MAYFAIR CAPITAL

Property Income Trust for Charities

Annual Report and Audited Accounts

For the year ended **31 December 2017**

Property Income Trust for Charities

Working with UK Charities since 2004

Contents

Investors' Committee Chairman's Report

The resilience of the commercial real estate market surprised us all in 2017. We started the year with a general expectation of total returns of 5-6%, whereas the market (measured in our case by the AREF All Balanced Funds index) delivered 10.2% as investment yields held firm in most sectors and hardened in some, and rental growth pushed through in some sectors and locations. I am delighted to say that your Fund delivered a total return for the year of 11.8%, once again in the top quartile of the AREF Index of 29 funds.

Notwithstanding the better than expected performance of commercial property, the Investors' Committee worked closely with the Fund Manager to mitigate risk in the Fund during the year. This was achieved in a number of ways. Firstly, whilst gearing has been highly beneficial to the distribution yield – PITCH is the highest yielding of the specialist charity funds – we have allowed the gearing to reduce over the year to 14% of GAV as at year end. Secondly, we have maintained a cash buffer of at least £20 million to ensure that any redemptions can be met easily without enforcing sales of properties. In reality new investment in the Fund has exceeded redemptions in every quarter of the year, and the cash buffer has not actually been needed – but it is there in the event of any sharp correction in sentiment. Thirdly, the Fund Manager has worked hard to keep the number of voids in the portfolio at a very low level, with aims to reduce this in 2018.

The Committee remains mindful of the fact that all our investors are registered charities with charitable objectives and responsibilities. We work closely with the Fund Manager to ensure the Fund's clear ethical policies are observed, and likewise that the Fund invests and manages in accordance with socially responsible investment (SRI) principles, more detail on which can be found later in this report.

We closed the year with 990 separate charities invested in the Fund. We are grateful for the continued support of those that have been with us for some time, and welcome the new charities that entrusted their funds to us during 2017.

As always the successful performance of the Fund is only achieved because of the dedication and commitment of the Mayfair Capital team, all of whom I thank for their efforts this year. I would also like to thank my fellow Committee members, each closely aligned to charities which have invested in the Fund but who are there to represent the investors as a whole, for their hard work, commitment and valuable insight.

2018 will no doubt present its own challenges, but I am confident that The Property Income Trust for Charities is well placed to deliver another successful year for its charity investors.

April 2018

Nick Shepherd
Chairman

990 separate charities invested in the Fund

Fund delivered a total return for the year of 11.8%*

* AREF/IPD UK All Balanced Property Funds Index

Fund Information

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Fund objectives and key information

The Property Income Trust for Charities (PITCH) is a unit trust designed as a pooled property vehicle available to all UK Charities and EU Qualifying Charities.

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It was established to permit qualifying charities to co-invest in UK property in a manner that is tax efficient for both income and capital. It also has the advantage of allowing properties to be acquired free of Stamp Duty Land Tax (SDLT).

The Fund aims to deliver a relatively high and sustainable income yield whilst at least maintaining the capital value in real terms over the economic cycle by acquiring income producing properties in the UK with growth prospects together with properties where there is "embedded" value that can be extracted through active asset management. The Fund aims to diversify risk through tenant, sector and geographic spread throughout the UK. It will not undertake any speculative development activity although refurbishment of existing assets will be undertaken where appropriate.

The Fund operates both ethical and environmental policies and seeks to be a socially responsible investor.

Full particulars of the Fund can be found in the Trust Deed.

£539m

Gross asset value

Fund summary
As at 31 December 2017

Gross asset value	539.12m
Net asset value	467.28m
Bid price	£0.8635
Offer price	£0.8893

Paid distribution history 2017 (p.p.u)[1]

January	0.434	July	0.404
February	0.436	August	0.480
March	0.392	September	0.412
April	0.413	October	0.357
May	0.442	November	0.380
June	0.431	December	0.382

Performance in 2017
11.8% total return (as per AREF/IPD)

Borrowings
£75.5m (14% of LTV on GAV, 16.16% on NAV)

Property portfolio
54 direct properties and
1 indirect holdings

[1] Pence per unit (p.p.u); distributions are quoted on a paid basis in line with AREF reporting.

All information is correct as at 31 December 2017.

Further information is available on our website www.pitch-fund.co.uk

Dealing in the Fund

Subscriptions and redemptions

Units in the Fund may be acquired on a monthly basis and redeemed on a quarterly basis. The Trust Deed contains provisions which enable the Manager to scale back or delay redemptions in certain circumstances. Matched trades are periodically available for larger redemptions.

Investors

Only registered and exempt charities in the UK may invest in the Fund since it is exempt from SDLT on all property purchases. EU charities are able to invest with approval from HMRC. Below is an analysis of unit issuance and redemptions during the year, including secondary market trades, together with an analysis of the unitholder base as at 31 December 2017.

Unitholder movement

	Year to 31 Dec 2017	Year to 31 Dec 2016
Issues and redemptions		
Units in issue at start of year	476,763,755	465,566,451
Units issued during the year	66,328,640	17,326,135
Units redeemed during year	9,139,479	6,128,831
Units in issue at end of year	533,952,916	476,763,756
Secondary market		
Matched trades	1,629,364	10,649,712
Matched trades as % of units in issue at end of year	0.31	2.23

Redemption notices outstanding
As at 31 December 2017

Number of notices	30
Number of units	2,380,388
Bid per unit	£0.8635
Value at bid	£2,055,465
Total units (%)	0.44%

The thirty redemption notices outstanding as at 31 December 2017 were redeemed in January 2018. There were no circumstances under which redeeming investors were scaled back or where the Fund was unable to meet its redemption policy or obligations during the year.

