



interim report

2011



The Charities Property Fund

Contents

Fund Summary	2
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List of Properties

Map of Properties	3
Retail	5
Office	6
Industrial	7
Other	8
Portfolio Statement	9

Key Fund Data

Expense Ratios	12
Portfolio Turnover Rate	12
Distribution Yield	12
Annualised Performance	13
Investor Analysis	13
Fund History	14
Distribution Table	15

Financial Statements

Statements of the Manager's Responsibilities	16
Independent Review Report	17
Statements of Total Return and Change in Net Assets Attributable to Unitholders	19
Balance Sheet	20
Cashflow Statement	21
Notes to Financial Statements	22
General Information	30
Trustee, Manager and Advisers	32



Fund Summary

Since June 2011, the commercial property investment market has stabilised and the majority of returns are being driven through income alone. This continued focus on income, along with concerns over inflation and the tax efficient nature of the Fund has resulted in continued demand for units in the Fund. On 30 June 2011 and 30 September 2011 c. £23.7 million and c. £10.1 million, respectively, of net new applications were accepted. By the end of December 2011 the Fund's NAV was £460.9 million.

The number of unit holders has risen to 1,256, including 95 charities who have added to their holdings and 69 charities who have invested in the Fund for the first time in this 6 month period. Between June and December 2011, the unit offer price rose from 97.71 pence per unit to 98.45 pence per unit, an increase of 0.76%. The distribution for the second half of the year totalled 2.90 pence per unit giving a total return of 3.62% for the half year period, resulting in a total return for the year of 7.5%.

Portfolio Report

We undertook six purchases over the last six months, totalling £61.9 million. The acquisitions had an average yield to the Fund of 7.4%, compared to the Investment Property Databank (IPD) December Monthly Index of 6.2%, and consisted of one supermarket, one retail warehouse park, one hotel and three industrial units. The combined vacancy rate on these assets was 0% (compared to IPD Monthly December of 9.7%) and income secured on low or negligible risk covenants, as measured by Experian, is 95% (compared to the IPD Rental Information Index (IRIS) at 70.5%). The average lease length was 15.9 years to the earliest break, compared to the IPD Index at 10 years.

We also completed two sales; an office building in Sunderland and an industrial unit in Swindon. The sale consideration totalled £9.87 million.

Within the portfolio, we have let the former B&Q unit at Merthyr Tydfil on a new 15 years lease and the former MFI unit at Bury on a new 10 years lease. We have also completed six further lettings and two lease extensions. There are a number of ongoing active management initiatives and lease extensions in progress.

Map of Properties

■ Retail

- 1 Basildon
Old Market Retail Park, Essex
- 2 Bath
4 Union Street, Avon
- 3 Birmingham
Halfords, Watery Lane
- 4 Bury
Moorgate Retail Park, Lancashire
- 5 Canterbury
Units 1 & 2 Wincheap
- 6 Chichester
16-17 North Street, W. Sussex
- 7 Chichester
4 East Street, W. Sussex
- 8 Doncaster
Wickes Unit, Leger Way
- 9 Guildford
Magnet Unit, Ladymead
- 10 London, SE15
593-613 Old Kent Road
- 11 London, N1
54/55 Chapel Market, Islington
- 12 Mansfield
Tesco Extra Store
- 13 Methyr Tydf
Pentrebach Retail Park
- 14 Middlesbrough
B&M, Parkway Centre, Coulby Newham
- 15 Nailsea
Tesco Superstore
- 16 Rayleigh
12-24 Eastwood Road
- 17 Redditch
B&Q, Tunnel Drive
- 18 Sheffield
Units 1-7, Cambridge St, Barkers Pool
- 19 Southend-on-Sea
169/175 High Street
- 20 Twickenham
Apex Retail park, Hampton Road West, Hanworth
- 21 Uttoxeter
Dovefields Retail Park
- 22 Windsor
15-16 Peascod Street, Berkshire
- 23 Worcester
31 High Street

■ Office

- 24 Bath
Westpoint, James Street
- 25 Birmingham
The Pavillions, 3010/3020, The Crescent
- 26 Chester
Chester Civil Justice Centre, Trident House
- 27 Chester
Elder House, Sealand Road
- 28 Edinburgh
The Tun, Holyrood
- 29 Gloucester
SA Europe House, Waterwells Business Park
- 30 Leeds
Jubilee House, Mid Point Business Park
- 31 Leicester
Unit 2, Bede Island Business Park
- 32 London, SW1
10 Dean Farrar Street
- 33 London, WC2
90 Chancery Lane
- 34 London, EC1
Crystal Court, 6-9 Briset Street
- 35 Staines
Magna House, 76-80 Church Street
- 36 Taunton
Sedgemoor House, Deane Gate Office Park
- 37 Tunbridge Wells
Brooke Hse & Seymour Hse, Mount Ephraim Road
- 38 Woking
One Crown Square
- 39 Wolverhampton
Pendeford House, Pendeford Business Park

