



## COIF Charities Property Fund

# Annual Report and Accounts

31 December 2006



CCLA INVESTMENT MANAGEMENT LIMITED  
**COIF Charity Funds**

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## **Board and Manager**

*(inside back cover)*

## **Description of the COIF Charity Funds**

*(outside back cover)*

### **Disability Discrimination Act 1995**

*Extracts from the Report and Accounts are available in large print and audio formats.*

*74-76 George Street,  
Edinburgh.*



# COIF Charities Property Fund

## Structure of the Fund

### Structure and Management

COIF Charities Property Fund was established as a Common Investment Fund by a Charity Commission Scheme dated 12 July 2002 under section 24 of the Charities Act 1993. The Fund was launched on 29 August 2002.

The Financial Services Authority (FSA) Rules for the operation of Unregulated Collective Investment Schemes apply to CCLA's management of COIF Charities Property Fund, whereas the management of direct property within the Fund is outside the scope of the Financial Services and Markets Act 2000 (FSMA).

CCLA has been appointed Manager by the COIF Charities Property Fund Scheme (the Scheme).

COIF Charities Property Fund has a Board which meets four times per annum to receive reports and monitor the progress of the Fund. The Board, created under the Scheme, is made up of individuals appointed under the Scheme. Together these individuals have wide experience of finance, direct property, investments, charities and the law.

No Board member is required to be authorised by the FSA because no Board member carries out regulated activities in relation to the Fund. The Board is responsible for setting and subsequently advising on the investment policy of the Fund, monitoring performance, obtaining Charity Commission orders for the appointment and discharge of the Manager and Corporate Trustee, appointing the Auditors to the Fund and agreeing the fees charged by the Corporate Trustee, the Manager and the Auditors.

The Corporate Trustee, HSBC Bank plc, appointed under the Scheme, is responsible for the supervision and oversight of the Manager's compliance with the Scheme and Scheme Particulars, and also for the custody and safekeeping of the property of the Fund. It is also responsible for the appointment and supervision of the Registrar of the Fund. The division between management and trustee functions provides an additional layer of protection for unitholders.

### Objective and Benchmark

The Fund aims to achieve a high and sustainable level of income and some capital appreciation. The total return benchmark for the Fund is the IPD Monthly and Quarterly Valued Funds, excluding the smallest and largest 5% of Funds by size and single asset companies.

### Investment Policy

#### Investments

The Fund principally invests in direct freehold, feuhold and leasehold property assets within the United Kingdom. Direct assets can comprise commercial, industrial, retail and residential property. Additionally the Fund may

finance the development of, or improvements to, direct property assets and, where appropriate, the purchase of a right or interest in land on a freehold, feuhold or leasehold basis.

Reflecting the need for diversification, the Fund maintains a suitable spread of properties by sector and by geographical location. To ensure suitability, consideration is given to each property's specific location, standard of construction, the quality of the tenant's covenant and the occupational lease terms. The Fund will not invest more than 15% of its total assets, at the time of investment, in any single direct property.

The Fund will not invest more than 15%, at the time of investment, of its total assets in financing or acquiring property redevelopments.

The Fund can also invest in the shares and loan stock of listed property companies, property funds, specialist property unit trusts, limited partnerships and joint ventures investing in direct property assets. The Fund will not invest more than 5%, at the time of investment, of its total assets in any property collective investment scheme, and not more than a total of 15% in property collective investment schemes as a whole. The Fund will not invest more than 5%, at the time of investment, of its total assets in any individual security of a listed property company, limited partnership or joint venture, and not more than a total of 15% in such investments as a whole.

The investment policy may mean that at times it is appropriate for the Fund not to be fully invested but to hold cash or near cash. In extreme conditions, the Manager may raise or reduce the liquidity of the Fund from normal working levels within a band of 0% to 20%.

#### *Balance between different kinds of investment*

The balance between the different kinds of investment is established by reference to the sector allocation of the performance benchmark and the Manager's judgement of the future returns likely to be obtained on each type of property. To control risk, the differences are regularly monitored and reviewed by both the Manager and the Board.

### Risk Warning

The value of COIF Charities Property Fund units and the income from them can fall as well as rise and an investor may not get back the amount originally invested. Past performance is no guarantee of future returns. The unit value will reflect fluctuations in property and share values.

The units are intended only for long-term investment and are not suitable for money liable to be needed in the near future. They are realisable only on each monthly dealing date and a period of notice not exceeding six months may be imposed for the redemption of units.

# COIF Charities Property Fund

## Report of the Board

### for the year ended 31 December 2006

On behalf of the Board, we have pleasure in presenting our annual report on COIF Charities Property Fund.

#### Responsibilities of the Board

We have met quarterly during the year to carry out our responsibility for the approval of investment strategy, for setting distribution policy, to monitor investment diversification, suitability and risk and to review the performance of the Fund. In addition we have monitored the administration, expenses and pricing of the Fund.

#### Borrowing powers

The Board believes that the management of a property portfolio is facilitated by the exercise of a limited power to borrow. The Fund has in place a borrowing facility (see Note 1(g) & Note 13) as allowed under the powers given in the Scheme to permit the Manager to borrow up to 25% of the value of the Fund. The facility can be used to accommodate timing differences between the availability of funds for investment and the making of suitable property purchases.

#### Review of investment activities and policies of the Fund

During the year we met quarterly with the Property Manager to review investments, transactions and policies of the Fund. The Property Manager's report, which appears later, provides further details.

#### Controls and Risk Management

The Board receives and considers regular reports from the Manager and ad hoc reports and information are supplied to the Board as required. The Manager has established an internal control framework to provide reasonable, but not absolute, assurance on the effectiveness of the internal controls operated on behalf of its clients. The effectiveness of the internal controls is assessed by the directors and senior management of the Manager on a continuing basis.

The Board receives an annual report on the controls of the Manager (FRAG 21). The last report covered the year ended 31 December 2005 and included a satisfactory report by the Manager's reporting accountants, PricewaterhouseCoopers LLP.

During the year, the Board, assisted by the Manager, reviewed the Fund's system of internal control. At each quarterly meeting the Board receives from the Manager, and reviews, a formal risk management report setting out the main risks facing the Fund, the controls in place to mitigate the risks and the assessment of each risk in terms of both gross exposure and residual exposure after application of mitigating controls.

#### New Director

The COIF Charities Property Fund is pleased to announce that David Henderson has joined the Board from 27 August 2006.

#### Auditors

Following a review of the audit arrangements for COIF Charities Property Fund and after completion of the current year's audit the Board will be asking Ernst & Young LLP to become Auditors to the Fund. We would like to thank our current Auditors, PricewaterhouseCoopers LLP, for all of their hard work over many years.



B.H.B. Wrey  
Chairman of the Board

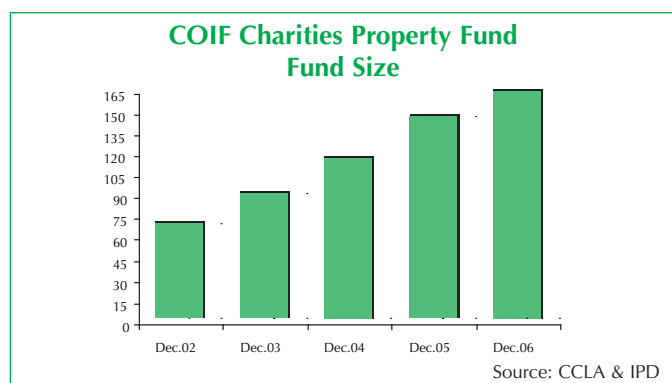
28 February 2007

# COIF Charities Property Fund Report of the Property Manager

for the year ended 31 December 2006

## Another strong year

It has been another strong year for capital valuation growth within the Fund's property portfolio and, as indicated in the chart below, this has built on the steady pattern of growth that has been achieved since the launch of the Fund in 2002.



## Unit price

The value of a COIF Charities Property Fund income unit has increased during the course of the year. Units were valued at 131.08p on 31 December 2005 and, by the year end, the price had risen to 149.66p per unit. For income unitholders, this represented a capital return of 14.2% for the full year.

Accumulation units in the Fund do not pay dividends but the income is automatically reinvested, making them a useful option for investors looking to build up capital. In the twelve month period to 31 December 2006, the value of an accumulation unit had risen from 155.88p to 186.53p per unit. Therefore, total return for accumulation unitholders over this period was 19.7%.

