



# Report & Accounts

# 2012

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 other (alternative uses such as leisure, car showrooms, care homes, motorway service areas). 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

## Contents

### Manager's Report

Market Overview	02
Fund Performance	02
Portfolio Report	03
Portfolio Strategy	05
Map of Properties	06
Lease Expiry Profile	08

### List of Properties

Retail	09
Office	10
Industrial	11
Other	12
Portfolio Statement	13

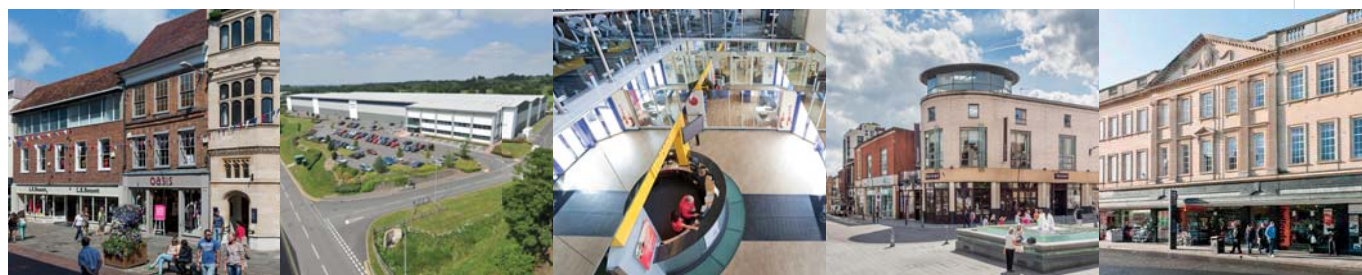
### Key Fund Data

Expense Ratios	15
Portfolio Turnover Rate	15
Distribution Yield	15
Annualised Performance	15
Investor Analysis	16
Fund History	17
Distributions	17

### Financial Statements

Statement of the Manager's Responsibilities in respect of the financial statements	18
Statement of the Corporate Trustee's Responsibilities in respect of the financial Statements and Corporate Trustee's Report	19
Independent Auditors' Report	20
Statements of Total Return and Change in net assets attributable to Unitholders	21
Balance Sheet	22
Cash Flow Statement	23
Notes to the Financial Statements	24

General Information	30
Trustee, Manager and Advisers	32



## Market Overview

The UK Commercial property market continues to deliver a high level of income, however according to IPD capital values have reduced by an average of 2% over the last 12 months. This is mainly due to inertia on behalf of investors, partly resulting from the ongoing Euro related crisis but also the fragility of the domestic occupational markets. Without occupational demand pressures in these markets, rents will remain subdued.

A number of threats still exist (including the necessary refinancing of large quantities of real estate loans) and a general aversion to risk may suppress values further. However the continued high level of income is attractive and when combined with historically low bank interest rates (which could reduce further) and ongoing volatility in other markets, real estate will continue to prove a very attractive asset class to investors.

## Fund Performance

The total return for the Fund during the 12 months to June 2012 was +6.0%. 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 +4.0% total return over the same period.

The NAV of the Fund has increased by 13.5% during the last 12 months from £439.71 million in June 2011 to £499.02 million in June 2012. This included £58.5 million of net cash inflow.

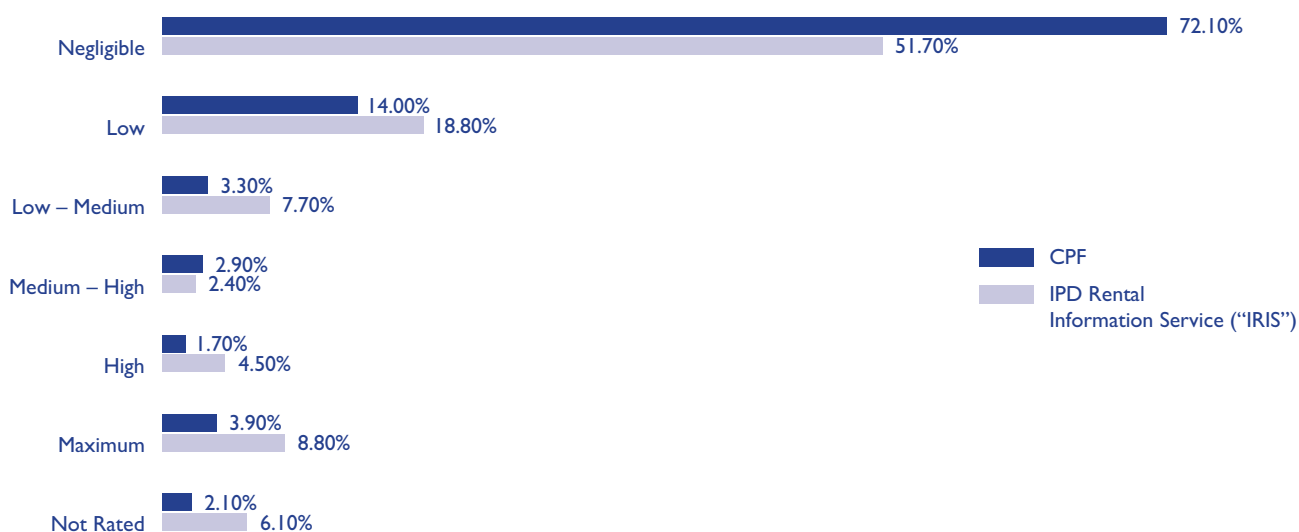
The Fund has underperformed its assumed benchmark of 8.0% but it is pleasing that the Fund has significantly outperformed the IPD All Balanced Funds Index once again whilst going through a period of significant growth, with all the associated transaction costs and the time delay involved in investing new subscriptions.

## Income Security

The security of income in the Fund is supported by tenants with above average financial profiles, with 86.1% of the rent received from tenants rated "Negligible Risk/Low Risk" by D&B, compared to 70.5% for the universe of portfolios measured by IPD. The Fund also has a low vacancy level at 6.9% (compared to the IPD average of 10.7% as at June 2012). The weighted average unexpired lease term is 9.8 years.

## Tenant Credit Risk Profile

Percentage of Rent, June 2012



The Fund has purchased nine separate property investments over the period to 24 June 2012, investing £91.51 million (including equity committed to the forward funding of the Cambridge hotel). These properties were generally of high quality, let to very good covenants (96.3% secured on “Public Sector/Negligible or Low Risk” covenants as rated by D&B), on long leases (average unexpired term of 13.6 years to earliest break date) and 30% of the income benefits from rental increases in line with the retail price index (RPI). The average yield to the Fund inclusive of costs of acquisition was 7.8%. This compares to the IPD Monthly Index initial yield of 6.3% as at June 2012.