■ Industrial

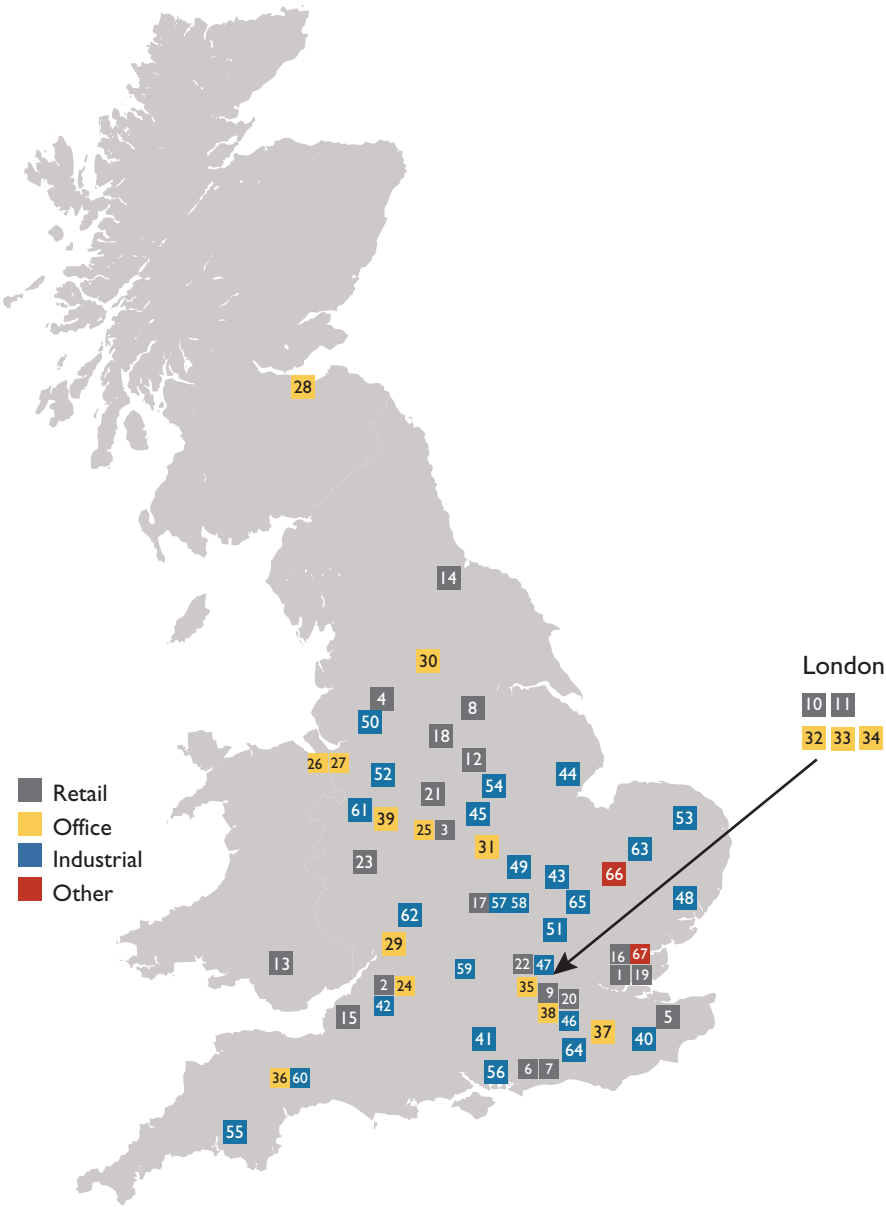
- 40 Ashford
Units A-D, Phase IV, Ashford Business Park
- 41 Basingstoke
Bayard (Unit B) Knights Park Houndsmills
- 42 Bath
Unit 1, Unit 4, Unit 5 Westfield Trading Estate
- 43 Biggleswade
Smiths Metal Centres, Stratton Business Park
- 44 Boston
Havenside, Fishtoft Road
- 45 Burton-on-Trent
Unipart Logistics

- 46 Epsom
Epsom Trade Park, Longmead Industrial Estate
- 47 Hayes
Caxton Point, Printing House Lane
- 48 Ipswich
Meditate Unit, Orion Business Park
- 49 Kettering
Bunzl Unit, Telford Way Industrial Estate
- 50 Manchester
Units A & B, Wardley Cross Industrial Estate
- 51 Milton Keynes
Dawson Road, Mount Farm Industrial Estate
- 52 Newcastle under Lyme
Unit 1, Rosevale Business Park
- 53 Norwich
Magnet, 171, Mile Cross Lane
- 54 Nottingham
Turbine Surface Technologies, Little Oak Drive
- 55 Plymouth
Unit 2, Westernwood Way, Langage Business Park
- 56 Portsmouth
SMR, Castle Trading Estate
- 57 Redditch
Alto House, Ravensbank
- 58 Redditch
John Lewis, Redd 42
- 59 Swindon
Jewson Unit, Kembrey Street, Kembrey Park
- 60 Taunton
Site N, Crown Industrial Estate
- 61 Telford
Laconite Building, Stafford Park 6
- 62 Tewkesbury
Alexandra Way, Ashchurch Business Park
- 63 Thetford
TNT Unit, Fison Way Industrial Estate
- 64 Uckfield
Units 1-20, Ridgewood Industrial Park
- 65 Wellingborough
Avery Dennison, Warth Park

■ Other

- 66 Cambridge
Travelodge, Newmarket Road
- 67 Rayleigh
Virgin Active, 200 Rayleigh Road

