



for the Church of England

The CBF Church of England Property Fund

**Report and Accounts
Half Year ended 31 May 2011
(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 2011

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.

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

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

Charitable status of the Fund

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

Investment objective of the Fund

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

Total return benchmark

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

Responsibilities of the Trustee

CBFFT monitors the property management, administration, registration, secretarial and company secretarial services provided by the Manager under the respective Management Agreements. It meets quarterly with the Manager to monitor investment strategy, dividend policy, investment diversification and 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 2011

RBS monitoring service

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

Delegation of functions

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

Ethical Investment

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

Controls and risk management

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

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

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

R Broadhurst
Chairman
CBF Funds Trustee Limited
12 July 2011

Report of the Property Manager for the half year ended 31 May 2011

Strategy

The CBF Church of England Property Fund offers investors a well diversified portfolio of property assets designed to provide over time capital growth and a strong income flow. Although investments are made across the main property industry segments and geographical regions of the UK, tactically the portfolio is weighted to reflect the opportunities and performance prospects of the sector. The size of the Fund means that it can be dynamic with regards to weightings and strategic biases.

In the period ahead we expect to capitalise on the current yield margin between prime and secondary investments to enhance returns. In a difficult environment for rental value growth and with over renting evident in some areas, the inclusion of in our review of more secondary areas of the market, plus a management focus on void reduction will be the principal source of income growth. However, risks will still exist everywhere and the economic and market environment argues for a prudent approach overall and a clear emphasis on the merits of the individual assets. The Fund's transactions during the period are consistent with this strategy.

Performance

During the half year to 31 May 2011, the total return of the Fund, after all expenses, was 3.5%. The Fund's performance benchmark, the IPD Balanced PUT Index, is published only on a calendar quarter basis. The performance record compared to the most recently available benchmark data, as at 30 June 2011, is noted in the table below.

Investment returns have been relatively modest over the past six months and with gains concentrated in just one or two sectors, it has proved challenging short term to match the returns of the benchmark. Monthly returns have seen some contribution from capital but overwhelmingly have been sourced from income flows. This pattern of returns is reflected in the results from the Fund which showed only a modest increase in price, from 120.76p to 121.02p. The price twelve months ago was 120.05p. The income payment to investors however has increased to 3.95p from 3.90p. The value of an Accumulation Share with income reinvested has risen from 158.31p to 163.87p.

The CBF Church of England Property Fund

Total return after management expenses to 30 June 2011	Six Months %	1Year %	5 Years % p.a	10 Years % p.a
CBF Property Fund	+3.85	+7.13	+0.54	+7.15
Balanced PUT Index	+3.88	+7.88	-3.16	+5.06

Source: The Manager & IPD

Report of the Property Manager for the half year ended 31 May 2011

Market Review

In the second half of 2010 market conditions cooled as concerns over the economic outlook increased and transactional activity fell away. These conditions persisted through the reporting period and as a result property valuers reverted to the cautious approach that was a feature of the downturn. This has meant that the last six months have witnessed very little change in portfolio valuations overall, with IPD recording capital growth for all property at just 1.2%, compared to capital growth and total return of 9.8% and 17.6% respectively for the twelve months to 30 November 2010.

The apparent stability in capital values disguises a sharp divergence in performances between the various sectors and locations. Investments with stronger income streams, defined by lease length and tenant covenant strength, have been most robust, Central London offices, with support from overseas investors, have risen most. The shopping centre sub-sector has also experienced an improvement in performance following a particularly weak 2009. In contrast, the market for stock located outside of London, and for investments with less secure income, has softened, with prices weakening generally and liquidity more challenging. This part of the market place has also seen a number of forced or distressed sellers of lower grade investments which, in the absence of trading volumes, has damaged valuations for similar portfolios. Despite this, overall markets have not suffered from over-supply; indeed, competition has remained strong for good quality stock and this is helping to support pricing in many areas of the market.

Although occupier markets have continued to stabilise, tenant demand and letting prospects remain fragile. It was a disappointment that void levels ticked up again during the period, from already high levels, new lettings are still a

challenge. Rental trends too have displayed weakness, falling by -0.2% over twelve months, but actually fluctuating slightly above or below zero from month to month. The impression of greater stability is largely supported by Central London office markets, elsewhere trends are still negative.

