



Report & Accounts

2013

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 hotels, leisure, car showrooms, care homes, motorway service areas). It does not undertake speculative developments.

The Fund is a charity (number 1080290) and is therefore not subject to withholding tax, capital gains tax and most importantly stamp duty land tax (currently charged at 4% on the majority of commercial property transactions).

Cordea Savills Investment Management Limited (the “Manager”) does not intend to hold more than 10% by value of the Fund in cash or Near Cash (as defined in FCA 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 and poor outlook for the sector. 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 of cashflows associated with the application process.

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

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



The Charities Property Fund

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Market Overview

The UK Commercial property market continues to deliver a high level of income and 2013 has also seen a marked improvement in investor sentiment. This is partly due to confidence slowly returning to the occupational markets which have seen enhanced activity, but also a more “risk-on” attitude by investors to the sector. This has come about through continued low interest rates, but also its relative attraction to bonds and equities which have seen much more capital growth and therefore appear expensive in comparison. It also has some defensive qualities should inflation gain momentum.

Threats do still exist (for example the ongoing refinancing of real estate loans) and whilst occupational demand is improving, it remains relatively thin. However most economic indicators seem to be registering improved activity and it is this confidence, which has been absent before, combined with the high yields available, the reducing supply of available space and limited new development starts over the last five years which have helped to drive capital values in the second quarter of 2013. We see every sign of this continuing through the rest of the year.

In this context, we continue to focus on asset quality and the security of income, not only to underpin superior performance, but also to mitigate the threats outlined above.

Fund Performance

The total return for the Fund during the 12 months to June 2013 was +4.8%. 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 +1.7% total return over the same period.

The NAV of the Fund has increased by 8.6% during the last 12 months from £499.02 million in June 2012 to £541.70 million in June 2013. This included £46.3 million of net cash inflow.

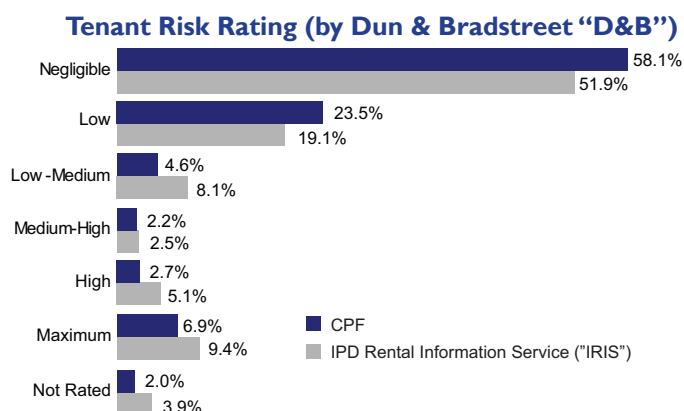
The Fund has underperformed its assumed benchmark of 8.0% but it is pleasing that the Fund has significantly outperformed the IPD All Balanced Funds Property Index once again whilst going through a period of significant growth, with all the associated transaction costs and the time delay involved in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

the fifth best performing UK property fund (out of 27 funds) over the year to June 2013, is the second best performing fund over the last three years and is the top performing UK Balanced Property Fund over the last 5 years.

	Fund (%)	IPD All Balanced Funds Index (%)
Year ended June 09	- 21.2	- 27.2
Year ended June 10	+19.1	+ 18.5
Year ended June 11	+ 8.7	+ 7.7
Year ended June 12	+ 6.0	+ 4.0
Year ended June 13	+ 4.8	+ 1.7
5 year average (pa)	+ 2.6	- 0.5

Tenant Credit Risk Profile

Percentage of Rent, June 2013



Source: Cordea Savills, IPD (June 2013)

*The table above rates the risk of default within the covenants i.e. 58.1% of the Fund's covenants are thought to be at negligible risk of default.

Income Security

The security of income in the Fund is supported by tenants with above average financial profiles, with 81.6% of the rent received from tenants rated “Negligible Risk/Low Risk” by D&B, compared to 71.0% for the universe of portfolios measured by IPD. The Fund also has a low vacancy level at 3.9% (compared to the IPD average of 11.9% as at June 2013). This is down from 6.9% as at June 2012 (a fall of over 43%). The weighted average unexpired lease term is 9.6 years.

The Fund has purchased eight separate property investments over the year to 24 June 2013, investing £52.85 million. These properties are generally of high quality, let to very good covenants (86.9% of income secured on “Public Sector/Negligible or Low Risk” covenants as rated by D&B) with the remaining 13.1% benefiting from rent deposits. Generally the leases are long (average unexpired term of 13.7 years to earliest break date) and 30% of the income benefits from 2.5% per annum compound rental increases. The average yield to the Fund inclusive of acquisition costs was 8.0%. This compares to the IPD Monthly Index initial yield of 6.3% as at June 2013.

The purchases included:

1. A distribution unit in Tewkesbury let to Tata Steel UK Limited (with a surety from Corus Group Limited) on a lease expiring in February 2023 – acquired for £8.95 million, a yield to the Fund of 9.7%. The property is fully underlet to Sapa Building Systems Limited on a co-terminus lease.
2. A recently constructed office building in Maidenhead let to Regus and Ektron Europe with an average unexpired lease term of 9 years. The price of £6.75 million reflects a yield of 8.2%.
3. A manufacturing unit in Gloucester let to Severn Glocon Limited for a further 8.75 years was acquired by the Fund at a price of £5.35 million, reflecting a yield of 9.7%.
4. A seven unit retail park in Redditch with an open AI planning consent, let to Aldi, Pets at Home, Poundstretcher, Iceland, Home Bargains, Maplin and KFC with an average of 10 years unexpired was acquired for £14.40 million, a yield of 7.1%.
5. Finally, the Fund acquired a portfolio of four car showrooms let to Rybrook Holdings Limited for a further 23.5 years, expiring in November 2036. The acquisition price of £17.4 million reflects a yield of 7.2%. The leases benefit from 2.5% per annum fixed rental increases paid every five years.

The purchases totalled £52.85 million and were cumulatively valued at £54.89 million as at 24 June 2013, an increase of £2.04 million (3.9%).

The Fund made one sale over the reporting period:

1. An industrial unit in Bath (Midsomer Norton) let to Parker Transport until June 2015 (with an option to break in June 2013) sold for £0.905 million, a yield of 6.8% (June 2012 valuation: £0.910 million, 6.8%).

Total sales proceeds of £0.905 million, reflected a decrease of £5,000 (0.5%), exclusive of costs, over the June 2012 valuation of £0.910 million. However this property contributed £48,750 in income in the period leading up to its sale. The property had a very short lease, is a small lot size and this was an opportunistic sale to an owner occupier.

