CHARITIES PROPERTY FUND

Savills Investment Management

ANNUAL REPORT & ACCOUNTS

June 2017

MANAGER'S REPORT

LIST OF PROPERTIES

KEY FUND DATA

FINANCIAL STATEMENTS

savills investment management

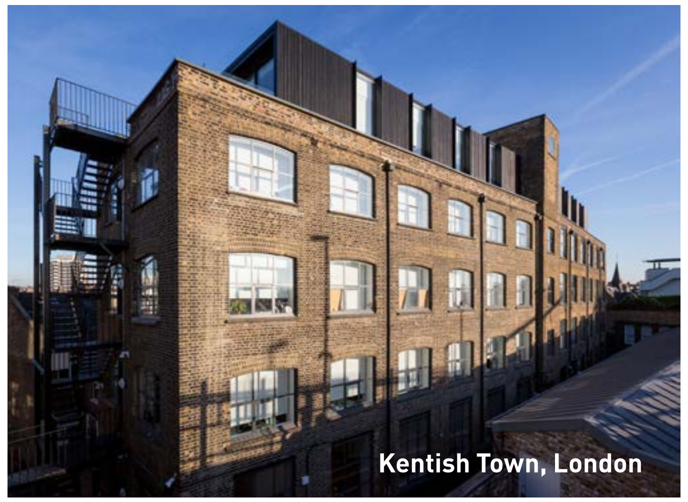
CHARITIES PROPERTY FUND


Harrogate


Liverpool


Farringdon, London


Brighton


Kentish Town, London


Chichester

Epsom


Solihull

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MANAGER'S REPORT

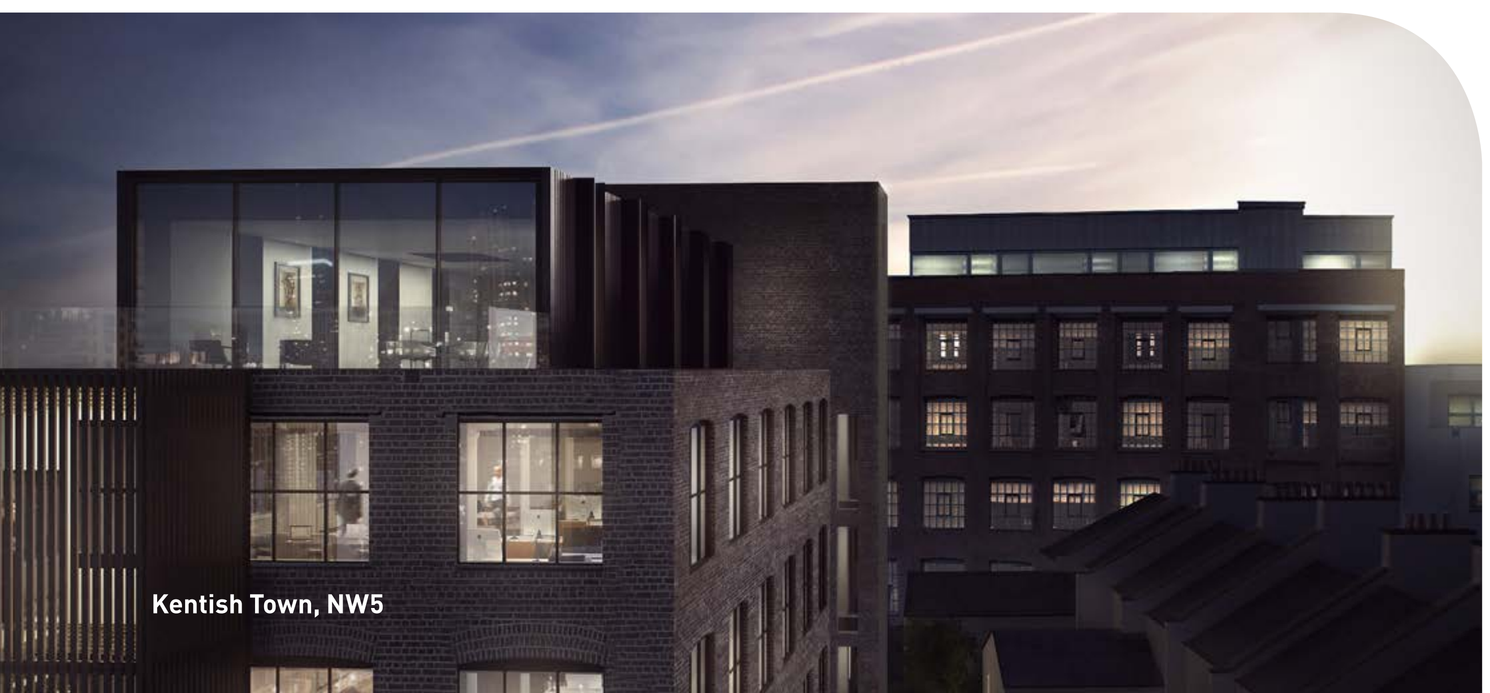
The leave vote in the referendum on the UK's continued membership of the EU last June (Brexit) initiated a flash crisis of confidence in UK commercial real estate markets. However, this was quickly replaced by the dawning realisation that the fundamental supply and demand dynamics continued to be compelling and the level of income was difficult to replicate in other asset classes.

In March this year the UK Government triggered Article 50 of the Lisbon Treaty, informing the EU of our intention to withdraw membership in 2019. An election was subsequently called in June this year to strengthen the Prime Minister's hand and Brexit mandate, however the opposite occurred leaving more uncertainty. This constant desire to hold referendums and elections (or "neverendums" - we have had four in four years) has delegated decision making away from MP's and has created a very unpredictable political picture, which in turn has elicited caution amongst investors.

As a result, the demand for secondary or short-term income assets has declined whilst core, long term income and annuity-type investments with fixed rental uplifts have maintained their value.

This continues to play to our strengths - having built a quality portfolio based on real estate fundamentals and no use of debt, we succeeded in outperforming the market for the tenth year in succession.

Our focus on long leases provides better risk adjusted returns and insulates the Fund in times of uncertainty. The Fund's average lease length is now almost 13 years (the highest it's ever been) and our percentage of index linked leases within the portfolio is close to 40%, which is attractive now that RPI inflation has crept back up to 3.6% (July 2017). Due to the large number of index linked rent reviews and through the completion of several pre-let construction projects (see our case studies on pages 15, 19 & 22) the portfolio is predicted to deliver double digit dividend growth over the next 12-18 months, which is a very attractive prospect in this low growth world.



Kentish Town, NW5

HIGHLIGHTS - FIVE YEARS

Portfolio NAV
+132%

Unit price
+25%

36
Sales

£204 million
Income distributed

80
Purchases

10.2% per annum
Fund total return

£479 million
Net new investment

Investor base
+52%

£182 million
Capital growth in existing assets

CHAIRMAN OF THE ADVISORY COMMITTEE

The Charities Property Fund (The "Fund") has once again outperformed the AREF/MSCI All Balanced Property Funds Index with a total return of 6.6%, and has delivered a consistent 10.0% per annum over the last three and five year periods. The Fund has now outperformed for ten years in a row. Importantly for the investors, the current income element also remains above average, with the Fund continuing to deliver the top quartile income return it set out to do at inception; on average providing 5.0% per annum (net of fees and costs) over the last five years.

Savills Investment Management and in particular the Charities Property Fund team have once again ably navigated some rough waters over the last 12 months. In particular I would note that following last year's Brexit referendum the team raised liquidity levels by selling assets already earmarked for sale and at prices ahead of valuation. This should provide comfort to investors that the portfolio is strong from a both a quality and liquidity perspective.

The CPF team are aided by the Advisory Committee which provides a sounding board to the investment manager and the comfort of an additional check and balance for investors, on top of Savills Investment Management's own internal processes and procedures. Whilst the Committee is advisory, we have a close working relationship with the management team and review the portfolio and their performance every quarter. We are also invited to comment and advise on all purchases and sales in advance.

The Committee benefits from the considerable knowledge and experience of the eight additional members listed below:

Aidan Kearney, CIO, The Health Foundation
Alan Fletcher, Investment committee member, Church of England Pension Board and Chairman of Investment Committee, Leicester Diocesan Board of Finance
Andrew Chapman, Trustee of KidneyCare UK
Chris Hills, CIO, Investec Wealth Management
Nick Downer, Bursar, Selwyn College, Cambridge
Paul Taylor, Investment committee member, Latymer Upper School
Richard Robinson, Investment Director, Paul Hamlyn Foundation
Wilf Stephenson, Bursar, Oriel College, Oxford

We will endeavour to assist the continued success and strong governance of the Charities Property Fund.

Malcolm Naish
Chairman of the Charities Property Fund Advisory Committee

CHARITIES PROPERTY FUND TEAM

Savills Investment Management is a dedicated specialist international property investment management business with c.**£14.1 billion** of assets under management (as at 30 June 2017), with an experienced team of c.300 professionals located in 18 offices across Europe and Asia. It has provided investment services for 30 years, comprising separate accounts and investment mandates on an advisory or discretionary basis, and the establishment and management of pooled property funds. Clients include pension funds, insurance companies, endowments, charities and family offices on whose behalf we invest in office, retail, industrial, residential and alternative sectors in property.

Savills Investment Management is wholly owned by the Savills Group, a FTSE 250 company and international real estate consultancy. Savills Investment Management retains operational independence from the wider Savills Group to enable us to act on a best execution basis on behalf of our clients.

PROPERTY

Harry de Ferry Foster
Fund Director

Angy Benitz
Fund Manager

Jim Garland
Assistant Fund Manager

INVESTOR RELATIONS

Amy Joslin
Investor Relations
Charities Property Fund

Lucy Auden
Investor Relations

Shalin Syan
Investor Relations

FINANCE

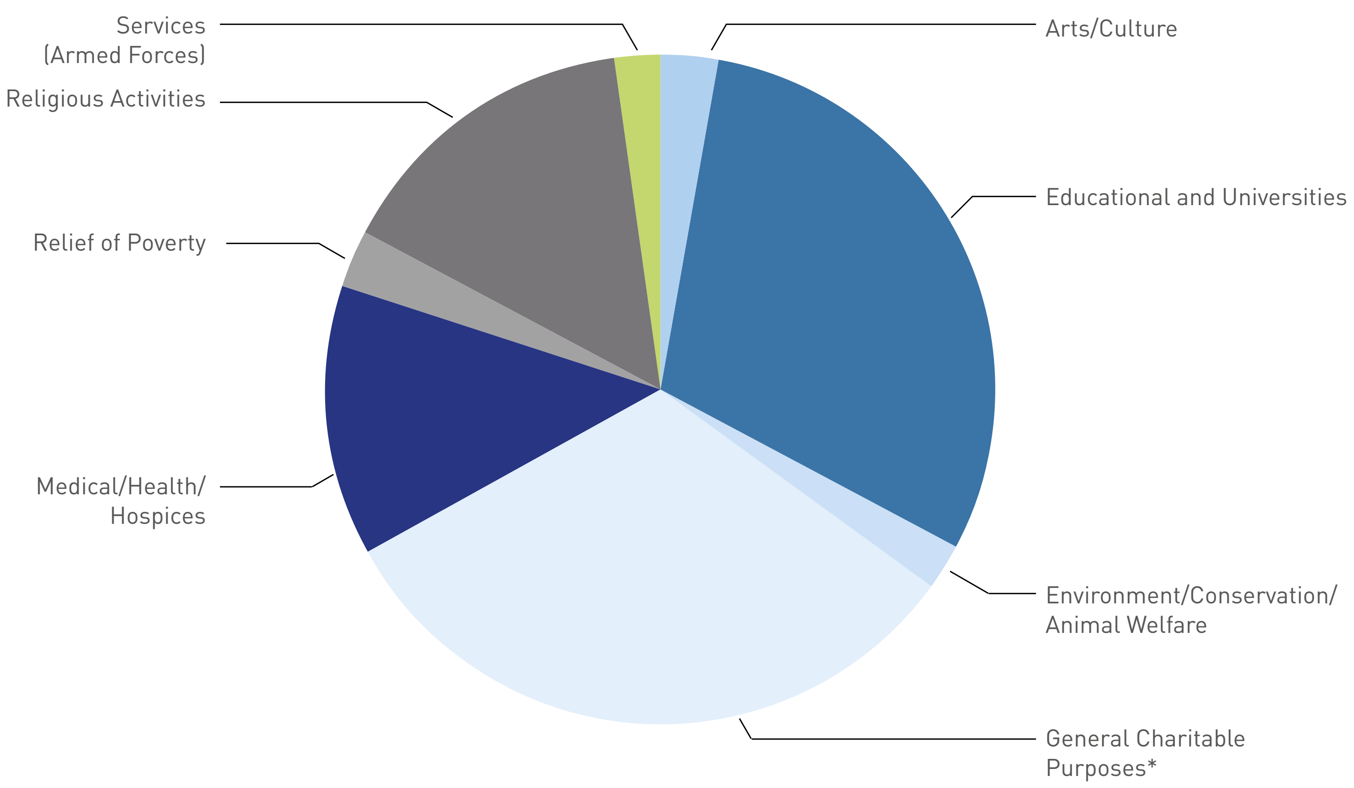
Tammy Thomas
Fund Finance Manager

Natalie Chrimes
Assistant Fund Finance Manager

INVESTOR CATEGORISATION

32 OXBRIDGE COLLEGES

25 UNIVERSITIES



51 SCHOOLS

47 SERVICES (ARMED FORCES)

11 CATHEDRALS

Source: Savills Investment Management (June 2017)

* This category includes charities with multiple sector beneficiaries or charities who offer a range of services to a set geographical area.

