



for the Church of England

The CBF Church of England Property Fund

**Report and Accounts
Year ended 30 November 2010**

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Trustee and Manager

(inside back cover)

Description of The CBF Church of England Funds

(outside back cover)

Disability Discrimination Act 1995

Extracts from the Report and Accounts are available in large print and audio formats.

Report of the Trustee

Year ended 30 November 2010

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 (together the Measure).

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

CBFFT has delegated to the Manager, which is authorised and regulated by the Financial Services Authority (FSA), the 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 at least maintain the level of its annual distribution each year.

Total return benchmark

The total return performance benchmark for the Fund is the IPD 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

Report of the Trustee

for the year ended 30 November 2010

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

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

RBS monitoring service

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

Delegation of functions

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

Ethical Investment

CBFFT complies with the Ethical Investment Policy of the Church of England and any ethical issues associated with property investment are reported to the Ethical Investment Advisory Group on an annual basis.

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
24 February 2011

Report of the Property Manager

for the year ended 30 November 2010

Strategy

The CBF Church of England Property Fund seeks to provide shareholders with access to a diversified portfolio of property assets, allocated across the main sectors and geographical regions of the UK. Central to the Funds aim to deliver an attractive total return is a focus on active management. We believe that this management approach is strategically appropriate for the Fund and is also tactically beneficial in current market conditions.

We expect near term performance from the sector to be dominated by income flows, and as a result we will seek to capitalise on the current yield margin between prime and more secondary graded investments. At the same time, void reduction will be the principal source of income growth. The economic and financial market environment is one where a prudent investment policy is appropriate. This, together with a careful control of the cash weighting will be important influences on performance in the period ahead.

Performance

Over the year the Fund produced a total return after expenses of +20.5%. The performance benchmark for the Fund, the IPD Balanced PUT

Index is only published on a calendar quarter basis. The performance of the Fund over periods to 30 September 2010 is noted in the table below.

The price of an Income Share on the 30 November 2009 was 107.21p and at the 2010 year end had risen to 120.76p, a 12.6% capital return. Income payments augmented these returns with the 8.1p paid to investors being equivalent to an annual income return of 7.6%. The income payment for 2010 was 2.0% greater than the payment for 2009. The annual income distribution yield of the Fund on the year end price is 6.7%. The Accumulation Shares ended the year at 158.31p compared with 131.43p in November 2009.

Market review

After two years of downturn, an improvement in fortunes eventually began in the final months of 2009. Initially, the scale and pace of the recovery exceeded expectations and this improvement provided the catalyst to stimulate market activity; investors with access to capital were keen to lock-in to an asset class offering high yields and recovery potential, whilst the low value of Sterling also attracted overseas investors. In a self

The CBF Church of England Property Fund

Total return after management expenses to 30 November 2010	1 year %	5 years % p.a.	10 years % p.a.
CBF Property Fund	24.62	2.49	7.09
Balanced PUT Index	18.91	(1.11)	5.06

Source: The Manager and IPD.

Report of the Property Manager

for the year ended 30 November 2010

supporting cycle the subsequent pick-up in transaction volumes boosted investor confidence further and added additional momentum to both market activity and investment returns. The higher valuations achieved were sustained in the second half of 2010, although the pace of growth slowed sharply and transaction volumes reduced. This reflected a natural pause after strong growth but also a weakening in sentiment as investors were faced with mixed economic and market news. This coincided with the quiet summer period and the result was that buyers held off from the market.

Against this background, overall market returns have been strong. IPD recorded capital growth for all property of 9.8% over the twelve month period, whilst the total return including income has been 17.6%. All sectors of the market have benefited from this improvement, with both high street shop and retail warehouse properties initially leading the way, to be followed by strong growth from central London offices. There is a clear divergence in fortunes between prime and secondary (less secure income) investments, some of which have started to display valuation weakness, and also between sectors and geographical regions. Although the pace of decline has eased over the year, rental valuations have fallen by 1.3% and property vacancy rates have remained high at 9.8%, although they are below their peak. The absence of rental growth means that letting void accommodation is an important source of income growth for property investment portfolios.