## The purchases included:

1. A manufacturing unit in Wellingborough let to Avery Denison Office Products Manufacturing UK Ltd (with a surety from Avery Denison Corporation) on a lease expiring in March 2020 – acquired for £5.30 million, a yield to the Fund of 9.1%. The property benefits from a fixed rental increase in March 2015.
2. A ten unit retail park in Uttoxeter with open AI planning consent, let to B&Q, Brantano, Pets at Home, Argos, B&M Retail, Carpetright, Frankie & Benny's and KFC with an average of 14 years unexpired for £10.56 million, a yield of 7.3%.
3. A supermarket in Bristol (Nailsea) let to Tesco plc until August 2031 with annual fixed uplifts in line with the retail price index, for £21.52 million, reflecting a yield of 5.2%.
4. A manufacturing unit in Telford let to Johnson Controls (UK) Limited for a further 8 years was acquired by the Fund at a price of £5.25 million, reflecting a yield of 13.5%.
5. The Fund agreed to forward fund the construction of a 219 bedroom hotel in Cambridge for £17.40 million, reflecting a yield of 6.35%. The hotel is let to Travelodge until June 2048 with five yearly fixed rental increases in line with the retail price index.
6. A modern distribution unit in Redditch let to John Lewis plc until July 2017 for £15.18 million, reflecting a yield to the Fund of 9.4%.
7. A mixed use block in central Bath comprising five retail units (75% of income) and two floors of offices (25% of income). The property is let to Sports Direct, Halfords, Maplin, The Sony Centre, Sally Salon and Future Publishing Limited with an average of 5.5 years remaining on the leases. The acquisition price of £6.90 million, reflected a yield of 9.0%.
8. An office building close to Heathrow Airport let to the Secretary of State for Communities and Local Government on two leases expiring in June 2017 – acquired for £6.54 million, a yield to the Fund of 9.8%.
9. Finally, the Fund acquired two recently constructed manufacturing units in Huddersfield, let on two new ten year leases to VTL Holdings Ltd. The acquisition price of £2.86 million reflected a yield of 10.4%.

The purchases totalled £91.51 million and were cumulatively valued at £98.39 million as at 24 June 2012, an increase of £6.88 million (7.5%).

## The Fund made five sales over the period:

1. An office building in Sunderland let to Barclays Bank plc. The Fund sold the property after extending the lease to Barclays by 10 years. The sale price of £8.57 million (7.74%) was below the June 2011 valuation (£8.85 million, 7.5%), however the Fund still made a significant profit against valuation prior to lease restructuring.
2. A vacant industrial unit in Swindon was sold to an owner occupier for a price of £1.30 million (June 2011 valuation: £1.25 million).
3. An industrial unit in Ipswich let to MSC UK Ltd until December 2012 sold for £3.0 million, a yield of 12.89% (June 2011 valuation: £3.18 million, 12.18%).
4. An industrial unit in Bath (Midsomer Norton) let to Communisis UK Ltd until June 2023 sold for £2.46 million, a yield of 9.5% (June 2011 valuation: £2.60 million, 9.0%).
5. A retail warehouse in Redditch let to B&Q plc until June 2027 sold for £18.50 million, a yield of 6.6% (June 2011 valuation: £19.63 million, 6.23%).

Total sales proceeds therefore equalled £33.83 million, which reflected a decrease of £1.52 million (4.3%) (exclusive of costs) over the cumulative June 2011 valuations of £35.51 million. However these five properties also contributed £1.91 million in income in the period leading up to their sale. Sunderland was a successful asset management initiative, Swindon and Ipswich were either vacant or shortly to become vacant and therefore either risking incurring empty rates, service charge and insurance or already incurring them and at Midsomer Norton we sold one unit (the Fund retains another unit let to the same tenant) in order to reduce the Fund's exposure to this tenant in this location. Redditch was sold due to the limited rental growth prospects and shortening lease. Whilst the sale price was below the June 2011 valuation it was significantly in excess of the September 2009 purchase price of £16.3 million. This property had delivered a 12% per annum return (IRR) since acquisition.

## Redemptions and Applications

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

The Fund held £33.92 million of cash for capital transactions, and was due £1.86m of net creation monies as at 24 June 2012.

In the period to 24 June 2012 the Fund received total applications for 87.34 million units in the Fund and redemptions of 27.99 million units, a net addition of 59.35 million units.

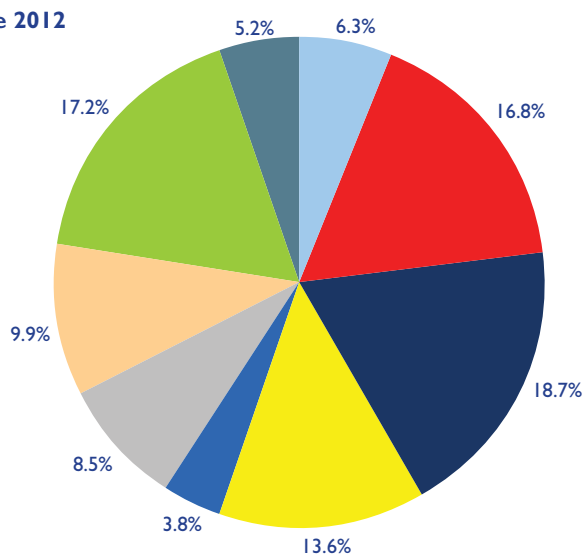
## Sector Weightings

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 annual IPD Index) to high street retail, shopping centres and the City of London office market.

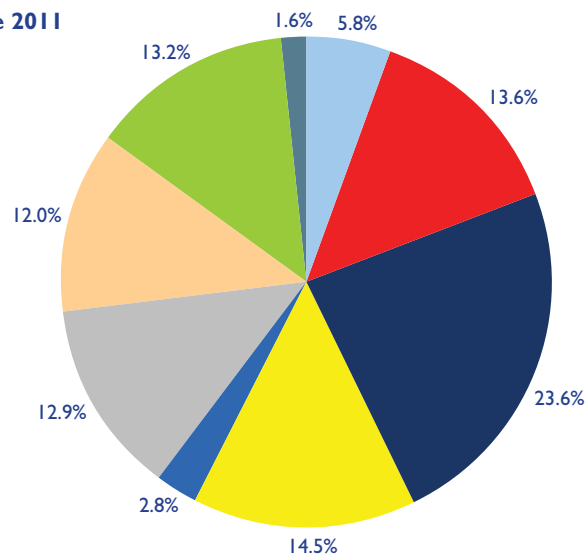
The Fund structure as at June 2012 is compared to the position at June 2011 below:

## Sector Weightings

June 2012



June 2011



Retail	West End Offices	South East Industrials
Supermarkets	South East Offices	Rest of UK Industrials
Retail Warehouse	Rest of UK Offices	Other



The Fund aims to achieve an above average income return through keeping voids and void costs (such as empty rates, service charges and insurance) to a minimum (voids currently 6.9% compared to the IPD average of 10.7%) and driving income growth through rental increases, refurbishments and new lettings. Importantly, almost 20% of income now benefits from either fixed rental uplifts or 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 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 the Fund's sector weightings deliver a small yield 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 of income and enhance capital growth through refurbishment, lease surrenders and lease re-gears. Over the period to 24 June 2012 there have been a number of successes, including:

### 1. Sunderland

Barclays Bank plc occupied 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 an incentive. The Fund subsequently sold this property in October 2011 at a price of £8.57 million, an increase of 22.4% over the combined previous valuation and contribution.

### 2. Chancery Lane, WC2

The Fund took a surrender of the occupational lease to BNP Paribas Real Estate in return for a payment of £2.76 million in May 2011 (effectively 100% of the rent due under the occupational lease up until September 2013). This enabled the Fund to commence refurbishment of the building in June 2011. The refurbishment was completed in April 2012 and we have already completed the Fund's first letting of the retail unit to the Coffeesmiths Collective. The Fund has agreed terms to let the fourth floor on a ten year lease at a rent of £45 per sq ft.

