



for the Church of England

The CBF Church of England Property Fund

**Report and Accounts
Half Year ended 31 May 2010
(unaudited)**

Contents

- 1 Report of the Trustee
- 3 Report of the Property Manager
- 6 Report of the Valuers
- 7 Net asset value, share price range, net distribution, share price, and expense ratios
- 9 Portfolio analysis
- 10 Portfolio statement
- 10 Ownership of the Fund
- 11 Property portfolio
- 17 Statement of total return
- 18 Statement of change in net assets attributable to shareholders
- 19 Balance sheet
- 20 Cash flow statement
- 21 Notes to the accounts
- 30 Distribution table
- 31 Statement of Trustee and Manager responsibilities

Trustee and Manager

(inside back cover)

Description of The CBF Church of England Funds

(outside back cover)

Disability Discrimination Act 1995

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

Report of the Trustee

for the half year ended 31 May 2010

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 (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, which are reviewed by the Audit Committee on an annual basis.

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.

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.

Report of the Trustee

for the half year ended 31 May 2010

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

5 July 2010

Report of the Property Manager

for the half year ended 31 May 2010

Strategy

The CBF Church of England Property Fund was created to provide church trusts with an opportunity to invest in property on a collective basis. Strategically the Fund seeks to provide a spread of investment risk by holding a well diversified portfolio of property assets, at any time however the portfolio will be weighted to reflect the outlook for the UK property investment sectors. The investment policy emphasises the performance features of individual assets, in particular the income yield and potential to add value. We expect this to be particularly pertinent in the future as our return expectations from property are modest and dominated by income. In this environment performance can be materially improved by actively managing assets. Letting void accommodation will bring income growth to the portfolio, whilst the yield premium that exists between prime, income secure assets and more secondary stock represents an attractive opportunity to add value and supplement the attractive initial yield.

The market environment argues for a prudent approach, with an asset level focus over and above sector allocation strategies. The threat of vacancy, the disappearance of reversions and the re-emergence of rents in excess of prevailing market levels, all pose a risk to

income. Future property disposal receipts and capital inflows will be reinvested as quickly as possible to protect income and maximise the opportunities to grow asset values.

Performance

The total return of the CBF Church of England Property Fund, for the six month period to 31 May 2010, after all expenses, was 15.7%. 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 recently available benchmark data, as at 31 March 2010, is noted in the table below.

The return on the Fund turned positive during the last six months, reflecting a recovery in valuations after more than two years of downturn. The results for the half year have been attractive in both absolute terms and also relative to the benchmark. The price of an Income Share on the 31 May 2010 was 120.05p, compared with 107.21p on 30 November 2009 and 105.39p a year ago, equivalent to capital growth for the half year of 12.0%, and 13.9% over the last twelve months. The distribution to Income share holders was increased to 3.9p for the period, taking the income paid over the past twelve months to 7.99p. The annual income

The CBF Church of England Property Fund

Total return after management expenses to 31 March 2010

	Six Months %	1 year %	5 years % p.a.	10 years % p.a.
CBF Property Fund	+ 18.74	+ 16.27	+ 3.04	+ 6.94
Balanced PUT Index	+ 13.40	+ 10.88	-0.33	+ 5.27

Source: The Manager & IPD

Report of the Property Manager

for the half year ended 31 May 2010

return was 7.6% and the dividend yield is now 6.7%. The value of an Accumulation Share has risen from 131.43p to 152.05p.

The improvement in returns has been due to better prices and lower yields following a pick-up in investment market activity, volatility however has remained high as valuation compression has been replaced by recovery as trading volumes have expanded. Performance also reflected sector weightings, the active approach to asset management and the nature of investments held. Cash and debt ratios have also continued to impact upon results.

Market review

The final months of 2009 proved to be a turning point for the sector with the scale and pace of the recovery exceeding expectations, especially considering the weakness in the occupational market. IPD recorded capital growth for all property of 8.5% and a total return of 12.4% over the six months to 31 May 2010. Although the rate of decline has eased in recent months, over the half year rental valuations have declined by -1.2% and by -4.5% over the last twelve months. IPD vacancy rates have also remained high at 10.3%, although void levels are improving from their peak. Property investors were responding to the improved economic conditions and an easing in financial markets which coincided with greater valuation stability. As demand, and vitally supply, picked up, so investment transaction volumes increased, boosting confidence in valuations and triggering buying interest from investors keen to lock-in to an asset class offering high yields and recovery potential. With a growing pool of purchasers, primarily for a limited supply of prime property, prices moved steadily higher and valuation growth followed. It has been prime property investments with more secure income streams that have benefitted most from

the recovery in valuations, creating a significant yield margin over secondary investments. All sectors have benefited from the improvement, with both high street shop and retail warehouse properties first to strengthen but with central London offices more recently experiencing strong growth, helped by interest from overseas investors encouraged by the weakness of sterling. The supply of good quality investments however remains relatively thin, leaving a large pool of investors mostly unsatisfied. Despite this and reflecting the still risk averse behaviour of investors, markets have not overheated, with pricing showing signs of stabilisation and secondary assets staying at a reasonable discount.

