



Report & Accounts

2011



The Charities Property Fund

Investment Objectives

The aim of The Charities Property Fund (the “Fund”) is 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. The Fund invests in the principal commercial property sectors: office, retail, industrial and leisure. It does not undertake speculative developments.

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

Strategy

The Fund’s strategy is to acquire a diversified portfolio of institutional quality investments. Traditionally the Fund has focused on the retail warehouse, supermarket, office and industrial markets. The Fund has largely avoided high street retail due to the low yield available. The Fund aims to achieve a return of 8% per annum delivered through 6% per annum in income and 2% per annum in capital growth.

The Fund does not use strategic gearing (i.e. it does not enter into long term borrowing) although it does have the use of a short term bridging facility to enable it to manage the investment or disinvestment of cashflows associated with the application and redemption process.

Benefits anticipated in The Charities Property Fund may be affected by changes in UK tax legislation. Past performance is not necessarily a guide to future performance. The price of units, and the income generated from them is not guaranteed and can go down as well as up and investors may not get back the amount they have invested. Investing in property is a long term decision and it may take time to liquidate investments. The value of property is generally a matter of a valuer’s opinion rather than fact.



The Charities Property Fund

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Market Overview

The recovery in the UK Commercial property market continues with positive growth now recorded for eight consecutive quarters. However, whilst growth persists, it has slowed significantly and most occupational markets remain fragile. Without occupational demand pressures in these markets, rents will remain subdued and in the short term the focus should remain on income and quality of income.

Threats do remain, however the high level of income, twinned with historically low bank interest rates and the ongoing volatility in most other assets classes, points to a continuing appetite from investors for real estate.

Fund Performance

The total return for the Fund during the 12 months to June 2011 was +8.7%. This compares to the Fund's target annual return of 8.0% (6.0% income and 2.0% capital growth on a rolling basis). The IPD UK Pooled Property All Balanced Funds Index produced +7.7% total return over the same period.

The NAV of the Fund has increased in size by 28.3% during the last 12 months from £342.8 million in June 2010 to £439.71 million in June 2011. This was made up of £93.2 million of net cash inflow (including £14.74 million of in specie transfers). It is pleasing that once again the Fund has outperformed its benchmark and the IPD All Balanced Funds index whilst going through a period

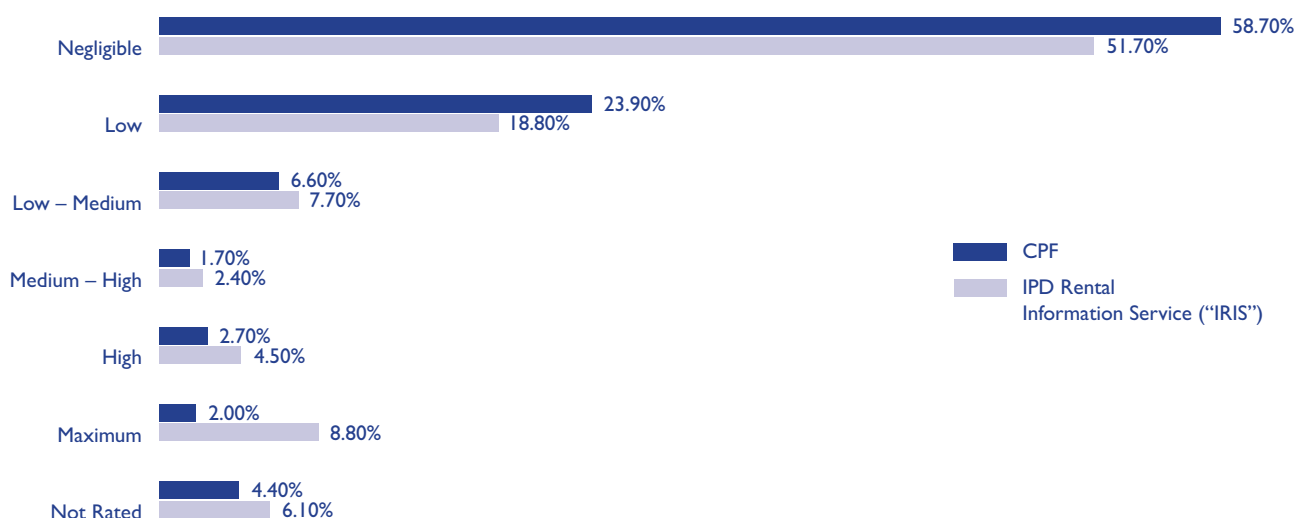
of significant growth, with all the associated transaction costs and the time delay involved investing subscriptions.

Income Security

The security of income in the Fund is supported by tenants with above average financial profiles, with 82.7% of the rent received from tenants rated "Public Sector/Negligible or Low Risk" by Experian, compared to 70.8% for the universe of portfolios measured by IPD. The Fund also has an extremely low vacancy level at 4.0% (compared to the IPD average of 9.7% as at June 2011). The weighted average unexpired lease term is 9.5 years.

Tenant Credit Risk Profile

Percentage of Rent, June 2011



The Fund has purchased 17 separate property investments in 11 different transactions over the past 12 months, investing £91.0 million. These properties were generally of high quality, let to very good covenants (94.5% secured on “Public Sector/Negligible or Low Risk” covenants as rated by Experian), on reasonably long leases (average unexpired term of 8.2 years to earliest break date) with extremely low voids (4.0% compared to the IPD average of 9.7%). The average yield to the Fund inclusive of costs of acquisition was 7.6%. This compares to the IPD Monthly initial yield of 6.3% as at June 2011.

The purchases included:

- a manufacturing unit in Portsmouth let to SMR Automotive Mirrors UK Ltd (with a surety from Paig International plc) for a further 9 years – acquired for £6.98 million, a yield of 9.4%.
- a manufacturing unit in Nottingham let to Turbine Surface Technology (with a surety from Rolls Royce plc) until December 2026 for £5.34 million, a yield of 8.0%.
- the in-specie transfer of The Walcot Educational Foundation Portfolio comprising four properties – three shops in Chichester, Bath and Windsor (86.1% of value) and one office building in Staines (13.9%) for £9.07 million, a yield of 6.7%.
- a trade park estate in Epsom, Surrey, multi-let to 7 different tenants with an average of 10 years unexpired for £8.93 million, a yield of 7.4%.
- a distribution warehouse in Burton-upon-Trent, let to Unipart Logistics Ltd (with a surety from Unipart Group plc) for £9.55 million, a yield of 9.0%.
- a Health and Fitness club in Rayleigh in Essex, let to Virgin Active until June 2028 for £6.30 million, a yield of 7.3%.
- a modern office building located close to Farringdon Station in London EC1. The property is let to EHS Brann Limited (with a surety from Havas SA) until September 2016 and was acquired for £23.00 million, a yield of 7.1%.
- the in-specie transfer of The Sons of the Clergy Property Portfolio comprising four properties – two shop units in Chichester and Worcester (54.1% of value), one retail warehouse in Birmingham (24.3%) and one industrial warehouse in Norwich (21.6%) for £5.67 million, a yield of 7.2%.
- a five unit retail park in Basildon with open A1 planning consent (including food), let to McDonald's, KFC, Pets at Home, Farm Foods and Store 21 for £8.75 million, a yield of 6.3%.
- a retail/A3 unit in Sheffield let to Slug & Lettuce on a lease expiring in December 2029 for £1.60 million, a yield of 8.1%. This unit forms part of a larger holding already owned by the Fund.
- Finally, we acquired a modern distribution unit in Hayes, Middlesex, located in a prime position 3 miles from Heathrow for £5.71 million, a yield of 8.6%.

