

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

Year ended 31 December 2022

**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 2022**

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. The Manager is authorised and regulated by the Financial Conduct Authority (“FCA”).

**Structure and management of the Fund**

The Fund is an investment fund, administered as a common fund and is 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, the Church of England (Miscellaneous Provisions) Measure 2006, the Church of England (Miscellaneous Provisions) Measure 2010 (together the “Measure”) and the Trustee Act 2000. The Fund was formed on 1 December 2004. The Fund is not a collective investment scheme within the meaning of the Financial Services and Markets Act 2000 (“FSMA”) as amended or changed from time to time.

CBF Funds Trustee Limited (the “Trustee”) is the Trustee and Operator of the Fund. The Trustee is a company incorporated under the Companies Act 1985 (now Companies Act 2006). It is a registered charity (No. 1116932) and is incorporated in England and Wales as a company limited by guarantee.

The Manager has been appointed by the Trustee pursuant to the investment management agreement dated September 2008 to provide discretionary investment management services as well as administrative and registration services under the investment management agreement.

Under the provisions of FSMA, the Trustee is not considered to be operating the Fund “by way of business”. Consequently, it is not required to be authorised or regulated by the FCA and its members are not required to be approved by the FCA for this purpose.

As the Fund is structured as an unregulated fund, investments in the Fund are not covered by the Financial Services Compensation Scheme.

**Charitable status**

The Fund is entitled to charitable status by virtue of section 99(4) of the Charities Act 2011. In the administration of the Fund, the Trustee is exempt from the jurisdiction of the Charity Commission by virtue of section 5(1) of the Measure.

**Investment objective**

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

**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, which may be either liquid or illiquid in nature.

## REPORT OF THE TRUSTEE for the year ended 31 December 2022

### Comparator benchmark

The comparator benchmark for the Fund is the MSCI™ United Kingdom Investable Market Index. The comparator benchmark sets a standard against which the performance of the Fund can be assessed.

### Target investors

The Fund is intended for eligible charity investors, with at least a basic knowledge of relevant financial instruments, which are affiliated with the Church of England and seeking to invest in an actively managed fund that reflects the investment objective and investment policy of the Fund. Investors should be looking to invest for at least five years and understand that their capital may be at risk, have the ability to bear losses and appreciate that the value of their investment and any derived income may fall as well as rise.

Please note that the Manager is not required to assess the suitability or appropriateness of the Fund against each investor.

Investors may be either retail or professional clients (both per se and elective).

### Review of investment activities and policies of the Fund

The Trustee is ultimately responsible for The CBF Church of England UK Equity Fund and receives reports on the published financial statements.

The Trustee holds at least four meetings each year and monitors the investment, property and cash management, administration, registration and company secretarial services provided the Manager under the investment management agreement. The Trustee has appointed an audit committee to review the financial statements of the Fund and to receive and consider regular reports from the Manager on the management and administration of the Fund.

The Trustee has appointed the custodian to hold the securities of the Fund in specially designated accounts in safe custody.

### Delegation of functions

Following its regular meetings and consideration of the reports and papers it has received, the Trustee 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 investment management agreement.

**REPORT OF THE TRUSTEE**

for the year ended 31 December 2022

**Controls and risk management**

The Trustee receives and considers regular reports from the Manager. Ad hoc reports and information are supplied as required.

The Trustee has appointed HSBC Bank plc Trustee and Depositary Services to oversee 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. HSBC Bank plc Trustee and Depositary Services also provide semi-annual reviews to the Trustee. This oversight 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.

At its periodic audit committee meetings, the Trustee receives a report from the Chief Risk Officer of the Manager which covers the following areas amongst others:

- breaches and complaints recorded on the Fund during the reporting period;
- compliance monitoring reviews relevant to the Fund during the reporting period;
- a summary of the internal audit reviews carried out during the reporting period and any significant findings;
- an enterprise risk report which outlines any operational risk events which impacted the Fund; and
- an investment risk report on the Fund with relevant metrics as at the last month end prior to the audit committee meeting.

A Brookes, Chair  
CBF Funds Trustee Limited  
30 May 2023

## REPORT OF THE INVESTMENT MANAGER for the year ended 31 December 2022

### Strategy

The investment objective of the Fund is to provide capital growth over the long term and an attractive level of income. To achieve this objective it has a diversified portfolio of good quality companies, predominantly listed on the domestic security exchange but with some holdings in companies listed on stock exchanges overseas, which provide access to sectors and industries which are not well represented in the UK listed market. The portfolio is biased towards companies with a robust financial position and which are not dependent on cyclical trends in the broad economy to grow earnings. In the current investment environment this has resulted in an above average weighting to companies which have a high international component to their activities. At the sector level there are relatively high weightings to

technology and health and low weightings to energy; there is no exposure to fossil fuel businesses. Tobacco is excluded from the portfolio on ethical grounds.

### Market review

As was the case for the wider global economy, economic growth faltered in 2022 in a marked contrast from the strong post-Covid recovery seen in 2021. The slowdown was prompted by an upsurge in the rate of inflation and the tighter monetary policies that were implemented to control it. In the early days of January, central banks began to signal their concerns that inflation was likely to prove less transitory than they had previously anticipated, and that addressing the emerging challenge would require more aggressive interest rate hikes than had previously been contemplated.

### Annualised total capital and income return

| To 31 December 2022  | 1 year<br>% | 5 years<br>% p.a. | 10 years<br>% p.a. |
|--|-------------|-------------------|--------------------|
| <b>Performance against market indices (after expenses)</b> |             |                   |                    |
| <b>The CBF Church of England UK Equity Fund</b>            |             |                   |                    |
| Income Shares*   | -16.87      | 4.26              | 7.76               |
| Accumulation Shares*                                       | -16.86      | 4.27              | 7.77               |
| Comparator benchmark#                                      | 1.60        | 2.59              | 6.21               |
| MSCI UK Investable Market Index                            | 1.60        | 2.59              | 6.20               |
| MSCI UK MID Cap  | -20.57      | -0.09             | 5.36               |
| Consumer Price Index (CPI)                                 | 10.51       | 3.93              | 2.68               |

# Comparator – Composite: 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.

\* Mid to mid plus income re-invested.

Source: CCLA.

## REPORT OF THE INVESTMENT MANAGER for the year ended 31 December 2022

Market sentiment weakened further following Russia's invasion of Ukraine in late February 2022, with heightened geopolitical uncertainty being compounded by the war's exacerbating effect on supply chains and inflation affecting a range of key commodities such as oil and gas, aluminium, and food and fertilisers. The implementation of higher interest rates and the expectation of further hikes caused significant damage to asset valuations.

Globally, equity markets therefore had a difficult year. The decline in valuations was greatest in those sectors such as information technology which are dominated by 'growth' businesses as opposed to 'value' stocks whose returns are less dependent on future prospects.

The headline UK index, by contrast, performed relatively well, being the only major equity market to deliver a positive total return for the year, at +1.6%. The global equity index returned -8.1% over the same period in sterling terms.