Activity

In this improved environment fund activity has increased. Following the acquisition of a retail warehouse near Hanger Lane in West London just before the year end, two further acquisitions have been completed. Industrial warehouses at Mier Point in Stoke and at Inchinnan near Glasgow Airport were purchased at a combined total investment of just over £7m, producing a blended yield of around 8.5%. The average unexpired lease term is more than 8 years. No investments have been sold.

During the half year, the lease on the industrial warehouse in Birmingham has fallen vacant, however the payment of a twelve month rental penalty means the income is currently maintained while the search for a new tenant continues. At West Thurrock, Essex, the lease of the industrial warehouse holding has expired but, following sub-division works, half of the unit has been re-let. At the half year the void rate had risen to 8.2%, but remains below that recorded by IPD at 10.3%. A number of lease events have supported income in the half year. Rent reviews have been successfully concluded

Report of the Property Manager

for the half year ended 31 May 2010

on the retail warehouse holding in Derby and the industrial property in Kettering, whilst some significant rent reviews remain outstanding. Despite the weakness in occupier markets, falling rental values and the re-emergence of over-rentedness on some assets, the portfolio remains reversionary.

Outlook

Although we remain optimistic on the outlook for the sector, improved investor confidence is not yet supported by improved economic conditions or stronger tenant demand. In particular the letting market remains weak with little evidence of support from leasing deals. Nevertheless, property investment remains attractive, particularly on income grounds and relative to finance costs. We expect growth to be more modest during the remainder of 2010, levelling off in the second half of the year and then remaining relatively

flat beyond that. Nevertheless it is possible that this year will see the first double digit positive annual total return from property since 2006. Risks remain, of course, from a financial and economic perspective that may make property yields seem less attractive, whilst the banking sector is still carrying a significant volume of distressed stock which needs to be re-circulated. Although the gains achieved in the last six months have been significant, in the context of the scale of the downturn since 2007, the recovery potentially has further to run. Caution however remains an important component of our strategy.

P Hannam
Head of Property
CCLA Investment Management Limited

5 July 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 Valuers

Dear Sirs,

The CBF Church of England Property Fund valuation as at 28 May 2010

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 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 31 May 2010 was:

£119,885,000

(one hundred and nineteen million, eight hundred and eighty 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 31 May 2010.

Yours faithfully,

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

28 May 2010

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

Net asset value

At 30 November	Net asset Value £'000	Income shares		Accumulation shares*	
		Net asset value pence per shares	Number of shares in issue	Net asset value pence per share	Number of shares in issue
2007	167,707	160.81	104,199,045	173.55	154,760
2008	130,644	127.91	101,913,990	145.70	154,760
2009	105,789	107.21	98,313,169	131.43	154,760
At 31 May 2010	122,319	120.05	101,508,558	152.05	311,047

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
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
2009	122.89	101.68	139.98	119.92
To 31 May 2010	124.09	115.21	154.71	141.21

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
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
2009	7.94	6.10	9.45	6.38
To 31 May 2010	3.90	3.58	5.16	3.86

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

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

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

Share price at 31 May 2010

	<i>Bid price pence per share</i>	<i>Offer price pence per share</i>
Income shares	118.19	122.15
Accumulation shares	149.69	154.71

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>31.5.2010</i>	<i>31.5.2009</i>
Total expense ratio (annualised)	0.67%	0.74%
Property expense ratio (annualised)	0.50%	0.34%

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.

