



for the Church of England

# **The CBF Church of England Property Fund**

**Report and Accounts  
Half Year to 31 May 2008  
(unaudited)**

## Contents

- 1 Report of the Trustee
- 3 Report of the Property Manager
- 6 Report of the Valuers
- 7 Net asset value, share price range, net distribution, share price, and expense ratio
- 9 Portfolio analysis
- 10 Portfolio statement
- 10 Statement of total return
- 11 Statement of change in shareholders' net assets
- 12 Property portfolio
- 17 Balance sheet
- 18 Cash flow statement
- 19 Notes to the accounts
- 26 Distribution table
- 27 Statement of Trustee and Manager responsibilities

### **Trustee and Manager**

(inside back cover)

### **Description of The CBF Church of England Funds**

(outside back cover)

### **Disability Discrimination Act 1995**

Extracts from the Reports & Accounts are available in large print and audio format.

# The CBF Church of England Property Fund

## Report of the Trustee

### for the six months ended 31 May 2008

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

#### Structure and management

The Fund is a common fund established by the Church Funds Investment Measure 1958 (as amended from time to time), and the Trustee Act 2000 (the Measure).

CBF Funds Trustee Limited (CBFFT), a company incorporated under the Companies Act, limited by guarantee and not having a share capital, is the Trustee and Operator of the Fund. CBFFT has an Audit Committee which meets twice each year to review the financial statements and monitor the control environment in which the Fund operates.

CBFFT has delegated to the Manager, which is authorised and regulated by the Financial Services Authority (FSA), the property management, administration, registrar, secretarial and company secretarial functions of the Fund under Management Agreements dated 15 November 2006.

Under the provisions of the Financial Services and Markets Act 2000 (FSMA), CBFFT is not considered to be operating the Fund by way of business. In consequence, it is not required to be authorised and regulated by the FSA and the trustee directors of the CBFFT are not required to be authorised by the FSA for this purpose.

Investments in the Fund are not covered by the Financial Services Compensation Scheme. The Manager will pay fair compensation on eligible claims arising from its negligence or error in the management and administration of the Fund.

#### Charitable status of the Fund

The Fund is entitled to charitable status by virtue of section 24(9) of the Charities Act 1993. In the administration of the Fund, CBFFT is exempt from the jurisdiction of the Charity Commission by virtue of section 5(1) of the Church Funds Investment Measure 1958.

#### Investment objective of the Fund

The Fund aims to generate capital appreciation, rising income and a total return in excess of its benchmark by investing in United Kingdom commercial property. The Fund also aims to maintain the level of its annual distribution each year.

#### Total return benchmark

The total return performance benchmark for the Fund is the Balanced Property Unit Trust Index. The benchmark is calculated and published by IPD in the UK Pooled Property Fund Indices Report and is sponsored by HSBC and The Association of Real Estate Funds (AREF).

#### Responsibilities of the Trustee

CBFFT monitors the property management, administration, registration, secretarial and company secretarial services provided by the Manager under the respective Management Agreements. It meets quarterly with the Manager to monitor investment strategy, dividend policy, investment diversification and risk

# The CBF Church of England Property Fund

## Report of the Trustee

### for the six months ended 31 May 2008

and to review the Fund's performance. In addition, CBFFT reviews the Annual Report and Accounts of the Fund prepared on its behalf by the Manager.

CBFFT is responsible for appointing an Audit Committee, the Auditor and the Safe Custody Agent. It reviews annually the objectives of the Fund in the light of current circumstances.

#### **RBS monitoring service**

CBFFT has appointed The Royal Bank of Scotland plc to monitor the Manager in respect of its activities related to the management and administration of the Fund and to provide formal six-monthly reviews of its findings to the Audit Committee. The Royal Bank of Scotland plc has not raised any material issues.

#### **Delegation of functions**

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

#### **Controls and risk management**

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

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

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

R Broadhurst  
Chairman  
CBF Funds Trustee Limited

3 July 2008

# The CBF Church of England Property Fund

## Report of the Property Manager

### for the six months ended 31 May 2008

- A property fund suitable for long term capital
- An actively managed and diverse portfolio
- Aims to achieve good performance
- Rising income

### Performance

In the six month period to 31 May 2008 the Fund produced a negative total return after all expenses of -7.2%. The Fund's performance benchmark is the IPD Balanced PUT Index which is published only on a calendar quarter basis. The performance of the Fund compared to the most recently available benchmark data, available per calendar quarter only, as at 30 June 2008, is recorded in the table below.

Valuations of commercial property investments have been reduced further during the half year, albeit less sharply in more recent months. This continues a process of price correction that commenced mid-way through 2007. The value of the Fund's income shares has

fallen during the period under review to a price of 145.50p as at 31 May 2008. This compares with a price of 160.81p on the 30 November 2007 representing a capital decline for the six months of -9.5%, whilst the fall over the twelve months since May 2007 has amounted to -16.2%. The amount of income distributed to income shareholders has been increased during the half year by 4.2%, rising to 3.80p per share. The cumulative income paid over a twelve month period has been increased from 7.15p for the period to November 2007 to 7.45p by the end of May 2008.

The value of an accumulation share, with income reinvested, reduced from 173.55p to 161.05p.