## Strong performance of property portfolio

The Fund's property portfolio has performed well during the year. The total return of the Fund, before management expenses, for the year to 31 December 2006 was 20.2%. By comparison, the IPD Quarterly and Monthly Valued Funds (the benchmark of commercial property performance compiled by Investment Property Databank on the same basis) recorded a total return of 18.1% for the same twelve month period.

The movement in the Fund's net asset value during the year to 31 December 2006, together with the income distributed in the period, produced a total return for unitholders of 19.5%. This compares with 14.6% for the previous twelve month period to 31 December 2005.

In a period when total returns from the property sector have remained high, it is encouraging that the Fund has outperformed property market indices by a comfortable margin to deliver attractive levels of performance for the Fund's investors.

It had been widely forecast that property investment performance would moderate in 2006. However, continued high demand for property resulted in further yield compression and this was supported by improved rental growth, delivering high total returns.

COIF Charities Property Fund Total Capital and Income Return*		
To 31 December 2006	1 Year % p.a.	3 Years % p.a.
COIF Charities Property Fund	+ 20.2	+ 18.1
IPD All Quarterly & Monthly Valued Funds	+ 18.1	+ 18.0
* Before Management Expenses		Source: CCLA & IPD

The office sector produced the highest levels of total return in 2006, driven strongly by the performance of properties located in the West End and City of London. In these Central London office markets, strong demand has driven yields lower at the same time as rents have been rising. In contrast with 2005, retail investments in 2006 have generated the weakest levels of performance, although total returns have remained attractive in absolute terms.

All areas of the Fund's property portfolio have made a good contribution. This performance indicates the quality of the property portfolio and reflects success with the Fund's investment policy. In particular, the active approach to the management of the properties within the Fund has been a driver of performance this year. The industrial portfolio produced a total return of more than 28% in the last twelve months and the Fund held an overweight position in industrial property relative to other funds. Equivalent property in the IPD Monthly Index recorded 17.6% for the year. The Fund also had a good exposure to the market's strongest performing area, the office sector, and the acquisitions by the Fund of offices in the West End of London and Central Glasgow, at the beginning of the year, have made a good contribution towards this year's performance record whilst also providing active management opportunities for the future.

Another factor in 2006 has been a low cash weighting. For much of the year, the Fund's borrowing facility has been utilised and has provided some gearing benefit by enhancing the impact on Fund performance of strong levels of capital valuation growth in the property portfolio. In the context of a weakening market, the Fund's shop investments also performed well compared to shop property measured by IPD. However, the retail warehouse investments proved most disappointing this year and a high allocation to this type of property affected performance.

# COIF Charities Property Fund

## Report of the Property Manager

### for the year ended 31 December 2006

#### Buying and selling of assets

In the last twelve months, the Fund has acquired a multi-let, mixed-use retail and office property in London's West End and a multi-let office building in Glasgow. Expenditure on the two investments totalled £17m and was completed at the start of the year. This ensured the Fund was well-placed strategically for the year ahead and reduced the size of the cash holding substantially. The resulting enhancement of the property allocation to the office sector was particularly significant, bearing in mind the strength displayed by this sector during 2006. Rental growth prospects for Central London offices are promising at this time, whilst the Glasgow office market also appears to offer above average growth potential. Both investments should provide future active management opportunities, allowing the Fund Manager to add value to the properties.

This year, the Fund has also taken the opportunity to implement some planned disposals. The holding in Glasgow, Apsley House, Wellington Street, which had been actively managed during 2005, was sold to crystallise a significant capital gain. During the year some smaller and weaker investments were sold, improving the quality of the property portfolio held by the Fund. The shop in Lancaster, office in Milton Keynes and industrial warehouse properties in High Wycombe and the vacant Humber Road were all sold producing, in total, gross sales receipts of £16.6m.

#### Property management

Good progress has been achieved during the last twelve months in keeping rental voids in the portfolio as low as possible. By the year end, rental voids amounted to 2.2% compared with 3.6% as at 31 December 2005 and well below the IPD average void rate of 8.0%. This was achieved with the disposal of the Fund's principal void units, Apsley House, Glasgow and Humber Road, London, NW2 and has allowed active management opportunities to be pursued that can introduce temporary voids. During the twelve month period, leases on the holdings in Glasgow and Reading were surrendered and refurbishment projects commenced. These units largely account for the amount of voids that existed at the year end. New leases have been completed on office accommodation at College Hill in the City of London and Reading, whilst the lease on one of the industrial

warehouse units in Gloucester was successfully renewed. Rent review activity in the period has been limited and only two reviews were completed: a retail warehouse unit in Chorley and the seventh floor office accommodation in Glasgow. Both produced small increases in rent for the Fund. Further management activity in the year, however, means that the outlook for future income growth is positive with lettings to be achieved on vacant accommodation in Glasgow and several outstanding rent reviews to be concluded in the early course of 2007.

Active management in the period has had a very positive impact on the performance of the Fund this year and the industrial holdings at Olaf Street, Notting Hill, London and West Street, Leeds have offered some exciting redevelopment potential. Good progress has been made towards the realisation of this potential during the year and detailed project proposals are currently being explored.

#### Income report

During the course of the year to 31 December 2006, income unitholders have received quarterly dividend payments providing in total an annual dividend of 6.55p per income unit. This compares with an amount of 6.4p that was distributed during the year to 31 December 2005 and represents income growth of 2.3%. The income return this year was 5.0%.

Some income pressures have been experienced during the year, and the income reserve was used to supplement dividend payments. Active management introduced some rental voids and more generally, fewer rent review opportunities and lower rates of rental value growth have combined with falling yields in investment markets. This has limited the Fund's capacity to raise the level of the annual dividend. The Fund's income reserve was created to support the income distribution policy in such circumstances. Given now an improved outlook for income growth opportunities within the Fund and the encouragement provided by improved rates of rental growth in property markets, the potential to increase rents in the portfolio is rising and a more attractive outlook for income generation in the Fund should emerge.

# COIF Charities Property Fund

## Report of the Property Manager

for the year ended 31 December 2006

### Outlook

Stronger than anticipated rates of capital growth have ensured that 2006 was another strong year for the property sector, with total returns close to the highs achieved in 2004 and 2005. However, the long anticipated moderation in performance from the property sector now appears to be occurring. The reduction in yields that has resulted in strong levels of capital growth in recent years has now largely run its course. Nevertheless, it is encouraging that rental growth is improving, as a sustained period of rising rents will be critical in allowing yields to increase without a fall in capital valuations. Rising rents, and the likelihood of single digit total returns next year for the first time since 2001, should ensure that property remains attractive as an investment asset class, which provides a good income yield. The combination of high demand and the limited availability of good quality investment stock should continue to provide important support to the property market. However, there is greater risk in the period ahead; it will become a more challenging performance environment and investors face the prospect of lower total returns from the property sector. During this period, asset quality will play a more important part in future performance.



Paul A. Hannam  
Head of Property  
CCLA Investment Management Limited

28 February 2007



*144 West George Street,  
Glasgow - New Acquisition.*

# COIF Charities Property Fund

## Report of the Independent Auditors

### to the unitholders of COIF Charities Property Fund

We have audited the accounts of COIF Charities Property Fund for the year ended 31 December 2006 which comprise the statement of total return, the statement of change in unitholders' net assets, the property portfolio, the balance sheet, the cash flow statement, the distribution table and the related notes. The accounts have been prepared under the accounting policies set out therein.

#### Respective responsibilities of the Board, Manager and Auditors

The Manager's responsibilities for preparing the annual report and accounts in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of Manager's responsibilities.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the unitholders of the Fund as a body in accordance with the Scheme of the Charity Commissioners under the Charities Act 1993 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility, for any other purpose, or to any other person to whom this report is shown or into whose hands it may come, save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with UK generally accepted accounting principles, the Charities (Accounts and Reports) Regulations 1995 and the Scheme of the Charity Commissioners Act 1993. We also report to you if, in our opinion, the Report of the Investment Manager is not consistent with the accounts, if the Manager has not kept proper accounting records for the Fund or if the accounts are not in agreement with those accounting records, or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the annual report and consider whether it is consistent with the audited accounts. This other information comprises only the Report of the Investment Manager and the other items set out on the contents page. We consider the

#### Footnotes to the Report of the Independent Auditors

The accounts are published on the [www.ccla.co.uk](http://www.ccla.co.uk) website, which is a website maintained by CCLA. The maintenance and integrity of the website maintained by CCLA is, so far as it relates to the Fund, the responsibility of CCLA. The work we carry out as auditors does not involve consideration of the maintenance and integrity of this website

implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts. Our responsibilities do not extend to any other information.

#### Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the Manager in the preparation of the accounts, and of whether the accounting policies are appropriate to the Fund's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

#### Opinion

In our opinion the accounts:

- give a true and fair view in accordance with United Kingdom Accounting Standards of the financial position of the Fund at 31 December 2006, the net income and the net gains of the property of the Fund for the year then ended; and
- have been properly prepared in accordance UK generally accepted accounting principles, Regulation 4 of the Charities (Accounts and Reports) Regulations 1995 and the Scheme of the Charity Commissioners under the Charities Act 1993, dated 29 November 2000.

PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
London

28 February 2007

and accordingly we accept no responsibility for any changes that may occur to the accounts following their presentation on the website.

Visitors to the website need to be aware that legislation in the United Kingdom governing the preparation and dissemination of the accounts may differ from legislation in their jurisdiction.

# COIF Charities Property Fund Report of the Valuers

# Report of the Corporate Trustee for the year ended 31 December 2006

Dear Sirs,

## COIF Charities Property Fund Valuation as at 31 December 2006

In accordance with your instructions, we have valued all the property investments owned by COIF Charities Property Fund as at 31 December 2006. The valuation has been prepared on the basis of Market Value in accordance with the current edition of the Appraisal and Valuation Standards of the Royal Institution of Chartered Surveyors (RICS). We understand that our valuation is required for unit pricing and accounts purposes.

We are of the opinion that the aggregate Market Values of all the properties held by the Fund as at 31 December 2006 was:

£160,975,000

(One hundred and sixty million, nine hundred and seventy five thousand pounds)

Details of the basis of our valuation and the individual properties are set out in our Report and Valuation addressed to you and dated 2 January 2007.

Yours faithfully,

Atisreal Limited  
Chartered Surveyors and International  
Real Estate Consultants,  
Norfolk House, 31 St James's Square,  
London SW1Y 4JR

2 January 2007

We confirm that based upon the information available to us, we are of the opinion that the Manager of the Scheme has, in all material respects, managed the Scheme during the period covered by these accounts in accordance with the limitations imposed on the investment and borrowing powers of the Manager and Trustee, and in accordance with the provisions of the Scheme.

HSBC Bank plc  
Corporate Trustee  
8 Canada Square  
London E14 5HQ

*HSBC Bank plc is authorised and regulated by the  
Financial Services Authority*

28 February 2007



7-8 Conduit Street, London, W1  
- New Aquisition.

## COIF Charities Property Fund

# Net Asset Value, Unit Price Range, Net Distributions & Total Expense Ratio

### Net Asset Value

At 31 December	Net Asset Value £'000	Income Units		Accumulation Units	
		Net Asset Value Pence per Unit	Number of Units in Issue	Net Asset Value Pence per Unit	Number of Units in Issue
2004	113,712	120.31	93,443,568	136.08	945,204
2005	144,136	131.08	105,956,171	155.88	3,370,336
2006	162,042	149.66	103,831,184	186.53	3,507,461

### Unit Price Range

Year to 31 December	Income Units		Accumulation Units	
	Highest Offer Pence per Unit	Lowest Bid Pence per Unit	Highest Offer Pence per Unit	Lowest Bid Pence per Unit
2003	111.99	101.22	118.68	102.71
2004	123.96	107.75	138.46	115.59
2005	135.03	119.47	158.61	135.13
2006	153.85	130.32	189.79	154.98

### Net Distributions

Year to 31 December	Income Units		Accumulation Units	
	Annual Distribution Pence per Unit	Yield on Unit Held for the period %	Annual Distribution Pence per Unit	Yield on Unit held held for the period %
2003	6.00	5.77	6.60	6.26
2004	6.20	5.60	7.49	6.31
2005	6.40	5.23	7.74	5.59
2006	6.55	4.91	7.57	4.77

\* Yield expressed as a percentage of the unit offer price at the beginning of the period.

### Unit Prices at 31 December 2006

	Bid Price Pence per Unit	Offer Price Pence per Unit
Income Units	147.34	152.28
Accumulation Units	183.64	189.79

The Unit prices are published in *The Times*, *The Daily Telegraph* and *Financial Times*.  
The offer and bid prices are calculated on the net asset value plus or minus a 1.75% surcharge or 1.55% deduction respectively.

### Total Expense Ratio

	31.12.2006	31.12.2005
Total expense ratio	0.71%	0.72%

The total expense ratio is the ratio of the Fund's total operating costs to its average net assets calculated over the year. It does not include expenses incurred in managing and maintaining the individual properties held in the Fund. These expenses are detailed in note 4 on page 24.

# COIF Charities Property Fund Distribution Table

for the year ended 31 December 2006

<i>Period Ended</i>	<i>Date of Payment</i>	<i>Distributions Payable Pence per Unit</i>	
		<b>2006</b>	2005
<b>Income Units</b>			
31 March 2006	31 May 2006	<b>1.60</b>	1.50
30 June 2006	31 August 2006	<b>1.60</b>	1.60
30 September 2006	30 November 2006	<b>1.65</b>	1.60
31 December 2006	28 February 2007	<b>1.70</b>	1.70
		<b><u>6.55</u></b>	<u>6.40</u>
		<i>Income Accumulated Pence per Unit</i>	
		<b>2006</b>	2005
<b>Accumulation Units</b>			
31 March 2006		<b>1.89</b>	1.91
30 June 2006		<b>1.89</b>	1.87
30 September 2006		<b>2.15</b>	1.53
31 December 2006		<b>1.64</b>	2.43
		<b><u>7.57</u></b>	<u>7.74</u>



7 St. Andrews Way, London, E3

## COIF Charities Property Fund

### Portfolio Analysis

at 31 December 2006

#### Rent Review Frequency

Review Period	Annual rents as at 31.12.2006		Annual rents as at 31.12.2005	
	£	%	£	%
5 years	7,727,908	95.99	7,579,095	95.00
Other	322,506	4.01	399,271	5.00
	<u>8,050,414</u>	<u>100.00</u>	<u>7,978,366</u>	<u>100.00</u>

#### Tenants' Unexpired Lease Terms

Unexpired Term	31.12.2006	31.12.2005
	%	%
Over 10 years	28.81	35.14
5 - 10 years	17.95	26.73
Under 5 years	51.09	34.48
Void	2.15	3.65
	<u>100.00</u>	<u>100.00</u>

Lease termination is calculated at first break clause, if any.