Activity

The Fund has been an active participant in the market during 2010. Four new acquisitions were completed; an office business park investment on the M3 near Hook, yielding over 10% and three industrial warehouse properties, at Mier Point in Stoke, at Inchinnan near Glasgow Airport and on the M5 motorway at Avonmouth. The total investment in this programme was some £18m with a blended yield of around 9.2%. Together these investments have brought attractive yields and well secured income streams into the portfolio, with an average unexpired lease term of almost 7 years. One large property investment was sold, a low yielding office and retail holding on Albemarle Street in the West End of London. The sales produced receipts of over £14m.

Overall management activity has been positive for portfolio income. A number of rent reviews have been completed successfully, including the retail warehouse holdings in Derby, in Clapham, London, and at Tamworth, where a substantial increase in rental can be back-dated to 2007. Rental increases have also been achieved on the industrial property in Kettering and part of the office premises in Glasgow. At the Eastcheap retail and office holding in the City of London, lease extensions have been agreed. Elsewhere in the portfolio, some results have been more mixed. The lease on the industrial warehouse in Birmingham came to an end earlier in the year and this unit currently sits vacant. The tenant exercised a lease break clause, however, the payment of a twelve month rental penalty means the income from the holding has so far been

Report of the Property Manager

for the year ended 30 November 2010

maintained while the search for a new tenant continues. At West Thurrock, Essex, the lease of the industrial warehouse holding expired and following sub-division, half of the unit has been let to the Post Office with the remaining accommodation available to let.

At the year end the portfolio void rate was 7.5%, compared with the IPD void rate of 9.8%. Good interest currently exists for all the Fund's vacant industrial premises and letting success achieved will deliver attractive income growth for the portfolio. Despite the ongoing difficulties for the generation of income the Fund's assets overall remain just over 5% reversionary. This is slightly better than the reversionary potential recorded by IPD, which is also recording greater over-rentedness compared to the Fund's portfolio.

Outlook

Whilst some significant challenges remain, the scale of the downside risks for valuations should not be overstated. Trading volumes picked up again in the final quarter of 2010 and the weakness of pricing so far has been concentrated in secondary stocks with less secure income streams. Capital trends have remained slightly positive as investor support has continued for prime investments in general and Central London markets in particular, with competition remaining for a limited supply of attractive investment opportunities. At some point the differential between prime and secondary investments will make the latter attractive to investors able to accept a higher level of risk. In the medium term we expect investor returns to be dominated by income flows with the contribution from capital relatively flat.

Paul Hannam
Head of Property
CCLA Investment Management Limited
24 February 2011

Report of the Property Manager

for the year ended 30 November 2010

Risk warning

The Fund's shares and the revenue 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 revenue 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 Auditor

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 2010 which comprise the statement of total return, the statement of change in shareholders' net assets, 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 Auditor

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 the amounts and disclosures in the financial

Report of the Independent Auditor

to the Shareholders of The CBF Church of England Property Fund

statements. It also includes an assessment of the significant estimates and judgements made by the Manager 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 financial statements 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 2010 and of the net revenue and the net gains on the scheme property of the Fund for the year then ended; and
- have been properly prepared in accordance with the Statement of Recommended Practice relating to Authorised Funds, The Church Funds Investment Measure, as amended, and the Trustees Act 2000.

Ernst & Young LLP
Registered Auditor
London
24 February 2011

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 2010

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 2010. 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 2010 was:

£118,435,000

(one hundred and eighteen million, four hundred and thirty five 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 2010.

Yours faithfully,

BNP Paribas Real Estate
90 Chancery Lane,
London WC2A 1EU
30 November 2010

Atisreal Limited joined the BNP Paribas Real Estate group in 2004 and adopted the name on 1 June 2009.