Map of Properties



List of Properties – Retail

Property	Principal Tenants	Annual Rent As at 31 December 2011 £	Expiry (Breaks)
Basildon	Mc Donalds, KFC, Pets at Home, Farm Foods, Store 21	560,010	2016 to 2021
Bath	Dune	146,000	2018
Birmingham	Halfords	105,300	2019
Bury	Carpetright, Halfords, Comet, Home Xtra, KFC	788,066	2021 (2012)
Canterbury	Dunelm, Carpetright	521,000	2026
Chichester	WH Smith	191,500	2012
Chichester	Oasis	100,000	2013
Doncaster	Wickes	296,327	2018
Guildford	Magnet	600,000	2024
London, N1	First Sport, Superdrug	194,000	2020
London, SE15	Vacant	-	- (under offer)
Mansfield	Tesco	2,369,973	2030
Merthyr Tydfil	Halfords, Home Bargains, Comet, PC World, Dreams, Poundstretcher, Tiles 'r' Us, Phillip Evans	816,880	2015 to 2027
Middlesbrough	B&M	239,180	2023
Nailsea	Tesco	1,115,850	2031
Rayleigh (Eastwood Rd)	Somerfield	417,500	2025 (2020)
Redditch	B&Q	1,294,020	2027
Sheffield	AF Blakemore, JD Wetherspoon, ASK, Slug and Lettuce	404,423	2014 to 2034
Southend-on-Sea	The Works, Early Learning Centre	150,000	2016 to 2020
Twickenham	DSG Retail, Wickes	938,500	2019
Uttoxeter	B&Q, Pets at Home, Argos, B&M, Carpetright, Brantano, Frankie and Benny's, KFC	787,298	2018 to 2028 (2018)
Windsor	Body Shop	132,800	2015
Worcester	Costa Coffee	98,000	2012

List of Properties – Office

Property	Principal Tenants	Annual Rent As at 31 December 2011 £	Expiry (Breaks)
Bath	Able & Imray, Bath News and Media, London and Country Mortgages, Coral Racing, Wickes, Southern Co-operatives	582,207	2017 to 2024 (2012 - 2015)
Birmingham	Spring Group, Arval UK Group	714,000	2014 to 2019
Chester	The Secretary of State for Communities and Local Government	437,615	2026 (2016)
Chester	Crest Nicholson	108,000	2020
Edinburgh	BBC, Scottish Enterprise, British Council, European Parliament, General Medical Council, COMAS	629,651	2014 to 2026 (2012 - 2016)
Gloucester	Signet Armorlite Europe	283,500	2018
Leeds	Car Care Plan	251,100	2017 (2012)
Leicester	Ericsson	275,000	2023 (2013)
London, SW1	Metropolitan Police Authority, Nigeria LNG, Q Med UK	712,060	2012 to 2020 (2012 - 2015)
London, WC2	Church's Retail	77,500	2013
London, EC1	EHS Brann	1,634,912	2016
Staines	Givaudan UK	138,900	2013
Taunton (Sedgemoor House)	Lloyds TSB	242,000	2015
Tunbridge Wells	Cripps Harries Hall	340,000	2014 (2013)
Woking	RBS, Procter & Gamble, Odin, RJ Rowlands, Ark Healthcare, Barnes & Sherwood, PLP, Wadham & Isherwood, JS2, Clarity, Fresh Coffee, A Daya, Property Law Partners, Base Connections Telemarketing, United Kingdom Tea Council, Latchwood Associates, Bank Training and Development, Business Lending Management, Lascom Communications, Frontera Limited and KGW Family Law	329,658	2012 to 2021 (2012 - 2014)
Wolverhampton	Carillion Capital Projects	131,000	2015

List of Properties – Industrial

Property	Principal Tenants	Annual Rent As at 31 December 2011 £	Expiry (Breaks)
Ashford	Sauflon Pharmaceuticals, Dentsky, Hickson International	359,454	2015 - 2019 (2013)
Basingstoke	Debenhams	317,000	2017
Bath	Communis UK, Parker Transport	479,530	2015 to 2023 (2013)
Biggleswade	Smiths Metal Centres	397,000	2018
Boston	Fogarty	350,000	2035
Burton-on-Trent	Unipart Logistics	869,464	2017
Epsom	Tchibo Coffee International Limited, Storage King, Abgene, Screwfix Direct Ltd, PI World, Milton Keynes Paint & Equipment, Heating and Plumbing Supplies	664,098	2013 - 2019 (2014)
Hayes	Tempur UK	497,097	2016
Ipswich	Mediterranean Shipping Company	409,000	2017 (2012)
Kettering	Bunzl	490,320	2014
Manchester	Royal Mail, Wilkinson Star	318,250	2017 to 2018
Milton Keynes	TNT Logistics	435,085	2016
Newcastle- under-Lyme	John Menzies	502,500	2015
Norwich	Magnet	109,750	2024
Nottingham	Turbine Surface Technologies	433,843	2026
Plymouth	Geocel	235,000	2017
Portsmouth	SMR Automotive Mirrors UK	665,000	2019
Redditch (Alto House)	Sapa Profiles UK	250,000	2020 (2013)
Redditch (Redd 42)	John Lewis	1,437,900	2017
Swindon	Jewson	146,500	2023
Taunton (Crown Industrial Estate)	Wickes	87,500	2016
Telford	Johnson Controls (UK)	715,000	2019
Tewkesbury	Oberthur Card Systems	270,000	2020
Thetford	TNT	78,000	2020
Uckfield	Challenge Packaging, Alexir Contract Packaging, Absolute Self Storage, K2 Race Engineering, Paperfile, Naval & Military Press, Ixia, Moor Spa	421,168	2012 to 2019 (2012 - 2012)

List of Properties – Other

Property	Principal Tenants	Annual Rent As at 30 June 2011 £	Expiry (Breaks)
Rayleigh (Rayleigh Rd)	Virgin Active	464,000	2028
Cambridge	Travelodge	1,095,000	2048