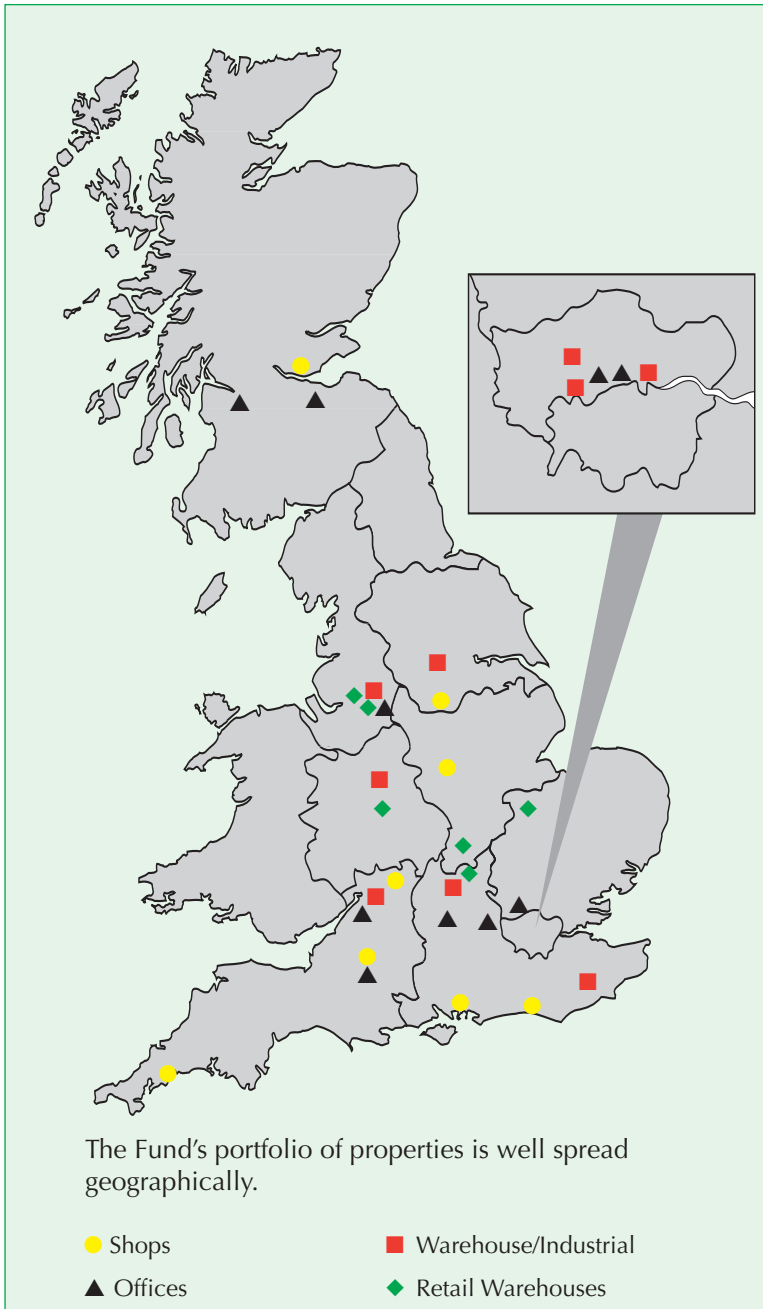
#### Use of Capital at 31 December 2006

	31.12.2006		31.12.2005	
	£'000	%	£'000	%
Completed properties	160,975	99.38	139,800	96.99
Net other assets	1,009	0.62	4,336	3.01
	<u>161,984</u>	<u>100.00</u>	<u>144,136</u>	<u>100.00</u>

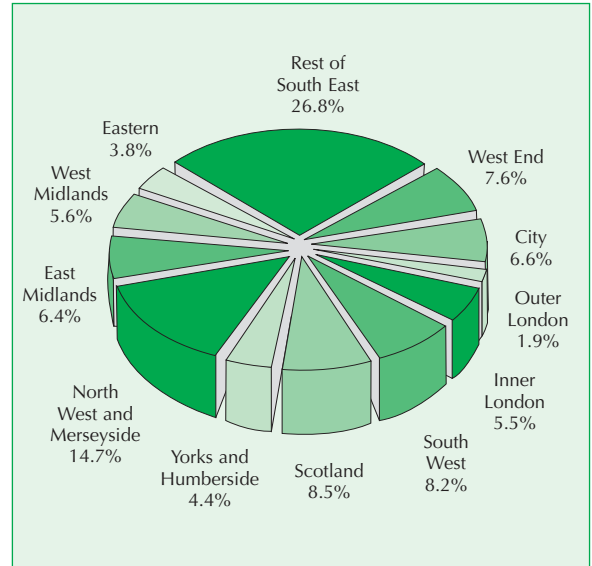
# COIF Charities Property Fund

## Portfolio Analysis

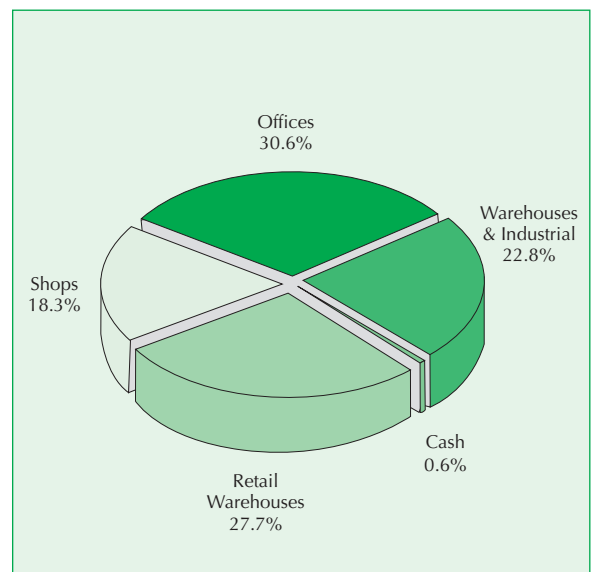
at 31 December 2006



### Geographical Distribution



### Asset by Type



# COIF Charities Property Fund Ownership of the Fund

at 31 December 2006

<i>Size of Unitholding at 31 December 2006 '000</i>	<i>Number of Investors</i>	<i>Number of Units in Issue '000</i>	<i>% of Units in Issue</i>
1 – 1,500	1	1	0.00
1,501 – 2,000	1	2	0.00
2,001 – 10,000	47	343	0.32
10,001 – 20,000	71	1,101	1.03
20,001 and over*	281	<u>105,892</u>	<u>98.65</u>
		<u>107,339</u>	<u>100.00</u>

\* COIF Charities Investment Fund has a holding of 66,147,379 units.



*Olaf St. Notting Hill, London, W11  
Active management re-development opportunity.*



# COIF Charities Property Fund

## Portfolio Statement

at 31 December 2006

	£'000	% of Fund
<b>Properties</b>		
Valued between £0 and £5m		
22 properties	76,000	46.92
Valued between £5m and £10m		
7 properties	47,975	29.62
Valued between £10m and £15m		
3 properties	<u>37,000</u>	<u>22.84</u>
	160,975	99.38
<b>Net other assets</b>	<u>1,009</u>	<u>0.62</u>
<b>Net assets</b>	<u><u>161,984</u></u>	<u><u>100.00</u></u>

## Summary of Investments and Other Assets

at 31 December 2006

	31.12.2006		31.12.2005	
	£'000	%	£'000	%
<b>Property Investments</b>				
Shops	29,706	18.34	24,884	17.26
Offices	49,469	30.54	36,891	25.60
Warehouses & Industrial	36,875	22.76	37,100	25.74
Retail Warehouses	<u>44,925</u>	<u>27.74</u>	<u>40,925</u>	<u>28.39</u>
Total property investments	<u>160,975</u>	<u>99.38</u>	139,800	96.99
<b>Net current assets</b>				
Cash	7,244	4.47	5,088	3.53
Net creditors	<u>(6,235)</u>	<u>(3.85)</u>	<u>(752)</u>	<u>(0.52)</u>
Net other assets	<u>1,009</u>	<u>0.62</u>	<u>4,336</u>	<u>3.01</u>
<b>Total value of Fund</b>	<u><u>161,984</u></u>	<u><u>100.00</u></u>	<u><u>144,136</u></u>	<u><u>100.00</u></u>

**COIF Charities Property Fund**  
**Statement of Total Return**  
for the year ended 31 December 2006

	Notes	31.12.2006		31.12.2005	
		£'000	£'000	£'000	£'000
Net gains on investments during the year	2		<b>20,142</b>		10,463
Income	3	<b>8,625</b>		8,086	
Expenses	4	<b>(1,355)</b>		(1,150)	
Finance Costs: Interest	6	<b>(395)</b>		-	
Net income for the year			<b><u>6,875</u></b>		<u>6,936</u>
<b>Total return before distributions</b>			<b>27,017</b>		17,399
Finance costs: Distributions	6		<b>(7,128)</b>		(6,565)
<b>Change in net assets attributable to unitholders</b>			<b><u>19,889</u></b>		<u>10,834</u>

**Statement of Change in Unitholders' Net Assets**  
for the year ended 31 December 2006

	31.12.2006		31.12.2005	
	£'000	£'000	£'000	£'000
<b>Net assets at start of the year</b>		<b>144,136</b>		113,712
<b>Movement due to creations and cancellations of units</b>				
Amounts receivable on creation of units	<b>10,826</b>		20,707	
Less: Amounts payable on cancellation of units	<b>(13,150)</b>		<u>(1,265)</u>	
		<b>(2,324)</b>		19,442
Change in net assets attributable to unitholders (see above)		<b>19,889</b>		10,834
Retained distribution on accumulation units		<b><u>283</u></b>		<u>148</u>
<b>Net assets at end of the year</b>		<b><u>161,984</u></b>		<u>144,136</u>

The notes on pages 23 to 27 form part of these accounts.