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

Net asset value

<i>At 30 November</i>	<i>Net asset value £'000</i>	<i>Income shares</i>		<i>Accumulation shares*</i>	
		<i>Net asset value pence per share</i>	<i>Number of shares in issue</i>	<i>Net asset value pence per share</i>	<i>Number of shares in issue</i>
2008	130,644	127.91	101,913,990	145.70	154,760
2009	105,789	107.21	98,313,169	131.43	154,760
2010	127,101	120.76	104,612,885	158.31	473,047

Share price range

<i>Year to 30 November</i>	<i>Income shares</i>		<i>Accumulation shares*</i>	
	<i>Highest offer pence per share</i>	<i>Lowest bid pence per share</i>	<i>Highest offer pence per share</i>	<i>Lowest bid pence per share</i>
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
2009	122.89	101.68	139.98	119.92
2010	125.12	115.19	161.09	141.21

Net distribution

<i>Year to 30 November</i>	<i>Income shares</i>		<i>Accumulation shares*</i>	
	<i>Annual distribution pence per share</i>	<i>Yield on shares held for the period %</i>	<i>Annual distribution pence per share</i>	<i>Yield on shares held for the period %†</i>
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
2009	7.94	6.10	9.45	6.38
2010	8.10	7.43	10.26	7.67

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

† Yield expressed as a percentage of the share offer price at the beginning of the period.

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

Share price at 30 November 2010

	<i>Bid price pence per share</i>	<i>Offer price pence per share</i>
Income shares	118.89	122.87
Accumulation shares	155.86	161.08

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

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

Expense ratio

	30.11.2010	<i>30.11.2009</i>
Total expense ratio	0.68%	0.73%
Property expense ratio	0.22%	0.39%

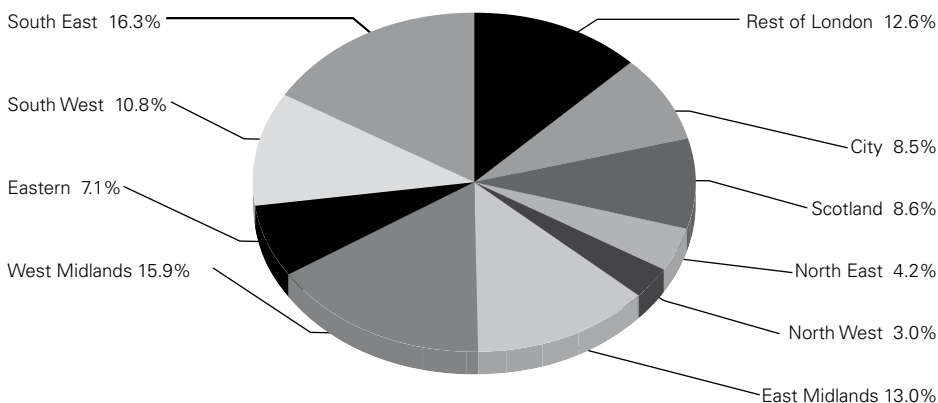
The total expense ratio is the ratio of the Fund's total operating costs to its average net assets calculated over the year. The property expense ratio is the ratio of the Fund's direct costs incurred in managing and maintaining the individual properties to its average net assets calculated over the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

Portfolio analysis

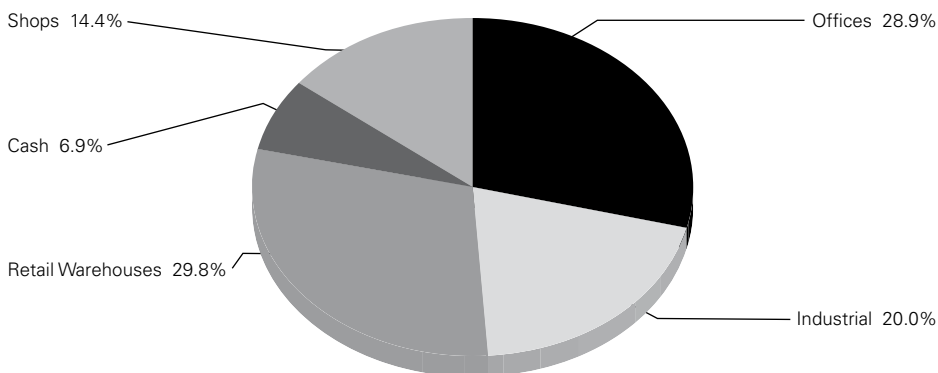
at 30 November 2010

Tenure	30.11.2010		30.11.2009	
	£'000	%	£'000	%
Freehold	108,360	91.49	79,115	79.22
Leasehold	10,075	8.51	20,750	20.78
Total investments	<u>118,435</u>	<u>100.00</u>	<u>99,865</u>	<u>100.00</u>