The purchases totalled £90.87 million and were cumulatively valued at £93.72 million as at June 2011, an increase of £2.85 million (3.1%).

The Fund made four sales over the period:

- an industrial unit in Peterborough, let to Schmidt UK Limited until June 2022. The Fund took a surrender of the occupational lease and sold the vacant unit to an owner occupier in July 2010 for a combined consideration of £6.68 million, a yield of 7.5% (June 2010 valuation: £5.50 million, 9.1%).
- a retail parade in Worthing, let to a variety of high street occupiers (Game, HMV, Laura Ashley, Clintons, The Works, Genus, European Vision, Diamonds & Pearls) sold for £8.48 million, a yield of 7.7% (June 2010 valuation: £8.35 million, 7.8%).
- a retail unit in Staines let to Lloyds Bank on a lease expiring in June 2025 sold for £2.56 million, a yield of 5.9%. (June 2010 valuation: £2.51 million, 6.0%).
- The remainder of the Fund's holding in the Invista Pooled Property Fund was also sold in the period November 2010 to January 2011 for a total consideration of £1.77 million (June 2010 valuation: £1.73 million).

Total sales proceeds therefore equalled £19.49 million, an increase of 7.7% (exclusive of costs) over the cumulative June 2010 valuations of £18.09 million. Peterborough and Staines were successful asset management initiatives where we took profits. Worthing was sold due to the risks facing middle ranking retail centres. Exiting from the Invista Pooled Property Fund has been the stated strategy for some time. We took the first opportunity to sell as the Invista Pooled Property Fund had been closed since December 2007.

Redemptions and Applications

At the date of this report there are no outstanding redemptions.

The Fund is currently holding £21.45 million of cash plus £23.70 million of new subscriptions as at 30 June 2011.

In the past 12 months the Fund received total applications for 101.20 million units in the Fund and redemptions of 5.05 million units, a net addition of 96.15 million units.

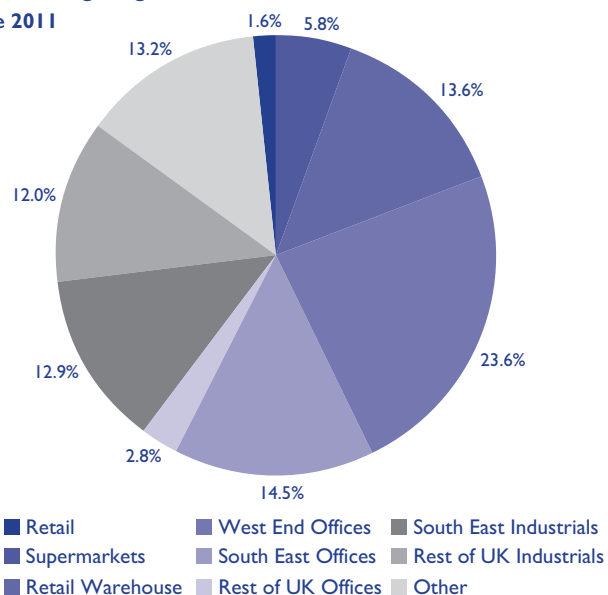
Sector Weightings

The portfolio is well diversified and is not overly exposed to any one particular sector. It continues to have a bias towards supermarkets, retail warehousing, West End offices and the industrial/distribution sectors. It is underweight (relative to the IPD Index) to high street retail, shopping centres and the City of London office market.

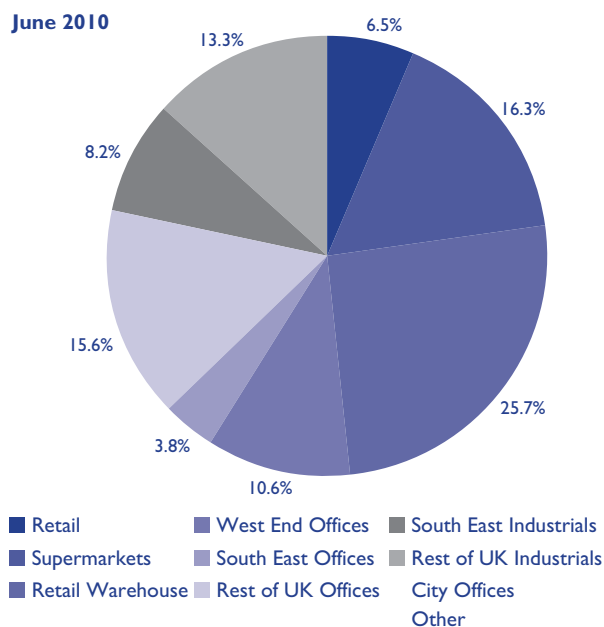
The Fund structure as at June 2011 is compared to the position at June 2010 below:

Sector Weightings

June 2011



June 2010



The Fund will aim to achieve an above average income return through keeping voids and void costs (such as empty rates, service charge and insurance) to a minimum (currently 4.0% compared to the IPD average of 9.7%) and driving income growth through fixed rental increases, refurbishments and new lettings. Importantly, approximately 13.0% of income now benefits from rental uplifts linked to RPI or CPI, guaranteeing an element of income growth over the next few years whilst occupational demand remains thin and rental growth restrained. We expect to increase this percentage towards 20-25% of the portfolio enabling us to more reliably deliver the target return of the portfolio, without relying on additional income growth.

In addition to this, we also believe our sector weightings deliver a small benefit through maintaining a higher weighting to the retail warehouse and industrial sectors and a lower weighting to the high street and City office sectors.

We continue to look for interesting growth locations and opportunities, with a bias towards West End offices, retail warehousing, supermarkets and the industrial/distribution markets. These areas benefit from a positive demand/supply imbalance (in the case of the first three) and in the case of the fourth, provide a higher yield and assets that can be bought close to replacement cost/rebuilding cost, thereby giving downside protection.