**COIF Charities Property Fund**  
**Property Portfolio - Shops**  
**at 31 December 2006**

<i>Property</i>	<i>Tenant</i>	<i>Term/ From</i>	<i>Lease Review Period</i>	<i>Next Review</i>	<i>Rent £</i>	<i>Market Value Range £m</i>
30 & 31 Western Road BRIGHTON	Portman Building Society	25 yrs 15.3.99	5 yrs	2009	175,000	0-5
100 The Promenade CHELTENHAM	Russell & Bromley Ltd.	25 yrs 25.3.86	5 yrs	2006	97,500*	0-5
76/77 East Street CHICHESTER	C&J Clark International Ltd.	15 yrs 22.3.00	5 yrs	2005	160,000*	5-10
	West Sussex County Council	10 yrs 2.1.03	5 yrs	2008	47,300	
	West Sussex County Council	10 yrs 12.8.03	5 yrs	2008	4,500	
37 East Street DERBY	The Outdoor Group Ltd.	25 yrs 1.4.82	5 yrs	2007	110,000	0-5
85/89 High Street DUNFERMLINE	Mackays Stores Ltd.	25 yrs 31.7.86	5 yrs	2006	165,000*	0-5
95-107 Pinstone Street SHEFFIELD	Greggs plc	10 yrs 24.6.02	5 yrs	2007	26,000	0-5
	John David Sports plc	10 yrs 29.9.98	5 yrs	2003	46,500*	
	Matthew Rowbotham	20 yrs 29.9.97	5 yrs	2007	30,000	
	Hair Cuttery Ltd.	10 yrs 22.4.04	5 yrs	2009	30,000	
	Andrew Garner	15 yrs 25.12.94	5 yrs	-	27,500	
	Cheltenham & Gloucester	15 yrs 26.4.04	5 yrs	2014	36,000	
	Great Central Developments Ltd.	250 yrs 1.10.02	-	-	-	
21 & 22-23 Boscawen Street TRURO	Signet Group plc	25 yrs 25.3.87	5 yrs	2007	95,000	0-5
	Mr Minit plc	25 yrs 15.7.94	5 yrs	2009	40,000	

\* Outstanding rent review or lease renewal as at 31 December 2006.

# COIF Charities Property Fund

## Property Portfolio - Offices

at 31 December 2006

<i>Property</i>	<i>Tenant</i>	<i>Term/ From</i>	<i>Lease Review Period</i>	<i>Next Review</i>	<i>Rent £</i>	<i>Market Value Range £m</i>
Acuma and Wessex House BRISTOL	Great Western Ambulance Service NHS Trust	10 yrs 30.5.97	5 yrs	-	121,250	0-5
	Great Western Ambulance Service NHS Trust	14 yrs 28.9.01	5 yrs	2005	80,000*	
74-76 George Street EDINBURGH	The Noble Group Ltd.	25 yrs 7.7.97	5 yrs	2007	171,000	0-5
144 West George Street GLASGOW	Park Circus (Management) Ltd.	10 yrs 28.3.02	5 yrs	2007	21,500	5-10
	Scottish Provident Ltd.	21 yrs 15.8.86	5 yrs	2006	27,000*	
	Midland Valley Exploration Ltd.	10 yrs 11.11.05	5 yrs	2010	57,022	
	The City and Guilds of London Institute	10 yrs 21.2.05	5 yrs	2010	57,555	
	Alexander Sloan & Company	10 yrs 15.5.98	5 yrs	-	54,700	
	JM Architects Ltd.	10 yrs 28.5.04	5 yrs	2009	53,737	
	EBV Elektronik GMBH & Co	10 yrs 26.2.01	5 yrs	-	35,500	
	Part vacant	-	-	-	-	
1-3 College Hill LONDON EC4	The Regent Organisation	5 yrs 25.12.04	-	-	58,240	10-15
	Drake Beam Morin plc	8 yrs 25.3.00	3 yrs	-	74,520	
	Drake Beam Morin plc	8 yrs 25.3.00	5 yrs	-	98,973	
	Drake Beam Morin plc	10 yrs 14.9.01	5 yrs	2006	113,015*	
	Drake Beam Morin plc	7 yrs 25.12.01	-	-	36,015	
	Citifocus Ltd.	10 yrs 24.6.02	5 yrs	2007	78,070	
	Scott Harris (UK) Ltd.	5 yrs 6.5.05	-	-	44,550	
	G4S International (UK) Ltd.	5 yrs 29.9.06	-	-	34,000	
	Southern Steamships (London) Ltd.	5 yrs 25.3.03	-	-	33,750	
	William Heard	0 yrs 29.9.04	5 yrs	2009	25,001	
Part vacant	-	-	-	-		

\* Outstanding rent review or lease renewal as at 31 December 2006.

**COIF Charities Property Fund**  
**Property Portfolio - Offices (continued)**  
at 31 December 2006

<i>Property</i>	<i>Tenant</i>	<i>Term/ From</i>	<i>Lease Review Period</i>	<i>Next Review</i>	<i>Rent £</i>	<i>Market Value Range £m</i>
Gateway House MANCHESTER	Barclays Bank plc	25 yrs 29.9.91	5 yrs	2006	68,715*	0-5
	Royal Liver Assurance Ltd.	10 yrs 1.3.97	5 yrs	-	75,000	
	BUPA Investments Ltd.	10 yrs 24.6.97	5 yrs	-	75,000	
	BUPA Investments Ltd.	10 yrs 24.6.97	5 yrs	-	75,000	
King's Court READING	Wipro Ltd.	10 yrs 2.10.06	5 yrs	2011	92,200	5-10
	Imperial Software Technology Ltd.	9 yrs 8.6.01	5 yrs	-	72,864	
	Abbey National plc	25 yrs 25.12.84	5 yrs	-	91,750	
	Dow Corning Ltd.	25 yrs 25.12.85	5 yrs	-	92,880	
	Wipro Ltd.	10 yrs 9.12.00	5 yrs	-	89,250	
	Wipro Ltd.	5 yrs 7.1.06	1 yr	-	4,400	
	Wipro Ltd.	7 yrs 9.12.00	1 yr	2005	1,200*	
	Wipro Ltd.	5 yrs 7.1.06	1 yr	-	4,400	
	Wipro Ltd.	0 yrs 18.6.04	1 yr	-	2,200	
	Abbey National plc	0 yrs 2.12.04	-	-	3,120	
	Vacant	-	-	-	-	
17 Bath Road SLOUGH	Computer Associates UK Ltd.	25 yrs 1.3.84	5 yrs	-	200,000	0-5
82-90 London Road ST ALBANS	West Herts Community NHS Trust	25 yrs 19.7.94	5 yrs	2009	125,500	0-5

\* Outstanding rent review or lease renewal as at 31 December 2006.

# COIF Charities Property Fund

## Property Portfolio - Shops/Offices

at 31 December 2006

Property	Tenant	Term/ From	Lease Review Period	Next Review	Rent £	Market Value Range £m
1-3 Westgate Buildings BATH	Pizza Hut (UK) Ltd.	15 yrs 17.11.04	5 yrs	2009	78,800	0-5
	Future Publishing Ltd.	25 yrs 18.5.88	5 yrs	2008	58,000	
7-8 Conduit St LONDON W1	Qatar Airways	25 yrs 24.6.84	5 yrs	-	187,500	10-15
	Martin David Paisner & David Davis	13 yrs 23.12.96	5 yrs	2006	60,000*	
	Asiana Airlines Inc	10 yrs 22.3.02	5 yrs	2007	77,000	
	Princeton Investments plc	22 yrs 25.3.87	5 yrs	-	61,600	
	Messrs G Martin, SS Goderski, S Hul Preasepe	5 yrs 20.12.04 1 yr 20.3.06	5 yrs -	- -	55,000 45,000	

\* Outstanding rent review or lease renewal as at 31 December 2006



1-3 Westgate Buildings, Bath

**COIF Charities Property Fund**  
**Property Portfolio - Warehouses/Industrial**  
**at 31 December 2006**

<i>Property</i>	<i>Tenant</i>	<i>Term/ From</i>	<i>Lease Review Period</i>	<i>Next Review</i>	<i>Rent £</i>	<i>Market Value Range £m</i>
11 Barnett Way GLOUCESTER	Hydro Aluminium	15 yrs	5 yrs	2005	52,006*	0-5
	Futuretools Ltd.	6.4.00				
	British Energy Generation Ltd.	5 yrs	-	-	32,250	
	Easynet Telecommunications Ltd.	12.9.06	5 yrs	2006	31,600*	
West Street LEEDS	Graham Group	25 yrs	5 yrs	-	116,000	0-5
		25.12.84				
Unit 2 Humber Road LONDON NW2	Nando's Chickenland Ltd.	15 yrs	5 yrs	2007	195,000	0-5
		23.4.02				
21 Olaf Street LONDON W11	W H Smith plc	57 yrs	7 yrs	2009	122,500	0-5
		5.6.73				
7 St. Andrews Way LONDON E3	Westex Ltd.	25 yrs	5 yrs	2004	225,000*	0-5
		16.11.94				
Unit G1 Touchet Hall Road MANCHESTER	Christian Salvesen plc	25 yrs	5 yrs	2010	352,500	5-10
		3.7.95				
Bradbourne Drive MILTON KEYNES	Bakkavor Properties Ltd.	14 yrs	5 yrs	2007	315,000	5-10
		1.1.02				
Units 1 & 2 Longfield Road TUNBRIDGE WELLS	SHM Holdings Ltd.	16 yrs	5 yrs	-	62,000	0-5
		16.3.94				
	SH Muffet Ltd.	6 yrs	5 yrs	-	27,885	
		23.3.04				
	Fox Print Services Ltd.	5 yrs	5 yrs	2010	80,000	
		3.1.05				
	Independent Binders Ltd.	6 yrs	3 yrs	-	110,166	
		20.3.04				
Javelin Park WEDNESBURY	WH Smith Trading Ltd.	15 yrs	5 yrs	2009	269,000	0-5
		20.12.04				