Geographical distribution



Asset by type



Portfolio statement

at 30 November 2010

	£'000	% of Fund
Properties		
Valued between £0 and £5m	65,110	51.22
Valued between £5 and £10m	43,275	34.05
Valued between £10 and £15m	<u>10,050</u>	<u>7.91</u>
	118,435	93.18
Total other net assets	8,666	6.82
Total value of the Fund	<u><u>127,101</u></u>	<u><u>100.00</u></u>

Ownership of the Fund

at 30 November 2010

Ownership band at 30 November 2010	<i>Number of investors</i>	<i>Number of shares</i>	
		<i>in issue '000</i>	<i>% of shares in issue</i>
Less than 1%	204	54,092	51
1% or greater but less than 2%	10	9,201	9
2% or greater but less than 4%	8	6,030	6
4% or greater but less than 8%	0	-	-
Greater than 8%	1	35,763	34
		<u><u>105,086</u></u>	<u><u>100</u></u>

The CBF Church of England Investment Fund has a holding of 35,763,182 shares.

Property portfolio – offices

at 30 November 2010

<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	-	-	-	-	0-5
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	-	426,500	0-5
125 – 139 West Regent St GLASGOW	The Renfrewshire Council	10 yrs 27.10.06	5 yrs	2011	38,000	5-10
	AON Consulting Financial Services Ltd	25 yrs 1.12.88	5 yrs	2013	109,100	5-10
	Gladedale (North West) Ltd	25 yrs 2.2.89	5 yrs	-	54,700	
	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	-	250,000	
Bartley Wood HOOK	HP Enterprise Defence & Security	31 yrs 25.12.89	5 yrs	2015	848,106	5-10
Bath Road SLOUGH	Michael Page Holdings Ltd	16 yrs 26.5.00	5 yrs	2010	221,000	0-5
AECOM House Victoria St ST ALBANS	Faber Maunsell Ltd	10 yrs 20.6.08	5 yrs	2013	458,032	5-10

Property portfolio – shops

at 30 November 2010

<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	2014	290,000	5-10
17 King St TRURO	Electrical & TV Services Ltd	25 yrs 4.11.87	5 yrs	-	157,000	0-5
18 King St TRURO	Vodafone Ltd	25 yrs 24.6.87	5 yrs	-	49,150	0-5

Property portfolio – offices/shops

at 30 November 2010

<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	Steam Wine Bar Ltd	10 yrs 19.8.05	5 yrs	2013	67,500	10-15
	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 17.2.09	0 yrs	-	29,075	
	Goddard Perry Consulting Ltd	5 yrs 4.03.09	0 yrs	-	67,600	
	Access UK Ltd	10 yrs 6.12.04	5 yrs	-	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 Ltd	5 yrs 28.11.07	0 yrs	-	38,738	

Property portfolio – retail warehouses

at 30 November 2010

<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	300,250	0-5
Unit 8 DERBY	Boots UK Ltd	10 yrs 24.6.04	5 yrs	-	227,988	0-5
Falcon Lane, Clapham LONDON	Boots UK Ltd	25 yrs 7.5.99	5 yrs	-	325,000	0-5
Ealing Rd, LONDON	DSG Retail Ltd	25 yrs 29.9.95	5 yrs	2010*	450,000	5-10
Wellingborough Rd NORTHAMPTON	Focus (DIY) Ltd	25 yrs 11.12.87	5 yrs	-	454,658	0-5
Dairy Meadow Lane SALISBURY	Halfords Ltd	15 yrs 2.5.00	5 yrs	2010*	140,140	0-5
	Maplin Electronics Ltd	10 yrs 13.11.09	5 yrs	2014	90,000	5-10
Jolly Sailor Retail Park TAMWORTH	NBC Apparell	20 yrs 25.12.02	5 yrs	2012	379,300	5-10
	Argos Ltd	15 yrs 10.3.03	5 yrs	2013	259,900	

* Outstanding rent review or lease renewal as at 30 November 2010.

