



for the Church of England

The CBF Church of England Property Fund

**Annual Report and Accounts
Year to 30 November 2008**

Contents

- 1** Report of the Trustee
- 3** Report of the Property Manager
- 7** Report of the Independent Auditors
- 9** Report of the Valuers
- 10** Net asset value, share price range, net distribution, share prices, and expense ratio
- 12** Portfolio analysis
- 13** Portfolio statement
- 13** Ownership of the Fund
- 14** Statement of total return
- 15** Statement of change in shareholders' net assets
- 16** Property portfolio
- 21** Balance sheet
- 22** Cash flow statement
- 23** Notes to the accounts
- 32** Distribution table
- 33** 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.

Report of the Trustee

for the year ended 30 November 2008

On behalf of the Trustee, I have pleasure in presenting the Annual 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 September 2008.

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

Report of the Trustee

for the year ended 30 November 2008

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

R Broadhurst
Chairman
CBF Funds Trustee Limited

27 January 2009

Report of the Property Manager

for the year ended 30 November 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 twelve month period to 30 November 2008, The CBF Church of England Property Fund produced a total return after all expenses of -16.0%. The performance benchmark for the Fund is the IPD Balanced PUT Index, which is published only on a calendar quarter basis and therefore the performance of the Fund is compared to the benchmark data as at 31 December 2008 as noted in the table below.

Valuations for commercial property investments in the UK have fallen sharply during the course of the year, and the rate of decline increased significantly in the second half of 2008. Reflecting this negative movement in the value of

the Fund's property assets, the price of income shares has fallen over the twelve month period to 127.91p as at 30 November 2008, compared to a price of 160.81p at the start of the Fund's year. Although this represents a capital decline for shareholders over the twelve months of 20.5%, the amount of income distributed to Income Shareholders has been increased during the year by 7.7%, with the annual dividend paid rising from 7.15p (twelve months to 30 November 2007) to 7.7p per share (twelve months to 30 November 2008).

The value of an accumulation share, with income reinvested, has reduced from 173.55p to 145.70p.

Market review

Property markets have remained weak all year following the negative impact of the financial crisis on investment demand that commenced midway through 2007 and still continues. This crisis has however served to cover the fact that a cyclical downturn for UK property was already underway. Characterised by

The CBF Church of England Property Fund

Total return after management expenses to 31 December 2008

	1 year	3 years	5 years
CBF Property Fund	-19.58%	-1.91%	+5.41%
Balanced PUT Index	-26.00%	-5.70%	+3.30%

Source: The Manager/IPD

Report of the Property Manager

for the year ended 30 November 2008

extremely difficult funding conditions, liquidity problems, fragile investor sentiment and low transactions volumes, the severity of current property market conditions has produced a significant dislocation between valuations and the lower prices actually being achieved in trading. Understandably, in these difficult conditions, valuations are moving towards market prices.

These problems are being compounded by fears that the economy will deteriorate further in the year ahead.

In the twelve month period to 30 November 2008 the IPD Monthly Index recorded negative All Property capital growth of -25.8% and a total return of -21.3%. Negative rates of rental growth have been reported for the first time in five years and retail rents have started to fall for the first time since 1995, helping to trigger the feared double dip in property sector performance. However, the decline in capital valuations recorded to date can almost entirely be attributed to an outwards shift in yields and negative investor sentiment rather than any impact yet from falling rents. At a sector level, a degree of convergence in sector performance has taken place during the downturn, demonstrating that so far an industry wide correction has been experienced. The returns produced by office property have been weakest due to a greater decline in rental values in Central London. Industrial property has so far been least affected due in part to the higher income yield available.

Activity

Investment market conditions have not been conducive to transactional activity, but nevertheless the Fund did take an opportunity early in the year to dispose of one investment property. The holding on Conduit St in the West End of London had delivered attractive capital and rental value growth in the past. The sale of this low yielding asset, at a price well above the pre-downturn valuation, realised a substantial capital gain and reduced the overweight position to the Central London office market. The receipts of £13m added significantly to the Fund's liquidity which at the year end remained at almost 13%.