Portfolio Statement

Period Ended 31 December 2011

Split of portfolio by value

Portfolio of Investment

Properties valued at greater than £15.1m

Tesco, Chesterfield South Road, Mansfield

6-9 Briset Street, London

Tesco, Stock Way North, Nailsea

90 Chancery Lane, London

B&Q Unit, Tunnel Drive, Redditch

10 Dean Farrar Street, London

Redd 42, Hedera Road Redditch

Apex Retail Park, Hampton Road West, Twickenham

	Bid valuation £000	Percentage of total net assets
Total	182,280	39.55%

Properties valued from £10.1m to £15m

Dovefields Retail Park, Uttroter

Pentrebach Retail Park, Merthyr Tydfil

Magnet Unit, Ladymead, Guildford

Total	32,600	7.07%
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Properties valued from £5.1m to £10m

Barberry 157, Burton upon Trent

Moorgate Retail Park, Bury

Epsom Trade Park and Units 450A and 450B, Epsom

The Tun, Holyrood, Edinburgh

Old Market Retail Park, Pitsea, Basildon

Units 1 & 2, Wincheap, Canterbury

Laconite Building, Stafford Park 6, Telford

SMR Unit, Castle Trading Estate, Porchester

Westpoint, James Street West, Bath

The Pavilions, The Crescent, Birmingham

12-24 Eastwood Road, Rayleigh

Virgin Active, Rayleigh

Portfolio Statement

	Bid valuation £000	Percentage of total net assets
Chester Civil Justice Centre, Trident House, Little St John Street, Chester		
Caxton Point, Hayes		
Units 1-7 Cambridge Street, Barkers Pool, Sheffield		
One Crown Square, Woking		
TST Unit, Sherwood Park, Nottingham		
Avery Dennison, Wellingborough		
Units 1, 4 and 5, Westfield Trading Estate, Midsomer Norton, Bath		
Total	136,455	29.60%
Properties valued from £2.6m to £5m		
Travelodge, Newmarket Road, Cambridge		
Ridgewood Industrial Park, Uckfield		
Fogarty Ltd, Havenside, Fishtoft Road, Boston		
Dawson Road, Mount Farm Industrial Estate, Milton Keynes		
Bunzl Unit, Telford Point, Telford Way Industrial Estate, Kettering		
Unit 1, Rosevale Business Park, Newcastle-Under-Lyme		
Smiths Metal Centres, Stratton Business Park, Biggleswade		
Wickes Unit, Leger Way, Doncaster		
Units A, B, C & D, Phase IV, Ashford Business Park, Ashford		
593-613 Old Kent Road, London		
Unit B, Bayard, Knight's Park, Houndmills, Basingstoke		
54/55 Chapel Market, Islington, London		
Units A & B, Wardley Cross Industrial Estate, Manchester		
Brooke House & Seymour House, 3/13 Mount Ephraim Road, Tunbridge Wells		
B&M Unit, Parkway Centre, Coulby Newham, Middlesbrough		
16/17 North Street, Chichester		

Portfolio Statement

	Bid valuation £000	Percentage of total net assets
Medite Unit, Orion Business Park, Ipswich		
SA Europe House, Waterwells Business Park, Gloucester		
Alexandra Way, Ashchurch Business Centre, Tewkesbury		
Unit 2, Western Wood Way, Langage Business Park, Plymouth		
Total	76,620	16.62%
Properties valued from £0m to £2.5m		
4 Union Street, Bath		
Alto House, Ravensbank Drive, Redditch		
Unit 2, Bede Island North, Western Boulevard, Leicester		
Sedgemoor House, Deane Gate Office Park, Taunton		
15/16 Peascod Street, Windsor		
Jubilee House, Mid Point Business Park, Leeds		
Jewson Unit, Kembrey Street, Kembrey Park, Swindon		
169-175 High Street, Southend on Sea		
4 East Street, Chichester		
31 High Street, Worcester		
Halfords, Watery Lane, Birmingham		
Magnet, 171 Mile Cross Lane, Norwich		
Magna House, Church Street, Staines		
Elder House, Sealand Road, Chester		
Pendeford House, Pendeford Business Park, Wolverhampton		
Site N, Crown Industrial Estate, Taunton		
TNT Unit, Fisons Way Industrial Estate, Thetford		
Total	28,755	6.24%
Total value of property holdings	456,710	99.08%
Portfolio of investments	456,710	99.08%
Net other assets and liabilities	4,220	0.92%
Net assets	460,930	100.00%

Expense Ratios

	Total Expense Ratio	Property Expense Ratio	Transaction Cost Ratio
31 December 2011	0.62%	0.50%	0.50%
31 December 2010	0.63%	0.39%	0.35%

The total expense ratio (TER) of the fund is the ratio of the fund's total operating costs to its average net assets for 12 months. The property expense ratio (PER) includes those costs associated with the assets which are not recoverable from tenants. Operating costs are specifically those costs associated with operating the fund itself and do not include additional costs associated with the day to day maintenance of the assets. The transaction cost ratio 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 12 months.

Portfolio Turnover Rate

	Portfolio Turnover Rate
31 December 2011	8.66%
31 December 2010	-9.92%

The portfolio turnover rate gives an indication of how frequently assets are purchased and sold by the Fund relative to investors purchasing and selling units in the Fund.

Distribution Yield

	Distribution Yield
31 December 2011	6.2%
31 December 2010	6.7%

The distribution yield represents the total distribution per unit over the previous 12 months as a percentage of the net asset value per unit as at the end of the period.