The UK's outperformance was driven partly by the dominance of the domestic listed market by export-focused global businesses, whose results in sterling benefited from the strengthening of the US dollar relative to the pound (and other

currencies) for much of the year. The more domestically-focused index of smaller UK companies fared a good deal worse than the market as a whole, with negative returns of -22% for the year. The other main driver of the UK market's relative strength was the high weighting within the index of the traditional energy sector and mining companies, whose fortunes move largely in tandem with the volatile prices of the commodities in which they trade.

### Performance

Over the year the Fund's total return after expenses was -16.9% on an income share (accumulation share: -16.9%). This compares with a return on the benchmark UK index of +1.6%. The portfolio's bias towards high quality companies with robust business models, rising margins, strong balance sheets and growth prospects which are not dependent on wider economic growth means that there were no holdings of the traditional energy stocks and mining companies which are heavily represented in the index and which benefited during the year from commodity price volatility. The absence of these stocks accounted for the Fund's underperformance relative to the headline UK index.

## REPORT OF THE INVESTMENT MANAGER for the year ended 31 December 2022

### Outlook

The outlook for economic growth remains uncertain. The risk of global recession is receding, for example with the world's dominant economy, the US, proving remarkably resilient and with China's relaxing of its draconian Covid restrictions promising a recovery in demand and activity levels. To the extent that the UK may experience recession, this appears set to be relatively shallow and short lived although it is expected to continue to lag the pace of growth achieved in other major economies.

By weight, the UK listed equity market is dominated by multi-national businesses whose success is affected more by global than by domestic economic progress. Overall economic growth is likely to remain subdued in the face of inflation, which although expected to fall significantly is likely to remain elevated by the standards of the pre-Covid decade, and the higher interest rates that are intended to bring inflation under control. With higher prices and higher borrowing costs keeping consumer and business demand in check, as well as the increased cost to companies of labour and goods, corporate earnings will remain under pressure there remains a distinct possibility of an earnings recession even if an economic recession can be avoided.

Disappointing news on corporate earnings, then, could prompt further setbacks for equity markets. In any event we believe that with the era of ultra-low inflation and supportive monetary policy behind us and a period of adjustment to the new environment ahead of us, heightened volatility could be a feature of market behaviour for some time.

Nevertheless, following the damage done to valuations in 2022 markets are now looking more reasonably priced relative to earnings. In due course, we would expect markets to anticipate the economic recovery that should follow the peak of the monetary policy tightening cycle, and to experience an improvement in sentiment as a result.

J Ayre and C Ryland  
Co Heads of Investment  
CCLA Investment Management Limited  
30 May 2023

REPORT OF THE INVESTMENT MANAGER  
for the year ended 31 December 2022

Top ten changes in portfolio composition

|                              | Cost<br>£'000 |                      | Proceeds<br>£'000 |
|------------------------------|---------------|----------------------|-------------------|
| <b>Purchases:</b>            |               | <b>Sales:</b>        |                   |
| AstraZeneca                  | 1,582         | Homeserve            | 1,751             |
| Genus                        | 1,194         | Lloyds Banking Group | 1,486             |
| Intermediate Capital Group   | 1,036         | Aveva Group          | 1,439             |
| CVS Group                    | 821           | Beazley              | 1,381             |
| Dechra Pharmaceuticals       | 785           | Moneysupermarket.com | 1,147             |
| Watches of Switzerland Group | 755           | Safestore REIT       | 1,107             |
| Experian                     | 751           | Abcam                | 938               |
| Croda International          | 685           | Victrex              | 879               |
| Admiral Group                | 678           | RELX                 | 813               |
| Spirax-Sarco Engineering     | 604           | Compass Group        | 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**

Past performance is not a reliable indicator of future results. The price of the Fund's Shares and any income distributions from them may fall as well as rise and an investor may not get back the amount originally invested.

The Fund's Shares are intended only for long-term investment and are not suitable for money liable to

be spent in the near future. Shares are realisable on each weekly dealing day only. The Fund mainly invests in stocks from a single geographical area which can lead to risk of concentration.

Investments in the Fund are not covered by the Financial Services Compensation Scheme.

**STATEMENT OF ETHICAL INVESTMENT POLICY****to the Shareholders of The CBF Church of England UK Equity Fund****Ethical investment**

The Fund is managed in accordance with ethical investment policies developed by the three National Investing Bodies (the Church Commissioners and Church of England Pensions Board being the other two) based on the advice of the Church's Ethical Investment Advisory Group (EIAG). Responsibility for accepting National Investing Bodies (NIBs) policy and EIAG recommendations rests with the Trustee. The Trustee is represented on the EIAG by C Chan, a director of the Trustee. The Ethical Investment Policy embraces stewardship, engagement and investment exclusions.

**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 the investment decision making process and stewardship activities associated with the Fund's holdings, more details can be found at <https://www.ccla.co.uk/sustainability/corporate-governance/approach-esg>.

The Manager is a signatory to both the UK Stewardship Code and the United Nations Principles for 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 Association (UKSIF).

**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.

## STATEMENT OF ETHICAL INVESTMENT POLICY

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

**Investment exclusions**

The NIBs do not wish to directly 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 or the NIBs 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 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.

**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, or high interest rate lending. The National Investing Bodies will exclude from their investments any

company deriving more than 25% of its turnover from the production or licensed sale of alcoholic drinks, except in the case of companies whose sole business is the provision of alcoholic drinks with food.

The climate change policy (2015) 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. More information can be found at <https://www.churchofengland.org/about/leadership-and-governance/ethical-investment-advisory-group/policies-and-reviews>.

**Direct investments in property:** The NIBs apply the same exclusions to direct property investments as are used for equities and corporate debt investments. To implement this policy, we seek to screen properties prior to investing in them. We do this by assessing the activities undertaken by the underlying tenants. Full details on how the policy is applied can be found in our values based screening policy which can be accessed at <https://www.ccla.co.uk/about-us/policies-and-reports/policies/values-based-screening-policy>.

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STATEMENT OF ETHICAL INVESTMENT POLICY  
to the Shareholders of The CBF Church of England UK Equity Fund

**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 these investments, the Pooled Funds Policy gives detailed guidance on how the NIBs should ensure that their use of pooled funds is consistent with ethical investment. Full details on how the policy is applied can be found in our values based screening policy which can be accessed at <https://www.ccla.co.uk/about-us/policies-and-reports/policies/values-based-screening-policy>.

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The EIAG was established in 1994 and includes representation from The Church Commissioners, The CBF Church of England Funds, the Church of England Pensions Board and up to seven independent members who are appointed by a dedicated Nominations Committee. It is currently

Chaired by Barbara Ridpath who took over from the Right Reverend David Walker, The Bishop of Manchester, on the 8 July 2020. More information about the EIAG is available at [www.churchofengland.org/eiag](http://www.churchofengland.org/eiag).

## INDEPENDENT AUDITOR'S 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 financial statements of The CBF Church of England UK Equity Fund ('the Fund'):

- give a true and fair view of the financial position of the Fund as at 31 December 2022 and of the net revenue and the net capital losses on the property of the Fund for the year ended 31 December 2022;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Church Funds Investment Measure 1958 ('the Measure'), Trust Deed, and the Trustee Act 2000.

