

THE CBF CHURCH OF ENGLAND UK EQUITY FUND
ANNUAL REPORT AND
FINANCIAL STATEMENTS

Year ended 31 December 2017

CCLA

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*Collectively, these comprise the Manager's Report.

**Audited.

References to "CCLA" refer to the CCLA Group, comprising CCLA Investment Management Limited and CCLA Fund Managers Limited.

Disability Discrimination Act 1995

Extracts from the Annual Report and Financial Statements are available in large print and audio formats.

REPORT OF THE TRUSTEE

for the year ended 31 December 2017

On behalf of the Trustee, I have pleasure in presenting the Annual Report and Financial Statements 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 is a Common Fund established under the Church Funds Investment Measure 1958 as amended by the Church of England (Miscellaneous Provisions) Measure 1995, the Church of England (Miscellaneous Provisions) Measure 2000 and the Trustee Act 2000 (together the Measure). The Fund was established on 1 December 2004. The Fund is neither a Collective Investment Scheme nor an Unregulated Collective Investment Scheme within the meaning of the Financial Services and Markets Act 2000 (FSMA).

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 to monitor the control environment in which the Fund operates.

CBFFT has delegated to the Manager, which is authorised and regulated by the Financial Conduct Authority (FCA), the investment management, administration, registration, 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 FCA and the trustee directors of CBFFT are not required to be authorised by the FCA 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 96(2) of the Charities Act 2011. 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

The Fund aims to provide growth in capital and income over the long-term.

REPORT OF THE TRUSTEE

for the year ended 31 December 2017

Investment policy

The Fund is an actively managed, diversified portfolio of UK equities. It will principally invest in UK equities, but may also invest in other assets.

Benchmark

The MSCI United Kingdom Investable Market Index (MSCI™ IMI UK) is the benchmark for the Fund.

Suitability

The Fund is suitable for the long-term funds of any Church of England charity seeking exposure to UK equities.

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 Financial Statements of the Fund prepared on its behalf by the Manager. CBFFT is responsible for appointing an Audit Committee, the Auditor and the Custodian. It reviews annually the objectives of the Fund in the light of current circumstances.

Delegation of functions

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

Ethical investment

The Fund is managed in accordance with the policies of the Church of England's Ethical Investment Advisory Group (EIAG).

Throughout the year, CBFFT was represented on the EIAG by Rev Canon Edward Carter, a CBFFT Trustee Director.

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 produces its own Annual Review which is available at <https://churchofengland.org/about-us/structure/eiag.aspx>.

Two representatives of the Manager also attend EIAG meetings: Michael Quicke, CCLA Chief Executive, and James Corah, Head of Ethical and Responsible Investment.

REPORT OF THE TRUSTEE

for the year ended 31 December 2017

CCLA collaborates with the other Church National Investing Bodies to engage with investee companies on issues of particular concern to the Church.

Responsible investment and Stewardship

The Fund also implements CCLA's responsible investment policy, which we believe will improve long-term shareholder returns. This includes policies to integrate environmental, social and governance (ESG) factors into our investment decision making process and stewardship activities with Fund holdings. The Manager's response to the UK Stewardship Code and their full quarterly voting record is available at www.ccla.co.uk.

The Manager is a signatory to the UN Principles of Responsible Investment (PRI) and is a member of CDP (formerly the Carbon Disclosure Project), the Institutional Investors group on Climate Change (IIGCC) 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.

CBFFT has appointed HSBC Bank plc to monitor the Manager in respect of its activities related to the management, oversight, supervision and administration of the Fund, including the custody and safekeeping of the property of the Fund. This monitoring provides

an additional layer of comfort for shareholders. 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 Williams, Chairman
CBF Funds Trustee Limited
21 May 2018

REPORT OF THE INVESTMENT MANAGER

for the year ended 31 December 2017

Strategy

The objective of the Fund is to provide an attractive level of income with capital growth over the long term. In support of these objectives, the Fund has a diversified portfolio comprised mainly of high quality domestic companies with secure finances, good cash flows and attractive growth prospects. About 9% of the equities held are listed on international security exchanges.

Performance

Over the year, the Fund achieved a total return of 13.50% before expenses. This compares to a return on the benchmark of 12.99%. The return on an Income Share, after all costs, was 12.69%, the return on an Accumulation Share on a similar basis was 12.71%. The total income distribution to investors for the year was 6.09p per Share. At 31 December 2017 the income yield on the fund was 3.55% compared to a yield of 3.59% on benchmark index. Stock selection was positive for most of the year although a late rally in the oil sector, to which the portfolio has modest exposure, reduced earlier outperformance.

Annualised total capital and income return

To 31 December 2017	1 year %	5 years % p.a.	10 years % p.a.
Performance against market indices (before expenses)			
The CBF Church of England UK Equity Fund	13.50	12.35	7.43
Benchmark [#]	12.99	9.95	5.70
Performance after expenses			
Income shares [*]	12.69	11.38	6.70
Accumulation shares [*]	12.71	11.39	6.70

[#] Benchmark – From 01.01.16 MSCI UK IMI. To 31.12.15 MSCI UK All Cap, to 30.11.14 MSCI UK All Cap adjusted for EIAG Ethical Restrictions & to 31.12.11 FTSE All-Share Index adjusted for Ethical Restrictions.

^{*} Mid to mid plus income re-invested.

Source: CCLA.