Annualised Performance

	1 Year	3 Years	5 Years
31 December 2011	7.5%	6.9%	-1.1%
31 December 2010	11.4%	-1.9%	0.8%

Investor Analysis

Holding	Number of Beneficial Owners	Total Percentage Holding
Less than 0.01%	497	2.44%
0.01% but less than 0.05%	471	10.51%
0.05% but less than 0.10%	130	9.31%
0.10% but less than 0.50%	119	25.66%
0.50% but less than 1.00%	22	14.89%
1.00% but less than 2.00%	12	14.18%
2.00% but less than 4.00%	2	4.88%
Greater than 4.00%	3	18.13%
Total number of units in issue at the end of the period		476,359,973
Percentage held by the largest investor		8.02%

Fund History

Net Asset Value/ Fund Size	Date	Net Asset Value (£)	Units in Issue	Net Asset Value Per Unit (p)
	31 December 2006	376,392,705	262,457,584	143.39
	31 December 2007	313,506,132	247,728,066	126.53
	31 December 2008	221,433,046	227,584,448	97.96
	31 December 2009	299,665,337	326,100,029	91.61
	31 December 2010	389,326,810	406,947,643	95.55
	31 December 2011	460,929,721	476,359,973	96.76

Price and Income History	Year Ended	Highest Buying Price (p)	Lowest Selling Price (p)	Net Income Per Unit (p)
	31 December 2006	145.82	129.92	7.55
	31 December 2007	149.15	124.69	7.48
	31 December 2008	125.87	96.53	7.77
	31 December 2009	109.34	83.75	7.86
	31 December 2010	97.09	92.87	6.37
	31 December 2011	98.99	94.71	6.03

Distribution Table

		2011		2010	
Distribution Number	Distribution Period	Distribution Per Unit (p)	Date Paid	Distribution Per Unit (p)	Date Paid
1	01 January to 31 March	1.34	13/05/11	1.41	14/05/10
2	01 April to 30 June	1.54	15/08/11	1.46	13/08/10
3	01 July to 30 September	1.36	15/11/11	1.94	15/11/10
4	01 October to 31 December	1.51	15/02/12	1.79	15/02/11
Total		<u>5.75</u>		<u>6.60</u>	

Statement of the Manager's Responsibilities in Respect of the Financial Statements

The manager of the Charities Property Fund ('the Manager') has accepted responsibility for the preparation of these non-statutory accounts for the period ended 31 December 2011 which are intended by them to give a true and fair view of the state of affairs of the fund and of the profit or loss for that period. They have decided to prepare the non-statutory accounts in accordance with UK Accounting Standards (UK Generally Accepted Accounting Practice).

In preparing these non-statutory accounts, the managers have:

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- stated whether applicable UK Accounting Standards have been followed; subject to any material departures being disclosed and explained in the non-statutory accounts; and
- prepared the non-statutory accounts on the going concern basis as they believe that the Fund will continue in business.

The managers have 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.

Independent Review Report to the Unitholders of the Charities Property Fund ('The Trust')

Introduction

We have been engaged by the Manager of the Charities Property Fund (the "Trust"), an unauthorised unit trust, to review the financial statements in the half-yearly report for the six months ended 31 December 2011 which comprises the Statement of Total Return, the Statement of Change in Net Assets Attributable to Unitholders and the Balance Sheet together with the related notes and the Distribution Table. These financial statements have been prepared under the accounting policies set out therein.

We have read the other information contained in the half-yearly report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the financial statements.

This report is made solely to Trust's unitholders, as a body, in accordance with the terms of our engagement. Our review has been undertaken so that we might state to the Trust those matters we are required to state to it in this 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 Trust and its unitholders as a body for our review work, for this report, or for the conclusions we have reached.

Manager's responsibilities

The half-yearly report is the responsibility of, and has been approved by, the Manager.

The annual financial statements of the Trust are prepared in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice). The financial statements included in this half-yearly report have been prepared in accordance with the recognition and measurement requirements of UK Generally Accepted Accounting Practice.

Our responsibility

Our responsibility is to express to the Trust and its unitholders as a body a conclusion on the financial statements in the half-yearly report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independent Review Report to the Unitholders of the Charities Property Fund ('The Trust') continued

Whilst the Trust has previously produced a half-yearly report containing a set of financial statements, those financial statements have not previously been subject to a review by an independent auditor. As a consequence, the review procedures set out above have not been performed in respect of the comparative period for the six months ended 31 December 2010.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the financial statements in the half-yearly report for the six months ended 31 December 2011 is not prepared, in all material respects, in accordance with the recognition and measurement requirements of UK Generally Accepted Accounting Practice.

KPMG LLP

Chartered Accountants
London

6 March 2012

Statements of Total Return and Change in Net Assets Attributable to Unitholders

6 months ended 31 December 2011

		Unaudited 6 months to 31 December 2011	Unaudited 6 months to 31 December 2010
	Note	£	£
Net capital gains	3	4,023,893	4,089,259
Revenue	4	15,841,269	15,605,805
Expenses	5	(2,353,587)	(1,791,642)
Net revenue before finance costs		13,487,682	13,814,163
Finance costs – borrowings and interest	6	(105,098)	(87,740)
Net revenue		13,382,584	13,726,423
Total return before distributions		17,406,477	17,815,682
Finance costs – distributions	7	(13,354,432)	(13,784,027)
Change in net assets attributable to unitholders from investment activities		4,052,045	4,031,655
Statement of change in net assets attributable to unitholders			
Opening net assets attributable to unitholders		439,706,076	342,812,795
Amounts receivable on creation of units		17,171,600	42,618,480
Change in net assets attributable to unitholders from investing activities		4,052,045	4,031,655
Closing net assets attributable to unitholders		460,929,721	389,462,930