\* Outstanding rent review or lease renewal as at 31 December 2006

# COIF Charities Property Fund

## Property Portfolio - Retail Warehouses

at 31 December 2006

Property	Tenant	Term/ From	Lease Review Period	Next Review	Rent £	Market Value Range £m
Chorley Retail Park CHORLEY	Wickes Building Supplies Ltd.	25 yrs 24.10.00	5 yrs	2005	300,000*	5-10
	DP Realty Ltd. t/a Domino's Pizza	25 yrs 24.10.00	5 yrs	2005	16,000*	
	Motor World Ltd.	15 yrs 15.6.01	5 yrs	2006	18,750*	
	Blockbuster Entertainment Ltd.	15 yrs 24.10.00	5 yrs	2005	36,750*	
	BJR Foods Ltd. t/a KFC	20 yrs 24.10.00	5 yrs	2010	57,000	
100 Regent Road MANCHESTER	Staples UK Ltd.	15 yrs 29.9.03	5 yrs	2008	206,250	0-5
Snowden Drive MILTON KEYNES	Wickes Building Supplies Ltd.	25 yrs 03.10.03	5 yrs	2008	638,750	10-15
St. Peter's Way NORTHAMPTON	NBC Apparel t/a TK Maxx	15 yrs 24.6.03	5 yrs	2008	311,535	5-10
Portway Road OLDBURY	Matalan Retail Ltd.	25 yrs 17.11.95	5 yrs	2005	191,995*	0-5
Mallory Road PETERBOROUGH	Halfords Ltd.	25 yrs 20.5.88	5 yrs	2008	220,400	0-5

\* Outstanding rent review or lease renewal as at 31 December 2006



Chorley Retail Park.

## COIF Charities Property Fund

# Balance Sheet

at 31 December 2006

	Notes	31.12.2006		31.12.2005	
		£'000	£'000	£'000	£'000
<b>ASSETS</b>					
Portfolio of investments	7		<b>160,975</b>		139,800
Debtors	8	<b>1,978</b>		2,902	
Cash and bank balances	9	<b><u>7,244</u></b>		<u>5,088</u>	
Total other assets			<b><u>9,222</u></b>		<u>7,990</u>
<b>Total assets</b>			<b><u>170,197</u></b>		<u>147,790</u>
<b>LIABILITIES</b>					
Creditors	10	<b>3,448</b>		1,853	
Distribution payable on income units		<b>1,765</b>		1,801	
Short term loans	11	<b><u>3,000</u></b>		<u>-</u>	
<b>Total liabilities</b>			<b><u>8,213</u></b>		<u>3,654</u>
<b>Net assets attributable to unitholders</b>			<b><u>161,984</u></b>		<u>144,136</u>
Approved on behalf of the Board 28 February 2007			B.H.B. Wrey, <i>Chairman</i> N.S. Wilson, <i>Board Member</i>		

The notes on pages 23 to 27 form part of these accounts.

## COIF Charities Property Fund

# Cash Flow Statement

at 31 December 2006

	Notes	31.12.2006		31.12.2005	
		£'000	£'000	£'000	£'000
<b>Net cash inflow from operating activities</b>	17		<b>9,358</b>		5,241
<b>Net cash (outflow)/inflow from financing activities</b>					
Creation of units		<b>10,826</b>		20,707	
Cancellation of units		<b>(13,150)</b>		<u>(1,265)</u>	
			<b>(2,324)</b>		19,442
<b>Net cash outflow from investing activities</b>					
Payments to acquire investments	7	<b>(17,610)</b>		(31,312)	
Proceeds on disposal of investments	7	<b>16,577</b>		<u>2,250</u>	
			<b>(1,033)</b>		(29,062)
<b>Net cash outflow from distributions paid</b>			<b>(6,845)</b>		(6,417)
<b>Increase/(decrease) in cash</b>	18		<u><b>(844)</b></u>		<u><u>(10,796)</u></u>

The notes on pages 23 to 27 form part of these accounts.

# COIF Charities Property Fund

## Notes to the Accounts

### 1. Accounting policies

(a) Basis of accounting

The accounts have been prepared under the historical cost basis, as modified by the revaluation of properties, and in accordance with the Charities (Accounts and Reports) Regulations 1995, the Statement of Recommended Practice (Accounting and Reporting by Charities) issued by the Charity Commission in March 2005 and the Statement of Recommended Practice for Authorised Funds issued for charities by the Investment Management Association (IMA) in December 2005, with the exception of the omission of the Statement of Material Portfolio Changes.

Part I of the Association of Property Unit Trust's Code of Practice relating to the format of Property Unit Trust accounts has also been followed in the preparation of these accounts.

During the period the Fund has adopted the presentation requirements of Financial Reporting Standard 25 (FRS 25). FRS25 requires that the assets attributable to investors are treated as a liability of the Fund and distributions are treated as finance costs. The effect of these changes are that unitholders' funds are now described as net assets attributable to unitholders.

(b) Income recognition

Rental income, interest on bank deposits and COIF Charities Deposit Fund balances are accrued on a daily basis.

(c) Management expenses

The Manager's periodic charge paid to CCLA Investment Management Limited is charged to the income of the Fund before distribution. The fee is based on a fixed percentage of the value of the Fund, which is currently 0.65% p.a. plus VAT, less a management fee rebate for the Fund's deposits in the COIF Charities Deposit Fund. Each month, the value at the end of the previous month is taken to calculate the fee due. This fee covers the provision of staff and investment services and other expenses incurred by the Manager. The Corporate Trustee fee, audit, legal, insurance, property valuation fees and direct property fees are charged separately to the income of the Fund before distribution.

(d) Distributions

Distributions are paid quarterly. The Fund utilises an income reserve to even out the fluctuations in income which arise over the years (see Note 12).

(e) Capitalised costs

All costs associated with buying, selling and development of properties are charged to capital. All other expenses, including the property valuation fees payable to Atisreal Limited, are deducted from income.

(f) Basis of valuation

Freehold and leasehold properties are valued at each monthly dealing date and at quarter-end dates on the basis of Market Value in accordance with the current RICS Appraisal and Valuation Standards (The Red Book) as advised by Atisreal Limited, Chartered Surveyors.

(g) Borrowing

Interest on borrowings made by the Fund, through its loan facility with The Royal Bank of Scotland plc, is accrued on a daily basis, in accordance with the terms of the facility, at a rate of 1% per annum above the bank's base rate. All costs associated with the set-up of the facility are amortised over the life of the facility.

### 2. Net gains on investments

The net gains on investments during the year comprise:

	<b>31.12.2006</b>	31.12.2005
	<b>£'000</b>	£'000
Non-derivative investments	<u>20,142</u>	10,463
Net gains on investments	<u>20,142</u>	<u>10,463</u>

# COIF Charities Property Fund

## Notes to the Accounts

<b>3. Income</b>	<b>31.12.2006</b>	<i>31.12.2005</i>
	<b>£'000</b>	<i>£'000</i>
Rents receivable	<b>8,287</b>	7,342
Interest on COIF Charities Deposit Fund	<b>211</b>	599
Bank interest	<b>9</b>	49
Other interest	<b>-</b>	4
Insurance commission	<b>-</b>	30
Surrender premium	<b>59</b>	60
Other income	<b>59</b>	2
	<b><u>8,625</u></b>	<u>8,086</u>
	<b><u>8,625</u></b>	<u>8,086</u>
<b>4. Expenses</b>	<b>31.12.2006</b>	<i>31.12.2005</i>
	<b>£'000</b>	<i>£'000</i>
Payable to the Manager, associates of the Manager and agents of either of them:		
Manager's periodic charge – see Note 1(c)	<b>987</b>	838
Manager's periodic charge rebate – see Note 1(c)*	<b>(6)</b>	(30)
	<b><u>981</u></b>	<u>808</u>
Payable to the Corporate Trustee, associates of the Corporate Trustee and agents of either of them:		
Corporate Trustee fee	<b>56</b>	54
	<b><u>56</u></b>	<u>54</u>
Other expenses:		
Insurance	<b>3</b>	3
Audit fee	<b>9</b>	9
IPD	<b>10</b>	10
Loan finance cost	<b>13</b>	11
Property ground rent and empty rates	<b>32</b>	13
Property legal and professional fees	<b>44</b>	104
Property valuation fees	<b>123</b>	76
Property non-recoverable insurance	<b>8</b>	8
Property non-recoverable repairs and maintenance	<b>4</b>	2
Property service charge	<b>72</b>	22
Insurance commission	<b>-</b>	30
	<b><u>318</u></b>	<u>288</u>
Total expenses	<b><u>1,355</u></b>	<u>1,150</u>

The above expenses include VAT where applicable.