Over this difficult period our focus has been on the enhancement of current and projected future income flows. Of significance this year has been the refurbishment of the vacant office property in St Albans to become fully income producing. Five rent reviews were also settled and the support this provided to the Fund's income stream has been important. Although some new voids have been suffered during the year, the Fund's property portfolio void rate had decreased from 7.6% to 5.6% by the year end. In comparison, the void rate recorded by IPD has increased over a twelve month period to 30 November 2008 from 9.1% to 9.6%.

Most of the currently vacant accommodation exists in good quality Central London property, and efforts to secure new tenants continue. In addition,

Report of the Property Manager

for the year ended 30 November 2008

a significant volume of rent review activity remains outstanding and the Fund's total reversionary potential remains attractive at over 17%. The realisation of this income growth potential is a key objective of our management activity at the present time.

Strategy

With the prospect of emerging investment opportunities in the months ahead, the Fund's cash holding has been maintained. This liquid position is enhancing manager flexibility whilst also providing support to performance during the period of property market weakness.

The Fund outperformed its benchmark during the year. The cash holding and the success achieved in enhancing income flows have been contributing factors towards this result. Both have helped shield the Fund's assets from more severe capital valuation markdowns, as recorded by IPD. This benefit has been sufficient to overcome some other more negative factors, such as a high weighting to retail warehouse property and the exposure to Central London offices, sectors which have seen some of the highest rates of valuation decline.

Individual property assets are selected for the potential they offer in growing income and allowing added value from management activity. This approach has benefited performance in recent years. A legacy of this success was the high level of rental reversion in the portfolio which has helped to increase income and support overall performance. A

continued focus on securing this inherent income growth potential will support relative returns in the future.

Outlook

The outlook for the UK property investment sector is a mixture of caution but also some optimism. The first phase of the downturn in property investment markets can be directly attributed to conditions in financial markets. In more recent months, the rate of valuation decline has accelerated and the slide in asset values is expected to continue in 2009 with valuations moving closer to prices achieved in the market. Whilst transactions volumes are very low, the little evidence that does exist is providing a depressing glimpse of where true market prices currently are, and therefore how much further valuations could fall. Although market and valuation movements so far can be almost entirely attributed to the need for property yields to rise, the potential impact of the financial crisis on the real economy, tenant demand and rents is becoming clearer. The prospect of falling rents, tenant default and rising portfolio voids have intensified the emphasis on property fundamentals and property management that had already re-surfaced.

More positively, the yields now available on property assets represent better value as an asset class, providing a sounder base from which to anticipate capital growth over the long term. Investors have an opportunity to acquire assets at prices not seen for many years, whilst good quality investments, featuring

Report of the Property Manager

for the year ended 30 November 2008

secure tenants and attractive property leasing structures, should ensure income streams from property remain attractive and unbroken during this period of pricing uncertainty and volatility. Another factor that may help the property investment market to recover is the significant income premium that has now materialised given falling interest rates,

property yields will offer an attractive means with which to deliver on income targets.

P Hannam
Head of Property
CCLA Investment Management Limited

27 January 2009

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.

Report of the Independent Auditors

to the Shareholders of The CBF Church of England Property Fund

We have audited the financial statements of The CBF Church of England Property Fund for the year ended 30 November 2008 which comprise the statement of total return, the statement of change in shareholders' net assets, the property portfolio, the balance sheet, the cash flow statement, the related notes, and the distribution table. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the shareholders of the Fund, as a body, in accordance with the Church Funds Investment Measure 1958, as amended. 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 the Fund and the shareholders of the Fund, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Trustee and Auditors

The Trustee is responsible for the preparation of the annual report and the financial statements in accordance with Accounting Standards (United Kingdom generally accepted accounting practice) as set out in the Statement of Trustee and Manager responsibilities in relation to the financial statements. Our responsibility is to audit the financial statements in accordance with United Kingdom legal and regulatory requirements and International

