THE CBF CHURCH OF ENGLAND PROPERTY FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS

Year ended 31 December 2022

CCLA

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*Collectively, these comprise the Manager's Report.
**Audited.

References to "CCLA" refer to the CCLA Group, comprising CCLA Investment Management Limited and CCLA Fund Managers Limited.

Disability Discrimination Act 1995
Extracts from the Annual Report and Financial Statements are available in large print and audio formats.

REPORT OF THE TRUSTEE
for the year ended 31 December 2022

On behalf of the Trustee, I have pleasure in presenting the Annual Report and Financial Statements 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 an Investment Fund, administered as a Common Fund and is established under the Church Funds Investment Measure 1958, as amended by the Church of England (Miscellaneous Provisions) Measure 1995, the Church of England (Miscellaneous Provisions) Measure 2000, the Church of England (Miscellaneous Provisions) Measure 2006, the Church of England (Miscellaneous Provisions) 2010, together (the Measure) and the Trustee Act 2000. The Fund was formed on 1 March 1999. The Fund is not a collective investment scheme within the meaning of the Financial Services and Markets Act 2000 (FSMA).

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 appointed an Audit Committee which meets twice each year to review the Financial Statements and to monitor the control environment in which the Fund operates.

CBFFT has delegated to the Manager, which is authorised and regulated by the Financial Conduct Authority, the investment management, administration, registrar, secretarial and company functions of the Fund under an Investment Management Agreement dated September 2008.

Under the provisions of the 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 Financial Conduct Authority and the trustee directors of CBFFT are not required to be approved by the Financial Conduct Authority for this purpose.

Investments in the Fund are not covered by the Financial Services Compensation Scheme.

Charitable status of the Fund
The Fund is entitled to charitable status by virtue of section 99(4) of the Charities Act 2011. In the administration of the Fund, CBFFT is exempt from the jurisdiction of the Charity Commission by virtue of section 5(1) of the Measure.

Investment objective
The Fund aims to provide investors with a high level of income and long-term capital appreciation.

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Investment policy
The Fund is an actively managed, diversified portfolio of UK commercial property. It will principally invest in UK commercial properties, but may invest in other assets, which may be either liquid or illiquid in nature. It will gain this exposure by investing primarily in the COIF Charities Property Fund.

Comparator Benchmark
The comparator benchmark for the Fund is MSCI/AREF UK Other Balanced Open Ended Quarterly Property Fund Index.

Target investors
The Fund is intended for eligible charity investors, with at least a basic knowledge of property related investments, which are affiliated with the Church of England and seeking to invest in an actively managed fund that reflects the investment objective and investment policy of the Fund. Investors should be looking to invest for at least five years and understand that their capital may be at risk, have the ability to bear losses and appreciate that the value of their investment and any derived income may fall as well as rise. The Fund has indirect holdings in direct property, which is inherently illiquid, and investors should take particular note of the risk sections of the Scheme Information, and the actions the Manager may have to take in stressed market conditions, such as suspending or delaying Fund dealings. The Fund also has a minimum redemption notice period of 180 days. The Fund is therefore not suitable for investors that might have a need for immediate liquidity in their investments. Please note that the Manager is not required to assess the suitability or appropriateness of the Fund against each investor. Investors may be either retail or professional clients (both per se and elective).

Responsibilities of the Trustee
CBFFT receives and reviews a report on the published Financial Statements prepared on its behalf by the Manager twice a year. CBFFT is wholly responsible for the Fund.

CBFFT reviews the property and cash management, administration, registrar, secretarial and company secretarial services provided by the Manager under the Investment Management Agreement. It meets quarterly with the Manager to monitor investment strategy, distribution policy, investment diversification, risk and to review the Fund's performance.

In addition, CBFFT reviews the objectives of the Fund annually and is responsible for appointing an Audit Committee, the Auditor and the Custodian.

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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 Investment Management Agreement.

Ethical investment
The Fund is managed in accordance with ethical investment policies developed by the three National Investing Bodies (the Church Commissioners and Church of England Pensions Board being the other two) based on the advice of the Church's Ethical Investment Advisory Group (EIAG). Responsibility for accepting National Investing Bodies (NIBs) policy and EIAG recommendations rests with the Trustee. The Trustee is represented on the EIAG by C Chan, a director of the Trustee. The Ethical Investment Policy embraces stewardship, engagement and investment exclusions.

Responsible investment and stewardship
The Fund also implements CCLA's responsible investment policy, which we believe will improve long-term Shareholder returns. This includes policies to integrate Environmental, Social and Governance (ESG) factors into the investment decision making process and stewardship activities associated with the Fund's holdings, more details can be found at https://www.ccla.co.uk/sustainability/corporate-governance/approach-esg.

The Manager is a signatory to both the UK Stewardship Code and the United Nations Principles for Responsible Investment (PRI) and is a member of CDP (formerly the Carbon Disclosure Project), the Institutional Investors Group on Climate Change (IIGCC) and UK Sustainable Investment and Finance Association (UKSIF).

Investment exclusions
The NIBs do not wish to directly profit from, or provide capital to, activities that are materially inconsistent with Christian values, and are also mindful of the danger of undermining the credibility, effectiveness and unity of the Church's witness were they to do so. A range of investment exclusions is therefore maintained. The EIAG or the NIBs may, exceptionally, recommend exclusion from investment of any individual company in any line of business on ethical grounds – normally if, after sustained dialogue, the company does not respond positively to concerns about its practices. In such cases the NIBs will determine individually whether to disinvest if they hold securities issued by the company. The EIAG and NIBs expect a recognition of responsibility and a resolve to improve, rather than perfection.

Direct investments in equities and corporate debt:
The NIBs do not invest in any company involved in indiscriminate weaponry. Moreover, they do not invest in companies involved in conventional weapons if their strategic military

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supplies exceed 10% of turnover. The NIBs do not invest in any company that derives more than 3% of revenues from the production or distribution of pornography or in any company, a major part of whose business activity or focus (defined as more than 10% of group revenues) is tobacco, gambling, non-military firearms, or high interest rate lending. The National Investing Bodies will exclude from their investments any company deriving more than 25% of its turnover from the production or licensed sale of alcoholic drinks, except in the case of companies who sole business is the provision of alcoholic drinks with food. The climate change policy (2015) does not allow investments in companies that derive more than 10% of revenue from tar sands or thermal coal. Individual policy documents are published separately – or are under development – setting out the criteria employed in each area to determine whether companies breach the Church's policy and to explain the theology, ethics and reasoning underlying the policies. More information can be found at https://www.churchofengland.org/about/leader sh ip-and-governance/ethical-investment-advisorygroup/policies-and-reviews.

Direct investments in property:
The NIBs apply the same exclusions to direct property investments as are used for equities and corporate debt investments. To implement this policy, we seek to screen properties prior to investing in them. We do this by assessing the activities undertaken by the underlying tenants. Full details on how the policy is applied can be found in our values based screening policy which can be accessed at https://www.ccla.co.uk/about-us/policies-andreports/policies/values-basedscreening-policy.