Largest investors and percentage of units in issue by ownership band

Units in issue	Number of investors	Total holding (%)
< 1%	971	56.52
>= 1% but < 2%	13	18.34
>= 2% but < 4%	3	9.50
>= 4% but < 8%	3	15.64
>= 8%	0	0
Total	**990**	**100**
Largest Investor	1	6.40
Largest three investors	3	15.64
Largest five investors	5	25.89
Largest ten investors	10	32.21
Held by investment managers		55.99

Pricing

The Fund's bid and offer prices have been determined in accordance with the recommendation of The Association of Real Estate Funds except that fixed rate loans have been valued at amortised cost rather than fair value.

Woodbridge Road, Guildford

Expense ratios

The Fund calculates annual expense ratios as per AREF guidelines, against the Fund's Gross Asset Value (GAV) and Net Asset Value (NAV) both averaged over the prior 12 months, a summary of these ratios is shown below.

Expense Ratios

	GAV	NAV
Fund Management Expense Ratio	0.51%	0.60%
Fund Operating Expense Ratio	0.16%	0.18%
Total Expense Ratio	**0.67%**	**0.78%**
Property Expense Ratio	0.15%	0.18%
Real Estate Expense Ratio	**0.82%**	**0.96%**
Transaction Costs	0.25%	0.29%

Total Expense Ratio (TER) includes both direct fund management fees and additional fund operating costs such as third party administration and audit fees. Property Expense Ratio (PER) includes direct property costs not recoverable from tenants such as business rates on void units, general repairs and maintenance or aborted transaction costs. Real Estate Expense Ratio (REER) is the total of the fund's TER and PER. The Transaction Cost Ratio includes all professional fees and other costs directly incurred in the purchase and sales during the year. As the Fund does not accrue or pay any performance fee, no performance fee ratio has been calculated.

The portfolio turnover ratio highlights how often the Fund buys or sells property ignoring the impact of subscriptions or redemptions and displays this as a percentage of average yearly NAV. In 2017 the fund's turnover ratio was 6.6%.

West Moor Park, Doncaster

General information

Annual valuation
Cushman and Wakefield (C&W) is the external valuer to the Fund. C&W also carry out valuations for secured lending purposes when properties are acquired with the use of borrowings or for the Fund's acquisitions out of cash resources. Valuations are carried out on a monthly basis on the last working day of each month. Valuations are carried out in accordance with the Practice Statements contained within the RICS Valuation – Professional Standards 2014 UK Edition (the 'Red Book').

Investors' Committee
This Committee comprises of the following:

- Nick Shepherd, Chairman (appointed June 2013)
- James Ferguson, National Trust for Scotland (re-elected April 2015)
- Andrew Murphy, University of London (appointed June 2014)
- Simon Summers, St Catharine's College, Cambridge (appointed June 2012)
- David Palmer, Central Finance Board of the Methodist Church (appointed January 2017)

Conflicts of interest
In accordance with its terms of reference, the Investors' Committee may advise the Trustee, the Manager or the Property Fund Manager on any conflict of interest issue.

Subject to the provision of the Trust Deed, the Manager may effect transactions with or for the Trustee in relation to which it has a conflict of interest, provided that any material interest must be managed and resolved in accordance with the Manager's conflicts of interest policy and the rules of the Financial Conduct Authority.

Risk management provisions
The parameters by which the Trust Manager and Property Fund Manager act, through guidance from the Investors Committee, include risk management provisions that are designed to avoid concentration of risk through imposing constraints on the maximum exposure that the Trust may have to single properties, and tenants, as a source of income to the Trust. Accordingly:

- No one property will amount for more than 10% of the portfolio value at the time of purchase
- The three largest properties will not exceed 35% of portfolio value
- Excluding the UK Government (and related bodies) no one tenant will account for more than 10% of portfolio income
- Investments in other property funds are limited to 10% of total assets of the Trust

Fund Advisers

Trustee
Vistra Trust Corporation (UK) Limited
3rd Floor
11-12 St James's Square
London SW1Y 4LB

Trust Manager
Mayfair Capital Investment Management Limited
2 Cavendish Square
London W1G 0PU

Administration
Saltgate (UK) Limited
2nd Floor,
75 King William Street
London EC4N 7BE

Property Fund Manager
Mayfair Capital Investment Management Limited
2 Cavendish Square
London W1G 0PU

Property Manager
JLL
30 Warwick Street
London W1B 5NH

External Valuers
Cushman and Wakefield
43-45 Portman Square
London W1H 6LY

Lawyers
CMS Cameron McKenna Nabarro Olswang LLP
Cannon Place
78 Cannon Street
London
EC4N 6AF

Pinsent Masons LLP
1 Park Row
Leeds
West Yorkshire
LS1 5AB

Dentons UKMEA LLP
1 Fleet Place
London
EC4M 7WS

Independent Auditors
Crowe Clark Whitehill
Riverside House
40-46 High Street
Maidstone
Kent ME14 1JH

Performance Measurement
MSCI
Ten Bishops Square
London E1 6EG

Depository
National Westminster Bank PLC
135 Bishopsgate
London EC2M 3UR

Bankers
The Royal Bank of Scotland PLC
43 Curzon Street
London W1Y 7RF

Santander UK PLC
2 Triton Square
Regent's Place
London NW1 3AN

Property management and accounting
Mayfair Capital Investment Management Limited has appointed JLL to undertake property management including rent collection, service charge administration and be the main point of contact with tenants on matters such as assignments and alterations. Asset management or added value initiatives remain the responsibility of Mayfair Capital Investment Management Limited.

JLL is remunerated by the Property Fund Manager but charge additional fees on multi-let properties where service charges are operated. Typically, these fees amount to 10% of the annual service charge budget for a property.

Management of the fund

The roles and responsibilities of the parties involved in the Fund are described in the Fund Summary, Trust Deed and this Report.

James Thornton, Fund Director

James co-founded Mayfair Capital in 2002 and became Chief Executive in April 2014. James is Fund Director for PITCH and has over 35 years' experience in UK commercial property. Given Mayfair's commitment to the charity sector, James is a Committee Member of the Charity Investors' Group.