REPORT OF THE INVESTMENT MANAGER for the year ended 31 December 2017

Market Review

The UK economy expanded over the year, but at a moderating pace, as 'Brexit' uncertainty and more particularly the drag on consumer expenditure from higher inflation had an effect. Inflation rose, pushed higher by previous currency weakness and exceeded 3% towards the end of the year. Against a backdrop of low unemployment and poor productivity, the Bank of England increased interest rates, removing the cut made to support growth shortly after the Referendum. The overall prudent path of government economic policy was maintained, but there was some easing of near term spending constraints in the Budget, reflecting severe pressures in areas including the NHS and a weak political situation.

Against this background, the UK equity market made consistent gains with periods of consolidation, but no significant set-backs. The election paused progress, but by the Autumn prices were moving higher once again. The market was supported by the flow of monies available for investment and by increased investor confidence due to strengthening growth of the global economy, despite the moderating domestic trend. The index moved strongly higher in the closing weeks of the year due to a sharp rally in the energy and resources sectors, areas which make up a significant part of the index as a whole.

Outlook

We expect further growth in the domestic economy in 2018 at a pace similar to that experienced in the second half of 2017. Inflation, although lower, will continue to have a negative impact on consumer spending power until such time as wage growth improves. We expect to see some progress in this area as falling unemployment has a cumulative effect on the availability of labour. The Bank of England has hinted at further interest rate increases to come, but the need to maintain a reasonable pace of growth means that these are likely to be modest.

UK equity valuations are not cheap at current levels, but prices can progress if supported by higher corporate earnings. Although domestic activity growth will be unimpressive, the international exposure of UK companies means that most profits are earned in overseas areas where expansion is expected to be stronger. We are optimistic about the prospects for equities generally and expect the UK to participate in the uptrend, but it may be that the relatively high exposure of the market indices to relatively mature sectors including energy and financials means that the domestic market lags the returns achieved elsewhere.

J Bevan
Chief Investment Officer
CCLA Investment Management Limited
21 May 2018

REPORT OF THE INVESTMENT MANAGER
for the year ended 31 December 2017

Top ten changes in portfolio composition

	Cost £'000		Proceeds £'000
Purchases:		Sales:	
Bunzl	1,301	BP	1,473
Intermediate Capital	993	Worldpay	1,317
London Stock Exchange	972	BHP Billiton	976
Pfizer	785	Schroders	948
Saga	740	Johnson Matthey	889
Beazley	726	BT	871
Orkla ASA	724	RPC	826
Experian	679	Novartis	718
Hostelworld Group	652	Royal Dutch Shell B	695
Informa	646	AstraZeneca	625

When a stock has both purchases and sales in the reporting period, these transactions have been netted and the net amount has been reflected as either a net purchase or net sale in the table above.

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 Ethical Investment Policy embraces stewardship, engagement and investment exclusions.

Stewardship

The Church of England National Investing Bodies (NIBs) operate within the legal framework for investment by charities and pension funds. They owe certain fiduciary and other duties to their beneficiaries. Christian stewardship provides the context within which, and informs the manner in which, these duties are performed. The NIBs are signatories to the UK Stewardship Code which encourages institutional investors to act as good stewards of their equity investments through active ownership (monitoring, engagement and voting). The NIBs are signatories to the United Nations Principles for Responsible Investment (PRI) under which institutional investors pledge to incorporate environmental, social and governance (ESG) issues into investment analysis and decision-making processes and to be active owners across all asset classes. The NIBs recognise climate change as a distinct ethical investment issue and invest in line with a climate change policy.

Engagement

The NIBs expect companies in which they invest to manifest sustainable environmental practice, fair treatment of customers and suppliers, responsible employment practices, conscientiousness with regard to human rights, sensitivity towards the communities in which they operate and best corporate governance practice. The NIBs engage with investee companies to seek improvement in ethical standards in these areas.

There are specific policies on executive remuneration and business and engagement. From time to time, policies, papers and reports are also published to inform engagement on individual environmental and social issues.

Investment exclusions

The NIBs do not wish directly to profit from, or provide capital to, activities that are materially inconsistent with Christian values and are also mindful of the danger of undermining the credibility, effectiveness and unity of the Church's witness were they to do so. A range of investment exclusions is therefore maintained. The EIAG may, exceptionally, recommend exclusion from investment of any individual company in any line of business on ethical grounds – normally if, after sustained dialogue, the company does not respond positively to EIAG concerns about its practices. In such cases the NIBs will determine individually whether to disinvest, if they hold securities issued by the company. The EIAG and NIBs expect a recognition of responsibility and a resolve to improve, rather than perfection.

STATEMENT OF ETHICAL INVESTMENT POLICY

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

Direct investments in equities and corporate debt: The NIBs do not invest in any company involved in indiscriminate weaponry. Moreover, they do not invest in companies involved in conventional weapons if their strategic military supplies exceed 10% of turnover. The NIBs do not invest in any company that derives more than 3% of revenues from the production or distribution of pornography or in any company, a major part of whose business activity or focus (defined as more than 10% of group revenues) is tobacco, gambling, non-military firearms, high interest rate lending or human embryonic cloning. A new policy on alcohol is in the process of implementation under which companies deriving more than 5% of their revenues from alcoholic drinks are only eligible for investment if they meet EIAG standards for responsible marketing and retailing. The new climate change policy does not allow investments in companies that derive more than 10% of revenue from tar sands or thermal coal.

Individual policy documents are published separately – or are under development – setting out the criteria employed in each area to determine whether companies breach the Church’s policy and to explain the theology, ethics and reasoning underlying the policies.

Indirect investments via pooled funds: The NIBs are only able to invest in some assets, asset classes and investment strategies through pooled funds. Pooled funds are funds in which a number of different investors invest. Because the ethical investment policies of the EIAG and NIBs cannot be applied fully, or at all, in investments in pooled funds and indirect vehicles, it is essential that parameters are set for the use of pooled funds and indirect vehicles. The Pooled Funds Policy gives detailed guidance on how the NIBs should ensure that their use of pooled funds is consistent with ethical investment.

