



for the Church of England

The CBF Church of England Property Fund

**Report and Accounts
Half Year ended 31 May 2009
(unaudited)**

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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

for the half year ended 31 May 2009

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

Structure and management

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

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

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

Report of the Trustee

for the half year ended 31 May 2009

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

RBS monitoring service

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

Delegation of functions

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

Controls and risk management

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

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

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

R Broadhurst
Chairman
CBF Funds Trustee Limited

21 July 2009

Report of the Property Manager

for the half year ended 31 May 2009

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

Performance

For the six month period to 31 May 2009, the total return of the CBF Church of England Property Fund after all expenses is -14.7%. The performance benchmark for the Fund is the IPD Balanced PUT Index which is published only on a calendar quarter basis. The performance record compared to the most comparable benchmark data, as at 30 June 2009, is noted in the table below.

The pace of decline in property asset valuations accelerated during the six month period under review, in fact this last six months has witnessed the most aggressive period of valuation downgrading since this current process of asset price correction commenced in 2007. As a result, the price of an income share has fallen to 105.39p from 127.91p on 30 November, a decline -17.6%. More

positively, the amount of income distributed continues to rise. A total of 3.85p was paid to income shareholders in the half year and the cumulative income paid over a twelve month period has been increased from 7.70p to 7.75p. The dividend yield for income share holders is now 7.4%. The value of an accumulation share, with income reinvested, reduced from 145.70p to 124.32p.

Market review

The financial crisis has continued to inhibit transactional activity and has also been reflected in weak occupier markets, falling rental values, increased threats of tenant default and rising levels of vacancies. This combination of factors is pushing property investment yields higher and valuations lower but it is income security and the outlook for rents which are currently dominating concerns. For those willing to accept greater income risk, some particularly high yields are available on good quality assets.

The rate of decline has eased in more recent months as valuers have responded to a general improvement in sentiment. However, this improvement is as yet fragile. According to

The CBF Church of England Property Fund

Total return after management expenses to 30 June 2009

	Six Months %	1 year % p.a.	5 years % p.a.	10 years % p.a.
CBF Property Fund	-11.07	-23.95	+1.27	+5.74
Balanced PUT Index	-12.28	-29.49	-0.97	+4.85

Source: The Manager & IPD

Report of the Property Manager

for the half year ended 31 May 2009

IPD, capital valuations have fallen by -43.5% since the peak of the market. In contrast, the downturn in rents is still in its early stages, falling by -6.5% in the last twelve months, with -5.5% of that reduction coming during this half year period. The scale of valuation reductions means whether a fund has cash or is geared has a significant and perhaps dominant impact upon performance. As a result of these factors, performance comparisons will be volatile and relative returns should be treated with some caution. Only after this downturn is over can performance over this difficult period be properly assessed.

As rental factors have become more influential, so a divergence in performance has emerged, at both property sub-sector level and between different grades of investments. Shopping centres and retail warehouse properties have suffered most whilst the deterioration in occupier markets and falling rents has been led by the office sector, particularly in Central London. In the last six months office rental values have fallen by almost 10% compared to retail (-4%) and industrial (-3%). Valuations for prime assets have recently stabilised, but the decline in secondary assets has continued.

Activity

Management activity has been focused upon protecting and enhancing the portfolio income stream. A combination of letting activity and re-negotiating existing lease terms has been effective in the Central London office holdings, helping to improve the security of the income flow. As a result, the Fund currently does not have any vacant accommodation in the City and the level of voids in the portfolio as a whole has fallen to 4.1%. In contrast, the average level

of voids recorded by IPD has risen from 9.6% to 11.8%. Another challenge is the successful completion of rent reviews. The current economic and occupier market environments have inevitably had an impact upon the ability to prove and secure rental increases at review. For the Fund there are a number of rent reviews in the period ahead offering reasonable prospects of income growth.

Strategy

The size of the Fund has reduced during the half year from £130.4m to £94.1m. This reflects falling portfolio asset valuations but also the redemption of shares by the CBF Investment Fund, undertaken to reduce the size of the Fund's cash holding. Cash has made a significant positive contribution towards the total return of the Fund in recent months, however the potential future capital benefit was increasingly overshadowed by the negative effect on income. Investment acquisitions are being sought but with investment opportunities in short supply, the removal of the cash holding had become an important strategic move, helping to preserve the integrity of the dividend payment.