Our approach to ESG integration in property
Pre-purchase due diligence: When reviewing potential investments, we consider relevant ESG issues including environmental and social risks and opportunities, regulatory compliance, green building accreditation or value-add innovation. As part of the due diligence process for selected assets, potentially significant environmental and governance factors are identified and considered when making the final investment decision.
Active Management: Where we have management control of property holdings, our agents engage with the tenants and adopt initiatives to improve energy, waste, and water efficiency. By integrating sustainability into property management practices, we can improve and enhance the assets in our ownership, reduce operation costs and improve tenant satisfaction. Where appropriate and possible our agents also seek to engage tenants on social issues.
Refurbishments: We integrate sustainability into property management practices and projects to ensure we can continue to achieve targets and add value. With the assistance and advice of our specialist teams, where appropriate we integrate ESG considerations into the earliest stages of the design and construction processes when undertaking asset development, refurbishment or fit-out.

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Controls and risk management
CBFFT receives and considers regular reports from the Manager. Ad hoc reports and information are supplied as required.

CBFFT has appointed HSBC Bank plc to monitor the Manager in respect of its activities related to the management, oversight, supervision and administration of the Fund, including the custody and safekeeping of the property of the Fund. This monitoring provides an additional layer of comfort for Shareholders.

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.

At its periodic audit committee meetings, CBFFT receives a report from the Chief Risk Officer of the Manager which includes the following areas amongst others:

- breaches and complaints recorded on the Fund during the reporting period;
- compliance monitoring reviews relevant to the Fund during the reporting period;
- a summary of the internal audit reviews carried out during the reporting period and any significant findings;
- an enterprise risk report which outlines an operational risk events which impacted the Fund; and
- an investment risk report on the Fund with relevant metrics as at the last month end prior to the audit committee meeting.

A Brookes, Chair
CBF Funds Trustee Limited
30 May 2023

The EIAG was established in 1994 and includes representation from The Church Commissioners, The CBF Church of England Funds, the Church of England Pensions Board and up to seven independent members who are appointed by a dedicated Nominations Committee. It is currently Chaired by Barbara Ridpath who took over from the Right Reverend David Walker, The Bishop of Manchester, on the 8 July 2020. More information about the EIAG is available at www.churchofengland.org/eiag.

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Performance
The Fund's total return performance record compared to the benchmark over periods to 31 December 2022 is shown in the table below. It is also encouraging that despite the range of conditions and challenges faced over these periods, the Fund has outperformed the benchmark in each of the last five years on a discrete year analysis.

Investment returns for the latest 12-month period as a whole disguise a more volatile experience beneath the headlines. Total returns remained positive through the first half of the year, albeit at a slower pace than the stronger gains made in 2021. However, an expected slowdown in property investment market conditions was already in evidence in the second quarter of the year, developing into a reversal in valuation movements that accelerated from the third quarter through to the end of the year. Driven by the rapidly rising yield environment rather than weakening occupier market conditions, the speed of the decline recorded by MSCI property indices was unprecedented.

In relative terms, the Fund performed well during the year with negative total returns of -7.80% vs the benchmark -8.72%. Relative performance was helped by the portfolio's bias towards industrial warehouse property, where occupier market fundamentals are most attractive, and to a retail warehouse sub-sector that continues to offer good value. The Fund has

Annualised total capital and income return

To 31 December 2022	1 year %	5 years % p.a.	10 years % p.a.
Performance against market indices (after expenses)			
The CBF Church of England Property Fund*	**-7.80**	**4.14**	**7.38**
Comparator Benchmark#	-8.72	3.12	6.82
Consumer Price Index (CPI)	10.51	3.93	2.68

\# Comparator Benchmark – MSCI/AREF UK Other Balanced Quarterly Property Fund Index.
* NAV to NAV income re-invested for Income Shares.
Source: CCLA.

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continued to reduce the allocation to a difficult office sub-sector, disposing of some risky assets where vacancy and structural challenges weigh on performance and management activity, given stock specific risk is high. Returns were also supported by the above average and reliable income return, especially when the more variable capital return is uncertain and limited. The Fund offers one of the highest yields compared to the MSCI/AREF UK Quarterly Property Funds Benchmark.

Fast changing conditions for capital markets were also reflected in the movement of the Fund's Share price which started the year at 147.87p and peaked at 162.31p before falling back to 130.52p at the year-end, giving a capital only return for Shareholders over twelve-months of -11.7%. Whilst conditions for income generation also remain challenging, in contrast to capital returns, occupational markets have been more resilient, and the Fund's income is relatively stable. Post-pandemic rent collection issues are now largely resolved, whilst asset and lease event management provide opportunities to improve letting terms and support portfolio income. Interest earned on the Fund's cash holding is also now higher. Quarterly income payments to Shareholders over the year have been maintained in 2022 at 6.51p per Share, following the same quarterly income distribution plan that was paid during 2021. These payments maintain a superior income return for Shareholders, which at 4.4% over the twelve-months, compares to the Benchmark income return of 3.0%. Looking ahead the Fund's income distribution yield based on the year-end Share price is 5.0%, and the equivalent MSCI Benchmark yield is 3.4%. Given the uncertainty and current weakness of capital returns, this underlines the strategic importance of the more reliable and attractive income return as a firm foundation for long term performance.

A net flow out of the Fund at £3.3 million, consisted of £13.9 million inflows, whilst redemptions, mainly in the final quarter of the year, amounted to £17.2 million. This combines with asset valuation movements, resulting in the size of the Fund falling over the year, ending the period at £164m compared to £191m at the beginning of 2022. Fund liquidity in the COIF Charities Property Fund ended the year at 2.3% of the net asset value, lower than the opening position due to the settlement of redemption requests and net investment in the property portfolio over the course of the year. In the best interests of all unitholders, the notice period for redemption requests was extended from three months to six months. At the year-end, outstanding redemption requests received by the COIF Property Fund subject to the notice period amounted to £5.3m. Of this amount, less than £1m is being redeemed via the CBF Church of England Property Fund holding.

Strategy

Strategy is focused on the sector's fundamentals and property asset selection is key to seeking a competitive performance advantage and

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controlling risk. The challenges faced during 2023 highlight the importance of remaining focused on the fundamentals over the long term and the investment strategy, despite the impact of events and any short-term volatility experienced. The Fund's investment objectives combine a relatively high income yield plus some capital appreciation over the longer term, an approach in tune with the property sector's long term performance characteristics and the investment needs of the charity investor group. Asset quality is a focus and properties are actively managed as part of a bottom-up dominated investment process. Gearing is not used to boost investment returns.

Structurally, the Fund is well diversified, but a dynamic approach is adopted to ensure it remains well placed to navigate short term sector and asset difficulties whilst also maximising the benefits to be gained from long term trends. Within more traditional property sub-sectors, biases towards industrial and warehouse property, and away from a difficult retail sector, should continue to support income and total returns longer term. The negative impact of ongoing structural change in the office sector requires careful monitoring at the asset level and stock specific risk is high. Further, reflecting a wider range of challenges, exposure to offices has been reduced, and further asset sales will feature, whilst continued investment in this sub-sector needs to be clearly defined and will be asset focused. Meanwhile properties in the 'Other' category, which includes a disparate range of alternative property uses such as hotels, gyms, and car showrooms, offer attractive income features, long term income streams and assured growth mechanisms, but are subject to the covenant strength provided by the tenant.