Property portfolio – warehouses/industrial

at 30 November 2010

<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	Vacant	-	-	-	-	0-5
Finlan Rd Stakehill Ind. Estate GREATER MANCHESTER	Vacant	-	-	-	-	0-5
Fountain Drive INCHINNAN	Regeneris Ltd	10 yrs 1.9.09	5 yrs	2014	300,000	0-5
Telford Point KETTERING	L Batley Pet Products Ltd	10 yrs 26.9.02	5 yrs	-	321,816	0-5
Brackmills Ind. Estate NORTHAMPTON	Ryder plc	25 yrs 22.4.88	5 yrs	-	508,000	0-5
Meir Point STOKE-ON-TRENT	Newell Ltd	15 yrs 16.6.02	5 yrs	2012	298,000	0-5
Weston Avenue WEST THURROCK	Royal Mail Group	10 yrs 12.1.10	5 yrs	2015	165,166	0-5
Avonmouth Access 18 BRISTOL	Qualitex Supplies Ltd	15 yrs 29.09.04	5 yrs	2014	201,250	0-5

Statement of total return

for the year ended 30 November 2010

	Notes	30.11.2010		30.11.2009	
		£'000	£'000	£'000	£'000
Income					
Net capital gains/(losses)	2		13,937		(20,469)
Revenue	3	8,487		8,107	
Expenses	4	(1,081)		(1,120)	
Net revenue			<u>7,406</u>	<u>6,987</u>	
Total return before distributions			21,343		(13,482)
Finance costs: distributions	6		(8,247)		(7,456)
Change in net assets attributable to shareholders from investment activities			<u>13,096</u>		<u>(20,938)</u>

The notes on pages 25 to 32 form part of these accounts.

Statement of change in net assets attributable to shareholders

for the year ended 30 November 2010

	30.11.2010		30.11.2009	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		105,789		130,644
Amounts receivable on issue of shares	10,901		11,529	
Amounts payable on cancellation of shares	<u>(2,720)</u>		<u>(15,461)</u>	
		8,181		(3,932)
Change in net assets attributable to shareholders from investment activities		<u>13,096</u>		<u>(20,938)</u>
Retained distribution on accumulation shares		35		15
Closing net assets attributable to shareholders		<u>127,101</u>		<u>105,789</u>

The notes on pages 25 to 32 form part of these accounts.

Balance sheet

at 30 November 2010

		30.11.2010		30.11.2009	
	Notes	£'000	£'000	£'000	£'000
ASSETS					
Investment assets	7		118,435		99,865
Debtors	8	859		593	
Cash and bank balances	9	<u>11,555</u>		<u>8,054</u>	
Total other assets			<u>12,414</u>		<u>8,647</u>
Total assets			130,849		108,512
LIABILITIES					
Creditors	10	1,447		668	
Distribution payable on income shares		<u>2,301</u>		<u>2,055</u>	
Total liabilities			<u>3,748</u>		<u>2,723</u>
Net assets attributable to shareholders			<u><u>127,101</u></u>		<u><u>105,789</u></u>
Approved on behalf of the Trustee 24 February 2011			R Broadhurst, Chairman CBF Funds Trustee Ltd		

The notes on pages 25 to 32 form part of these accounts.