### 3. Merthyr Tydfil

At Merthyr the Fund took a surrender of the existing lease to B&Q on Units 2 & 3 and it refurbished both units and re-let them both to Home Bargains Limited on a new 15 year lease commencing in February 2012. B&Q's lease was due to expire in 2016 and they were no longer in occupation. B&Q paid the Fund a surrender premium of £550,000.

### 4. Middlesbrough & Uttoxeter

Both these properties were entirely let or had an element of income secured to Focus DIY who collapsed into administration in 2011. The Fund simultaneously re-let both the units to B&M Retail Limited and B&Q Plc respectively without a void period.

### 5. Norwich & Plymouth

The Fund re-gear the leases on both of these properties extending the contractual term at Norwich (which is let to Magnet) by 10 years from 2014 to 2024 and at Plymouth (which is let to Geocel Limited) by 7 years from 2017 to 2024.

### 6. Wolverhampton

At Wolverhampton the Fund took a surrender of the existing lease to Carillion (who were no longer in occupation), which expired in 2015, and re-let the entire building to ADAS UK Limited on the basis of a new 10 year term from January 2012. In return Carillion paid a lump sum equivalent to a year's rent and covered the rent free period for the new tenant. The Fund therefore benefits from having an occupied building, secured for a longer term and an additional lump sum.

# Map of Properties

## ■ Retail

- 1 Basildon  
Old Market Retail Park
- 2 Bath  
4-10 Westgate Buildings
- 3 Bath  
4 Union Street
- 4 Birmingham  
Halfords, Watery Lane
- 5 Bury  
Moorgate Retail Park
- 6 Canterbury  
Units 1 & 2 Wincheap
- 7 Chichester  
16-17 North Street
- 8 Chichester  
4 East Street
- 9 Doncaster  
Wickes Unit, Leger Way
- 10 Guildford  
Magnet Unit, Ladymead
- 11 London, SE15  
593-613 Old Kent Road
- 12 London, N1  
54/55 Chapel Market, Islington
- 13 Mansfield  
Tesco Extra Store
- 14 Methyr Tydfil  
Pentrebach Retail Park
- 15 Middlesbrough  
B&M Retail, Parkway Centre,  
Coulby Newham
- 16 Nailsea  
Tesco, Stock Way North
- 17 Rayleigh  
12-24 Eastwood Road
- 18 Sheffield  
Units 1-7, Cambridge  
St. Bakers Pool
- 19 Southend-on-Sea  
169/175 High Street
- 20 Twickenham  
Apex Retail Park, Hampton  
Road West
- 21 Uttoxeter  
Dovefields Retail Park
- 22 Windsor  
15-16 Peascod Street
- 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 Feltham  
York & Wellington House
- 30 Gloucester  
Axsia House,  
Waterwells Business Park
- 31 Leeds  
Jubilee House,  
Mid Point Business Park
- 32 Leicester  
Unit 2,  
Bede Island Business Park
- 33 London, SW1  
Dean Farrar Street
- 34 London, WC2  
90 Chancery Lane
- 35 London, EC1  
Crystal Court, 6-9 Brisset Street
- 36 Staines  
Magna House, 76-80 Church Street
- 37 Taunton,  
Sedgemoor House,  
Deane Gate Office Park
- 38 Tunbridge Wells  
Brooke House & Seymour House,  
Mount Ephraim Road
- 39 Woking  
One Crown Square
- 40 Wolverhampton  
Pendeford House,  
Pendeford Business Park