Redemptions and Applications

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

The Fund held £0.5 million of cash for capital transactions, and was due £27.6m of net creation monies as at 24 June 2013.

In the period to 24 June 2013 the Fund received applications for 73.72 million units in the Fund and redemptions of 25.68 million units, a net addition of 48.04 million units.

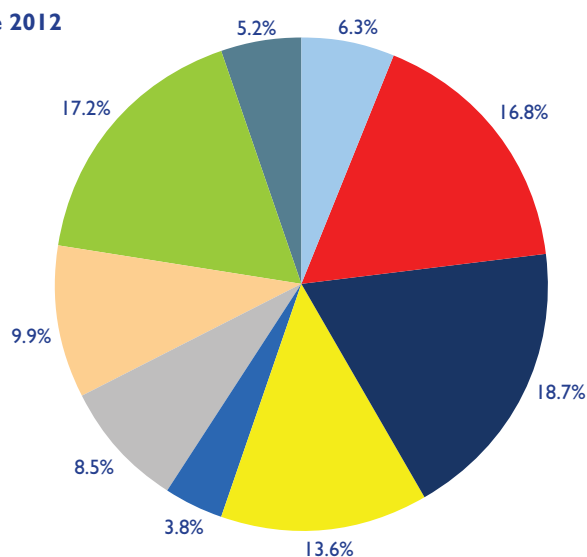
Sector Weightings

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. We have also increased our exposure to alternative sectors over the last 12 months with investments in the Cambridge hotel and a portfolio of car showrooms. This has increased the “other” sector from 5.2% to 8.5%.

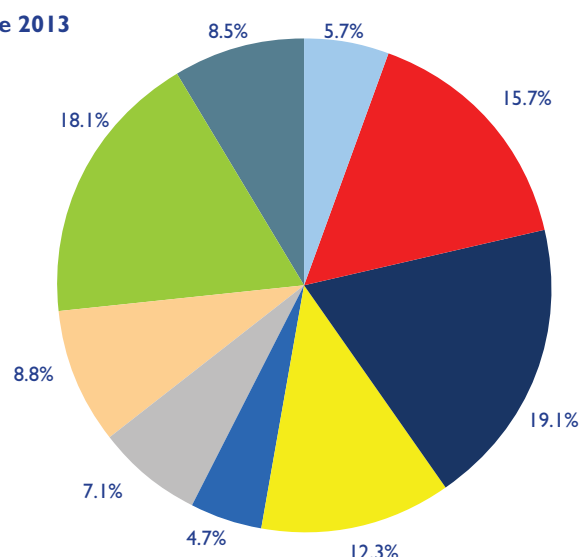
The Fund structure as at June 2013 is compared to the position at June 2012 below:

Sector Weightings

June 2012



June 2013



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

Source: Cordea Savills (June 2012 and June 2013)

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 are currently 3.9% compared to the IPD average of 11.9%) and driving income growth through rental increases, refurbishments and new lettings. We have undertaken 26 new lettings and 8 lease renewals over the reporting period, reducing the void rate from 6.9% last June to its current level of 3.9% (a reduction of 43%). Importantly 21% 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 patchy and rental growth subdued. We expect to increase this percentage to 25% of the portfolio through diversification into alternative sectors (which now account for 8.5% of the portfolio) which will allow us to more reliably deliver the target return of the portfolio.

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 retail and City office sectors.

We continue to look for interesting growth locations and opportunities, with a bias towards fringe West End & Midtown offices (Victoria, Holborn and Farringdon), good quality retail warehousing, supermarkets and the industrial/distribution markets. These sectors 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 can be acquired close to replacement cost/rebuilding cost, thereby giving downside protection. We also see excellent value on some of the alternative sectors such as hotels, car showrooms and Motorway Service Areas (MSA).

Active management of the assets plays a key role in enhancing returns to investors. Different examples of our ability to add value are set out overleaf.

Active Management

1. Cambridge

We have successfully completed the forward funding of the Travelodge Hotel on Newmarket Road, Cambridge. The hotel is let to Travelodge for a term of 35 years from 11 June 2013, expiring 10 June 2048 and benefits from rent reviews every 5 years to the retail price index. The completed valuation of £18.8 million compares favourably to the cost of funding of £16.3 million.

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. The building was refurbished and launched in April 2012. We have successfully let the ground floor retail unit to The Coffeesmiths Collective Limited, the basement, ground and part first floors to Konica Minolta Business Solutions (UK) Limited and the fourth floor to PCB Litigation LLP. The remainder of the first floor and part second floor are also under offer and close to completing. This will mean the building is 65% let and will leave only the part second and third floors remaining. In addition the previous tenant effectively paid the rent up until September 2013 when they surrendered their lease.

3. Dean Farrar Street, SW1

We have successfully let the third, fifth and sixth floors at 10 Dean Farrar Street to the Professional Contractors Group, Ciber UK Limited and The Combined Heat & Power Association and the Carbon Capture & Storage Association all on new 5 year leases at rents of £191,840 per annum (£40.00 per sq ft), £143,418 per annum (£41.00 per sq ft) and £94,840 per annum (£39.50 per sq ft). The building is now fully let.

4. Merthyr Tydfil

Following the letting in February 2012 to Home Bargains at a rent of £130,000 per annum (£8.00 per sq ft), this retail park was fully let until the failure of Comet in December 2012. We have subsequently re-let the Comet unit to Sports Direct on a new 10 year lease from April 2013 at a rent of £125,000 per annum (£10.20 per sq ft). These two lettings have combined to significantly enhance the footfall at this park and raised its profile. As a result we are now attempting to negotiate a surrender with one of the weaker tenants and already have interest from a number of retailers at significantly higher rental levels, thereby proving a reversion.

5. Sheffield

Units 1 and 2 were let to AF Blakemore (trading as Spar) at a rent of £51,000 per annum, expiring in June 2014. We surrendered their lease with effect from December 2012, in return the Fund received a premium of £85,000 (effectively all the rent remaining under the lease). We subsequently split the unit in half and let Unit 1 to Caffè Nero for a term of 10 years from February 2013 at a rent of £30,000 per annum and let Unit 2 to Meaty Fish Limited (a local butcher/fishmonger/delicatessen) also for a term of 10 years from May 2013 at a rent of £35,000 per annum. Therefore we have increased the rent payable by 27.5% and extended the unexpired lease term by 9 years. The surrender premium effectively covered the costs of splitting the units and the rent free periods. We believe this is an excellent result especially bearing in mind the challenges affecting the High Street and this reflects well upon the quality of assets owned by the fund.