Cash flow statement

for the year ended 30 November 2010

	Notes	30.11.2010		30.11.2009	
		£'000	£'000	£'000	£'000
Net cash flow from operating activities	15		7,919		6,299
Net cash flow from financing activities					
Issue of shares		10,901		11,529	
Cancellation of shares		(2,720)		(15,461)	
Distributions paid		(7,966)		(7,373)	
			<u>215</u>		<u>(11,305)</u>
Net cash flow from investing activities					
Payments to acquire investments		(17,838)		(6,080)	
Proceeds on disposal of investments		14,400		-	
Capital expenses		(1,195)		(404)	
			<u>(4,633)</u>		<u>(6,484)</u>
Increase/(Decrease) in cash			<u>3,501</u>		<u>(11,490)</u>

The notes on pages 25 to 32 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 November 2008.

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) Revenue recognition

Rental revenue, 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 revenue 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 revenue of the Fund before distribution.

(d) Distributions

Distributions are paid quarterly. The Fund utilises an income reserve to even out the fluctuations in revenue which arise over the years (see note 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 BNP Paribas Real Estate, are deducted from revenue.

Notes to the accounts

(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 BNP Paribas Real Estate, Chartered Surveyors.

2. Net capital gains/(losses)	30.11.2010	30.11.2009
	£'000	£'000
The net capital gains/(losses) during the period comprise:		
Non-derivative securities	<u>13,937</u>	<u>(20,469)</u>
3. Revenue	30.11.2010	30.11.2009
	£'000	£'000
Rental Revenue	8,415	7,892
Interest on The CBF Church of England Deposit Fund	50	210
Bank Interest	20	-
Other revenue	<u>2</u>	<u>5</u>
	<u>8,487</u>	<u>8,107</u>
4. Expenses	30.11.2010	30.11.2009
	£'000	£'000
Payable to the Manager, associates of the Manager and agents of either of them:		
Manager's periodic charge – see note 1(c)	751	663
Manager's periodic charge rebate – see note 1(c)*	(15)	(16)
Manager's fee for ethical screening services	<u>1</u>	<u>-</u>
	<u>737</u>	<u>647</u>
Payable to the Trustee, associates of the Trustee and agents of either of them:		
Trustee Fee	<u>8</u>	<u>7</u>
	<u>8</u>	<u>7</u>

Notes to the accounts

	30.11.2010	30.11.2009
Other expenses:	£'000	£'000
Audit fee	8	9
Insurance	1	2
Property legal and professional fees	134	110
Property valuation fees	56	63
Property non-recoverable insurance	-	15
Property service charge	127	207
Property empty rates	(1)	49
Property repairs & maintenance	4	11
Property other expenses	7	-
	<u>336</u>	<u>466</u>
Total expenses	<u>1,081</u>	<u>1,120</u>

The above expenses include VAT where applicable.

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

5. Taxation

The Fund is exempt from UK income and capital gains tax due to its charitable status pursuant to Sections 505 and 506 of the Income and Corporation Taxes Act 1988.

Distributions are paid and reinvested revenue credited gross to shareholders on the basis that all appropriate UK taxation has been reclaimed.

6. Finance costs

Distribution

Distributions, which are paid on the last working day of the month, take account of revenue received on the issue of shares and revenue deducted on the cancellation of shares, and comprise:

	30.11.2010	30.11.2009
	£'000	£'000
February – interim distribution	1,901	1,939
May – interim distribution	2,041	1,745
August – interim distribution	2,067	1,816
November – final distribution	2,314	2,058
	<u>8,323</u>	<u>7,558</u>

Notes to the accounts

	30.11.2010	30.11.2009
	£'000	£'000
Add: revenue deducted on cancellation of shares	18	73
Deduct: revenue received on issue of shares	(94)	(175)
Net distribution for the period	<u>8,247</u>	<u>7,456</u>
Net revenue for the period	7,406	6,987
Transfer from/to income reserve – see note 11	89	(194)
Manager’s periodic charge – see note 1(c)	752	663
Net distribution for the period	<u>8,247</u>	<u>7,456</u>

Details of the distribution per share are set out in the distribution table on page 33.