Activity

Activity levels have been relatively low in this period after a busy 2010. We have made no sales but have acquired one new asset, a high yielding out-of-town office park near Cambridge. The yield achieved was 11% after acquisition costs on a purchase value of £6.24m. This is a good quality asset let to a number of tenants; it provides good opportunities to add value. A new tenant, on a ten year lease, has been secured for the industrial warehouse at Stakehill, the portfolio's largest vacant unit. This benefit however has been balanced by a new vacancy at the office in Slough. Two tenants slipped into administration, Focus, which occupies retail warehouses in Northampton and Brownhills, and a shop tenant in Truro. In each case rental income is still being received and we do not expect any to become vacant.

During the course of the half year the Funds void rate improved to 4.4% compared to 7.5% at the year end. In contrast, the void rate recorded by the IPD Monthly Index was unchanged at 9.8%.

Report of the Property Manager for the half year ended 31 May 2011

Outlook

In an uncertain economic environment activity levels are likely to remain relatively low with investors cautious and concerned that weakness in secondary locations could spread. There are bright spots however, with Central London standing out, but supply here is thin and strong demand is not feeding through to activity levels. We do not however expect significant or broad weakness. The income yields on good quality assets are very attractive, both in their own right and relative to other asset categories.

Supply shortages of assets with secure income flows remain too and with steady underlying demand, this should also support valuations. In time we expect higher values to come through but for the immediate future expect broad capital value stability although with some near term risk of modest erosion. We expect income to provide the main part of returns.

P Hannam
Head of Property
CCLA Investment Management Limited
12 July 2011

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 2011

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 2011. 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 2011 was:

£125,225,000

(one hundred and twenty million, two hundred and twenty 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 2011.

Yours faithfully,

BNP Paribas Real Estate
5 Aldermanbury Square
London EC2V 7BP

12 July 2011

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 share	Number of shares in issue	Net asset value pence per share	Number of shares in issue
2008	130,644	127.91	101,913,990	145.70	154,760
2009	105,789	107.21	98,313,169	131.43	154,760
2010	127,101	120.76	104,612,885	158.31	473,047
At 31 May 2011	132,155	121.02	108,273,006	163.87	583,253

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
2006	171.48	144.40	176.64	145.66
2007	178.43	158.32	188.32	170.86
2008	160.93	125.93	173.67	143.36
2009	122.89	101.68	139.98	119.92
2010	125.13	115.19	161.09	141.21
To 31 May 2011	125.06	118.82	166.74	156.43

Net distribution

Year to 30 November	Income shares		Accumulation shares*	
	Annual distribution pence per share	Yield on shares held for the period %*	Annual distribution pence per share	Yield on shares held for the period %*
2006	7.00	4.77	5.53	4.90
2007	7.15	4.21	6.93	3.94
2008	7.70	4.71	8.87	5.02
2009	7.94	6.10	9.45	6.38
2010	8.10	7.43	10.26	7.67
To 31 May 2011	3.95	3.21	5.46	3.39

* 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 ratio

Share price at 31 May 2011

	<i>Bid price pence per share</i>	<i>Offer price pence per share</i>
Income shares	119.14	123.14
Accumulation shares	161.33	166.74

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>31.5.2011</i>	<i>31.5.2010</i>
Total expense ratio (annualised)	0.72%	0.67%
Property expense ratio (annualised)	0.24%	0.50%

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

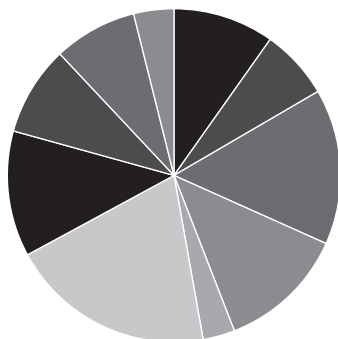
Portfolio analysis

at 31 May 2011 (unaudited)