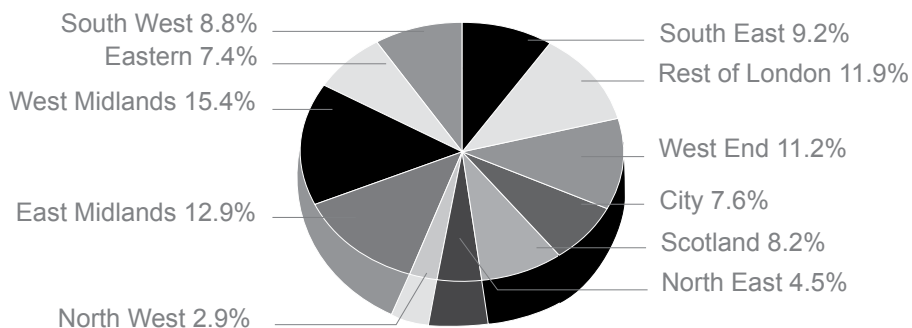
Portfolio analysis

at 31 May 2010 (unaudited)

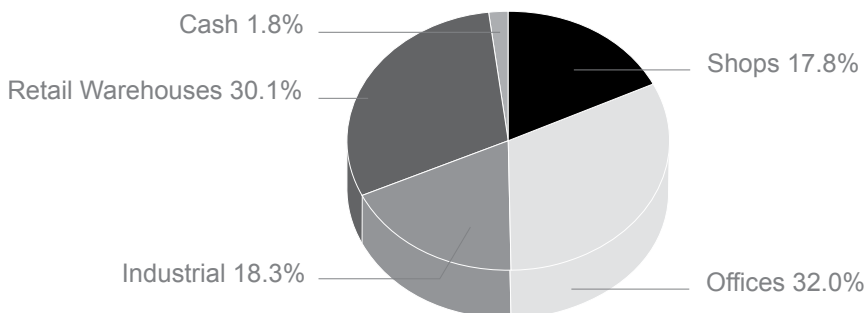
Tenure

	31.5.2010		30.11.2009	
	£'000	%	£'000	%
Freehold	96,435	80.44	79,115	79.22
Leasehold	23,450	19.56	20,750	20.78
Total investments	<u>119,885</u>	<u>100.00</u>	<u>99,865</u>	<u>100.00</u>

Geographical distribution



Asset by type



Portfolio statement

at 31 May 2010 (unaudited)

	<i>£'000</i>	<i>% of Fund</i>
Properties		
Valued between £0 and £5m		
19 properties	57,485	47.09
Valued between £5m and £10m		
7 properties	48,900	40.06
Valued between £10m and £15m		
1 property	13,500	11.06
	<u>119,885</u>	<u>98.21</u>
Total other assets	<u>2,192</u>	<u>1.79</u>
Total value of the Fund	<u>122,077</u>	<u>100.00</u>

Ownership of the Fund

at 31 May 2010 (unaudited)

Ownership band at 31 May 2010	<i>Number of investors</i>	<i>Number of shares in issue '000</i>	<i>% of shares in issue</i>
Less than 1%	191	30,521	29.98
1% or greater but less than 2%	12	15,177	14.91
2% or greater but less than 4%	7	20,358	19.99
4% or greater but less than 8%	-	-	-
Greater than 8%*	1	35,763	35.12
		<u>101,819</u>	<u>100.00</u>

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

Property portfolio – offices

at 31 May 2010 (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	-		-	-	0-5
155 Aztec West BRISTOL	The National Grid Electricity Trans	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	
	Gladedale (North West) 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	
	Aviva Life & Pensions UK Ltd	25 yrs 5.10.88	5 yrs	-	250,000	
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

* Outstanding rent review or lease renewal as at 31 May 2010.

Property portfolio - shops

at 31 May 2010 (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	Moonsoon 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	Santander UK Plc	15 yrs 1.10.04	5 yrs	2009	290,000*	5-10
17 King St TRURO	Electrical & TV Services Ltd	25 yrs 4.11.87	5 yrs	2012	157,000	0-5
18 King St TRURO	Vodafone Ltd	16 yrs 24.6.87	5 yrs	-	49,150	0-5

* Outstanding rent review or lease renewal as at 31 May 2010.

Property portfolio - offices/shops

at 31 May 2010 (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 17.2.09	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 Investment Management Ltd	5 yrs 28.11.07	0 yrs	-	38,738	

Property portfolio – offices/shop

at 31 May 2010 (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>
Brickett House 27 Albemarle St LONDON, W1	Newbridge Capital Investments Ltd	5 yrs 11.12.06	0 yrs	-	43,500	10-15
	Apricot (UK) Ltd	15 yrs 24.11.09	5 yrs	2014	145,000	
	Chile Copper Ltd	10 yr 25.12.99	5 yrs	2014	75,975	
	Cambrian Mining Plc	5 yrs 29.9.09	0 yrs	-	85,000	
	Blenheim Shipping UK Ltd	16 yrs 17.12.99	5 yrs	2010	88,000	
	Lysander Securities Ltd	10 yrs 25.12.06	5 yrs	2011	95,000	
	Finnair OYJ	10 yrs 29.9.04	5 yrs	-	70,000	
	Infoplan Ltd	10 yrs 25.12.02	5 yrs	-	53,000	
	Vacant	-	-	-	-	

* Outstanding rent review or lease renewal as at 31 May 2010.