### Market review

The fallout from the financial market turmoil has continued to affect the UK property investment sector. Liquidity problems, increased finance costs, and a widespread lack of investor confidence have reduced demand for property generating lower trading volumes, rising

### The CBF Church of England Property Fund

#### Total return after management expenses to 30 June 2008

	6 months	1 year	3 years	5 years
CBF Property Fund	-6.0%	-13.0%	+6.8%	+10.1%
Balanced PUT Index	-8.0%	-17.2%	+5.1%	+ 9.1%

Source: The Manager/IPD

# The CBF Church of England Property Fund

## Report of the Property Manager

### for the six months ended 31 May 2008

yields and falling valuations. In this difficult environment property valuers have continued to move valuations down to reflect perceived market conditions, whilst sentiment has been further undermined by fears relating to the credit crisis and the impact this may have on the real economy, tenant demand and rents. All types and grades of property assets have been subject to valuation markdowns. Initially high street shop and retail warehouse property fell most sharply, whilst so far in 2008 office property has led the way lower. The pace of industrial property valuation markdowns has been in line with the sector averages.

#### Activity

Investment market conditions have not been conducive to transactional activity, but nevertheless the Fund has disposed of one investment property during the half year. The holding on Conduit Street in the West End of London had delivered attractive capital and rental value growth. The sale to a special purchaser at a price well above the pre-downturn valuation realised a substantial capital gain and reduced the overweight position in the Central London office market. The receipt of £13m added significantly to the Fund's liquidity which by the half-year end had risen to 13.1%.

We have continued to place a strong emphasis on the enhancement of the current and projected future income flows. The refurbishment of the vacant office property in St Albans is now near to completion and will shortly become

income producing. The sale of the Fund's other significant income void office holding in Aylesbury has not progressed due to ongoing difficulties in achieving a residential planning consent for the site. An alternative sales strategy has now been adopted and the prospects of a successful sale now appear more encouraging.

The Fund's void rate currently stands at 8.2% and is lower than the average level of voids recorded by IPD in May 2008 at 9.1%. The Fund's total reversionary potential is currently high at 24% and realising this is a key objective of our management activity at the present time.

#### Strategy

The Fund's increased cash holding will be maintained over the shorter term to enhance manager flexibility and support performance in a weak market.

Individual property assets are selected to have the potential for growing income and adding value from management activity. This approach has benefited performance in recent years and as a result a high reversion now exists. A focus on the realisation of this attractive level of inherent income growth will raise the yield and provide dividend growth for shareholders to support performance during this period of pricing uncertainty.

#### Outlook

We expect that property valuations will continue to fall near term and that as a result positive total returns will not be produced until 2009. At the lower levels property investment now offers

# The CBF Church of England Property Fund

## Report of the Property Manager

### for the six months ended 31 May 2008

better value as an asset class with more attractive yields and interesting investment opportunities for buyers. Nevertheless, market activity needs to pick up and more transactional evidence produced, to halt the valuation slide. Although rates of rental value growth continue to soften, increases in recent years have lagged capital growth and as a result rent levels are far from extended. In

our view the property sector has much to offer as an investment asset class for long term investors.

P Hannam  
Head of Property  
CCLA Investment Management Limited

3 July 2008

---

#### Risk warning

The Fund's shares and the income from them can fall as well as rise and an investor may not get back the amount originally invested. Past performance is no guarantee of future returns.

Property and property related assets are inherently difficult to value because of the individual nature of each property. As a result valuations are open to substantial subjectivity. There is no assurance that the valuations of the properties will reflect the sale price achieved even where such sale occurs shortly after the valuation point.

The performance of the Fund could adversely be affected by a downturn in the property market in terms of capital value or a weakening of rental yields. The income received by the Fund is dependent to a large extent upon the occupancy levels of any property owned by the Fund and the rents paid by these tenants. Rental revenues and property values are

affected by changes in general economic climate and local conditions.

Property values are dependent in particular on current rental values, prospective rental growth, lease lengths, tenant credit worthiness and the valuation yield (which is itself related to interest rates, the market appetite for property investment in general and with reference to the specific property in question) together with the nature, location and physical condition of the property concerned.

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. The shares are realisable only on each monthly dealing day and a period of up to six months may be imposed for redemption of shares depending on the Fund's liquidity.

# The CBF Church of England Property Fund Report of the Valuers

Dear Sirs,

## **The CBF Church of England Property Fund valuation as at 31 May 2008**

In accordance with your instructions, we have valued all the property investments owned by The CBF Church of England Property Fund as at 31 May 2008. The valuation has been prepared on the basis of Market Value in accordance with the current edition of the Appraisal and Valuation Standards of the Royal Institution of Chartered Surveyors (RICS). We understand that our valuation is required for share pricing and accounts purposes.

We are of the opinion that the aggregate Market Values of all the properties held by the Fund as at 31 May 2008 was:

£130,800,000

(One hundred and thirty million, eight hundred thousand pounds).

Details of the basis of our valuation and the individual properties are set out in our Report and Valuation addressed to you and dated 31 May 2008.

Yours faithfully,

Atisreal Limited  
Chartered Surveyors and International  
Real Estate Consultants,  
Norfolk House, 31 St James's Square,  
London SW1Y 4JR

31 May 2008

## The CBF Church of England Property Fund

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

### Net asset value

At 30 November	Net asset value £'000	Income shares		Accumulation shares <sup>+</sup>	
		Net asset value pence per shares	Number of shares in issue	Net asset value pence per share	Number of shares in issue
2005	157,968	144.26	109,503,355	-	-
2006	174,374*	166.98	104,372,067	172.87	162,007
2007	167,783*	160.81	104,199,045	173.55	154,760
At 31 May 2008	150,633*	145.50	103,357,225	161.05	154,760

\* The net asset value is calculated on the mid-market value basis compared to the balance sheet where the assets are valued on a bid-market value basis in accordance with the December 2005 IMA SORP.