Market review

For commercial property, as for other major asset classes, outcomes in 2022 were dominated by the higher bond yields that resulted from central bank efforts to control the rate of inflation. Through the course of the year fast rising yields, and the prospects of interest rates being higher for longer, combined with the rising threat of economic weakness to undermine the relative attraction of the property sector as an investment class. With bond yields already elevated, from late September political and financial turmoil precipitated by the UK government's so-called mini budget exacerbated the volatility, creating a liquidity crisis that would spill over into the property investment sector and weigh heavily on sentiment and property investment during the final quarter of the year. Market participants, both buyers and sellers, paused activity in the short term to consider the impact and the outlook, leaving property valuations further exposed to forced selling. Market transaction volume produced a weak final quarter at £7.3bn, the lowest since Q2 2020, and down 41% on Q3-2022. Investment volume for the year was £54bn, a respectable total in the circumstances but only driven by a strong first half of the year. This compares with £57bn in 2021. The drop in

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investment was evident across most sectors, but offices saw the largest decline, and overall, the evidence produced was sufficient to confirm the scale of the slide in prices and for valuers to accelerate the pace of the falls in property investment valuations. As a result, property valuations decreased at an unprecedented speed and the prospects for market liquidity diminished materially.

Difficult as conditions have become, however, this is not the breakdown in market confidence experienced in 2008. Instead, we have witnessed a UK property investment sector and capital markets seeking to recalibrate to a rapidly changing financial backdrop, whilst enduring weaker market conditions and a challenging outlook. Rising interest rates, a slowing economy and concerns over capital values mixed with some structural issues all contributed to this sharp fall in investor sentiment.

This significant adjustment in pricing and valuations, driven by yield shift rather than weakening occupier demand, was led by industrial warehouse assets given the strength of pricing and low yields in this sub-sector. However, despite the scale of the disruption, the liquidity challenge and the unease over pricing, higher level sector trends and drivers remained largely unchanged. Whilst the economic outlook has darkened, and is a concern, for now occupier markets remain supportive. The relatively strong run of activity in the industrial and logistics sector has been maintained through the year and even in Q3-22 the sector bucked the overall trend remaining high at a volume of over £3bn, albeit at significantly lower asset prices reflecting the sharp outward movement in yields, and volume only dropped back in Q4-22. The industrial sector saw the most drastic outward movement in yields during the last quarter, shifting out by 131bps to a two-year high at just over 5%.

The MSCI Quarterly Capital Index for All Property declined by -13.0% over Q4-22 alone, and in total by -17.5% since the end Q2-22 peak. Reflecting the strong growth recorded in the first half of 2022, the Capital Index fell by -12.8% over the whole year. Capital valuation movements, both on the way up and now more aggressively on the way down, is driven by industrial warehouse property, -19.2% in Q4-22, -25.8% since Q2-22 and -17.4% over the whole year. The MSCI Quarterly Total Return Index for 2022, including income, was recorded -9.1%. In contrast to capital performance volatility, MSCI Quarterly Rental Growth Indices are relatively stable during the 2022 but have slowed ending the year at +3.8%. Rental growth is still almost entirely driven by industrial property, where rents are estimated to have risen by 10.4% this year.

Activity
The CBF Church of England Property Fund achieves its exposure to the UK property

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investment sector indirectly via a holding in the COIF Charities Property Fund, providing enhanced diversification benefits and risk control. The cash holding and liquidity are also managed via the COIF fund. The size of the holding in this fund will vary subject to the changes in the size of the CBF Property Fund from investor capital flows in and out over time.

It was a busy year for the COIF Property Fund in terms of investment and management actions, guided by our ambitions in many areas, including objectives to build and secure asset income streams, consolidate portfolio asset quality and the strategic shape of the portfolio to remain well placed for the sector challenges we anticipate in the outlook. A sales plan is in hand which will help to rebuild cash levels while also resulting in a portfolio more aligned to our preferred profile.

Over the course of the year, seven asset sales were completed aimed at reducing stock specific risk, notably in more vulnerable sub-sectors, and to achieve strategic adjustments in the shape of the portfolio. A theme of the sales is the disposal of predominantly older, secondary offices with weaker performance prospects, reinforcing a re-allocation away from office vacancy, obsolescence and viability risks and bearing in mind demanding future ESG requirements. At the same time our investment activities demonstrate a further strengthening in the weighting of the portfolio to sub-sectors offering more positive fundamentals, including modern industrial/warehouse facilities where the outlook and occupier markets remain supportive of investment, despite the risk of yield rises and the resultant valuation correction required over the shorter term.

The one investment property added to the portfolio this year is a well specified industrial distribution warehouse located in Ashby-de-la-Zouch within the East Midlands 'Golden Triangle' for logistics.

Disposals completed during the year include three small office properties in Glasgow, with two located on West Regent Street in the City Centre and one outside the city centre on the Strathclyde Business Park, Bellshill. The assets represented a longer-term risk of vacancy and void expenses whilst the re-letting prospects were poor. Also sold in Scotland was a small shop property in Dunfermline.

More material was the disposal of a further two office holdings located in the south-east region, which also threatened vacancy, obsolescence and viability risk off current valuations. Active management had secured attractive exit prices by demonstrating redevelopment prospects for higher value uses; distribution warehousing in the case of a recently vacant office building in Crawley; and residential in the case of a soon to be vacant office site in Chertsey. We also sold a vacant retail warehouse property located in Salford, Greater Manchester, and in total the exit prices amounted to over £28m. By the end of

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the year the exposure of the Fund to a challenging and uncertain office sub-sector was reduced from 26% to 21%, whilst the allocation to industrial warehousing increased to 47%.

Despite the challenges currently faced in UK property capital markets, occupier markets remain more supportive and stable. As a result, management activities continue to function relatively well and deliver positive results. The Fund has recorded a very high volume of management activity, achieving much success during the year with its lettings and rent reviews, supporting Fund income. Management actions help to improve asset quality and investment grade, also preparing some assets for disposal, although the portfolio void rate fluctuates over time as new letting are achieved and new vacancy is recorded.

In the period, many leasing examples include a lease renewal with Creative Technology Ltd for the industrial warehouse facility at Manor Royal in Crawley which secured a £650,000 pa rental income stream for a 10-year period. Similarly, a lease renewal producing £197,200 pa was completed for the office holding at Lewis Court Leicester, again with a 10-year lease. A reversionary lease was signed for the ground floor of Unit 3 at Wellbrook Court, an office park investment in Cambridge, commanding a rent of £93,000 pa. Schuh and C&J Clark extended their occupation of shops in Truro and Chichester at rents of £90,000 and £120,000 pa respectively, whilst also in Chichester Oliver Bonas committed to a 10-year lease also paying a rent of £120,000 pa. Important lettings of previously vacant units were achieved for the retail warehouse at Cribbs Causeway Bristol that was let to Tesla Motors on a 10-year lease producing a new income stream of £400,000 pa, and in Aberdeen where the industrial warehouse at Badentoy was let for 21 years to Biffa Waste Services producing an annual rent of £460,000 with CPI index rent reviews.