We have audited the financial statements which comprise for each fund:

- the statement of total return;
- the statement of change in net assets attributable to shareholders;
- the balance sheet;
- the distribution tables; and
- the summary of significant accounting policies, judgements and estimates applicable to all sub-funds and individual notes.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice), Church Funds Investment Measure 1958 ('the Measure') and the Trustee Act 2000.

*Basis for opinion*

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**INDEPENDENT AUDITOR'S REPORT****to the Shareholders of The CBF Church of England UK Equity Fund***Conclusions relating to going concern*

In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Fund's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the trustees and Manager with respect to going concern are described in the relevant sections of this report.

*Other information*

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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 in this regard.

*Responsibilities of trustees and Manager*

As explained more fully in the trustees' responsibilities statement and the Manager's responsibilities statement, the Manager is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Manager determines 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 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 Manager either intends to liquidate the fund or to cease operations, or has no realistic alternative but to do so.

## INDEPENDENT AUDITOR'S REPORT

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

*Auditor's 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 auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in 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 FRC's website at:

[www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

*Extent to which the audit was considered capable of detecting irregularities, including fraud*

Irregularities, including fraud, are instances of non-compliance with laws and regulations.

We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the Fund's industry and its control environment, and reviewed the Fund's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and Trustees about their own identification and assessment of the risks of irregularities, including those that are specific to the Fund's business sector.

We obtained an understanding of the legal and regulatory frameworks that the Fund operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the relevant tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the Fund's ability to operate or to avoid a material penalty. These included The Church Funds Investment Measure 1958 and Trustee Act 2000.

We discussed among the audit engagement team, including relevant internal specialists such as financial instruments specialists, regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

## INDEPENDENT AUDITOR'S REPORT

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

As a result of performing the above, we identified the greatest potential for fraud in the valuation and existence of investments due to its significance to the net asset values of the sub-funds. In response we have: involved our financial instruments specialists to assess the applied valuation methodologies; agreed investment holdings to independent confirmations; and agreed investment valuations to reliable independent sources.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing correspondence with HMRC and the FCA.

*Use of our report*

This report is made solely to the shareholders of the Fund, as a body, in accordance with paragraph 14 of the Schedule to the Church Investment Funds Measure 1958. Our audit work has been undertaken so that we might state to the shareholders of the Fund those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than shareholders of the Fund, as a body, for our audit work, for this report, or for the opinions we have formed.

Deloitte LLP  
Statutory Auditor  
Glasgow, United Kingdom  
30 May 2023

## SUMMARY RISK INDICATOR

The UK PRIIPs Regulation requirements set out detailed guidelines for the calculation of the risk ratings of products to be portrayed through a summary risk indicator. It is intended to be a guide to the level of risk of this product compared to other products. It shows how likely it is that the product will lose money because of movements in the markets or because the Manager is not able to pay you. The risk of the product may be significantly higher than the one represented in the summary risk indicator where the product is not held for the recommended holding period (RHP).



The Manager has classified The CBF Church of England UK Equity Fund as 4 out of 7, which is a medium risk class. This rates the potential losses from future performance at a medium level and poor market conditions could impact the Manager's capacity to pay you. This classification is not guaranteed and may change over time and may not be a reliable indication of the future risk profile of the Fund. The lowest category does not mean risk free.

The summary risk indicator assumes investment in the Fund for the RHP of five years. The actual risk can vary significantly if you cash in at an early stage and you may get back less.

The Fund should be considered illiquid as it is not admitted to trading on a secondary market and no alternative liquidity facility is promoted by the Manager or a third party. However, investors can request redemption at any time and the Fund deals on a weekly basis. The Fund does not include any protection from future market performance, so you could lose some or all of your investment.

A more detailed description of risk factors that apply to this product is set out in the latest Scheme Information document available on CCLA's website or by request.

## COMPARATIVE TABLE

## Change in net assets per Share

|                                      | Income Shares                               |   |   |
|--------------------------------------|---|---|---|
|                                      | Year to<br>31.12.2022<br>pence<br>per Share | Year to<br>31.12.2021<br>pence<br>per Share | Year to<br>31.12.2020<br>pence<br>per Share |
| Opening net asset value per Share    | 222.06                                      | 188.81                                      | 194.08                                      |
| Return before operating charges*     | (36.36)                                     | 40.92                                       | 2.13  |
| Operating charges**                  | (1.20)                                      | (1.34)                                      | (1.19)                                      |
| Return after operating charges*      | (37.56)                                     | 39.58                                       | 0.94  |
| Distributions on Income Shares       | (6.46)                                      | (6.33)                                      | (6.21)                                      |
| Closing net asset value per Share    | 178.04                                      | 222.06                                      | 188.81                                      |
| * after direct transaction costs of: | 0.04  | 0.03  | 0.08  |

## Performance

|                      |          |        |       |
|----------------------|----------|--------|-------|
| Return after charges | (16.91%) | 20.96% | 0.48% |
|----------------------|----------|--------|-------|

## Other information

|                                 |            |            |            |
|---------------------------------|------------|------------|------------|
| Closing net asset value (£'000) | 62,643     | 78,874     | 68,212     |
| Closing number of Shares        | 35,184,578 | 35,519,134 | 36,127,452 |
| Operating charges**             | 0.67%***   | 0.65%      | 0.66%      |
| Direct transaction costs        | 0.02%      | 0.02%      | 0.04%      |

## Prices (pence per Share)

|                             |        |        |        |
|-----------------------------|--------|--------|--------|
| Highest Share price (offer) | 223.20 | 225.36 | 198.07 |
| Lowest Share price (bid)    | 165.14 | 186.46 | 141.55 |

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

\*\* Operating charges comprise the Manager's annual management 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.

\*\*\* Operating charges includes VAT reclaims received during the year. Industry guidance requires a 'synthetic' operating charge figure to be calculated where a Fund invests a proportion of its assets in other funds. Operating charges as at 31 December 2022 include synthetic costs of 0.03% which represent the OCF of the underlying funds weighted on the basis of the investment proportion. Synthetic cost were not included in previous periods.

## COMPARATIVE TABLE

## Change in net assets per Share

|   | Accumulation Shares                         |   |   |
|---|---|---|---|
|   | Year to<br>31.12.2022<br>pence<br>per Share | Year to<br>31.12.2021<br>pence<br>per Share | Year to<br>31.12.2020<br>pence<br>per Share |
| Opening net asset value per Share             | 410.32                                      | 338.35                                      | 335.72                                      |
| Return before operating charges*              | (67.00)                                     | 74.40                                       | 4.72  |
| Operating charges**                           | (2.24)                                      | (2.43)                                      | (2.09)                                      |
| Return after operating charges*               | (69.24)                                     | 71.97                                       | 2.63  |
| Distributions on Accumulation Shares          | (7.98)                                      | (6.28)                                      | (6.73)                                      |
| Retained distributions on Accumulation Shares | 7.98  | 6.28  | 6.73  |
| Closing net asset value per Share             | 341.08                                      | 410.32                                      | 338.35                                      |
| * after direct transaction costs of:          | 0.07  | 0.06  | 0.14  |
| <b>Performance</b>                            |   |   |   |
| Return after charges                          | (16.87%)                                    | 21.27%                                      | 0.78%                                       |
| <b>Other information</b>                      |   |   |   |
| Closing net asset value (£'000)               | 2,040                                       | 2,453                                       | 2,139                                       |
| Closing number of Shares                      | 598,202                                     | 597,808                                     | 632,162                                     |
| Operating charges**                           | 0.67%***                                    | 0.65%                                       | 0.66%                                       |
| Direct transaction costs                      | 0.02%                                       | 0.02%                                       | 0.04%                                       |
| <b>Prices (pence per Share)</b>               |   |   |   |
| Highest Share price (offer)                   | 412.42                                      | 413.46                                      | 345.01                                      |
| Lowest Share price (bid)                      | 313.46                                      | 334.14                                      | 244.86                                      |

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

\*\* Operating charges comprise the Manager's annual management 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.