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

INDEPENDENT AUDITORS' REPORT

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

Report on the audit of the financial statements*Opinion*

In our opinion, The CBF Church of England UK Equity Fund's financial statements (the "financial statements"):

- give a true and fair view of the financial position of the Fund as at 31 December 2017 and of the net revenue and the net capital gains of its scheme property for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law), the Statement of Recommended Practice for UK Authorised Funds, and the Trust Deed.
- have been prepared in accordance with the requirements of the Church Funds Investment Measure 1958, as amended, and the Trustee Act 2000.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: balance sheet as at 31 December 2017; the statement of total return, the statement of change in net assets attributable to shareholders for the year then ended; the accounting policies; the distribution tables and the notes to the financial statements.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the Authorised Fund Managers' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Authorised Fund Manager has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

INDEPENDENT AUDITORS' REPORT**to the Shareholders of The CBF Church of England UK Equity Fund**

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Fund's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Authorised Fund Manager is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

*Responsibilities for the financial statements and the audit**Responsibilities of the Authorised Fund Manager for the financial statements*

As explained more fully in the Report of the Trustee set out on page 40, the Authorised Fund Manager is responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Authorised Fund Manager is also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Authorised Fund Manager is responsible for assessing the Fund's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Authorised Fund Manager either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in

INDEPENDENT AUDITORS' REPORT**to the Shareholders of The CBF Church of England UK Equity Fund**

accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinion, has been prepared for and only for the unitholders of the Fund as a body in accordance with the Trust Deed and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
7 More London
Riverside
London
21 May 2018

RISK AND REWARD PROFILE

The risk and reward indicator table demonstrates where the Fund ranks in terms of its potential risk and reward. The higher the rank, the greater the potential reward, but the greater the risk of losing money. It is based on past data, may change over time and may not be a reliable indication of the future risk profile of the Funds. The shaded area in the table below shows the Fund’s ranking on the risk and reward indicator.



The Fund is ranked 6 because funds of this type have experienced above average rises and falls in value in the past. Please note that even the lowest risk class can lose you money and that extreme market circumstances can mean you suffer severe losses in all cases.

The risk and reward disclosures above are based upon categories of risk which were required to be disclosed as at 31 December 2017, the reporting date of these financial statements. From 1 January 2018, new measures of the categories of risk are in force, with the result that the risk disclosures currently available for the Fund in the Key Information Document are not on a comparable basis to the disclosures above.

For further risk information please see the Scheme Information, available on the Manager’s website at www.ccla.co.uk.

COMPARATIVE TABLE

Change in net assets per share

	Year to 31.12.2017 pence per share	Income shares	
		Year to 31.12.2016 pence per share	13 months to 31.12.2015 pence per share
Opening net asset value per share	157.81	149.08	144.23
Return before operating charges*	20.86	15.86	12.11
Operating charges	(1.13)	(1.04)	(1.07)
Return after operating charges*	19.73	14.82	11.04
Distributions on income shares	(6.09)	(6.09)	(6.19)
Closing net asset value per share	171.45	157.81	149.08
* after direct transaction costs of (pence per share):	0.07	0.08	0.07

Performance

Return after charges	12.50%	9.94%	7.65%
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Other information

Closing net asset value (£'000)	64,253	58,612	54,954
Closing number of shares	37,476,442	37,140,931	36,861,627
Operating charges**	0.68%	0.70%	0.68%
Direct transaction costs	0.04%	0.06%	0.05%

Prices (pence per share)

Highest share price (offer)	172.99	160.04	158.70
Lowest share price (bid)	156.02	129.43	136.30

The return after charges has been calculated in accordance with the Statement of Recommended Practice for UK Authorised Funds' prescribed calculation methodology. This is for financial statement reporting purposes only and differs from the Fund's performance disclosed in the Report of the Investment Manager.

** Operating charges comprise the Manager's periodic charge and other expenses, including VAT, but before taking account of rebates, as these only offset charges incurred within the underlying funds. The percentages above reflect these charges divided by average net assets for the year/period.

COMPARATIVE TABLE

Change in net assets per share

	Accumulation shares		
	Year to 31.12.2017 pence per share	Year to 31.12.2016 pence per share	13 months to 31.12.2015 pence per share
Opening net asset value per share	245.61	222.77	206.87
Return before operating charges*	32.91	24.44	17.43
Operating charges	(1.78)	(1.60)	(1.53)
Return after operating charges*	31.13	22.84	15.90
Distributions on accumulation shares	(8.98)	(8.45)	(7.84)
Retained distributions on accumulation shares	8.98	8.45	7.84
Closing net asset value per share	276.74	245.61	222.77
* after direct transaction costs of (pence per share):	0.11	0.13	0.10

Performance

Return after charges	12.67%	10.25%	7.69%
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Other information

Closing net asset value (£'000)	1,496	1,194	1,124
Closing number of shares	540,653	486,077	504,653
Operating charges**	0.68%	0.70%	0.68%
Direct transaction costs	0.04%	0.06%	0.05%

Prices (pence per share)

Highest share price (offer)	277.43	247.52	230.53
Lowest share price (bid)	242.82	193.44	195.56

The return after charges has been calculated in accordance with the Statement of Recommended Practice for UK Authorised Funds' prescribed calculation methodology. This is for financial statement reporting purposes only and differs from the Fund's performance disclosed in the Report of the Investment Manager.

