £'000</i>
Sterling	-	-	1,891	1,891

* 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 2011 (30.11.2010, £nil).

12. Commitments and contingent liabilities

There were no commitments or contingent liabilities at 31 May 2011 (30.11.2010, £nil).

13. Related party transactions

The Manager's periodic charge and fee for ethical and stewardship services (including EIAG costs) are paid to the Manager, a related party to the Fund. The amounts paid in respect of the Manager's periodic charge are disclosed in note 4. There were no outstanding balances due to the Manager at 31 May 2011 (30.11.2010, £nil). There were no other transactions entered into with the Manager during the year.

CBFFT, as Trustee, is a related party to the Fund. The amounts paid in respect of the Trustee's administration fee are disclosed in note 4. There were no outstanding balances due at 31 May 2011 (30.11.2010, £nil). There were no other transactions entered into with CBFFT during the year.

At 31 May 2011 a cash balance of £2,299,279 (30.11.2010, £3,395,113) was held in The CBF Church of England Deposit Fund.

At 31 May 2011 a cash balance of £1,650,000 was held in the The Public Sector Deposit Fund.

Notes to the accounts

(unaudited)

The CBF Church of England Investment Fund had a 93.6% holding of the total shares in issue in the Fund as at 31 May 2011 (30.11.2010, 92.2%).

14. Portfolio transaction costs	31.5.2011	30.11.2010
	£'000	£'000
Analysis of total purchase costs:		
Purchases in period before transaction costs	49,500	17,551
Commissions	35	14
Total gross purchases	<u>49,535</u>	<u>17,565</u>
Analysis of total sale costs:		
Gross sales in period before transaction costs	50,021	14,335
Commissions	(43)	(8)
Total sales net of transaction costs	<u>49,978</u>	<u>14,327</u>

Distribution table

for the half year ended 31 May 2011 (unaudited)

<i>Period ended</i>	<i>Date paid/payable</i>	<i>Dividends paid/payable pence per share</i>	
		2011	2010
Income shares			
28 February 2011	30 April 2011	0.70	0.70
31 May 2011	30 June 2011	1.37	1.37
		<u>2.07</u>	<u>2.07</u>
		<u>2.07</u>	<u>2.07</u>
		<i>Revenue accumulated pence per share</i>	
		2010	2009
Accumulation shares			
28 February 2011		1.23	0.86
31 May 2011		2.2	2.02
		<u>3.42</u>	<u>2.91</u>
		<u>3.42</u>	<u>2.91</u>

Statement of Trustee and Manager responsibilities

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

- make and revise the written statement of the investment objectives of the Fund and details of such investment objectives will be included in the Scheme Information;
- determine the criteria and methods for evaluating the performance of the Fund;
- appoint the Auditor of the Fund and settle their terms of engagement;
- determine the rate of remuneration of the Manager in accordance with the Measure and the Scheme Information;
- supervise and oversee the Manager's compliance with the Measure and the Scheme Information. In particular, the Trustee shall be satisfied on a continuing basis that the Manager is competently exercising the powers and discharging the duties conferred or imposed on it by or pursuant to the provisions of the Measure and ensure the Manager is maintaining adequate and proper records;
- appoint, supervise and oversee any Registrar or other delegate whom it has appointed in accordance with the provisions of the Scheme;
- review the custody and control of the property of the Fund and the collection of all revenue due to the Fund in accordance with the Measure;
- make distributions to investors holding income shares and make allocations to investors holding accumulation shares in proportion to their respective shares in the property of the Fund; and
- take all steps and execute all documents which are necessary to ensure that the purchases and sales of investments for the Fund are properly completed.

Statement of Trustee and Manager responsibilities

Preparation of accounts

The Trustee of the Fund is required, by the Measure, to prepare accounts which give a true and fair view of the financial position of the Fund at each year and year end valuation date. The net revenue for the year, together with a report on the operation of the Fund is also required. The accounts show the net asset value of the shares in the Fund as at the date to which the accounts are prepared, the amount of revenue per share, and the amount of revenue, if any, to be transferred to capital pursuant to paragraph 11 of the Schedule to the Measure. In preparing these accounts, the Trustee:

- selects suitable accounting policies that are appropriate for the Fund and applies them on a consistent basis;
- complies with the disclosure requirements of the Statement of Recommended Practice relating to Authorised Funds issued by the Investment Management Association (IMA) in November 2008;
- follows generally accepted accounting principles and applicable United Kingdom accounting standards;
- keeps proper accounting records which enables them to demonstrate that the accounts, as prepared, comply with the above requirements;
- makes judgments and estimates that are prudent and reasonable; and
- prepares the accounts on the basis that the Fund will continue in operation unless it is inappropriate to presume this.

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

Investment Manager, Administrator and Registrar

CCLA Investment Management Limited

*Authorised and regulated by
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

J Bevan

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.

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).

CCLA INVESTMENT MANAGEMENT LTD

80 Cheapside

London EC2V 6DZ

Client Service:

Freephone: 0800 022 3505

Facismile: 0844 561 5126

Email: clientservices@ccla.co.uk

www.ccla.co.uk

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