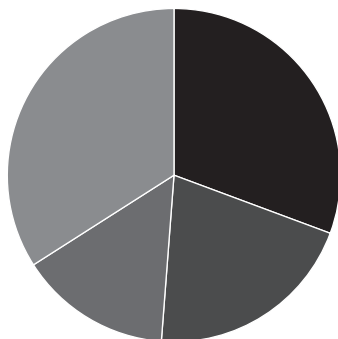
Tenure

	31.5.2011		30.11.2010	
	£'000	%	£'000	%
Freehold	114,875	91.73	108,360	91.49
Leasehold	10,350	8.27	10,075	8.51
Total investments	125,225	100.00	118,435	100.00

Geographical distribution



- South West 9.8%
- Eastern 6.8%
- West Midlands 15.1%
- East Midlands 12.4%
- North West 3.1%
- South East 19.9%
- Rest of London 12.2%
- City 8.7%
- Scotland 8.1%
- North East 3.9%



- Retail Warehouses 29.1%
- Industrial 19.5%
- Shops 14.0%
- Offices 32.3%

Portfolio statement at 31 May 2011 (unaudited)

	£'000	% of Fund
Properties		
Valued between £0 and £5m		
19 properties	64,385	48.81
Valued between £5m and £10m		
7 properties	39,740	30.13
Valued between £10m and £15m		
1 property	21,100	16.00
	<u>125,225</u>	<u>94.94</u>
Total other assets	6,931	5.06
Total value of the Fund	<u><u>132,156</u></u>	<u><u>100.00</u></u>

Ownership of the Fund at 31 May 2011 (unaudited)

Ownership band at 31 May 2011	Number of investors	Number of shares in issue '000	% of shares in issue
Less than 1%	495	56,310,549	52
1% or greater but less than 2%	7	9,504,530	9
2% or greater but less than 4%	2	7,277,998	7
4% or greater but less than 8%	0	-	-
Greater than 8% *	1	35,763,182	32
		<u>108,856,259</u>	<u>100</u>

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

Property portfolio – offices at 31 May 2011 (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
Wellbrook Court CAMBRIDGE	Birdlife International	10 yrs 23.6.05	5 yrs	2010	165,120	5-10
	Atkins Ltd	10 yrs 25.8.06	5 yrs	2011	79,983	
	Atkins Ltd	10 yrs 25.8.06	5 yrs	2011	100,815	
	Atkins Ltd	10 yrs 25.8.06	5 yrs	2011	347,000	
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	-	54,700	
	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	

Property portfolio – offices at 31 May 2011 (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>
Bartley Wood HOOK	HP Enterprise Defence & Security UK	31 yrs 25.12.89	5 yrs	2015	848,106	5-10
Bath Road SLOUGH	Michael Page Holdings Ltd	16 yrs 26.5.00	5 yrs	2010	221,000	0-5
AECOM House Victoria St ST ALBANS	Faber Maunsell Ltd	10 yrs 20.6.08	5 yrs	2013	458,032	5-10

Property portfolio – shops at 31 May 2011 (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	2014	290,000	0-5
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	25 yrs 24.6.87	5 yrs	-	49,150	0-5

Property portfolio – offices/shops at 31 May 2011 (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	18 yrs 19.8.05	5 yrs	2013	67,500	10-15
	Post Office Ltd	14 yrs 25.12.01	5 yrs	2010	207,500	
	Hampton International Mortgages Ltd	5 yr 25.3.07	-	-	71,760	
	Meritum Securities plc	5 yrs 17.2.09	-	-	29,075	
	Goddard Perry Consulting Ltd	5 yrs 4.3.09	-	-	67,600	
	Access UK Ltd	10 yrs 6.12.04	5 yrs	-	68,635	
	Advanced Payment Solutions Ltd	10 yrs 1.6.06	-	-	78,000	
	Marine, Aviation & General (London)	10 yrs 11.8.06	5 yrs	2011	75,060	
	Hiscox plc	5 yrs 28.11.07	-	-	38,738	

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>
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	-	-	-	-	