** Operating charges comprise the Manager's periodic charge and other expenses, including VAT, but before taking account of rebates, as these only offset charges incurred within the underlying funds. The percentages above reflect these charges divided by average net assets for the year/period.

OPERATING CHARGES ANALYSIS

for the year ended 31 December 2017

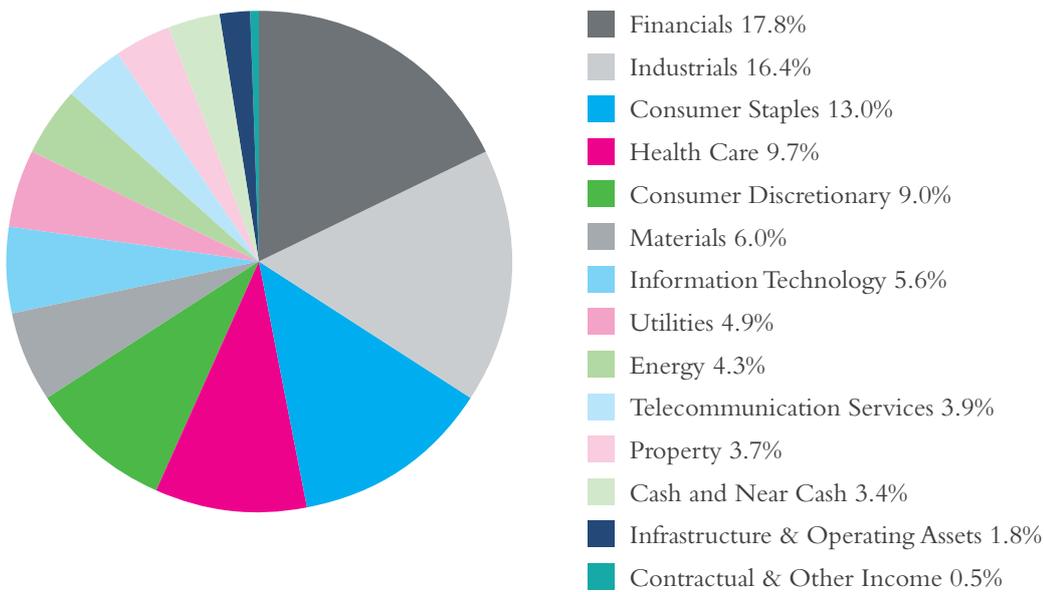
The table below analyses expenses in Note 4 to the financial statements. These expenses also represent the total operating charges, which are shown below as a percentage of average net assets. These percentages are also shown in total in the comparative tables.

	31.12.2017	31.12.2016
	%	%
Manager's periodic charge including VAT	0.60	0.60
Manager's fee for ethical services	0.02	0.02
Safe custody fees and depositary fee	0.01	0.02
Other expenses	0.05	0.06
Total operating charges	0.68	0.70

PORTFOLIO ANALYSIS

at 31 December 2017

Portfolio Allocation



The portfolio analysis above is consistent with the Fund’s factsheets, which differ from the following portfolio statement because prices used here are mid-market rather than bid.

PORTFOLIO STATEMENT

at 31 December 2017

	Holding	Fair value £'000	% of total net assets
UNITED KINGDOM 84.78% (31.12.2016, 90.02%)			
Consumer Discretionary 9.05% (31.12.2016, 8.32%)			
Burberry	35,104	629	0.96
Compass Group	75,894	1,214	1.85
Domino's Pizza (UK & Ireland)	226,552	783	1.19
Greggs	65,574	915	1.39
Hostelworld Group	199,285	757	1.15
Informa	87,325	630	0.96
InterContinental Hotels	21,632	1,021	1.55
Consumer Staples 8.08% (31.12.2016, 7.09%)			
Reckitt Benckiser	37,438	2,590	3.94
Unilever	65,931	2,719	4.14
Energy 4.31% (31.12.2016, 8.54%)			
Royal Dutch Shell B	113,214	2,835	4.31
Financials 17.01% (31.12.2016, 13.90%)			
Beazley	173,177	925	1.41
Direct Line Insurance	164,200	627	0.95
HSBC	240,979	1,846	2.81
Intermediate Capital	137,686	1,577	2.40
Lloyds	1,541,921	1,046	1.59
London Stock Exchange	38,612	1,462	2.22
Prudential	155,918	2,967	4.51
Saga	586,207	737	1.12
Health Care 7.82% (31.12.2016, 10.60%)			
Abcam	93,448	986	1.50
AstraZeneca	20,191	1,033	1.57
Dechra Pharmaceuticals	43,542	911	1.38
GlaxoSmithKline	117,228	1,545	2.35
Shire	17,178	668	1.02

PORTFOLIO STATEMENT
at 31 December 2017

	Holding	Fair value £'000	% of total net assets
Industrials 16.45% (31.12.2016, 12.33%)			
Bunzl	58,246	1,203	1.83
Diploma	69,816	870	1.32
Experian	103,081	1,685	2.56
Ferguson	18,514	987	1.50
Homeserve	94,471	764	1.16
Intertek	17,699	919	1.40
Polypipe	235,643	922	1.40
Relx	105,331	1,831	2.79
RWS	171,698	792	1.21
Spirax Sarco Engineering	14,978	842	1.28
Information Technology 3.67% (31.12.2016, 5.09%)			
Auto Trader	110,304	389	0.59
Halma	43,909	553	0.84
moneysupermarket.com	273,254	973	1.48
Rightmove	11,117	500	0.76
Materials 5.96% (31.12.2016, 9.78%)			
Croda International	32,337	1,430	2.18
DS Smith	217,677	1,127	1.71
Rio Tinto	34,499	1,359	2.07
Real Estate 3.65% (31.12.2016, 2.66%)			
A&J Mucklow	128,824	645	0.98
Empiric Student Property	623,301	578	0.88
Safestore	236,939	1,176	1.79
Telecommunication Services 3.86% (31.12.2016, 5.95%)			
Vodafone	1,081,212	2,539	3.86
Utilities 4.92% (31.12.2016, 5.76%)			
National Grid	147,063	1,286	1.96
Penon	134,217	1,046	1.59
SSE	68,382	901	1.37