Standards on Auditing (United Kingdom and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with United Kingdom generally accepted accounting practice, the Church Funds Investment Measure 1958, as amended, and the Trustee Act 2000. We also report to you if, in our opinion, the Report of the Property Manager is not consistent with the financial statements, if the Manager has not kept proper accounting records for the Fund, if the financial statements are not in agreement with those accounting records, or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the annual report and consider whether it is consistent with the audited financial statements. This other information comprises only the Report of the Property Manager and the other items set out on the contents page. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (United Kingdom and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to amounts and disclosures in the financial statements. It also includes an

Report of the Independent Auditors

to the Shareholders of The CBF Church of England Property Fund

assessment of the significant estimates and judgments made by the Trustee in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Fund's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements:

- give a true and fair view in accordance with United Kingdom generally accepted accounting practice of the financial position of the Fund at 30 November 2008, and of the net income and the net losses on the scheme property of the Fund for the year then ended; and
- have been properly prepared in accordance with United Kingdom generally accepted accounting practice, the Church Funds Investment Measure 1958, as amended, and the Trustee Act 2000.

Ernst & Young LLP
Registered Auditor
London

27 January 2009

The maintenance and integrity of the CCLA Investment Management Limited web site is the responsibility of the directors; the work carried out by the auditors of The CBF Church of England Property Fund does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have

occurred to the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Report of the Valuers

Dear Sirs,

**The CBF Church of England
Property Fund valuation as at
30 November 2008**

In accordance with your instructions, we have valued all the property investments owned by The CBF Church of England Property Fund as at 30 November 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 30 November 2008 was:

£113,850,000

(One hundred and thirteen million, eight hundred and fifty 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 30 November 2008.

Yours faithfully,

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

30 November 2008

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

Net asset value

At 30 November	Net asset Value £'000	Income shares		Accumulation shares*	
		Net asset value pence per shares	Number of shares in issue	Net asset value pence per share	Number of shares in issue
2006	174,374	166.98	104,372,067	172.87	162,007
2007	167,707	160.81	104,199,045	173.55	154,760
2008	130,644	127.91	101,913,990	145.70	154,760

Share price range

Year to 30 November	Income shares		Accumulation shares*	
	Highest offer pence per share	Lowest bid pence per share	Highest offer pence per share	Lowest bid pence per share
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
2008	160.93	125.93	173.67	143.36

Net distribution

Year to 30 November	Income shares		Accumulation shares*	
	Annual distribution pence per share	Yield on shares held for the year % ¹	Annual distribution pence per share	Yield on shares held for the year % ¹
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
2008	7.70	4.71	8.87	5.02

* Accumulation shares were made available from 28 February 2006 and were issued at 149.64p each on that date.

¹ Yield expressed as a percentage of the share offer price at the beginning of the year.

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

Share prices at 30 November 2008

	<i>Bid price pence per share</i>	<i>Offer price pence per share</i>
Income shares	125.93	130.14
Accumulation shares	143.44	148.25

The share prices are published in the *Financial Times*, *The Church Times*, and on the Manager's website at www.ccla.co.uk.

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

Expense ratio

	<i>30.11.2008</i>	<i>30.11.2007</i>
Total expense ratio	0.68%	0.73%
Property expense ratio	0.11%	0.08%

The total expense ratio is the ratio of the Fund's total operating costs to its average net assets calculated over the year. 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 year. These expenses are further detailed in note 4.