### Share price range

Year to 30 November	Income shares		Accumulation shares <sup>+</sup>	
	Highest offer pence per share	Lowest bid pence per share	Highest offer pence per share	Lowest bid pence per share
2003	120.47	110.95	-	-
2004	133.18	116.75	-	-
2005	148.50	129.65	-	-
2006	171.48	144.40	176.64	145.66
2007	178.43	158.32	188.32	170.86
To 31 May 2008	160.93	145.02	173.67	158.39

### Net distribution

Year to 30 November	Income shares		Accumulation shares <sup>+</sup>	
	Annual distribution pence per share	Yield on shares held for the period % <sup>1</sup>	Annual distribution pence per share	Yield on shares held for the period % <sup>1</sup>
2003	6.85	6.01	-	-
2004	6.95	5.84	-	-
2005	7.00	5.33	-	-
2006	7.00	4.77	5.53	4.90
2007	7.15	4.21	6.93	3.94
To 31 May 2008	3.80	2.32	4.20	2.38

<sup>1</sup> Yield expressed as a percentage of the share offer price at the beginning of the period.

<sup>+</sup> Accumulation Shares were made available from 28 February 2006 and were issued at 149.64p each on that date.

## The CBF Church of England Property Fund

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

### Share price at 31 May 2008

	<i>Bid price</i> <i>pence per share</i>	<i>Offer price</i> <i>pence per share</i>
Income shares	143.24	148.05
Accumulation shares	158.55	163.87

The share prices are published in the *Financial Times*, *The Church Times*, and on the Manager's website at [www.ccla.co.uk](http://www.ccla.co.uk).

The bid and offer prices are calculated on the net asset value plus or minus a 1.55% deduction or a 1.75% surcharge respectively.

### Expense ratio

	<i>31.5.2008</i> %	<i>31.5.2007</i> %
Total expense ratio (annualised)	0.68	0.75
Property expense ratio (annualised)	0.09	0.11

The total expense ratio is the ratio of the Fund's total operating costs to its average net assets calculated over the period. The property expense ratio is the ratio of the Fund's direct costs incurred in managing and maintaining the individual properties to its average net assets calculated over the period. These expenses are further detailed in note 4.

# The CBF Church of England Property Fund

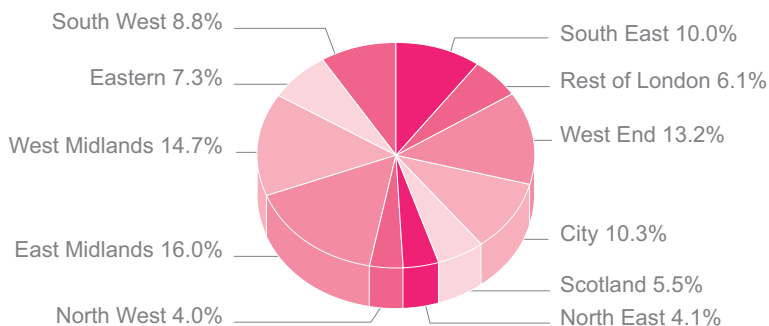
## Portfolio analysis

at 31 May 2008 (unaudited)

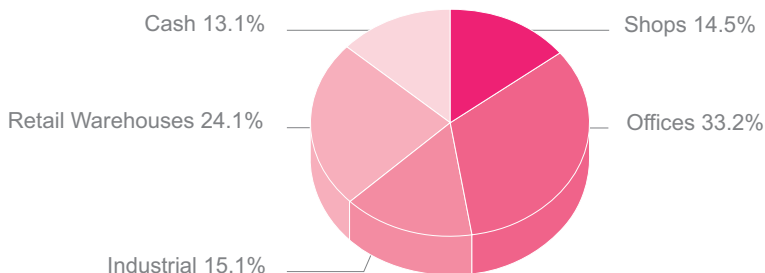
### Tenure

	31.5.2008		30.11.2007	
	£'000	%	£'000	%
Freehold	99,975	76.43	111,965	70.98
Leasehold: over 100 years unexpired	30,825	23.57	45,775	29.02
Total investments	<u>130,800</u>	<u>100.00</u>	<u>157,740</u>	<u>100.00</u>

### Geographical distribution



### Asset by type



The CBF Church of England Property Fund  
**Portfolio statement**  
at 31 May 2008 (unaudited)

	<i>£'000</i>	<i>% of Fund</i>
<b>Properties</b>		
Valued between £0 and £6m		
18 properties	67,650	44.94
Valued between £6m and £12m		
3 properties	20,350	13.52
Valued between £12m and £18m		
3 properties	<u>42,800</u>	<u>28.43</u>
	130,800	86.89
<b>Total other assets</b>	<u>19,730</u>	<u>13.11</u>
<b>Total value of the Fund</b>	<u><u>150,530</u></u>	<u><u>100.00</u></u>

**Statement of total return**  
for the six months ended 31 May 2008 (unaudited)

		<b>31.5.2008</b>		31.5.2007	
	<i>Notes</i>	<b>£'000</b>	<b>£'000</b>	<i>£'000</i>	<i>£'000</i>
Net (losses)/gains on investments during the period	2		<b>(15,580)</b>		7,124
Income	3	<b>4,190</b>		4,316	
Expenses	4	<b><u>(589)</u></b>		<u>(762)</u>	
Net income for the period			<b><u>3,601</u></b>		<u>3,554</u>
<b>Total returns before distributions</b>			<b>(11,979)</b>		10,678
Finance costs: distributions	6		<b><u>(3,951)</u></b>		<u>(3,660)</u>
<b>Change in net assets attributable to shareholders</b>			<b><u><u>(15,930)</u></u></b>		<u><u>7,018</u></u>

The notes on pages 19 to 25 form part of these accounts.