PORTFOLIO STATEMENT

at 31 December 2017

	Holding	Fair value £'000	% of total net assets
OVERSEAS EQUITIES 9.55% (31.12.2016, 6.57%)			
DEVELOPED EUROPE 2.89% (31.12.2016, 3.50%)			
Consumer Staples 2.12% (31.12.2016, 1.50%)			
Nestlé	9,350	594	0.91
Orkla ASA	101,286	797	1.21
Health Care 0.77% (31.12.2016, 2.00%)			
Roche	2,721	509	0.77
NORTH AMERICA 6.66% (31.12.2016, 2.48%)			
Consumer Staples 2.80% (31.12.2016, 2.48%)			
Coca-Cola	18,025	612	0.93
Pepsico	7,239	642	0.97
Procter & Gamble	8,675	590	0.90
Health Care 1.14% (31.12.2016, 0.00%)			
Pfizer	27,890	747	1.14
Financials 0.80% (31.12.2016, 0.00%)			
JP Morgan Chase	6,685	530	0.80
Information Technology 1.92% (31.12.2016, 0.00%)			
Microsoft	10,593	670	1.02
Visa A	6,989	590	0.90
ASIA PACIFIC EX JAPAN 0.00% (31.12.2016, 0.59%)			
Consumer Staples 0.00% (31.12.2016, 0.59%)			
INFRASTRUCTURE & OPERATING ASSETS 1.78%			
(31.12.2016, 0.87%)			
Energy Resources & Environment 1.17%			
(31.12.2016, 0.38%)			
Greencoat UK Wind	448,385	550	0.84
Renewables Infrastructure	202,211	219	0.33
Social 0.61% (31.12.2016, 0.49%)			
MedicX Fund	483,552	401	0.61

PORTFOLIO STATEMENT

at 31 December 2017

	Holding	Fair value £'000	% of total net assets
<hr/>			
CONTRACTUAL & OTHER INCOME 0.48% (31.12.2016, 0.22%)			
RM Secured Direct Lending	311,698	313	0.48
<hr/>			
INVESTMENT ASSETS		63,504	96.59
NET OTHER ASSETS		2,245	3.41
TOTAL NET ASSETS		65,749	100.00
<hr/>			

STATEMENT OF TOTAL RETURN
for the year ended 31 December 2017

	Note	Year ended 31.12.2017		Year ended 31.12.2016	
		£'000	£'000	£'000	£'000
Income					
Net capital gains	2		5,720		3,821
Revenue	3	2,253		2,128	
Expenses	4	(429)		(389)	
Net revenue before taxation		1,824		1,739	
Taxation	5	(39)		8	
Net revenue after taxation			1,785		1,747
Total return before distributions			7,505		5,568
Distributions	6		(2,316)		(2,286)
Change in net assets attributable to shareholders from investment activities			5,189		3,282

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS
for the year ended 31 December 2017

	Year ended 31.12.2017		Year ended 31.12.2016	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		59,806		56,078
Amounts receivable on issue of shares	820		1,868	
Amounts payable on cancellation of shares	(113)		(1,464)	
		707		404
Change in net assets attributable to shareholders from investment activities		5,189		3,282
Retained distributions on accumulation shares		47		42
Closing net assets attributable to shareholders		65,749		59,806

The notes on pages 25 to 38 and distribution tables on page 39 form part of these financial statements.

BALANCE SHEET
at 31 December 2017

	<i>Note</i>	31.12.2017		31.12.2016	
		£'000	£'000	£'000	£'000
ASSETS					
Fixed assets:					
Investments			63,504		58,416
Current assets:					
Debtors	7	147		168	
Cash equivalents	8	2,493		1,189	
Cash and bank balances	8	228		448	
Total current assets			2,868		1,805
Total assets			66,372		60,221
LIABILITIES					
Creditors					
Other creditors	9	50		47	
Distribution payable on income shares		573		368	
Total liabilities			623		415
Net assets attributable to shareholders			65,749		59,806

The financial statements on pages 23 to 39 have been approved by the Trustee.

Approved on behalf of the Trustee
21 May 2018

R Williams, Chairman
CBF Funds Trustee Limited

The notes on pages 25 to 38 and distribution tables on page 39 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

1. Accounting policies

(a) Basis of preparation

The financial statements have been prepared on a going concern basis, in compliance with FRS 102 and in accordance with the Statement of Recommended Practice for UK Authorised Funds (SORP) issued by the Investment Management Association in May 2014 and the Trust Deed and the Collective Investment Scheme Sourcebook. The financial statements have been prepared under the historical cost basis, as modified by the revaluation of investments.

The Fund is exempt from preparing a statement of cash flows under FRS 102 as substantially all of the Fund's investments are highly liquid, substantially all of the Fund's investments are carried at market value and the Fund provides a statement of changes in net assets.

(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 or otherwise, on receipt of cash. Interest on bank deposits and interest on deposits in The CBF Church of England Deposit Fund are accrued on a daily basis.

Revenue is stated net of irrecoverable tax credits.