Balance Sheet

As at 31 December 2011

		Unaudited 31 December 2011	Unaudited 31 December 2010
	Note	£	£
Assets			
Investment properties		456,710,000	327,442,044
Debtors	8	14,094,238	31,663,071
Cash and bank balances		3,569,441	38,863,945
		<u>17,663,679</u>	<u>70,527,016</u>
Total assets		<u>474,373,679</u>	<u>397,969,060</u>
Liabilities			
Payables	9	2,739,209	1,760,664
Distribution payable		7,104,749	6,745,466
Credit facility		3,600,000	-
Total liabilities		<u>13,443,958</u>	<u>8,506,130</u>
Net assets attributable to unitholders		<u>460,929,721</u>	<u>389,462,930</u>

The financial statements were approved by the Board of Directors of the Manager on 6 March 2012 and were signed on its behalf by

Richard James

6 March 2012

Cash Flow Statement

6 months ended 31 December 2011

	Unaudited 6 months to 31 December 2011 £	Unaudited 6 months to 31 December 2010 £
Cash flow from operating activities		
Reconciliation from net operating income to net cash flows from operating activities		
Net operating income	13,382,584	13,726,423
Bank interest received	(40,525)	(70,926)
Loan interest paid	16,890	-
(Increase)/decrease in trade and other receivables	(2,058,878)	6,027,200
(Decrease)/increase in trade and other payables	(1,087,646)	745,809
Net cash flow from operating activities	10,212,425	20,428,506
Cash flows from investment activities		
Net cash flows before financing activities	(47,835,693)	21,256,175
Purchase of properties	(67,958,643)	(12,522,017)
Sale of properties	9,870,000	13,278,760
Bank interest received	40,525	70,926
Net cash flow from investment activities	(58,048,118)	827,669
Net cash flows before financing activities	(47,835,693)	21,256,175
Cash flows from financing activities		
Net amounts received on creation	33,464,457	17,956,096
Borrowing costs and interest	(16,890)	-
Borrowing	3,600,000	-
Income distributions paid	(12,952,586)	(12,128,826)
Net cash outflow from financing activities	24,094,981	5,827,270
Net (decrease)/increase in cash and cash equivalents	(23,740,712)	27,083,445
Cash and cash equivalents at the start of the period	27,310,153	11,780,500
Cash and cash equivalents at the end of the period	3,569,441	38,863,945

I Accounting policies

- a) Basis of accounting: the financial statements have been prepared under the historical cost basis, as modified by the revaluation of investments, and in accordance with the requirements of the Charities Act 1993, Charities (Accounts and Reports) Regulations 2008 and the Statement of Recommended Practice for Financial Statements of Authorised Funds issued by the IMA in October 2010 (the "SORP").

The prior period financial statements were prepared in accordance with the SORP issued by the IMA in November 2008. The adoption of the 2010 SORP did not change either the total return or the Statement of Change in Net Assets Attributable to unitholders in either the current or preceding year.

The Fund is exempt from complying with the Charities Statement of Recommended Practice under paragraph 449 of that document.

The Fund aggregates properties in the portfolio statement on pages 9-11 in bands greater than 5% and does not disclose transaction costs to avoid disclosure of sensitive commercial information and does not therefore comply fully with the SORP.

- b) Basis of valuation of investments: the direct property investments of the Fund are valued quarterly on an open market basis, as defined in the Appraisal and Valuation Manual prepared by the Royal Institution of Chartered Surveyors, and in accordance with the Scheme. The interests in property were last valued by Cushman & Wakefield as at 29 December 2011. In accordance with SSAP 19: Accounting for Investment Properties, no depreciation has been provided for on the property assets. Holdings in indirect property including collective investment schemes are valued at quoted bid prices for dual priced funds and quoted prices for single priced funds, on the last business day of the accounting period. Investments for which quoted market prices are not available are included at the Manager's valuation.
- c) Recognition of income and expenses: Rental income, interest deposits and expenses are accounted for on an accruals basis. The periodic charge of the Manager, as detailed in the Scheme Particulars, is deducted from income. Distributions from collective investment schemes are recognised when the schemes are quoted ex-distribution.
- d) All expenses, other than transaction charges relating to the purchase and sale of investments and certain borrowing costs (see below), are included in 'Expenses' in the Statement of Total Return. Transaction charges are charged against capital.
- e) Lease incentives: Benefits to lessees in the form of rent free periods or cash incentives are treated as a reduction in the overall return on the leases and, in accordance with UITF 28 'Operating Lease Incentives', are recognised on a straight line basis over the shorter of the lease term or the period up to the initial review date. Capital contributions granted to tenants are shown as a debtor and amortised over the shorter of either the period of the lease or the period to when the rent is adjusted to the prevailing market rate, usually the first rent review. The valuation of the property investments is reduced by the total of the unamortised capital contributions and any lease incentives in place at the time. Any remaining debtor incentive balances in respect of properties disposed of are included in the calculation of the profit or loss arising on disposal.
- f) Borrowing costs: costs and interest associated with the bridging loan established during the year are allocated against the distributable income of the Fund or to capital in accordance with the SORP. Further details of the allocation of these costs is included in note 6.

- g) Distribution policy: income arising from the Fund's investments accumulates during each accounting period. Income net of Fund expenditure is allocated to unitholders of the Fund in accordance with the regulations after adjusting for any items of a capital nature. It is the policy of the Fund to distribute all income gross of income tax on a quarterly basis.
- h) Taxation: as a charity, the Fund is not currently liable to UK tax on gains arising on disposals of investments, nor on the income generated from investments, and is not liable to pay stamp duty land tax on purchases of property.