\*\*\* Operating charges includes VAT reclaims received during the year. Industry guidance requires a 'synthetic' operating charge figure to be calculated where a Fund invests a proportion of its assets in other funds. Operating charges as at 31 December 2022 include synthetic costs of 0.03% which represent the OCF of the underlying funds weighted on the basis of the investment proportion. Synthetic cost were not included in previous periods.

## OPERATING CHARGES ANALYSIS

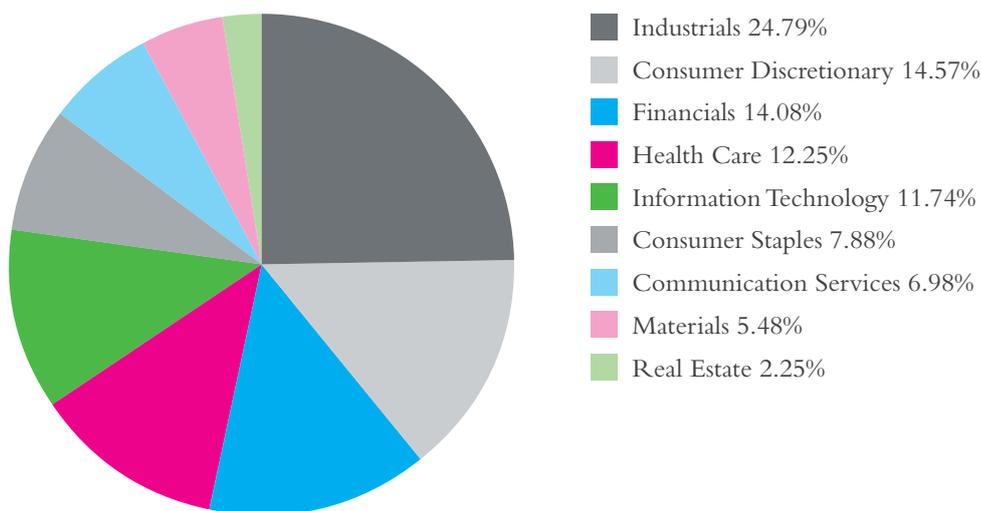
for the year ended 31 December 2022

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 of the Fund.

|  | 31.12.2022<br>% | 31.12.2021<br>% |
|--|-----------------|-----------------|
| Manager's annual management charge including VAT | 0.60            | 0.60            |
| Safe custody fees and depositary fee             | 0.01            | 0.01            |
| Other expenses                                   | 0.03            | 0.04            |
| <b>Total operating charges</b>                   | <b>0.64</b>     | <b>0.65</b>     |

PORTFOLIO ANALYSIS  
at 31 December 2022

Portfolio Allocation



The portfolio analysis above differs from the following portfolio statement because prices used here are mid-market rather than bid.

## PORTFOLIO STATEMENT

at 31 December 2022

|  | Holding   | Fair<br>value<br>£'000 | % of<br>total net<br>assets |
|--|-----------|------------------------|-----------------------------|
| <b>UNITED KINGDOM 90.09% (31.12.2021 – 89.21%)</b>         |           |                        |                             |
| <b>Communication Services 6.25% (31.12.2021 – 6.14%)</b>   |           |                        |                             |
| Auto Trader Group  | 390,824   | 2,015                  | 3.11                        |
| Rightmove  | 397,375   | 2,032                  | 3.14                        |
| <b>Consumer Discretionary 13.89% (31.12.2021 – 14.63%)</b> |           |                        |                             |
| Burberry   | 90,438    | 1,835                  | 2.84                        |
| Compass Group  | 78,782    | 1,511                  | 2.34                        |
| Greggs   | 31,286    | 733                    | 1.13                        |
| InterContinental Hotels Group                              | 35,073    | 1,664                  | 2.57                        |
| The Berkeley Group Holdings                                | 29,818    | 1,125                  | 1.74                        |
| Watches of Switzerland Group                               | 257,746   | 2,115                  | 3.27                        |
| <b>Consumer Staples 6.73% (31.12.2021 – 5.37%)</b>         |           |                        |                             |
| Reckitt Benckiser  | 28,588    | 1,645                  | 2.54                        |
| Unilever   | 64,762    | 2,708                  | 4.19                        |
| <b>Financials 13.02% (31.12.2021 – 13.89%)</b>             |           |                        |                             |
| Admiral Group  | 55,390    | 1,183                  | 1.83                        |
| Intermediate Capital Group                                 | 194,743   | 2,236                  | 3.46                        |
| Lloyds Banking Group                                       | 1,465,178 | 665                    | 1.03                        |
| London Stock Exchange Group                                | 35,701    | 2,548                  | 3.94                        |
| Prudential   | 158,459   | 1,787                  | 2.76                        |
| <b>Health Care 10.99% (31.12.2021 – 6.44%)</b>             |           |                        |                             |
| AstraZeneca  | 15,800    | 1,772                  | 2.74                        |
| CVS Group  | 91,718    | 1,776                  | 2.75                        |
| Dechra Pharmaceuticals                                     | 66,879    | 1,750                  | 2.70                        |
| Genus  | 60,618    | 1,809                  | 2.80                        |