(c) Stock dividends

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

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

The underlying circumstances behind a special dividend, share buy-back or additional share issue are reviewed on a case by case basis in determining whether the amount is revenue or capital in nature. Amounts recognised as revenue form part of the distribution.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

1. Accounting policies (*continued*)

(e) Expenses

The Manager's periodic charge and fees for ethical and stewardship services, paid to the Manager, are charged to the capital of the Fund. During the year, the fee was based on a fixed percentage of the value of the Fund, which is currently 0.50% 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 the management fees are charged to revenue. On a daily basis, the value of the Fund at the end of the previous day is taken to calculate the fee due. This fee covers the provision of investment services and other expenses incurred by the Manager. Audit, legal, safe custody fees, transaction charges and insurance fees are charged separately to the revenue of the Fund before distribution. The Trustee's administration fee is charged to the revenue of the Fund.

(f) Distributions

Distributions are paid quarterly. The Fund utilises an income reserve to even out the fluctuations in revenue which arise over the years (see note 10). Movements in the income reserve are therefore adjustments made to the net revenue in determining the distributions.

(g) Basis of valuation

Quoted investments are valued at bid-market values at the close of business, on the last business day of the accounting period.

(h) Foreign exchange

Assets and liabilities in foreign currencies are expressed in sterling at rates of exchange ruling on the accounting date. Transactions in foreign currencies are translated into sterling at the exchange rates ruling on the transaction dates.

(i) Cash equivalents

The Manager has treated some assets as Cash equivalents for the purposes of the Balance Sheet disclosure. Investments are regarded as Cash equivalents if they meet all of the following criteria:

- highly liquid investments held in Sterling that are readily convertible to a known amount of cash;
- are subject to an insignificant risk of change in value; and
- provide a return no greater than the rate of a three month high quality government bond.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

2. Net capital gains

	Year ended 31.12.2017 £'000	Year ended 31.12.2016 £'000
The net capital gains during the year comprise:		
Realised gains on non-derivative securities*	2,210	3,035
Unrealised gains on non-derivative securities*	3,488	787
Currency gains/(losses)	22	(1)
	5,720	3,821

* Where net realised gains include gains/(losses) arising in previous reporting periods, a corresponding (loss)/gain is included in unrealised gains/(losses).

3. Revenue

	Year ended 31.12.2017 £'000	Year ended 31.12.2016 £'000
UK dividends	1,952	2,021
Overseas dividends	291	91
Interest on The CBF Church of England Deposit Fund	4	11
Bank interest	1	2
Manager's periodic charge rebate*	5	3
	2,253	2,128

* In the prior year this was disclosed as a negative expense, this has been reallocated to the income note in the current year.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

4. Expenses

	Year ended 31.12.2017 £'000	Year ended 31.12.2016 £'000
Payable to the Manager, associates of the Manager and agents of either of them:		
Manager's periodic charge – see note 1(e)	381	334
Manager's fee for ethical services	10	10
	391	344
Payable to the Trustee, associates of the Trustee and agents of either of them:		
Monitoring fee	5	5
Safe custody fees	3	3
	8	8
Other expenses:		
Audit fee	10	14
Trustee liability insurance	–	1
Other fees	20	22
	30	37
Total expenses	429	389

Audit fee net of VAT is £8,462 (31.12.2016, £8,215).

The above expenses include VAT where applicable.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

5. Taxation

The Fund has charitable status and is exempt from UK Income Tax and Capital Gains Tax pursuant to Part 11 Chapter 3 of the Corporation Tax Act 2010. Distributions are paid and reinvested revenue credited gross to shareholders on the basis that all recoverable UK taxation has been reclaimed.

	Year ended 31.12.2017 £'000	Year ended 31.12.2016 £'000
Overseas taxation suffered in the year	12	(9)
Overseas recoverable withholding tax written off in the year	27	1
Total taxation	39	(8)

6. 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:

	Year ended 31.12.2017 £'000	Year ended 31.12.2016 £'000
31 March – interim distribution	577	751
30 June – interim distribution	585	600
30 September – interim distribution	579	567
31 December – final distribution	581	375
	2,322	2,293
Add: revenue deducted on cancellation of shares	–	4
Deduct: revenue received on issue of shares	(6)	(11)
Net distribution for the year	2,316	2,286
Net revenue after taxation for the year	1,785	1,747
Manager's periodic charge – see note 1(e)	391	344
Transfer from income reserve – see note 10	140	195
Net distribution for the year	2,316	2,286

Details of the distribution per share are set out in the distribution tables on page 39.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

6. Distributions (continued)

The Manager's periodic charge is charged to capital, so this amount is added back in the table above to the net distribution for the year and deducted from capital.

There were no unclaimed distributions as at 31 December 2017 (31.12.2016, £30,829).

7. Debtors

	31.12.2017 £'000	31.12.2016 £'000
Accrued revenue	147	168

8. Cash and bank balances and Cash equivalents

	31.12.2017 £'000	31.12.2016 £'000
Cash equivalents: cash in The CBF Church of England Deposit Fund	2,493	1,189
Cash and bank balances: cash at bank	228	448

9. Other creditors

	31.12.2017 £'000	31.12.2016 £'000
Accrued expenses	50	47

10. Income reserve

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

	Year ended 31.12.2017 £'000	Year ended 31.12.2016 £'000
Income reserve at the start of the year	617	808
Equalisation of the income reserve	6	4
Transfer from income reserve	(140)	(195)
Income reserve at the end of the year	483	617

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

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 consistently throughout the year and the comparative year.

Market price risk

This is an actively managed Fund which invests mainly 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.

At 31 December 2017, if the price of the investments held by the Fund increased or decreased by 5%, with all other variables remaining constant, then the net assets attributable to shareholders, and profit or loss, would increase or decrease respectively by approximately £3,175,000 (31.12.2016, £2,920,000).