Simon Martindale, Fund Manager

Simon joined Mayfair Capital in 2012 and is the Fund Manager of PITCH. He is responsible for formulating and implementing fund investment strategy, investor reporting, portfolio analysis and overseeing all acquisitions, disposals and asset management. Simon has over 12 years experience in commercial property and previous worked at DTZ (now Cushman & Wakefield) and Edward Symmons (now LSH).

Scott Fawcett, Head of Asset Management

Scott joined Mayfair Capital in 2013 and is Director of Asset Management. He is responsible for implementing the asset management initiatives and supporting the investment activities of PITCH. Scott has over 20 years of experience in property markets previously with Drivers Jonas (became Deloitte Real Estate) and Matrix Securities.

Frances Spence, Head of Research, Strategy and Risk

Frances Spence joined Mayfair Capital in 2013 and is Head of Research, Strategy and Risk. Her role includes economic and property market trend analysis, which is integral to the strategic approach of Mayfair Capital's investment strategy. Frances has spent over 10 years in commercial property research, previously at Jones Lang Lasalle.

Further information on the Management Team can be found at:
www.pitch-fund.co.uk/people/management-team

James Lloyd, Head of Business Development and Marketing

James joined Mayfair Capital in 2009 and has responsibility for all marketing and investor relations for PITCH. James is responsible for all marketing and business development at Mayfair Capital in both Charity and institutional sectors. James is Trustee to two registered charities and on the Finance Committee for a Great XII Livery Company. Prior to joining Mayfair Capital James worked for ST Vincent Capital and before that was in the Art world.

Clare Berthoud, Director of Business Development

Clare Berthoud joined Mayfair Capital in April 2017 as Director of Business Development and works alongside James Lloyd on PITCH. She is a member of the University of Exeter's Endowment and Investment Group. Clare previously worked in the charity teams of both Schroders and Blackrock.

Katie Joyce, Marketing Assistant / Investor Relations

Katie joined Mayfair in 2014 and works alongside James Lloyd and Clare Berthoud assisting with investor relations and the marketing of PITCH.

Tim Cridland, Financial Controller

Tim joined Mayfair Capital in 2017 and is the company's Financial Controller. He provides support to the PITCH team and has oversight of the financial reporting, audit and administration of the fund. Tim has over 9 years of fund experience working previously at Real Star Group.

Fund Commentary

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Property Fund Manager's report

Simon Martindale
Fund Manager

> 12 month total return of 11.8%

> Fifth best performing fund in the AREF All Balanced Funds Index (out of a total of 29)

Economy

The global economy expanded by 3% in 2017, the fastest pace of growth since 2011 and a notable recovery from a post-crisis low of 2.4% in 2016. This was due to a broad-based recovery in investment, manufacturing and trade as well as the rise in commodity prices. Global stock markets finished 2017 at record levels, with the S&P 500 returning an impressive 21.8% driven by strong earnings projections. This was despite widespread concerns over share price valuations and against a turbulent political backdrop punctuated by a volatile US, North Korean tensions and ongoing Brexit uncertainty.

A strong US economy was a key driver in this global growth but 2017 also marked the return of growth in the Eurozone, which expanded 2.5%, the most rapid rate of growth since pre-crisis levels in 2007, after years of stagnation.

The UK, by contrast, grew by a steady but unspectacular 1.8%, which was the weakest expansion since 2012. Despite being one of the fastest growing economies in the G7 over the past three years, higher inflation in the wake of the 2016 Brexit vote has significantly weakened consumer-faced industries, such as retail and the food and beverage sector. CPI inflation peaked at 3.0% in Q3 but has gradually eased. By the end of 2017, economic growth in the UK was the lowest amongst the G7 Group of Countries.

There were some bright spots in the UK economy with the services sector finishing the year strongly and manufacturing output expanding for the seventh consecutive month supported by a weak Pound and increased global demand. However, accounting for just 10% of the UK economy, the impact of this has been limited. The construction sector, on the other hand, contracted in 2017 with commercial and infrastructure holding back growth.

Employment figures continued to surprise with a record number of people in work at the end of 2017 and a four-decade low unemployment rate of 4.3%. However with inflation running higher than pay growth, the real value of earnings continued to decline.

Property market

Despite the UK economy underperforming relative to the Eurozone, GDP growth of 1.8% continued to be supportive of property returns and we saw 2017 considerably exceed investors' expectation. The MSCI UK Monthly Index recorded a total return of 11.2% for the year. The consensus view 12 months ago, was for total returns of circa 5%-6%.

Investment activity was strong with full year transaction volumes of £60bn reflecting a 33% increase on 2016 levels. Overseas buyers comprised around half of this total with Asian capital over £12bn of assets, primarily in Central London offices. Offices continued to attract the greatest interest comprising 38% of all volumes, followed by alternatives at 25% and industrials at 17%, which for the first time ever exceeded retail volumes.

Central London remained resilient in spite of the threat of banking jobs moving to the Continent, recording investment activity that surpassed 2016's total by 56% and the 10 year average by 57%. This was underpinned by robust take-up particularly amongst co-working tenants such as WeWork taking 2.6m sq ft of space and, in the process, making it the largest corporate occupier in London. On a performance basis however, Central London underperformed the wider market with City Offices returning 8.7% and the West End 6.3%. This was largely due to increased vacancy rates amongst secondary offices, limited rental growth and a low income return.

The best performing sector in 2017 was the industrial sector, which returned a record 21.1% over 12 months driven by strong yield compression and 4.9% rental value growth. This reflected the continuing shift to online retail, strong take-up figures and the favourable supply-demand dynamics in the sector. The weakest performing sector was shopping centres, which returned 3.8%, due to falling rental values. Given this polarisation in the market stock selection and portfolio structuring were key factors in market performance.

The wider office occupational market experienced a strong year in 2017, with record levels of take-up for regional offices. This was in part driven by the HMRC Hub lettings in Birmingham, Bristol, Liverpool, Edinburgh, Cardiff, Belfast and Leeds, which alone was responsible for 1.5m sq ft of take up. As a result, we saw a continued dwindling of supply of Grade A space and new record rents being set, including £32.50 per sq ft in Bristol where PITCH made an investment in 2017. With construction output contracting in 2017, the low supply of regional office space should continue to place upward pressure on rents.