The CBF Church of England Property Fund

# Statement of change in shareholders' net assets

for the six months ended 31 May 2008 (unaudited)

	<b>31.5.2008</b>		31.5.2007	
	<b>£'000</b>	<b>£'000</b>	£'000	£'000
<b>Net assets at start of the period</b>		<b>167,707</b>		174,374
<b>Movement due to creations and cancellations of shares</b>				
Amounts receivable on creation of shares		<b>66</b>		3,042
Less: amounts payable on cancellation of shares		<b>(1,319)</b>		(580)
		<b>(1,253)</b>		2,462
Change in net assets attributable to shareholders		<b>(15,930)</b>		7,018
Retained distribution on accumulation shares		<b>6</b>		6
<b>Net assets at end of the period</b>		<b><u>150,530</u></b>		<u>183,860</u>

**The CBF Church of England Property Fund**  
**Property portfolio - offices**  
**at 31 May 2008 (unaudited)**

<i>Property</i>	<i>Tenant</i>	<i>Term/ from</i>	<i>Lease review period</i>	<i>Next review</i>	<i>Rent £</i>	<i>Market value range £m</i>
Ringwood House AYLESBURY	Vacant	-	0 yrs	-	-	0-6
155 Aztec West BRISTOL	The National Grid Company	25 yrs 24.6.90	5 yrs	2010	330,000	0-6
Groundstar House CRAWLEY	First Choice Office Services Ltd	25 yrs 11.2.88	5 yrs	2008	426,500*	0-6
125 – 139 West Regent St GLASGOW	The Renfrewshire Council	10 yrs 27.10.06	5 yrs	2011	38,000	6-12
	AON Consulting Financial Services Ltd	25 yrs 1.12.88	5 yrs	2008	100,000	
	Bett Homes (Northern) Ltd	25 yrs 2.2.89	5 yrs	2009	50,150	
	Gartmore Investment Management Ltd	25 yrs 15.6.88	5 yrs	2008	42,470*	
	Norwich Union Life & Pensions Ltd	25 yrs 5.10.88	5 yrs	2008	235,000	
Bath Road SLOUGH	Michael Page Holdings Ltd	16 yrs 26.5.00	5 yrs	2010	221,000	0-6
Tonman House Victoria St ST. ALBANS	Vacant	-	-	-	-	0-6

\* Outstanding rent review or lease renewal as at 31 May 2008.

The CBF Church of England Property Fund  
**Property portfolio - shops**  
 at 31 May 2008 (unaudited)

<i>Property</i>	<i>Tenant</i>	<i>Term/ from</i>	<i>Lease review period</i>	<i>Next review</i>	<i>Rent £</i>	<i>Market value range £m</i>
71/72 East St CHICHESTER	Monsoon Accessorize Ltd	25 yrs 24.6.88	5 yrs	2008	181,000*	0-6
211/213 High St HOUNSLOW	HMV UK Ltd	15 yrs 7.7.97	5 yrs	-	143,500	0-6
131/135 Northumberland St NEWCASTLE UPON TYNE	Alliance & Leicester plc	15 yrs 1.10.04	5 yrs	2009	290,000	0-6
17 King St TRURO	Electrical & TV Services	25 yrs 4.11.87	5 yrs	2012	157,000	0-6
18 King St TRURO	Vodafone Ltd	25 yrs 24.6.87	5 yrs	-	491,500	0-6

\* Outstanding rent review or lease renewal as at 31 May 2008.

The CBF Church of England Property Fund  
**Property portfolio – offices/shop**  
at 31 May 2008 (unaudited)

<i>Property</i>	<i>Tenant</i>	<i>Term/ from</i>	<i>Lease review period</i>	<i>Next review</i>	<i>Rent £</i>	<i>Market value range £m</i>
10/12 Eastcheap LONDON, EC3	Steam Wine Bar Ltd	10 yrs 19.8.05	5 yrs	2008	67,500	12-18
	Post Office Ltd	14 yrs 25.12.01	5 yrs	2010	207,500	
	Hampton International Mortgages Ltd	5 yrs 25.3.07	0 yrs	-	71,760	
	Meritum Securities plc	5 yrs 17.2.04	0 yrs	-	29,082	
	City of London Investment Group plc	5 yrs 12.11.03	0 yrs	-	62,550	
	Asyst International Ltd	10 yrs 6.12.04	5 yrs	2009	68,635	
	Advanced Payment Solutions Ltd	5 yrs 1.6.06	0 yrs	-	78,000	
	Marine, Aviation & General (London)	10 yrs 11.8.06	5 yrs	2011	75,060	
	Hiscox Investment Management Ltd	5 yrs 28.11.07	0 yrs	-	38,738	
	Brickett House 27 Albemarle Street LONDON, W1	Newbridge Capital Investments Ltd	5 yrs 11.12.06	0 yrs	-	
Syrian Arab Airlines		0 yrs 26.4.08	0 yrs	-	180,000	
Chile Copper Ltd		10 yrs 10.9.99	5 yrs	-	79,514	
United Provincial Newspapers Ltd		10 yrs 1.9.98	5 yrs	-	76,000	
Blenheim Shipping UK Ltd		16 yrs 17.12.99	5 yrs	2010	88,000	
Lysander Securities Ltd		10 yrs 25.12.01	5 yrs	2011	95,000	
Finnair OYJ		10 yrs 29.9.04	5 yrs	2009	70,000	
Infoplan Ltd		10 yrs 25.12.02	5 yrs	2007	35,000*	
Vacant		-	-	-	-	

\* Outstanding rent review or lease renewal as at 31 May 2008.