At the Fund's largest holding, a multi-let office building on Cannon Street in the City of London where a refurbishment and re-letting project is ongoing, two previously vacant floors have been let on new leases. The fifth floor achieved a new rent of £307,500 pa for a 10-year term, whilst the seventh floor was let at a rent of £314,375 pa on a 5-year term. Positive rent review results are also being achieved although such activity is almost entirely confined to the industrial warehouse sector, where market rental value growth has been both material and reliable. At Mendlesham, an annual rental uplift agreement with the tenant CEVA Logistics produces a pre-agreed rate of 2.5% pa, increasing the annual rent to £2,312,309 pa, and in Kettering, a Unit on the Telford Way Industrial estate achieved a 24% increase in the rent on a market basis, growing from £357,832 pa to £445,000 pa. The Travelodge hotel holding in Bath benefits from an RPI based review mechanism and recorded an 11% increase to £1,464,328 pa.

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However, demonstrating the growing risks within the office sector, this success is partly counter balanced by new vacancy. The lease expired on the office building in St Albans, let to AECOM Ltd with a £545,127 pa income stream, which is now vacant, with a refurbishment project in hand. Also now vacant is the Part Ground Floor accommodation at Stockley Park where a £227,887 rental income from World Vision International ended. Overall, the portfolio investment vacancy rate ended the period lower at 9.4%. Reflecting some planned vacancy, for example at Braywick House in Maidenhead to facilitate an office to residential redevelopment project, the development vacancy rate is 4.2%. The MSCI Monthly Index investment void rate is 9.9% and total reversionary potential from voids is 19.6%, indicating higher development vacancy in this index notably in the office sector.

Most fundamentally, rent collection rates are now more stable and a statutory arbitration process introduced by the UK Government within the Commercial Rent (Coronavirus) Act 2022 has been helpful in driving progress to resolve outstanding rent arrears. Only one tenant, Waterstones, made an application to the arbitration scheme, but an agreement was reached providing full repayment of the arrears. Landlords are now also able to use normal Commercial Rent Arrears Recovery practices and statutory demands to recover unpaid rents and this is also yielding results. The Fund continues to achieve a relatively high level of income return, offering a distribution yield comfortably ahead of the MSCI Benchmark yield.

Our approach to ESG in managing the property portfolio

Responsible property investment, sustainability, impact and ESG considerations are at the core of the Fund's management approach and the investment process. This includes improving existing holdings, investing in new assets offering supportive ESG credentials and specifications, and disposing of assets that do not meet standards and improvement is not viable.

This approach to sales and acquisitions is evident in our activities during the year and reflected in a strategic re-allocation away from the office sub-sector, which is exposed to significant obsolescence risk and the demands of the ESG challenge, especially those connected to energy efficiency and carbon reduction ambitions.

Both factors are linked and represent a material risk that undermines viability off current valuations and therefore future income and investment returns. Five of the seven assets sold during the year were office holdings exposed to such risks and vacancy. The purchase activities also reflect this approach the new acquisition in Ashby de la Zouch offered attractive and valuable ESG features, including an EPC "A" rating, the highest possible rating and demonstrates lower levels of CO_2 emissions in its use compared to older properties, and a BREEAM Very Good rating, which can only be attained if several environmental targets are reached on construction. In addition to the environmental benefits, the tenant will enjoy lower energy bills

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and such ratings and features will future proof the asset value from large capital expenditure requirements and support occupier market demand and rental value growth.

Importantly, the approach to ESG and investment policies in action are also reflected in the management of the assets during the life cycle.

Green lease clauses are a feature of the Fund's standard lease and the base for all letting negotiations, providing some control and access to data across a range of operational metrics, including for example energy and water consumption, and waste and recycling regimes. In the past, this ability has been denied across fully let investment property portfolios where day to day control of assets is passed to the tenants by the letting structure. Whilst this development is an improvement, enhancing control and cooperation with the tenant, multi-let properties remain the principal examples in a portfolio where the Fund can retain a direct involvement in the management of the asset and implement planned improvements.

An example of such management initiatives during the year includes the letting of two floors at 80 Cannon Street which followed refurbishment works that included the installation of new energy efficient heat and cooling systems for each floor and all lighting was replaced with LED fittings and PIR sensors. Other improvements included the installation of new secondary double glazing, and these enhancements combined also reduces energy costs for tenants. Also installed were low use water fixtures when refurbishing the WCs to reduce overall water use in the building. The overall outcome is the accommodation achieved an improvement in the EPC from E to a B and contributed to achieving an immediate letting once the improvement works had been completed.

Outlook

The higher yield environment, continued uncertainty and other challenges are keeping a lid on sentiment, confidence and investor appetite into 2023, leaving risk biased to the downside. Some further yield expansion may be expected, but at a more modest pace than in the closing months of 2022. Evidence is already emerging of a material slowdown in the rate of valuation decline recorded during the early months of 2023.

The property sector should start to provide opportunities for growth again once the financial backdrop settles and brings the conditions to support a more normal volume of transactional activity. However, the timing and scale of any subsequent recovery may be delayed and subdued, subject to the economic prospects and severity of any recession. Any material recovery in the performance outlook is unlikely to commence before the second half of 2023 or into 2024. In the meantime, property specific risk will be high and market transaction activity subdued but recovering steadily in volume as the year progresses.

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Some parts of the market will inevitably prove more resilient than others. Assets that are compromised by structural or environmental factors will continue to face significant adjustments to value to allow for viable repositioning or redevelopment. Industrial warehouse assets are anticipated to dominate market demand and remain a focus for investors as opportunities off lower prices re-emerge along with an emphasis on the sub-sectors attractive investment and occupier market fundamentals.

Retail warehouse investment will also again offer good value and defensive characteristics, however, the prospects for rental value growth in the office and shops sub-sectors will remain exposed. Further weakness and the impact of structural change will continue to weigh on returns, threatening oversupply, increased obsolescence, and an uncertain outlook for demand, rents, and valuations.

Across the market the integration of ESG factors should also weigh on future performance prospects, notably for office assets that may become stranded and locked into long term vacancy, whilst the viability of future proofing action at current valuations is a concern given the scale and cost of the enhancements required for demanding office asset specifications and in meeting new occupier market requirements, or for the re-purposing and re-positioning of assets.

For yield seeking investors, the retail sector will become more appealing as prices and rents become stable, and higher yields support performance, but limited scope for rental growth and ongoing challenges in the consumer sector contribute to the uncertain prospects in the outlook for retail property.

Property is a long-term investment asset class, and investors need to look through the current turbulent times and uncertain backdrop for capital markets, remaining focused on the benefits of an allocation to UK real estate, the fundamentals, and high-level trends, both positive and the longer-term challenges. Offering an attractive income yield and some rental value growth, investment and management activity can continue to support income, enhance asset quality, and add value. Whilst it is positive for the outlook that the severe correction in capital values required was experienced unusually quickly, for the time being the outlook for capital returns will remain uncertain and limited, meaning income is more influential for returns. A return to positive capital growth will rely on some initial recovery in the pricing of industrial warehouse assets, whilst also looking ahead to an eventual pivot in interest rate policy as inflation is brought under control over 2023.

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For the CBF Church of England Property Fund, the foundation of a high-level of income yield, and a high quality and well-placed portfolio structure within the COIF Property Fund together with a pro-active approach to management activity, can all contribute to sustaining the attractive long term performance record. This approach and strategy remains guided by its philosophy and the longer-term investment objectives.