As with 2016, the market was characterised by a deep pool of buyers, London was dominated by overseas investors, accounting for around 95% of all purchases while the regions saw far greater diversity with institutions making a strong return to the market. Despite some expectation that their activities may be curtailed by Central Government, local councils continued their buying spree in 2017 both inside and outside of their relevant authorities.

The Fund in 2017

PITCH delivered another strong set of returns for investors recording a total return of 11.8% over 12 months. This positioned it as the fifth best performing fund in the AREF All Balanced Funds Index (out of a total of 29) and in the upper quartile over one, three and five years.

The strength of this performance can be partly attributed to the structure of the portfolio, with an overweight allocation to those best performing sectors such as industrials (34.5%) and offices (31.8%) and an underweight allocation to those weakest sectors and segments of the market such as retail (7.5%), shopping centres (0%) and Central London offices (0%). To this end, the portfolio repositioning that took place in 2016, particularly the decision to sell out of Central London offices, was a strong factor in this outperformance.

The portfolio saw like-for-like valuation growth of 5.7% in 2017, with strong yield compression on industrial assets and those properties subject to long leases, with 33% of the portfolio let for 10 years or longer. The Fund's valuers, Cushman & Wakefield, also increased ERVs on a number of assets in the portfolio reflecting new rental evidence being created in the market.

The positive impact of the market was supported by some strong asset management success particularly from sales, where the Fund continued to take advantage of robust liquidity in the market. PITCH sold six assets in 2017 for £19.9m for a blended yield of 7.4%. The average lot size on these sales was £3.3m reflecting the fact that most were non-core or ex-growth investments. The sales resulted in a total gain of £2.2m above valuation with two being sold to local councils.

The Fund acquired seven new assets in 2017 for a combined value of £73m reflecting a blended yield to PITCH of 6.2% and a blended Weighted Average Unexpired Lease Term (WAULT) of 8.9 years. The style of assets were reflective of our overall investment strategy with 33% in accordance with our Technology Theme and 51% supported by our Demographics Theme. The acquisitions also continued our strategy of acquiring a blend of WAULT-enhancing investments (eg. Basingstoke and Oxford) alongside quality multi-let, income resilient properties (eg. Cheltenham, Bristol and Nottingham). Further details of these purchases are contained in Pages 21-22.

The Fund attracted £56.9m of new equity in 2017 alongside £7.6m of redemptions meaning total net investment of £49.3m. The majority of new investment came from charities investing directly, as opposed to through investment managers, increasing the balance to 44% (from 34%) with investment managers comprising 56% of the total investor base. The Fund almost exceeded 1,000 investors in the final Quarter of 2017 highlighting the strength and diversification of the investor base.

PITCH's gross asset value grew by a total of 17% in 2017 reflecting valuation growth and new equity. As a result, Fund borrowings ended the year at 14% loan to value (based on GAV), which is marginally below the range of 15%-20% endorsed by the PITCH Investors' Committee. This compares to an LTV of 16% as at the end of 2016.

In the continued low growth environment, we took the decision to amend the investment objective in 2017 by removing the fixed income target of 6% but maintaining our total return approach. This meant that we could continue with our investment strategy without having to acquire riskier assets to maintain our yield. As a result, we saw a slight reduction in the distribution yield during 2017 to 5.6% (from 6.3% in 2016) which also reflected lower valuation yields, a marginally higher void rate and the impact of carrying more cash.

Strategy for 2018

There is no doubt that 2017 surprised on the upside in terms of total return and despite an uptick in global economic conditions, all the indicators are pointing towards a moderating of UK output in 2018, which we expect to be reflected in property markets.

We expect property performance to continue to polarise across markets with the regions continuing to outperform Central London and retail underperforming relative to industrials, offices and alternatives. Given the structure of the portfolio, PITCH is well positioned to benefit from this.

Our strategy for 2018 is a continuation of that seen in 2017 with a focus on positioning the portfolio more defensively with a mixture of long income investments and high quality, income resilient multi let properties. We will continue to hold a cash buffer of around £20m to act as a hedge against the borrowings, in the event of a sudden deterioration in market conditions, and to take advantage of attractive buying opportunities should they arise.

Having seen an overall -5.4% reduction in the pence per unit, we will prioritise growing distributions in 2018 and we have a number initiatives in hand to achieve this through both reducing the void rate and asset management. Tenant engagement will be key to achieving this and with only 130 tenants in the portfolio (as at 31 December 2017), we believe that we have the nimbleness and resource to maximise these opportunities.

The current debt levels in the Fund will be maintained until October 2018, whereupon the first Canada Life facility is due to mature. We will review the state of the economy and market during the year to determine whether to refinance this facility or to repay it and deleverage further. At current levels, it is still moderately accretive to the distribution yield.

Finally, we will continue to invest in accordance with our investment themes of technology, infrastructure and demographics, where we see continued opportunities for outperformance.

Simon Martindale
Property Fund Manager

April 2018

Trust Manager's report

Environmental & Social Governance (ESG) review

As Trust Manager, we recognise the impact of sustainability issues on the investment performance of the Fund's portfolio. In addition, we believe that we have a fiduciary duty to our investors to consider these risks and opportunities in our investment decisions. This includes implementing processes and procedures to ensure we are reducing our impact on the environment and ensuring a positive impact within the communities where we invest.

Responsible Property Investment – Key Principles

Environmental stewardship

We recognise the impact our buildings and operations have on the environment and believe that we are responsible for minimising our consumption of natural resources.

Social responsibilty

We believe that our business activities should have a positive impact on the communities in which we operate, from both an ethical and environmental perspective.

Compliance

We believe that at all times we as Trust manager must comply with regulation and legislation pertaining to sustainability, as well as internal policies, and that a level of preparedness for forthcoming regulation should be demonstrated.