Property portfolio – retail warehouses at 31 May 2011 (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 UK Ltd	10 yrs 24.6.04	5 yrs	-	227,988	0-5
Falcon Lane, Clapham LONDON	Boots UK Ltd	25 yrs 7.5.99	5 yrs	2014	325,000	0-5
Ealing Rd, LONDON	DSG Retail Ltd	25 yrs 29.9.95	5 yrs	2010	450,000	5-10
Wellingborough Rd, NORTHAMPTON	Focus (DIY) Ltd	25 yrs 11.12.87	5 yrs	-	454,658	0-5
Dairy Meadow Lane	Halfords Ltd	15 yrs 2.5.00	5 yrs	2010	140,140	0-5
SALISBURY	Maplin Electronics Ltd	10 yrs 13.11.09	5 yrs	2014	90,000	5-10
Jolly Sailor Retail Park	NBC Apparell	20 yrs 25.12.02	5 yrs	2007	280,000	5-10
TAMWORTH	Argos Limited	15 yrs 10.3.03	5 yrs	2013	259,900	

Property portfolio – warehouses/industrial at 31 May 2011 (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	NFT Distributions Operations Ltd	10 yrs 5.5.11	5 yrs	2016	355,475	0-5
Fountain Drive INCHINNAN	Regeneris Ltd	10 yrs 1.9.09	5 yrs	2014	300,000	0-5
Telford Point KETTERING	L Batley Pet Products Ltd	10 yrs 26.9.02	5 yrs	-	321,816	0-5
Brackmills Ind. Estate NORTHAMPTON	Ryder plc	25 yrs 22.4.88	5 yrs	-	508,000	0-5
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	10 yrs 12.1.10	5 yrs	2015	165,166	0-5
Avonmouth Access 18 BRISTOL	Vacant Qualitex Supplies Ltd	- 15 yrs 29.9.04	- 5 yrs	- 2014	- 201,205	- 0-5

Statement of total return

for the half year ended 31 May 2011 (unaudited)

	Notes	31.5.2011		31.5.2010	
		£'000	£'000	£'000	£'000
Income					
Net capital gains	2		228		12,697
Revenue	3	4,887		4,065	
Expenses	4	<u>(611)</u>		<u>(685)</u>	
Net revenue			<u>4,276</u>		<u>3,380</u>
Total return before distributions			4,504		16,077
Finance costs: distributions	6		<u>(4,233)</u>		<u>(3,903)</u>
Change in net assets attributable to shareholders from investment activities			<u>271</u>		<u>12,174</u>

The notes on pages 24 to 32 form part of these accounts.

Statement of change in net assets attributable to shareholders

for the half year ended 31 May 2011 (unaudited)

	31.5.2011		31.5.2010	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		127,101		105,789
Amounts receivable on issue of shares	7,101		6,462	
Amounts payable on cancellation of shares	(2,348)		(2,363)	
		4,753		4,099
Change in net assets attributable to shareholders from investment activities		271		12,174
Retained distribution on accumulation shares		31		15
Closing net assets attributable to shareholders		<u>132,156</u>		<u>122,077</u>

The above statement shows the comparative closing net assets at 31 May 2011 whereas the opening net assets for the current accounting period commenced on 1 December 2010.

Balance sheet

at 31 May 2011 (unaudited)

	Notes	31.5.2011		30.11.2010	
		£'000	£'000	£'000	£'000
ASSETS					
Investment assets	7		125,225		118,435
Debtors	8	691		859	
Cash and bank balances	9	9,501		<u>11,555</u>	
Total other assets			10,192		<u>12,414</u>
Total assets			135,417		130,849
LIABILITIES					
Creditors	10	1096		1447	
Distribution payable on income shares		2,165		<u>2,301</u>	
Total liabilities			3,261		<u>3,748</u>
Net assets attributable to shareholders			132,156		<u>127,101</u>
Approved on behalf of the Trustee 12 July 2011		R Broadhurst, Chairman CBF Funds Trustee Limited			

The notes on pages 24 to 32 form part of these accounts.