OBJECTIVES

The Charities Property Fund aims to provide a high and secure level of income with the prospect of growth in income and to maintain the capital value of the assets held in the Fund, through investing in a diversified UK commercial property portfolio.

To meet this objective, Savills Investment Management (UK) Limited (the "Manager") targets a total return of 7% per annum, of which we look to deliver the majority through income. However this is an aspiration and a guideline, not a guarantee, and the level of income and total return may fluctuate.

The Fund invests in the principal commercial property sectors: office (both London and regional), retail (high street, supermarkets and retail warehouses), industrial (manufacturing and distribution) and alternatives (hotels, car showrooms, roadside and leisure) and whilst it will undertake forward fundings of pre-let investments it does not undertake speculative developments.

The Fund's operating costs (the Total Expense Ratio) are paid from the income account. Whilst this reduces the quarterly distribution payable, we believe that such expenditure should be financed from current income, rather than from capital.

A number of other property funds either charge some or all of operating costs (such as management fees) to capital and thereby artificially inflate their distribution. Investors should be aware of this when making comparisons. The costs charged to capital by the Fund relate to investment in properties, acquisition and disposal costs or refurbishment.

Liverpool, TT

No debt

Well diversified:

111 properties

235 tenancies

Low vacancy rate:

5.0%

Strong covenants:

85.2%

rated low or negligible risk by Dun & Bradstreet

Long unexpired lease terms:

12.5 years to expiry

STRATEGY

We aim to achieve an above average income return by keeping vacancy and associated costs (such as empty rates, service charges, repairs and insurance) to a minimum and by generating income growth through rental increases, refurbishments, active asset management and new lettings. The vacancy rate is currently 5.0% compared to the MSCI average of 7.7%, as at June 2017. However, excluding the planned refurbishment of The Smithson Building in Farringdon, the underlying vacancy rate has fallen to 0.6%, the lowest rate for 10 years.

We also believe the Fund's sector weightings deliver a small yield benefit through maintaining a higher weighting to retail warehouses, the London office sector (excluding core City and Mayfair areas) and the industrial and alternative sectors, and a lower weighting to the high street retail and core City and Mayfair office markets.

We continue to look for interesting growth locations and opportunities, with a bias towards fringe London locations, good quality retail warehousing, alternatives and the industrial/distribution markets. These sectors benefit from providing a relatively high yield in the case of retail warehouses, assets can be acquired close to replacement costs in the case of industrials and alternatives also provide longer than average leases and a high element of rental indexation.

We have acquired 120 buildings in the last eight years, investing almost £900 million in assets that are now valued (or have been sold) for a total consideration of almost £1.1 billion. Of these, we have sold 23 properties totalling only 11% of all properties, illustrating that acquisitions have generally been made for the long term.

Our ability to source the right investment stock at the right price continues to be the biggest driver of performance.

"Our ability to source the right investment stock at the right price continues to be the biggest driver of performance"

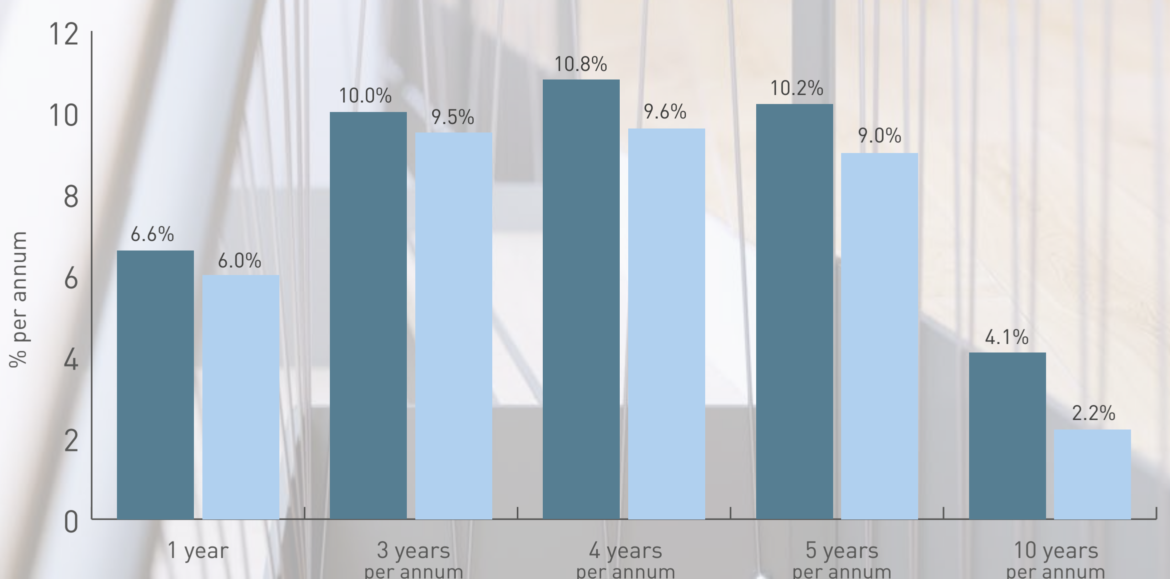
FUND PERFORMANCE

The total return for the Fund during the 12 months to 24 June 2017 was 6.6% against the Fund's target annual return of 7%. The AREF/MSCI All Balanced Property Funds Index produced a 6.0% total return over the same period. The capital NAV of the Fund has increased by 9.0% during the last 12 months from £1,064 million* in June 2016 to £1,159 million* in June 2017. This included £77.3 million of net cash inflow.

The Fund has outperformed the AREF/MSCI All Balanced Property Funds Index for 10 consecutive years from June 2007 to June 2017.

The Fund is the second highest performing fund over this period and this reflects the underlying quality of the portfolio.

FUND LEVEL PERFORMANCE - TOTAL RETURN AS AT 30 JUNE 2017



Charities Property Fund

AREF/MSCI All Balanced Funds Index

Source: Savills Investment Management/ AREF/MSCI All Balanced Property Funds Index

*** The capital NAV excludes revenue items which are included in the NAV in the Financial Information section**

FUND GROWTH

PERFORMANCE HIGHLIGHTS TO 24 JUNE 2017

The Charities Property Fund has returned

6.6%

year to June 2017

The Charities Property Fund has returned

10.0%

annualised over a three year period

The Charities Property Fund has returned

10.2%

annualised over a five year period

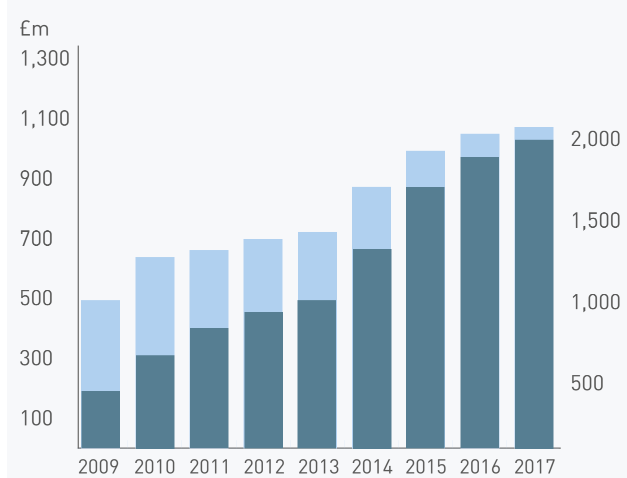
The Charities Property Fund has returned

7.3%

annualised since launch

GROWTH IN FUND NAV

as at 24 June 2017

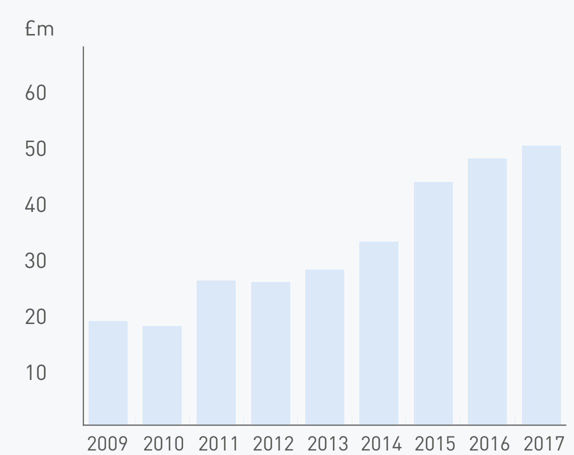


Fund NAV (left hand axis)

Number of investors (right hand axis)

ANNUAL DISTRIBUTION OF FUND

June to June

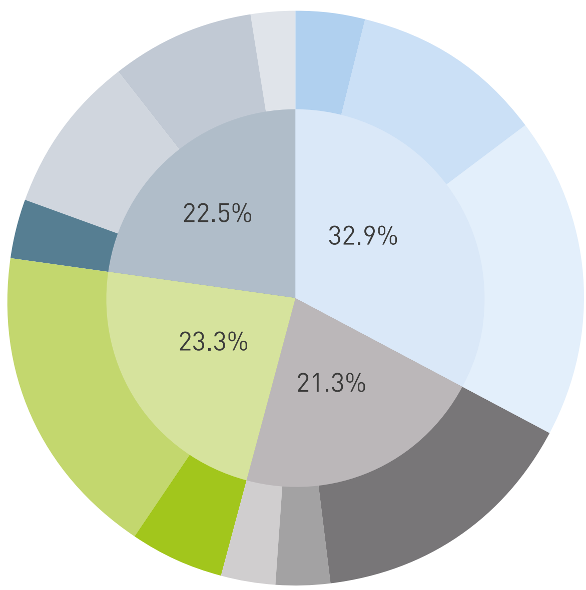


SECTOR WEIGHTINGS

The portfolio is well diversified and is not over exposed to any one particular sector. It continues to have a bias towards retail warehouses, London offices, alternatives and the industrial/distribution sectors and it remains underweight (relative to the AREF/MSCI All Balanced Funds Index) to high street retail, shopping centres, regional offices and the core City of London and West End office markets.

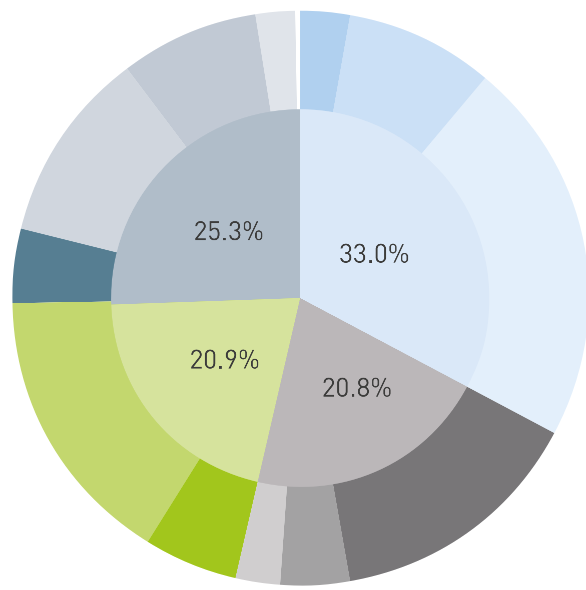
We have increased our exposure to the retail warehousing, south east office and alternative sectors over the last 12 months and reduced our exposure to high street retail, supermarkets, London offices, rest of UK offices and industrials. We remain very positive about the industrial and distribution sector, but due to the high prices being paid we have taken advantage of market conditions to execute opportunistic sales.

CPF June 2016



RETAIL	32.9%
High Street	4.0%
Supermarkets	11.0%
Retail Warehouses	17.9%
OFFICES	21.3%
London	15.3%
South East	3.0%
Rest of UK	3.0%
INDUSTRIAL/DISTRIBUTION	23.3%
South East	5.3%
Rest of UK	18.0%
ALTERNATIVES	22.5%
Leisure	3.2%
Hotels	8.9%
Automotive	8.0%
Roadside	2.4%

CPF June 2017



RETAIL	33.0%
High Street	2.9%
Supermarkets	8.3%
Retail Warehouses	21.8%
OFFICES	20.8%
London	14.3%
South East	4.0%
Rest of UK	2.5%
INDUSTRIAL/DISTRIBUTION	20.9%
South East	5.1%
Rest of UK	15.8%
ALTERNATIVES	25.3%
Leisure	4.4%
Hotels	10.7%
Automotive	7.8%
Roadside	2.4%

Source: Savills Investment Management

CASE STUDY - GREENWICH

We currently have three very interesting and different ongoing construction projects that have completed, or are very close to completing and these form the three case studies highlighted in this year's Annual Report. This Autumn, these three projects will all become income producing and will increase the annual rent roll on the portfolio by **over £3.4 million per annum** (a 6% increase). In addition almost 85% of this income benefits from index linked rent reviews and the average lease length to earliest break is just over 15 years. All three occupy excellent locations.