Our focus is on growing and maintaining income, managing lease events and controlling voids. The Fund increased annual dividend payments by 4.0% in the last twelve months, however current property market conditions represent a significant challenge to income generation and we are pleased therefore that in this half year it has been possible to add to the income reserve, which has increased from 1.34p to 1.92p per income share. The amount of income held in reserve has more than doubled in the last twelve months.

Report of the Property Manager

for the half year ended 31 May 2009

Outlook

Despite the magnitude of the decline, commercial property investments in the UK could continue to fall in value for another twelve months, driven not by yield shifts but by concerns over rents and security of income. These issues only began to impact on performance in more recent quarters but will have an effect over the period ahead.

In time the demand for property assets is likely to increase at these depressed levels, from income seekers and from investors based overseas, able to benefit from the weakness of sterling, however, given the challenges and complexities of the current environment, we expect the upturn to be slow.

P Hannam
Head of Property
CCLA Investment Management Limited

21 July 2009

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 Valuers

Dear Sirs,

The CBF Church of England Property Fund valuation as at 31 May 2009

In accordance with your instructions, we have valued all the property investments owned by The CBF Church of England Property Fund as at 31 May 2009. The valuation has been prepared on the basis of Market Value in accordance with the current edition of the Appraisal and Valuation Standards of the Royal Institution of Chartered Surveyors (RICS). We understand that our valuation is required for share pricing and accounts purposes.

We are of the opinion that the aggregate Market Values of all the properties held by the Fund as at 31 May 2009 was:

£91,315,000

(Ninety one million, three hundred and fifteen thousand pounds)

Details of the basis of our valuation and the individual properties are set out in our Report and Valuation addressed to you and dated 31 May 2009.

Yours faithfully,

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

31 May 2009

Net asset value, share price range, net distribution, share price and expense ratios

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
At 31 May 2009	94,316	105.39	89,312,916	124.32	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
To 31 May 2009	122.89	103.76	139.98	122.24

Net distribution

Year to 30 November	Income shares		Accumulation shares*	
	Annual distribution pence per share	Yield on shares held for the period % ¹	Annual distribution pence per share	Yield on shares held for the period % 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
To 31 May 2009	3.85	2.96	4.85	3.27

* 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 period.

Net asset value, share price range, net distribution, share price and expense ratios

Share price at 31 May 2009

	<i>Bid price pence per share</i>	<i>Offer price pence per share</i>
Income shares	103.76	107.23
Accumulation shares	122.39	126.50

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 ratios

	<i>31.5.2009</i>	<i>31.5.2008</i>
Total expense ratio (annualised)	0.74%	0.68%
Property expense ratio (annualised)	0.34%	0.09%

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

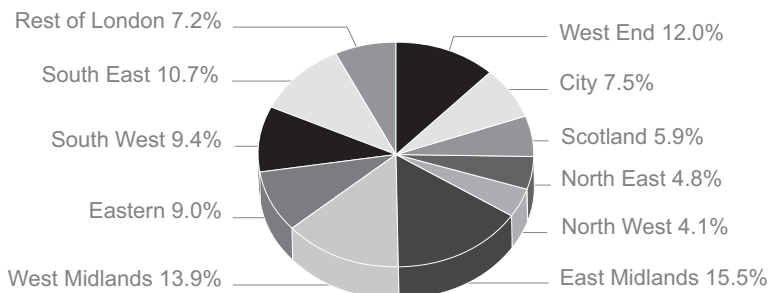
Portfolio analysis

at 31 May 2009 (unaudited)

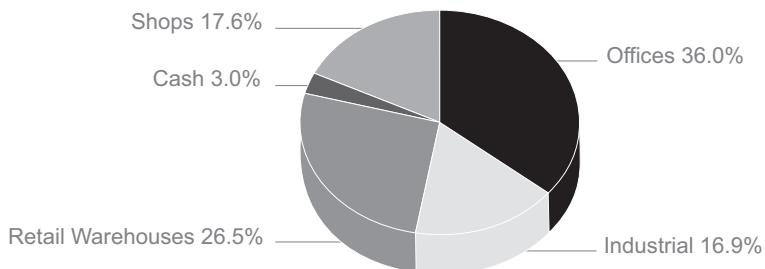
Tenure

	31.5.2009		30.11.2008	
	£'000	%	£'000	%
Freehold	70,665	77.39	87,200	76.59
Leasehold: over 100 years unexpired	20,650	22.61	26,650	23.41
Total investments	<u>91,315</u>	<u>100.00</u>	<u>113,850</u>	<u>100.00</u>

Geographical distribution



Asset by type



Portfolio statement

at 31 May 2009 (unaudited)