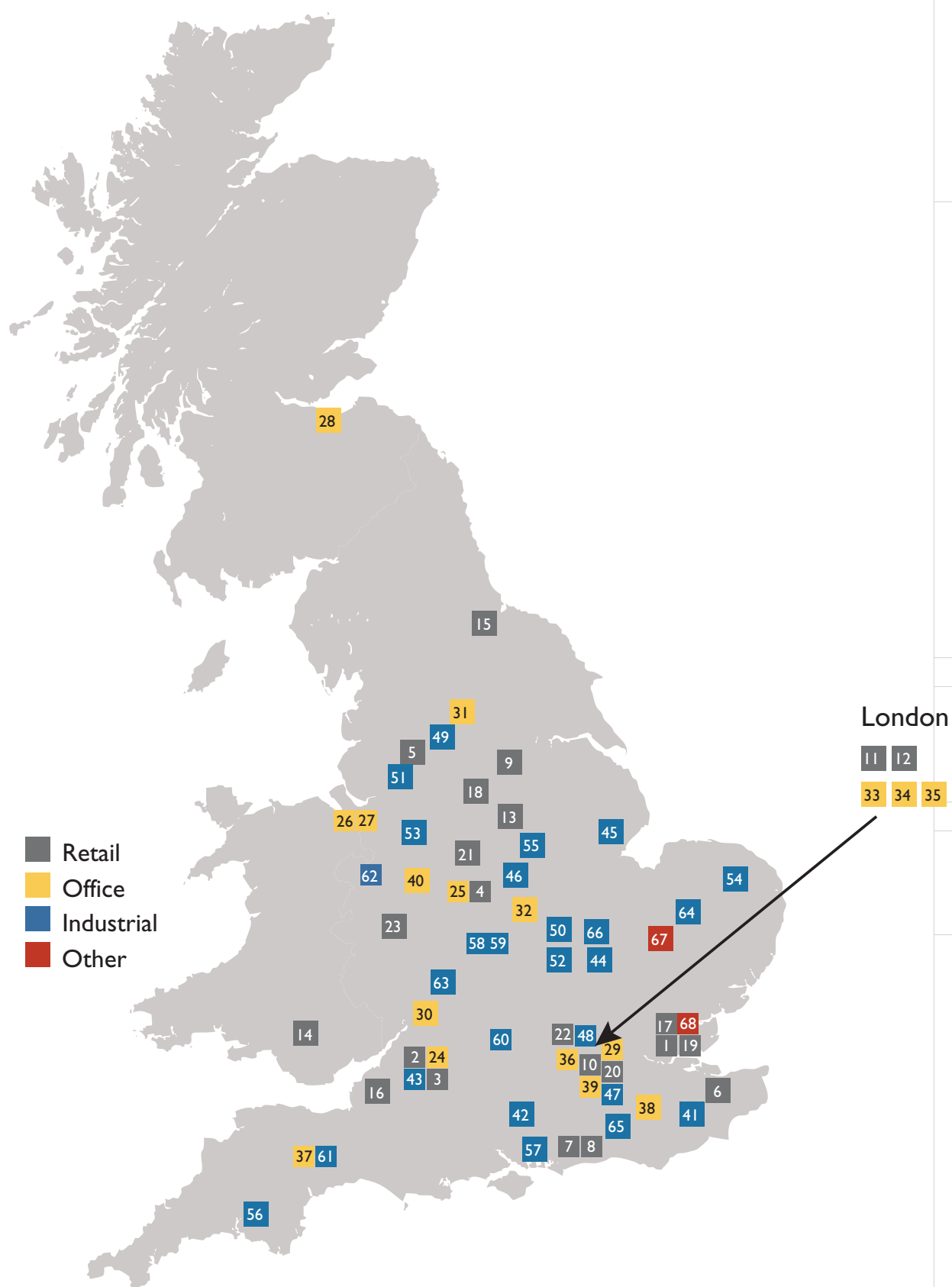
## ■ Industrial

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

- 47 Epsom  
Epsom Trade Park, Longmead  
Industrial Estate
  - 48 Hayes  
Caxton Point, Printing House Lane
  - 49 Huddersfield  
Units 1 & 2,  
Bradley Junction Industrial Park
  - 50 Kettering  
Bunzl Unit, Telford Way Industrial Estate
  - 51 Manchester  
Units A & B,  
Wardley Cross Industrial Estate
  - 52 Milton Keynes  
Dawson Road,  
Mount Farm Industrial Estate
  - 53 Newcastle under Lyme  
Unit 1, Rosevale Business Park
  - 54 Norwich  
Magnet, 171, Mile Cross Lane
  - 55 Nottingham  
Turbine Surface Technologies,  
Little Oak Drive
  - 56 Plymouth  
Unit 2, Westernwood Way,  
Langage Business Park
  - 57 Portsmouth  
SMR, Castle Trading Estate
  - 58 Redditch  
John Lewis, Hedera Road
  - 59 Redditch  
Sapa House, Ravensbank
  - 60 Swindon  
Jewson Unit, Kembrey Street,  
Kembrey Park
  - 61 Taunton  
Site N, Crown Industrial Estate
  - 62 Telford  
Laconite Building, Stafford Park 6
  - 63 Tewkesbury  
Alexandra Way, Ashchurch Business Park
  - 64 Thetford  
TNT Unit, Fison Way Industrial Estate
  - 65 Uckfield  
Units 1-20, Ridgewood Industrial Park
  - 66 Wellingborough  
Avery Dennison, Warth Park, Raunds
- ## ■ Other
- 67 Cambridge  
Travelodge, Newmarket Road
  - 68 Rayleigh  
Virgin Active, 200 Rayleigh Road



## Map of Properties

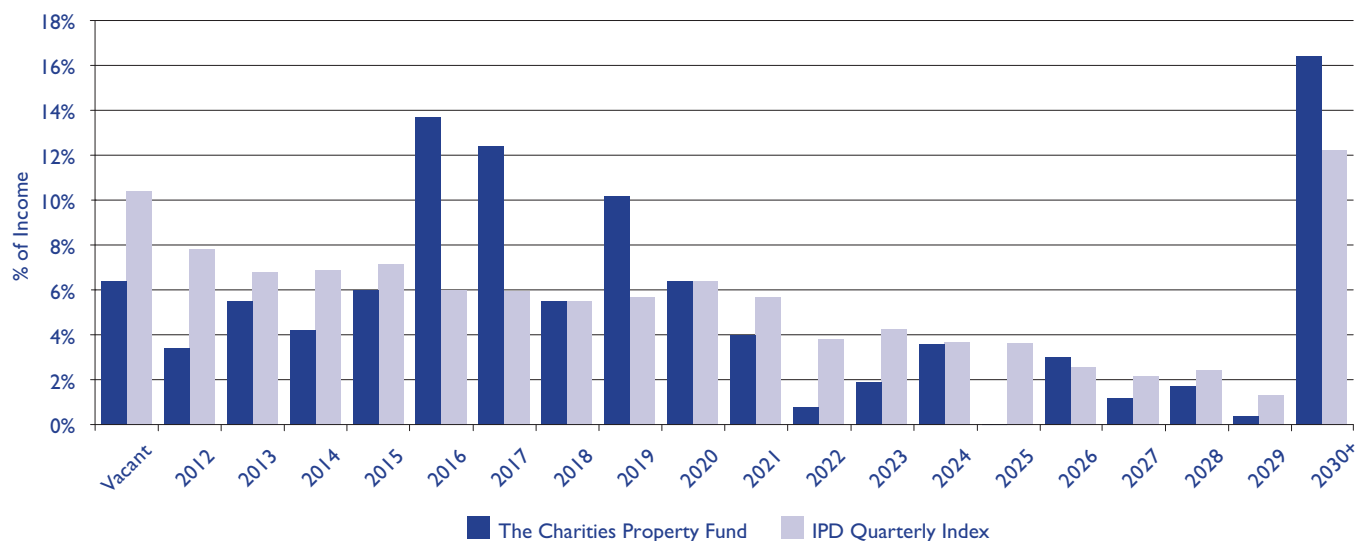


# Lease Expiry Profile

The average time to lease expiry is 9.8 years, weighted by income, or 8.9 years when all tenant break options are included.

## Fund Lease expiry profile June 2012

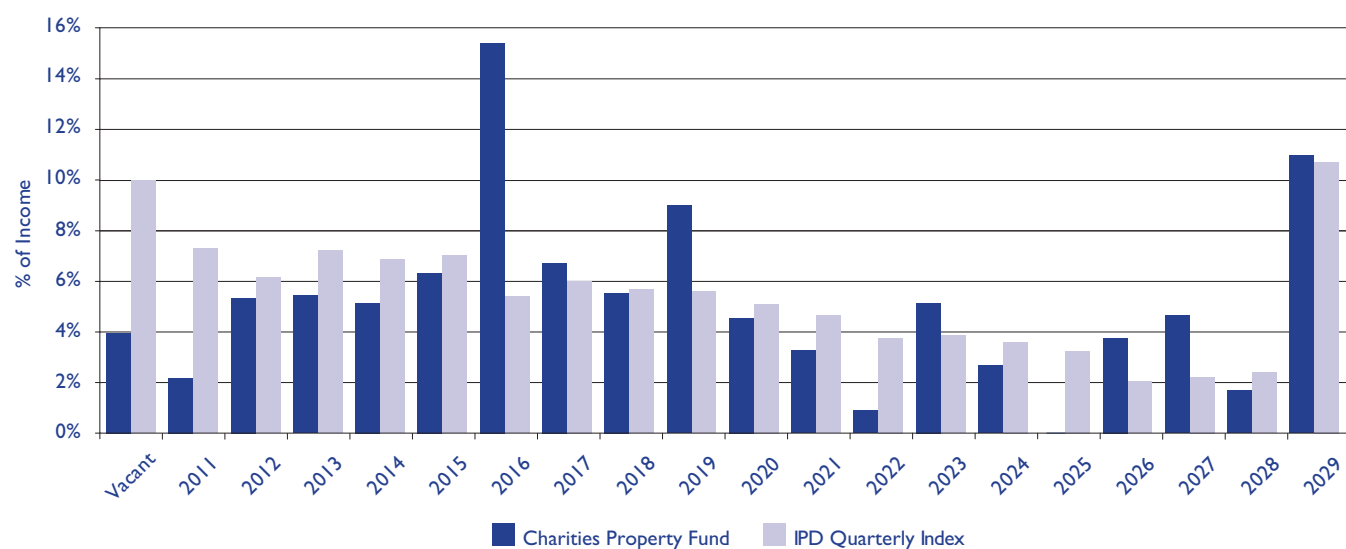
(to earliest date - including all tenant breaks)



We have continued to improve the income profile over the last 12 months through a number of successful active asset management initiatives and selective new purchases.