Cash flow statement

for the half year ended 31 May 2011 (unaudited)

	Notes	31.5.2011		30.11.2010	
		£'000	£'000	£'000	£'000
Net cash inflow from operating activities	15		4093		7919
Net cash inflow/(outflow) from financing activities					
Issue of shares		7,101		10,901	
Cancellation of shares		(2,348)		(2,720)	
Distributions paid		(4,338)		<u>(7,966)</u>	
			415		215
Net cash (outflow)/inflow from investment activities					
Payments to acquire investments		(6,240)		(6,080)	
Proceeds on disposal of investment		-		14,400	
Capital expenses		(322)		<u>(1,195)</u>	
			(6,562)		<u>(4,633)</u>
Decrease in cash	16		(2,054)		<u>3,501</u>

The notes on pages 24 to 32 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.

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

(b) Revenue recognition

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

(c) Expenses

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

(d) Distributions

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

(e) Capitalised costs

All costs associated with buying, selling and development of properties are charged to capital. Other expenses, including the property valuation fees payable to BNP Paribas Real Estate, are deducted from revenue.

(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.

Notes to the accounts

(unaudited)

2. Net capital gains/(losses)	31.5.2011	31.5.2010
	£'000	£'000
The net capital gains/(losses) during the period comprise:		
Non-derivative securities	<u>228</u>	<u>12,697</u>
3. Revenue	31.5.2011	31.5.2010
	£'000	£'000
Rental revenue	4,610	4034
Interest on The CBF Church of England Deposit Fund	24	11
Bank interest	1	19
Other revenue	252	1
	<u>4,887</u>	<u>4,065</u>
4. Expenses	31.5.2011	31.5.2010
	£'000	£'000
Payable to the Manager, associates of the Manager and agents of either of them:		
Manager's periodic charge – see note 1(c)	396	364
Manager's periodic charge rebate – see note 1(c)*	<u>(6)</u>	<u>(6)</u>
	<u>390</u>	<u>358</u>
Payable to the Trustee, associates of the Trustee and agents of either of them:		
Trustee Fee	<u>3</u>	<u>4</u>
	<u>3</u>	<u>4</u>

Notes to the accounts

(unaudited)

Other expenses:

Audit fee	4	4
Insurance	1	1
Property legal and professional fees	13	79
Property valuation fees	60	23
Property non-recoverable insurance	-	4
Property service charge	44	78
Property empty rates	69	133
Property repairs & maintenance	10	1
Property other expenses	17	-
	218	323
Total expenses	611	685

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

	31.5.2001	30.11.2010
February – interim distribution	2,116	1,902
May – interim distribution	2,181	2,039
	4,297	3,941
Add: revenue deducted on cancellation of shares	12	12
Deduct: revenue received on issue of shares	(76)	(50)
Net distribution for the period	4,233	3,903
Net revenue for the period	4,276	3,380
Transfer income (to)/from reserve – see note 11	(440)	98
Manager’s periodic charge paid by capital - see note C	397	425
Net distribution for the period	4,233	3,903

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

7. Property investments

	31.5.2011	30.11.2010
	£'000	£'000
Market value at the start of the period	118,435	99,865
Capitalised expenses	322	1,195
Sales proceeds for disposals	-	(14,400)
Acquisitions at cost	6,240	17,838
Realised gains on disposals	-	26
Unrealised gains on revaluation	228	13,911
Market value at the end of the period	125,225	118,435
Historical cost at the end of the period	128,723	122,435

Notes to the accounts

(unaudited)

8. Debtors	31.5.2011	30.11.2010
	£'000	£'000
Accrued revenue	222	457
Property payments recoverable	54	39
Property incentives	338	329
Prepayments	77	34
	<u>691</u>	<u>859</u>

9. Cash and bank balances	31.5.2011	30.11.2010
	£'000	£'000
Cash in The CBF Church of England Deposit Fund	8,819	11,490
Cash at bank	682	65
	<u>9,501</u>	<u>11,555</u>

10. Creditors	31.5.2011	30.11.2010
	£'000	£'000
Rent received in advance	508	1,311
VAT payable	303	124
Accrued expenses	10	12
Distributions paid	2,165	2,301
Dilapidations	200	-
Provisions for bad debts	75	-
	<u>3,261</u>	<u>3,748</u>

11. Income Reserve

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

	31.5.2011	30.11.2010
	£'000	£'000
Income reserve at the start of the period	1,548	1,613
Transfer (from)/to income reserve	200	(65)
Income reserve at the end of the period	<u>1,748</u>	<u>1,548</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 year and the comparative year.