	<i>£'000</i>	<i>% of Fund</i>
Properties		
Valued between £0 and £5m 19 properties	54,965	58.37
Valued between £5m and £10m 4 properties	25,400	26.98
Valued between £10m and £15m 1 property	10,950	11.63
	<u>91,315</u>	<u>96.98</u>
Total other assets	<u>2,845</u>	<u>3.02</u>
Total value of the Fund	<u>94,160</u>	<u>100.00</u>

Ownership of the Fund

at 31 May 2009 (unaudited)

Ownership band at 31 May 2009	<i>Number of investors</i>	<i>Number of shares in issue '000</i>	<i>% of shares in issue</i>
Less than 1%	178	25,575	28.59
1% or greater but less than 2%	16	18,575	20.76
2% or greater but less than 4%	5	12,331	13.78
4% or greater but less than 8%	1	3,805	4.25
Greater than 8%*	1	29,182	32.62
		<u>89,468</u>	<u>100.00</u>

* The CBF Church of England Investment Fund has a holding of 29,182,000 shares.

Statement of total return

for the half year ended 31 May 2009 (unaudited)

		31.5.2009		31.5.2008	
	Notes	£'000	£'000	£'000	£'000
Income					
Net capital losses	2		(22,610)		(15,580)
Revenue	3	4,031		4,190	
Expenses	4		(571)	(589)	
Net revenue for the period			<u>3,460</u>		<u>3,601</u>
Total return before distributions			(19,150)		(11,979)
Finance costs: distributions	6		<u>(3,744)</u>		<u>(3,951)</u>
Change in net assets attributable to shareholders from investment activities			<u>(22,894)</u>		<u>(15,930)</u>

Statement of change in net assets attributable to shareholders

for the half year ended 31 May 2009 (unaudited)

	31.5.2009		31.5.2008	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		130,644		167,707
Amounts receivable on issue of shares		84		66
Amounts payable on cancellation of shares		(13,682)		(1,319)
		(13,598)		(1,253)
Change in net assets attributable to shareholders from investment activities		(22,894)		(15,930)
Retained distribution on accumulation shares		8		6
Closing net assets attributable to shareholders		<u>94,160</u>		<u>150,530</u>

The above statement shows the comparative closing net assets at 31 May 2008 whereas the opening net assets for the current accounting period commenced on 1 December 2008.

The notes on pages 20 to 28 form part of these accounts.

Property portfolio - offices

at 31 May 2009 (unaudited)

<i>Property</i>	<i>Tenant</i>	<i>Term/ from</i>	<i>Lease review period</i>	<i>Next review</i>	<i>Rent £</i>	<i>Market value range £m</i>
Ringwood House AYLESBURY	Vacant	-	0 yrs	-	-	0-5
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	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 31 May 2009.

Property portfolio - shops

at 31 May 2009 (unaudited)

<i>Property</i>	<i>Tenant</i>	<i>Term/ from</i>	<i>Lease review period</i>	<i>Next review</i>	<i>Rent £</i>	<i>Market value range £m</i>
71/72 East St CHICHESTER	Monsoon Accessorize Ltd	25 yrs 24.6.88	5 yrs	-	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	-	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 31 May 2009 (unaudited)

<i>Property</i>	<i>Tenant</i>	<i>Term/ from</i>	<i>Lease review period</i>	<i>Next review</i>	<i>Rent £</i>	<i>Market value range £m</i>
10/12 Eastcheap LONDON, EC3	Steam Wine Bar Ltd	10 yrs 19.8.05	5 yrs	2008	67,500*	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	-	29,075	
	McHale Heaney Brokers and McHal	5 yrs 4.03.09	0 yrs	-	67,600	
	Asyst Solutions 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 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	-	
Chile Copper Ltd		10 yrs 10.9.99	5 yrs	-	79,514	
Cambrian Mining Plc		5 yrs 25.12.03	0 yrs	-	81,500	
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	-	70,000	
Infoplan Ltd		10 yrs 25.12.02	5 yrs	2007	35,000*	
Vacant		-	-	-	-	

* Outstanding rent review or lease renewal as at 31 May 2009.

Property portfolio – retail warehouses

at 31 May 2009 (unaudited)

<i>Property</i>	<i>Tenant</i>	<i>Term/ from</i>	<i>Lease review period</i>	<i>Next review</i>	<i>Rent £</i>	<i>Market value range £m</i>
Silver 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*	0-5
Wellingborough Road 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
	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*	5-10
	Argos Ltd	15 yrs 10.3.03	5 yrs	2008	168,000*	

* Outstanding rent review or lease renewal as at 31 May 2009.