The CBF Church of England Property Fund

# Property portfolio – retail warehouses

at 31 May 2008 (unaudited)

<i>Property</i>	<i>Tenant</i>	<i>Term/ from</i>	<i>Lease review period</i>	<i>Next review</i>	<i>Rent £</i>	<i>Market value range £m</i>
Silver Street BROWNHILLS	Focus (DIY) Ltd	16 yrs 30.4.03	5 yrs	2013	266,633	0-6
Unit 8 DERBY	Boots The Chemist Ltd	10 yrs 24.6.04	5 yrs	2009	209,104	0-6
Falcon Lane Clapham LONDON	Boots The Chemist Ltd	25 yrs 7.5.99	5 yrs	2009	290,000	0-6
Wellingborough Road NORTHAMPTON	Focus (DIY) Ltd	25 yrs 11.12.87	5 yrs	2007	375,440*	6-12
Dairy Meadow Lane SALISBURY	Halfords Ltd	15 yrs 2.5.00	5 yrs	2010	140,140	0-6
	Allied Carpets Properties Ltd	25 yrs 29.9.94	5 yrs	2009	87,800	
Jolly Sailor Retail Park TAMWORTH	NBC Apparel	20 yrs 25.12.02	5 yrs	2007	280,000*	12-18
	Argos Limited	15 yrs 10.3.03	5 yrs	2008	168,000*	

\* Outstanding rent review or lease renewal as at 31 May 2008.

The CBF Church of England Property Fund

**Property portfolio –  
warehouses/industrial**

at 31 May 2008 (unaudited)

<i>Property</i>	<i>Tenant</i>	<i>Term/ from</i>	<i>Lease review period</i>	<i>Next review</i>	<i>Rent £</i>	<i>Market value range £m</i>
Nexus Points BIRMINGHAM	Corporate Express Ltd	16 yrs 25.12.99	5 yrs	2009	200,000	0-6
Stakehill Ind. Est GREATER MANCHESTER	Exel Holdings Ltd	25 yrs 19.11.84	5 yrs	2009	425,000	0-6
Telford Point KETTERING	L Batley Pet Products Ltd	10 yrs 26.9.02	5 yrs	2007	310,140*	0-6
Brackmills Ind Estate NORTHAMPTON	Ryder plc	25 yrs 22.4.88	5 yrs	2008	508,000*	6-12
Western Avenue WEST THURROCK	The Post Office	20 yrs 29.9.89	5 yrs	-	313,755	0-6

\* Outstanding rent review or lease renewal as at 31 May 2008.

The CBF Church of England Property Fund  
**Balance sheet**  
 at 31 May 2008 (unaudited)

	Notes	<b>31.5.2008</b>		30.11.2007	
		<b>£'000</b>	<b>£'000</b>	£'000	£'000
<b>ASSETS</b>					
Portfolio of investments			<b>130,800</b>		157,740
Debtors	8	<b>142</b>		156	
Cash and bank balances	9	<b><u>25,275</u></b>		<u>13,478</u>	
Total other assets			<b><u>25,417</u></b>		<u>13,634</u>
<b>Total assets</b>			<b>156,217</b>		171,374
<b>LIABILITIES</b>					
Creditors	10	<b>3,672</b>		1,739	
Distribution payable on income shares		<b><u>2,015</u></b>		<u>1,928</u>	
<b>Total liabilities</b>			<b><u>5,687</u></b>		<u>3,667</u>
<b>Net assets attributable to shareholders</b>			<b><u>150,530</u></b>		<u>167,707</u>
Approved on behalf of the Trustee 3 July 2008			R Broadhurst, <i>Chairman</i> CBF Funds Trustee Limited		

The notes on pages 19 to 25 form part of these accounts.

The CBF Church of England Property Fund  
**Cash flow statement**  
for the six months ended 31 May 2008 (unaudited)

	Notes	<b>31.5.2008</b>		30.11.2007	
		<b>£'000</b>	<b>£'000</b>	£'000	£'000
<b>Net cash inflow from operating activities</b>	15		<b>5,548</b>		7,606
<b>Net cash (outflow)/inflow from financing activities</b>					
Creation of shares		<b>66</b>		6,630	
Cancellation of shares		<b>(1,319)</b>		<u>(6,572)</u>	
			<b>(1,253)</b>		58
<b>Net cash inflow from investing activities</b>					
Payments to acquire investments		<b>(1,481)</b>		(310)	
Capital expenses		<b>(159)</b>		(165)	
Proceeds on disposal of investments		<b>13,000</b>		<u>5,250</u>	
			<b>11,360</b>		4,775
<b>Net cash outflow from distributions paid</b>			<b>(3,858)</b>		<u>(7,428)</u>
<b>Increase in cash</b>	16		<b>11,797</b>		<u>5,011</u>

The notes on pages 19 to 25 form part of these accounts.

# The CBF Church of England Property Fund

## Notes to the accounts

(unaudited)

### 1. Accounting policies

(a) Basis of accounting

The accounts have been prepared under the historical cost basis, as modified by the revaluation of properties, and in accordance with accounting policies set out below and the Statement of Recommended Practice for Authorised Funds issued by the Investment Management Association (IMA) in December 2005, with the exception of the omission of the Statement of material portfolio changes.

Part 1.3 and 2.2 of The Association of Real Estate Funds' Code of Practice relating to the format of Property Collective Investment Schemes' accounts has been followed in the preparation of these accounts.

(b) Income recognition

Rental income, interest on bank deposits and The CBF Church of England Deposit Fund balances are accrued on a daily basis.