7. Property Investments

	30.11.2010	30.11.2009
	£'000	£'000
Market value at the start of the year	99,865	113,850
Capitalised expenses	1,195	404
Sales proceeds from disposals	(14,400)	-
Acquisitions at cost	17,838	6,080
Realised gains on disposals	26	-
Unrealised gains/(losses) on revaluation	13,911	(20,469)
Market value at the end of the year	<u>118,435</u>	<u>99,865</u>
Historical cost at the end of the year	<u>122,483</u>	<u>117,824</u>

8. Debtors

	30.11.2010	30.11.2009
	£'000	£'000
Accrued revenue	457	330
Property payments recoverable	39	55
Property incentives	329	67
VAT receivable	-	141
Prepayments	34	-
	<u>859</u>	<u>593</u>

Notes to the accounts

9. Cash and bank balances	30.11.2010	30.11.2009
	£'000	£'000
Cash in The CBF Church of England Deposit Fund	11,490	7,971
Cash at bank	65	83
	<u>11,555</u>	<u>8,054</u>

10. Creditors	30.11.2010	30.11.2009
	£'000	£'000
Rent received in advance	1,311	623
VAT payable	124	-
Accrued expenses	12	45
	<u>1,447</u>	<u>668</u>

11. Income Reserve

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

	30.11.2010	30.11.2009
	£'000	£'000
Income reserve at the start of the period	1,613	1,419
Transfer (from)/to income reserve	(89)	194
Income reserve at the end of the period	<u>1,524</u>	<u>1,613</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 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.

Notes to the accounts

Currency risk

There is no exposure to foreign currency fluctuations as all investments, revenue 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.

The interest rate profile of the Fund's financial assets and liabilities at 30 November 2010 was as set out below:

Currency	Floating rate financial assets* £'000	Fixed rate financial assets £'000	Financial assets not carrying interest £'000	Total £'000
Sterling	11,555	-	118,939	130,494

Currency	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000
Sterling	-	-	3,393	3,393

Notes to the accounts

30 November 2009

<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	8,054	-	100,458	108,512

<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	-	-	2,723	2,723

* 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.

13. Related party transactions

The Manager's periodic charge and fee for ethical screening services are paid to the Manager, a related party to the Fund. The amounts paid in respect of the Manager's periodic charge are disclosed in note 4. There were no outstanding balances due to the Manager at 30 November 2010 (30.11.2009, £nil). There were no other transactions entered into with the Manager during the period.

CBFFT, as Trustee, is a related party to the Fund. The amounts paid in respect of the Trustee's administration fee are disclosed in note 4. There were no outstanding balances due at 30 November 2010 (30.11.2009, £nil). There were no other transactions entered into with CBFFT during the period.

At 30 November 2010 a cash balance of £11,489,751 (30.11.2009, £7,971,746) was held in The CBF Church of England Deposit Fund.

Notes to the accounts

14. Turnover of shares

The number and net asset value of shares in the CBF Church of England Property Fund issued and cancelled in the year to 30 November 2010 was as follows:

	Number of shares	Value £	% of NAV at 30.11.2010
Income shares issues	8,620,356	10,413,266	8.19
Income shares cancelled	2,320,641	2,720,308	2.14

At 30 November 2010 there were no redemption notices outstanding.

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

	30.11.2010	30.11.2009
	£'000	£'000
Net revenue for the year	7,406	6,987
(Increase)/decrease in accrued revenue	(101)	(285)
(Increase)/decrease in debtors	190	(256)
Decrease in creditors	424	(147)
Net cash inflow from operating activities	<u>7,919</u>	<u>6,299</u>

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

	30.11.2010	30.11.2009
	£'000	£'000
Net cash at beginning of the year	8,054	19,544
Movement in cash during the year	3,501	(11,490)
Net cash at the end of the year	<u>11,555</u>	<u>8,054</u>