Greenwich

The first is the development of Brocklebank retail park in Greenwich, which we highlighted in the annual report last year. We are now very pleased to report that practical completion occurred in August 2017 and the four retailers - Primark, Next, Aldi and Mothercare are all currently fitting out their units to be open for trading in November to take advantage of the busy Christmas trading period. This project was a forward funding of a new development, which we agreed to undertake firstly to achieve a discount on the likely price we would have had to pay once it was built and secondly, because it is so rare to be able to have the opportunity to buy a prime retail park in an undersupplied area of London off very low rents (that were agreed several years ago). This is a next generation retail park, benefiting from electric car charging points, over 1,000 solar panels and trading over multiple levels. The location of this prime asset will only improve with the phased construction nearby of over 15,000 apartments and London's first new Ikea store in 10 years. We are very pleased that this property will become the Fund's largest individual holding.

PORTFOLIO REPORT - PURCHASES

The Fund purchased seven individual property investments during the 12 months to 24 June 2017, investing **£83.93 million**.

Additional capital investment of approximately **£16 million** was also made into existing assets (including the three case studies - through the costs of construction) and also through securing planning permissions, combating obsolescence and funding general improvements elsewhere within the portfolio to help deliver future income growth.

The purchased properties are generally of high quality and let to very strong tenants (100% rated as negligible or low risk by Dun & Bradstreet, compared to MSCI at 78.0%). The leases have on average **18.0 years remaining** until expiry and 12.8 years on average to earliest break (compared to MSCI at 9.1 and 8.2 years respectively) and 55% of the income benefits from fixed or inflation linked rental increases.

The average yield to the Fund inclusive of acquisition costs is **5.95%**. This compares to the MSCI Monthly Index average net initial yield of 4.8% as at June 2017.

Gateshead

The Fund's purchases include:

1. **Amazon, Liverpool** – a newly constructed distribution warehouse unit let to Amazon on a 10 year lease, was acquired for £8.6 million reflecting a yield of 6.7%.

2. **Whiteladies House, Clifton, Bristol** – this property provides office accommodation over four floors with 12 car parking spaces and is fully let to two tenants, Handelsbanken and Films 59. It was acquired for £4.15 million reflecting a yield of 6.4%.


Bristol

£100 million
invested in 12 months

5.9%
average yield to Fund

3. **17-23 Parliament Street, Harrogate** – a newly developed block of five retail/leisure units located on an established leisure pitch in Harrogate town centre, let to Five Guys, Mitchells & Butler, Marston's, Moss Bros and Porco Rosso, was acquired for £8.55 million reflecting a yield of 5.0%. This property benefits from long leases (17 years on average) and from fixed or RPI linked rent reviews.

4. **International House, Brighton** – a prominent multi-let office and retail building located adjacent to Brighton train station was acquired for a price of £11.2m, reflecting a yield of 6.5%.

5. **House of Fraser, Chichester** – the property comprises the only department store in Chichester, let for a further 21 years and is situated in a prime trading position in the city centre. It was acquired for £13.4 million, reflecting a yield of 5.55% and a capital value per sq ft of only £193.

6. **Metro Park West, Gateshead** – a prime asset situated adjacent to the second busiest shopping destination in the UK, Metrocentre. The property is let to Tesco plc and has been fully underlet to The Range and Sports Direct. The property was acquired for £33.67 million reflecting a yield to the Fund of 5.85% and benefits from five yearly RPI linked rent reviews, the next due in 2018.

7. **Matalan, Bury St Edmunds** – an open A1 retail warehouse located in Bury St Edmunds. The property is let to Matalan Retail for a further 12 years and was acquired for £4.36 million reflecting a yield of 6.9%.

AWARDS AND ACHIEVEMENTS

EUROPE PROPERTY INVESTOR AWARDS

WINNER
CORE FUND OF THE YEAR - 2017

WINNER
EUROPEAN FUND OF THE YEAR - SPECIALIST PRODUCT 2016

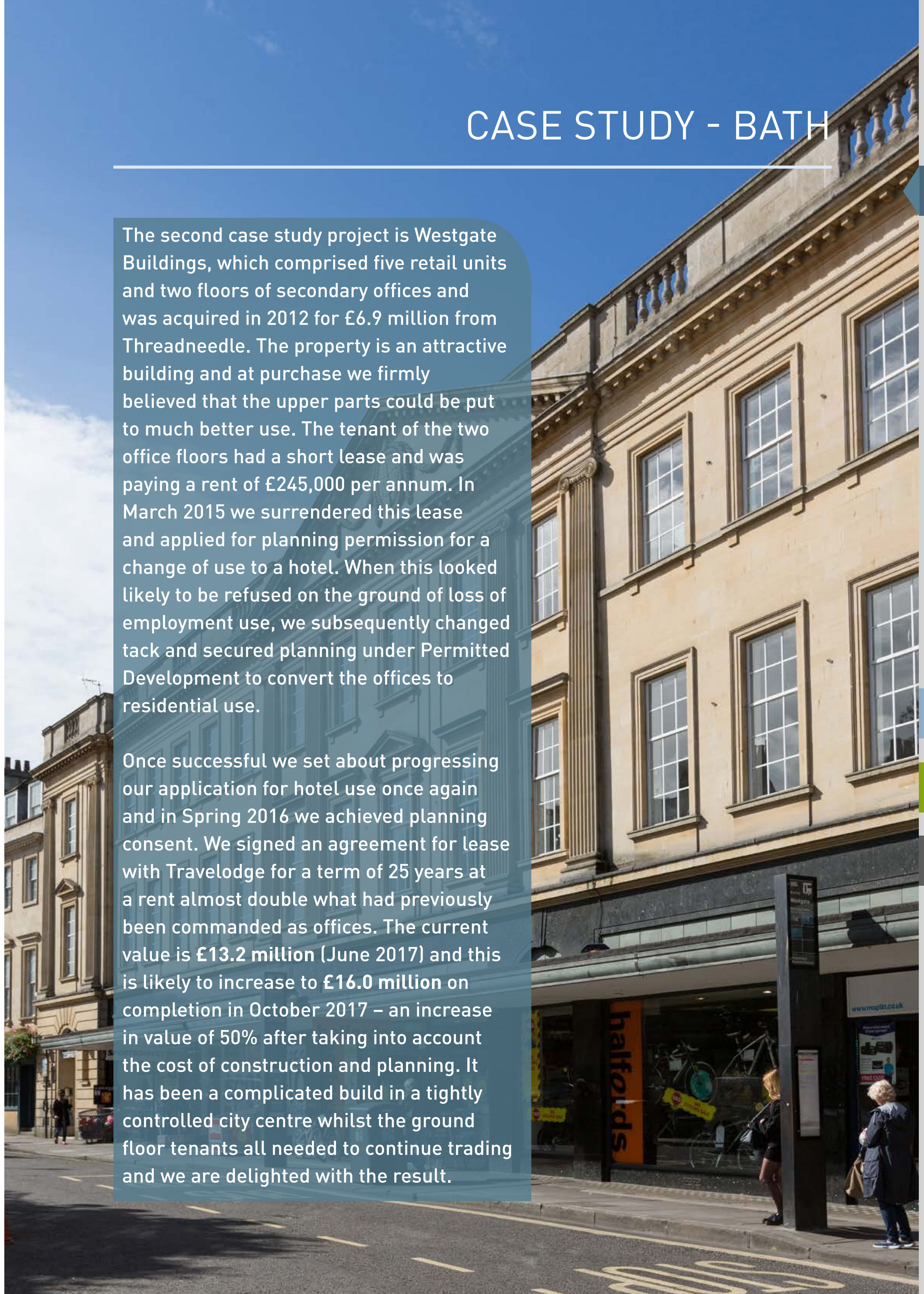
charitytimes Awards

SHORTLISTED
FOR THE LAST FOUR YEARS

BEST PERFORMING FUND 2016
MEASURED BY AREF/MSCI ALL BALANCED FUND INDEX

THE FUND HAS OUTPERFORMED THE INDEX FOR 10 CONSECUTIVE YEARS

CASE STUDY - BATH



The second case study project is Westgate Buildings, which comprised five retail units and two floors of secondary offices and was acquired in 2012 for £6.9 million from Threadneedle. The property is an attractive building and at purchase we firmly believed that the upper parts could be put to much better use. The tenant of the two office floors had a short lease and was paying a rent of £245,000 per annum. In March 2015 we surrendered this lease and applied for planning permission for a change of use to a hotel. When this looked likely to be refused on the ground of loss of employment use, we subsequently changed tack and secured planning under Permitted Development to convert the offices to residential use.

Once successful we set about progressing our application for hotel use once again and in Spring 2016 we achieved planning consent. We signed an agreement for lease with Travelodge for a term of 25 years at a rent almost double what had previously been commanded as offices. The current value is **£13.2 million** (June 2017) and this is likely to increase to **£16.0 million** on completion in October 2017 – an increase in value of 50% after taking into account the cost of construction and planning. It has been a complicated build in a tightly controlled city centre whilst the ground floor tenants all needed to continue trading and we are delighted with the result.

PORTFOLIO REPORT - SALES

The Fund completed twelve sales during the 12 months to 24 June 2017, generating £84.5 million in total sales proceeds.

The Fund's sales include:

1. **Tesco, Nailsea** – a supermarket in Nailsea, let to Tesco, was sold back to Tesco for £23.63 million reflecting a net initial yield of 4.85%. The property was acquired for £21.3 million in 2011 and the Fund has received approximately £5.9 million in rent since purchase. The sale price represents a £2.33 million capital uplift since purchase (June 2016 valuation: £24 million, 4.8%).

2. **Telford Way, Kettering** – an industrial unit in Kettering, let to Designer Contracts Ltd, was sold for £7.37 million reflecting a net initial yield of 6.25%. The property was acquired in 2004 for £6.3 million. We secured a long lease of 15 years prior to the sale and over £5 million in rent has been received since purchase (June 2016: £7.35 million, 6.3%).

3. **Oasis, Chichester** – a retail unit in Chichester, let to Oasis, was sold for £2.55 million reflecting a net initial yield of 3.69%. The property was acquired in April 2011 as part of an in specie transfer at a price of £1.695 million. The sale price represents a 50% premium to the purchase price. In June 2016 we increased the unexpired term from two years to 10 years prior to the sale (June 2016 valuation: £1.95 million, 4.8%).

4. **Worcester** – a retail unit in Worcester, let to Costa Limited, was sold for £1.925 million reflecting a net initial yield of 4.1%. The property was acquired in April 2011 as part of an in specie transaction at a price of £1.4 million and the sale price represents a 40% premium over its purchase price and a 20% premium to the June 2016 valuation (June 2016 valuation: £1.6 million, 5.0%).

5. **31 Market Place, St Neots** – a retail unit in St Neots, let to Iceland until December 2021, was sold for £1.825 million, reflecting a net initial yield of 6.75%. The unit had been acquired in March 2015, as part of an in specie transaction at a price of £1.7 million (September 2016 valuation: £1.76 million, 7.0%).

6. **Mercedes, Dorchester** – a car showroom in Dorchester, let to Sandown Motors was sold for £2.3 million reflecting a net initial yield of 5.65%. The property was acquired as part of a portfolio of three Mercedes car showrooms for £1.92 million only 18 months before. It was let on a relatively long lease to 2030 at an affordable rent to a good quality tenant (June 2016 valuation: £2.25 million, 5.75%).

7. **Smith's Metals, Biggleswade** – an industrial unit let to Smith's Metals, was sold for £5.0 million reflecting a net initial yield of 7.45%. It was acquired by Aberdeen UK Property Fund who own the neighbouring retail park. The property was purchased in November 2002 at a price of £4.57 million and the Fund has received £5.25 million in rent alone over the period of ownership. Prior to sale the lease was extended by seven years to April 2025 and it was disposed at a 9.4% premium to the purchase price (June 2016 valuation: £5.25 million, 7.1%).

£84.5 million
total sales proceeds

TWELVE
sales completed

£4.6 million
increase over June 2016 valuations

8. **169/175 High Street, Southend** – a retail unit let to Muffin Break and The Works, was sold for £1.25 million reflecting a net initial yield of 7.9%. The property was acquired in December 2009 by way of an in specie transfer. The asset management of this property allowed us to sell with the benefit of two new leases, at rebased rents and with the benefit of the potential for residential development of the upper parts (June 2016 valuation: £1.30 million, 7.8%).

9. **The Tun, Edinburgh** – an office building in Edinburgh located in close proximity to the Scottish Parliament. This was sold for £8.3m, £300,000 ahead of the December 2016 valuation and reflecting a yield of 7.1% (June 2016 valuation: £8.55 million, 7.4%).