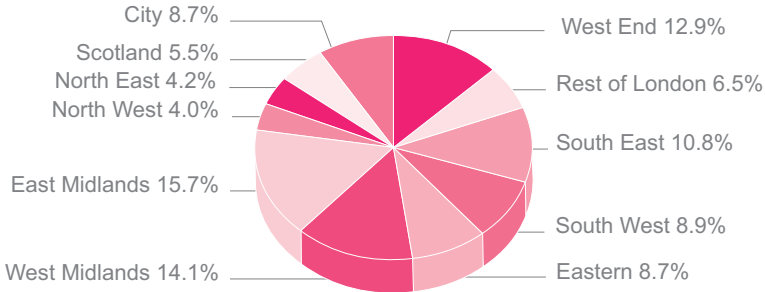
Portfolio analysis

at 30 November 2008

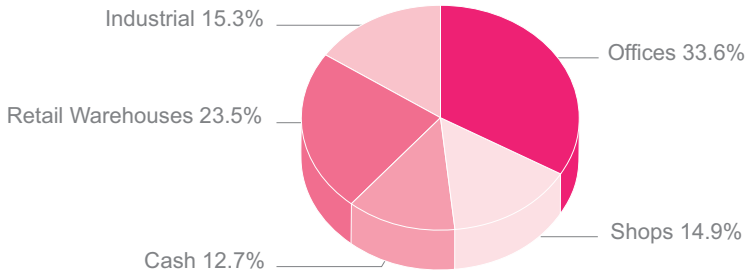
Tenure

	30.11.2008		30.11.2007	
	£'000	%	£'000	%
Freehold	87,200	76.59	111,965	70.98
Leasehold: over 100 years unexpired	26,650	23.41	45,775	29.02
Total investments	<u>113,850</u>	<u>100.00</u>	<u>157,740</u>	<u>100.00</u>

Geographical distribution



Asset by type



Portfolio statement

at 30 November 2008

	£'000	% of Fund
Properties		
Valued between £0 and £5m		
15 properties	44,550	34.10
Valued between £5m and £10m		
7 properties	44,600	34.14
Valued between £10m and £15m		
2 properties	<u>24,700</u>	<u>18.91</u>
	113,850	87.15
Total other assets	<u>16,794</u>	<u>12.85</u>
Total value of the Fund	<u>130,644</u>	<u>100.00</u>

Ownership of the Fund

at 30 November 2008

Ownership band at 30 November 2008	<i>Number of investors</i>	<i>Number of shares in issue '000</i>	<i>% of units in issue</i>
Less than 1%	178	31,238	30.60
1% or greater but less than 2%	12	16,160	15.83
2% or greater but less than 4%	5	14,358	14.07
4% or greater but less than 8%	-	-	-
Greater than 8% *	1	<u>40,313</u>	<u>39.50</u>
		<u>102,069</u>	<u>100.00</u>

* The CBF Church of England Investment Fund has a holding of 40,313,154 shares.

Statement of total return

for the year ended 30 November 2008

		30.11.2008		30.11.2007	
	Notes	£'000	£'000	£'000	£'000
Net losses on investments during the year	2		(33,545)		(6,190)
Income	3	8,752		8,449	
Expenses	4	<u>(1,140)</u>		<u>(1,456)</u>	
Net income for the year			<u>7,612</u>		<u>6,993</u>
Total return before distributions			(25,933)		803
Finance costs: distributions	6		<u>(7,973)</u>		<u>(7,539)</u>
Change in net assets attributable to shareholders			<u>(33,906)</u>		<u>(6,736)</u>

Statement of change in shareholders' net assets

for the year ended 30 November 2008

	30.11.2008		30.11.2007	
	£'000	£'000	£'000	£'000
Net assets at start of the year		167,707		174,374
Movement due to creations and cancellations of shares				
Amounts receivable on creation of shares		282	6,630	
Less: amounts payable on cancellation of shares		(3,453)	(6,572)	
		(3,171)		58
Change in net assets attributable to shareholders		(33,906)		(6,736)
Retained distribution on accumulation shares		14		11
Net assets at end of the year		130,644		167,707

The notes on pages 23 to 31 form part of these accounts.

Property portfolio - offices

at 30 November 2008

<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	-	-	0-5
155 Aztec West BRISTOL	The National Grid Company	25 yrs 24.6.90	5 yrs	2010	330,000	0-5
Groundstar House CRAWLEY	First Choice Office Services Ltd	25 yrs 11.2.88	5 yrs	2008	426,500*	5-10
125 – 139 West Regent St GLASGOW	The Renfrewshire Council	10 yrs 27.10.06	5 yrs	2011	38,000	5-10
	AON Consulting	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	2013	46,300	
	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	0-5
Tonman House Victoria St ST ALBANS	Faber Maunsell Ltd	10 yrs 20.6.08	5 yrs	2013	458,032	5-10

* Outstanding rent review or lease renewal as at 30 November 2008.