Paul Hannam
Head of Property
CCLA Investment Management Limited
30 May 2023

Risk warning
Investors should consider the risk factors identified in the Scheme Information. Past performance is not a reliable indicator of future results. The price of the Fund's Shares and any income distributions from them may fall as well as rise and an investor may not get back the amount originally invested.

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 be affected adversely 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 whilst investors can request a redemption at any time, all such requests are subject to a minimum notice period of 180 calendar days.

INDEPENDENT AUDITOR'S REPORT
to the Shareholders and the CBF Funds Trustee Ltd ('the Trustee') of The CBF Church of England Property Fund

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of The CBF Church of England Property Fund (the 'Fund'):

- give a true and fair view of the financial position of the Fund as at 31 December 2022 and of the net revenue and the net capital gain/(loss) on the property of the Fund for the year ended 31 December 2022;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Church Funds Investment Measure 1958 ('the Measure'), Trust Deed, and the Trustee Act 2000.

We have audited the financial statements which comprise for each fund:

- the statement of total return;
- the statement of change in net assets attributable to shareholders;
- the balance sheet;
- the cash flow statement;
- the distribution tables; and
- the summary of significant accounting policies, judgements and estimates applicable to all sub-funds and individual notes.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice), Church Funds Investment Measure 1958 ('the Measure') and the Trustee Act 2000.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITOR'S REPORT
to the Shareholders and the CBF Funds Trustee Ltd ('the Trustee') of The CBF Church of England Property Fund

Conclusions relating to going concern
In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Fund's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the trustees and Manager with respect to going concern are described in the relevant sections of this report.

Other information
The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of trustees and Manager
As explained more fully in the trustees' responsibilities statement and the Manager's responsibilities statement, the Manager is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Manager is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to liquidate the fund or to cease operations, or has no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT
to the Shareholders and the CBF Funds Trustee Ltd ('the Trustee') of The CBF Church of England Property Fund

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud
Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the Fund's industry and its control environment, and reviewed the Fund's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and Trustees about their own identification and assessment of the risks of irregularities, including those that are specific to the Fund's business sector.

We obtained an understanding of the legal and regulatory frameworks that the Fund operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the relevant tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the Fund's ability to operate or to avoid a material penalty. These included The Church Funds Investment Measure 1958 and Trustee Act 2000.

We discussed among the audit engagement team [including relevant internal specialists such as Financial Instruments specialists] regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

INDEPENDENT AUDITOR'S REPORT
to the Shareholders and the CBF Funds Trustee Ltd ('the Trustee') of The CBF Church of England Property Fund

As a result of performing the above, we identified the greatest potential for fraud in the valuation and existence of investments due to its significance to the net asset values of the sub-funds. In response we have: involved our financial instruments specialists to assess the applied valuation methodologies; agreed investment holdings to independent confirmations; and agreed investment valuations to reliable independent sources.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing correspondence with HMRC and the FCA.

Use of our report
This report is made solely to the shareholders of the Fund, as a body, in accordance with paragraph 14 of the Schedule to the Church Investment Funds Measure 1958. Our audit work has been undertaken so that we might state to the shareholders of the Fund those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than shareholders of the Fund, as a body, for our audit work, for this report, or for the opinions we have formed.

Deloitte LLP
Statutory Auditor
Glasgow, United Kingdom
30 May 2023

SUMMARY RISK INDICATOR

The UK PRIIPs Regulation requirements set out detailed guidelines for the calculation of the risk ratings of products to be portrayed through a summary risk indicator. It is intended to be a guide to the level of risk of this product compared to other products. It shows how likely it is that the product will lose money because of movements in the markets or because the Manager is not able to pay you. The risk of the product may be significantly higher than the one represented in the summary risk indicator where the product is not held for the recommended holding period (RHP).

The Manager has classified The CBF Church of England Property Fund as 3 out of 7, which is a medium-low risk class. This rates the potential losses from future performance at a medium-low level and poor market conditions are unlikely to impact the Manager's capacity to pay you. This classification is not guaranteed and may change over time and may not be a reliable indication of the future risk profile of the Fund. The lowest category does not mean risk free.

The summary risk indicator assumes investment in the Fund for the RHP of five years. The actual risk can vary significantly if you cash in at an early stage and you may get back less.

The Fund should be considered illiquid as it is not admitted to trading on a secondary market and no alternative liquidity facility is promoted by the Manager or a third party. Property is recognised as an illiquid asset and is thus most suited to long-term investment. Whilst investors can request redemption at any time, all such requests are subject to a minimum notice period of 90 calendar days*. The Fund normally deals on a monthly basis. The Fund normally does not include any protection from future market performance, so you could lose some or all your investment.

Property can be an illiquid asset class and the Manager may also defer redemptions on a dealing day if it considers there is insufficient liquidity in the Fund to meet redemptions and, in agreement with the Trustee, may suspend the buying and selling of Shares in the Fund due to stressed market conditions. Where an investor makes an application to sell or cancel Shares the Manager may, with the agreement of the Trustee, arrange to transfer scheme property out of the Fund in place of payment in cash for the Shares, but only if it is judged by the Manager not to disadvantage the remaining investors.

A more detailed description of risk factors that apply to this product is set out in the latest Scheme Information, which is available on the Manager's website or by request.

* With effect from 18 October 2022 and until further notice, the Manager has exercised its discretion (as provided for in the Scheme Information) to extend the redemption notice period from 90 days to 6 months.

COMPARATIVE TABLE

Change in net assets per Share

	Income Shares		
	Year to 31.12.2022 pence per Share	Year to 31.12.2021 pence per Share	Year to 31.12.2020 pence per Share
Opening net asset value per Share	**145.59**	127.42	134.08
Return before operating charges*	**(10.56)**	24.71	(0.58)
Operating charges	**(0.02)**	(0.03)	(0.03)
Return after operating charges*	**(10.58)**	24.68	(0.61)
Distributions on Income Shares	**(6.51)**	(6.51)	(6.05)
Closing net asset value per Share	**128.50**	145.59	127.42
* after direct transaction costs of:	**–**	–	–
Performance			
Return after charges	**(7.27%)**	19.37%	(0.45%)
Other information			
Closing net asset value (£'000)	**161,519**	188,060	173,633
Closing number of Shares	**125,692,322**	129,174,921	136,267,971
Operating charges**	**0.65%**	0.66%	0.65%
Direct transaction costs	**–**	–	–
Prices (pence per Share)			
Highest Share price (offer)	**165.15**	151.96	139.72
Lowest Share price (bid)	**128.50**	128.29	125.74

The return after charges has been calculated in accordance with the Statement of Recommended Practice for UK Authorised Funds' (SORP) prescribed calculation methodology. This is for financial statement reporting purposes only and may differ from the Fund's performance disclosed in the Report of the Investment Manager.