## PORTFOLIO STATEMENT

at 31 December 2022

|  | Holding | Fair value<br>£'000 | % of<br>total net<br>assets |
|--|---------|---------------------|-----------------------------|
| <b>Industrials 24.44% (31.12.2021 – 24.53%)</b>          |         |                     |                             |
| Bunzl  | 55,917  | 1,543               | 2.39                        |
| Diploma  | 45,397  | 1,259               | 1.95                        |
| Discoverie Group   | 108,161 | 790                 | 1.22                        |
| Experian   | 89,270  | 2,511               | 3.88                        |
| Ferguson Newco   | 18,963  | 1,979               | 3.06                        |
| Genuit Group   | 293,586 | 825                 | 1.28                        |
| Intertek Group   | 39,659  | 1,599               | 2.47                        |
| Judges Scientific  | 8,663   | 731                 | 1.13                        |
| RELX   | 96,812  | 2,215               | 3.42                        |
| RWS  | 332,771 | 1,248               | 1.93                        |
| Spirax-Sarco Engineering                                 | 10,434  | 1,108               | 1.71                        |
| <b>Information Technology 7.16% (31.12.2021 – 7.32%)</b> |         |                     |                             |
| Halma  | 62,136  | 1,227               | 1.90                        |
| Keywords Studios   | 47,135  | 1,283               | 1.98                        |
| Sage Group   | 284,660 | 2,122               | 3.28                        |
| <b>Materials 5.40% (31.12.2021 – 5.99%)</b>              |         |                     |                             |
| Croda International                                      | 22,532  | 1,488               | 2.30                        |
| DS Smith   | 245,667 | 787                 | 1.22                        |
| Rio Tinto  | 21,004  | 1,218               | 1.88                        |
| <b>Real Estate 2.21% (31.12.2021 – 4.90%)</b>            |         |                     |                             |
| Empiric Student Property                                 | 623,301 | 525                 | 0.81                        |
| Tritax Big Box REIT                                      | 522,007 | 723                 | 1.12                        |
| Warehouse REIT   | 175,144 | 183                 | 0.28                        |
| <b>OVERSEAS EQUITIES 8.48% (31.12.2021 – 9.29%)</b>      |         |                     |                             |
| <b>DEVELOPED EUROPE 1.02% (31.12.2021 – 1.01%)</b>       |         |                     |                             |
| <b>Consumer Staples 1.02% (31.12.2021 – 1.01%)</b>       |         |                     |                             |
| Kerry Group  | 8,929   | 658                 | 1.02                        |
| <b>NORTH AMERICA 6.64% (31.12.2021 – 7.15%)</b>          |         |                     |                             |
| <b>Communication Services 0.62% (31.12.2021 – 1.43%)</b> |         |                     |                             |
| Alphabet Class C   | 5,400   | 398                 | 0.62                        |

## PORTFOLIO STATEMENT

at 31 December 2022

|  | Holding | Fair value<br>£'000 | % of<br>total net<br>assets |
|--|---------|---------------------|-----------------------------|
| <b>Consumer Discretionary 0.48% (31.12.2021 – 0.00%)</b> |         |                     |                             |
| Amazon.com   | 4,500   | 314                 | 0.48                        |
| <b>Health Care 1.09% (31.12.2021 – 0.94%)</b>            |         |                     |                             |
| Thermo Fisher Scientific                                 | 1,544   | 707                 | 1.09                        |
| <b>Financials 0.87% (31.12.2021 – 0.83%)</b>             |         |                     |                             |
| CME Group  | 4,010   | 560                 | 0.87                        |
| <b>Information Technology 3.58% (31.12.2021 – 3.95%)</b> |         |                     |                             |
| Adobe  | 2,259   | 632                 | 0.98                        |
| Microsoft  | 5,742   | 1,145               | 1.77                        |
| Visa Class A   | 3,133   | 541                 | 0.83                        |
| <b>ASIA PACIFIC EX JAPAN 0.82% (31.12.2021 – 1.13%)</b>  |         |                     |                             |
| <b>Information Technology 0.82% (31.12.2021 – 1.13%)</b> |         |                     |                             |
| Taiwan Semiconductor Manufacturing Company               | 8,607   | 533                 | 0.82                        |
| <b>INVESTMENT ASSETS</b>                                 |         | 63,761              | 98.57                       |
| <b>NET OTHER ASSETS</b>                                  |         | 922                 | 1.43                        |
| <b>TOTAL NET ASSETS</b>                                  |         | 64,683              | 100.00                      |

Unless otherwise stated, all investments are approved securities being either officially listed in a member state or traded on or under the rules of an eligible securities market.

STATEMENT OF TOTAL RETURN  
for the year ended 31 December 2022

|  | Note | Year ended<br>31.12.2022 |          | Year ended<br>31.12.2021 |         |
|--|------|--------------------------|----------|--------------------------|---------|
|  |      | £'000                    | £'000    | £'000                    | £'000   |
| Income   |      |                          |          |                          |         |
| Net capital (losses)/gains   | 2    |                          | (14,821) |                          | 13,962  |
| Revenue  | 3    | 1,585                    |          | 1,336                    |         |
| Expenses   | 4    | (435)                    |          | (498)                    |         |
| Net revenue before taxation  |      | 1,150                    |          | 838                      |         |
| Taxation   | 5    | (4)                      |          | (3)                      |         |
| Net revenue after taxation   |      |                          | 1,146    |                          | 835     |
| Total (deficit)/return before distributions                                  |      |                          | (13,675) |                          | 14,797  |
| Distributions  | 6    |                          | (2,323)  |                          | (2,321) |
| Change in net assets attributable to Shareholders from investment activities |      |                          | (15,998) |                          | 12,476  |

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS  
for the year ended 31 December 2022

|  | Year ended<br>31.12.2022 |          | Year ended<br>31.12.2021 |         |
|--|--------------------------|----------|--------------------------|---------|
|  | £'000                    | £'000    | £'000                    | £'000   |
| Opening net assets attributable to Shareholders                              |                          | 81,327   |                          | 70,351  |
| Amounts receivable on issue of Shares  | 496                      |          | 2,013                    |         |
| Amounts payable on cancellation of Shares                                    | (1,190)                  |          | (3,552)                  |         |
|  |                          | (694)    |                          | (1,539) |
| Change in net assets attributable to Shareholders from investment activities |                          | (15,998) |                          | 12,476  |
| Retained distributions on Accumulation Shares                                |                          | 48       |                          | 39      |
| Closing net assets attributable to Shareholders                              |                          | 64,683   |                          | 81,327  |

The notes on pages 27 to 41 and distribution tables on page 42 form part of these financial statements.

**BALANCE SHEET**  
at 31 December 2022

|  | <i>Note</i> | 31.12.2022 |               | 31.12.2021 |               |
|--|-------------|------------|---------------|------------|---------------|
|  |             | £'000      | £'000         | £'000      | £'000         |
| <b>ASSETS</b>                                  |             |            |               |            |               |
| Fixed assets:                                  |             |            |               |            |               |
| Investments                                    |             |            | 63,761        |            | 80,104        |
| Current assets:                                |             |            |               |            |               |
| Debtors  | 7           | 123        |               | 75         |               |
| Cash equivalents                               | 8           | 1,175      |               | 1,000      |               |
| Cash and bank balances                         | 8           | 252        |               | 770        |               |
| Total current assets                           |             |            | 1,550         |            | 1,845         |
| <b>Total assets</b>                            |             |            | <b>65,311</b> |            | <b>81,949</b> |
| <b>LIABILITIES</b>                             |             |            |               |            |               |
| Creditors:                                     |             |            |               |            |               |
| Other creditors                                | 9           | 47         |               | 57         |               |
| Distribution payable on Income Shares          |             | 581        |               | 565        |               |
| Total creditors                                |             |            | 628           |            | 622           |
| <b>Total liabilities</b>                       |             |            | <b>628</b>    |            | <b>622</b>    |
| <b>Net assets attributable to Shareholders</b> |             |            | <b>64,683</b> |            | <b>81,327</b> |

The financial statements on pages 25 to 42 have been approved and authorised for issue by the Trustee and authorised for issue.