Property portfolio - shops

at 30 November 2008

<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	-	248,600	0-5
211/213 High St HOUNSLOW	HMV UK Ltd	15 yrs 7.7.97	5 yrs	-	143,500	0-5
131/135 Northumberland St NEWCASTLE UPON TYNE	Alliance & Leicester plc	15 yrs 1.10.04	5 yrs	2009	290,000	0-5
17 King St TRURO	Electrical & TV Services	25 yrs 4.11.87	5 yrs	2012	157,000	0-5
18 King St TRURO	Vodafone Ltd	25 yrs 24.6.87	5 yrs	-	49,150	0-5

Property portfolio – offices/shop

at 30 November 2008

<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*	5-10
	Post Office Ltd	14 yrs 25.12.01	5 yrs	2010	207,500	
	Hampton International Mortgages Ltd	5 yr 25.3.07	0 yrs	-	71,760	
	Meritum Securities plc	5 yrs 17.2.04	0 yrs	-	29,082	
	Vacant	-	-	-	-	
	Asyst Solutions 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 St LONDON, W1	Newbridge Capital Investments Ltd	5 yrs 11.12.06	0 yrs	-	
Vacant		-	-	-	-	
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 25.12.06	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 30 November 2008.

Property portfolio – retail warehouses

at 30 November 2008

<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 St BROWNHILLS	Focus (DIY) Ltd	16 yrs 30.4.03	5 yrs	2013	266,633	0-5
Unit 8 DERBY	Boots The Chemist Ltd	10 yrs 24.6.04	5 yrs	2009	209,104	0-5
Falcon Lane, Clapham LONDON	Boots The Chemist Ltd	25 yrs 7.5.99	5 yrs	2009	290,000	5-10
Wellingborough Road NORTHAMPTON	Focus (DIY) Ltd	25 yrs 11.12.87	5 yrs	-	454,658	5-10
Dairy Meadow Lane SALISBURY	Halfords Ltd	15 yrs 2.5.00	5 yrs	2010	140,140	0-5
	Allied Carpets Properties Ltd	25 yrs 29.9.94	5 yrs	2009	87,800	
Jolly Sailor Retail Park TAMWORTH	NBC Apparell	20 yrs 25.12.02	5 yrs	2007	280,000*	10-15
	Argos Limited	15 yrs 10.3.03	5 yrs	2008	168,000*	

* Outstanding rent review or lease renewal as at 30 November 2008.

Property portfolio – warehouses/industrial

at 30 November 2008

<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 Point BIRMINGHAM	Corporate Express Ltd	16 yrs 25.12.99	5 yrs	2009	200,000	0-5
Finlan Rd Stakehill Ind. Estate GREATER MANCHESTER	Exel Holdings Ltd	25 yrs 19.11.84	5 yrs	2009	425,000	0-5
Telford Point KETTERING	L Batley Pet Products Limited	10 yrs 26.9.02	5 yrs	2007	310,140*	0-5
Brackmills Ind. Estate NORTHAMPTON	Ryder plc	25 yrs 22.4.88	5 yrs	2008	508,000*	5-10
Weston Avenue WEST THURROCK	The Post Office	20 yrs 29.9.89	5 yrs	-	313,755	0-5

* Outstanding rent review or lease renewal as at 30 November 2008.

Balance sheet

at 30 November 2008

	Notes	30.11.2008		30.11.2007	
		£'000	£'000	£'000	£'000
ASSETS					
Portfolio of investments			113,850		157,740
Debtors	8	52		156	
Cash and bank balances	9	19,544		<u>13,478</u>	
Total other assets			19,596		<u>13,634</u>
Total assets			133,446		171,374
LIABILITIES					
Creditors	10	815		1,739	
Distribution payable on income shares		1,987		<u>1,928</u>	
Total liabilities			2,802		3,667
Net assets attributable to shareholders			130,644		<u>167,707</u>
Approved on behalf of the Trustee 27 January 2009		R Broadhurst, <i>Chairman</i> CBF Funds Trustee Limited			

The notes on pages 23 to 31 form part of these accounts.