6. Redditch - Trafford Retail Park

This retail park was acquired on 31 January 2013. At the time, Unit 5 was let to Blockbuster Entertainment Limited at a rent of £95,500 per annum (£15.50 per sq ft) on a lease expiring in December 2019. Prior to completing the purchase Blockbuster went into receivership and we signed an agreement for lease with Maplin Electronic Limited on the basis of a new 10 year lease at a rent of £114,000 per annum (£18.50 per sq ft). Therefore not only have we increased the headline rent by almost 20%, but also managed to secure a superior covenant on a longer lease.

7. Taunton - Crown Industrial Estate

This industrial unit was let to Wickes Properties Limited on a lease expiring in 2016 at a rent of £87,500 per annum. We agreed to take a surrender of the existing lease in return for a payment of £327,000 (3.75 years rent) and simultaneously re-let the unit to Norbert Dentressangle Transport Services Limited on a new 10 year lease at £87,500 per annum. Norbert benefitted from a 12 month rent free period, but again the Fund will benefit from a boost in income, combined with a longer lease to a superior covenant.

8. Uttroter

When we acquired this retail park in August 2011, there were two empty units on the park. Both of these have now successfully been let, the first to Majestic Wine Warehouses Limited on a new 15 year lease from July 2012 at a rent of £43,078 per annum (£14.00 per sq ft) and the second to Poundstretcher Limited on a new 10 year lease from November 2012 at a rent of £98,600 per annum (£10.00 per sq ft).

Map of Properties

■ Retail

- 1 Basildon
Old Market Retail Park
- 2 Bath
5-10 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
4 East Street
- 8 Chichester
16-17 North Street
- 9 Doncaster
Wickes Unit, Leger Way
- 10 Guildford
Magnet Unit
- 11 London, SE15
593-613 Old Kent Road
- 12 London, N1
54/55 Chapel Market, Islington
- 13 Mansfield
Tesco Extra Store
- 14 Merthyr 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 Redditch
Trafford Retail Park
- 19 Sheffield
Units 1-7, Cambridge Street,
Barkers Pool
- 20 Southend-on-Sea
169/175 High Street
- 21 Twickenham
Apex Retail Park, Hampton
Road West
- 22 Uttoxeter
Dovefields Retail Park
- 23 Windsor
15-16 Peascod Street
- 24 Worcester
31 High Street

■ Office

- 25 Bath
Westpoint, James Street
- 26 Birmingham
The Pavillions, 3010/3020, The Crescent
- 27 Chester
Chester Civil Justice Centre,
Trident House

- 28 Chester
Elder House, Sealand Road
- 29 Edinburgh
The Tun, Holyrood
- 30 Feltham
York & Wellington House
- 31 Gloucester
S.A. Europe House,
Waterwells Business Park
- 32 Leeds
Jubilee House,
Mid Point Business Park
- 33 Leicester
Unit 2,
Bede Island North
- 34 London, SW1
10 Dean Farrar Street
- 35 London, WC2
90 Chancery Lane
- 36 London, EC1
Crystal Court, 6-9 Brisset Street
- 37 Maidenhead
One Bell Street
- 38 Staines
Magna House, 76-80 Church Street
- 39 Taunton
Sedgemoor House,
Deane Gate Office Park
- 40 Tunbridge Wells
Brooke House & Seymour House,
Mount Ephraim Road
- 41 Woking
One Crown Square
- 42 Wolverhampton
Pendeford House,
Pendeford Business Park

■ Industrial

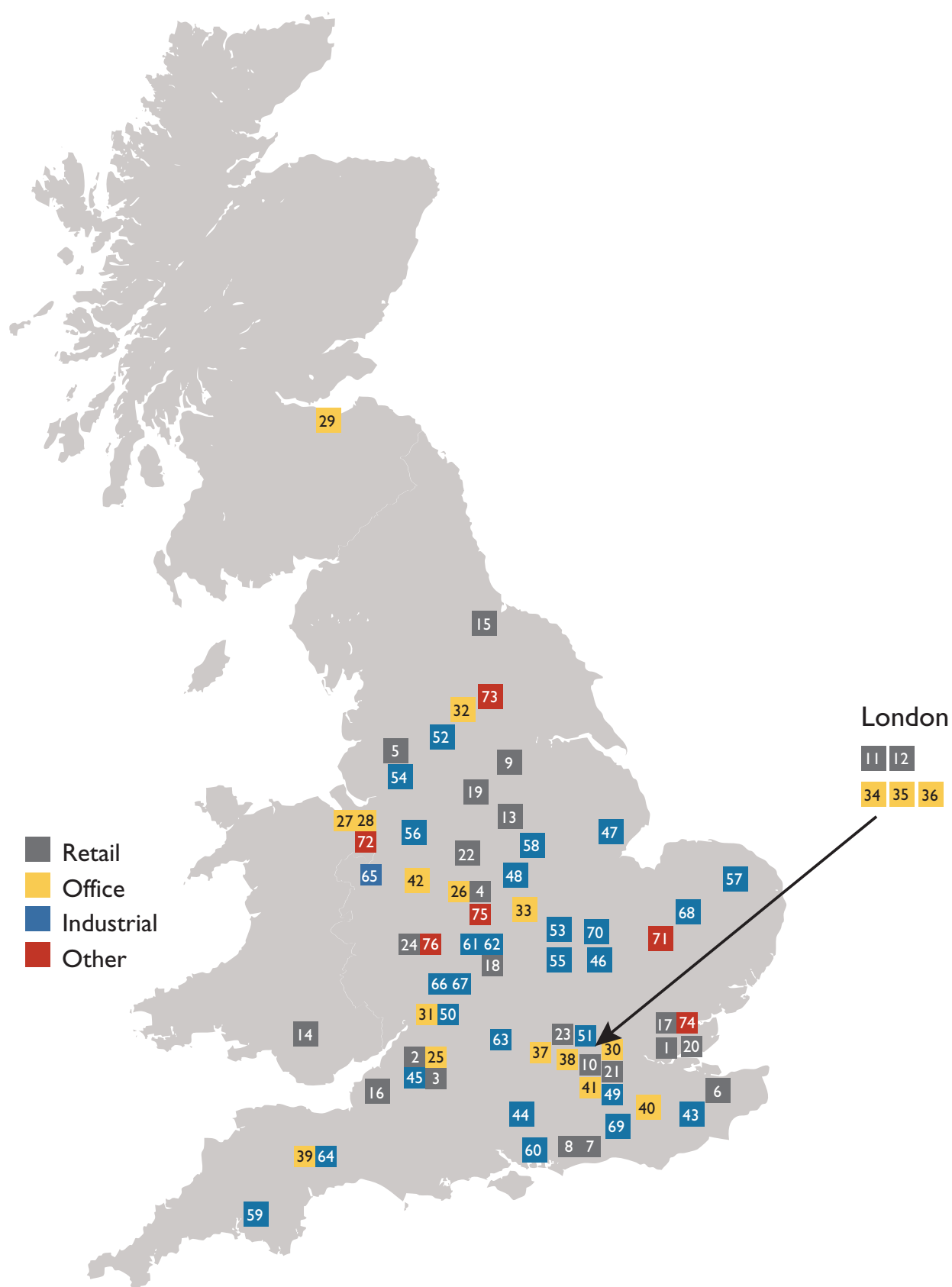
- 43 Ashford
Units A-D, Phase IV,
Ashford Business Park
- 44 Basingstoke
Bayard (Unit B),
Knights Park, Houndsmills
- 45 Bath
Unit 1, Westfield Trading Estate,
Midsomer Norton
- 46 Biggleswade
Smiths Metal Centres,
Stratton Business Park
- 47 Boston
Havenside, Fishtoft Road
- 48 Burton-upon-Trent
Unipart Logistics, Barberry 157
- 49 Epsom
Epsom Trade Park and
Units 450A & 450B, Longmead
Industrial Estate
- 50 Gloucester
Severn Glocon, Olympus Park
- 51 Hayes
Caxton Point, Printing House Lane