## Fund Lease expiry profile 2011

(to earliest date - including all tenant breaks)



## List of Properties – Retail

Property	Principal Tenants	Annual Rent As at 24 June 2012 £	Expiry (Breaks)
Basildon	McDonalds, KFC, Pets at Home, Farm Foods, Store 21	560,010	2016 to 2021
Bath (Westgate Buildings)	Sports Direct, Halfords, Maplin, Sally Salon, Sony Centre, Future Publishing	631,105	2015 to 2020 (2014)
Bath (Union Street)	Dune	146,000	2018
Birmingham	Halfords	105,300	2019
Bury	Carpetright, Halfords, Comet, KFC, Lewis's Home Retail	788,066	2021
Canterbury	Dunelm, Carpetright	521,000	2026
Chichester (East St)	WH Smith	191,500	2012
Chichester (North St)	Oasis	100,000	2013
Doncaster	Wickes	296,327	2018
Guildford	Magnet	600,000	2024
London, NI	First Sport, Superdrug	194,000	2020
London, SE15	Vacant	n/a	n/a
Mansfield	Tesco	2,464,772	2030
Merthyr Tydfil	Halfords, Instore, Tiles 'r' Us, Home Bargains, Comet, PC World, Dreams, Phillip Evans	816,880	2015 to 2027
Middlesbrough	B&M Retail	239,180	2023
Nailsea	Tesco	1,115,850	2031
Rayleigh	Co-op	417,500	2025 (2020)
Sheffield	AF Blakemore, JD Wetherspoon, ASK, Slug and Lettuce	407,684	2014 to 2034
Southend-on-Sea	The Works, Early Learning Centre	150,000	2016 to 2020
Twickenham	Wickes, Currys	938,500	2019
Uttoxeter	B&Q, Brantano, Carpetright, Pets at Home, Argos, B&M Retail, KFC, Frankie & Benny's, PR Bason & J Gathercole	787,298	2018 - 2027 (2017 - 2023)
Windsor	Body Shop	132,800	2015
Worcester	Costa Coffee	98,000	2012



Tesco, Nailsea

## List of Properties – Office

Property	Principal Tenants	Annual Rent As at 24 June 2012 £	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, Vattenfall Wind Power, Comas, Ubertas, British Council, European Parliament, General Medical Council	594,251	2014 to 2026 (2012 - 2016)
Feltham	The Secretary of State for Communities and Local Government	650,677	2017
Gloucester	Signet Armorlite Europe	283,500	2018
Leeds	Car Care Plan	251,100	2017
Leicester	Ericsson	275,000	2023 (2013)
London, SW1	Metropolitan Police Authority, Nigeria NLG	613,020	2016 to 2020 (2015)
London, WC2	Church's Retail, The Coffeesmiths Collective	106,620	2013 - 2022 (2017)
London, EC1	EHS Brann	1,634,912	2016
Staines	Givaudan UK	138,900	2013
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, Fresh Coffee, A Daya, Property Law Partners, Base Connections Telemarketing, United Kingdom Tea Council, Business Lending Fund Management, KGW Family Law, Latchwood Associates, Petrofac, Odin Capital Management, Frontera, Lascom Communications, Bank Training & Development.	520,926	2012 to 2021 (2012 - 2014)
Wolverhampton	ADAS UK	100,000	2022 (2017)



Asylum Courts, Heathrow

## List of Properties – Industrial

Property	Principal Tenants	Annual Rent As at 24 June 2012 £	Expiry (Breaks)
Ashford	Sauflon Pharmaceuticals, Dentalsky, Hickson International	360,750	2015 - 2019 (2013)
Basingstoke	Debenhams	317,000	2017
Bath	Communis UK, Parker Transport	231,740	2015 - 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 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
Huddersfield	VTL Holdings	310,075	2021
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	2024
Portsmouth	SMR Automotive Mirrors UK	665,000	2019
Redditch (Hedera Road)	John Lewis	1,437,900	2017
Redditch (Sapa House)	Sapa Profiles UK	250,000	2020 (2013)
Swindon	Jewson	146,500	2023
Taunton (Crown Industrial Estate)	Wickes	87,500	2016
Telford	Johnson Controls	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, M Pannell, The Hanging Lantern Co, Generations Ahead	410,168	2012 to 2019 (2012)
Wellingborough	Avery Dennison	488,319	2020



Huddersfield, Bradley Junction Industrial Park

## List of Properties – Other

Property	Principal Tenants	Annual Rent As at 24 June 2012 £	Expiry (Breaks)
Cambridge	Travelodge	1,095,000	2048
Rayleigh	Virgin Active	464,000	2028



Travelodge, Cambridge



# Portfolio Statement

At 24 June 2012

## Portfolio of Investments

### Properties valued at greater than £15m

Tesco, Chesterfield South Road, Mansfield  
 Crystal Court, Briset Street, London, EC1  
 Tesco, Stock Way North, Nailsea  
 90 Chancery Lane, London, WC2  
 10 Dean Farrar Street, London, SW1  
 John Lewis, Hedera Road, Ravensbank Business Park, Redditch  
 Apex Retail Park, Hampton Road West, Twickenham  
 Total

Valuation  
£000

Percentage of  
total net assets

165,750

33.22%

### Properties valued at greater than £10m to £15m

Pentrebach Retail Park, Merthyr Tydfil  
 Dovefields Retail Park, Uttoxeter  
 Total

22,325

4.47%

### Properties valued at greater than £5m to £10m

Unipart Logistics Limited, Barberry 157, Burton-upon-Trent  
 Moorgate Retail Park, Bury  
 The Tun, Holyrood, Edinburgh  
 Magnet Unit, Ladymead, Guildford  
 Epsom Trade Park and Units 450A & 450B, Epsom  
 Old Market Retail Park, Station Lane, Pitsea, Basildon  
 York & Wellington House, Dukes Green, Feltham  
 Units 1 & 2, Wincheap, Canterbury  
 4-10 Westgate Buildings, Bath  
 SMR Unit, Castle Trading Estate, Porchester, Portsmouth  
 Laconite Building, Stafford Park 6, Telford  
 The Pavilions, The Crescent, Birmingham  
 Avery Denison, Warth Park, Raunds, Wellingborough  
 Westpoint, James Street West, Bath  
 Travelodge, Newmarket Road, Cambridge  
 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

159,330

31.93%

### Properties valued at greater than £2.5m to £5m

Fogarty Ltd, Havenside, Fishtoft Road, Boston  
 Ridgewood Industrial Park, Uckfield  
 Dawson Road, Mount Farm Industrial Estate, Milton Keynes

# Portfolio Statement

	Valuation £000	Percentage of total net assets
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		
Units 1 & 2 Bradley Junction, Huddersfield		
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		
Unit 2, Western Wood Way, Langage Business Park, Plymouth		
54/55 Chapel Market, Islington, London		
16/17 North Street, Chichester		
Alexandra Way, Ashchurch Business Centre, Tewkesbury		
S.A. Europe House, Waterwells Business Park, Gloucester		
B & M Unit, Parkway Centre, Coulby Newham, Middlesbrough		
Units 1 & 5, Westfield Trading Estate, Midsomer Norton, Bath		
Total	74,130	14.85%
<b>Properties valued from £0m to £2.5m</b>		
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		
4 East Street, Chichester		
Halfords, Watery Lane, Birmingham		
31 High Street, Worcester		
Magnet, 171 Mile Cross Lane, Norwich		
Magna House, 76-80 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	28,155	5.64%
<b>Total value of property holdings</b>	<b>449,690</b>	<b>90.11%</b>
<b>Portfolio of investments</b>	<b>449,690</b>	<b>90.11%</b>
<b>Other net assets</b>	<b>49,330</b>	<b>9.89%</b>
<b>Net assets</b>	<b>499,020</b>	<b>100.00%</b>

## Expense Ratios

	<b>Total Expense Ratio</b>	<b>Property Expense Ratio</b>	<b>Transaction Cost Ratio</b>
24 June 2012	0.63%	0.51%	0.35%
30 June 2011	0.62%	0.48%	0.38%

The total expense ratio (TER) of the Fund is the ratio of the Fund's total operating costs to its average net assets for the period. 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 ownership of the assets. The transaction cost ratio (TCR) of the Fund is the ratio of all professional fees and other costs associated with the purchase and sale of property to the Fund's average net assets for the period.