The Fund team focuses on intensive asset management and continues to look to improve security and enhance capital growth through refurbishment, lease surrenders and lease re-gears. Over the last 12 months there have been a number of successes, including:

1. Sunderland

Barclays Bank plc occupies this property under a lease expiring in March 2013. Barclays agreed to extend the occupational lease to March 2023 and in return the Fund paid Barclays a capital contribution of £1.75 million. As a result, the valuation of the property increased from £5.25 million to £8.85 million an increase of £1.85 million (or 26.4%) after the premium payment is taken into account. This property is now being marketed for sale.

2. Chancery Lane, WC2

We have taken a surrender of the occupational lease to BNP Paribas Real Estate in return for a payment of £2.76 million (effectively 100% of the rent outstanding under the occupational lease up until September 2013). This has enabled us to commence refurbishment of the building with immediate effect and be in a position to deliver a Grade A office building by Christmas 2011, at a point where there will be little available stock in the market. The refurbishment is likely to cost £3.50 million in total.

3. Sheffield

Part of the Fund's existing holding at Sheffield was originally let on a 125 year lease at a peppercorn rent. We managed to buy this part back from the administrators for £1.60 million, thereby regularising the Fund's ownership and benefitting from an immediate capital appreciation on the combined asset of £0.40 million.

4. Guildford

This prominent retail warehouse unit was let to Magnet on a lease expiring in December 2014. We agreed to extend this lease until December 2024 (a further 10 years) in return for a 9 month rent free period, thereby reducing the expiry risk to the Fund.

5. Plymouth

The industrial unit was held by the tenant on a lease expiring in December 2017. We have now extended this until May 2024 (a further 6.5 years) and incorporated two fixed rental uplifts in 2016 and 2020 in return for a rent free period.

6. Southend-on-Sea

Both of the leases on these retail units were due to expire during 2011. We pre-emptively agreed a new 5 year lease with the Early Learning Centre and a new 10 year lease with The Works, offsetting any void risk and protecting the value of this investment.

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 Tydl
Pentrebach Retail Park
- 14 Middlesbrough
Focus DIY, Parkway Centre,
Coulby Newham
- 15 Rayleigh
12-24 Eastwood Road
- 16 Redditch
B&Q, Tunnel Drive
- 17 Sheffield
Units 1-7, Cambridge St, Barkers Pool
- 18 Southend-on-Sea
169/175 High Street
- 19 Twickenham
Apex Retail park, Hampton
Road West, Hanworth
- 20 Windsor
15-16 Peascod Street, Berkshire
- 21 Worcester
31 High Street