Market price risk

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

Liquidity risk

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

Currency risk

There is no exposure to foreign currency fluctuations as all investments, 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 2011 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	9,501	-	125,916	135,417

<i>Currency</i>	<i>Floating rate financial liabilities £'000</i>	<i>Fixed rate financial liabilities £'000</i>	<i>Financial liabilities not carrying interest £'000</i>	<i>Total £'000</i>
Sterling	-	-	3,261	3,261

30 November 2010

<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	11,555	-	119,294	130,849

<i>Currency</i>	<i>Floating rate financial liabilities £'000</i>	<i>Fixed rate financial liabilities £'000</i>	<i>Financial liabilities not carrying interest £'000</i>	<i>Total £'000</i>
Sterling	-	-	3,748	3,748

* 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 year.

Notes to the accounts

(unaudited)

13. Related party transactions

The Manager's periodic charge and fee for ethical screening services are paid to the Manager, a related party to the Fund. The amounts paid in respect of the Manager's periodic charge are disclosed in note 4. There were no outstanding balances due to the Manager at 31 May 2011 (30.11.2010, £nil). There were no other transactions entered into with the Manager during the period.

CBFFT, as Trustee, is a related party to the Fund. The amounts paid in respect of the Trustee's administration fee are disclosed in note 4. There were no outstanding balances due at 31 May 2011 (30.11.2010, £nil). There were no other transactions entered into with CBFFT during the period.

At 31 May 2011 a cash balance of £8,818,739 (30.11.2010, £11,489,751) was held in The CBF Church of 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 2011 was as follows:

	<i>Number of shares</i>	<i>Value £</i>	<i>% of NAV at 31.5.2011</i>
Income shares issued	6,996,519	7,101	5.37
Income shares cancelled	2,360,368	2,348	1.78

At 31 May 2011 there were no redemption notices outstanding.

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

	31.5.2011	30.11.2010
	£'000	£'000
Net revenue for the period	4,276	7,406
Increase in accrued revenue	2,353	(101)
Increase in debtors	(67)	190
Increase/(decrease) in creditors	(351)	424
Net cash inflow from operating activities	<u>4,093</u>	<u>7,919</u>

Notes to the accounts

(unaudited)

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

	31.5.2011	30.11.2010
	£'000	£'000
Net revenue for the period	4,276	7,406
Increase in accrued revenue	2,353	(101)
Increase in debtors	(67)	190
Increase/(decrease) in creditors	(351)	424
Net cash inflow from operating activities	<u>4,093</u>	<u>7,919</u>

Distribution table

for the half year ended 31 May 2011 (unaudited)

<i>Period ended</i>	<i>Date paid/payable</i>	<i>Dividends paid/payable pence per share</i>	
		2011	2010
Income shares			
28 February 2011	30 April 2011	1.95	1.90
31 May 2011	30 July 2011	2.00	2.00
		<u>3.95</u>	<u>3.90</u>
		<u>3.95</u>	<u>3.90</u>
		<i>Revenue accumulated pence per share</i>	
		2011	2010
Accumulation shares			
28 February 2011		2.71	2.31
31 May 2011		2.75	2.85
		<u>5.46</u>	<u>5.16</u>
		<u>5.46</u>	<u>5.16</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.

Statement of Trustee and Manager responsibilities

Preparation of accounts

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

- selects suitable accounting policies that are appropriate for the Fund and applies them on a consistent basis
- complies with the disclosure requirements of the Statement of Recommended Practice relating to Authorised Funds issued by the Investment Management Association (IMA) in November 2008;
- follows generally accepted accounting principles and applicable United Kingdom accounting standards;
- keeps proper accounting records which enables them to demonstrate that the accounts, as prepared, comply with the above requirements;
- makes judgments and estimates that are prudent and reasonable; and
- prepares the accounts on the basis that the Fund will continue in operation unless it is inappropriate to presume this.

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

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*Authorised and regulated by
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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

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1 More London Place

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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).

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