Property portfolio – warehouses/industrial

at 31 May 2009 (unaudited)

<i>Property</i>	<i>Tenant</i>	<i>Term/ from</i>	<i>Lease review period</i>	<i>Next review</i>	<i>Rent £</i>	<i>Market value range £m</i>
Nexus 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 Ltd	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	-	508,000	0-5
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 31 May 2009.

Balance sheet

at 31 May 2009 (unaudited)

	Notes	31.5.2009		30.11.2008	
		£'000	£'000	£'000	£'000
ASSETS					
Investment assets			91,315		113,850
Debtors	8	227		52	
Cash and bank balances	9	5,132		<u>19,544</u>	
Total other assets			5,359		<u>19,596</u>
Total assets			96,674		133,446
LIABILITIES					
Creditors	10	772		815	
Distribution payable on income shares		1,742		<u>1,987</u>	
Total liabilities			2,514		2,802
Net assets attributable to shareholders			<u>94,160</u>		<u>130,644</u>
Approved on behalf of the Trustee 21 July 2009			R Broadhurst, <i>Chairman</i> CBF Funds Trustee Limited		

The notes on pages 20 to 28 form part of these accounts.

Cash flow statement

for the half year ended 31 May 2009 (unaudited)

	Notes	31.5.2009		30.11.2008	
		£'000	£'000	£'000	£'000
Net cash inflow from operating activities	15		3,242		6,792
Net cash outflow from financing activities					
Issue of shares		84		282	
Cancellation of shares		(13,682)		(3,453)	
Distributions paid		(3,981)		<u>(7,900)</u>	
			(17,579)		(11,071)
Net cash (outflow)/inflow from investment activities					
Proceeds on disposal of investments		-		13,000	
Capital expenses		<u>(75)</u>		<u>(2,655)</u>	
			(75)		<u>10,345</u>
(Decrease)/increase in cash	16		(14,412)		<u>6,066</u>

The notes on pages 20 to 28 form part of these accounts.

Notes to the accounts

(unaudited)

1. Accounting policies

(a) Basis of accounting

The accounts have been prepared under the historical cost basis, as modified by the revaluation of properties, and in accordance with accounting policies set out below and the Statement of Recommended Practice for Authorised Funds issued by the Investment Management Association (IMA) in November 2008, 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) 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).

Notes to the accounts

(unaudited)

(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 revenue.

(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 capital losses	31.5.2009	31.5.2008
	£'000	£'000
The net capital losses during the period comprise:		
Non-derivative securities	<u>(22,610)</u>	<u>(15,580)</u>
3. Revenue	31.5.2009	31.5.2008
	£'000	£'000
Rental revenue	3,843	3,676
Interest on The CBF Church of England Deposit Fund	186	527
Bank interest	-	(23)
Other interest	2	10
	<u>4,031</u>	<u>4,190</u>

Notes to the accounts

(unaudited)

4. Expenses	31.5.2009	31.5.2008
	£'000	£'000
Payable to the Manager, associates of the Manager and agents of either of them:		
Manager's periodic charge – see note 1(c)	358	475
Manager's periodic charge rebate – see note 1(c)*	(12)	(17)
	<u>346</u>	<u>458</u>
Payable to the Trustee, associates of the Trustee and agents of either of them:		
Monitoring fee	3	3
	<u>3</u>	<u>3</u>
Other expenses:		
Audit fee	5	4
Insurance	2	1
Property legal and professional fees	45	15
Property valuation fees	33	51
Property non-recoverable insurance	15	7
Property service charge	85	45
Property empty rates	28	5
Property repairs & maintenance	9	-
	<u>222</u>	<u>128</u>
Total expenses	<u>571</u>	<u>589</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 also 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.

Notes to the accounts

(unaudited)

6. Finance costs

Distributions

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

	31.5.2009	<i>31.5.2008</i>
	£'000	<i>£'000</i>
28 February – interim distribution	1,939	1,927
31 May – interim distribution	1,745	<u>2,019</u>
	3,684	3,946
Add: revenue deducted on cancellation of shares	61	5
Deduct: revenue received on issue of shares	(1)	-
Net distribution for the period	<u>3,744</u>	<u>3,951</u>
Net revenue for the period	3,460	3,601
Transfer to income reserve – see note 11	(127)	(40)
Manager's periodic charge paid by capital	411	390
Net distribution for the period	<u>3,744</u>	<u>3,951</u>

Details of the distribution per share are set out in the distribution table on page 29.