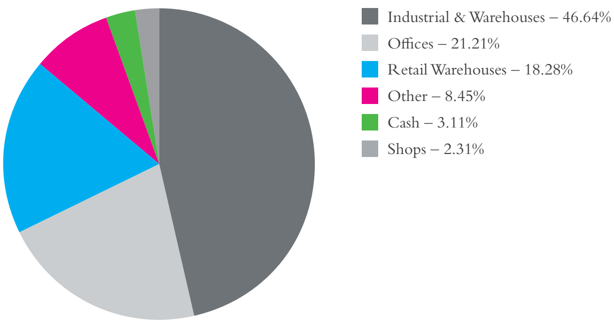
** Operating charges reflect the Manager's annual management charge and other expenses annualised and divided by average net assets for the year. Industry guidance requires a 'synthetic' operating charge figure to be calculated where a Fund invests a substantial proportion of its assets in other funds. As substantially all of the Fund's assets are held in the COIF Charities Property Fund, the operating charge figure comprises the operating charge figure in the COIF Charities Property Fund (0.70%), less rebates (0.07%) plus expenses in the Fund (0.02%).

PORTFOLIO ANALYSIS
at 31 December 2022

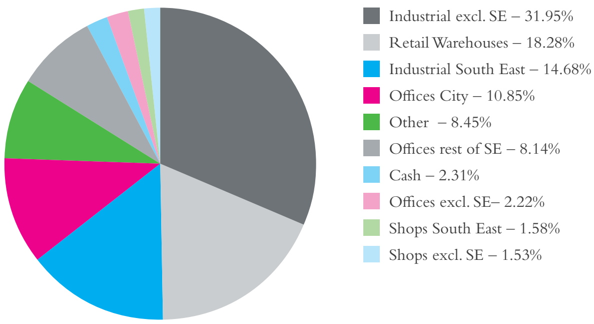
Top Ten Property Holdings

Property	% of Fund
London, 80 Cannon Street Retail & Offices	9.13%
Mendlesham, Mendlesham Industrial Estate Industrial	6.20%
Brighton, Pavilion Centre Industrial	5.85%
Ashby-de-la-Zouch, Zorro 238, Coalfield Way, Industrial	4.75%
Lutterworth, 3320 Magna Park Retail Warehouses	3.71%
BATH, Waterside Hotel (Travelodge) Other	3.63%
Bristol, 1400-1499 & 1600 Aztec West Industrial	3.49%
Lutterworth, 3220 Magna Park Retail Warehouses	3.24%
Bracknell, 5 Arlington Square Office	3.08%
Northampton, 100 Pavilion Drive Industrial	2.99%

Asset by type



Regional and sector analysis



Portfolio turnover

	31.12.2022	31.12.2021
Portfolio turnover rate	**3.90%**	0.20%

The portfolio turnover rates are calculated by the total sales or purchases (excluding cash), whichever is less, divided by average monthly assets during the year.

PORTFOLIO STATEMENT
at 31 December 2022

	Holding	Fair value £'000
COIF Charities Property Fund Income units	146,483,811	160,576
INVESTMENT ASSETS		160,576
NET OTHER ASSETS		943
TOTAL NET ASSETS		161,519

STATEMENT OF TOTAL RETURN
for the year ended 31 December 2022

	Note	Year ended 31.12.2022 £'000	Year ended 31.12.2022 £'000	Year ended 31.12.2021 £'000	Year ended 31.12.2021 £'000
Income					
Net capital (losses)/gains	2		**(21,962)**		25,021
Revenue	3	**8,798**		8,677	
Expenses	4	**(1,463)**		(1,318)	
Net revenue before taxation		**7,335**		7,359	
Taxation	5	**–**		–	
Net revenue after taxation			**7,335**		7,359
Total (deficit)/return before distributions			**(14,627)**		32,380
Distributions	6		**(8,616)**		(8,542)
Change in net assets attributable to Shareholders from investment activities			**(23,243)**		23,838

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS
for the year ended 31 December 2022

	Year ended 31.12.2022 £'000	Year ended 31.12.2022 £'000	Year ended 31.12.2021 £'000	Year ended 31.12.2021 £'000
Opening net assets attributable to Shareholders		**188,060**		173,633
Amounts receivable on issue of Shares	**13,991**		2,070	
Amounts payable on cancellation of Shares	**(17,289)**		(11,842)	
In-specie transactions	**–**		361	
		(3,298)		(9,411)
Change in net assets attributable to Shareholders from investment activities		**(23,243)**		23,838
Closing net assets attributable to Shareholders		**161,519**		188,060

The notes on pages 29 to 40 and distribution table on page 41 form part of these financial statements.

BALANCE SHEET
at 31 December 2022

	Note	31.12.2022 £'000	31.12.2022 £'000	31.12.2021 £'000	31.12.2021 £'000
ASSETS					
Fixed assets:					
Investments			**160,576**		187,236
Current assets:					
Debtors	*7*	**2,127**		2,188	
Cash equivalents	*8*	**715**		710	
Cash and bank balances	*8*	**233**		121	
Total current assets			**3,075**		3,019
Total assets			**163,651**		190,255
LIABILITIES					
Creditors:					
Other creditors	*9*	**121**		128	
Distribution payable on Income Shares		**2,011**		2,067	
Total creditors			**2,132**		2,195
Total liabilities			**2,132**		2,195
Net assets attributable to Shareholders			**161,519**		188,060

The financial statements on pages 26 to 40 have been approved and authorised for issue by the Trustee.

Approved on behalf of the Trustee
30 May 2023

A Brookes, Chair
CBF Funds Trustee Limited

The notes on pages 29 to 40 and distribution table on page 41 form part of these financial statements.

CASH FLOW STATEMENT
for the year ended 31 December 2022

	Note	Year ended 31.12.2022 £'000	Year ended 31.12.2022 £'000	Year ended 31.12.2021 £'000	Year ended 31.12.2021 £'000
Net cash inflow from operating activities	*13*		**7,389**		7,295
Net cash inflow from investment activities					
Payments to acquire investments		**(10,346)**		(1,646)	
Proceeds on disposal of investment		**13,614**		11,054	
Manager's periodic charge rebate		**1,431**		1,282	
			4,699		10,690
Net cash outflow from financing activities					
Issue of shares		**13,993**		2,432	
Cancellation of shares		**(17,290)**		(11,842)	
Distributions paid		**(8,674)**		(8,478)	
			(11,971)		(17,888)
Increase in cash	*14*		**117**		97

The notes on pages 29 to 40 and distribution table on page 41 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2022

1. Accounting policies

(a) Basis of preparation

The financial statements have been prepared on a going concern basis, in compliance with FRS 102, the Trust Deed, The Church Funds Investment Measures Act 1958 and the Trustee Act 2000.

The financial statements have been prepared under the historical cost basis, as modified by the revaluation of investments.

(b) Revenue recognition

Property income distributions received are credited to revenue on the dates when the investments are first quoted ex-dividend or otherwise, on receipt of cash. Interest on bank deposits and interest on deposits in the CBF Church of England Deposit Fund are credited to revenue on receipt of cash.

(c) Expenses

During the year, the annual management charge (AMC), paid to the Manager, was taken to the capital of the Fund. The AMC 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. VAT is recoverable.

The Fund received AMC rebates credited to the capital of the Fund for its holdings during the year in the COIF Charities Property Fund. The fee payable to the Manager is offset against the fee charged by the Manager on the COIF Charities Property Fund which represents all of the property assets of the Fund. The Fund also received AMC rebates credited to revenue of the Fund for its deposits in The CBF Church of England Deposit Fund, where the AMC is charged to revenue.