## Portfolio Turnover Rate

	<b>Portfolio Turnover Rate</b>
24 June 2012	-0.22%
30 June 2011	0.13%

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

	<b>Distribution Yield</b>
24 June 2012	5.6%
30 June 2011	6.8%

The distribution yield represents the total distribution per unit over the period as a percentage of the net asset value per unit as at the end of the period. The current distribution yield of 5.6% has been calculated over a shorter accounting period due to the change in the year end date.

## Annualised Performance

	<b>1 Year</b>	<b>3 Years</b>	<b>5 Years</b>
24 June 2012	6.0%	11.1%	-1.6%
30 June 2011	8.7%	0.8%	-0.4%

Source: AREF/IPD UK Pooled Property Fund Index  
Basis: NAV-to-NAV with gross income reinvested.

<b>Holding</b>	<b>Number of beneficial owners</b>	<b>Total percentage holding</b>
Less than 0.01%	508	2.41%
0.01% but less than 0.05%	474	10.60%
0.05% but less than 0.10%	129	9.48%
0.10% but less than 0.50%	104	23.16%
0.50% but less than 1.00%	26	18.05%
1.00% but less than 2.00%	14	18.98%
2.00% but less than 4.00%	2	5.04%
Greater than 4.00%	2	12.28%
<b>Total number of investors and units in issue at the end of the period</b>	<b>1,259</b>	<b>518,278,394</b>
<b>Percentage held by the largest investor</b>		<b>7.37%</b>

## 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
	24 June 2012	499,020,449	518,278,394	96.28

Price and Income History	Year/Period 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
	24 June 2012	98.99	95.27	5.78

## Distribution

Distribution Number	Distribution Period	2012		2011	
		Distribution Per Unit (p)	Date Paid	Distribution Per Unit (p)	Date Paid
1	01 July to 30 September	1.36	15/11/11	1.94	15/11/10
2	01 October to 31 December	1.52	15/02/12	1.79	15/02/11
3	01 January to 31 March	1.36	15/05/12	1.34	16/05/11
4	01 April to 24 June	1.16	15/08/12	1.54	15/08/11
Total		5.40		6.61	

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

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

Under the Scheme Particulars and charity law, the Manager of the Fund is responsible for preparing the Annual Report and the financial statements for each financial period 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 Particulars, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Fund will continue its activities.

The Manager is required to act in accordance with the Scheme Particulars of the Fund, within the framework of trust law. The Manager is responsible for keeping proper accounting records, sufficient to disclose at any time, with reasonable accuracy, the financial position of the Fund at that time, and to enable the Manager to ensure that, where any statements of accounts are prepared by it under section 132(1) of the Charities Act 2011, regulation 6 of the Charities (Accounts and Reports) Regulations 2008 and the Statement of Recommended Practice for Authorised Funds, those statements of accounts comply with the requirements of regulations under these provisions. The Manager has general responsibility for taking such steps as are reasonably open to 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 Northern Trust Global Services 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 Period to 24 June 2012.

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, confirms 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  
7 September 2012

## 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 period ended 24 June 2012 set out on pages 21 to 29 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 144 of the Charities Act 2011 (or its predecessors) and regulations made under section 154 of that Act and regulation 6 of the Charities (Accounts and 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, Cordea Savills Investment Management 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 144 of the Charities Act 2011 (or its predecessors) and report in accordance with regulations made under section 154 of that act and in accordance with the Scheme Particulars. 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 24 June 2012 and of the net revenue and the net capital gains on the property of the Fund for the period 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 2011.

We have nothing to report to you in respect of the following matters where The Charities Act 2011 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  
10 September 2012

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

		Period ended 24 June 2012	Year ended 30 June 2011
	Note	£	£
Net capital gains	3	1,316,349	3,724,940
Revenue	4	30,612,452	29,813,407
Expenses	5	(4,777,477)	(3,679,607)
Net revenue before finance costs		25,834,975	26,133,800
Finance costs – borrowings and interest	6	(236,669)	(331,895)
Net revenue		25,598,306	25,801,905
<b>Total return before distributions</b>		26,914,655	29,526,845
Finance costs – distributions	7	(25,817,216)	(25,922,939)
<b>Change in net assets attributable to unitholders' from investment activities</b>		1,097,439	3,603,906
<b>Statement of change in net assets attributable to unitholders</b>			
Opening net assets attributable to unitholders		439,706,076	342,812,795
Net amounts receivable on creation of units		58,216,934	93,289,375
Change in net assets attributable to unitholders from investing activities		1,097,439	3,603,906
<b>Closing net assets attributable to unitholders</b>		499,020,449	439,706,076

## Balance Sheet

		<b>As at 24 June 2012</b>	<b>As at 30 June 2011</b>
	<b>Note</b>	<b>£</b>	<b>£</b>
Investment properties	8	449,690,000	394,485,000
<b>Net current assets</b>			
Debtors	9	5,651,429	28,328,217
Cash and bank balances		53,491,683	27,310,153
		<u>59,143,112</u>	<u>55,638,370</u>
<b>Total assets</b>		<u>508,833,112</u>	<u>349,321,092</u>
<b>Less: current liabilities</b>			
Creditors	10	3,808,368	3,714,391
Distribution payable		6,004,295	6,702,903
		<u>9,812,663</u>	<u>10,417,294</u>
<b>Total liabilities</b>		<u>9,812,663</u>	<u>10,417,294</u>
<b>Net assets attributable to unitholders</b>		<u>499,020,449</u>	<u>439,706,076</u>

The financial statements were approved by the Board of Directors of the Manager on 7 September 2012 and were signed on its behalf by

**Richard James**  
7 September 2012

# Cash Flow Statement

	Period ended 24 June 2012	Year ended 30 June 2011
	£	£
<b>Cash flow from operating activities</b>		
Reconciliation from net operating income to net cash flows from operating activities		
Net revenue before finance costs	25,834,975	26,133,800
Bank interest received	(51,216)	(212,135)
Decrease in trade and other receivables	860,067	3,888,320
(Decrease) / increase in trade and other payables	(342,738)	2,576,818
Net cash flow from operating activities	26,301,088	32,386,803
<b>Cash flows from investment activities</b>		
Purchase of properties	(85,027,535)	(78,028,559)
Sale of properties	31,575,599	17,170,744
Bank interest received	51,216	212,135
Net cash flow from investment activities	(53,400,720)	(60,645,680)
<b>Cash flows from financing activities</b>		
Net amounts received on creation of units	80,033,655	68,430,725
Borrowing costs and interest	(236,669)	(331,895)
Income distributions paid	(26,515,824)	(24,310,300)
Net cash inflow from financing activities	53,281,162	43,788,530
Net increase in cash and cash equivalents	26,181,530	15,529,653
Cash and cash equivalents at the start of the period/year	27,310,153	11,780,500
<b>Cash and cash equivalents at the end of the period/year</b>	<b>53,491,683</b>	<b>27,310,153</b>

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

## I Accounting policies

### a) Basis of accounting

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investments and in accordance with the requirement of the Charities Act 2011 and the Statement of Recommended Practice for Financial Statements of Authorised Funds issued by the IMA in October 2010 (the "SORP").