10. **ADAS UK, Wolverhampton** – an office building in Wolverhampton, let to ADAS UK, was sold for £1.375 million to an own occupier, reflecting a 53% premium to the December 2016 valuation. This property was acquired as part of an in specie transaction in 2009 at a price of £1.0 million and a £300,000 surrender premium had been received from the previous tenant, Carillion in 2011. (June 2016 valuation: £1.0 million, 9.4%)

11. **iForce, Redditch** – a distribution asset let to a third party logistics provider, iForce, was sold to Royal London for £25.15 million, reflecting a yield of 5.35%. The unit was acquired for £15.15 million in 2011 and was let to John Lewis Partnership until July 2017. We subsequently agreed a 10 year lease extension with iForce, ahead of the sale. Prior to the lease extension the asset was valued at £21.55 million. This property has delivered an annual return of 17.3% pa in the six years of ownership and capital growth of 65%. (June 2016 valuation: 21.55 million, 6.2%).

12. **16 – 17 North Street, Chichester** – a retail unit let to WH Smith, was sold for £3.82 million reflecting a net initial yield of 4.0%. The property was acquired as part of portfolio in September 2010 for a net initial yield of 5.75%. The sale price represents a 20% premium to the purchase price and is 16% above the June 2016 valuation. (June 2016 valuation: £3.3 million, 4.6%)

Total sales proceeds of **£84.5 million** reflected an increase of **£4.6 million** (+5.8%), exclusive of sales costs, over the June 2016 valuation of **£79.9 million**. These properties also contributed over **£1.3 million** of income during the period from 24 June 2016 to the date of their disposal.

CASE STUDY - BURY ST EDMUNDS

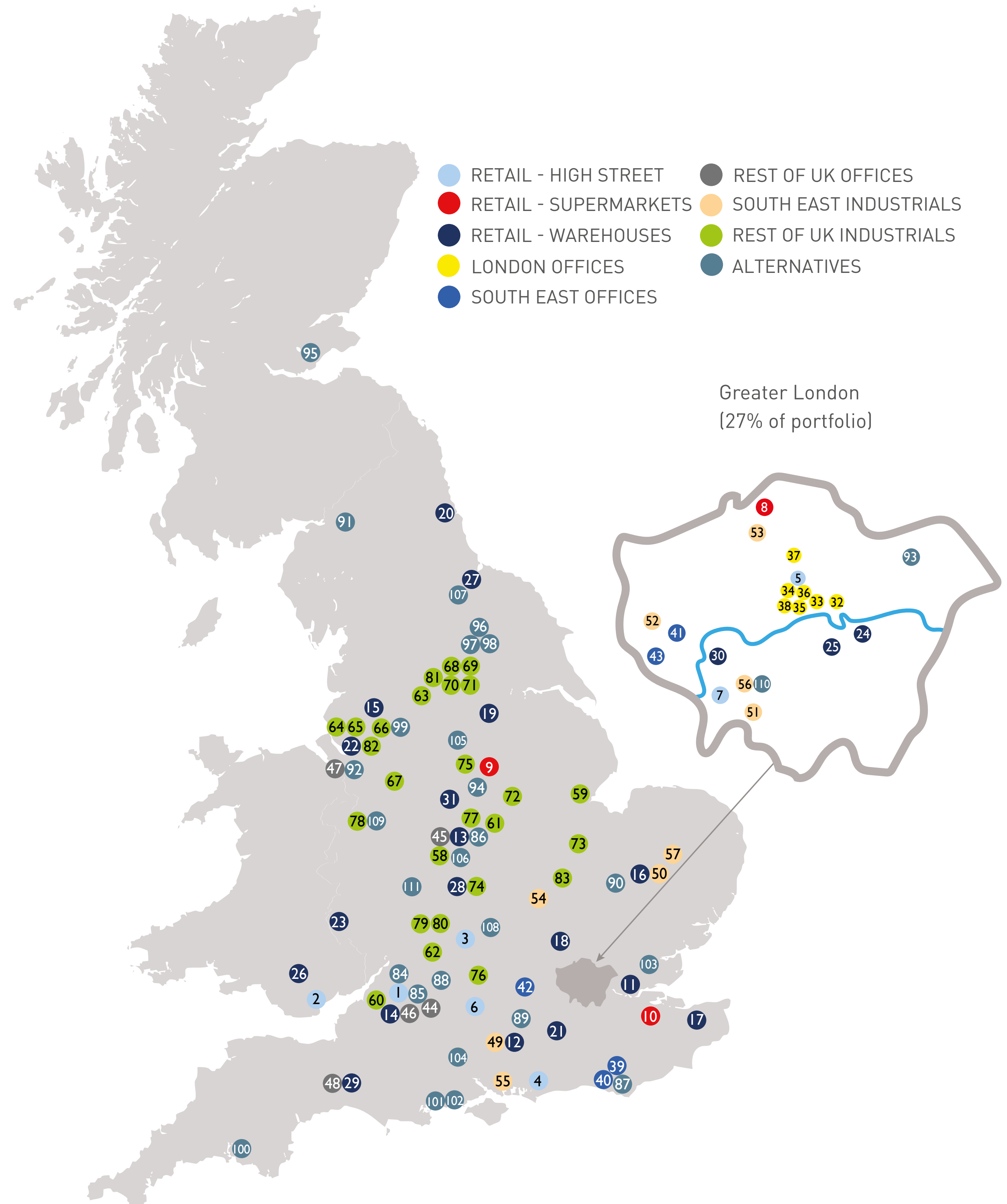
The third case study project is in Bury St Edmunds. Unlike Greenwich, Bury was an existing asset within the Fund, but differs from Bath as it is the construction of an entirely new building on a predominately empty site.

Bury was acquired in March 2015 and was let to Carillion on a short lease. It was primarily used as open storage. The rent was £131,000 per annum and the price paid was £1.320 million, a yield of 9.3%. In October 2016 we agreed a lease surrender with Carillion and a new 15 year agreement for lease with a local tech Company called Vitec Videocom and submitted a planning application. Vitec agreed to pay a rent of £587,000 per annum, subject to the Fund constructing a new 60,000 sq ft headquarters unit for them and refurbishing the existing 6,000 sq ft building onsite. In December 2016 planning was granted, we surrendered the lease to Carillion and in January 2017 completed the new Lease with Vitec. Construction started in March this year and completion is due in October 2017.

When complete the asset is likely to be valued at circa **£10.5 million** and whilst construction costs will be circa £4 million in total, this will have delivered a brand new industrial unit in a desirable town, let on a long lease and will show an increase in capital value of almost **£4 million** after all costs are accounted for.

"When complete the asset is likely to be valued at circa £10.5 million"

MAP OF PROPERTIES



LIST OF PROPERTIES

RETAIL - HIGH STREET

	Property	Principal Tenants	Annual Rent As at 24 June 2017 £	Lease Expiry (Break)
1	Bath	Dune	146,000	2018
2	Cardiff	Burger King	325,000	2023
3	Cheltenham	Poundland	128,600	2020
4	Chichester	House of Fraser	752,584	2039
5	London N1 (Chapel Market)	JD Sports, Superdrug	194,000	2020
6	Marlborough	Superdrug	140,000	2020
7	Walton-on-Thames	Benson Beds	121,451	2025 (2020)
		Total, High Street	**1,807,635**	

SUPERMARKETS

	Property	Principal Tenants	Annual Rent As at 24 June 2017 £	Lease Expiry (Break)
8	Barnet	Sainsbury's	1,722,145	2037
9	Mansfield	Tesco	2,347,401	2039
10	West Malling	Waitrose	180,744	2026
		Total, Supermarkets	**4,250,290**	

RETAIL WAREHOUSES

	Property	Principal Tenants	Annual Rent As at 24 June 2017 £	Lease Expiry (Break)
11	Basildon	McDonald's, KFC, Pets at Home, Farmfoods, Poundland	655,181	2020 - 2035
12	Basingstoke	Homebase	1,113,000	2026
13	Birmingham	Halfords	105,300	2019
14	Bristol	Pets at Home, McDonald's	378,320	2022 - 2027
15	Bury	Carpetright, Halfords, KFC, Home Bargains, Farmfoods	657,041	2021 - 2030 (2026)
16	Bury St Edmunds	Matalan	305,000	2029
17	Canterbury	Dunelm, Poundstretcher	521,000	2026
18	Chesham	Wickes	306,400	2026
19	Doncaster	Wickes	296,327	2028
20	Gateshead	The Range, Sports Direct	1,998,500	2048 (2033)
21	Guildford	Magnet	600,000	2024
22	Halewood	Aldi, Card Factory, Age UK, Home Bargains, Tesco, Iceland, Big Munch, Ladbrokes, Barnardo's, Subway, Shop Express, Halewood Fish Bar, Brunch Box Cafe, Marie Curie Cancer Care	610,100	2017 - 2038 (2019-2023)
23	Hereford	Pets at Home, Lidl, Poundworld, Poundstretcher	378,609	2023 - 2024 (2019)
24	London SE7	Under construction (pre-let to: Next, Primark, Aldi, Mothercare)	-	-
25	London SE15	B&M	263,250	2025
26	Merthyr Tydfil	Halfords, Home Bargains, Sports Direct, Dreams, PC World, Poundstretcher, Iceland, Phillip Evans	820,549	2021 - 2027 (2018)
27	Middlesbrough	B&M	239,180	2023
28	Redditch	Aldi, Pets at Home, Poundstretcher, Iceland, Home Bargains, KFC, Maplin	1,057,118	2019 - 2026
29	Taunton	Matalan	175,185	2029
30	Twickenham	Currys, Wickes	951,500	2019 - 2032
31	Uttoxeter	B&Q, Brantano, Poundland, Pets at Home, Argos, B&M, KFC, Frankie & Benny's, Poundstretcher, Majestic Wine, Scentarea, PR Bason & J Gathercole, Mumfeys Ices	952,114	2018 - 2032 (2018 - 2023)
		Total, Retail Warehouses	**12,383,674**	


West Malling

Mansfield

Basingstoke

Bury

LIST OF PROPERTIES

LONDON OFFICES

	Property	Principal Tenants	Annual Rent As at 24 June 2017 £	Lease Expiry (Break)
32	London E1 (Whitechapel)	The British Diabetic Association	1,126,173	2026 (2023)
33	London EC1 (Farringdon)	Vacant (under refurbishment)	-	-
34	London EC2 (Shoreditch)	Michael J Lonsdale	255,000	2024 (2019)
35	London EC2 (Shoreditch)	LK Bennett	808,013	2030 (2025)
36	London N1 (Shoreditch)	VF Northern Europe, Sunshine Partners, Spiers & Major, Odd London, UK Broadband	586,147	2018 - 2023 (2018)
37	London NW5 (Kentish Town)	Marketing VF	750,000	2026 (2021)
38	London WC2 (Chancery Lane)	Church Retail, Guido's, PCB Litigation, Konica Minolta Business Solutions, EMW Law, Alliance Automotive, Linkdex, The Lord's Taverners	1,324,451	2018 - 2024 (2017 - 2019)
		Total, London Offices	**4,849,784**	

SOUTH EAST OFFICES

	Property	Principal Tenants	Annual Rent As at 24 June 2017 £	Lease Expiry (Break)
39	Brighton (International House)	Fitness First, Budgens, The Student Group, Hays, Brightwave, Brilliant Noise, Stelfox	744,713	2018-2027 (2021-2022)
40	Brighton (Aspect House)	NHS, Bullhorn International, Michael Page, Dehns	569,549	2019 - 2026 (2021)
41	Feltham	The Secretary of State for Communities and Local Government	650,677	2017
42	Maidenhead	Regus, Copper Street Capital	587,301	2021 - 2023 (2019)
43	Staines	Givaudan UK	103,000	2018
		Total, South East Offices	**2,655,240**	

London, Rivington Street

Bath

LIST OF PROPERTIES

REST OF UK OFFICES

	Property	Principal Tenants	Annual Rent As at 24 June 2017 £	Lease Expiry (Break)
44	Bath	Abel & Imray, Gradwell Communications, Local World, EIP Partnership, Coral, Wickes, Starbucks	488,710	2018 - 2024 (2018 - 2019)
45	Birmingham	Spring Group, Arval UK	584,740	2019 - 2024 (2019)
46	Bristol	Films at 59, Handelsbanken	276,765	2021
47	Chester	The Secretary of State for Communities and Local Government	437,615	2026 (2021)
48	Taunton	Lloyds Bank	185,105	2020
		Total, Rest of UK Offices	**1,972,935**	

SOUTH EAST INDUSTRIALS

	Property	Principal Tenants	Annual Rent As at 24 June 2017 £	Lease Expiry (Break)
49	Basingstoke	Debenhams	317,000	2017
50	Bury St Edmunds	Under construction (pre-let to Vitec Videocom Limited)	-	-
51	Epsom	Storage King, Screwfix Direct, Euro Car Parts, Heating and Plumbing Supplies, AWE Europe, HSS Hire Services, Photo Me International	713,326	2018 - 2033 (2019)
52	Hayes	Tempur UK	497,097	2020
53	London NW9	VW Group	228,544	2031
54	Milton Keynes	Ceva	435,085	2020
55	Portsmouth	SMR Automotive Mirrors UK	665,000	2019
56	Thames Ditton	Sytner	316,754	2056 (2026)
57	Thetford	TNT	78,000	2020
		Total, South East Industrials	**3,250,806**	