On a daily basis, the net asset value of the Fund at the end of the previous day is taken to calculate the AMC due. The Manager charges an AMC for the provision of managing investments. From 1 October 2019, the Manager ceased charging the fee for ethical and stewardship services.

The depositary fee, audit fee, legal fees, safe custody fees and transaction charges, insurance fees and other fees are charged separately to the revenue of the Fund before distribution.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2022

1. Accounting policies ***(continued)***

(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 10). Movements in the income reserve are therefore adjustments made to the net revenue in determining the distributions.

(e) Basis of valuation

The investment is valued at bid-market values, at the close of business, on the last business day of the accounting period.

Freehold and leasehold properties, held by the COIF Charities Property Fund, are valued at each monthly dealing date and at quarter-end dates on the basis of Fair Value in accordance with the current RICS Appraisal and Valuation Standards (The Red Book) as advised by Knight Frank LLP, Chartered Surveyors. In addition, the Manager reviews these values at each intervening month end and makes adjustments where necessary. Additions to the portfolio are valued externally after acquisition. Please refer to note 15 for more details.

(f) Cash equivalents

The Manager has treated some assets as Cash equivalents for the purposes of the Balance Sheet disclosure. Investments are regarded as Cash equivalents if they meet all of the following criteria:

- highly liquid investments held in sterling that are readily convertible to a known amount of cash;
- are subject to an insignificant risk of change in value; and
- provide a return no greater than the rate of a three month high quality government bond.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2022

2. Net capital (losses)/gains

	Year ended 31.12.2022 £'000	Year ended 31.12.2021 £'000
The net capital (losses)/gains during the year comprise:		
Unrealised (losses)/gains on non-derivative securities*	**(24,881)**	22,435
Realised gains on non-derivative securities*	**1,488**	1,304
Manager's annual management charge rebate – see note 1(c)**	**1,431**	1,282
	(21,962)	25,021

* Where net realised gains include gains/(losses) arising in previous reporting periods, a corresponding (loss)/gain is included in unrealised gains/(losses).

** This amount represents the annual management charge credited to the Fund's capital. This is for the Fund's holdings in the COIF Charities Property Fund where the annual management charge is charged to capital.

3. Revenue

	Year ended 31.12.2022 £'000	Year ended 31.12.2021 £'000
Property income distributions	**8,642**	8,561
Manager's annual management charge rebate*	**151**	116
Interest on The CBF Church of England Deposit Fund	**4**	–
Bank interest	**1**	–
	8,798	8,677

* This amount represents the annual management charge rebates credited to the Fund's revenue. This is for the Fund's deposits in The CBF Church of England Deposit Fund where the annual management charge is charged to revenue.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2022

4. Expenses

	Year ended 31.12.2022 £'000	Year ended 31.12.2021 £'000
Payable to the Manager, associates of the Manager and agents of either of them:		
Manager's periodic charge – see note 1(c)	**1,431**	1,282
	1,431	1,282
Other expenses:		
Audit fee	**12**	10
Monitoring fee	**6**	5
Insurance fee	**3**	2
Other fees	**11**	19
	32	36
Total expenses	**1,463**	1,318

Audit fee net of VAT is £8,320 (31.12.2021, £9,600).

The above expenses include VAT where applicable.

5. Taxation

The Fund has charitable status and is not liable to UK tax on gains arising on disposal of investments or on income from investments. Distributions are paid and reinvested revenue credited gross to shareholders on the basis that all appropriate UK taxation has been both reclaimed and recovered.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2022

6. Distributions

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

	Year ended 31.12.2022 £'000	Year ended 31.12.2021 £'000
31 March – interim distribution	**2,390**	2,327
30 June – interim distribution	**2,118**	2,078
30 September – interim distribution	**2,097**	2,070
31 December – final distribution	**2,011**	2,067
	8,616	8,542
Net revenue after taxation for the year	**7,335**	7,359
Manager's annual management charge – see note 1(c)	**1,431**	1,282
Transfer from income reserve – see note 10	**(150)**	(99)
Net distribution for the year	**8,616**	8,542

Details of the distribution per Share are set out in the distribution tables on page 41.

The Manager's annual management charge is charged to capital, so this amount is added back in the table above to the net distribution for the year and deducted from capital.

There were unclaimed distributions as at 31 December 2022 of £1,287 (31.12.2021, £nil).

7. Debtors

	31.12.2022 £'000	31.12.2021 £'000
Accrued revenue	**2,007**	2,062
Annual management charge rebates receivable	**119**	125
Prepayments	**1**	1
	2,127	2,188

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2022

8. Cash equivalents, cash and bank balances

	31.12.2022 £'000	31.12.2021 £'000
Cash equivalent: cash in The CBF Church of England Deposit Fund	**715**	710
Cash and bank balance: cash at bank	**233**	121

9. Other creditors

	31.12.2022 £'000	31.12.2021 £'000
Accrued expenses	**121**	128
	121	128

10. Income reserve

The income reserve is accumulated out of undistributed revenue and is used to smooth fluctuations paid out by the Fund. The income reserve is included in the total value of the Fund and is attributable to Income Shareholders. The income reserve is distributable and is included within Cash Equivalents in the Balance Sheet.

	Year ended 31.12.2022 £'000	Year ended 31.12.2021 £'000
Income reserve at the start of the year	**680**	614
Transfer to income reserve	**150**	99
Equalisation of the income reserve	**(27)**	(33)
Income reserve at the end of the year	**803**	680

11. 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 underlying Fund, the COIF Charities Property Fund, seeks to minimise the impact of these risks by maintaining a well diversified portfolio, both geographically and by sector.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2022

11. Financial instruments ***(continued)***

Market price risk (continued)

At 31 December 2022, if the price of the investments held by the Fund increased or decreased by 5%, with all other variables remaining constant, then the net assets attributable to Shareholders, and profit or loss, would increase or decrease respectively by approximately £8,029,000 (31.12.2021, £9,362,000).

Liquidity risk

By their very nature, direct property investments held in the COIF Charities Property Fund are less liquid and therefore the underlying 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. Up to 17 October 2022, the Shares are realisable only on each monthly dealing day and all such requests are subject to a minimum notice period of 90 calendar days. From 18 October 2022, redemptions are subject to a minimum notice period of 180 calendar days.

Currency risk

There is no exposure to foreign currency fluctuations as all investment, revenue and short-term debtors and creditors are denominated in sterling.

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

Credit risk

Credit risk is the risk that one party to a financial arrangement will cause a financial loss for the other party by failing to discharge an obligation. The Fund has an indirect credit risk exposure through its investment in the COIF Charities Property Fund. The COIF Charities Property Fund assesses the credit risk of third parties before entering into business with them. Debtor balances are monitored on a regular basis to mitigate the COIF Charities Property Fund's exposure to bad debts and, in addition, the ongoing credit strength of third parties are monitored.