7. Property investments

	31.5.2009	<i>30.11.2008</i>
	£'000	<i>£'000</i>
Market value at the start of the period	113,850	157,740
Capitalised expenses	75	2,655
Sales proceeds from disposals	-	(13,000)
Realised gains on disposals	-	7,741
Unrealised losses on revaluation	(22,610)	<u>(41,286)</u>
Market value at the end of the period	<u>91,315</u>	<u>113,850</u>
Historical cost at the end of the period	<u>111,415</u>	<u>111,340</u>

Notes to the accounts

(unaudited)

8. Debtors	31.5.2009	30.11.2008
	£'000	£'000
Accrued revenue	193	45
Property payments recoverable	33	6
Prepayments	1	1
	<u>227</u>	<u>52</u>

9. Cash and bank balances	31.5.2009	30.11.2008
	£'000	£'000
Cash in The CBF Church of England Deposit Fund	4,981	19,360
Cash at bank	151	184
	<u>5,132</u>	<u>19,544</u>

10. Creditors	31.5.2009	30.11.2008
	£'000	£'000
Rent received in advance	546	588
VAT payable	195	198
Accrued expenses	31	29
	<u>772</u>	<u>815</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.

	31.5.2009	30.11.2008
	£'000	£'000
Income reserve at the start of the period	1,419	806
Transfer to income reserve	127	613
Income reserve at the end of the period	<u>1,546</u>	<u>1,419</u>

Notes to the accounts

(unaudited)

12. Financial instruments

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

Market price risk

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

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, 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.

Notes to the accounts

(unaudited)

The interest rate profile of the Fund's financial assets and liabilities at 31 May 2009 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	5,132	-	91,542	96,674

<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	-	-	2,514	2,514

30 November 2008

<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

* 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 period or comparative period.

Notes to the accounts

(unaudited)

13. Related party transactions

The Manager's periodic charge is paid to the Manager, a related party to the Fund. The amounts paid in respect of the Manager's periodic charge are disclosed in note 4. There were no outstanding balances due to the Manager at 31 May 2009 (30.11.2008, £nil). There were no other transactions entered into with the Manager during the period.

CBF Funds Trustee Limited (CBFFT), as Trustee, is a related party to the Fund. There were no outstanding balances due to CBFFT at 31 May 2009 (30.11.2008, £nil). There were no other transactions entered into with CBFFT during the period.

At 31 May 2009 The CBF Church of England Investment Fund held 32.62% (30.11.2008, 39.50%) of the shares of The CBF Church of England Property Fund.

At 31 May 2009 a cash balance of £4,981,545 (30.11.2008, £19,359,905) 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 issued and cancelled in the period to 31 May 2009 was as follows:

	<i>Number of shares</i>	<i>Value £</i>	<i>% of NAV at 31.5.2009</i>
Income shares issued	76,857	84,967	0.09
Income shares cancelled	12,677,931	13,681,980	14.53

At 31 May 2009 there were no redemption notices outstanding.

Notes to the accounts

(unaudited)

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

	31.5.2009	<i>30.11.2008</i>
	£'000	<i>£'000</i>
Net revenue for the period	3,460	7,612
(Increase)/decrease in accrued revenue	(148)	56
(Increase)/decrease in debtors	(27)	48
Decrease in creditors	(43)	<u>(924)</u>
Net cash inflow from operating activities	<u>3,242</u>	<u>6,792</u>

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

	31.5.2009	<i>30.11.2008</i>
	£'000	<i>£'000</i>
Net cash at beginning of the period	19,544	13,478
Movement in cash during the period	(14,412)	<u>6,066</u>
Net cash at the end of the period	<u>5,132</u>	<u>19,544</u>

Distribution table

for the half year ended 31 May 2009 (unaudited)

<i>Period ended</i>	<i>Date paid/payable</i>	<i>Dividends paid/payable pence per share</i>	
		2009	2008
Income shares			
28 February 2009	30 April 2009	1.90	1.85
31 May 2009	31 July 2009	1.95	1.95
		<u>3.85</u>	<u>3.80</u>
		<i>Revenue accumulated pence per share</i>	
Accumulation shares			
28 February 2009		2.32	1.88
31 May 2009		2.53	2.31
		<u>4.85</u>	<u>4.19</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 half year and year end valuation date. The net revenue 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 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 relating to Authorised Funds issued by the Investment Management Association (IMA) in November 2008;

Statement of Trustee and Manager responsibilities

- 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*

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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)

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

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66 Lincoln's Inn Fields

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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
- Working with the EIAG to reflect appropriately ethical values in your investments

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 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

- 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).

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