- 52 Huddersfield
Units 1 & 2,
Bradley Junction Industrial Park
- 53 Kettering
Bunzl Unit, Telford Way Industrial Estate
- 54 Manchester
Units A & B,
Wardley Cross Industrial Estate
- 55 Milton Keynes
Mount Farm Industrial Estate,
Dawson Road
- 56 Newcastle-Under-Lyme
Unit 1, Rosevale Business Park
- 57 Norwich
Magnet, 171 Mile Cross Lane
- 58 Nottingham
Turbine Surface Technologies,
Little Oak Drive
- 59 Plymouth
Unit 2, Western Wood Way,
Langage Business Park
- 60 Portsmouth
SMR, Castle Trading Estate
- 61 Redditch
John Lewis, Hedera Road
- 62 Redditch
Alto House, Ravensbank Drive
- 63 Swindon
Jewson Unit, Kembrey Street,
Kembrey Park
- 64 Taunton
Norbert Dentressangle,
Crown Industrial Estate
- 65 Telford
Lacoste Building, Stafford Park 6
- 66 Tewkesbury
Alexandra Way, Ashchurch
Business Centre
- 67 Tewkesbury
Unit 5300, Severn Drive
- 68 Thetford
TNT Unit, Fisons Way Industrial Estate
- 69 Uckfield
Units 1-20, Ridgewood Industrial Park
- 70 Wellingborough
Avery Dennison, Warth Park, Raunds

■ Other

- 71 Cambridge
Travelodge, Newmarket Road
- 72 Chester
Jaguar & Volvo, Sealand Road
- 73 Harrogate
Mercedes Benz, Leeds Road
- 74 Rayleigh
Virgin Active, 200 Rayleigh Road
- 75 Solihull
Rolls Royce & McLaren, Stratford Road
- 76 Worcester
BMW & Mini, Knightsbridge Park

Map of Properties

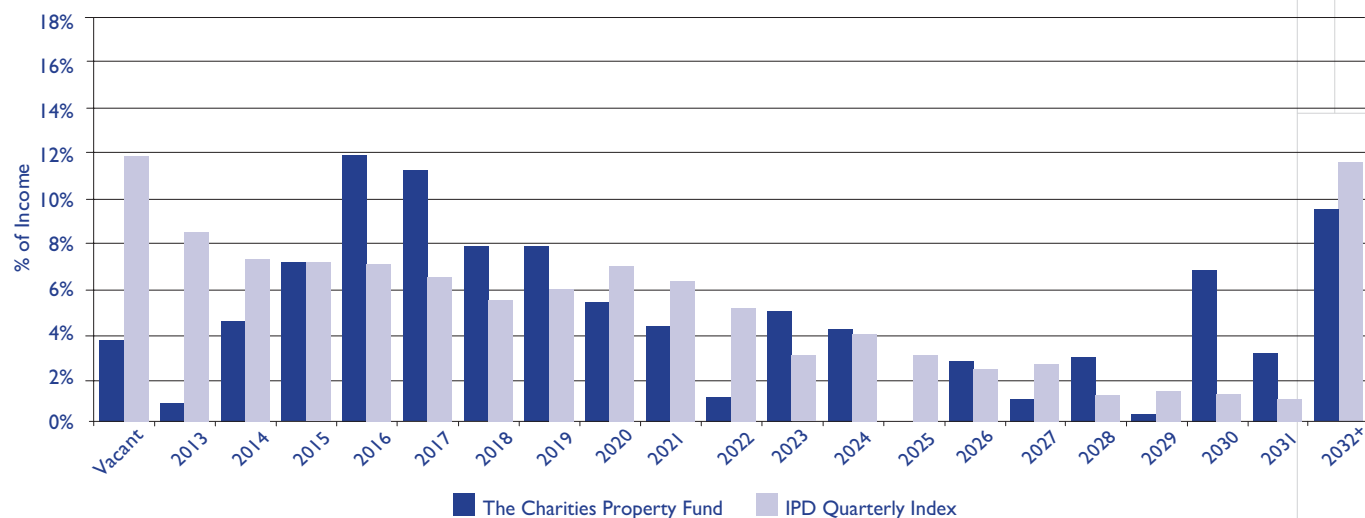


Lease Expiry Profile

The average time to lease expiry is 9.6 years, weighted by income, or 9.0 years when all tenant break options are included.