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

### b) Investments

The direct property investments which comprise properties held for rental, are recognised at market value 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 are valued on a quarterly basis and were last valued by Cushman and Wakefield on 24 June 2008. The aggregate surplus or deficit on revaluation is taken to the Statement of Total Return.

Cost capitalised in respect of properties under development include acquisition costs of land and buildings, costs incurred in bringing the property to its present location and condition and contracted development licence fees in accordance with FRS 15. Properties in the course of development are held at valuation.

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

The Fund does not have any holdings in indirect property or collective investment schemes.

### c) Transaction costs

The fund aggregates properties in the portfolio statement on pages 13 and 14 in bands greater than 5% and does not disclose transaction costs separately in order to avoid disclosure of sensitive commercial information and does not therefore comply fully with the SORP.

### d) Depreciation

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

### e) Income and expenses

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

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

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 treated as a capital expense.

### f) 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' and are recognised on a straight line basis over the shorter of the lease term or the period up to the next lease event. Capital contributions granted

to tenants are shown as a debtor and amortised over the shorter of either the period of the lease or to when the rent is adjusted to the prevailing market rate, usually the first review. The valuation of property investments is reduced by the total of the unamortised capital contributions and any lease incentives in place at the time. Any remaining debtor balances in respect of properties disposed of are included in the calculation of profit or loss arising on disposal.

### g) Borrowing costs

Costs and incentives associated with the revolving credit facility are allocated against the distributable income of the Fund or against capital in accordance with the SORP. Further details of these costs is included in Note 6.

### h) Distributions payable and distribution policy

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

Distributions are calculated in accordance with the scheme particulars.

### i) Taxation

As a charity the Fund is not currently liable to UK tax on gains arising on disposals of investments, nor on income from investments, and is not liable to stamp duty land tax on purchases of property.

## 2 Risk Management

In pursuing its investment objective, the Fund holds a number of properties and financial instruments. These comprise:

- Direct property holdings.

The following are held in accordance with the Fund's investment policy:

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

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

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

### Market risks

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

### a) Interest rate risk

The Fund's exposure to interest rate risk mainly arises from any variation in interest income earned on bank balances and interest payable on credit facilities due to volatility in interest rates. The Manager does not consider interest income earned on bank balances to be significant risk to the Fund as it is not the



intention of the Fund to maintain cash balances for the purpose of generating income, but to invest in investment properties when suitable investments become available.

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

## b) Market price movements

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

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

## Liquidity risk

The key liquidity risk is the holding of direct property assets.

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 main liquidity risk of the Fund is the redemption of units.

The Manager monitors the level of redemptions, and other cash flows, on a regular basis to ensure sufficient funding is available.

If insufficient cash is available to fund redemptions, the Fund can dispose of direct holdings, utilise short term credit facilities, and defer redemptions.

## Credit risk

Credit risk is the risk that one party to a financial arrangement will cause a financial loss for the other party by failing to discharge an obligation.

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

## Sector exposure risk

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

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

## 3 Net capital gains

The net gains on investments during the period comprise:

Net proceeds from disposal of properties
Carrying value of properties disposed during the period/year
Losses realised on properties disposed
Net unrealised gains on revaluation for the period/year
Net capital gains

Period to 24 June 2012	Year to 30 June 2011
£	£
31,575,599	17,170,744
(35,505,000)	(18,130,000)
(3,929,401)	(959,256)
5,245,750	4,684,196
1,316,349	3,724,940

## 4 Revenue

Distribution from collective investment schemes
Rental income
Lease surrender income
Sundry income
Bank interest
Revenue

Period to 24 June 2012	Year to 30 June 2011
£	£
-	44,113
29,369,022	24,567,691
840,450	4,969,600
351,764	19,868
51,216	212,135
30,612,452	29,813,407

## 5 Expenses

	Period to 24 June 2012	Year to 30 June 2011
	£	£
Manager and Property Manager fees	2,469,331	2,043,002
Corporate Trustee's fees	188,825	156,322
	<b>2,658,156</b>	<b>2,199,324</b>
Other expenses:		
Registration fees	2,783	10,928
Insurance	30,159	57,448
Audit fee	25,500	13,500
Valuation fee	85,344	61,335
Legal and professional fees	345,289	524,421
Marketing and communication costs	153,798	42,277
Vacant property costs	1,524,970	756,057
Rent review fees	(48,522)	14,317
	<b>2,119,321</b>	<b>1,480,283</b>
	<b>4,777,477</b>	<b>3,679,607</b>

## 6 Finance costs – borrowings and interest

Finance cost during the period/year (excluding distributions) comprise:

	Period to 24 June 2012	Year to 30 June 2011
	£	£
Capital expenses		
Loan arrangement fee	62,500	41,190
Legal & professional fees	(13,849)	116,664
	<b>48,651</b>	<b>157,854</b>
Loan interest	23,642	-
Non-Utilisation fee	164,376	174,041
	<b>188,018</b>	<b>174,041</b>
Finance costs: borrowings and interest	<b>236,669</b>	<b>331,895</b>

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 one year on 23 February 2011 and a further year on 23 February 2012. 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 period end, the Facility was unutilised and the Fund has not entered into any derivative contracts in respect of interest rates.

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

	Period to 24 June 2012	Year to 30 June 2011
	£	£
First interim distribution	6,249,683	7,038,561
Second interim distribution	7,104,749	6,745,467
Third interim distribution	6,392,874	5,436,008
Fourth interim distribution	5,841,611	6,702,903
Net income distribution for the period/year	25,588,917	25,922,939
Capital distribution	228,299	-
Total distribution	25,817,216	25,922,939

Details of the distribution per unit are set out in the distribution table on page 17

Represented by:

	£	£
Net income	25,598,306	25,801,905
Capital costs	48,651	157,854
Capital income	(78,117)	(19,318)
Balance of income brought forward	20,314	2,812
Balance of income carried forward	(237)	(20,314)
Distributable capital income	228,299	-
Net distribution for the period/year	25,817,216	25,922,939

The capital distribution represents licence fee income received in relation to properties in the course of development which cannot be recognised as income under UK GAAP.

## 8 Investment Properties

	As at 24 June 2012	As at 30 June 2011
	£	£
Value at 1 July 2011/1 July 2010	394,485,000	315,039,527
Purchases and capital expenditure during the period/year	85,464,250	92,891,277
Opening value of properties disposed during the period/year	(35,505,000)	(18,130,000)
Net unrealised gains on valuation	5,245,750	4,684,196
At end of period/year at valuation	449,690,000	394,485,000
Fully developed properties	444,680,000	394,303,857
Properties in the course of development	5,010,000	-
At end of period/year	449,690,000	394,303,857

Lease incentives of £220,413 (2011: £2,006,512) are included in the carrying value of investment properties above.