Approved on behalf of the Trustee  
30 May 2023

A Brookes, Chair  
CBF Funds Trustee Limited

The notes on pages 27 to 41 and distribution tables on page 42 form part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2022

### 1. Accounting policies

#### *(a) Basis of preparation*

The financial statements have been prepared on a going concern basis, in compliance with FRS 102, the Trust Deed, The Church Funds Investment Measures Act 1958 and the Trustee Act 2000.

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 and the Church Funds Investment Measures Act 1958 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 change in net assets.

#### *(b) Revenue recognition*

Dividends on ordinary stocks, including special dividends where appropriate are accrued to revenue on the dates when the investments are first quoted ex-dividend or otherwise on receipt of cash. Interest on bank deposits are accrued on a daily basis and interest on deposits in The CBF Church of England Deposit Fund are credited to revenue on receipt of cash.

Revenue is stated net of irrecoverable tax credits. In the case where revenue is received after the deduction of withholding tax, the revenue is shown gross of taxation and the tax consequences are shown within the tax charge. Overseas tax recovered is recorded in the period it is received.

#### *(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.

It is likely that where the receipt of a special dividend, share buy back, additional share issues results in a significant reduction in the capital value of the holding, then the special dividend, share buy back, additional share issue is treated as capital in nature so as to ensure the matching principle is applied to gains and losses. Otherwise, the special dividend, share buy back, traditional share issue is treated as revenue.

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2022

1. Accounting policies (*continued*)

(e) Expenses

During the year, the annual management charge (AMC), paid to the Manager, was taken to the capital of the Fund. The AMC is based on a fixed percentage of the value of the Fund and was 0.50% p.a. plus VAT.

The Fund also received AMC rebates credited to the revenue of the Fund for its deposits in the CBF Church of England Deposit Fund, where the AMC is charged to revenue.

On a daily basis, the value of the Fund at the end of the previous day is taken to calculate the AMC due. The Manager charges an AMC for the provision of managing investments. From 1 October 2019, the Manager ceased charging the fee for ethical and stewardship services.

The depositary fee, audit fee, legal fees, safe custody fees and transaction charges, insurance fees and other fees are charged separately to the revenue of the Fund before distribution.

(f) Distributions

Distributions are paid quarterly and can also be supported by the Fund's capital.

A reconciliation of the net distribution to the net income of the Fund as reported in the statement of total return is shown in note 6.

The Fund can utilise an income reserve to even out the fluctuations in revenue which arise over the years. Movements in the income reserve are therefore adjustments made to net revenue in determining the distributions. The income reserve was £nil as at 31 December 2022. There was no change in the income reserve balance during the current and prior reporting period.

(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.

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

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2022

1. Accounting policies (continued)

(h) Foreign exchange

Transactions in foreign currencies during the period are translated into Sterling (the functional currency of the Fund), at the rates of exchange ruling on the transaction date. Amounts held in foreign currencies have been translated at the rate of exchange ruling at close of business on 30 December 2022, the last valuation point in the accounting period.

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. Fluctuations in the value of such forward currency contracts are recorded as unrealised gains or losses. Realised gains or losses include net gains or losses on transactions that have terminated by settlement or by the Fund entering into offsetting commitments.

(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.

2. Net capital (losses)/gains

|  | Year ended<br>31.12.2022<br>£'000 | Year ended<br>31.12.2021<br>£'000 |
|--|-----------------------------------|-----------------------------------|
| The net capital (losses)/gains during the year comprise: |                                   |                                   |
| Unrealised (losses)/gains on non-derivative securities*  | (17,462)                          | 8,408                             |
| Realised gains on non-derivative securities*             | 2,641                             | 5,550                             |
| Currency gains   | –                                 | 4                                 |
|  | <b>(14,821)</b>                   | <b>13,962</b>                     |

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

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2022

3. Revenue

|  | Year ended<br>31.12.2022<br>£'000 | Year ended<br>31.12.2021<br>£'000 |
|--|-----------------------------------|-----------------------------------|
| UK dividends                                       | 1,325                             | 1,140                             |
| Overseas dividends                                 | 154                               | 110                               |
| Property income distributions                      | 93                                | 85                                |
| Interest on The CBF Church of England Deposit Fund | 5                                 | 1                                 |
| Bank interest                                      | 6                                 | –                                 |
| Manager's annual management charge rebate*         | 2                                 | –                                 |
|  | 1,585                             | 1,336                             |

\* This amount represents the annual management charge rebates credited to the Fund's revenue. This is for the Fund's deposits in The CBF Church of England Deposit Fund where the annual management charge is charged to revenue.

4. Expenses

|   | Year ended<br>31.12.2022<br>£'000 | Year ended<br>31.12.2021<br>£'000 |
|---|-----------------------------------|-----------------------------------|
| Payable to the Manager, associates of the Manager and agents of either of them: |                                   |                                   |
| Manager's annual management charge – see note 1(e)                              | 407                               | 459                               |
|   | 407                               | 459                               |
| Payable to the Trustee, associates of the Trustee and agents of either of them: |                                   |                                   |
| Monitoring fee  | 6                                 | 7                                 |
| Safe custody fees   | 2                                 | 3                                 |
|   | 8                                 | 10                                |

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2022

4. Expenses (*continued*)

|                 | Year ended<br>31.12.2022<br>£'000 | Year ended<br>31.12.2021<br>£'000 |
|-----------------|-----------------------------------|-----------------------------------|
| Other expenses: |                                   |                                   |
| Audit fee       | 12                                | 12                                |
| Insurance fee   | 1                                 | 1                                 |
| Other fees      | 7                                 | 16                                |
|                 | 20                                | 29                                |
| Total expenses  | 435                               | 498                               |

Audit fee net of VAT is £8,320 (31.12.2021, £9,600).

The above expenses include VAT where applicable.

5. Taxation

The Fund has charitable status and is exempt from UK Income 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.

Overseas withholding tax is deducted in full from overseas revenue. Recoverable withholding tax is credited to revenue, on receipt.

|  | Year ended<br>31.12.2022<br>£'000 | Year ended<br>31.12.2021<br>£'000 |
|--|-----------------------------------|-----------------------------------|
| Overseas taxation suffered in the year | 4                                 | 3                                 |
| Total taxation                         | 4                                 | 3                                 |

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2022

6. Distributions

Distributions take account of revenue received on the issue of Shares and revenue deducted on the cancellation of Shares, and comprise:

|   | Year ended<br>31.12.2022<br>£'000 | Year ended<br>31.12.2021<br>£'000 |
|---|-----------------------------------|-----------------------------------|
| 31 March – interim distribution                 | 571                               | 581                               |
| 30 June – interim distribution                  | 578                               | 588                               |
| 30 September – interim distribution             | 585                               | 570                               |
| 31 December – final distribution                | 589                               | 570                               |
|   | <u>2,323</u>                      | <u>2,309</u>                      |
| Add: revenue deducted on cancellation of Shares | 2                                 | 17                                |
| Deduct: revenue received on issue of Shares     | (2)                               | (5)                               |
| Net distribution for the year                   | <u>2,323</u>                      | <u>2,321</u>                      |
| Net revenue after taxation for the year         | 1,146                             | 835                               |
| Distributions from capital                      | 770                               | 1,027                             |
| Manager's periodic charge – see note 1(e)       | 407                               | 459                               |
| Net distribution for the year                   | <u>2,323</u>                      | <u>2,321</u>                      |

Details of the distribution per Share are set out in the distribution tables on page 42.