Fund Lease expiry profile June 2013

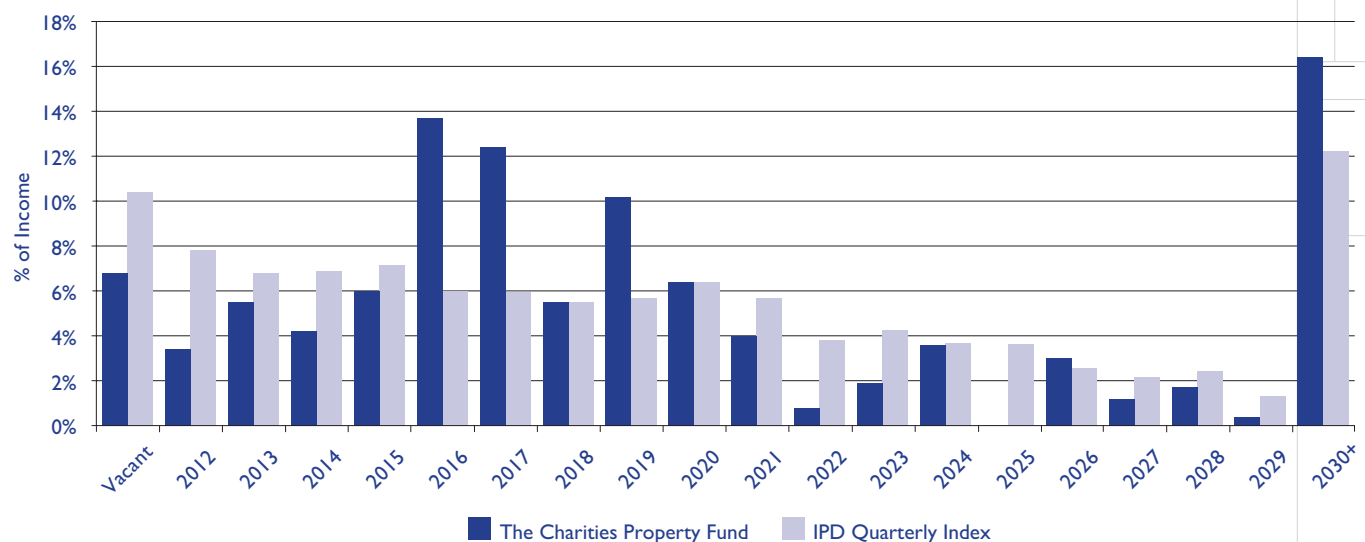
(to earliest date - including all tenant breaks)



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

Fund Lease expiry profile June 2012

(to earliest date - including all tenant breaks)



Source: Cordea Savills (June 2012 and June 2013)

List of Properties – Retail

Property	Principal Tenants	Annual Rent As at 24 June 2013 £	Expiry (Breaks)
Basildon	McDonalds, KFC, Pets at Home, Farm Foods, Store 21	560,010	2016 - 2021
Bath (Westgate Buildings)	Sports Direct, Halfords, Maplin, Sally Salon, Sony Centre, Future Publishing	631,105	2015 - 2021 (2014)
Bath (Union Street)	Dune	146,000	2018
Birmingham	Halfords	105,300	2019
Bury	Carpetright, Halfords, Comet, KFC, Home Bargains	555,066	2021 - 2028
Canterbury	Dunelm, Carpetright	521,000	2026
Chichester (East St)	Oasis	100,000	2013
Chichester (North St)	WH Smith	163,750	2022
Doncaster	Wickes	296,327	2018
Guildford	Magnet	600,000	2024
London, N1	J D Sports, Superdrug	194,000	2020
London, SE15	Oak Furniture Land	263,250	2025 (2015)
Mansfield	Tesco	2,538,146	2030
Merthyr Tydfil	Halfords, Tiles 'r' Us, Home Bargains, Sports Direct, Dreams, Phillip Evans, PC World, Poundstretcher	793,494	2013 - 2027 (2018)
Middlesbrough	B&M	239,180	2023
Nailsea	Tesco	1,154,410	2031
Rayleigh (Eastwood Rd)	Co-op	417,500	2025 (2020)
Redditch	Aldi, Pets at Home, Poundstretcher, Iceland, Home Bargains, KFC, Maplin	1,047,268	2019 - 2026
Sheffield	JD Wetherspoon, ASK, Slug and Lettuce, Caffè Nero, Meaty Fish, Yorkshire Metropolitan Housing Association	422,684	2023 - 2034 (2018 - 2019)
Southend-on-Sea	The Works, Early Learning Centre	150,000	2016 - 2020 (2015)
Twickenham	Currys, Wickes	938,500	2019 - 2032
Uttoxeter	B&Q, Brantano, Carpetright, Pets at Home, Argos, B&M, KFC, Frankie & Benny's, PR Bason & J Gathercole, Mumfey's Ices, Poundstretcher, Majestic Wine	934,176	2018 - 2032 (2017 - 2023)
Windsor	Body Shop	132,800	2015
Worcester	Costa Coffee	85,000	2022



Cambridge Street, Sheffield

List of Properties – Office

Property	Principal Tenants	Annual Rent As at 24 June 2013 £	Expiry (Breaks)
Bath	Abel & Imray, Gradwell Communications, Local World, Coral Racing, Wickes, Co-op	448,960	2018 - 2024 (2015 - 2018)
Birmingham	Spring Group, Arval UK	714,000	2014 - 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, European Parliament, General Medical Council, MCAL Sweet Retail	467,645	2014 - 2027 (2015 - 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	Vacant	-	-
London, EC1	EHS Brann	1,643,912	2016
London, WC2	Church Retail, The Coffeesmiths Collective, PCB Litigation, Konica Minolta Business Solutions (UK)	553,410	2013 - 2023 (2017 - 2018)
London, SW1	Mayor of London Office for Policing and Crime, Nigeria LNG, Combined Heat and Power Association and the Carbon Capture and Storage Association, Ciber UK, Professional Contractors Group	991,508	2016 - 2020 (2015)
Maidenhead	Regus, Ektron	559,582	2017 - 2023 (2015)
Staines	Givaudan UK	103,000	2018
Taunton	Lloyds TSB	242,000	2015
Tunbridge Wells	Cripps Harries Hall	340,000	2014
Woking	RBS, Proctor & Gamble, RJ Rowlands, Wadham & Isherwood, JS2, Clarity, Fresh Coffee, A Day, Property Law Partners, Base Connections Telemarketing, United Kingdom Tea Council, Business Lending Fund Management, KGW Family Law, Petrofac, Odin Capital Management, Frontera, Bank Training & Development, American Chauffeur Services Worldwide, IOI, TP Legal, Focus International, Margin Oil and Gas	520,049	2011 - 2023 (2013 - 2016)
Wolverhampton	ADAS UK	100,000	2022 (2017)