Property portfolio – retail warehouses

at 31 May 2010 (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	300,250	0-5
Unit 8 DERBY	Boots The Chemist Ltd	10 yrs 24.6.04	5 yrs	-	227,988	0-5
Falcon Lane, Clapham LONDON	Boots The Chemist Ltd	25 yrs 7.5.99	5 yrs	2009	290,000*	5-10
Ealing Rd, LONDON	DSG Retail Ltd	25 yrs 29.9.95	5 yrs	2010	450,000*	5-10
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
	Maplin Electronics Ltd	10 yrs 13.11.09	5 yrs	2014	90,000	
Jolly Sailor Retail Park TAMWORTH	NBC Apparell	20 yrs 25.12.02	5 yrs	2007	280,000	5-10
	Argos Limited	15 yrs 10.3.03	5 yrs	2013	259,900	

* Outstanding rent review or lease renewal as at 31 May 2010.

Property portfolio – warehouses/industrial

at 31 May 2010 (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	Vacant	-	-	-	-	0-5
Finlan Rd Stakehill Ind. Estate GREATER MANCHESTER	Vacant	-	-	-	-	0-5
Fountain Drive INCHINNAN	Regenersis (Glasgow) 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
Mier Point STOKE ON TRENT	Newell Ltd	15 yrs 18.6.02	5 yrs	2012	298,000	0-5
Weston Avenue WEST THURROCK	Royal Mail Group Ltd Vacant	10 yrs 12.1.10 -	5 yrs -	2015 -	165,166 -	0-5

* Outstanding rent review or lease renewal as at 31 May 2010.

Statement of total return

for the half year ended 31 May 2010 (unaudited)

		31.5.2010		31.5.2009	
	Notes	£'000	£'000	£'000	£'000
Income					
Net capital gains/(losses)	2		12,697		(22,610)
Revenue	3	4,065		4,031	
Expenses	4	(685)		(571)	
Net revenue for the period			<u>3,380</u>		<u>3,460</u>
Total return before distributions			16,077		(19,150)
Finance costs: distributions	6		<u>(3,903)</u>		<u>(3,744)</u>
Change in net assets attributable to shareholders from investment activities			<u>12,174</u>		<u>(22,894)</u>

The notes on pages 21 to 29 form part of these accounts.

Statement of change in net assets attributable to shareholders

for the half year ended 31 May 2010 (unaudited)

	31.5.2010		31.5.2009	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		105,789		130,644
Amounts receivable on issue of shares	6,462		84	
Amounts payable on cancellation of shares	<u>(2,363)</u>		<u>(13,682)</u>	
		4,099		(13,598)
Change in net assets attributable to shareholders from investment activities		<u>12,174</u>		<u>(22,894)</u>
Retained distribution on accumulation shares		15		8
Closing net assets attributable to shareholders		<u>122,077</u>		<u>94,160</u>

The above statement shows the comparative closing net assets at 31 May 2009 whereas the opening net assets for the current accounting period commenced on 1 December 2009.

Balance sheet

at 31 May 2010 (unaudited)

	Notes	31.5.2010		30.11.2009	
		£'000	£'000	£'000	£'000
ASSETS					
Investment assets	7		119,885		99,865
Debtors	8	875		593	
Cash and bank balances	9	<u>4,115</u>		<u>8,054</u>	
Total other assets			<u>4,990</u>		<u>8,647</u>
Total assets			124,875		108,512
LIABILITIES					
Creditors	10	768		668	
Distribution payable on income shares		<u>2,030</u>		<u>2,055</u>	
Total liabilities			<u>2,798</u>		<u>2,723</u>
Net assets attributable to shareholders			<u>122,077</u>		<u>105,789</u>
Approved on behalf of the Trustee 5 July 2010			R Broadhurst, <i>Chairman</i> CBF Funds Trustee Limited		

The notes on pages 21 to 29 form part of these accounts.