Engagement

We recognise the benefit of engaging with our employees, stakeholders and the wider industry to create awareness around sustainability issues and ensure our objectives are achieved.

Continuous improvement

We will work towards best practice when implementing our sustainability principles and ensure continuous improvement through regular reviews of our objectives and targets.

In practice, this has led us to adopt, amongst others, the following objectives.

Environmental stewardship

Acquisition

- Assess all potential investments according to our internal pre-acquisition sustainability checklist in order to identify the level of risk and resilience within each environmental consideration;
- Undertake a formal environmental risk assessment on potential investments (including flood risk, ground contamination, asbestos, pollution etc.); and
- Establish the potential to improve the existing environmental performance of the potential investment or reduce any existing risk.

Development / Refurbishment

- Review the sustainability credentials of potential contractors and determine whether they are in line with MC's principles;
- Seek to achieve best practice on energy efficiency standards and comply in particular with Minimum Energy Performance Standards regulations in line with the Energy Act 2011 and all Building Regulations;
- Prohibit the use of materials that have potentially hazardous effects and use sustainable materials as far as possible; and
- Minimise the risks of pollution or contamination arising from refurbishment activities.

Management

- In those buildings where we hold all or some level of control:
  - Reduce energy consumption and establish the potential for renewable energy generation;
  - Limit the amount of waste being sent to landfill and increase the proportion of waste being recycled;
  - Reduce water consumption and identify opportunities to install water efficient practices; and
  - Encourage green travel plans and where possible, install cycle storage.
- Collect and manage environmental data points on an ongoing basis to monitor progress and improvement; and
- Collaborate with tenants to encourage data and knowledge sharing.

Data monitoring

The energy, waste and water used/generated by the directly managed assets in the fund (predominantly those substantial, multi-let assets) is measured. Recent absolute and like for like results are set out below:

	Measure	2016	2017	Change
Electricity (kWh)	Absolute	989,612	2,194,718	+122%
	Like for like	923,339	894,140	-3%
Gas (kWh)	Absolute	846,208	1,635,692	+93%
	Like for like	488,607	362,596	-26%
CO_2 emissions (tonnes)	Absolute	213	602	+183%
	Like for like	143	92	-36%
Water (m^3)	Absolute	16,099	17,747	+10%
	Like for like	10,093	12,993	+29%
Recycling	Absolute	60%	54%	-6%
	Like for like	N/A	N/A	–

Absolute: The total amount of energy consumed by an entity and those deemed to be with it's organisational boundaries.

Like for like: Consumption of a portfolio that has been consistently in operation during the most recent two full reporting years.

Social responsibility

- Review the ethical, environmental and social performance of all key suppliers and their compliance with labour laws;
- Support regular training and development for employees;
- Promote safe and healthy buildings which encourage productivity and positive customer experiences for the communities, workers and visitors who use them; and
- Implement and monitor the adoption of the Fund's Ethical Policy under the supervision of the Fund's Investors' Committee.

Compliance

- Ensure that all business activities and property assets are compliant with applicable environmental regulation and policies;
- Engage with all key suppliers to ensure that they are compliant with relevant regulation;
- In addition to all industry relevant policies, ensure that all assets under management, potential investments, employees and stakeholders adhere to internal policies on Ethical Investing, Anti-bribery, and Equal Opportunities Employment;
- Maintain a good understanding of all current and future regulatory requirements; and
- Undertake regular health and safety inspections in accordance with current legislation.

Engagement

Tenant engagement

- Promote dialogue and raise awareness among all tenants with respect to energy, water and waste consumption;
- Where possible include a Memorandum of Understanding ("MoU") or green clauses in leases to encourage data sharing and cooperation to improve sustainability.

Stakeholder engagement

- Encourage all managing agents, third party consultants and service providers to apply sustainability principles as part of their obligation and commitment to the Fund and when necessary take appropriate action when these principles are not being adopted to a satisfactory standard;
- Consider the level of commitment to sustainability of potential investment partners and pursue dialogue with these parties when their standards are in conflict with the Fund's sustainability principles;

Industry engagement

- Engage with the wider industry in promoting sustainability as a mainstream consideration of investment performance by contributing to and attending relevant working groups and industry events.

Trust Manager's report continued

Ethical Policy
Given the nature of its investors, the ethical policy that The Property Income Trust for Charities adheres to, in the management and investment of the Fund, is worthy of specific mention. The Investors' Committee monitors the portfolio according to the stated policy and ensures that the Fund does not undertake any activity which would likely bring the Fund into disrepute with its investors.

The policy states that the Fund will not invest in property assets where an unacceptable level of a tenant's business turnover is derived from any of the following activities:

- Alcohol production or consumption
- Gambling
- Manufacture or sale of armaments
- Manufacture or sale of tobacco products
- Pornography or sex industry
- Other activities deemed to be unacceptable from time to time

Compliance with this policy is considered by the Investors' Committee at the time of the property acquisition and reviewed on an ongoing basis at quarterly meetings

Performance measurement
PITCH began submitting data to GRESB in 2014 and has seen steady improvement in its results. From an initial 2014 score of 29, our work over the intervening years has led to a much improved rating of 60 (out of 100) for 2017.

Alternative Investment Fund Managers Directive (AIFMD)

The AIFMD was transposed into UK Law on 22 July 2013. The Trust Manager is authorised by the FCA to manage both authorised and unauthorised Alternative Investment Funds (AIFs). PITCH is considered an AIF and as such the Trust Manager is required to comply with the disclosure, reporting and transparency obligations of the AIFMD.

The Trust Manager's remuneration Policy:

- aims to promote sound and effective risk management and discourage risk-taking that exceeds the level of risk tolerated by the Trust Manager and the AIFs it manages
- is in line with the business strategy, objectives, values and long-term interests of the Trust Manager, the AIFs and their investors
- aims to reward performance and retain talented employees

The Trust Manager has established a Remuneration Committee to ensure the requirements of the AIFM Remuneration Code are met proportionately for AIFM Remuneration Code Staff.