Other

- 63 Rayleigh
Virgin Active, 200 Rayleigh Road, Essex

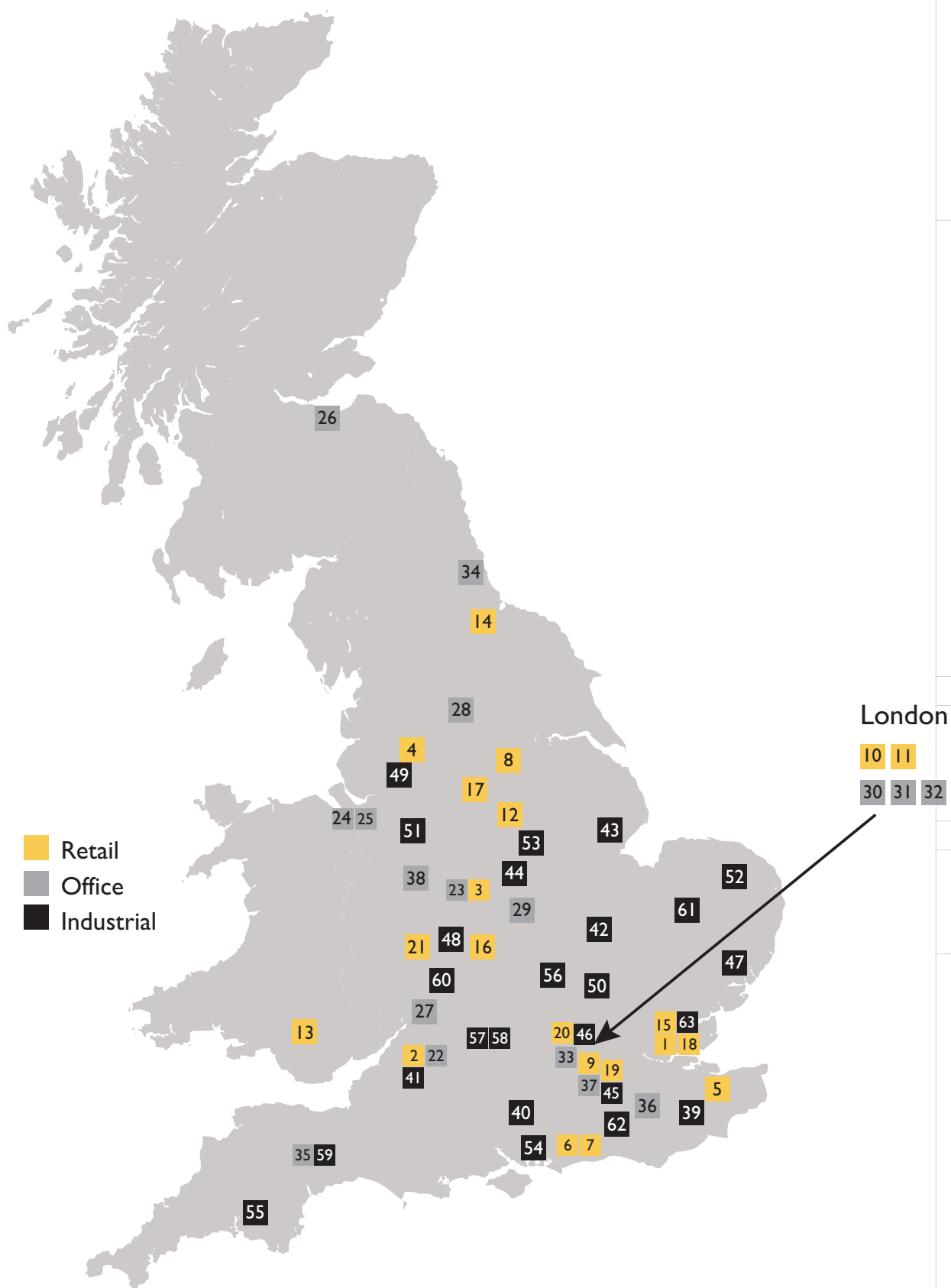
Office

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

Industrial

- 39 Ashford
Units A-D, Phase IV,
Ashford Business Park
- 40 Basingstoke
Bayard (Unit B)
Knights Park Houndsmills
- 41 Bath
Unit 1, Unit 4, Unit 5
Westfield Trading Estate
- 42 Biggleswade
Smiths Metal Centres,
Stratton Business Park
- 43 Boston
Havenside, Fishtoft Road
- 44 Burton-on-Trent
Unipart Logistics
- 45 Epsom
Epsom Trade Park, Longmead
Industrial Estate
- 46 Hayes
Caxton Point, Printing House Lane
- 47 Ipswich
Medite Unit, Orion Business Park
- 48 Kettering
Bunzl Unit, Telford Way Industrial Estate
- 49 Manchester
Units A & B,
Wardley Cross Industrial Estate
- 50 Milton Keynes
Dawson Road,
Mount Farm Industrial Estate
- 51 Newcastle under Lyme
Unit 1, Rosevale Business Park
- 52 Norwich
Magnet, 171, Mile Cross Lane
- 53 Nottingham
Turbine Surface Technologies,
Little Oak Drive
- 54 Plymouth
Unit 2, Westernwood Way,
Langage Business Park
- 55 Portsmouth
SMR, Castle Trading Estate
- 56 Redditch
Alto House, Ravensbank
- 57 Swindon
Jewson Unit, Kembrey Street,
Kembrey Park
- 58 Swindon
Edison House, Dorcan Industrial Estate
- 59 Taunton
Site N, Crown Industrial Estate
- 60 Tewkesbury
Alexandra Way, Ashchurch Business Park
- 61 Thetford
TNT Unit, Fison Way Industrial Estate,
Thetford
- 62 Uckfield
Units 1-20, Ridgewood Industrial Park

Map of Properties

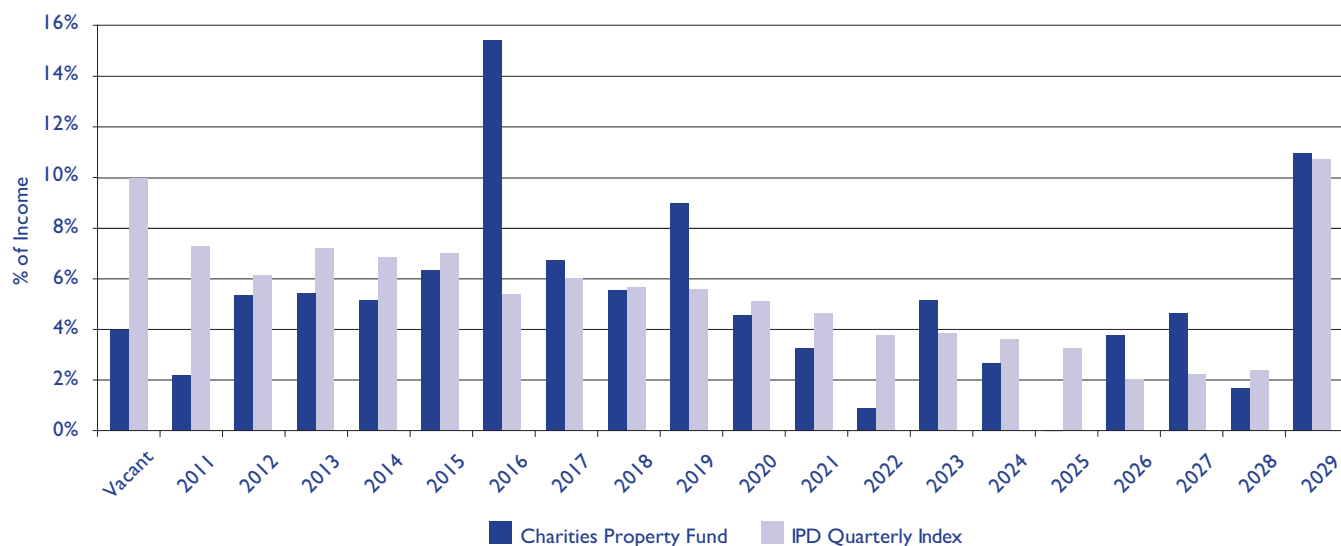


Lease Expiry Profile

The average time to lease expiry is 9.5 years, weighted by income, or 8.5 years when all tenant break options are included.

Fund Lease expiry profile June 2011

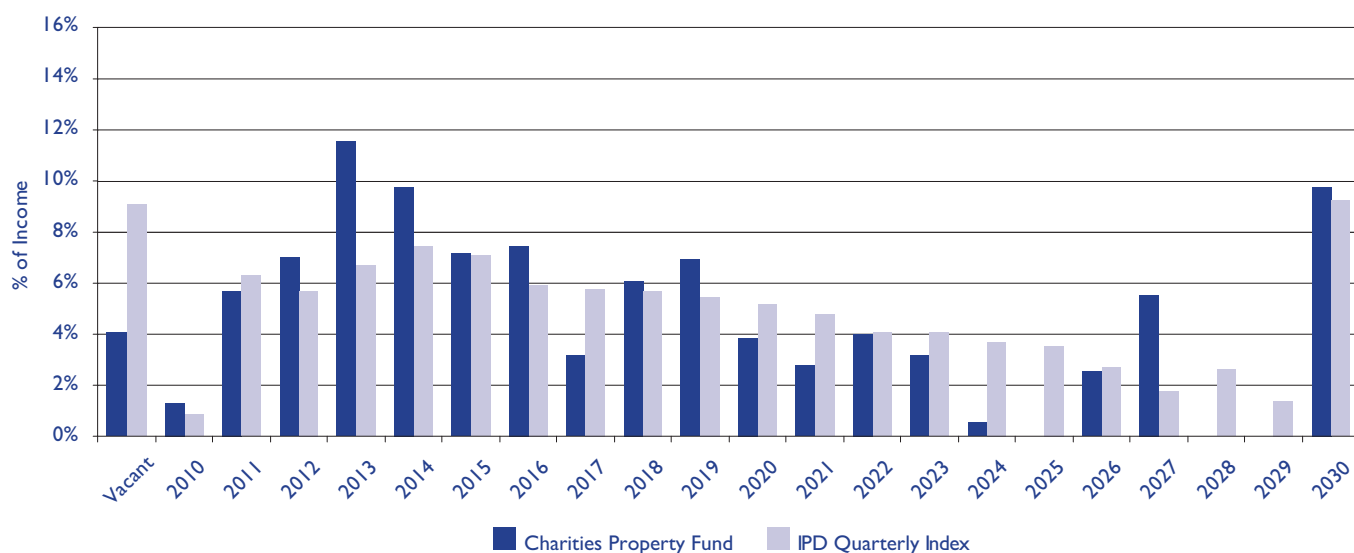
(to earliest date - including all breaks)



We have significantly improved the income profile over the last 12 months through a number of successful active management initiatives and selective new purchases.