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.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

11. Financial instruments (continued)

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.

Currency risk

The Fund is exposed to fluctuations in foreign currencies as some of its assets and revenue are denominated in currencies other than sterling, the base currency of the Fund. The Fund may enter into forward currency contracts to protect the sterling value of the underlying portfolio of securities against the effect of possible adverse movements in foreign exchange rates on investments and revenue accrued, but not yet received. In respect of revenue, receipts are converted to sterling shortly after receipt.

At 31 December 2017, if the value of sterling increased or decreased by 1% against all currencies, with all other variables remaining constant, then the net assets attributable to unitholders, and profit or loss, would decrease or increase respectively by approximately £63,000 (31.12.2016, £39,870).

The total foreign currency exposure at 31 December 2017 and 31 December 2016 was:

Currency	31.12.2017			31.12.2016		
	Monetary exposures £'000	Non-monetary exposures £'000	Total £'000	Monetary exposures £'000	Non-monetary exposures £'000	Total £'000
Australian dollar	–	–	–	–	353	353
Euro	46	–	46	47	–	47
Norwegian krone	–	797	797	–	–	–
Swiss franc	–	1,102	1,102	–	2,098	2,098
US dollar	4	4,382	4,386	10	1,479	1,489
Total	50	6,281	6,331	57	3,930	3,987

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

11. Financial instruments (continued)

Interest rate risk

The majority of the Fund's financial assets are equities which neither receive interest nor have maturity dates. The Fund invests in cash deposits, the revenue of which may be affected by changes to interest rates relevant to cash deposits or as a result of the Manager being unable to secure similar returns following the withdrawal of the cash deposits. A sensitivity analysis for interest rate risk is not shown as the impact is unlikely to be significant.

The interest rate profile of the Fund's financial assets and liabilities at 31 December 2017 was as set out below:

Currency	Floating rate financial assets* £'000	Fixed rate financial assets £'000	Financial assets not carrying interest £'000	Total £'000
Sterling	2,721	–	57,320	60,041
Euro	–	–	46	46
US dollar	–	–	4,386	4,386
Other	–	–	1,899	1,899
Total	2,721	–	63,651	66,372

Currency	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000
Sterling	–	–	623	623
Total	–	–	623	623

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

11. Financial instruments (continued)

Interest rate risk (continued)

The total exposure at 31 December 2016 was:

Currency	Floating rate financial assets* £'000	Fixed rate financial assets £'000	Financial assets not carrying interest £'000	Total £'000
Sterling	1,637	–	54,597	56,234
Euro	–	–	47	47
US dollar	–	–	1,489	1,489
Other	–	–	2,451	2,451
Total	1,637	–	58,584	60,221

Currency	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000
Sterling	–	–	415	415
Total	–	–	415	415

* 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 during the current year or prior year.

12. Commitments and contingent liabilities

There were no other commitments or contingent liabilities as at 31 December 2017 (31.12.2016, £nil).

13. Related party transactions

The Manager's periodic charge and fee for ethical and stewardship services are paid to the Manager, a related party to the Fund. The amounts incurred in respect of these charges are disclosed in note 4. An amount of £33,375 was due to the Manager at 31 December 2017 (31.12.2016, £30,268). There were no other transactions entered into with the Manager during the year (31.12.2016, £nil).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

13. Related party transactions (continued)

CBFFT, as Trustee, is a related party to the Fund. There were no outstanding balances due to CBFFT at 31 December 2017 (31.12.2016, £nil). There were no other transactions entered into with CBFFT during the year (31.12.2016, £nil).

At 31 December 2017 a cash balance of £2,492,657 (31.12.2016, £1,188,796) was held in The CBF Church of England Deposit Fund. During the year, the Fund received interest of £3,963 (31.12.2016, £10,318) from The CBF Church of England Deposit Fund.

The CBF Church of England Investment Fund had a 77.02% holding of the total shares in issue in the Fund as at 31 December 2017 (31.12.2016, 78.01%).

14. Portfolio transaction costs

For the year ended 31 December 2017:

	Value £'000	Commissions £'000	%	Taxes £'000	%	Total £'000
Analysis of total purchases costs						
Equity transactions	17,825	10	0.06	–	–	17,835
Corporate actions	85	–	–	–	–	85
Total	17,910	10		–		17,920

	Value £'000	Commissions £'000	%	Taxes £'000	%	Total £'000
Analysis of total sales costs						
Equity transactions	18,367	(16)	0.09	–	–	18,351
Total	18,367	(16)		–		18,351

Commissions and taxes as a percentage of average net assets

Commissions 0.04%

Taxes 0.00%

The average portfolio dealing spread, including the effect of foreign exchange, as at the balance sheet date was 0.23%.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

14. Portfolio transaction costs (*continued*)

For the year ended 31 December 2016

	Value £'000	Commissions £'000	%	Taxes £'000	%	Total £'000
Analysis of total purchases costs						
Equity transactions	21,814	13	0.06	–	–	21,827
Total	21,814	13		–		21,827

	Value £'000	Commissions £'000	%	Taxes £'000	%	Total £'000
Analysis of total sales costs						
Equity transactions	19,882	(18)	(0.08)	–	–	19,864
Corporate actions	1,900	–	–	–	–	1,900
Total	21,782	(18)		–		21,764

Commissions and taxes as a percentage of average net assets

Commissions 0.06%

Taxes 0.00%

The average portfolio dealing spread, including the effect of foreign exchange, as at the balance sheet date was 0.17%.