Thames Ditton

Hayes

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REST OF UK INDUSTRIALS

	Property	Principal Tenants	Annual Rent As at 24 June 2017 £	Lease Expiry (Break)
58	Birmingham	Sheffield Insulation Group	310,005	2020
59	Boston	Fogarty	400,000	2039
60	Bristol	Kuehne + Nagel	480,000	2019
61	Burton-upon-Trent	Unipart Logistics	869,464	2017
62	Gloucester	Severn Glocon	525,000	2021
63	Huddersfield	VTL Group	301,498	2021
64	Liverpool	Amazon UK	577,500	2026 (2021)
65	Liverpool	Toyota Tsusho Assembly Systems	593,450	2023 (2020)
66	Manchester	Royal Mail, Wilkinson Star	318,250	2027-2028 (2022)
67	Newcastle-under-Lyme	Vacant	–	–
68	Normanton	Speedy Hire	199,500	2024
69	Normanton	Kongsberg Actuation Systems	365,654	2038 (2028)
70	Normanton	PNS UK	200,750	2031
71	Normanton	Really Useful Products	270,620	2022
72	Nottingham	Turbine Surface Technologies	433,843	2026
73	Peterborough	Sage Publications	182,900	2020
74	Redditch	SP Group	728,265	2021
75	South Normanton	Recticel	206,925	2031
76	Swindon	Jewson	146,500	2023
77	Tamworth	Speedy Hire	852,500	2029 (2024)
78	Telford	Johnson Controls	715,000	2019
79	Tewkesbury	Sapa Building Systems	879,417	2023
80	Tewkesbury	Oberthur Card Systems	270,000	2020
81	Wakefield	Verhoek Europe	238,400	2025 (2020)
82	Warrington	Eddie Stobart	330,000	2033
83	Wellingborough	CCL Label	552,488	2020
		Total, Rest of UK Industrials	**10,947,929**	

Redditch


Swindon

LIST OF PROPERTIES

ALTERNATIVES

	Property	Principal Tenants	Annual Rent As at 24 June 2017 £	Lease Expiry (Break)
	Leisure			
84	Bath (1-3 Westgate Buildings)	Stable Bar & Restaurant, Westgate Bath	169,500	2039 (2029)
91	Carlisle	DW Fitness	420,035	2034
96	Harrogate	Five Guys, Mitchells & Butlers, Marston's, Moss Bros, Porco Rosso	432,500	2026 - 2041 (2021 - 2031)
100	Plymouth	Travelodge, Bella Italia, Tasty Plc, Revolution, The Gym Group, UKPM	939,465	2029 - 2039 (2019)
103	Rayleigh	Virgin Active	464,000	2028
105	Sheffield	JD Wetherspoon, ASK, Slug and Lettuce, Caffe Nero, Meaty Fish, Yorkshire Metropolitan Housing Association	416,500	2023 - 2124 (2018)
		Total, Leisure	**2,842,000**	
	Hotels			
85	Bath (5-10 Westgate Buildings)	Sports Direct, Halfords, Maplin, Sally Salon, Travelodge (under construction)	343,500	2016 - 2020
87	Brighton	Jurys Inn	1,568,125	2042
90	Cambridge	Travelodge	1,095,000	2048
94	Derby	Jurys Inn	1,250,000	2044
99	Manchester	Serviced Apartment Company (SACO), CDP, K Parry & J Bowden	629,624	2017 - 2035 (2025)
101	Poole	Travelodge, Costa Coffee, Anytime Fitness, Subway, Rental Guarantee	834,590	2031 - 2051 (2026)
		Total, Hotels	**5,720,839**	


Carlisle


Brighton

LIST OF PROPERTIES

ALTERNATIVES continued

	Property	Principal Tenants	Annual Rent As at 24 June 2017 £	Lease Expiry (Break)
	Car Showrooms			
86	Birmingham	VW Group - SEAT	153,872	2027
89	Camberley	VW Group - Audi	333,765	2026
92	Chester	Rybrook - Volvo	209,724	2036
93	Chigwell	Sytner - BMW & Mini	696,858	2056 (2026)
97	Harrogate	JCT600 - Mercedes Benz, BP, M&S	423,100	2035 - 2036
98	Harrogate	Sytner - Audi	384,020	2025
102	Poole	Sandown Motors - Mercedes Benz	395,000	2030
104	Salisbury	Sandown Motors - Mercedes Benz	351,600	2030
106	Solihull	Rybrook - McLaren & Rolls Royce	275,000	2036
107	Stockton-on-Tees	VW Group - Audi	311,137	2027
110	Thames Ditton	Sytner - Jaguar Land Rover	342,094	2056 (2026)
111	Worcester	Rybrook - BMW & Mini	540,000	2036
		Total, Car Showrooms	**4,416,170**	
	Roadside			
88	Calne	Esso, Spar	160,000	2035
95	Glenrothes	BP, M&S	233,615	2034
108	Stow on the Wold	BP, M&S	185,000	2033
109	Telford	Welcome Break - Shell, Waitrose, WH Smith, Burger King, Starbucks, Krispy Kreme, Days Inn	896,060	2027
		Total, Roadside	**1,474,675**	
		Total, Alternatives	**14,453,684**	
		Total, portfolio	**56,571,977**	


Poole


Harrogate

PORTFOLIO STATEMENT

AT 24 JUNE 2017

Portfolio of Investments

Properties valued at greater than £15m	
Tesco, Chesterfield South Road, Mansfield	Rivington Street, London EC2
The Smithson, Briset Street, London EC1	Jurys Inn, Derby
Sainsbury's, East Barnet Road, Barnet	Homebase, Winchester Road, Basingstoke
Brocklebank Retail Park (under construction), London SE7	Trafford Retail Park, Redditch
Metro Park West, Gateshead	Apex Retail Park, Hampton Road West, Twickenham
90 Chancery Lane, London WC2	8 Shepherdess Walk, London N1
Jurys Inn, Stroudley Road, Brighton	Welcome Break, MSA, Junction 4, M54, Telford
Travelodge, Newmarket Road, Cambridge	Derry's Cross, Plymouth
Back Church Lane, London E1	
Valuation £m (percentage of total net assets)	£455.630 (39.49%)
Properties valued at between £10m to £15m	
Imperial Works, Kentish Town, London NW5	International House, Queens Road, Brighton
Dovefields Retail Park, Uttoxeter	SP Group, Hedera Road, Ravensbank Business Park, Redditch
BMW & Mini, Langston Road, Loughton, Chigwell	Unit 5300, Severn Drive, Tewkesbury
Lifeboat Quay, West Quay Road, Poole	Old Market Retail Park, Station Lane, Pitsea, Basildon
Emperor Point, Centurion Park, Tamworth	SACO, Minshull Street, Manchester
House of Fraser, West Street, Chichester	BMW & Mini, Knightsbridge Park, Worcester
Unipart Logistics Limited, Barberry 157, Burton-upon-Trent	One Bell Street, Maidenhead
5-10 Westgate Buildings, Bath	Magnet, Ladymead, Guildford
Epsom Trade Park and Units 450A and 450B, Epsom	York & Wellington House, Dukes Green, Feltham
Pentrebach Retail Park, Merthyr Tydfil	
Valuation £m (percentage of total net assets)	£236.025 (20.46%)
Properties valued at between £5m to £10m	
Halewood Shopping Centre, Leather's Lane, Liverpool	Mercedes Benz, Holes Bay Road, Poole
The Lanconite Building, Stafford Park 6, Telford	Fogarty Ltd, Havenside, Fishtoft Road, Boston
Toyota Tsusho, Hornhouse Lane, Liverpool	Units 1-7, Cambridge Street, Barkers Pool, Sheffield
Aspect House, Queens Road, Brighton	Jaguar Land Rover, Portsmouth Road, Thames Ditton
Caxton Point, Printing House Lane, Hayes	Units 3010 and 3020, Birmingham Business Park, Birmingham
Amazon Unit, Hornhouse Lane, Knowsley	200 Rayleigh Road, Rayleigh
Moorgate Retail Park, Bury	Mercedes Benz, Southampton Road, Salisbury
17-23 Parliament Street, Harrogate	DW Sports, Currock Road, Carlisle
Wincheap Retail Park, Canterbury	Kongsberg, Foxbridge Way, Normanton
Mercedes Benz & BP, Leeds Road, Harrogate	Chester Civil Justice Centre, Trident House, Chester
SMR, Castle Trading Estate, Porchester, Portsmouth	Pets at Home & McDonald's, Bath Road, Brislington, Bristol
Westpoint, James Street, Bath	Dawson Road, Mount Farm Industrial Estate, Milton Keynes
Severn Glocon Ltd, Olympus Park, Gloucester	Audi, London Road, Camberley
Audi, St James Business Park, Harrogate	Brook Retail Park, Commercial Road, Hereford
CCL Label, Warth Park, Raunds, Wellingborough	Appleton Thorn Trading Estate, Warrington
11 Poplar Way East, Cabot Park, Bristol	Audi, Brooklime Avenue, Stockton-on-Tees
TST, Little Oak Drive, Sherwood Park, Nottingham	Rolls Royce & McLaren, Stratford Road, Solihull
Cowper Street, London EC2	Knight's Park, Houndmills, Basingstoke
Valuation £m (percentage of total net assets)	£265.535 (23.01%)

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PORTFOLIO STATEMENT

AT 24 JUNE 2017

Portfolio of Investments	
Properties valued at between £2.5m to £5m	
Wickes, Townsend Road, Chesham	1-3 Westgate Buildings, Bath
Units A & B, Wardley Cross Industrial Estate, Manchester	Alexandra Way, Ashchurch Business Centre, Tewkesbury
Jaguar Land Rover Service Centre, Portsmouth Road, Thames Ditton	Unit 1, Rosevale Business Park, Newcastle-Under-Lyme
593-613 Old Kent Road, London SE15	BP & M&S, Station Road Garage, Stow on the Wold
78 Queen Street, Cardiff	Waitrose, Fortune Way, Kings Hill, West Malling
Really Useful Products, Foxbridge Way, Normanton	PNS Unit, Trident Park, Normanton
Wickes, Leger Way, Doncaster	B&M, Parkway Centre, Coulby Newham, Middlesbrough
Emerald Point, Bell Heath Way, Birmingham	Verhoek, Kenmore Road, Wakefield
Matalan, Easlea Road, Bury St Edmunds	Speedy Hire, Trident Park, Normanton
BP & M&S, Bankhead Park Service Station, Woodside Way, Glenrothes	Clover Nook Industrial Estate, Alfreton, South Normanton
Moreton Hall Industrial Estate, Bury St Edmunds	Esso & Spar, Pippen Service Station, Oxford Road, Calne
Whiteladies House, Clifton, Briston	Unit 18, Fengate East, Peterborough
54/55 Chapel Market, Islington, London N1	Dune, 4 Union Street, Bath
Jaguar & Volvo, Sealand Road, Chester	SEAT, Watson Road, Star City, Birmingham
Units 1 & 2, Bradley Junction Industrial Park, Huddersfield	Matalan, Bindon Road, Taunton
Skoda/Volkswagen, 78 Capitol Way, Colindale, London NW9	
Valuation £m (percentage of total net assets)	£121.500 (10.53%)
Properties valued at between £0m to £2.5m	
232-234 High Street, Cheltenham	Sedgemoor House, Deane Gate Office Park, Taunton
134/135 High Street, Marlborough	Halfords, Watery Lane, Birmingham
Jewson, Kembrey Street, Kembrey Park, Swindon	Magna House, 76-80 Church Street, Staines
Hepworth Way, Walton-on-Thames	TNT, Fisons Way Industrial Estate, Thetford
Valuation £m (percentage of total net assets)	£15.070 (1.31%)
Total value of property holdings	**£1,093.760 (94.80%)**

	Valuation £000	Percentage of total net assets
Portfolio of investments	**£1,093,760**	**94.80%**
Other net assets	**£60,030**	**5.20%**
Net assets	**£1,153,790**	**100.00%**

FINANCIAL INFORMATION

EXPENSE RATIOS

	Total Expense Ratio	Property Expense Ratio	Transaction Cost Ratio
24 June 2017	0.56%	0.17%	0.19%
24 June 2016	0.56%	0.14%	0.23%

The total expense ratio (TER) of the Fund is the ratio of the Fund's total operating costs to its average net assets for the prior 12 months. Operating costs are specifically those costs associated with operating the Fund itself and do not include additional costs associated with the day to day ownership of the assets. The property expense ratio (PER) includes those costs associated with the assets which are not recoverable from tenants. The transaction cost ratio (TCR) of the Fund is the ratio of all professional fees and other costs associated with the purchase and sale of property to the Fund's average net assets for the prior 12 months.

The TER is in line with the prior year. The PER is higher than the prior year due to a larger number of costs incurred on vacant properties in the current year. The TCR is lower than the prior year due to a lower number of acquisitions taking place during the current year and an increase in the average net assets.