Fund Lease expiry profile 2010

(to earliest date - including all breaks)



List of Properties – Retail

Property	Principal Tenants	Annual Rent As at 30 June 2011 £	Expiry (Breaks)
Basildon	McDonalds, KFC, Pets at Home, Farm Foods, Store 21	559,010	2016 to 2021
Bath	Dune	146,000	2018
Birmingham	Halfords	105,300	2019
Bury	Carpentright, Halfords, Comet, KFC	563,066	2021
Canterbury	Dunelm, Carpentright	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	Magnet	305,000	2011
Mansfield	Tesco	2,369,973	2030
Merthyr Tydfil	Halfords, B&Q, Comet, PC World, Dreams, Phillip Evans	856,377	2015 to 2022
Middlesbrough	Focus DIY	239,180	2023
Rayleigh	Co-op	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
Windsor	Body Shop	132,800	2015
Worcester	Costa Coffee	98,000	2012



4, East Street, Chichester

List of Properties – Office

Property	Principal Tenants	Annual Rent As at 30 June 2011 £	Expiry (Breaks)
Bath	Able & Imray, Bath News and Media, London and Country Mortgages, Coral Racing, Wickes, Co-op	582,207	2017 to 2024 (2012 - 2015)
Birmingham	Spring Group, Arval UK	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, Bunnyfoot	711,353	2011 to 2026 (2011 - 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 NLG, Sparks, Bircham Dyson Bell, Q Med UK	819,015	2011 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
Sunderland	Barclays Bank	702,000	2023
Taunton	Lloyds TSB	242,000	2015
Tunbridge Wells	Cripps Harries Hall	340,000	2014 (2013)
Woking	RBS, Proctor & Gamble, Odin, RJ Rowlands, Ark Healthcare, Barnes & Sherwood, PLP, Wadham & Isherwood, JS2, Clarity Ltd, Fresh Coffee, Managed Support Services, A Daya, Property Law Partners, Base Connections Telemarketing, United Kingdom Tea Council	340,545	2011 to 2021 (2010 - 2014)
Wolverhampton	Carillion Capital Projects Limited	131,000	2015



Crystal Court, London EC1

List of Properties – Industrial

Property	Principal Tenants	Annual Rent As at 30 June 2011 £	Expiry (Breaks)
Ashford	Sauflon Pharmaceuticals, Dentalsky, Hickson International	349,254	2015 - 2019 (2013)
Basingstoke	Debenhams	317,000	2017
Bath	Communis UK	475,730	2023 (2011)
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 Ltd, Screwfix Direct Ltd, PI World Ltd, Milton Keynes Paint & Equipment Ltd, Heating and Plumbing Supplies	664,097	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	2014
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)
Swindon (Kembrey Park)	Jewson	146,500	2023
Swindon (Edison House)	Vacant	n/a	n/a
Taunton (Crown Industrial Estate)	Wickes	87,500	2016
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, Generations Ahead	420,918	2012 to 2019 (2010 - 2012)



Unipart Logistics, Burton-upon-Trent

List of Properties – Other

Property	Principal Tenants	Annual Rent As at 30 June 2011 £	Expiry (Breaks)
Rayleigh	Virgin Active	464,000	2028



Virgin Active, Rayleigh

Portfolio Statement

Year ending 30 June 2011

Portfolio of Investment

Properties valued at greater than £15.1m

Tesco, Chesterfield South Road, Mansfield

Crystal Court, Briset Street, London, EC1

B&Q Unit, Tunnel Drive, Redditch

Denning House, 90 Chancery Lane, London, WC2

10 Dean Farrar Street, London, SW1

Apex Retail Park, Hampton Road West, Twickenham

Total

139,640

31.76%

Properties valued from £10.1m to £15m

Pentrebach Retail Park, Merthyr Tydfil

The Tun, Holyrood, Edinburgh

Total

21,250

4.83%

Properties valued from £5.1m to £10m

Unipart Logistics Limited, Barberry 157, Burton-upon-Trent

Moorgate Retail Park, Bury

Magnet Unit, Ladymead, Guildford

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

Building A, Phase IV, Doxford International Business Park, Sunderland

Old Market Retail Park, Station Lane, Pitsea, Basildon

Units 1 & 2, Wincheap, Canterbury

SMR Unit, Castle Trading Estate, Porchester, Portsmouth

The Pavilions, The Crescent, Birmingham

Westpoint, James Street West, Bath

12-24 Eastwood Road, Rayleigh

200 Rayleigh Road, Rayleigh,

One Crown Square, Woking

Chester Civil Justice Centre, Trident House, Chester

Units 1-7 Cambridge Street, Barkers Pool, Sheffield

Caxton Point, Printing House Lane, Hayes, Middlesex

TST Unit, Site 13A, Little Oak Drive, Sherwood Park, Nottingham

Total

125,525

28.55%

Properties valued from £2.6m to £5m

Fogarty Ltd, Havenside, Fishtoft Road, Boston

Ridgewood Industrial Park, Uckfield

Dawson Road, Mount Farm Industrial Estate, Milton Keynes

Unit 1, Rosevale Business Park, Newcastle-Under-Lyme

Bunzl Unit, Telford Point, Telford Way Industrial Estate, Kettering

Smiths Metal Centres, Stratton Business Park, Biggleswade

Wickes Unit, Leger Way, Doncaster

Portfolio Statement

Bayard Unit B, Knight's Park, Houndmills, Basingstoke
 Units A - D, Phase IV, Ashford Business Park, Ashford
 593-613 Old Kent Road, London
 Brooke Hse & Seymour Hse, 3/13 Mount Ephraim Road, Tunbridge Wells
 Units A & B, Wardley Cross Industrial Estate, Manchester
 54/55 Chapel Market, Islington, London
 16/17 North Street, Chichester
 Medite Unit, Orion Business Park, Ipswich
 Alexandra Way, Ashchurch Business Centre, Tewkesbury
 S.A. Europe House, Waterwells Business Park, Gloucester
 Focus DIY Unit, Parkway Centre, Coulby Newham, Middlesbrough
 Unit 4, Westfield Trading Estate, Midsomer Norton, Bath
 Total

Bid valuation £000	Percentage of total net assets
72,420	16.47%
Properties valued from £0m to £2.5m	
Unit 2, Western Wood Way, Langage Business Park, Plymouth	
Alto House, Ravensbank Drive, Redditch	
4 Union Street, Bath	
Unit 2, Bede Island North, Western Boulevard, Leicester	
Sedgemoor House, Deane Gate Office Park, Taunton	
169-175 High Street, Southend –on-Sea	
15/16 Peascod Street, Windsor	
Jewson Unit, Kembrey Street, Kembrey Park, Swindon	
Jubilee House, Mid Point Business Park, Leeds	
Unit 1, Westfield Trading Estate, Midsomer Norton, Bath	
4 East Street, Chichester	
Halfords, Watery Lane, Birmingham	
31 High Street, Worcester	
Edison House, Dorcan Industrial Estate, Swindon	
Magnet, 171 Mile Cross Lane, Norwich	
Magna House, 76-80 Church Street, Staines	
Elder House, Sealand Road, Chester	
Pendeford House, Pendeford Business Park, Wolverhampton	
Unit 5, Westfield Trading Estate, Midsomer Norton, Bath	
Site N, Crown Industrial Estate, Taunton	
TNT Unit, Fisons Way Industrial Estate, Thetford	
Total	35,650 8.11%
Total value of property holdings	394,485 89.72%
Portfolio of investments	394,485 89.76%
Net other assets	45,221 10.28%
Net assets	439,706 100.00%

Expense Ratios

	Total Expense Ratio	Property Expense Ratio	Transaction Cost Ratio
30 June 2011	0.62%	0.48%	0.38%
30 June 2010	0.62%	0.50%	0.46%

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
30 June 2011	0.13%
30 June 2010	-10.4%

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
30 June 2011	6.8%
30 June 2010	6.9%

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
30 June 2011	8.7%	0.8%	-0.4%
30 June 2010	19.1%	-7.2%	1.3%

The annualised performance shows the combined capital and income growth of the Fund.