One Bell Street, Maidenhead

List of Properties – Industrial

Property	Principal Tenants	Annual Rent As at 24 June 2013 £	Expiry (Breaks)
Ashford	Sauflon Pharmaceuticals, DentalSky, Hickson International	360,754	2014 - 2019 (2014)
Basingstoke	Debenhams	317,000	2017
Bath	Communis UK	166,740	2023
Biggleswade	Smiths Metal Centres	397,000	2018
Boston	Fogarty	350,000	2034
Burton-upon-Trent	Unipart Logistics	869,464	2017
Epsom	Tchibo Coffee International, Storage King, Screwfix Direct, PI World, Milton Keynes Paint & Equipment, Heating and Plumbing Supplies, Mark Group	673,638	2013 - 2033 (2014 - 2016)
Gloucester	Severn Glocon	525,000	2021
Hayes	Tempur UK	497,097	2016
Huddersfield	VTL Group	302,007	2021
Kettering	Bunzl	490,320	2014
Manchester	Royal Mail, Wilkinson Star	318,250	2017 - 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 (Alto House)	Sapa Profiles UK	250,000	2020 (2015)
Swindon	Jewson	146,500	2023
Taunton (Crown Industrial Estate)	Norbert Dentressangle Transport Services	87,500	2023 (2018)
Telford	Johnson Controls	715,000	2019
Tewkesbury	Oberthur Card Systems	270,000	2020
Tewkesbury (Unit 5300)	Tata Steel UK	879,417	2023
Thetford	TNT	78,000	2020
Uckfield	Challenge Packaging, Alexir Contract Packaging, Absolute Self Storage, K2 Race Engineering, Paperfile, Naval & Military Press, Ixia, M Pannell, The Hanging Lantern Co, Generations Ahead, Perfectly Green, Zebra Stock Solutions	398,440	2012 - 2022 (2015 - 2017)
Wellingborough	Avery Dennison	488,319	2020



Unipart Logistics, Burton-upon-Trent

List of Properties – Other

Property	Principal Tenants	Annual Rent As at 24 June 2013 £	Expiry (Breaks)
Cambridge	Travelodge	1,095,000	2048
Chester	Rybrook	209,724	2036
Harrogate	Rybrook	243,100	2036
Rayleigh	Virgin Active	464,000	2028
Solihull	Rybrook	275,000	2036
Worcester	Rybrook	540,000	2036



Mercedes Benz, Harrogate

Portfolio Statement

At 24 June 2013

Portfolio of Investments	Valuation £000	Percentage of total net assets
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		
Travelodge, Newmarket Road, Cambridge		
10 Dean Farrar Street, London, SW1		
John Lewis, Hedera Road, Ravensbank Business Park, Redditch		
Apex Retail Park, Hampton Road West, Twickenham		
Total	188,300	34.77%
Properties valued at between £10m to £15m		
Trafford Retail Park, Redditch		
Dovefields Retail Park, Uttoxeter		
Pentrebach Retail Park, Merthyr Tydfil		
Total	37,400	6.91%
Properties valued at between £5m to £10m		
Epsom Trade Park and Units 450A & 450B, Epsom		
Unipart Logistics Limited, Barberry 157, Burton-upon-Trent		
Magnet Unit, Ladymead, Guildford		
Unit 5300, Severn Drive, Tewkesbury		
Old Market Retail Park, Station Lane, Pitsea, Basildon		
Rybrook, Knightsbridge Park, Worcester		
The Tun, Holyrood, Edinburgh		
Moorgate Retail Park, Bury		
Units 1 & 2, Wincheap, Canterbury		
Laconite Building, Stafford Park 6, Telford		
SMR Unit, Castle Trading Estate, Porchester, Portsmouth		
York & Wellington House, Dukes Green, Feltham		
5-10 Westgate Buildings, Bath		
One Bell Street, Maidenhead		
200 Rayleigh Road, Rayleigh		
12-24 Eastwood Road, Rayleigh		
Caxton Point, Printing House Lane, Hayes, Middlesex		
Units 1-7 Cambridge Street, Barkers Pool, Sheffield		
The Pavilions, The Crescent, Birmingham		
Westpoint, James Street, Bath		
Chester Civil Justice Centre, Trident House, Chester		
TST Unit, Site 13A, Little Oak Drive, Sherwood Park, Nottingham		
One Crown Square, Woking		
Severn Glocon Ltd, Olympus Park, Gloucester		
Avery Dennison, Warth Park, Raunds, Wellingborough		
Fogarty Ltd, Havenside, Fishtoft Road, Boston		
Total	186,215	34.38%

Portfolio Statement

	Valuation £000	Percentage of total net assets
Properties valued at between £2.5m to £5m		
Ridgewood Industrial Park, Uckfield		
Smiths Metal Centres, Stratton Business Park, Biggleswade		
Bunzl Unit, Telford Point, Telford Way Industrial Estate, Kettering		
Rybrook, Stratford Road, Solihull		
Unit 1, Rosevale Business Park, Newcastle-Under-Lyme		
Dawson Road, Mount Farm Industrial Estate, Milton Keynes		
Wickes Unit, Leger Way, Doncaster		
Bayard Unit B, Knight's Park, Houndmills, Basingstoke		
54/55 Chapel Market, Islington, London		
Units A - D, Phase IV, Ashford Business Park, Ashford		
593-613 Old Kent Road, London		
Rybrook, Leeds Road, Harrogate		
Units A & B, Wardley Cross Industrial Estate, Manchester		
Brooke Hse & Seymour Hse, 3/13 Mount Ephraim Road, Tunbridge Wells		
16/17 North Street, Chichester		
B&M Unit, Parkway Centre, Coulby Newham, Middlesbrough		
Units 1 & 2 Bradley Junction Industrial Park, Huddersfield		
Alexandra Way, Ashchurch Business Centre, Tewkesbury		
Rybrook, Sealand Road, Chester		
Unit 2, Western Wood Way, Langage Business Park, Plymouth		
S.A. Europe House, Waterwells Business Park, Gloucester		
Total	73,635	13.60%
Properties valued at between £0m to £2.5m		
Alto House, Ravensbank Drive, Redditch		
4 Union Street, Bath		
Jubilee House, Mid Point Business Park, Leeds		
15/16 Peascod Street, Windsor		
Unit 2, Bede Island North, Western Boulevard, Leicester		
Jewson Unit, Kembrey Street, Kembrey Park, Swindon		
Sedgemoor House, Deane Gate Office Park, Taunton		
4 East Street, Chichester		
31 High Street, Worcester		
Unit 1, Westfield Trading Estate, Midsomer Norton, Bath		
169-175 High Street, Southend-on-Sea		
Halfords, Watery Lane, Birmingham		
Magnet, 171 Mile Cross Lane, Norwich		
Magna House, 76-80 Church Street, Staines		
Pendeford House, Pendeford Business Park, Wolverhampton		
Elder House, Sealand Road, Chester		
Site N, Crown Industrial Estate, Taunton		
TNT Unit, Fisons Way Industrial Estate, Thetford		
Total	28,800	5.32%
Total value of property holdings	514,350	94.98%
Portfolio of investments	514,350	94.98%
Other net assets	27,281	5.02%
Net assets	541,631	100.00%

Expense Ratios

	Total Expense Ratio	Property Expense Ratio	Transaction Cost Ratio
24 June 2013	0.66%	0.73%	0.18%
24 June 2012	0.63%	0.51%	0.35%

The total expense ratio (TER) of the Fund is the ratio of the Fund's total operating costs to its average net assets for the prior 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 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 prior 12 months.