PORTFOLIO TURNOVER RATE

	Portfolio Turnover Rate
24 June 2017	7.63%
24 June 2016	4.43%

The portfolio turnover rate gives an indication of how frequently the assets are purchased and sold by the Fund. It is calculated by dividing the total disposal value over the Fund's average net assets for the prior 12 months. The current year rate is higher than the prior year as there has been a greater number of asset disposals during the current year.

DISTRIBUTION YIELD

	Distribution Yield
24 June 2017	4.57%
24 June 2016	4.63%

The distribution yield represents the total distribution per unit over the period as a percentage of the net asset value per unit as at the end of the year.

ANNUALISED PERFORMANCE

	1 Year*	3 Years**	5 Years***
24 June 2017	6.6%	10.0%	10.2%
24 June 2016	7.6%	13.3%	10.0%

* total return year to 24 June 2017
** total return annualised over a three year period
*** total return annualised over a five year period

Source: AREF/MSCI All Balanced Property Funds Index
Basis: Capital NAV-to-NAV with gross income reinvested

INVESTOR ANALYSIS

Holding	Number of beneficial owners	Total percentage holding %
Less than 0.01%	1,050	4.12
0.01% but less than 0.05%	572	12.91
0.05% but less than 0.10%	152	10.76
0.10% but less than 0.50%	124	26.93
0.50% but less than 1.00%	25	18.47
1.00% but less than 2.00%	9	11.90
2.00% but less than 4.00%	4	10.91
Greater than 4.00%	1	4.00
Total number of investors	**1,937**	
Total number of units in issue at the end of the year	**955,139,897**	
Percentage held by the largest investor		**4.00**

Holding	Total percentage holding %
Top 10 largest investors	22.47%
Top 25 largest investors	36.76%
Top 50 largest investors	50.06%
Top 100 largest investors	63.65%

FUND HISTORY AND DISTRIBUTION

FUND HISTORY

Net Asset Value/Fund Size	Date	Net Asset Value £	Units in Issue	Net Asset Value Per Unit (p)
	24 June 2013	541,631,489	566,315,668	95.64
	24 June 2014	732,792,627	698,247,010	104.95
	24 June 2015	956,046,559	827,270,497	115.57
	24 June 2016	1,059,491,941	891,642,752	118.82
	24 June 2017	1,153,789,556	955,139,897	120.80

Price and Income History	Year Ended	Highest Buying Price (p)	Lowest Selling Price (p)	Net Income Per Unit (p)
	24 June 2013	97.30	93.56	5.36
	24 June 2014	106.81	95.56	5.43
	24 June 2015	117.68	105.39	5.76
	24 June 2016	121.13	116.24	5.53
	24 June 2017	123.20	117.46	5.54

DISTRIBUTION

		2017		2016	
Distribution Number	Distribution Period	Distribution Per Unit (p)	Date Paid	Distribution Per Unit (p)	Date Paid
1	25 June to 24 September	1.48	15/11/16	1.28	13/11/15
2	25 September to 24 December	1.45	15/02/17	1.34	15/02/16
3	25 December to 24 March	1.30	15/05/17	1.41	13/05/16
4	25 March to 24 June	1.31	15/08/17	1.50	15/08/16
Total		**5.54**		**5.53**	

The Fund distributes all available income for each quarter and therefore does not need to apply an equalisation policy.

STATEMENT OF THE MANAGER'S RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Manager is responsible for preparing the Manager's Report and the financial statements in accordance with applicable law and regulations.

The Charities Act 2011 requires the Manager to prepare financial statements for each financial year. Under that Act they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

The Manager must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Fund and of the total returns of the Fund for the year. In preparing these financial statements, the Manager is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the principles set out in the Statement of Recommended Practice for Authorised Funds have been followed, subject to any material departures disclosed and explained in the financial statements;
- state whether the financial statements comply with the Scheme Particulars, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Fund will continue its activities.

The Manager is required to act in accordance with the Scheme Particulars of the Fund, within the framework of trust law. The Manager is responsible for keeping adequate accounting records that are sufficient to show and explain the Fund's transactions and disclose with reasonable accuracy at any time the financial position of the Fund and to enable them to ensure that, where any statements of accounts are prepared by it under section 132(1) of the Charities Act 2011, regulation 6 of the Charities (Accounts and Reports) Regulations 2008 and the Statement of Recommended Practice for Authorised Funds, those statements of accounts comply with the requirements of regulations under these provisions. The Manager has general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Fund and to prevent and detect fraud and other irregularities.

The Manager is responsible for the maintenance and integrity of the financial information included on the Fund's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

STATEMENT OF THE CORPORATE TRUSTEE'S RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS AND CORPORATE TRUSTEE'S REPORT

THE CORPORATE TRUSTEE

The Trustee is responsible for the safekeeping of all property of the Fund which is entrusted to it and ensuring proper registration of tangible moveable property, and for the collection of income arising from all such scheme property.

It is the duty of the Trustee to take reasonable care to ensure that the Fund is managed and operated in accordance with the Financial Conduct Authority' Collective Investment Schemes Sourcebook ("the Sourcebook"), the Financial Services and Markets Act 2000, as amended, and the Scheme Particulars, concerning: the pricing of and dealing into the Fund; the application of income of the Scheme; and the Fund investment portfolio and borrowing activities.

The Corporate Trustee has delegated its duty as registrar for the Fund to Langham Hall UK LLP. The Corporate Trustee has conducted reviews of the delegated registration function to satisfy itself that the register is accurate. Any additional duties and powers of the Corporate Trustee not listed above are contained in the Scheme and Scheme Particulars.

REPORT OF THE CORPORATE TRUSTEE TO THE UNITHOLDERS OF THE CHARITIES PROPERTY FUND FOR THE PERIOD TO 24 JUNE 2017.

Having carried out procedures and enquiries considered duly necessary to discharge our responsibilities as Trustee of the Scheme, based on information and explanations provided to us, we believe that, in all material respects, the Manager:

(i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the scheme's units and the application of the scheme's income in accordance with the Sourcebook, Scheme and Scheme Particulars;

(ii) has observed the investment and borrowing powers and restrictions imposed by the Scheme and Scheme Particulars; and

(iii) has, otherwise, ensured the proper operation of the Fund.

Citibank Europe plc, UK branch
London
18 September 2017

INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF THE CHARITIES PROPERTY FUND ('THE FUND').

We have audited the financial statements of The Charities Property Fund for the year ended 24 June 2017 which comprise the Statement of Total Return and Change in Net Assets Attributable to Unitholders, Balance Sheet, Cash Flow Statement and related Notes to the Financial Statements, including the accounting policies detailed in Note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Fund's affairs as at 24 June 2017 and of the net revenue and the net capital gains on the property of the Fund for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been properly prepared in accordance with the requirements of the Charities Act 2011.

Basis for opinion

We have been appointed as auditor under section 144 of the Charities Act 2011 (or its predecessors) and report in accordance with regulations made under section 154 of that Act.

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the charity in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Other information

The Manger is responsible for the other information, which comprises the Manager's Report, List of Properties and Key Fund Data. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. We are required to report to you if:

- based solely on that work, we have identified material misstatements in the other information; or
- in our opinion, the information given in the Manager's Annual Report, List of properties and Key fund data is inconsistent in any material respect with the financial statements.

We have nothing to report in these respects.

Matters on which we are required to report by exception

Under the Charities Act 2011 we are required to report to you if, in our opinion:

- the Fund has not kept sufficient accounting records; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

INDEPENDENT AUDITOR'S REPORT CONTINUED

Manager's (Savills Investment Management (UK) Limited) responsibilities

As explained more fully in their statement set out on page 37, the Manager is responsible for: the preparation of financial statements which give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Fund's unitholders, as a body, in accordance with section 144 of the Charities Act 2011 (or its predecessors) and regulations made under section 154 of that Act. Our audit work has been undertaken so that we might state to the Fund's unitholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund and its unitholders as a body as a body, for our audit work, for this report, or for the opinions we have formed.

Bill Holland
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square, London, E14 5GL
19 September 2017

KPMG LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

STATEMENT OF TOTAL RETURN AND CHANGE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

	Note	Year ended 24 June 2017 £		Year ended 24 June 2016 £	
Net capital gains	3		16,914,095		28,691,761
Income	4	57,973,450		54,089,193	
Expenses	5	(7,947,930)		(7,079,633)	
Net income before finance costs		50,025,520		47,009,560	
Finance costs – interest and other	6	(175,034)		(237,772)	
Net income			49,850,486		46,771,788
Total return before distributions			66,764,581		75,463,549
Finance costs – distributions	7		(49,727,411)		(48,956,446)
Change in net assets attributable to unitholders from investment activities			17,037,170		26,507,103
Statement of change in net assets attributable to unitholders					
Opening net assets attributable to unitholders			1,059,491,941		956,046,559
Net amounts receivable on creation of units			77,260,445		76,938,279
Change in net assets attributable to unitholders from investing activities			17,037,170		26,507,103
Closing net assets attributable to unitholders			1,153,789,556		1,059,491,941

BALANCE SHEET

	Note	As at 24 June 2017 £		As at 24 June 2016 £	
Assets					
Fixed assets					
Investment properties	8		1,093,760,000		1,055,460,000
Current assets					
Debtors	9	42,324,044		11,864,569	
Cash and bank balances		44,780,570		23,646,095	
			87,104,614		35,510,664
Total assets			1,180,864,614		1,090,970,664
Less: current liabilities					
Creditors	10	14,817,666		17,272,291	
Distribution payable		12,257,392		14,206,432	
			27,075,058		31,478,723
Total liabilities			27,075,058		31,478,723
Net assets attributable to unitholders			1,153,789,556		1,059,491,941

The financial statements were approved by the Board of Directors of the Manager on 12 September 2017 and were signed on its behalf by

Richard James
Chief Financial Officer
12 September 2017

CASH FLOW STATEMENT

	Year ended 24 June 2017 £	Year ended 24 June 2016 £
Cash flow from operating activities		
Reconciliation from net operating income to net cash flows from operating activities		
Net income before finance costs	50,025,520	47,009,560
Bank interest received	(69,246)	(87,149)
(Increase)/decrease in trade and other receivables	(5,691,025)	993,697
Increase/(decrease) in trade and other payables	359,682	(1,724,365)
Net cash inflow from operating activities	44,624,931	46,191,743
Cash flows from investment activities		
Purchase of properties and development expenditure	(100,217,838)	(137,964,360)
Sale of properties	80,710,993	43,258,823
Bank interest received	69,246	87,149
Net cash outflow from investment activities	(19,437,599)	(94,618,388)
Cash flows before financing activities	25,187,332	(48,426,645)
Net amounts received on creation of units	47,798,628	79,556,919
Borrowing costs and interest	(175,034)	(237,772)
Distributions paid	(51,676,451)	(45,374,899)
Net cash (outflow)/inflow from financing activities	(4,052,857)	33,944,248
Net increase/(decrease) in cash and cash equivalents for the year	21,134,475	(14,482,397)
Cash and cash equivalents at the start of the year	23,646,095	38,128,492
Cash and cash equivalents at the end of the year	44,780,570	23,646,095

The net amounts received on creation of units do not include movements relating to in-specie transfers which do not impact the cash position of the Fund.

1 ACCOUNTING POLICIES

a) Basis of accounting

These financial statements have been prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") as issued in August 2014. The presentation currency of these financial statements is sterling.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, and in accordance with the requirement of the Charities Act 2011 and the Statement of Recommended Practice for Financial Statements of Authorised Funds issued by the IMA in May 2014 (the "SORP"), other than as set out in (d) below.

The Fund is exempt from complying with the Charities Statement of Recommended Practice as per the guidance under paragraph 22.4 of that document.

b) Investment properties

The direct property investments, which comprise properties held for rental, are recognised at fair value, being market value as defined in the Appraisal and Valuation Manual prepared by the Royal Institution of Chartered Surveyors, and in accordance with the Scheme Particulars. The interests in property are valued on a quarterly basis and were last valued by Cushman and Wakefield on 24 June 2017. The aggregate surplus or deficit on revaluation is taken to the Statement of Total Return.

Costs capitalised in respect of properties under development include acquisition costs of land and buildings, costs incurred in bringing the property to its present location and condition in accordance with FRS 102. Investment properties in the course of development are also held at valuation.

Properties, for which unconditional exchange of contracts occurs during the period, are accounted for as acquisitions or disposals within that period. Conditional exchanges are accounted for as acquisitions or disposals only when all substantive conditions have been met and are disclosed in the Manager's Report for information.

c) Basic financial instruments

Debtors and Creditors

Debtors are recognised initially at transaction price less attributable transaction costs. Creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. These assets/liabilities are discounted where the time value of money is material.

Cash at bank

Cash at bank comprises cash balances. Bank overdrafts that are repayable on demand and form an integral part of the Fund's cash management are included as a component of cash for the purpose only of the cash flow statement. No bank overdrafts were utilised during the period.

d) Transaction costs

The Fund aggregates properties in the portfolio statement on pages 31 and 32 in bands greater than 5% and does not disclose transaction costs separately in order to avoid disclosure of sensitive commercial information and does not therefore comply fully with the SORP.

e) Depreciation

No depreciation is provided in respect of freehold and long leasehold investment properties or in respect of assets in the course of construction.

f) Income and expenses

Investment income, rental income, service charges and other expenses are recognised on an accruals basis. The periodic charge of the Manager is deducted from income.