Holding	Number of beneficial owners	Total percentage holding
Less than 0.01%	263	0.79%
0.01% but less than 0.05%	650	10.85%
0.05% but less than 0.10%	140	9.11%
0.10% but less than 0.50%	131	27.11%
0.50% but less than 1.00%	21	14.69%
1.00% but less than 2.00%	11	12.54%
2.00% but less than 4.00%	2	6.67%
Greater than 4.00%	3	18.24%
Total number of units in issue at the end of the period		458,928,106
Percentage held by the largest investor		8.34%

Fund History

Net Asset Value/Fund Size	Date	Net Asset Value £	Units in Issue	Net Asset Value Per Unit (p)
	30 June 2006	347,779,165	254,270,464	136.78
	30 June 2007	375,386,412	256,253,001	146.49
	30 June 2008	275,025,113	234,655,340	117.20
	30 June 2009	208,048,945	244,353,156	85.14
	30 June 2010	342,812,795	362,812,435	94.45
	30 June 2011	439,706,076	458,928,106	95.81

Price And Income History	Year Ended	Highest Buying Price (p)	Lowest Selling Price (p)	Net Income Per Unit (p)
	30 June 2006	139.03	122.87	7.43
	30 June 2007	149.15	137.62	7.43
	30 June 2008	143.31	115.45	7.53
	30 June 2009	112.81	83.75	8.37
	30 June 2010	95.99	84.55	6.48
	30 June 2011	97.73	93.37	6.53

Distribution Table

Distribution Number	Distribution Period	2011		2010	
		Distribution Per Unit (p)	Date Paid	Distribution Per Unit (p)	Date Paid
1	01 July to 30 September	1.94	15/11/10	1.65	15/11/09
2	01 October to 31 December	1.79	15/02/11	1.56	15/02/10
3	01 January to 31 March	1.34	16/05/11	1.41	14/05/10
4	01 April to 30 June	1.54	15/08/11	1.46	13/08/10
Total		6.61		6.08	

The fund distributes all available income for each quarter and does not apply an equalisation rate.

Statement of the Manager's Responsibilities in respect of the financial statements

Under the Scheme Rules and charity law, the Manager of the Fund is responsible for preparing the Annual Report and the financial statements for each financial year in accordance with applicable law and regulations.

The financial statements are required by law to give a true and fair view of the state of affairs of the Fund and of the incoming resources and application of resources for that period.

In preparing these financial statements, generally accepted accounting practice requires the Manager 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 Rules, 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 Rules of the Fund, within the framework of trust law. The Manager is responsible for keeping proper accounting records, sufficient to disclose at any time, with reasonable accuracy, the financial position of the Charity at that time, and to enable the Manager to ensure that, where any statements of accounts are prepared by it under section 42(1) of the Charities Act 1993, 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 it 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 and other information included on the Fund's website.

Statement of the Corporate Trustee's Responsibilities in respect of the financial statements and Corporate Trustee's Report

The Corporate Trustee

The Corporate Trustee is responsible for the custody and control of the property of the Fund and the collection of all income due to the Fund. The Corporate Trustee is responsible for the creation and cancellation of units in the Fund in accordance with the instructions of the Manager. The Corporate Trustee also has the duty of supervision and oversight of the Manager's compliance with the Scheme and the Scheme Particulars. In particular, the Corporate Trustee must be satisfied on a continuing basis that the Manager is not exceeding the powers conferred on the Manager by the Scheme and that the Manager is maintaining adequate and proper records.

The Corporate Trustee is also responsible for making an annual report on the discharge of its responsibilities for the management of the Fund. The Corporate Trustee has delegated its duty as registrar for the Fund to Capita Financial Administrators Limited. 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.

Under the Regulations relating to reports it is the duty of the Corporate Trustee to enquire into the conduct of the Manager in the management of the Scheme in each annual accounting period and report thereon to unitholders. A copy of the Corporate Trustee's report is included below.

Report of the Corporate Trustee to the Unitholders of The Charities Property Fund for the Year to 30 June 2011.

The responsibilities of the Manager are stated on page 18 of this report.

In fulfilling our responsibilities, Citibank International Plc, as Corporate Trustee of the Fund, confirm that having made due enquiries of the Manager and having carried out such checks as we considered necessary to discharge our responsibilities, it is our opinion that the Manager has managed the Fund, in all material respects:

- a) in accordance with the limitations imposed on the investment and borrowing powers of the Manager and Corporate Trustee by the Scheme and the Scheme Particulars; and
- b) otherwise in accordance with the provisions of the Scheme and the Scheme Particulars.

Citibank International Plc
London
13 September 2011

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 30 June 2011 set out on pages 21 to 28 and the Distribution Table on page 17. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Fund's unitholders, as a body, in accordance with section 43 of the Charities Act 1993 and regulations made under section 44 of that Act and regulation 6 of the Charities (Accounts & Reports) Regulations 2008. 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, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Manager, Mayflower Management Company Limited and the auditor

As explained in the Statement of Manager's Responsibilities set out on page 18, the Manager is responsible for the preparation of financial statements which give a true and fair view.

We have been appointed as auditor under section 43 of the Charities Act 1993 and report to you in accordance with the regulations made under section 44 of that act and in accordance with the Scheme Rules. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at <http://www.frc.org.uk/apb/scope/private.cfm>.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Fund as at 30 June 2011 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 Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Charities Act 1993.