\*This amount represents the rebate of management fees credited to the Fund's income for its deposits in the COIF Charities Deposit Fund where management fees are charged to income.

### 5. Taxation

The Fund is exempt from UK income and capital gains tax due to its charitable status pursuant to Sections 505 and 506 of the Income and Corporation Taxes Act 1988. Distributions are paid and reinvested income credited gross to unitholders on the basis that all appropriate UK taxation has been both reclaimed and recovered.

# COIF Charities Property Fund

## Notes to the Accounts

### 6. Finance costs

#### Distributions

Distributions take account of income received on the creation of units and income deducted on the cancellation of units, and comprise:

	<b>31.12.2006</b>	<i>31.12.2005</i>
	<b>£'000</b>	<i>£'000</i>
31 March – Interim distribution	1,775	1,506
30 June – Interim distribution	1,768	1,662
30 September – Interim distribution	1,762	1,679
31 December – Final distribution	<u>1,829</u>	<u>1,883</u>
	7,134	6,730
Add: Income deducted on cancellation of units	89	13
Deduct: Income received on creation of units	<u>(95)</u>	<u>(178)</u>
Net distribution for the year	<u>7,128</u>	<u>6,565</u>
Net income for the year	6,875	6,936
Transfer from/(to) income reserve - see Note 12	253	<u>(371)</u>
Net distribution for the year	<u>7,128</u>	<u>6,565</u>
Interest	<u>395</u>	<u>-</u>
Total finance costs	<u>7,523</u>	<u>6,565</u>

### 7. Property investments

	<b>31.12.2006</b>	<i>31.12.2005</i>
	<b>£'000</b>	<i>£'000</i>
Market value at the start of the year	139,800	100,275
Acquisitions at cost	17,610	31,312
Sales proceeds from disposals	<u>(16,577)</u>	<u>(2,250)</u>
Realised gains/(losses) on disposals	3,010	(50)
Unrealised gains on revaluation	<u>17,132</u>	<u>10,513</u>
Market value at the end of the year	<u>160,975</u>	<u>139,800</u>
Historical cost at the end of the year	<u>120,912</u>	<u>117,052</u>

### 8. Debtors

	<b>31.12.2006</b>	<i>31.12.2005</i>
	<b>£'000</b>	<i>£'000</i>
Accrued income	1,856	698
Property payments recoverable	8	13
Service charge recoverable	94	15
Prepayments	18	13
VAT recoverable	<u>2</u>	<u>2,163</u>
	<u>1,978</u>	<u>2,902</u>

### 9. Cash and bank balances

	<b>31.12.2006</b>	<i>31.12.2005</i>
	<b>£'000</b>	<i>£'000</i>
Cash in COIF Charities Deposit Fund	5,161	4,486
Cash at bank	<u>2,083</u>	<u>602</u>
	<u>7,244</u>	<u>5,088</u>

# COIF Charities Property Fund

## Notes to the Accounts

<b>10. Creditors</b>	<b>31.12.2006</b>	<b>31.12.2005</b>
	<b>£'000</b>	<b>£'000</b>
Rent received in advance	1,856	1,652
Accrued expenses	29	25
Property expenses payable	13	18
VAT payable	1,031	-
Rent deposits	456	144
Property retention	13	13
Insurance services fee	-	1
Loan interest payable	<u>50</u>	<u>-</u>
	<b><u>3,448</u></b>	<b><u>1,853</u></b>

<b>11. Short term loans</b>	<b>31.12.2006</b>	<b>31.12.2005</b>
	<b>£'000</b>	<b>£'000</b>
Short term loan facility	<u>3,000</u>	<u>-</u>
	<b><u>3,000</u></b>	<b><u>-</u></b>

### 12. Income reserve

The income reserve, accumulated out of income, is used to smooth fluctuations in the income received in the Fund. The income reserve is included in the total capital value of the Fund attributable to income unitholders.

	<b>31.12.2006</b>	<b>31.12.2005</b>
	<b>£'000</b>	<b>£'000</b>
Income reserve at start of the year	1,318	947
Transfer (from)/to income reserve	<u>(253)</u>	<u>371</u>
Income reserve at end of the year	<b><u>1,065</u></b>	<b><u>1,318</u></b>

### 13. Financial instruments

The main risks arising from the Fund's financial instruments and Manager's policies for managing these risks are summarised below. These policies have been applied throughout the year and the comparative year.

#### Interest rate risk

The majority of the Fund's assets are direct property investments and therefore do not pay interest or have maturity dates. As a consequence any changes in interest rates will not significantly affect the Fund except in so far as they affect rental levels generally.

#### Financial assets:

All cash and bank balances earn interest at a floating rate based on either LIBOR or base rate. Debtors and creditors of the Fund do not pay or receive interest.

#### Financial liabilities:

At 31 December 2006 there was a financial liability of £3m (31.12.05, £nil) due to utilisation of the Fund's borrowing facility that pays a floating rate of interest. There were no other financial liabilities that pay either floating rate or fixed rate interest at 31 December 2006 (31.12.2005, £nil). All financial liabilities are due to be settled in one year or on demand.

The borrowing facility provided by The Royal Bank of Scotland plc has a limit of £15m and a floating interest rate of 1% above the bank's base rate. Interest on amounts drawn down from the loan facility is calculated on a daily basis and is payable monthly in arrears. The loan can be drawn in tranches and repaid at any time. The loan facility is renewable annually.

Under the Scheme of the Fund, the Manager may borrow a maximum of 25% of the value of the property of the Fund to assist with investing in, improvements to, or the managing of property and the short-term financing of, or meeting payments to be made out of the Fund.

# COIF Charities Property Fund

## Notes to the Accounts

### 14. Board remuneration

The Board members receive no remuneration from COIF Charity Funds. Mr R. Fitzalan Howard is a Director of CCLA Investment Management Limited and receives remuneration from CCLA Investment Management Limited, which is disclosed in that Company's accounts.

### 15. Related party transactions

The Manager's periodic charge is paid to CCLA Investment Management Limited and the Corporate Trustee fee is paid to HSBC Bank plc, both related parties to the Fund. The amounts paid in respect of the Manager's periodic charge and the Corporate Trustee fee are disclosed in Note 4. A rebate of management fees is credited to the Fund's income for its deposits in COIF Charities Deposit Fund where management fees are charged to income as disclosed in Note 4. At 31 December 2006 the balances due to CCLA Investment Management Limited and HSBC Bank plc were as set out below:

	<b>31.12.2006</b>	31.12.2005
	<b>£'000</b>	£'000
CCLA Investment Management Limited	-	-
HSBC Bank plc	<b>20</b>	16

There were no other transactions entered into with CCLA Investment Management Limited or HSBC Bank plc during the year.

### 16. Turnover of units

The number and net asset value of units in COIF Charities Property Fund created, cancelled and transferred in the year to 31 December 2006 was as follows:

	<i>Number of Units</i>	<i>Value £'000</i>	<i>% of NAV at 31.12.2006</i>
Units created	7,414,641	10,826	6.68
Units cancelled	9,402,503	13,150	8.12
Units transferred	3,698,467	5,236	3.23

At 31 December 2006 there were no redemption notices outstanding.