Portfolio Turnover Rate

	Portfolio Turnover Rate
24 June 2013	0.18%
24 June 2012	7.28%

The portfolio turnover rate gives an indication of how frequently assets are purchased and sold by the Fund. The calculation has been revised and the 2012 rate restated. The rate is now calculated by dividing the total disposals value for the reporting period by the Fund's average net assets for the prior 12 months.

Distribution Yield

	Distribution Yield
24 June 2013	5.6%
24 June 2012	5.6%

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 prior period distribution yield of 5.6% has been calculated over a shorter accounting period due to the change in the year end date from the 30 June to the 24 June.

Annualised Performance

	1 Year	3 Years	5 Years
24 June 2013	4.8%	6.5%	2.6%
24 June 2012	6.0%	11.1%	-1.6%

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

Holding	Number of beneficial owners	Total percentage holding
Less than 0.01%	593	2.94%
0.01% but less than 0.05%	429	10.10%
0.05% but less than 0.10%	125	8.90%
0.10% but less than 0.50%	116	24.23%
0.50% but less than 1.00%	26	18.88%
1.00% but less than 2.00%	10	13.37%
2.00% but less than 4.00%	3	6.33%
Greater than 4.00%	3	15.25%
Total number of investors and units in issue at the end of the period	1,305	566,315,668
Percentage held by the largest investor		6.75%

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
	24 June 2013	541,631,489	566,315,668	95.64

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	5.40
	24 June 2013	97.30	93.56	5.36

Distribution

		2013			2012	
Distribution Number	Distribution Period	Distribution Per Unit (p)	Date Paid	Distribution Period	Distribution Per Unit (p)	Date Paid
1	25 June to 24 September	1.22	15/11/12	01 July to 30 September	1.36	15/11/11
2	25 September to 24 December	1.38	15/02/13	01 October to 31 December	1.52	15/02/12
3	25 December to 24 March	1.42	15/05/13	01 January to 31 March	1.36	15/05/12
4	25 March to 24 June	1.34	15/08/13	01 April to 24 June	1.16	15/08/12
Total		5.36			5.40	

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 2013.

The responsibilities of the Manager are stated on page 19 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
11 September 2013

Independent Auditor's Report to the Unitholders of The Charities Property Fund ('the Fund')

We have audited the financial statements of The Charities Property Fund for the year ended 24 June 2013 set out on pages 22 to 30 and the Distribution Table on page 18. 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. 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 19, 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 Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 2013 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.

Matters on which we are required to report by exception

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.

Bill Holland

For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
London
16 September 2013

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

		Year ended 24 June 2013	Period ended 24 June 2012
	Note	£	£
Net capital (losses) / gains	3	(2,515,713)	1,316,349
Revenue	4	32,679,980	30,612,452
Expenses	5	(5,556,822)	(4,777,477)
Net revenue before finance costs		27,123,158	25,834,975
Finance costs – interest and other	6	(315,448)	(236,669)
Net revenue		26,807,710	25,598,306
Total return before distributions		24,291,997	26,914,655
Finance costs – distributions	7	(28,073,811)	(25,817,216)
Change in net assets attributable to unitholders from investment activities		(3,781,814)	1,097,439
Statement of change in net assets attributable to unitholders			
Opening net assets attributable to unitholders		499,020,449	439,706,076
Net amounts receivable on creation of units		46,392,854	58,216,934
Change in net assets attributable to unitholders from investing activities		(3,781,814)	1,097,439
Closing net assets attributable to unitholders		541,631,489	499,020,449

Balance Sheet

		As at 24 June 2013	As at 24 June 2012
	Note	£	£
Investment properties	8	514,350,000	449,690,000
Net current assets			
Debtors	9	32,525,561	5,651,429
Cash and bank balances		12,500,766	53,491,683
		<u>45,026,327</u>	<u>59,143,112</u>
Total assets		<u>559,376,327</u>	<u>508,833,112</u>
Less: current liabilities			
Creditors	10	10,536,592	3,808,368
Distribution payable		7,208,246	6,004,295
		<u>17,744,838</u>	<u>9,812,663</u>
Total liabilities		<u>17,744,838</u>	<u>9,812,663</u>
Net assets attributable to unitholders		<u>541,631,489</u>	<u>499,020,449</u>

The financial statements were approved by the Board of Directors of the Manager on 11 September 2013 and were signed on its behalf by

Richard James
Chief Financial Officer

Cash Flow Statement

	Year ended 24 June 2013	Period ended 24 June 2012
	£	£
Cash flow from operating activities		
Reconciliation from net operating income to net cash flows from operating activities		
Net revenue before finance costs	27,126,158	25,834,975
Bank interest received	(172,980)	(51,216)
(Increase) / decrease in trade and other receivables	(1,090,122)	860,067
Increase / (decrease) in trade and other payables	5,003,660	(342,738)
Net cash flow from operating activities	30,866,716	26,301,088
Cash flows from investment activities		
Purchase of properties	(66,315,411)	(85,027,535)
Sale of properties	861,262	31,575,599
Bank interest received	172,980	51,216
Net cash flow from investment activities	(65,281,169)	(53,400,720)
Cash flows from financing activities		
Net amounts received on creation of units	20,608,842	80,033,655
Borrowing costs and interest	(315,448)	(236,669)
Distributions paid	(26,869,858)	(26,515,824)
Net cash (outflow) / inflow from financing activities	(6,576,464)	53,281,162
Net (decrease) / increase in cash and cash equivalents	(40,990,917)	26,181,530
Cash and cash equivalents at the start of the year/period	53,491,683	27,310,153
Cash and cash equivalents at the end of the year/period	12,500,766	53,491,683

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 2013. The aggregate surplus or deficit on revaluation is taken to the Statement of Total Return.

Costs capitalised in respect of properties under development include acquisition costs of land and buildings, costs incurred in bringing the property to its present location and condition 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 Manager's 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 14 and 15 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' 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, credit risk and sector exposure risk.