Interest rate risk

Any changes in interest rates will not significantly affect the Fund except in so far as they affect rental levels of properties held by the COIF Charities Property Fund. All cash and bank balances earn interest at floating rates based on either SONIA or base rate. Debtors and creditors of the Fund do not pay or receive interest. A sensitivity analysis for interest rate risk is not shown as the impact is unlikely to be significant.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2022

11. Financial instruments *(continued)*

The total exposure at 31 December 2022 was:

Currency	Floating rate financial assets* £'000	Fixed rate financial assets £'000	Financial assets not carrying interest £'000	Total £'000
Sterling	948	–	162,703	163,651

Currency	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000
Sterling	–	–	2,132	2,132

The total exposure at 31 December 2021 was:

Currency	Floating rate financial assets* £'000	Fixed rate financial assets £'000	Financial assets not carrying interest £'000	Total £'000
Sterling	831	–	189,424	190,255

Currency	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000
Sterling	–	–	2,195	2,195

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

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

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2022

12. Related party transactions

The Manager's annual management charge is paid to the Manager, a related party to the Fund. The amounts incurred in respect of this, inclusive of annual management charge rebates are disclosed in note 4. Please see note 1 (c) for further information An amount of £11,927 was due to the Manager at 31 December 2022 (31.12.2021, £13,218). There were no other transactions entered into with the Manager during the year (31.12.2021, £nil).

CBFFT, as Trustee, is a related party to the Fund. There were no outstanding balances due to CBFFT at 31 December 2022 (31.12.2021, £nil). There were no other transactions entered into with CBFFT during the year (31.12.2021, £nil).

At 31 December 2022 a cash balance of £714,539 (31.12.2021, £709,871) was held in The CBF Church of England Deposit Fund. During the year, the Fund received interest of £4,669 (31.12.2021, £321) from The CBF Church of England Deposit Fund.

At 31 December 2022 the Fund held 27.69% (31.12.2021, 28.70%) of the value of the COIF Charities Property Fund, a related party to the Fund, as CCLA is the Investment Manager for both funds.

At 31 December 2022, The CBF Church of England Investment Fund held 36.70% (31.12.2021, 30.36%) of the value of the Fund.

13. Reconciliation of net revenue to net cash inflow from operating activities

	31.12.2022 £'000	31.12.2021 £'000
Net revenue for the year	7,335	7,359
Increase/(decrease) in accrued revenue	55	(62)
Increase/(decrease) in accrued debtors	6	(9)
(Decrease)/increase in creditors	(7)	7
Net cash inflow from operating activities	7,389	7,295

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2022

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

	31.12.2022 £'000	31.12.2021 £'000
Net cash at the beginning of the year	**831**	734
Movement in cash during the year	**117**	97
Net cash at the end of the year	**948**	831

15. Portfolio transaction costs

For the year ended 31 December 2022:
The purchases and sales of securities incurred no direct transaction costs during the year.

The average portfolio dealing spread as at 31 December 2022 was 3.06%. There is no foreign exchange impact as all investments are denominated in sterling.

Unlike Shares, other types of investments (such as bonds, money market instruments, derivatives) have no separately identifiable transaction costs; these costs form part of the dealing spread. Dealing spreads vary considerably depending on the transaction value and market sentiment.

For the year ended 31 December 2021:
The purchases and sales of securities incurred no direct transaction costs during the year.

The average portfolio dealing spread as at 31 December 2021 was 3.05%. There is no foreign exchange impact as all investments are denominated in sterling.

Unlike Shares, other types of investments (such as bonds, money market instruments, derivatives) have no separately identifiable transaction costs; these costs form part of the dealing spread. Dealing spreads vary considerably depending on the transaction value and market sentiment.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2022

16. Shareholders' funds – reconciliation of Shares

	Year ended 31.12.2022 Income Shares
Opening number of Shares at beginning of year	129,174,921
Shares issued in year	9,076,554
Shares cancelled in year	(12,559,153)
Closing number of Shares at end of year	125,692,322

All Shares carry the same rights.

17. Fair value of financial assets and financial liabilities

In respect of financial assets and liabilities, other than investments, there is no material difference between their value, as shown on the balance sheet, and their fair value.

The fair values of all investments are derived from valuation techniques using observable data, being the prices provided by the Manager of the COIF Charities Property Fund.

The COIF Charities Property Fund itself derives the fair values of its property investments using unobservable data. Further information is provided in the financial statements of that Fund.

The fair value of investments has been determined using the following hierarchy:

Level 1 The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2 Inputs other than quoted prices included above that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

Level 3 Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2022

17. Fair value of financial assets and financial liabilities *(continued)*

For the year ended 31 December 2022

Category	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Investment assets	**–**	**160,576**	**–**	**160,576**
	–	**160,576**	**–**	**160,576**

For the year ended 31 December 2021

Category	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investment assets	–	187,236	–	187,236
	–	187,236	–	187,236

DISTRIBUTION TABLE
for the year ended 31 December 2022

Period ended	Date payable/paid 2022	Date payable/paid 2021	Dividends payable/paid pence per Share 2022	Dividends payable/paid pence per Share 2021
Income Shares				
31 March	**31 May**	28 May	**1.77**	1.77
30 June	**31 August**	31 August	**1.57**	1.57
30 September	**30 November**	30 November	**1.57**	1.57
31 December	**28 February**	28 February	**1.60**	1.60
			6.51	6.51

The distributions for Income Shares were paid in the same year, apart from the distribution declared on 31 December in the current year which is payable on 28 February in the subsequent year.

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 Measure (as amended from time to time) and the Trustee Act 2000 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 agree their terms of engagement;
- determine the rate of remuneration of the Manager in accordance with the Measure and the Scheme Information;
- exercise supervision and oversight of 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;
- review the appointment, supervision and oversight of any Registrar or other delegate whom it has appointed in accordance with the provisions of the Scheme Information;
- 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
- 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 financial statements
The Trustee of the Fund is required, by the Measure, to prepare Financial Statements which give a true and fair view of the financial position of the Fund at each interim and year end valuation date. The net revenue for the period, together with a report on the operation of the Fund, is also required.

The financial statements show the net asset value of the Shares in the Fund as at the date to which the financial statements 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 the financial statements, 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 FRS 102;
- follows generally accepted accounting principles and applicable United Kingdom accounting standards;
- keeps proper accounting records which enables them to demonstrate that the financial statements, as prepared, comply with the above requirements;
- makes judgments and estimates that are prudent and reasonable; and
- prepares the financial statements on the going concern basis 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.

Manager responsibilities
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.

CBF Funds Trustee Limited
(Charity Registration No. 1116932)

DIRECTORY

Trustee Directors
A Brookes (Chair)
C Chan*
P Chandler
G Dixon*
C Johnson
N Lewis*
D Rees*
* *Members of the Audit Committee*

Secretary
J Fox

Manager and Registrar
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E Sheldon (Chief Operating Officer)
A Robinson, MBE (Director Market Development)

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J Jesty
C Johnson
A Roughead
C West
J Hobart

Fund Managers
J Ayre
C Ryland

Company Secretary
J Fox

Chief Risk Officer
J-P Lim

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ABOUT CCLA

Founded in 1958, CCLA is now the UK's largest charity fund manager. Well known for managing investments for charities, religious organisations and the public sector, CCLA began a new phase in its development in 2022, now welcoming other types of investor.

Our purpose is to help our clients maximise their impact on society by harnessing the power of investment markets. This requires us to provide a supportive and stable environment for our staff and deliver trusted, responsibly managed and strongly performing products and services to our clients, irrespective of their size.

CCLA

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CCLA is the trading name for CCLA Investment Management Limited (Registered in England and Wales No. 2183088) and CCLA Fund Managers Limited (Registered in England and Wales No. 8735639)

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