### 17. Reconciliation of net income to net cash inflow from operating activities

	<b>31.12.2006</b>	31.12.2005
	<b>£'000</b>	£'000
Net income for the year	<b>6,875</b>	6,936
(Increase) in accrued income	<b>(1,158)</b>	(180)
Decrease/(Increase) in debtors	<b>2,082</b>	(2,005)
Increase in creditors	<b><u>1,559</u></b>	<u>490</u>
Net cash inflow from operating activities	<b><u><u>9,358</u></u></b>	<u><u>5,241</u></u>

### 18. Reconciliation of net cash flow to movement in cash balances

	<b>31.12.2006</b>	31.12.2005
	<b>£'000</b>	£'000
Net cash at beginning of the year	<b>5,088</b>	15,884
Movement in cash during the year	<b><u>(844)</u></b>	<u>(10,796)</u>
Net cash at the end of the year	<b><u><u>4,244</u></u></b>	<u><u>5,088</u></u>

# Statement of Board, Corporate Trustee and Manager Responsibilities

### Responsibilities of the Board

The Board is required by the Scheme of the Charity Commissioners made under the Charities Act 1993, dated 12 July 2002, for the Fund to:

- prepare an annual report and to inform the Charity Commissioners if it is not satisfied with the Corporate Trustee's or the Manager's compliance with the Scheme or the Scheme Particulars;
- meet regularly to receive reports and monitor the progress of the Fund;
- obtain Charity Commission orders for the discharge and appointment of the Corporate Trustee and Manager of the Fund;
- appoint the Auditors of the Fund and to agree their terms of engagement;
- determine the rate of remuneration of the Corporate Trustee and Manager in accordance with the Scheme.

### Responsibilities of the Corporate Trustee

The Corporate Trustee is required by the Scheme to:

- ensure that the Fund is managed by the Manager in accordance with the Scheme and Scheme Particulars and that proper accounting records have been maintained;
- safeguard the assets of the Fund and hence take reasonable steps for the prevention and detection of fraud and other irregularities;
- appoint and supervise the Registrar of the Fund;
- be responsible for any winding-up of the Fund in accordance with the Scheme.

### Responsibilities of the Manager

The Manager of the Fund is required by the Scheme to prepare accounts for the Fund in accordance with the Charities (Accounts and Reports) Regulations 1995.

The Manager is required to:

- select suitable accounting policies that are appropriate for the Fund and apply them on a consistent basis;
- comply with the disclosure requirements of the Statement of Recommended Practice relating to charities issued by the Charity Commission in March 2005;
- comply with the disclosure requirements of the Statement of Recommended Practice relating to Authorised Funds issued by the Investment Management Association (IMA) in December 2005;
- follow generally accepted accounting principles and applicable accounting standards;
- keep proper accounting records which enables the Manager to demonstrate that the accounts as prepared comply with the above requirements;
- make judgements and estimates that are reasonable and prudent;
- prepare the accounts on the basis that the Fund will continue in operation unless it is inappropriate to presume this.

The Manager is required to manage and administer the Fund in accordance with the Scheme, maintain accounting records and take reasonable steps for the prevention and detection of fraud and other irregularities.

The Corporate Trustee has appointed the Manager to act as Registrar to the Fund.



# CCLA INVESTMENT MANAGEMENT LIMITED

## COIF Charities Property Fund

(Charity Registration No. 1093084)

### Board

B.H.B. Wrey, Chairman of the Board, *Former Chairman, Henderson Global Investors*

R. Fitzalan Howard, *Chief Executive, FF&P Asset Management Limited*

D. Henderson, *Company Director, (from 27.7.2006)*

A. Huntley, *Chartered Surveyor*

Mrs. F. Quint, *Barrister*

N.S. Wilson, *Solicitor, a former Partner, Slaughter and May*

### Secretary

Mrs. J. Glass (up to 24.8.2006)

Mrs J. E. Fox (from 24.8.2006)

## Investment Manager, Administrator and Registrar

### CCLA Investment Management Limited

*Authorised and regulated by the Financial Services Authority*

80 Cheapside, London EC2V 6DZ

T: 020 7489 6000

Freephone: T: 080 8220 2252

Client Service: T: 020 7489 6010

F: 020 7489 6126

[www.ccla.co.uk](http://www.ccla.co.uk)

### Directors responsible for COIF Charities Property Fund

A.G. Gibbs (Chief Executive up to 8.3.2006)

M.F. Quicke (Chief Executive from 8.3.2006)

J. Bevan (Chief Investment Officer from 6.11.2006)

A. Robinson (Director of Market Development from 6.11.2006)

D.A.W. Butler (Chief Operating Officer)

T.H. Lavis (Corporate Relationship up to 14.7.2006)

### Property Manager and Head of Property

P.A. Hannam

### Client Relationship Manager

M.J. Goddings

### Company Secretary

Mrs. J. Glass (up to 24 8.2006)

Mrs. J.E. FOX (from 24.8.2006)

### Head of Compliance

Mrs. J. Glass (up to 24 8.2006)

J. Hough (from 24.8.2006 to 16.10.2006)

T. Kemp (from 16.10.2006)

### Corporate Trustee

HSBC Bank plc

8 Canada Square, London E14 5HQ

### External Valuers

Atisreal Limited

Chartered Surveyors and International Real Estate Consultants

Norfolk House, 31 St James's Square, London SW1Y 4JR

### Bankers

The Royal Bank of Scotland plc

62/63 Threadneedle Street, London EC2R 8LA

### Solicitors

Lovells

Atlantic House, Holborn Viaduct, London EC1A 2FG

Eversheds LLP

Senator House, 85 Queen Victoria Street, London EC4V 4JL

### Auditors

PricewaterhouseCoopers LLP

Southwark Towers, 32 London Bridge Street

London SE1 9SY



## CCLA INVESTMENT MANAGEMENT LIMITED

### COIF Charity Funds

COIF Charity Funds provide a ready and practical means for charities to obtain, at reasonable cost, constant professional investment and cash management for their long-term capital and short-term cash. They also provide protection through diversification combined with simplified administration.

#### ● COIF CHARITIES INVESTMENT FUND

Mainly invested in equities in the United Kingdom and overseas. Intended for a charity's long-term capital. Income and accumulation units available. Weekly dealing dates.

#### ● COIF CHARITIES FIXED INTEREST FUND

Invested in fixed interest stocks to provide a good income yield and supplement where necessary the lower income yield on COIF Charities Investment Fund. Intended for long-term investment but offers no protection against inflation. Income and accumulation units available. Weekly dealing dates.

#### ● COIF CHARITIES DEPOSIT FUND

Designed for a charity's cash balances. Competitive rate of interest even on small sums. Daily deposit and withdrawal facilities.

#### ● COIF CHARITIES PROPERTY FUND

Invested in commercial and industrial property. Intended for part of a charity's long-term capital to provide a good initial income yield and the prospect of some income and capital growth. Income and accumulation units available. Monthly dealing dates.

#### ● ADDITIONAL INFORMATION

Each unitholder (Depositor for COIF Charities Deposit Fund) will receive annual Reports and Accounts within three months of the end of the relevant period and half-yearly Reports and Accounts within two months of the end of the relevant period. Under the FSA Conduct of Business Rules, a unitholder in COIF Charities Property, Investment and Fixed Interest Funds is entitled to request an unaudited periodic report to be provided within 25 days after the end of the period to which it relates.

#### RISK WARNING

*The value of COIF Charities Property, Investment and Fixed Interest Funds' units and the income from them can fall as well as rise and an investor may not get back the amount originally invested. Past performance is no guarantee of future returns. The Property Fund's unit value will reflect fluctuations in property and share values. The Investment Fund's unit value will reflect fluctuations in share prices and currency exchange rates. The Fixed Interest Fund's income yield is an indication of the expected level of income. The corresponding gross redemption yield is an estimate of total return over the long term. The Fixed Interest Fund's income and gross redemption yields are not guaranteed and will change over time, due to changes in interest rates and the average maturity date of the securities held by the Fund. When the Fixed Interest Fund's income yield is higher than the gross redemption yield, income is being paid at the expense of capital.*

*The Property Fund's units are intended only for long-term investment and are not suitable for money liable to be needed in the near future. They are realisable only on each monthly dealing date and a period of notice not exceeding six months may be imposed for redemption of the units. The Investment Fund and Fixed Interest Fund's units are intended only for long-term investment and are not suitable for money liable to be needed in the near future. They are realisable only on each weekly dealing date.*

*The Trustees of COIF Charities Deposit Fund cannot give guarantees regarding repayment of deposits in the Deposit Fund but undertake to exercise reasonable care in placing of deposits. The daily deposit rate will fluctuate. Past performance is no guarantee of future returns.*

#### CCLA INVESTMENT MANAGEMENT LIMITED

Authorised and regulated by the Financial Services Authority

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London EC2V 6DZ

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Telephone: 020 7489 6000

Client Service: 020 7489 6010

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