2 Financial instruments

In pursuing its investment objective, the Fund currently holds a number 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
- 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 the Fund's investments in direct properties and individual securities also meet a risk reward profile that is acceptable.

The principal risks applicable to the Fund are market risks, liquidity risk and credit risk, these are discussed in detail below.

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) market price movements and (b) interest rate movements.

a) 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 at the time the property is sold.

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.

b) 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 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.

Notes to the Financial Statements continued

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 on a case by case basis.

Liquidity risk

The key liquidity risks are the holding of direct property assets and the redemption of units.

Direct properties are illiquid and the investments are not readily realisable. Sales may take a number of months depending on the nature and location of the asset.

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 or indirect 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.

Cash is held with reputable credit institutions and credit risk is assessed on a regular basis.

Rental income from tenants also exposes the Fund to credit risk and is discussed in sector exposure risk in further detail.

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 this market 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 period comprise:

	6 months to 31 December 2011	6 months to 31 December 2010
	£	£
Investment properties	4,023,893	4,089,259
Net capital gains	4,023,893	4,089,259

Notes to the Financial Statements continued

4 Revenue

	6 months to 31 December 2011	6 months to 31 December 2010
	£	£
Distribution from collective investment schemes	-	34,102
Rental income	14,900,527	11,549,356
Bank interest	40,525	70,926
Sundry income	900,217	3,951,421
	15,841,269	15,605,805

Sundry income is primarily made up of premiums received on the surrender of leases during the period.

5 Expenses

	6 months to 31 December 2011	6 months to 31 December 2010
	£	£
Manager and Property Manager Fees	1,231,679	978,240
Corporate Trustee's fees	94,520	76,896
	1,326,199	1,055,136
Other expenses:		
Registration fees	7,519	6,699
Insurance	37,311	29,371
Audit fee	7,172	8,665
Valuation fee	45,641	28,430
Legal and professional fees	209,110	401,013
Marketing and communication costs	57,618	21,252
Vacant property costs	587,033	192,738
Rent review fees	13,367	2,731
Other	62,617	45,607
	1,027,388	736,506
	2,353,587	1,791,642

The Manager and Property Manager Fees are calculated in accordance with the rates as defined in the Scheme Particulars and explained in the General Information on page 31. The fee payable is based on the net asset value of the Fund.

Notes to the Financial Statements continued

6 Finance costs – Borrowing and Interest

Finance cost during the year (excluding distributions) comprise:

	6 months to 31 December 2011	6 months to 31 December 2010
	£	£
Capital expenses		
Loan arrangement fee	2,500	-
Legal & professional fees	5,500	-
	8,000	
Revenue expenses		
Loan interest	16,890	-
Non-utilisation fee	80,208	87,740
	97,098	87,740
Finance costs: Borrowings and Interest	105,098	87,740

On 24 February 2010, the Fund entered into a 364 day revolving credit facility (the “Facility”) with the Royal Bank of Scotland International (“RBSI”). This facility was extended for a further 364 days on 22 February 2011. The Facility can be utilised as follows:

- a maximum drawdown of £20,000,000 for the purchase of investment properties; and
- a maximum drawdown of £10,000,000 for redemptions and distributions

As at 31 December 2011, this facility was partially drawn down for an amount of £3,600,000 (31 December 2010 £nil).

Loan arrangement fees payable to RBSI 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.

Notes to the Financial Statements continued

7 Finance Costs – Distributions

Included in the income available for distribution is the income received on the creation of units and deducted on cancellation of units, and comprise:

	6 months to 31 December 2011	6 months to 31 December 2010
	£	£
1st interim distribution	6,249,683	7,038,561
2nd interim distribution	7,104,749	6,745,466
Net distribution for the period	13,354,432	13,784,027

Details of the distribution per unit are set out in the distribution table on page 15

Represented by:

Net income	13,382,584	13,726,423
Add back:		
Borrowings and interest (capital expenses – see note 6)	8,000	-
Capital expense	-	97,011
Deduct:		
Capital income	(51,947)	(19,318)
Balance of income brought forward	20,314	2,812
Balance of income carried forward	(4,519)	(22,901)
Net distribution for the year	13,354,432	13,784,027

8 Debtors

	31 December 2011	31 December 2010
	£	£
Amounts receivable for creation of units	7,388,011	29,154,602
Rent receivable	2,524,471	-
Funds in escrow	2,140,000	-
Sundry debtors	28,674	28,167
VAT Recoverable	143,576	-
Other prepayments	1,093,440	2,276,491
Insurance prepayment	776,066	203,811
	14,094,238	31,663,071

Other prepayments predominantly consist of lease incentives granted to tenants.

9 Payables

	31 December 2011	31 December 2010
	£	£
Purchases awaiting settlement	495,342	166,120
Prepaid rent	1,007,372	25,411
Prepaid insurance	129,967	387,959
Managers and Property Manager fees	634,838	498,607
Marketing and communication costs	11,115	13,654
Corporate Trustee fees	48,496	41,995
Audit fees	5,672	4,915
Registration fees	7,102	8,970
Valuation fees	19,981	15,171
Legal and professional fees	26,000	12,960
Rent review fees	25,698	54,263
Vacant property costs	287,692	66,803
Credit facility non utilisation fee	39,934	44,109
VAT payable	-	419,727
	2,739,209	1,760,664

10 Related Party Transactions

Amounts payable to the Manager and Property Manager or associates of both are shown in note 5. Amounts due are shown in note 9.