The Manager's annual management 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 unclaimed distributions as at 31 December 2022 of £267 (31.12.2021, £nil).

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2022

7. Debtors

|                        | Year ended<br>31.12.2022<br>£'000 | Year ended<br>31.12.2021<br>£'000 |
|------------------------|-----------------------------------|-----------------------------------|
| Accrued revenue        | 122                               | 74                                |
| Income tax recoverable | 1                                 | 1                                 |
|                        | 123                               | 75                                |

8. Cash equivalents, cash and bank balances

|  | Year ended<br>31.12.2022<br>£'000 | Year ended<br>31.12.2021<br>£'000 |
|--|-----------------------------------|-----------------------------------|
| Cash equivalent – cash in The CBF Church of England Deposit Fund | 1,175                             | 1,000                             |
| Cash and bank balances – cash at bank                            | 252                               | 770                               |

9. Other creditors

|                  | Year ended<br>31.12.2022<br>£'000 | Year ended<br>31.12.2021<br>£'000 |
|------------------|-----------------------------------|-----------------------------------|
| Accrued expenses | 47                                | 57                                |
|                  | 47                                | 57                                |

## NOTES TO THE FINANCIAL STATEMENTS

### for the year ended 31 December 2022

#### 10. 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 and overseas 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 and currency 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 positive 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 and also by the Board.

At 31 December 2022, 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 £3,188,000 (31.12.2021, £4,005,000).

##### *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 2022

10. Financial instruments (continued)

*Liquidity risk*

Financial instruments held by the Fund, excluding short-term debtors and creditors, are made up of UK and overseas equities, sterling and overseas 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 2022, 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 Shareholders, and profit or loss, would decrease or increase respectively by approximately £55,000 (31.12.2021, increase or decrease respectively by £76,000).

The total foreign currency exposure at 31 December 2022 and 31 December 2021 was:

| Currency     | 31.12.2022                  |                                 |                | 31.12.2021                  |                                 |                |
|--------------|-----------------------------|---------------------------------|----------------|-----------------------------|---------------------------------|----------------|
|              | Monetary exposures<br>£'000 | Non-monetary exposures<br>£'000 | Total<br>£'000 | Monetary exposures<br>£'000 | Non-monetary exposures<br>£'000 | Total<br>£'000 |
| Euro         | –                           | 658                             | 658            | –                           | 822                             | 822            |
| US dollar    | 28                          | 4,831                           | 4,859          | 12                          | 6,732                           | 6,744          |
| <b>Total</b> | <b>28</b>                   | <b>5,489</b>                    | <b>5,517</b>   | <b>12</b>                   | <b>7,554</b>                    | <b>7,566</b>   |

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2022

## 10. 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 also 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 total exposure at 31 December 2022 was:

|              | Floating rate<br>financial assets* | Fixed rate<br>financial assets | Financial assets<br>not carrying<br>interest | Total         |
|--------------|------------------------------------|--------------------------------|--|---------------|
| Currency     | £'000                              | £'000                          | £'000  | £'000         |
| Sterling     | 1,427                              | –                              | 58,367                                       | 59,794        |
| Euro         | –                                  | –                              | 658  | 658           |
| US dollar    | –                                  | –                              | 4,859  | 4,859         |
| <b>Total</b> | <b>1,427</b>                       | <b>–</b>                       | <b>63,884</b>                                | <b>65,311</b> |

|              | Floating rate<br>financial<br>liabilities | Fixed rate<br>financial<br>liabilities | Financial<br>liabilities<br>not carrying<br>interest | Total      |
|--------------|---|--|--|------------|
| Currency     | £'000                                     | £'000                                  | £'000  | £'000      |
| Sterling     | –   | –                                      | 628  | 628        |
| <b>Total</b> | <b>–</b>                                  | <b>–</b>                               | <b>628</b>   | <b>628</b> |

The total exposure at 31 December 2021 was:

|              | Floating rate<br>financial assets* | Fixed rate<br>financial assets | Financial assets<br>not carrying<br>interest | Total         |
|--------------|------------------------------------|--------------------------------|--|---------------|
| Currency     | £'000                              | £'000                          | £'000  | £'000         |
| Sterling     | 1,770                              | –                              | 72,613                                       | 74,383        |
| Euro         | –                                  | –                              | 822  | 822           |
| US dollar    | –                                  | –                              | 6,744  | 6,744         |
| <b>Total</b> | <b>1,770</b>                       | <b>–</b>                       | <b>80,179</b>                                | <b>81,949</b> |

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2022

10. Financial instruments (continued)

| Currency | Floating rate<br>financial<br>liabilities<br>£'000 | Fixed rate<br>financial<br>liabilities<br>£'000 | Financial<br>liabilities<br>not carrying<br>interest<br>£'000 | Total<br>£'000 |
|----------|--|---|---|----------------|
| Sterling | –  | –   | 622   | 622            |
| Total    | –  | –   | 622   | 622            |

\* The floating rate financial assets of the Fund earn interest at rates based on either SONIA or base rate.

All financial liabilities are due to be settled within one year or on demand.

11. Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31 December 2022 (31.12.2021, £nil).

12. Related party transactions

The Manager's annual management charge is paid to the Manager, a related party to the Fund. The amounts incurred in respect of this inclusive of annual management charge rebates are disclosed in note 4. Please see note 1(e) for further information. An amount of £33,613 was due to the Manager at 31 December 2022 (31.12.2021, £40,845).

There were no other transactions entered into with the Manager during the year (31.12.2021, £nil).

CBFFT, as Trustee, is a related party to the Fund. There were no outstanding balances due to CBFFT at 31 December 2022 (31.12.2021, £nil). There were no other transactions entered into with CBFFT during the year (31.12.2021, £nil).

At 31 December 2022, a cash balance of £1,175,000 (31.12.2021, £1,000,000) was held in The CBF Church of England Deposit Fund. During the year the Fund received interest of £4,678 (31.12.2021: £1,429) from the The CBF Church of England Deposit Fund.

At 31 December 2022, CBF Church of England Investment Fund held 81.28% (31.12.2021, 80.04%) of the value of the Fund.

There is no individual investor holding more than 20% of the Fund.

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2022

13. Portfolio transaction costs

For the year ended 31 December 2022

|  | Value<br>£'000 | Commissions<br>£'000 | %    | Taxes<br>£'000 | % | Total<br>£'000 |
|--|----------------|----------------------|------|----------------|---|----------------|
| <b>Analysis of total purchases costs</b> |                |                      |      |                |   |                |
| Equity transactions                      | 14,358         | 6                    | 0.04 | –              | – | 14,364         |
| <b>Total</b>                             | <b>14,358</b>  | <b>6</b>             |      | <b>–</b>       |   | <b>14,364</b>  |

|                                      | Value<br>£'000 | Commissions<br>£'000 | %    | Taxes<br>£'000 | % | Total<br>£'000 |
|--------------------------------------|----------------|----------------------|------|----------------|---|----------------|
| <b>Analysis of total sales costs</b> |                |                      |      |                |   |                |
| Equity transactions                  | 15,853         | (7)                  | 0.04 | –              | – | 15,846         |
| <b>Total</b>                         | <b>15,853</b>  | <b>(7)</b>           |      | <b>–</b>       |   | <b>15,846</b>  |

Commissions and taxes as a percentage of average net assets

|             |       |
|-------------|-------|
| Commissions | 0.02% |
| Taxes       | 0.00% |

The average portfolio dealing spread, including the effect of foreign exchange, as at 31 December 2022 was 0.23%.