Market risks

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

a) Interest rate risk

The Fund's exposure to interest rate risk mainly arises from any variation in interest income earned on bank balances and interest payable on credit facilities due to volatility in interest rates. The Manager does not consider interest income earned on bank balances to be 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 (losses) / gains

The net (losses) / gains on investments during the year/period comprise:

	Year to 24 June 2013	Period to 24 June 2012
	£	£
Net proceeds from disposal of properties	861,262	31,575,599
Carrying value of properties disposed during the year/period	(910,000)	(35,505,000)
Losses realised on properties disposed	(48,738)	(3,929,401)
Net unrealised (losses) / gains on revaluation for the year/period	(2,466,975)	5,245,750
Net capital (losses) / gains	(2,515,713)	1,316,349

4 Revenue

	Year to 24 June 2013	Period to 24 June 2012
	£	£
Rental income	31,516,199	29,369,022
Lease surrender income	447,326	840,450
Sundry income	543,475	351,764
Bank interest	172,980	51,216
Revenue	32,679,980	30,612,452

5 Expenses

	Year to 24 June 2013	Period to 24 June 2012
	£	£
Manager and Property Manager fees	2,811,982	2,469,331
Corporate Trustee's fees	210,159	188,825
	3,022,141	2,658,156
Other expenses:		
Registration fees	39,365	2,783
Insurance	178,433	30,159
Audit fee	24,000	25,500
Valuation fee	84,452	85,344
Legal and professional fees	579,804	345,289
Marketing and communication costs	150,768	153,798
Vacant property costs	1,486,859	1,524,970
Rent review fees	(9,000)	(48,522)
	2,534,681	2,119,321
	5,556,822	4,777,477

6 Finance costs – interest and other

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

	Year to 24 June 2013	Period to 24 June 2012
	£	£
Capital expenses		
Loan arrangement fee	60,000	62,500
Legal & professional fees	54,422	(13,849)
	114,422	48,651
Loan interest	-	23,642
Non-Utilisation fee	201,026	164,376
	201,026	188,018
Finance costs: interest and other	315,448	236,669

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 has been extended for one year on 23 February 2011 and the 23 February 2012. On the 4 February 2013 RBSI approved a further extension effective from 23 February 2013. 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.

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

Finance costs during the year comprise:

	Year to 24 June 2013	Period to 24 June 2012
	£	£
First interim distribution	6,031,614	6,249,683
Second interim distribution	6,877,189	7,104,749
Third interim distribution	7,094,524	6,392,874
Fourth interim distribution	6,921,194	5,841,611
Net income distribution for the year/period	26,924,521	25,588,917
Capital distribution	1,149,290	228,299
Total distribution	28,073,811	25,817,216

Details of the distribution per unit are set out in the distribution table on page 18

Represented by:

	£	£
Net income	26,807,710	25,598,306
Capital costs	114,422	48,651
Capital income	-	(78,117)
Balance of income brought forward	(237)	20,314
Balance of income carried forward	2,626	(237)
Distributable capital income	1,149,290	228,299
Net distribution for the year/period	28,073,811	25,817,216

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 2013	As at 24 June 2012
	£	£
Value at 25 June 2012/1 July 2011	449,690,000	394,485,000
Purchases and capital expenditure during the year/period	68,036,975	85,464,250
Opening value of properties disposed during the year/period	(910,000)	(35,505,000)
Net unrealised (losses) / gains on valuation	(2,466,975)	5,245,750
At end of year/period at valuation	514,350,000	449,690,000
Fully developed properties	514,350,000	444,680,000
Properties in the course of development	-	5,010,000
Value 24 June	514,350,000	449,690,000

Lease incentives of £253,904 (2012: £220,413) 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 25 June 2012	337,010,649	112,679,351	449,690,000
Reclassification	(6,055,649)	6,055,649	-
Acquisitions and capital expenditure during the year	67,908,187	128,788	68,036,975
Opening value of properties disposed of during the year	(910,000)	-	(910,000)
Net unrealised losses / gains on revaluation	(5,813,187)	3,346,212	(2,466,975)
Value 24 June 2013	392,140,000	122,210,000	514,350,000

All the properties have been valued by external chartered surveyors, Cushman & Wakefield, at £514,350,000 (2012: £449,690,000), in accordance with the Appraisal and Valuation Manual issued by the Royal Institution of Chartered Surveyors. The historical cost of the properties is £544,027,955 (2012: £477,723,274).

9 Debtors

	As at 24 June 2013	As at 24 June 2012
	£	£
Amounts receivable for creation of units	27,648,157	1,864,147
Rent receivable	3,424,120	2,032,659
Prepayments	1,217,944	1,497,058
Insurance prepayment	31,577	210,547
Sundry debtors	203,763	47,018
	32,525,561	5,651,429

10 Creditors

	As at 24 June 2013	As at 24 June 2012
	£	£
Purchases awaiting settlement	2,541,157	819,593
Prepaid rent	5,536,164	1,627,895
Manager and Property Manager fees	739,647	600,375
Corporate Trustee fees	52,936	45,911
Audit fees	21,000	18,000
Registration fees	-	12,067
Valuation fees	22,503	19,674
Rent review fees	-	5,000
Vacant property costs	73,229	278,865
Credit facility non utilisation fee	58,767	40,754
VAT payable	748,152	340,234
Legal and professional fees	10,873	-
Other creditors	573,743	-
Interest payable	158,421	-
	10,536,592	3,808,368

11 Related Party Transactions

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

The amount outstanding at the period end in respect of those fees was £739,647 (24 June 2012 £600,375).

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

The amount outstanding at the period end in respect of those fees was £52,936 (24 June 2012 £45,911).

During the year the Property Manager has received transactional fees of £264,050 (24 June 2012 £289,150).

During the year affiliates of the Manager and Property Manager have received fees of £547,592 (24 June 2012 £478,574).

Details of the Manager and Corporate Trustee can be found on page 31.

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 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 year end (24 June 2012 £ 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 hotels, 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 Unitholders, there are clearly defined restrictions on the right to redeem as set out in the Scheme Particulars.

Minimum Investment

The minimum investment in the Fund 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 asset value of the Fund on any Business Day.

Trustee, Manager and Advisers

Corporate Trustee

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Citigroup Centre
Canada Square
Canary Wharf
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E14 5LB

Standing Independent Valuer

Cushman & Wakefield LLP
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London
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Manager

Cordea Savills Investment Management Limited
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London
W1G 0JD

Auditor

KPMG LLP
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E14 5GL

Property Manager

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W1G 0JD

Investment Adviser

Cordea Savills Investment Management Limited
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London
W1G 0JD

Performance Measurement

Investment Property Databank (IPD)
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London
NW1 0AP

Property Adviser

Cordea Savills LLP
33 Margaret Street
London
W1G 0JD

Legal Adviser

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London
WC2A 3LH

Advisory Committee

Ian Flanagan OBE - Vice President, Perennial Gardeners' Royal Benevolent Society
Nick Downer - Bursar, Selwyn College, Cambridge
Chris Hills - CIO, Investec Wealth Management
Richard Robinson - Investment Director, Paul Hamlyn Foundation
Wilf Stephenson - Bursar, Oriel College, Oxford
Andrew Chapman - CIO, The Health Foundation
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