The aggregate total remuneration paid to the AIFM Remuneration Code Staff of The Trust Manager for the accounting period was £901,400, all of which was paid to senior management. The AIFM Remuneration Code Staff provide services to other funds managed or advised by the Trust Manager, and are included in this disclosure as their professional activities are considered to have a material impact on the risk profile of the Trust Manager and/or PITCH.

Depository

To meet requirements under AIFMD, during the year the fund moved it's depository from RBS Global Banking (Luxembourg) SA to National Westminster Bank PLC.

Governance

In February 2017 David Palmer replaced Bill Seddon as the Investor's Committee representative of the Central Finance Board of the Methodist Church. No other changes to the Investors Committee occurred during 2017.

Trust Deed

During the year the Trust Deed was amended to reflect the change in fund objective, specifically removing reference to maintaining a distribution yield of 6%. Given the softening of property yields across the industry, the Trust manager deemed the existing objective could expose the Fund to elevated levels of risk in attempting to achieve the target and was therefore removed. Any other amendments to the trust deed were minor. The current Trust deed is dated 12 April 2017.

Simon Martindale
Mayfair Capital Investment Management Limited
Trust Manager

April 2018

Statement of Manager's responsibilities

The Trust Deed requires the Manager to prepare accounts for each accounting period which give a true and fair view of the financial affairs of the Fund at the end of that period and of its income and expenditure for the financial year.

In preparing the accounts the Manager is required to:

- Select suitable accounting policies and apply them consistently.
- Follow generally accepted accounting principles.
- Make judgements and estimates that are reasonable and prudent.
- Prepare accounts on the basis that the Fund will continue in operation unless it is inappropriate to presume this.
- Ensure proper accounting records are kept which enable the Fund to demonstrate that the annual accounts as prepared comply with the above requirements.

The Manager is also responsible for:

- Appointing the auditors of the Fund.
- The maintenance and integrity of the corporate and financial information included on the company's website.

Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Manager shall keep or cause to be kept proper books of account and records showing all transactions effected on behalf of the Fund and shall permit the Trustee and its authorised agents from time to time on reasonable notice to examine and take copies of and extracts from such books of account and records.

The Manager shall also, whenever requested to do so, furnish to the Trustee all such information and explanations as the Trustee may require in relation to such transactions or dealings or the conduct of the affairs of the Fund (in so far as such conduct is in the hands of the Manager) and shall produce to the Trustee from time to time on demand all documents in the possession or power of the Manager relating to the matters aforesaid.

The Trustee may accept and shall not be bound to verify information and documents so given or produced by the Manager (including any valuation made or obtained by it for the purposes of the Trust Deed) unless the Trustee has actual notice of any irregularity.

Properties

4

New purchases

Lady Bay Retail Park, Nottingham

A purchase of the primary discount/value retail park just to the south of the City Centre for £24.2m, with a yield to the Fund of 6.6%. The park is multi-let to 12 tenants at an average rent of £15.25 per sq ft. We view the discount retail warehouse sector as offering value compared to other sectors and are positive about the prospects for rental growth from the asset, which is the dominant scheme serving Nottingham. It also offers several asset management opportunities.

Jessop House, Cheltenham

A highly thematic-led purchase of a prime multi let office in Cheltenham for £14.8m, which is a yield to PITCH of 6.9%. The property is multi-let to six tenants at an average rent of £17.20 per sq ft. This acquisition fits our work / live and technology themes due to the growth of GCHQ and cyber security companies in Cheltenham. The supply of offices has reduced owing to conversions for residential and with unsatisfied demand, we expect short term rental growth.

Zizzi Restaurant, Exeter

A restaurant investment in Exeter purchased for £2.85m with a yield to the fund of 5.75%, let to Zizzi's. The investment is let for a further 12.2 years and provides good opportunity for rental growth in a growing Food and Beverage (F&B) market.

New purchases

Brookfield Care Home, Oxford

A purpose built care home with an unexpired lease term of 19 years and fixed annual rent increases at 2.5% pa. Let to MHA, a not-for-profit charity regarded as one of the strongest tenants in the market. The investment is highly thematic being in line with our demographics theme. The £8.2m purchase price reflects a yield of 5.7% to PITCH.

90 Victoria Street, Bristol

PITCH completed on a multi let office in Bristol in October for £9m at a yield to the Fund of 5.62%. The property is fully let to four tenants with a WAULT of 4 years to break at an average passing rent of £22.11 per sq ft. This compares favourably to top rents in Bristol which are now in excess of £30.00 per sq ft. Bristol is one of our preferred office markets with a low availability of Grade A space.

Centenary House, Basingstoke

A modern, fully refurbished office building in the town centre of Basingstoke. Subject to a new 20 year lease to Kier Construction Ltd with RPI-linked rent reviews. The purchase is in line with our investment strategy, providing WAULT-enhancing income let to a good covenant. The £11.9m purchase price reflects a yield of 5.6% to the Fund.

Sales

Trafford Park, Manchester

In April we sold a small industrial holding in Trafford Park, Manchester for £1.35m. It was known that the tenant would vacate at the end of the year and so this removed a potential void risk and secured a sale price over 17% above valuation.

Go Outdoors, Loughborough

Just prior to year end we completed on the sale of Go Outdoors, Loughborough for £3.97m. This follows the recent lease extension and purchase of the freehold interest, which has crystallised a gain of £1.35m.

B&Q and Screwfix, Dewsbury

At Dewsbury, we negotiated a lease extension with the main tenant (B&Q), adding 5 years term certain and enhancing value from £3.925m to £4.5m. We then marketed the property and secured a sale at £4.9m, just prior to year end.

1400 & 1500 Parkway, Solent Business Park

Having taken a surrender of the previous occupier's lease to gain control of the properties and then extended Matchtech's (the current occupier) leases by 10-years, we saw the value grow from £3.35m in November 2015 to £5.1m in March 2016. We then sold the property in September 2017 for £5.4m.