The amount outstanding at the period end in respect of those fees was £634,838 (31 December 2010 £498,607).

Amounts payable to the Corporate Trustee or associates of the Corporate Trustee are shown in note 5. Amounts due are shown in note 9.

The amount outstanding at the period end in respect of those fees was £48,496 (31 December 2010 £41,995).

During the period the Property Manager has received transactional fees of £176,963 (31 December 2010 £326,313).

During the period affiliates of the Manager and Property Manager have received fees of £288,367 (31 December 2010 £212,606).

Details of the Manager and Corporate Trustee can be found on page 32.

11 Post Balance Sheet Events

There were no post balance sheet events requiring disclosure.

12 Contingent Liabilities

There were no contingent liabilities requiring disclosure at the period end (31 December 2010 £nil).

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 24 of the Charities Act 1993. 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 4% on all property transactions over £500,000) 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 three principal commercial property sectors: office, retail and industrial. It does not invest in speculative developments.

The Manager does not intend to hold no 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. Further details of the process for buying and selling units is set out in the Scheme Particulars which are available on request. To protect the overall position of Unit Holders, there are clearly defined restrictions on the right to redeem as are set out in the Scheme Particulars.

Minimum Investment

The minimum investment in the Fund 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).

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) will be based on the following annual rates:

- £0 to £200 million – 0.05%;
- above £200 million – 0.0375%.

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 Unit Holders of its intention to increase these rates of fees;

General Information continued

- (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.

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 Unit Holders 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 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 Unit Holders, 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 Unit Holders or to finance the redemption of Units pending the receipt of sales proceeds. Borrowing will not exceed 10% of the net value of the assets of the Fund on any Business Day.

Trustee, Manager and Advisers

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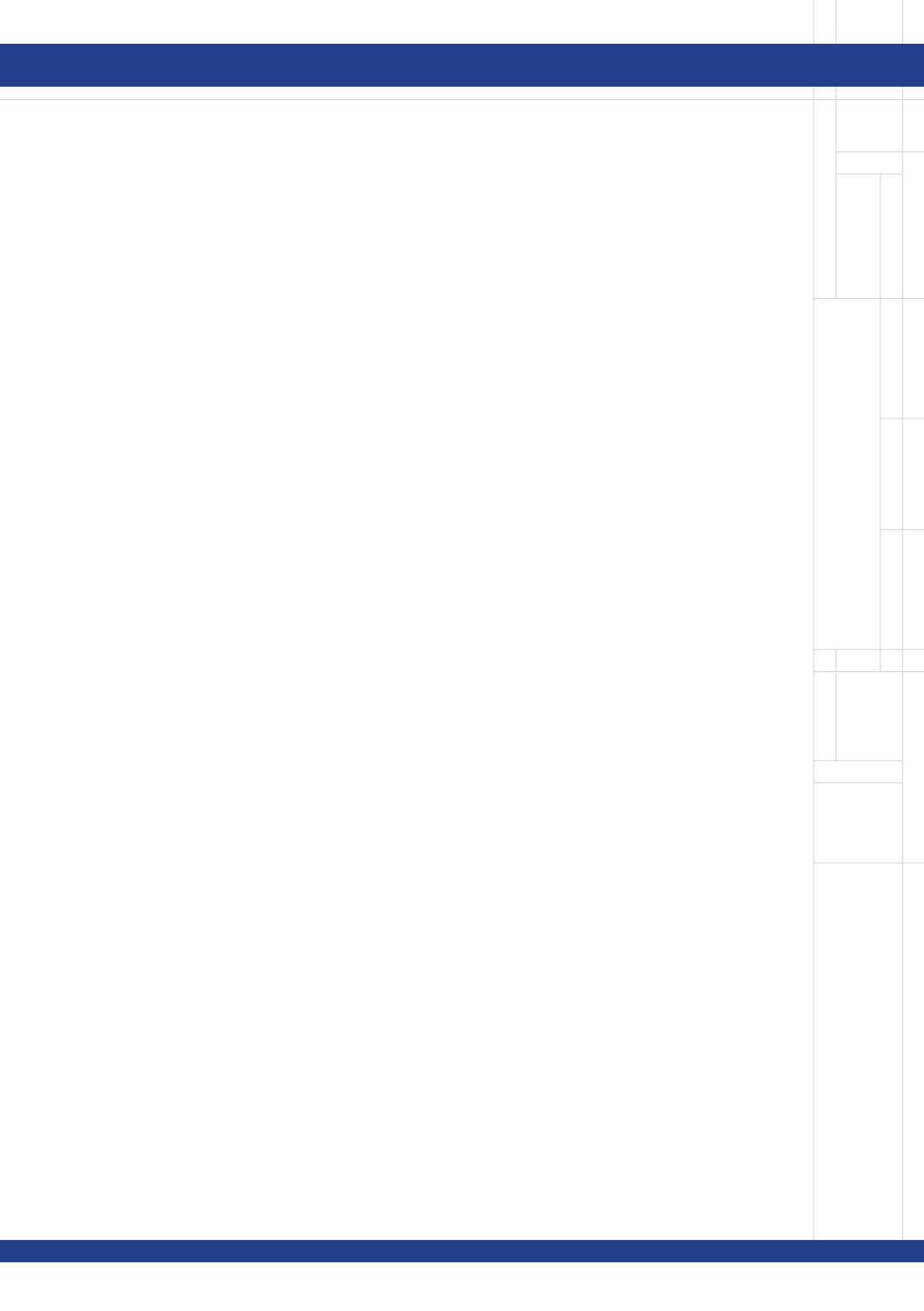
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