Cash flow statement

for the year ended 30 November 2008

	Notes	30.11.2008		30.11.2007	
		£'000	£'000	£'000	£'000
Net cash inflow from operating activities	15		6,792		7,606
Net cash (outflow)/inflow from financing activities					
Creation of shares		282		6,630	
Cancellation of shares		(3,453)		(6,572)	
			(3,171)		58
Net cash inflow from investment activities					
Proceeds on disposal of investments		13,000		5,250	
Capital expenses		(2,655)		(475)	
			10,345		4,775
Net cash outflow from distributions paid			(7,900)		(7,428)
Increase in cash	16		6,066		5,011

The notes on pages 23 to 31 form part of these accounts.

Notes to the accounts

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).

Notes to the accounts

(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.

(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.

2. Net losses on investments

30.11.2008
£'000

30.11.2007
£'000

The net losses on investments during the year comprise:

Non-derivative securities

(33,545)

(6,190)

3. Income

30.11.2008
£'000

30.11.2007
£'000

Rents receivable

7,559

7,917

Interest on The CBF Church of England

Deposit Fund

1,082

464

Bank interest

71

56

Other interest

40

12

8,752

8,449

Notes to the accounts

4. Expenses	30.11.2008 £'000	30.11.2007 £'000
Payable to the Manager, associates of the Manager and agents of either of them:		
Manager's periodic charge – see note 1(c)	912	1,218
Manager's periodic charge rebate – see note 1(c)*	(35)	(13)
	<u>877</u>	<u>1,205</u>
Payable to the Trustee, associates of the Trustee and agents of either of them:		
Trustee fee	-	4
Monitoring fee	6	<u>3</u>
	<u>6</u>	<u>7</u>
Other expenses:		
Audit fee	7	5
Insurance	2	2
Property legal and professional fees	59	79
Property valuation fees	80	90
Property non-recoverable insurance	-	6
Property service charge	93	27
Property empty rates	7	23
Property repairs & maintenance	9	12
	<u>257</u>	<u>244</u>
Total expenses	<u>1,140</u>	<u>1,456</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.

Notes to the accounts

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:

	30.11.2008	<i>30.11.2007</i>
	£'000	<i>£'000</i>
29 February – interim distribution	1,927	1,827
31 May – interim distribution	2,019	1,854
31 August – interim distribution	2,018	1,929
30 November – final distribution	1,991	1,930
	<u>7,955</u>	<u>7,540</u>
Add: income deducted on cancellation of shares	21	46
Deduct: income received on creation of shares	(3)	(47)
Net distribution for the year	<u>7,973</u>	<u>7,539</u>
Net income for the year	7,612	6,994
Transfer (to)/from income reserve – see note 11	(613)	545
Manager's periodic charge paid by capital	974	-
Net distribution for the year	<u>7,973</u>	<u>7,539</u>

Details of the distribution per share are set out in the distribution table on page 32.

7. Property investments

	30.11.2008	<i>30.11.2007</i>
	£'000	<i>£'000</i>
Market value at the start of the year	157,740	168,805
Capital expenses	2,655	310
Sales proceeds from disposals	(13,000)	(5,250)
Realised gains on disposals	7,741	1,080
Unrealised losses on revaluation	(41,286)	(7,205)
Market value at the end of the year	<u>113,850</u>	<u>157,740</u>
Historical cost at the end of the year	<u>111,340</u>	<u>113,944</u>

Notes to the accounts

8. Debtors	30.11.2008	30.11.2007
	£'000	£'000
Sundry debtors	-	2
Property debtors	-	6
Accrued income	45	101
Property payments recoverable	6	12
Property insurance recoverable	-	34
Prepayments	1	1
	<u>52</u>	<u>156</u>

9. Cash and bank balances	30.11.2008	30.11.2007
	£'000	£'000
Cash in The CBF Church of England Deposit Fund	19,360	10,078
Cash at bank	184	3,400
	<u>19,544</u>	<u>13,478</u>

10. Creditors	30.11.2008	30.11.2007
	£'000	£'000
Rent received in advance	588	591
VAT payable	198	1,140
Amounts payable on cancellation of shares	-	1
Accrued expenses	29	7
	<u>815</u>	<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.