(c) Expenses

From 1 January 2008, the Manager's periodic charge, paid to the Manager, was charged to the capital of the Fund before distribution (prior to 1 January 2008 it was charged to the income of the Fund). This fee is based on a fixed percentage of the value of the Fund, which is currently 0.65% p.a. plus VAT on the first £100m, then 0.50% p.a. plus VAT thereafter, less a management fee rebate for the Fund's deposits in The Church of England Deposit Fund. Each month, the value at the end of the previous month is taken to calculate the fee due. This fee covers the provision of investment services and other expenses incurred by the Manager. The Trustee fee, audit, legal, insurance, property valuation fees and direct property fees are charged separately to the income of the Fund before distribution.

(d) Distributions

Distributions are paid quarterly. The Fund utilises an income reserve to even out the fluctuations in income which arise over the years (see note 11).

(e) Capitalised costs

All costs associated with buying, selling and development of properties are charged to capital. Other expenses, including the property valuation fees payable to Atisreal Limited, are deducted from income.

**The CBF Church of England Property Fund**  
**Notes to the accounts**  
**(unaudited)**

(f) Basis of valuation

Freehold and leasehold properties are valued at each monthly dealing date and at quarter-end dates on the basis of Market Value in accordance with the current RICS Appraisal and Valuation Standards (The Red Book) as advised by Atisreal Limited, Chartered Surveyors.

<b>2. Net (losses)/gains on investments</b>	<b>31.5.2008</b>	<b>31.5.2007</b>
	<b>£'000</b>	<b>£'000</b>
The net (losses)/gains on investments during the period comprise:		
Non-derivative securities	<b><u>(15,580)</u></b>	<b><u>7,124</u></b>
<b>3. Income</b>	<b>31.5.2008</b>	<b>31.5.2007</b>
	<b>£'000</b>	<b>£'000</b>
Rents receivable	<b>3,676</b>	4,112
Interest on The CBF Church of England Deposit Fund	<b>527</b>	197
Bank interest	<b>(23)</b>	4
Other interest	<b>-</b>	3
Other income	<b><u>10</u></b>	<b><u>-</u></b>
	<b><u>4,190</u></b>	<b><u>4,316</u></b>
<b>4. Expenses</b>	<b>31.5.2008</b>	<b>31.5.2007</b>
	<b>£'000</b>	<b>£'000</b>
Payable to the Manager, associates of the Manager and agents of either of them:		
Manager's periodic charge – see note 1(c)	<b>475</b>	609
Manager's periodic charge rebate – see note 1(c)*	<b><u>(17)</u></b>	<b><u>(4)</u></b>
	<b><u>458</u></b>	<b><u>605</u></b>
Payable to the Trustee, associates of the Trustee and agents of either of them:		
Trustee fee	<b>3</b>	4
Monitoring fee	<b><u>-</u></b>	<b><u>3</u></b>
	<b><u>3</u></b>	<b><u>7</u></b>

**The CBF Church of England Property Fund**  
**Notes to the accounts**  
**(unaudited)**

	<b>31.5.2008</b>	31.5.2007
	<b>£'000</b>	£'000
Other expenses:		
Audit fee	<b>4</b>	4
Insurance	<b>1</b>	3
Property legal and professional fees	<b>15</b>	37
Property valuation fees	<b>51</b>	48
Property non-recoverable insurance	<b>7</b>	3
Property service charge	<b>45</b>	35
Property empty rates	<b>5</b>	9
Property repairs and maintenance	<b>-</b>	11
	<b><u>128</u></b>	<u>150</u>
Total expenses	<b><u>589</u></b>	<u>762</u>

The above expenses include VAT where applicable.

\* This amount represents the rebate of management fees credited to the Fund's income for its holding in The CBF Church of England Deposit Fund, where management fees are also charged to income.

## **5. Taxation**

The Fund is exempt from UK income and capital gains tax due to its charitable status pursuant to Sections 505 and 506 of the Income and Corporation Taxes Act 1988. Distributions are paid and reinvested income credited gross to shareholders on the basis that all appropriate UK taxation has been reclaimed.

## **6. Finance costs**

Distributions

Distributions take account of income received on the creation of shares and income deducted on the cancellation of shares, and comprise:

	<b>31.5.2008</b>	31.5.2007
	<b>£'000</b>	£'000
29 February – interim distribution	<b>1,927</b>	1,826
31 May – interim distribution	<b>2,019</b>	1,854
	<b><u>3,946</u></b>	<u>3,680</u>

## The CBF Church of England Property Fund

# Notes to the accounts

(unaudited)

	<b>31.5.2008</b>	31.5.2007
	<b>£'000</b>	£'000
Add: income deducted on cancellation of shares	<b>5</b>	4
Deduct: income received on creation of shares	<b>-</b>	(24)
Net distribution for the period	<b><u>3,951</u></b>	<u>3,660</u>
Net income for the period	<b>3,601</b>	3,554
Transfer (to)/from income reserve – see note 11	<b>(88)</b>	106
Manager's periodic charge paid by capital	<b>390</b>	
Income not distributed	<b>48</b>	-
Net distribution for the period	<b><u>3,951</u></b>	<u>3,660</u>

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

## 7. Property investments

	<b>31.5.2008</b>	30.11.2007
	<b>£'000</b>	£'000
Market value at the start of the period	<b>157,740</b>	168,805
Acquisitions at cost	<b>1,481</b>	310
Sales proceeds from disposals	<b>(13,000)</b>	(5,250)
Realised gains on disposals	<b>7,900</b>	1,080
Unrealised losses on revaluation	<b>(23,321)</b>	(7,205)
Market value at the end of the period	<b><u>130,800</u></b>	<u>157,740</u>
Historical cost at the end of the period	<b><u>110,324</u></b>	<u>113,944</u>