Properties held

Industrial

Property	Town	Principal Tenants	Region	Completion
Unit 1, Bristol Distribution Park, Hawkley Lane	Bristol	DHL International (UK) Ltd	South West	04/03/2005
Martin Avenue, March Trading Estate	March	March Foods Ltd	Eastern	08/03/2006
Plots 2-4, Newmarket Business Park	Newmarket	Taylor Wimpey UK Ltd	Eastern	28/04/2006
Unit 2, Tameside Industrial Park	Dukinfield	Ritrama UK Ltd	North West	23/03/2007
Gyrus, St Mellons Business Park	Cardiff, St Mellons	Gyrus Medical	Wales	29/05/2007
Trelleborg Unit, Tewkesbury Business Park	Tewkesbury	Trelleborg Sealing Solutions UK Ltd	South West	07/12/2007
Thatcham Unit, Colthrop Lane	Thatcham	The Motor Insurance Repair Research Centre	South East	23/12/2009
Units 1 & 2 Langley Connect	Langley	Premier Forest Products Ltd	South East	08/10/2010
Units 1A, 1B & 1C New Hythe Business Park	Aylesford	British Telecommunications Plc	South East	09/06/2011
Unit G, Century Park	Wakefield	Northern Foods Ltd	Yorks & Humberside	03/07/2013
Lombard Centre, Kirkhill Place	Aberdeen	J&S Limited	Scotland	30/09/2013
Capgemini, South Marston Park	Swindon	Capgemini UK Plc	South West	20/12/2013
Phases I & II, Trax Park	Doncaster	Wincanton Holdings Ltd	Yorks & Humberside	17/09/2014
Croset Avenue	Huddersfield	Cummins Ltd	Yorks & Humberside	16/04/2015
Armtech Row & Technine	Yeovil	Various	South West	16/04/2015
1 Yorkshire Way, West Moor Park	Doncaster	Vacant	Yorks & Humberside	25/06/2015
Plot 8, Newmarket Business Park	Newmarket	Countrywide Farmers Plc	Eastern	10/07/2015
Plot 1, Newmarket Business Park	Newmarket	Smiths News Trading Ltd	Eastern	10/07/2015
Southmoor Lane	Havent	Lewmar Ltd	South East	01/09/2015
Bartley Point	Hook	DFS Trading Ltd / Consentino	South East	01/10/2015
Royal Mail	Peterborough	Royal Mail Group Plc	Eastern	14/10/2015
Rehau	Runcorn	Rehau Ltd	North West	05/02/2016


Unit 1, Bristol Distribution Park, Hawkley Lane, Bristol


Units 1A, 1B & 1C New Hythe Business Park, Aylesford


Lombard Centre, Kirkhill Place, Aberdeen

Offices

Property	Town	Principal Tenants	Region	Completion
Wallbrook Court, Botley	Oxford	Environmental Resources Management Ltd	South East	24/02/2005/ 19/04/2006
Units 15 & 16, The Parks	Haydock	Speedy Hire / Intrinsic	North West	15/12/2005
Lambourne House, Llanishen	Cardiff	Vacant	Wales	04/10/2006
65 Woodbridge Road	Guildford	Various	South East	11/01/2012
Brewery Wharf	Leeds	NHS Confederation	Yorks & Humberside	30/09/2013
Decimal Place, Chiltern Avenue	Amersham	Barnett Waddingham LLP	South East	08/11/2013
86 Deansgate	Manchester	Various	North West	08/04/2014
Interface House	Royal Wootton Bassett	Swindon Silicon Systems Ltd	South West	08/04/2014
Forest House	Crawley	Bard Ltd	South East	21/08/2014
Oakleigh House	Cardiff	Cunningham Lindsay UK Ltd	Wales	15/12/2014
Plot 3000, Cambridge Research Park	Cambridge	Kier Construction Ltd	Eastern	23/12/2014
Opal Drive, Omron House	Milton Keynes	Omron Electronics Ltd	South East	01/09/2015
T2 Trinity Park	Solihull	CGI IT UK Ltd	West Midlands	21/03/2016
37 Park Row	Nottingham	Thompson & Partners	East Midlands	01/11/2016
Jessop House, Jessop Avenue	Cheltenham	Capita Mortgage Administration Ltd	South West	03/02/2017
90 Victoria Street	Bristol	Various	South West	12/10/2017
Centenary House, 10 Winchester Road	Basingstoke	Kier Construction Ltd	South East	22/12/2017


Decimal Place, Chiltern Avenue, Amersham


MotoNovo House, Cardiff Business Park


Oakleigh House, Cardiff

Properties held continued

Retail

Property	Town	Principal Tenants	Region	Completion
Debenhams, 535-563 Lord Street	Southport	Debenhams Retail Plc	North West	08/06/2010
26-27 Fore Street	Taunton	Vodafone / Natwest	South West	30/09/2013
Units 3.1-3.4, Peninsula Square	Greenwich	Chiquito Ltd	Rest of London	31/01/2014
Albion Place	Skipton	Next	Yorks & Humberside	01/07/2014
Zizzis, Gandy Street	Exeter	Azzurri Restaurants Ltd	South West	02/08/2017
Cote, High Street	Esher	Cote Restaurants Ltd	South East	23/08/2017

Retail Warehouse

Property	Town	Principal Tenants	Region	Completion
Pudsey Road, Hough End, Pudsey	Leeds	Wickes Building Supplies Ltd	Yorks & Humberside	07/12/2009
Tunnel Drive	Redditch	Matalan Retail Ltd	West Midlands	22/12/2011
Widnes Trade Park	Widnes	B&Q Plc	North West	20/06/2014
Winchester Road Trade Park	Basingstoke	Formula One Autocentres Ltd	South East	16/04/2015
Border Retail Park	Wrexham	Wickes Building Supplies Ltd	Wales	30/06/2015
Lady Bay	Nottingham	Various	East Midlands	17/01/2017