We have nothing to report to you in respect of the following matters where The Charities Act 1993 requires us to report to you if, in our opinion:

- the information in the Manager's Annual Report is inconsistent in any material respect with the financial statements; or
- the Fund has not kept sufficient and proper accounting records; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

W E J Holland

For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
London

13 September 2011

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

Year ended 30 June 2011

		30 June 2011	30 June 2010
	Note	£	£
Income			
Net capital gains	3	3,724,940	25,213,324
Revenue	4	29,813,407	21,014,778
Expenses	5	(3,679,607)	(3,065,460)
Net revenue before finance costs		26,133,800	17,949,318
Finance costs – borrowings and interest	6	(331,895)	(218,291)
Net revenue		25,801,905	17,731,027
Total return before distributions		29,526,845	42,944,351
Finance costs – distributions	7	(25,922,939)	(17,884,459)
Change in net assets attributable to unitholders from investment activities		3,603,906	25,059,892
Statement of change in net assets attributable to unitholders			
Opening net assets attributable to unitholders		342,812,795	208,048,945
Amounts receivable on creation of units		93,289,375	109,703,958
Change in net assets attributable to unitholders from investment activities		3,603,906	25,059,892
Closing net assets attributable to unitholders		439,706,076	342,812,795

Balance Sheet

As at 30 June 2011

	Note	30 June 2011 £	30 June 2010 £
Assets			
Investment assets		394,485,000	315,039,527
Debtors	8	28,328,217	22,097,887
Cash and bank balances		27,310,153	11,780,500
		<u>55,638,370</u>	<u>33,878,387</u>
Total Assets		<u>450,123,370</u>	<u>349,321,092</u>
Creditors	9	3,714,391	1,014,855
Distribution payable		6,702,903	5,090,264
		<u>10,417,294</u>	<u>6,105,119</u>
Total Liabilities		<u>10,417,294</u>	<u>6,105,119</u>
Net assets attributable to unitholders		<u>439,706,076</u>	<u>342,812,795</u>

The financial statements were approved by the Board of Directors of the Manager on 13 September 2011 and were signed on its behalf by

Richard James
13 September 2011

Cashflow Statement

Year ended 30 June 2011

	30 June 2011	30 June 2010
	£	£
Cash flow from operating activities		
Reconciliation from net operating income to net cash flows from operating activities		
Net operating income	26,133,800	17,949,318
Bank interest received	(212,135)	(124,221)
Decrease/(Increase) in trade and other receivables	3,888,320	(8,583,844)
Increase/(Decrease) in trade and other payables	2,576,818	(2,003,141)
Net cash flow from operating activities	32,386,803	7,238,112
Cash flows from investment activities		
Purchase of properties	(78,028,559)	(101,184,447)
Sale of properties	17,170,744	400,000
Bank interest received	212,135	124,221
Bank interest paid	-	(48)
Net cash flow from investment activities	(60,645,680)	(100,660,274)
Cash flows from financing activities		
Net amounts received on creation	68,430,725	112,118,415
Borrowing costs and interest	(331,895)	(218,243)
Income distributions paid	(24,310,300)	(16,994,583)
Net cash inflow from financing activities	43,788,530	94,905,589
Net increase in cash and cash equivalents	15,529,653	1,483,427
Cash and cash equivalents at the start of the year	11,780,500	10,297,073
Cash and cash equivalents at the end of the year	27,310,153	11,780,500

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

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").

Previously the requirements of the Statement of Recommended Practice for Authorised Funds issued by the IMA in November 2008 were applied. Adopting the 2010 SORP did not change either the total return or the Statement of Change in Net Assets Attributable to shareholders 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 13-14 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 on 30 June 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 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. Surplus income is allocated to unitholders of the Fund in accordance with the Scheme Rules 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 income from investments, and is not liable to pay stamp duty land tax on purchases of property.

2 Financial instruments

In pursuing the investment objective a number of financial instruments are held which may comprise; direct and indirect property holdings, cash balances, short-term borrowings used to finance investment activity, operating leases on freehold and leasehold properties and other short term debtors and creditors that arise directly from operations.

The Manager has responsibility for monitoring the investment portfolio in accordance with the investment objective and seeks to ensure that investments held meet a risk-reward profile that is acceptable.

The main risks from the fund's holding of financial instruments, together with the Manager's policy for managing these risks, are set out 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) 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 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 the risk associated with interest payable on credit facilities, the Manager will only consider a level of debt and tenure which the Fund is able to service taking into account interest rate sensitivities, forecast revenue and expenditure of the Fund.

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.

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 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 capital gains during the year comprise:

Investment assets

Net capital gains

30 June 2011	30 June 2010
£	£
3,724,940	25,213,324
3,724,940	25,213,324

4 Revenue

Distribution from collective investment schemes

Rental income

Insurance income

Bank interest

Lease surrender income

Sundry income

30 June 2011	30 June 2010
£	£
44,113	69,483
24,567,691	20,744,299
-	7,605
212,135	124,221
4,969,600	-
19,868	69,170
29,813,407	21,014,778

Lease surrender income has arisen in the period due to premiums received on the surrender and option to surrender leases on two properties during the period.

5 Expenses

	30 June 2011	30 June 2010
	£	£
Manager and Property Manager fees	2,043,002	1,368,668
Corporate Trustee's fees	156,322	106,717
	2,199,324	1,475,385
Other expenses:		
Registration fees	10,928	11,319
Insurance	57,448	-
Audit fee	13,500	9,750
Valuation fee	61,335	45,265
Legal and professional fees	524,421	595,290
Marketing and communication costs	42,277	34,250
Vacant property costs	756,057	529,917
Rent review fees	14,317	59,153
Other	-	305,131
	1,480,283	1,590,075
	3,679,607	3,065,460

6 Finance costs – borrowings and interest

Finance cost during the year (excluding distributions) comprise:

	30 June 2011	30 June 2010
	£	£
Capital expenses		
Loan arrangement fee	41,190	80,000
Legal & professional fees	116,664	64,117
	157,854	144,117
Revenue expenses		
Loan interest	-	20,499
Non-utilisation fee	174,041	53,627
Other	-	48
	174,041	74,174
Finance costs - borrowings and interest	331,895	218,291

On 24 February 2010, the fund entered into a 364 day revolving credit facility (the "Facility") with the Royal Bank of Scotland International ("RBSI"). The Facility was extended for one year on 23 February 2011, with an option to extend for a further one year. 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.

Notes to the Financial Statements continued

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.

7 Finance Costs – distributions

	30 June 2011	30 June 2010
	£	£
First interim distribution	7,038,561	4,031,827
Second interim distribution	6,745,467	4,164,358
Third interim distribution	5,436,008	4,598,010
Fourth interim distribution	6,702,903	5,090,264
Net distribution for the year	25,922,939	17,884,459
Details of the distribution per unit are set out in the distribution table on page 17		
Represented by:		
Net income	25,801,905	17,731,027
Add back:		
Borrowings and interest (capital expenses – see note 6)	157,854	144,117
Deduct:		
Capital income	(19,318)	-
Balance of income brought forward	2,812	12,127
Balance of income carried forward	(20,314)	(2,812)
Net distribution for the year	25,922,939	17,884,459

8 Debtors

	30 June 2011	30 June 2010
	£	£
Amounts receivable for creation of units	23,680,868	13,562,218
Rent receivable	1,682,329	1,143,701
Other prepayments	2,828,601	379,056
Insurance prepayment	115,414	77,954
VAT recoverable	387	6,906,791
Sundry debtors	20,618	28,167
	28,328,217	22,097,887

In the current year rent receivable and prepaid rent have been presented gross. In the previous year these balances were netted against each other.