## 8. Debtors

	<b>31.5.2008</b>	30.11.2007
	<b>£'000</b>	£'000
Sundry debtors	<b>-</b>	2
Property debtors	<b>-</b>	6
Accrued income	<b>101</b>	101
Property payments recoverable	<b>22</b>	12
Property insurance recoverable	<b>17</b>	34
Prepayments	<b>2</b>	1
	<b><u>142</u></b>	<u>156</u>

**The CBF Church of England Property Fund**  
**Notes to the accounts**  
(unaudited)

<b>9. Cash and bank balances</b>	<b>31.5.2008</b>	30.11.2007
	<b>£'000</b>	£'000
Cash in The CBF Church of England Deposit Fund	<b>24,059</b>	10,078
Cash at bank	<b>1,216</b>	3,400
	<b><u>25,275</u></b>	<u>13,478</u>

<b>10. Creditors</b>	<b>31.5.2008</b>	30.11.2007
	<b>£'000</b>	£'000
Rent received in advance	<b>509</b>	591
VAT payable	<b>3,152</b>	1,140
Amounts payable on cancellation of shares	-	1
Accrued expenses	<b>11</b>	7
	<b><u>3,672</u></b>	<u>1,739</u>

**11. Income reserve**

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

	<b>31.5.2008</b>	31.5.2007
	<b>£'000</b>	£'000
Income reserve at the start of the period	<b>806</b>	1,351
Transfer to/(from) income reserve	<b>88</b>	(106)
Income reserve at the end of the period	<b><u>894</u></b>	<u>1,245</u>

**12. Financial instruments**

The main risks arising from the Fund's financial instruments and the Manager's policies for managing these risks are summarised below. These policies have been applied throughout the period and the comparative period.

Market price risk

Whilst the value of direct property is independently valued on a monthly basis, such valuations are a matter of the valuer's opinion and such values may or may not be achieved on disposal. The Fund seeks to minimise the impact of these risks by maintaining a well diversified portfolio, both geographically and by sector.

# The CBF Church of England Property Fund

## Notes to the accounts

(unaudited)

### Interest rate risk

The majority of the Fund's assets are property investments and therefore do not pay interest or have maturity dates. As a consequence any changes in interest rates will not significantly affect the Fund except in so far as they affect rental levels generally. All cash and bank balances earn interest at floating rates based on either LIBOR or base rate. Debtors and creditors of the Fund do not pay or receive interest.

### Liquidity risk

By their very nature, direct properties are less liquid and therefore the investments may not be readily realisable. The Fund's liquidity may be affected by unexpected or high levels of redemptions. Under these circumstances, a period of notice of up to six months may be imposed for the redemption of shares. The shares are realisable only on each monthly dealing day.

### Currency risk

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

There were no derivatives held by the Fund during the period or comparative period.

## 13. Related party transactions

The Manager's periodic charge is paid to the Manager, a related party to the Fund. The amounts paid in respect of the Manager's periodic charge are disclosed in note 4. There were no outstanding balances due to the Manager at 31 May 2008 (30.11.2007, £nil). There were no other transactions entered into with the Manager during the period.

CBFFT, as Trustee, is a related party to the Fund. There were no outstanding balances due to CBFFT at 31 May 2008 (30.11.2007, £nil). There were no other transactions entered into with CBFFT during the period.

At 31 May 2008 The CBF Church of England Investment Fund held 38.95% (30.11.2007, 38.63%) of the shares of The CBF Church of England Property Fund.

At 31 May 2008 a cash balance of £24,059,683 (30.11.2007, £10,078,251) was held in The CBF Church England Deposit Fund.

The CBF Church of England Property Fund  
**Notes to the accounts**  
 (unaudited)

**14. Turnover of shares**

The number and net asset value of shares in The CBF Church of England Property Fund created and cancelled in the period to 31 May 2008 was as follows:

	<i>Number of shares</i>	<i>Value £</i>	<i>% of NAV at 31.5.08</i>
Income shares created	42,746	65,900	0.04
Income shares cancelled	884,566	1,318,991	0.87

At 31 May 2008 there were no redemption notices outstanding.

**15. Reconciliation of net income to net cash inflow from operating activities**

	<b>31.5.2008</b>	30.11.2007
	<b>£'000</b>	£'000
Net income for the period	<b>3,601</b>	6,993
Increase in accrued income	-	(11)
Decrease in debtors	<b>14</b>	40
Increase in creditors	<b>1,933</b>	584
Net cash inflow from operating activities	<b><u>5,548</u></b>	<u>7,606</u>

**16. Reconciliation of net cash flow to movement in cash balances**

	<b>31.5.2008</b>	30.11.2007
	<b>£'000</b>	£'000
Net cash at beginning of the period	<b>13,478</b>	8,467
Movement in cash during the period	<b>11,797</b>	5,011
Net cash at the end of the period	<b><u>25,275</u></b>	<u>13,478</u>

The CBF Church of England Property Fund

# Distribution table

for the six months ended 31 May 2008

<i>Period ended</i>	<i>Date paid/payable</i>	<i>Dividends paid/payable pence per share</i>	
		<b>2008</b>	2007
<b>Income shares</b>			
29 February 2008	30 April 2008	<b>1.85</b>	1.75
31 May 2008	31 July 2008	<b>1.95</b>	1.75
		<b><u>3.80</u></b>	<u>3.50</u>
		<i>Income accumulated pence per share</i>	
<b>Accumulation shares</b>			
29 February 2008		<b>1.88</b>	1.76
31 May 2008		<b>2.32</b>	1.76
		<b><u>4.20</u></b>	<u>3.52</u>

# Statement of Trustee and Manager responsibilities

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

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

## Preparation of accounts

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

- selects suitable accounting policies that are appropriate for the Fund and applies them on a consistent basis;
- complies with the disclosure requirements of the Statement of

# Statement of Trustee and Manager responsibilities

Recommended Practice relating to Authorised Funds issued by the Investment Management Association (IMA) in December 2005;

- follows generally accepted accounting principles and applicable United Kingdom accounting standards;
- keeps proper accounting records which enables them to demonstrate that the accounts, as prepared, comply with the above requirements;
- makes judgments and estimates that are prudent and reasonable; and

- prepares the accounts on the basis that the Fund will continue in operation unless it is inappropriate to presume this.