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2022

13. Portfolio transaction costs (*continued*)

For the year ended 31 December 2021

|  | Value<br>£'000 | Commissions<br>£'000 | %    | Taxes<br>£'000 | % | Total<br>£'000 |
|--|----------------|----------------------|------|----------------|---|----------------|
| <b>Analysis of total purchases costs</b> |                |                      |      |                |   |                |
| Equity transactions                      | 10,703         | 5                    | 0.05 | –              | – | 10,708         |
| <b>Total</b>                             | <b>10,703</b>  | <b>5</b>             |      | <b>–</b>       |   | <b>10,708</b>  |

|                                      | Value<br>£'000 | Commissions<br>£'000 | %    | Taxes<br>£'000 | % | Total<br>£'000 |
|--------------------------------------|----------------|----------------------|------|----------------|---|----------------|
| <b>Analysis of total sales costs</b> |                |                      |      |                |   |                |
| Equity transactions                  | 14,071         | (7)                  | 0.05 | –              | – | 14,064         |
| Corporate actions                    | 110            | –                    | –    | –              | – | 110            |
| <b>Total</b>                         | <b>14,181</b>  | <b>(7)</b>           |      | <b>–</b>       |   | <b>14,174</b>  |

Commissions and taxes as a percentage of average net assets

Commissions 0.02%

Taxes 0.00%

The average portfolio dealing spread, including the effect of foreign exchange, as at 31 December 2021 was 0.21%.

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, funds, 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 2022

14. Shareholders' funds – reconciliation of Shares

|   | Year ended<br>31.12.2022 |                        |
|---|--------------------------|------------------------|
|   | Income<br>Shares         | Accumulation<br>Shares |
| Opening number of Shares at beginning of year | 35,519,134               | 597,808                |
| Shares issued in year                         | 245,504                  | 11,447                 |
| Shares cancelled in year                      | (580,060)                | (11,053)               |
| Closing number of Shares at end of year       | 35,184,578               | 598,202                |

All Shares carry the same rights.

15. Fair value of financial assets and financial liabilities

In respect of financial assets and liabilities other than investments (including investment liabilities), there is no material difference between their value, as shown on the balance sheet, and their 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 that are unobservable (i.e. for which market data is unavailable) for the asset or liability.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2022

15. Fair value of financial assets and financial liabilities (*continued*)

For the year ended 31 December 2022

| Category          | Level 1<br>£'000 | Level 2<br>£'000 | Level 3<br>£'000 | Total<br>£'000 |
|-------------------|------------------|------------------|------------------|----------------|
| Investment assets | 63,761           | –                | –                | 63,761         |
|                   | 63,761           | –                | –                | 63,761         |

For the year ended 31 December 2021

| Category          | Level 1<br>£'000 | Level 2<br>£'000 | Level 3<br>£'000 | Total<br>£'000 |
|-------------------|------------------|------------------|------------------|----------------|
| Investment assets | 80,104           | –                | –                | 80,104         |
|                   | 80,104           | –                | –                | 80,104         |

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

## DISTRIBUTION TABLES

for the year ended 31 December 2022

| Period ended         | Date payable/paid |             | Dividends payable/paid<br>pence per Share |             |
|----------------------|-------------------|-------------|---|-------------|
|                      | 2022              | 2021        | 2022                                      | 2021        |
| <b>Income Shares</b> |                   |             |   |             |
| 31 March             | 31 May            | 28 May      | 1.59                                      | 1.58        |
| 30 June              | 31 August         | 31 August   | 1.59                                      | 1.58        |
| 30 September         | 30 November       | 30 November | 1.63                                      | 1.58        |
| 31 December          | 28 February       | 28 February | 1.65                                      | 1.59        |
|                      |                   |             | <b>6.46</b>                               | <b>6.33</b> |

| Period ended               | Revenue accumulated<br>pence per Share |             |
|----------------------------|--|-------------|
|                            | 2022                                   | 2021        |
| <b>Accumulation Shares</b> |  |             |
| 31 March                   | 1.92                                   | 1.24        |
| 30 June                    | 2.89                                   | 2.04        |
| 30 September               | 1.77                                   | 2.01        |
| 31 December                | 1.40                                   | 0.99        |
|                            | <b>7.98</b>                            | <b>6.28</b> |

The distributions for Income Shares were paid in the same year, apart from the distribution declared on 31 December which is payable on 28 February in the subsequent year.

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**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 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 the Scheme Information;
- 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 share 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.

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**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 FRS 102;
- 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)

**DIRECTORY**

**Trustee Directors**

A Brookes (Chair)  
C Chan\*  
P Chandler  
G Dixon\*  
C Johnson  
N Lewis\*  
D Rees\*

\* *Members of the Audit Committee*

**Secretary**

J Fox

**Manager and Registrar**

CCLA Investment Management Limited  
Registered Office Address (prior to 25 July 2022):  
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EC4V 4ET

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*Authorised and regulated by the Financial Conduct Authority*

**Administrator**

HSBC Bank plc  
8 Canada Square  
Canary Wharf  
London  
E14 5HQ

*HSBC Bank plc is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority*

**Executive Directors of the Manager**

P Hugh Smith (Chief Executive Officer)

E Sheldon (Chief Operating Officer)

A Robinson, MBE (Director Market Development)

**Non-Executive Directors of the Manager**

R Horlick (Chair)

J Jesty

C Johnson

A Roughead

C West

J Hobart

**Fund Managers**

J Ayre

C Ryland

**Company Secretary**

J Fox

**Chief Risk Officer**

J-P Lim

**Head of Sustainability**

J Corah

**Third Party Advisers**

**Banker**

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8 Canada Square  
Canary Wharf  
London  
E14 5HQ

**Custodian**

HSBC Bank plc  
8 Canada Square  
Canary Wharf  
London  
E14 5HQ

**Independent Auditor**

Deloitte LLP  
110 Queen Street  
Glasgow  
G1 3BX

## ABOUT CCLA

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Founded in 1958, CCLA is now the UK's largest charity fund manager. Well known for managing investments for charities, religious organisations and the public sector, CCLA began a new phase in its development in 2022, now welcoming other types of investor.

Our purpose is to help our clients maximise their impact on society by harnessing the power of investment markets. This requires us to provide a supportive and stable environment for our staff and deliver trusted, responsibly managed and strongly performing products and services to our clients, irrespective of their size.

# CCLA

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CCLA is the trading name for CCLA Investment Management Limited (Registered in England and Wales No. 2183088) and CCLA Fund Managers Limited (Registered in England and Wales No. 8735639)

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