Other prepayments predominantly consist of lease incentives granted to tenants.

9 Creditors

	30 June 2011	30 June 2010
	£	£
Purchases awaiting settlement	382,878	260,160
Prepaid rent	2,325,145	-
Manager and Property Manager fees	555,513	445,357
Marketing and communication costs	18,308	39,118
Corporate Trustee fees	42,796	38,157
Audit fees	9,750	6,000
Registration fees	3,134	5,405
Valuation fees	17,336	14,207
Legal and professional fees	-	30,759
Rent review fees	65,849	78,460
Vacant property costs	250,052	43,389
Credit facility non utilisation fee	43,630	36,609
Other	-	17,234
	3,714,391	1,014,855

10 Related Party Transactions

Amounts paid and payable to the Manager and Property Manager are shown in note 5. Amounts payable are shown in note 9.

The amount outstanding at the year end in respect of those fees was £555,513 (30 June 2010 £445,357).

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 year end in respect of those fees was £42,796 (30 June 2010 £38,157).

During the year the Property Manager has received transactional fees of £667,395 (30 June 2010 £599,892).

During the year affiliates of the Manager and Property Manager have received fees of £234,165 (30 June 2010 £554,510).

Details of the Manager and Corporate Trustee can be found on page 29.

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 are held in an account in the name of Cordea Savills Investment Management Limited, the parent company of the Manager. The money will be dealt with in accordance with the FSA's Client Money Rules.

11 Post Balance Sheet Events

There were no post balance sheet events.

12 Contingent Liabilities

There were no contingent liabilities at the year end (30 June 2010 £nil)

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 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-end day though this is subject to cash being available for redemptions. In addition, where there are both subscriptions and redemptions at a quarter-end 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 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;
- (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

Corporate Trustee
Citibank International Plc
Citigroup Centre
Canada Square
Canary Wharf
London
E14 5LB

Standing Independent Valuers
Cushman & Wakefield LLP
43-45 Portman Square
London
W1A 3BG

Manager
Mayflower Management Company Limited
Lansdowne House
57 Berkeley Square
London
W1J 6ER

Auditors
KPMG LLP
1 The Embankment
Neville Street
Leeds
LS1 4DW

Investment Advisor
Cordea Savills Investment Management Limited
Lansdowne House
57 Berkeley Square
London
W1J 6ER

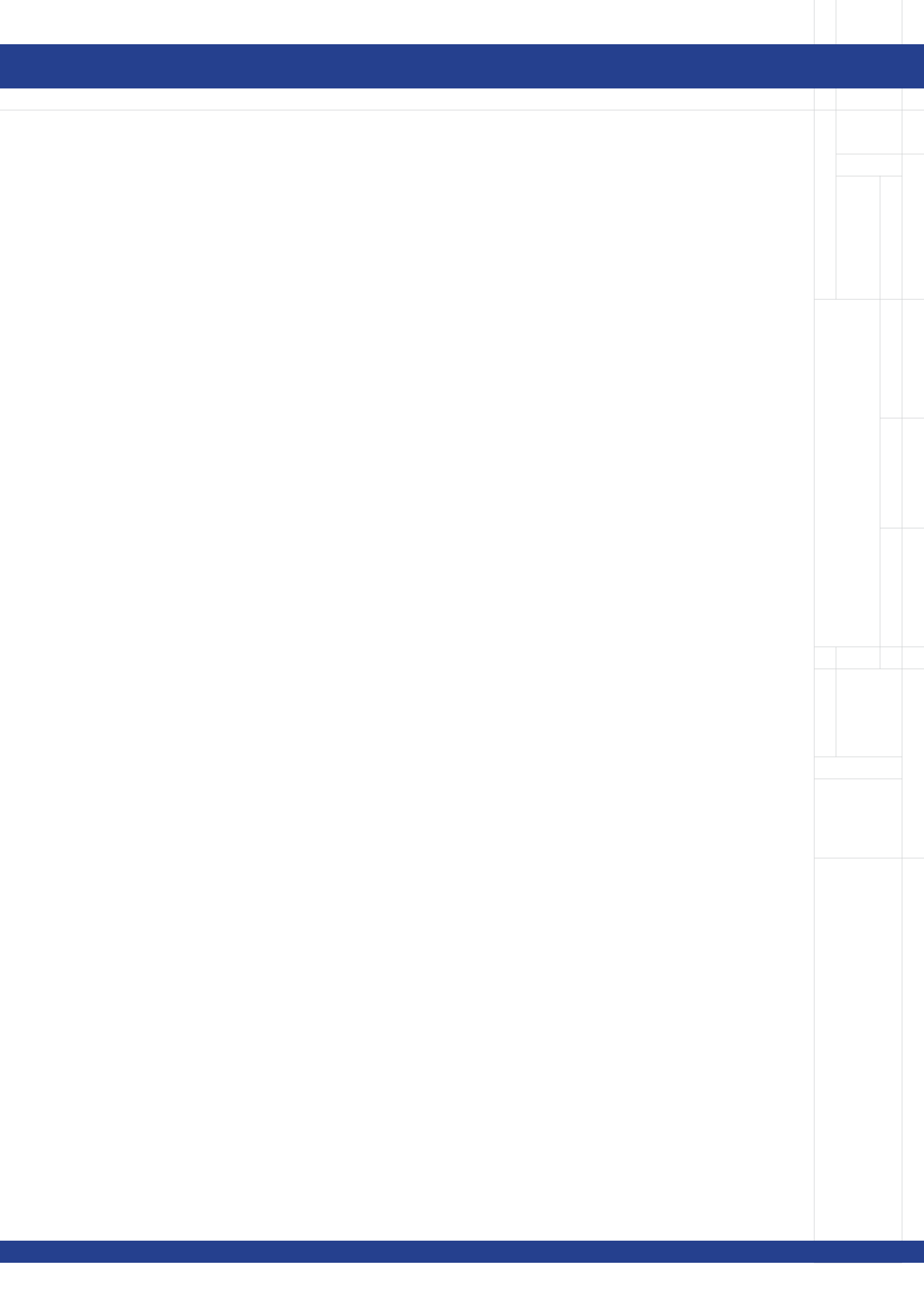
Performance Measurement
Investment Property Databank (IPD)
7-8 Greenland Place
London
NW1 0AP

Property Manager
Cordea Savills LLP
Lansdowne House
57 Berkeley Square
London
W1J 6ER

Legal Adviser
Farrer & Co
66 Lincoln's Inn Fields
London
WC2A 3LH



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Lansdowne House, 57 Berkeley Square,
London W1J 6ER

Telephone: 0203 107 5439
Fax: 0845 409 1281

cpf@cordeasavills.com
www.cpfund.org.uk