Cash flow statement

for the half year ended 31 May 2010 (unaudited)

	<i>Notes</i>	31.5.2010		<i>30.11.2009</i>	
		£'000	£'000	<i>£'000</i>	<i>£'000</i>
Net cash inflow from operating activities	15		3,198		6,299
Net cash inflow/(outflow) from financing activities					
Issue of shares		6,462		11,529	
Cancellation of shares		(2,363)		(15,461)	
Distributions paid		(3,913)		<u>(7,373)</u>	
			186		(11,305)
Net cash (outflow)/inflow from investment activities					
Payments to acquire investments		(6,890)		(6,080)	
Capital expenses		(433)		<u>(404)</u>	
			(7,323)		<u>(6,484)</u>
Decrease in cash	16		(3,939)		<u>(11,490)</u>

The notes on pages 21 to 29 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.

Previously the requirements of the SORP issued by the IMA in December 2005 had been applied. There was no change to either the total return or net assets attributable to shareholders as presented in the preceding period.

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

The Manager's periodic charge, paid to the Manager, is charged to the capital of the Fund before distribution. 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 BNP Paribas Real Estate, 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 BNP Paribas Real Estate, Chartered Surveyors.

2. Net capital gains/(losses)	31.5.2010	31.5.2009
	£'000	£'000
The net capital gains/(losses) during the period comprise:		
Non-derivative securities	<u>12,697</u>	<u>(22,610)</u>
3. Revenue	31.5.2010	31.5.2009
	£'000	£'000
Rental revenue	4,034	3,843
Interest on The CBF Church of England Deposit Fund	11	186
Bank interest	19	-
Other revenue	1	2
	<u>4,065</u>	<u>4,031</u>

Notes to the accounts

(unaudited)

4. Expenses	31.5.2010	31.5.2009
	£'000	£'000
Payable to the Manager, associates of the Manager and agents of either of them:		
Manager's periodic charge – see note 1(c)	364	358
Manager's periodic charge rebate – see note 1(c)*	(6)	(12)
	<u>358</u>	<u>346</u>
Payable to the Trustee, associates of the Trustee and agents of either of them:		
Trustee Fee	4	3
	<u>4</u>	<u>3</u>
Other expenses:		
Audit fee	4	5
Insurance	1	2
Property legal and professional fees	79	45
Property valuation fees	23	33
Property non-recoverable insurance	4	15
Property service charge	78	85
Property empty rates	133	28
Property repairs & maintenance	1	9
	<u>323</u>	<u>222</u>
Total expenses	<u>685</u>	<u>571</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:

	31.5.2010	<i>31.5.2009</i>
	£'000	<i>£'000</i>
28 February – interim distribution	1,902	1,939
31 May – interim distribution	2,039	1,745
	3,941	3,684
Add: revenue deducted on cancellation of shares	12	61
Deduct: revenue received on issue of shares	(50)	(1)
Net distribution for the period	3,903	3,744
Net revenue for the period	3,380	3,460
Transfer income from / (to) reserve – see note 11	98	(127)
Manager's periodic charge paid by capital	425	411
Net distribution for the period	3,903	3,744

Details of the distribution per share are set out in the distribution table on page 30.

7. Property investments

	31.5.2010	<i>30.11.2009</i>
	£'000	<i>£'000</i>
Market value at the start of the period	99,865	113,850
Capitalised expenses	433	404
Acquisitions at cost	6,890	6,080
Realised losses on disposals	(9)	-
Unrealised gains/(losses) on revaluation	12,706	(20,469)
Market value at the end of the period	119,885	99,865
Historical cost at the end of the period	125,138	117,824

Notes to the accounts

(unaudited)

8. Debtors	31.5.2010	30.11.2009
	£'000	£'000
Accrued revenue	404	330
Property payments recoverable	132	55
Property incentives	200	67
VAT receivable	138	141
Prepayments	1	-
	<u>875</u>	<u>593</u>

9. Cash and bank balances	31.5.2010	30.11.2009
	£'000	£'000
Cash in The CBF Church of England Deposit Fund	3,964	7,971
Cash at bank	151	83
	<u>4,115</u>	<u>8,054</u>

10. Creditors	31.5.2010	30.11.2009
	£'000	£'000
Rent received in advance	752	623
Accrued expenses	16	45
	<u>768</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.

	31.5.2010	30.11.2009
	£'000	£'000
Income reserve at the start of the period	1,613	1,419
Transfer (from)/to income reserve	(98)	194
Income reserve at the end of the period	<u>1,515</u>	<u>1,613</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 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	4,115	-	120,760	124,875

Currency	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000
Sterling	-	-	2,798	2,798

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	-	110,458	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 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 2010 (30.11.2009, £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 2010 (30.11.2009, £nil). There were no other transactions entered into with CBFFT during the period.