	30.11.2008	30.11.2007
	£'000	£'000
Income reserve at the start of the year	806	1,351
Transfer to/(from) income reserve	613	(545)
Income reserve at the end of the year	<u>1,419</u>	<u>806</u>

Notes to the accounts

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 year and the comparative year.

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.

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.

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.

Notes to the accounts

The interest rate profile of the Fund's financial assets and liabilities at 30 November 2008 was as set out below:

<i>Currency</i>	<i>Floating rate financial assets* £'000</i>	<i>Fixed rate financial assets £'000</i>	<i>Financial assets not carrying interest £'000</i>	<i>Total £'000</i>
Sterling	19,544	-	113,902	133,446

<i>Currency</i>	<i>Floating rate financial liabilities £'000</i>	<i>Fixed rate financial liabilities £'000</i>	<i>Financial liabilities not carrying interest £'000</i>	<i>Total £'000</i>
Sterling	-	-	2,802	2,802

30 November 2007

<i>Currency</i>	<i>Floating rate financial assets* £'000</i>	<i>Fixed rate financial assets £'000</i>	<i>Financial assets not carrying interest £'000</i>	<i>Total £'000</i>
Sterling	13,478	-	157,896	171,374

<i>Currency</i>	<i>Floating rate financial liabilities £'000</i>	<i>Fixed rate financial liabilities £'000</i>	<i>Financial liabilities not carrying interest £'000</i>	<i>Total £'000</i>
Sterling	-	-	3,667	3,667

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

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

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

Notes to the accounts

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 30 November 2008 (30.11.2007, £nil). There were no other transactions entered into with the Manager during the year.

CBF Funds Trustee Limited (CBFFT), as Trustee, is a related party to the Fund. There were no outstanding balances due to CBFFT at 30 November 2008 (30.11.2007, £nil). There were no other transactions entered into with CBFFT during the year.

At 30 November 2008 The CBF Church of England Investment Fund held 39.50% (30.11.2007, 38.63%) of the shares of The CBF Church of England Property Fund.

At 30 November 2008 a cash balance of £19,359,905 (30.11.2007, £10,078,251) was held in The CBF Church England Deposit Fund.

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 year to 30 November 2008 was as follows:

	<i>Number of shares</i>	<i>Value £</i>	<i>% of NAV at 30.11.08</i>
Income shares created	198,403	281,912	0.22
Income shares cancelled	2,483,458	3,452,855	2.65

At 30 November 2008 there were no redemption notices outstanding.

Notes to the accounts

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

	30.11.2008	30.11.2007
	£'000	£'000
Net income for the year	7,612	6,993
Decrease/(increase) in accrued income	56	(11)
Decrease in debtors	48	40
(Decrease)/increase in creditors	(924)	584
Net cash inflow from operating activities	<u>6,792</u>	<u>7,606</u>

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

	30.11.2008	30.11.2007
	£'000	£'000
Net cash at beginning of the year	13,478	8,467
Movement in cash during the year	<u>6,066</u>	<u>5,011</u>
Net cash at the end of the year	<u>19,544</u>	<u>13,478</u>

Distribution table

for the year ended 30 November 2008

<i>Period ended</i>	<i>Date paid/payable</i>	<i>Dividends paid/payable pence per share</i>	
		2008	2007
Income shares			
29 February 2008	30 April 2008	1.85	1.75
31 May 2008	31 July 2008	1.95	1.75
31 August 2008	31 October 2008	1.95	1.80
30 November 2008	30 January 2009	1.95	1.85
		<u>7.70</u>	<u>7.15</u>
		<i>Income accumulated pence per share</i>	
Accumulation shares			
29 February 2008		1.88	1.76
31 May 2008		2.31	1.76
31 August 2008		2.36	1.70
30 November 2008		2.32	1.71
		<u>8.87</u>	<u>6.93</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 Recommended Practice relating

Statement of Trustee and Manager responsibilities

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

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

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 is rated AAA/V1 by Fitch Ratings. This reflects the high credit quality of the portfolio and its low volatility.

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

www.ccla.co.uk