For the current year and the comparative year, in the case of equities, commissions and taxes are paid by the Fund on each transaction. In addition, there is a dealing spread between the buying and selling prices of the underlying investments. Unlike equities, the majority of other types of investments (such as bonds, money market instruments, derivatives) have no separately identifiable transaction costs; these costs form part of the dealing spread. Dealing spreads vary considerably depending on the transaction value and market sentiment.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

15. Shareholders' funds – reconciliation of shares

	Year ended 31.12.2017	
	Income shares	Accumulation shares
Opening number of shares at beginning of year	37,140,931	486,077
Shares issued in year	372,617	74,032
Shares cancelled in year	(52,477)	(9,760)
Shares converted in year	15,371	(9,696)
Closing number of shares	37,476,442	540,653

All shares carry the same rights.

16. Fair value of financial assets and financial liabilities

In respect of financial assets and liabilities other than investments, there is no material difference between their value, as shown on the balance sheet, and fair value.

Investments are held at fair value. An analysis of the valuation technique used to derive fair value of the investments is shown below:

The fair value of investments has been determined using the following hierarchy:

Level 1 The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2 Inputs other than quoted prices included above that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

Level 3 Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

For the year ended 31 December 2017

Category	1 £'000	2 £'000	3 £'000	Total £'000
Investment Assets	63,504	–	–	63,504
	63,504	–	–	63,504

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

16. Fair value of financial assets and financial liabilities (continued)

For the year ended 31 December 2016

Category	1 £'000	2 £'000	3 £'000	Total £'000
Investment Assets	58,416	–	–	58,416
	58,416	–	–	58,416

For financial instruments which have quoted prices for identical instruments in active markets, the prices are taken to be fair value.

DISTRIBUTION TABLES

for the year ended 31 December 2017

Period ended	Date paid/payable	Dividends paid/payable pence per share	
		2017	2016
Income shares			
31 March	31 May	1.52	2.01
30 June	31 August	1.52	1.60
30 September	30 November	1.52	1.49
31 December	28 February	1.53	0.99
		6.09	6.09
Revenue accumulated			
		pence per share	
		2017	2016
Accumulation shares			
31 March		2.38	2.33
30 June		3.17	2.44
30 September		2.04	2.22
31 December		1.39	1.46
		8.98	8.45

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 from time to time) 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 agree their terms of engagement;
- determine the rate of remuneration of the Manager in accordance with the Measure and the Scheme Information;
- exercise supervision and oversight of 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;
- review the appointment, supervision and oversight of any Registrar or other delegate whom it has appointed in accordance with the provisions of this 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 financial statements**

The Trustee of the Fund is required, by the Measure, to prepare Financial Statements which give a true and fair view of the financial position of the Fund at each interim 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 financial statements show the net asset value of the shares in the Fund as at the date to which the financial statements 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 the financial statements, 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 for UK Authorised Funds (SORP) issued by the Investment Management Association in May 2014;
- follows generally accepted accounting principles and applicable United Kingdom accounting standards;
- keeps proper accounting records which enables them to demonstrate that the financial statements, as prepared, comply with the above requirements;

- makes judgments and estimates that are prudent and reasonable; and
- prepares the financial statements on the going concern basis 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.

Manager responsibilities

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.

CBF Funds Trustee Limited
(Charity Registration No. 1116932)

Trustee Directors

R Williams (Chairman)
Rev Canon E Carter
N Lewis*
G Pollard
P Read*
S Steele* (resigned 26 February 2018)
Rev Dr R Turnbull*
M Woodmore*
A Brookes (appointed 6 November 2017)
S Chan (appointed 6 November 2017)
C Johnson (appointed 6 November 2017)
* *Members of the Audit Committee*

Secretary

J Fox

Manager and Registrar

CCLA Investment Management Limited
Senator House, 85 Queen Victoria Street
London EC4V 4ET
Telephone: 0207 489 6000
Client Service:
Freephone: 0800 022 3505
Email: clientservices@ccla.co.uk
www.ccla.co.uk
Authorised and regulated by the Financial Conduct Authority

Administrator

HSBC Securities Services (UK) Limited
1-2 Lochside Way
Edinburgh Park
Edinburgh EH12 9DT
Authorised and regulated by the Financial Conduct Authority

Executive Directors of the Manager

M Quicke, OBE (Chief Executive)
J Bevan (Chief Investment Officer)
A McMillan (Chief Operating Officer)
A Robinson, MBE (Director Market Development)

Non-Executive Directors of the Manager

R Horlick (Chairman) (appointed 1 January 2017)
R Norris
T Salmon, OBE
J Tattersall
R Williams

Fund Manager

J Bevan

Company Secretary

J Fox

Head of Operational Risk, Internal Audit and Compliance

S Forrest (resigned 31 January 2018)
R Plumridge (from 31 January 2018)

Head of Ethical and Responsible Investment

J Corah

Third Party Advisors**Banker**

HSBC Bank plc
60 Queen Victoria Street
London EC4N 4TR

Custodian and Depositary

HSBC Bank plc
8 Canada Square
London E14 5HQ

Solicitors

Farrer & Co LLP
66 Lincoln's Inn Fields
London WC2A 3LH

Independent Auditors

PricewaterhouseCoopers LLP
7 More London Riverside
London SE1 2RT

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

- Investing in high quality, well-diversified commercial and industrial property
- Focus on delivering attractive income
- Actively managed to add value

Deposit Fund

- An attractive rate
- Interest paid gross
- No minimum balance
- Easy access
- Simple operation
- Excellent service
- Free BACS transfers
- AAAf/S1 Fund rating*

* The Deposit Fund is rated AAAf/S1 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

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