At 31 May 2010 The CBF Church of England Investment Fund held 35.12% (30.11.2009, 34.03%) of the shares of The CBF Church of England Property Fund.

At 31 May 2010 a cash balance of £3,964,491 (30.11.2009, £7,971,746) 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 2010 was as follows:

	<i>Number of shares</i>	<i>Value £</i>	<i>% of NAV at 31.5.2010</i>
Income shares issued	5,371,678	6,461,828	5.29
Income shares cancelled	2,020,003	2,362,667	1.94

At 31 May 2010 there were no redemption notices outstanding.

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

	31.5.2010	30.11.2009
	£'000	£'000
Net revenue for the period	3,380	6,987
Increase in accrued revenue	(74)	(285)
Increase in debtors	(208)	(256)
Increase/(decrease) in creditors	100	(147)
Net cash inflow from operating activities	<u>3,198</u>	<u>6,299</u>

Notes to the accounts

(unaudited)

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

	31.5.2010	<i>30.11.2009</i>
	£'000	<i>£'000</i>
Net cash at beginning of the period	8,054	19,544
Movement in cash during the period	(3,939)	(11,490)
Net cash at the end of the period	<u>4,115</u>	<u>8,054</u>

Distribution table

for the half year ended 31 May 2010 (unaudited)

<i>Period ended</i>	<i>Date paid/payable</i>	<i>Dividends paid/payable</i>	
		<i>pence per share</i>	
		2010	<i>2009</i>
Income shares			
28 February 2010	31 March 2010	1.90	1.90
31 May 2010	30 June 2010	<u>2.00</u>	<u>1.95</u>
		<u>3.90</u>	<u>3.85</u>
		<i>Revenue accumulated</i>	
		<i>pence per share</i>	
		2010	<i>2009</i>
Accumulation shares			
28 February 2010		2.31	2.32
31 May 2010		<u>2.85</u>	<u>2.53</u>
		<u>5.16</u>	<u>4.85</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 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 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;

Statement of Trustee and Manager responsibilities

- 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

Property Manager, Administrator and Registrar

CCLA Investment Management Limited

*Authorised and regulated by
the Financial Services Authority*

80 Cheapside

London EC2V 6DZ

Telephone: 020 7489 6000

Client Service:

Freephone: 0800 022 3505

Facsimile: 0844 561 5126

Email: clientservices@ccla.co.uk

www.ccla.co.uk

Directors responsible for the Fund

M Quicke (Chief Executive)

J Bevan (Chief Investment Officer)

S Curran (Chief Operating Officer)

C Peters (Investment Director)

A Robinson (Director Market Development)

Property Manager

P Hannam

Company Secretary

J Fox

Head of Operational Risk, Internal Audit and Compliance

A Kemp

External Valuer

BNP Paribas Real Estate

90 Chancery Lane,

London WC2A 1EU

Banker and Monitoring Service

The Royal Bank of Scotland plc

62/63 Threadneedle Street

London EC2R 8LA

Solicitors

Farrer & Co LLP

66 Lincoln's Inn Fields

London WC2A 3LH

Independent Auditor

Ernst & Young LLP

1 More London Place

London SE1 2AF



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

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

A CHOICE OF FUNDS

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

Investment Fund

- A suitable 'all-in-one' long-term fund for most church organisations
- Highly diversified and well-balanced spread of investments
- Designed to help meet growth and income requirements
- Focus on delivering attractive, growing income
- 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 credit rating *

* The Deposit Fund is rated AAA by Fitch Ratings. This reflects the high credit quality of the portfolio.

The Funds are common funds established under the Church Funds Investment Measure 1958 (as amended from time to time). CBF Funds Trustee Limited, a company incorporated under the Companies Act is the Trustee and Operator of the Funds. CCLA Investment Management Limited manages the investment of the Funds.

The value of the investments may fall as well as rise and an investor may not get back the full amount originally invested.

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

CCLA INVESTMENT MANAGEMENT LIMITED

80 Cheapside

London EC2V 6DZ

Client Service:

Freephone: 0800 022 3505

Facsimile: 0844 561 5126

Email: clientservices@ccla.co.uk

www.ccla.co.uk

Printed on 100% post consumer waste and is certified by the Forest Stewardship Council (FSC).