Rents received in advance are accounted as prepaid rent within creditors.

Lease rental income is recognised over the lease term on a straight-line basis.

Rental income from fixed and minimum guaranteed rent reviews is recognised on a straight-line basis over the lease term. As this income is not realised, it is not included in the distributions to the investors.

All expenses other than transaction charges relating to the purchase and sale of investments and certain borrowing costs (see point h) are included in 'Expenses' in the Statement of Total Return. Transaction charges are treated as a capital expense and are therefore capitalised.

g) Lease incentives

Benefits to lessees in the form of rent free periods, cash incentives and capital contributions are treated as a reduction in the overall return on the leases and, in accordance with FRS 102 are recognised on a straight line basis over the lease term. The total of the unamortised capital contributions and any lease incentives in place at the period end are included within the carrying value of investment properties rather than held as a separate debtor. Any remaining lease incentive balances in respect of properties disposed of are included in the calculation of profit or loss arising on disposal. See also Note 3.

h) Borrowing costs

Loan arrangement fees payable and legal costs associated with the establishment of the facility are deemed to be costs which are incurred to give the Fund the opportunity to enter into the credit facility agreement. On this basis they are deemed to be capital in nature and excluded from distribution calculations.

Loan interest expense is recognised on an effective interest rate basis. This interest and the loan non-utilisation fee are deemed to be revenue in nature and are included within the distribution calculations. Further detail of these costs is included in Note 6.

i) Interest on development drawdowns

Interest charged to developers on forward funded developments is capitalised and treated as a deduction to costs of the development.

j) Distributions payable and distribution policy

Distributions payable are classified as finance costs and are recognised on an accruals basis. Further details of these distributions are included in Note 7.

Distributions are calculated in accordance with the Scheme Particulars.

k) Taxation

As a charity the Fund is not currently liable to UK tax on gains arising on disposals of investments, nor on income from investments, and is not liable to Stamp Duty Land Tax on purchases of property.

2 RISK MANAGEMENT

In pursuing its investment objective, the Fund holds a number of properties and financial instruments. The properties comprise of direct property holdings. The following are held in accordance with the Fund's investment policy:

- Cash, liquid resources and short-term debtors and creditors that arise directly from its operations;
- Short-term borrowings used to finance investment activity and cash flows associated with the application and redemption process; and;
- Operating leases on freehold and leasehold properties.

The Manager has responsibility for monitoring the portfolio in accordance with the investment objective and seeks to ensure that investments in direct properties and individual securities also meet a risk reward profile that is acceptable.

The typical risks applicable to the Fund are market risks, liquidity risk, credit risk and sector exposure risk.

Market risks

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Fund's market risks arise from (a) interest rate movements and (b) market price movements.

a) Interest rate risk

The Fund's exposure to interest rate risk mainly arises from any variation in interest income earned on bank balances and interest payable on credit facilities due to volatility in interest rates. The Manager does not consider interest income earned on bank balances to be a significant risk to the Fund as it is not the intention of the Fund to maintain cash balances for the purpose of generating income, but to invest in investment properties when suitable investments become available.

In respect of interest payable on credit facilities, if a credit facility is utilised, the Manager will consider the life of the borrowing and will take appropriate action to mitigate the impact of interest rate fluctuations on a case by case basis.

b) Market price movements

Direct property is independently valued on a quarterly basis. However, such valuations are a matter of the valuer's professional judgement and opinion. Such values may or may not be achieved on a sale of a property.

To mitigate against market price movements, the Manager of the Fund performs a number of controls, including the following:

Criteria	Risk Control
Rental income	Monitors the proportion of secure or rental income
Term of rental	Verified in advance of an acquisition or lease event (e.g. tenant change) and compared with equivalent fund types or data of the Investment Property Databank (IPD)
Quality of tenants	Verified in advance of an acquisition or lease event (e.g. tenant change) by means of the credit rating from Experian and Dun & Bradstreet and benchmarking against the IPD's Rental Information Services (IRIS)
Diversification of sectors	Monitored and constantly reviewed in advance of each property acquisition or disposal
Geographic diversification	Monitored and constantly reviewed in advance of each property acquisition or disposal

When proposing and considering a disposal, the Property Adviser and Manager will assess each property and consider factors such as current and estimated future prices, Fund liquidity, upcoming redemptions, cash held by the Fund and the portfolio profile before concluding on whether a property should be disposed of and when.

Liquidity risk

The key liquidity risk is the holding of direct property assets. Property by its nature is an illiquid investment and the Fund's investment properties may not be readily realisable for cash. Sales may take a number of months depending on the nature and location of the asset.

A further liquidity risk of the Fund is the redemption of units. The Manager monitors the level of redemptions, and other cash flows, on a regular basis to ensure sufficient funding is available. If insufficient cash is available to fund redemptions, the Fund can dispose of direct property holdings, utilise short term credit facilities, and defer redemptions.

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 assesses the credit risk of third parties before entering into business with third parties. Debtor balances are monitored on a regular basis to mitigate the Fund's exposure to bad debts and in addition the ongoing credit strength of third parties is monitored.

Sector exposure risk

The Fund's assets are invested in direct properties. As such the Fund is exposed to sector specific risk as a result of its concentration in the property sector. The underlying risk is the ability to obtain tenants for these properties and tenants being able to fulfil lease commitments.

The Manager mitigates these risks by investing in a diversified portfolio of direct properties in different geographical areas and sectors. In addition, before purchasing a direct property or entering into a new lease, the Manager will examine the covenant strength offered and will aim to let only to tenants with good credit ratings.

3 NET CAPITAL GAINS

The net gains on investments during the year comprise:

	Year to 24 June 2017 £	Year to 24 June 2016 £
Net proceeds from disposal of properties	80,710,993	43,246,273
Carrying value of properties disposed during the year	(79,859,999)	(41,565,000)
Gains realised on properties disposed	850,994	1,681,273
Net unrealised gains on revaluation for the year	16,063,101	27,010,488
Net capital gains	16,914,095	28,691,761

4 INCOME

	Year to 24 June 2017 £	Year to 24 June 2016 £
Rental income	57,310,076	53,462,149
Sundry income	594,128	539,895
Bank interest	69,246	87,149
	57,973,450	54,089,193

The estimated future aggregate minimum rentals receivable under non-cancellable operating leases are as follows:

	Year to 24 June 2017	Year to 24 June 2016
Within 1 year	54,480,200	52,374,108
Later than 1 year and no later than 5 years	194,069,843	180,453,139
Later than 5 years	472,803,158	411,831,350
	721,353,201	644,658,597

5 EXPENSES

	Year to 24 June 2017 £	Year to 24 June 2016 £
Manager and Property Management Company fees	5,518,484	5,215,726
Corporate Trustee's fees	171,415	167,860
	5,689,899	5,383,586
Other expenses:		
Registration fees	-	100
Insurance	156,547	30,263
Audit fee	27,844	34,331
Review fee	12,672	12,863
Valuation fee	183,579	177,973
Legal and professional fees	928,286	840,768
Marketing and communication costs	89,857	120,113
Vacant property and property maintenance costs	859,246	479,636
	2,258,031	1,696,047
	7,947,930	7,079,633

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

6 FINANCE COSTS – INTEREST AND OTHER

Finance cost during the year (excluding distributions) comprise:

	Year to 24 June 2017 £	Year to 24 June 2016 £
Capital expenses		
Credit Facility Arrangement Fee	49,189	56,405
Legal and professional fees	25,845	30,408
	75,034	86,813
Revenue expenses		
Non-Utilisation fee	100,000	150,959
	100,000	150,959
Finance costs: interest and other	175,034	237,772

On 5 April 2016, the Fund renewed its fixed revolving credit facility (the "Facility") with the Royal Bank of Scotland International ("RBSI") for a further two years to 5 April 2018.

The Facility can be utilised as follows:
- a maximum drawdown of £20,000,000 for the purchase of investment properties
- a maximum drawdown of £10,000,000 for redemptions and distributions

At the year end, the Facility was unutilised and the Fund has not entered into any derivative contracts in respect of interest rates.

Legal costs associated with the establishment of the Facility are deemed to be costs which are incurred in entering into the credit facility agreement. On this basis they are deemed to be capital in nature and excluded from distribution calculations.

7 FINANCE COSTS – DISTRIBUTIONS

Distributions during the year comprise:

	Year to 24 June 2017 £	Year to 24 June 2016 £
First interim distribution	12,104,112	10,563,417
Second interim distribution	11,980,787	11,626,485
Third interim distribution	11,630,466	11,391,355
Fourth interim distribution	11,783,620	13,219,768
Net distribution from income for the year	47,498,985	46,801,025
Capital distribution	2,228,426	2,155,421
Total distribution	49,727,411	48,956,446

Details of the distribution per unit are set out in the distribution table on page 36.

Represented by:

		£
Net income	49,850,486	46,771,787
Less: income from rent straight-lining	(2,388,919)	-
Add back: legal and professional fees	25,845	30,409
Balance of income brought forward	(1,653)	482
Balance of income carried forward	13,226	(1,653)
Distributable capital income	2,228,426	2,155,421
Net distribution for the period	49,727,411	48,956,446

The capital distribution comprises: £512,116 of rental top-ups from property acquisitions; £1,495,470 of interest on development drawdowns; and £220,840 from rental guarantees, totalling £2,228,426 (2016: £2,155,421).

8 INVESTMENT PROPERTIES

Split of investment properties by freehold and leasehold

	Freehold £	Leasehold £	As at 24 June 2017 £	As at 24 June 2016 £
Value at the beginning of the year	903,545,000	151,915,000	1,055,460,000	930,911,155
Purchases and capital expenditure during the year	91,116,397	8,767,065	99,883,462	137,972,694
Opening value of properties disposed during the year	(56,952,226)	(22,907,773)	(79,859,999)	(41,565,000)
Net unrealised gain on valuation	19,506,828	(3,443,727)	16,063,101	27,010,488
Income recognised from rent straight-lining and lease incentives	2,129,001	84,435	2,213,436	1,130,663
Value at the end of the year	959,345,000	134,415,000	1,093,760,000	1,055,460,000

Lease incentives and straight-lined rent of £6,038,496 (2016: £3,825,060) are included in the carrying value of the investment properties above.

All the properties have been valued by external chartered surveyors, Cushman & Wakefield, at £1,093,760,000 2016: £1,055,460,000), in accordance with the Appraisal and Valuation Manual issued by the Royal Institution of Chartered Surveyors. The historical cost of the properties is £937,756,672 (2016: £914,779,502).

Property valuations
Property and property related assets are inherently difficult to value due to the individual nature of each property. As a result, valuations are subject to substantial uncertainty. There is no assurance that the estimates resulting from the valuation process will reflect the actual sales price even where such sales occur shortly after the valuation date. Investments in property are relatively illiquid; however the Fund has sought to mitigate this risk by investing in properties that it considers to be good quality.

Fair values are determined using information from a variety of sources, including:

- Independent real estate valuation experts using recognised valuation techniques. These techniques comprise both the Yield Method and the Discounted Cash Flow Method. In some cases, the fair values are determined based on recent real estate transactions with similar characteristics and location to those of the Fund's assets;
- Current prices in an active market for properties of a different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences; and
- Recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices.

The determination of the fair value of investment property requires the use of estimates such as future cash flows from assets (such as lettings, tenants' profiles, future revenue streams, capital values of fixtures and fittings, any environmental matters and the overall repair and condition of the property) and discount rates applicable to those assets. In addition, development risks (such as construction and letting risks) are also taken into consideration when determining the fair value of investment properties under construction. These estimates are based on local market conditions existing at reporting date.

Level 1: The best evidence of fair value is a quoted price for an identical asset in an active market. Quoted in an active market in this context means quoted prices are readily and regularly available and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted price is usually the current bid price.

Level 2: When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the entity can demonstrate that the last transaction price is not a good estimate of fair value (e.g. because it reflects the amount that an entity would receive or pay in a forced transaction, involuntary liquidation or distress sale), that price is adjusted.

Level 3: If the market for the asset is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, an entity estimates the fair value by using a valuation technique. The objective of using a valuation technique is to estimate what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations.

All properties within the portfolio are categorised as Level 3.