## Notes to the Financial Statements continued

### Split of investment properties by freehold and leasehold

	£ Freehold	£ Leasehold	£ Total
Value at 1 July 2011	297,610,000	96,875,000	394,485,000
Purchases and capital expenditure during the period	63,680,801	21,783,449	85,464,250
Opening value of properties disposed during the period	(26,655,000)	(8,850,000)	(35,505,000)
Net unrealised gains on revaluation	2,374,848	2,870,902	5,245,750
Value at 24 June 2012	337,010,649	112,679,351	449,690,000

All the properties have been valued by external chartered surveyors, Cushman & Wakefield, at £449,690,000 (2011: £394,485,000), in accordance with the Appraisal and Valuation Manual issued by the Royal Institution of Chartered Surveyors. The historical cost of the properties is £477,723,274 (2011: £428,483,854)

### 9 Debtors

	As at 24 June 2012	As at 30 June 2011
	£	£
Amounts receivable for creation of units	1,864,147	23,680,868
Rent receivable	2,032,659	1,682,329
Prepayments	1,497,058	2,828,601
Insurance prepayment	210,547	115,414
Sundry debtors	47,018	20,618
VAT recoverable	-	387
	5,651,429	28,328,217

### 10 Creditors

	As at 24 June 2012	As at 30 June 2011
	£	£
Purchases awaiting settlement	819,593	382,878
Prepaid rent	1,627,895	2,325,145
Manager and Property Manager fees	600,375	555,513
Corporate Trustee fees	45,911	42,796
Audit fees	18,000	9,750
Registration fees	12,067	3,134
Valuation fees	19,674	17,336
Rent review fees	5,000	65,849
Vacant property costs	278,865	250,052
Credit facility non utilisation fee	40,754	43,630
VAT payable	340,234	-
Marketing and communication costs	-	18,308
	3,808,368	3,714,391

## 11 Related Party Transactions

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

The amount outstanding at the period end in respect of those fees was £600,375 (30 June 2011 £555,513).

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 £45,911 (30 June 2011 £42,796).

During the year the Property Manager has received transactional fees of £289,150 (30 June 2011 £667,395).

During the year affiliates of the Manager and Property Manager have received fees of £478,574 (30 June 2011 £234,165).

Details of the Manager and Corporate Trustee can be found on page 30.

The aggregate monies received through creations and paid through cancellations are disclosed in the Statement of Change in Net Assets Attributable to Unitholders. Subscription money awaiting investment into The Charities Property Fund is held in an account in the name of 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.

## 12 Post Balance Sheet Events

There were no post balance sheet events requiring disclosure.

## 13 Contingent Liabilities

There were no contingent liabilities at the period end (30 June 2011 £ 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 96 of the Charities Act 2011. Common Investment Funds are themselves charities with schemes approved and regulated by the Charity Commission. As a charity, the Fund is currently exempt not only from Stamp Duty Land Tax (currently 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 principal commercial property sectors: office, retail, industrial and other (alternative uses such as leisure, car showrooms, care homes, motorway service areas). It does not undertake speculative investments.

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

## Unit Dealing

As the Fund is valued quarterly, units can be purchased at the end of March, June, September and December. Normally units will be redeemed with effect from a quarter day though this is subject to cash being available for redemptions. In addition, where there are both subscriptions and redemptions at a quarter day, the Manager may apply a matching process. 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 Valuer

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

### Manager

Cordea Savills Investment Management Limited  
20 Grosvenor Hill  
London  
W1K 3HQ

### Auditor

KPMG LLP  
15 Canada Square  
London  
E14 5GL

### Property Manager

Savills Commercial Limited  
20 Grosvenor Hill  
London  
W1K 3HQ

### Investment Adviser

Cordea Savills Investment Management Limited  
20 Grosvenor Hill  
London  
W1K 3HQ

### Performance Measurement

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

### Property Adviser

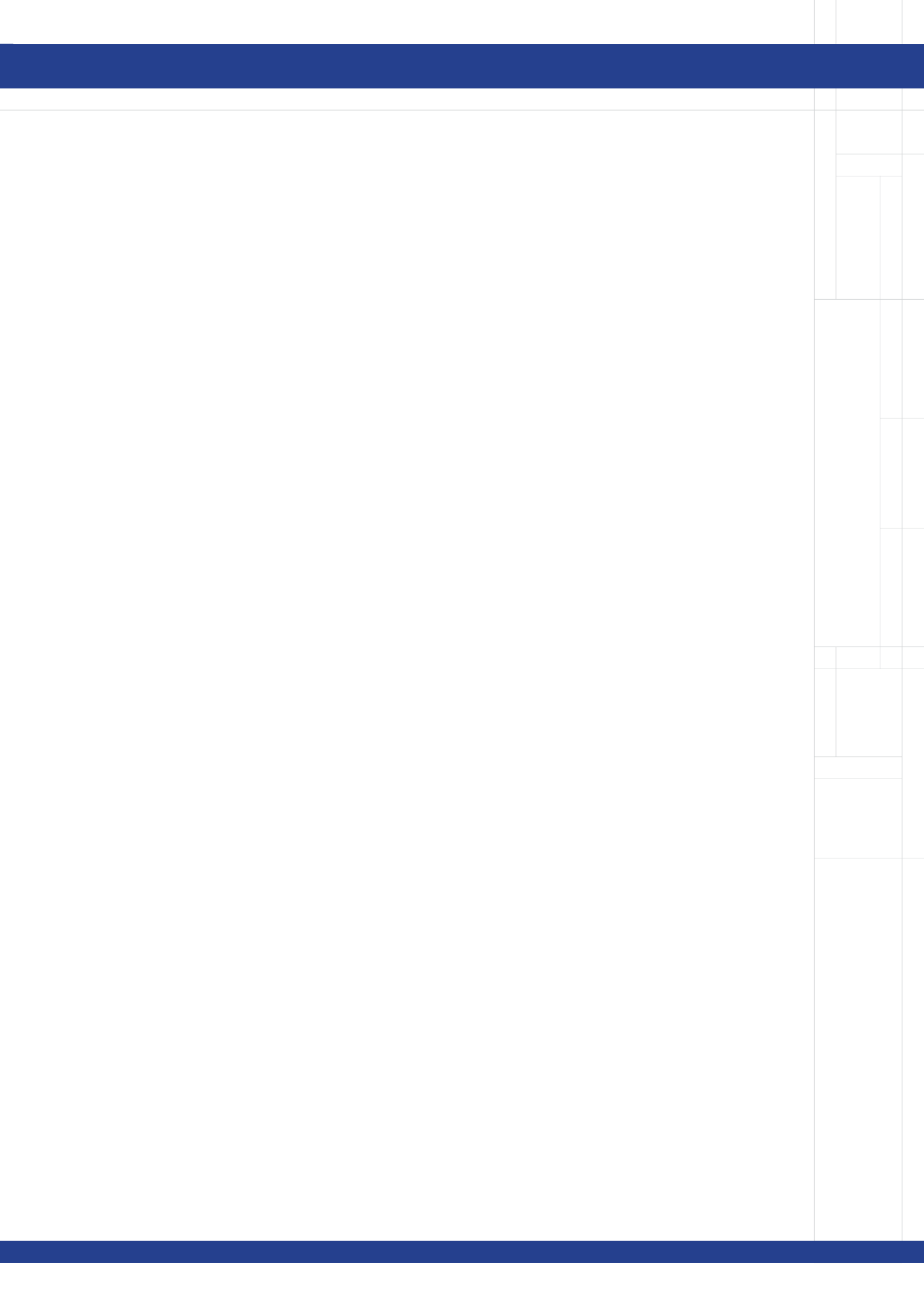
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