Distribution table

for the year ended 30 November 2010

<i>Period ended</i>	<i>Date paid/payable</i>	<i>Dividends paid/payable pence per share</i>	
		2010	2009
Income shares			
28 February 2010	30 April 2010	1.90	1.90
31 May 2010	30 July 2010	2.00	1.95
31 August 2010	29 October 2010	2.00	2.00
30 November 2010	29 January 2011	2.20	2.09
		<u>8.10</u>	<u>7.94</u>
		<i>Revenue accumulated pence per share</i>	
Accumulation shares		2010	2009
28 February 2010		2.31	2.32
31 May 2010		2.85	2.53
31 August 2010		2.40	2.70
30 November 2010		2.69	1.90
		<u>10.25</u>	<u>9.45</u>

Statement of Trustee and Manager responsibilities

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

- make and revise the written statement of the investment objectives of the Fund and details of such investment objectives will be included in the Scheme Information;
- determine the criteria and methods for evaluating the performance of the Fund;
- appoint the Auditor of the Fund and settle their terms of engagement;
- determine the rate of remuneration of the Manager in accordance with the Measure and the Scheme Information;
- supervise and oversee the Manager's compliance with the Measure and the Scheme Information. In particular, the Trustee shall be satisfied on a continuing basis that the Manager is competently exercising the powers and discharging the duties conferred or imposed on it by or pursuant to the provisions of the Measure and ensure the Manager is maintaining adequate and proper records;
- appoint, supervise and oversee any Registrar or other delegate whom it has appointed in accordance with the provisions of the Scheme;

- review the custody and control of the property of the Fund and the collection of all revenue due to the Fund in accordance with the Measure;
- make distributions to investors holding income shares and make allocations to investors holding accumulation shares in proportion to their respective shares in the property of the Fund; and
- take all steps and execute all documents which are necessary to ensure that the purchases and sales of investments for the Fund are properly completed.

Preparation of accounts

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

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

Statement of Trustee and Manager responsibilities

relating to Authorised Funds issued by the Investment Management Association (IMA) in November 2008;

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

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

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)

Rev E Carter

J Clunie *

L Farrall

G Pollard

S Steele

Rev Dr R Turnbull *

R Williams *

**Members of the Audit Committee*

Secretary

J Fox

Manager, Administrator and Registrar

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*Authorised and regulated by the Financial
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Directors responsible for the Fund

M Quicke (Chief Executive)

J Bevan (Chief Investment Officer)

S Curran (Chief Operating Officer)

C Peters (Investment Director)

A Robinson (Director Market Development)

Fund Manager

P Hannam

Company Secretary

J Fox

Head of Operational Risk

Internal Audit and Compliance

A Kemp

Head of Ethical and Responsible Investment

H Wildsmith

Banker and Monitoring Service

The Royal Bank of Scotland plc
62/63 Threadneedle Street
London EC2R 8LA

Safe-Custody Agent

The Northern Trust Company
50 Bank Street, Canary Wharf
London E14 5NT

Solicitors

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

Independent Auditor

Ernst & Young LLP
1 More London Place
London SE1 2AF



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

The CBF Church of England Funds provide Church of England parishes, dioceses and other church charitable trusts with a ready-made service to look after their money and investments. These Funds aim to provide prudent management of church money, avoiding unnecessary risks but at the same time seeking to deliver satisfactory investment results. For more than 45 years, the CBF Church of England Funds have had a successful record.

A CHOICE OF FUNDS

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

Investment Fund

- A suitable 'all-in-one' long-term fund for most church organisations
- Highly diversified and well-balanced spread of investments
- Designed to help meet growth and income requirements
- Focus on delivering attractive, growing income
- Working with the EIAG to reflect appropriately ethical values in your investments

Global Equity Income Fund

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

UK Equity Fund

- The only UK equity fund managed to reflect Church ethical values
- High quality, well-diversified portfolio
- Designed to help meet growth and income requirements
- Usually held with other investments such as overseas equities, bonds and cash to give a broad spread of assets and achieve overall objectives

Fixed Interest Securities Fund

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

Property Fund

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

Deposit Fund

- An attractive rate
- Interest paid gross
- No minimum balance
- Easy access
- Simple operation
- Excellent service
- Free BACS transfers
- AAA/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).

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