Key unobservable inputs	Range	Relationship between key unobservable inputs and fair value measurement. The estimated fair value would increase (decrease) if:
ERV	Generally 75% to 125% of passing rent *assuming not concessionary	Fair value would decrease if ERV as a percentage of passing rent decreased and increase if ERV as a percentage of passing rent increased.
Void periods	Generally 9 to 18 months after the end of each lease	Fair Value would decrease if the void periods were longer and increase if the void periods were shorter.
Occupancy rates	80-100% excluding fully vacant properties undergoing refurbishment and pre-let developments	Fair Value would decrease if the occupancy rate were lower and increase if the occupancy rate was higher.
Yields	Generally in the range 4% -10%	Fair Value would decrease if the yield was increased and increase if the yield was reduced.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

9 DEBTORS

	As at 24 June 2017 £	As at 24 June 2016 £
Amounts receivable for creation of units	26,981,886	-
Rent receivable	10,690,653	5,572,106
Interest on development	1,878,780	542,900
Amounts due from managing agents	1,444,094	4,545,241
Insurance prepayments	846,710	-
Sundry debtors	449,203	1,122,134
Loan arrangement fee	32,718	82,188
	42,324,044	11,864,569

10 CREDITORS

	As at 24 June 2017 £	As at 24 June 2016 £
Redemption amount due to redeeming units	-	2,479,931
Purchases awaiting settlement	430,629	765,005
Prepaid rent	12,005,324	12,485,611
Manager and Property Manager fees	1,420,264	60,000
Corporate Trustee fees	44,242	42,394
Audit fees	25,729	26,101
Valuation fees	47,852	46,176
Credit facility non utilisation fee and debt arrangement fee	-	22,192
VAT payable	80,440	1,024,347
Vacant property costs	13,384	–
Other creditors	569,714	15,105
Interest payable	-	2,881
Retentions	180,088	302,548
	14,817,666	17,272,291

11 RELATED PARTY TRANSACTIONS

Amounts payable to the Manager, Property Manager or associates of both are shown in note 5. Amounts due are shown in note 10.

During the year the Manager has received management fees of £5,394,268 (2016: £5,074,320) and the Property Management Company fees of £124,216 (2016: £141,406) thereby totalling £5,518,484 (2016: £5,215,726).

The amount outstanding at the year end in respect of those fees was £1,420,264 (2016: £60,000).

During the year the Property Manager has received transactional fees of £387,802 (2016: £247,725) and fees relating to asset management and dealing activity of £714,542 (2016: £861,249). The majority of these fees sit within the legal and profession expenses line in note 5.

During the year the Corporate Trustee received £171,415 (2016: £167,860).

Amounts payable to the Corporate Trustee or associates of the Corporate Trustee are shown in note 5. Amounts due are shown in note 10.

The amount outstanding at the year end in respect of those fees was £44,242 (2016: £42,394).

Details of the Manager, Property Manager and Corporate Trustee can be found on pages 57 through to 60.

The aggregate monies received through creations and paid through cancellations are disclosed in the Statement of Change in Net Assets Attributable to Unitholders. Subscription money awaiting investment into The Charities Property Fund is held in an account in the name of Savills Investment Management (UK) Limited, the Manager. The money will be dealt with in accordance with the FCA's Client Money Rules.

12 UNIT RECONCILIATION

The below table details the movement in application and redemption units over the past 12 months. Please also see the table on page 36 'Fund History'.

		GROSS		
Trading Quarter	**No. Units**	**Applications**	**Redemptions**	**Net Movement**
24 Sep 2016	904,527,832.296	20,152,211.341	7,267,131.399	12,885,079.942
24 Dec 2016	920,362,073.881	22,492,932.870	6,658,691.285	15,834,241.585
24 Mar 2017	933,185,555.022	19,364,388.368	6,540,907.227	12,823,481.141
24 Jun 2017	955,139,896.790	27,189,042.513	5,234,700.745	21,954,341.768
	TOTAL	**89,198,575.092**	**25,701,430.656**	**63,497,144.436**

13 POST BALANCE SHEET EVENTS

There were no post balance sheet events requiring disclosure.

14 CONTINGENT LIABILITIES

There were no contingent liabilities at the year end (2016: none).

GENERAL INFORMATION

FUND STRUCTURE

The Charities Property Fund is a Common Investment Fund which is an open ended investment vehicle, similar to a unit trust, but designed specifically for charities and established under Section 96 of the Charities Act 2011. Common Investment Funds are themselves charities with schemes approved and regulated by the Charity Commission. As a charity, the Fund is currently exempt not only from Stamp Duty Land Tax (currently 5% on all property transactions over £250,000) but also Capital Gains Tax and Income Tax.

INVESTMENT OBJECTIVES

The Fund aims to provide a high and secure level of income with the prospect of growth in income and to maintain the capital value of assets held in the Fund, through investing in a diversified UK commercial property portfolio. The Fund invests in the principal commercial property sectors: office, retail, industrial and other (alternative uses such as hotels, leisure, car showrooms, and roadside). It does not undertake speculative investments.

The Manager does not intend to hold more than 10% in value of the property of the Fund in cash or Near Cash (as defined in FSA Handbook of Rules and Guidance).

UNIT DEALING

As the Fund is valued quarterly, units can be purchased at the end of March, June, September and December. Normally units will be redeemed with effect from a quarter day though this is subject to cash being available for redemptions. In addition, where there are both subscriptions and redemptions at a quarter day, the Manager may apply a matching process. The Manager may, at its sole discretion, defer the acceptance of applications on a pro rata basis when the value of unit applications exceeds the value of units the Manager believes is prudent to issue. These applications for units which have been scaled back will remain valid in respect of the unallocated element for a further three months, i.e. until the next Dealing Date and will be dealt with in priority to those applications first made at this dealing date.

Further details of the process for buying and selling units is set out in the Scheme Particulars which are available on the Fund's website (www.cpfund.co.uk). To protect the overall position of unitholders, there are clearly defined restrictions on the right to redeem as set out in the Scheme Particulars.

MINIMUM INVESTMENT

The minimum investment in the Fund for new investors is £25,000, although smaller amounts may be accepted at the Manager's discretion. There is no minimum investment for existing unitholders.

DISTRIBUTION

The income is paid gross on a quarterly basis, six weeks after each valuation point (on or before 15 February, 15 May, 15 August and 15 November).

GENERAL INFORMATION CONTINUED

CORPORATE TRUSTEE

Citibank Europe plc, UK Branch is the corporate trustee and depository of the Fund, as set out in the Scheme Particulars. The Fund acts by and through the Corporate Trustee. When the Fund acquires property, it does so by way of the Corporate Trustee appointing Citiclient (CPF) Nominees Limited and Citiclient (CPF) Nominees No 2 Limited to hold the relevant property of the Fund as nominees and bare trustees for the Corporate Trustee

The Corporate Trustee will be entitled to receive fees (payable quarterly in arrears) based on the Net Asset Value at the start of the accrual period, on each Valuation Date. The fees (excluding value added tax) are subject to a minimum fee of £15,000 p.a. and will be based on the following annual rates:

- £0 to £200 million – 0.02%;
- above £200 million – 0.015%.

The Corporate Trustee may increase the current rates of fees if:

(i) the Corporate Trustee has given notice in writing to the Manager and to the unitholders of its intention to increase these rates of fees;

(ii) the Scheme Particulars have been revised (subject to the prior written approval of the Commission) to reflect the proposed increase in the rates; and

(iii) 90 days have elapsed since the revised Scheme Particulars became available.

ALTERNATIVE INVESTMENT FUND MANAGER (AIFM)

Under an AIFM Agreement, the Fund appointed the existing manager of the Fund, Savills Investment Management (UK) Limited as its Alternative Investment Fund Manager (AIFM) for the purposes of the AIFM Directive in 2014. The AIFM is admitted and regulated in the United Kingdom by the Financial Conduct Authority (the "FCA").

The AIFM is subject to the requirements set out in the AIFM Directive, the Scheme and the Scheme Particulars. In its capacity as AIFM, it carries out the following tasks under the AIFM agreement:

(i) Asset management of the Fund, including, without limitation, portfolio and risk management; and

(ii) Marketing and distribution of units in the Fund.

In accordance with the provisions of the AIFM Directive and with the approval of the FCA, the AIFM may delegate, at its own responsibility and cost and under its own supervision, tasks to other entities suitable for the relevant purpose and having the necessary qualification, experience and resources. Any such delegation will be disclosed to the investors. The portfolio management of the Fund was delegated to Savills Investment Management LLP by the AIFM. Citibank Europe plc, UK branch was appointed as the depositary of the Fund. To cover potential professional liability risks resulting from negligence in its business activities, the AIFM has appropriate and sufficient professional indemnity insurance, as stipulated by the relevant provisions of the AIFM Directive.

REMUNERATION CODE DISCLOSURE FOR SAVILLS INVESTMENT MANAGEMENT (UK) LTD

October 2016

The Financial Conduct Authority's (FCA) AIFM remuneration Code applies to Savills Investment Management (UK) Ltd (the firm). The Firm has considered the FCA's proportionality guidelines and taking account of size, the lack of complexity and the low risk of the firm a number of the remuneration rules have been disapplied.

The disclosure covers the remuneration paid in respect of the financial period from 1 January 2016 to 31 December 2016.

Decision Making Process

Savills IM Group has a Remuneration Committee that meets regularly to consider issues relating to the remuneration policy and the structures for all employees of the Group including those of the firm. The Savills IM Remuneration Policy Statement is reviewed and agreed annually by the Savills IM Remuneration Committee. The Remuneration Committee is comprised of two shareholder representatives and the Savills IM Chief Executive Officer and is delegated from the Savills IM Board.

Remuneration is reviewed annually, in conjunction with the Group appraisal process. A recommendation regarding salary and bonus levels is made by an individual's line manager, and assessed against the Group as a whole by the Savills IM Global Executive Committee. Salaries are also benchmarked against market averages. The Savills IM Global Executive Committee will recommend salary changes and discretionary bonus payments to the Remuneration Committee for approval and adoption. Interim reviews are undertaken on an exceptions basis only.

Link between Pay and Performance

Remuneration is dependent on both the performance of the firm and the Individual. The bonus pool is calculated as a fixed percentage of pre-tax Group profits. The fixed and variable elements of remuneration have been developed to attract and retain high calibre staff to ensure the firm is in a position to deliver the business plans and maximise return to shareholders. The remuneration policy and incentive structures apply to all code staff, rewarding them only when their goals are achieved.

Employees of the firm received; salary, car allowance, discretionary bonus and incentive shares in the ultimate parent, Savills Plc. Share awards are made in line with the Savills Group policy, in the form of retention or bonus awards, details of which can be found within the Savills plc Report and Accounts.

Staff Remuneration

The total aggregate remuneration for staff was £32,282,412 of which there were 257 beneficiaries. £21,093,157 of this remuneration was fixed and £11,189,255 was variable.

21 of the beneficiaries were identified as remuneration code staff, as defined by AIFM remuneration code, and their total aggregated remuneration was £9,614,089. £4,064,579 of this remuneration was earned by Senior Managers and £5,549,510 was earned by other code staff.

GENERAL INFORMATION CONTINUED

THE MANAGER AND PROPERTY MANAGER

The Manager's fees and the Property Manager's fees are combined into one management charge. This periodic management charge shall accrue on a quarterly basis and will be determined by the Net Asset Value of the Fund at the start of the accrual period. It will be deducted and paid at the end of each quarter out of the Fund's assets. The fees (excluding value added tax) will be based on the following annual rates:

- £0 to £100 million – 0.70%;
- £100 to £500 million – 0.525%;
- above £500 million – 0.45%.

The Manager may increase the current annual management fees and the current preliminary charge (or introduce a redemption charge) if:

(i) the Manager has given notice in writing to the Corporate Trustee and to the unitholders of its intention to increase the rates of annual management fees, or to increase the preliminary charge, or to introduce a redemption charge (as the case may be);

(ii) the Scheme Particulars have been revised subject to the prior written approval of the Charity Commission to reflect the proposed increase in these rates of annual management fees, or to increase the current preliminary charge, or to introduce a redemption charge; and

(iii) 90 days have elapsed since the revised Scheme Particulars became available.

PRELIMINARY CHARGE

The Manager also applies a preliminary charge of 0.25% of the initial price of the units and this is included in the price at which units may be purchased.

This charge may be reduced at the Manager's sole discretion.

BORROWING POWERS

Under the Scheme, the Manager is allowed to borrow money for the use of the Fund in certain circumstances. The Manager intends to use this power when it considers this to be in the best interests of the unitholders, principally either to obtain bridging finance to purchase real property for the Fund in anticipation of the receipt of committed subscriptions from existing or new unitholders or to finance the redemption of units pending the receipt of sales proceeds. Borrowing will not exceed 10% of the Net Asset Value of the Fund on any Business Day.

TRUSTEE, MANAGER AND ADVISERS

DETAILS

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This Report is issued by Savills Investment Management (UK) Limited, registered in England Number 03680998, which is authorised and regulated by the Financial Conduct Authority Number 193863 and is a subsidiary of Savills Investment Management LLP, a limited liability partnership registered in England Number OC306423. Savills Investment Management LLP is authorised and regulated by the Financial Conduct Authority Number 615368. The registered office of both entities is at 33 Margaret Street, London W1G 0JD. A list of members of Savills Investment Management LLP is available from the registered office. The Charities Property Fund is a registered charity, Number 1080290.

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The value of property is generally a matter of a valuer's opinion rather than fact. Please remember that past performance is not necessarily a guide to future performance. The value of an investment and the income from it can fall as well as rise and investors may not get back the amount originally invested. Taxation levels, bases and (if relevant) reliefs can change. Property can be difficult to sell and it may be difficult to realise your investment when you want to.

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