The Trustee is also required to manage the Fund in accordance with the Measure and has delegated to the Manager the day-to-day management, accounting and administration of the Fund, as permitted by the Measure. The Manager is required to carry out these duties in accordance with the Measure and take reasonable steps for the prevention and detection of fraud and other irregularities.

# CCLA INVESTMENT MANAGEMENT LIMITED

## The CBF Church of England Property Fund

### Trustee – CBF Funds Trustee Limited

R Broadhurst (Chairman)

J Clunie\*

L Farrall

N Pearson

S Steele

Rev Dr R Turnbull\*

R Williams\*

*\*Members of the Audit Committee*

### Secretary

J Fox

### Property Manager, Administrator and Registrar

#### CCLA Investment Management Limited

*Authorised and regulated by  
the Financial Services Authority*

80 Cheapside

London EC2V 6DZ

Telephone: 020 7489 6000

Client Service:

Freephone: 0800 022 3505

Facsimile: 0844 561 5126

Email: [clientservices@ccla.co.uk](mailto:clientservices@ccla.co.uk)

[www.ccla.co.uk](http://www.ccla.co.uk)

#### Directors responsible for the Fund

M Quicke (Chief Executive)

J Bevan (Chief Investment Officer)

S Curran (Chief Operating Officer)

C Peters (Investment Director)

A Robinson (Director Market Development)

#### Property Manager

P Hannam

#### Company Secretary

J Fox

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

A Kemp

#### External Valuer

Atisreal Limited

Chartered Surveyors and International  
Real Estate Consultants

Norfolk House

31 St James's Square

London SW1Y 4JR

#### Banker and Monitoring Service

The Royal Bank of Scotland plc

62/63 Threadneedle Street

London EC2R 8LA

#### Solicitors

Bates Wells & Braithwaite LLP

2-6 Cannon Street

London EC4M 6YH

Farrer & Co LLP

66 Lincoln's Inn Fields

London WC2A 3LH

#### Independent Auditor

Ernst & Young LLP

1 More London Place

London SE1 2AF



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

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

### **A CHOICE OF FUNDS**

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

#### **Investment Fund**

- A suitable 'all-in-one' long-term fund for most church organisations
- Highly diversified and well-balanced spread of investments
- Designed to help meet growth and income requirements
- Focus on delivering attractive, growing income
- Aligned with the Church of England's Ethical Investment Policy

#### **Global Equity Income Fund**

- Attractive income now
- Rising income in the future
- Strong growth opportunities from the global economy

#### **UK Equity Fund**

- The only UK equity fund entirely aligned with the Church of England's Ethical Investment Policy
- High quality, well-diversified portfolio
- Designed to help meet growth and income requirements
- Usually held with other investments such as overseas equities, bonds and cash to give a broad spread of assets and achieve overall objectives

#### **Fixed Interest Securities Fund**

- Long-term investment focused on income
- Gross income paid quarterly
- Usually held with other investments such as equities and cash to give a broad spread of assets and achieve combined income and growth objectives

#### **Property Fund**

- High quality, well-diversified commercial and industrial property portfolio
- Focus on delivering attractive income
- Actively managed to add value
- Usually held with other investments such as equities, bonds and cash to give a broad spread of assets and achieve combined income and growth objectives

#### **Deposit Fund**

- A great rate
- Interest paid gross
- No minimum balance
- Easy access
- Simple operation
- Excellent service
- Free BACS transfers
- AAA/V1 credit rating\*

\* The Deposit Fund has been awarded an AAA/V1 rating from the credit rating agency Fitch Ratings.

The Funds are common funds established under the Church Funds Investment Measure 1958 (as amended from time to time). CBF Funds Trustee Limited, a company incorporated under the Companies Act is the Trustee and Operator of the Funds. CCLA Investment Management Limited manages the investment of the Funds. The value of the investments may fall as well as rise and an investor may not get back the full amount originally invested.

CCLA Investment Management Limited (registered in England No. 2183088 at 80 Cheapside, London EC2V 6DZ) is authorised and regulated by the Financial Services Authority. CBF Funds Trustee Limited is a Registered Charity No. 1116932 and is registered in England as a company limited by guarantee (No. 5957490).

### **CCLA INVESTMENT MANAGEMENT LIMITED**

80 Cheapside

London EC2V 6DZ

Client Service:

Freephone: 0800 022 3505

Facsimile: 0844 561 5126

Email: [clientservices@ccla.co.uk](mailto:clientservices@ccla.co.uk)

[www.ccla.co.uk](http://www.ccla.co.uk)

CCLA Investment Management Limited is committed to making a positive contribution to environmental protection. Where possible we seek to ensure our suppliers are using environmentally friendly production processes and our paper and board contain 50% recovered waste and 50% virgin fibre, and is certified as a Forest Stewardship Council (FSC) mixed source product.