Other

Property	Town	Principal Tenants	Region	Completion
Premier Inn, Lansdowne Road	Croydon	Premier Inn Hotels Ltd	Rest of London	28/01/2014
Travelodge & Bathstore, Queens Road	Norwich	Travelodge Hotels Ltd	Eastern	27/08/2015
Brookfield Care Home, Little Bury	Oxford	Methodist Homes	South East	28/11/2017

Peninsula Square, Greenwich

Wickes, Pudsey

Premier Inn, Lansdowne Road, Croydon

Portfolio Analysis

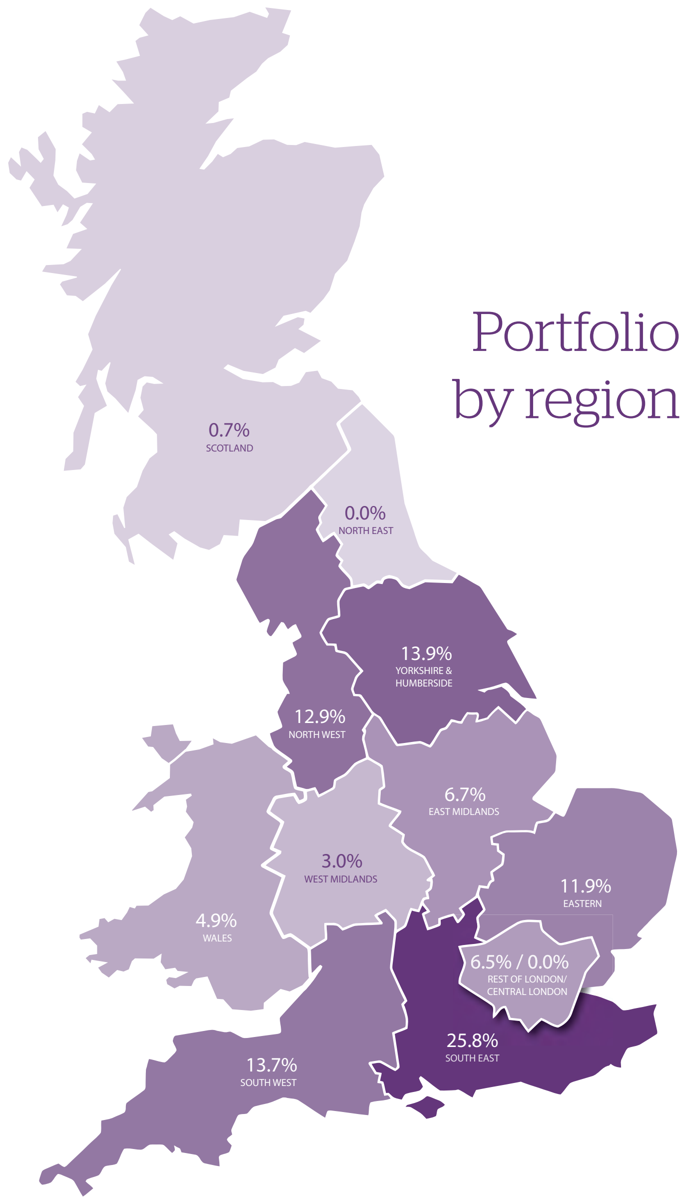
As at 31 December 2017

Portfolio by sector

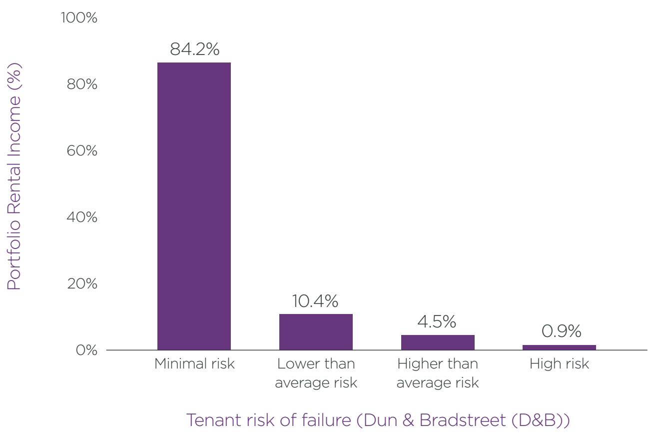
Industrial	34.5%
Offices	31.8%
Retail warehouse	13.4%
Other	12.8%
Retail	7.5%

Source: Mayfair Capital

Portfolio by region



Portfolio by covenant rating



Portfolio by unexpired lease profile

The liquidity of the portfolio is assessed quarterly. As at 31/12/2017 71% of these properties could be sold immediately and a further 18% within 3-9 months.

11.5%	£539m	5.6%
Total Return annualised over the last 5 years	Fund Size (GAV)	Fund Yield (Rolling 12-months as a % of NAV)

Secure Income

c.95% of the portfolio let to low or minimal risk tenants

(Dun & Bradstreet)

Portfolio positioned for growth

- No Central London exposure
  — Brexit risk remains
- Low retail weighting
- High allocation to
  — Distribution/ logistics
  — Regional offices

Source: Mayfair Capital Investment Management Limited and AREF/ IPD All Balanced Property Fund Index 31.12.2017

Five largest assets

(by value)

Nottingham, Lady Park Retail Park	4.9%
USAF[1]	4.9%
Croydon, Premier Inn	4.3%
Doncaster, Trax Park	4.3%
Manchester, 86 Deansgate	3.8%

All information is correct as at 31 December 2017.

[1] Unite Student Accommodation Fund.

Source: Mayfair Capital

Five largest tenants

(by income)

Kier Construction Ltd	4.7%
Wincanton Holdings Ltd	4.7%
Royal Mail Group Plc	3.3%
Bard Ltd	3.2%
Premier Inn Hotels Ltd	3.2%

Upper quartile fund performance over 1, 3 and 5 years

compared to the AREF/ IPD All Balanced Property Funds Index

Formal ethical and environmental policies built into the Fund

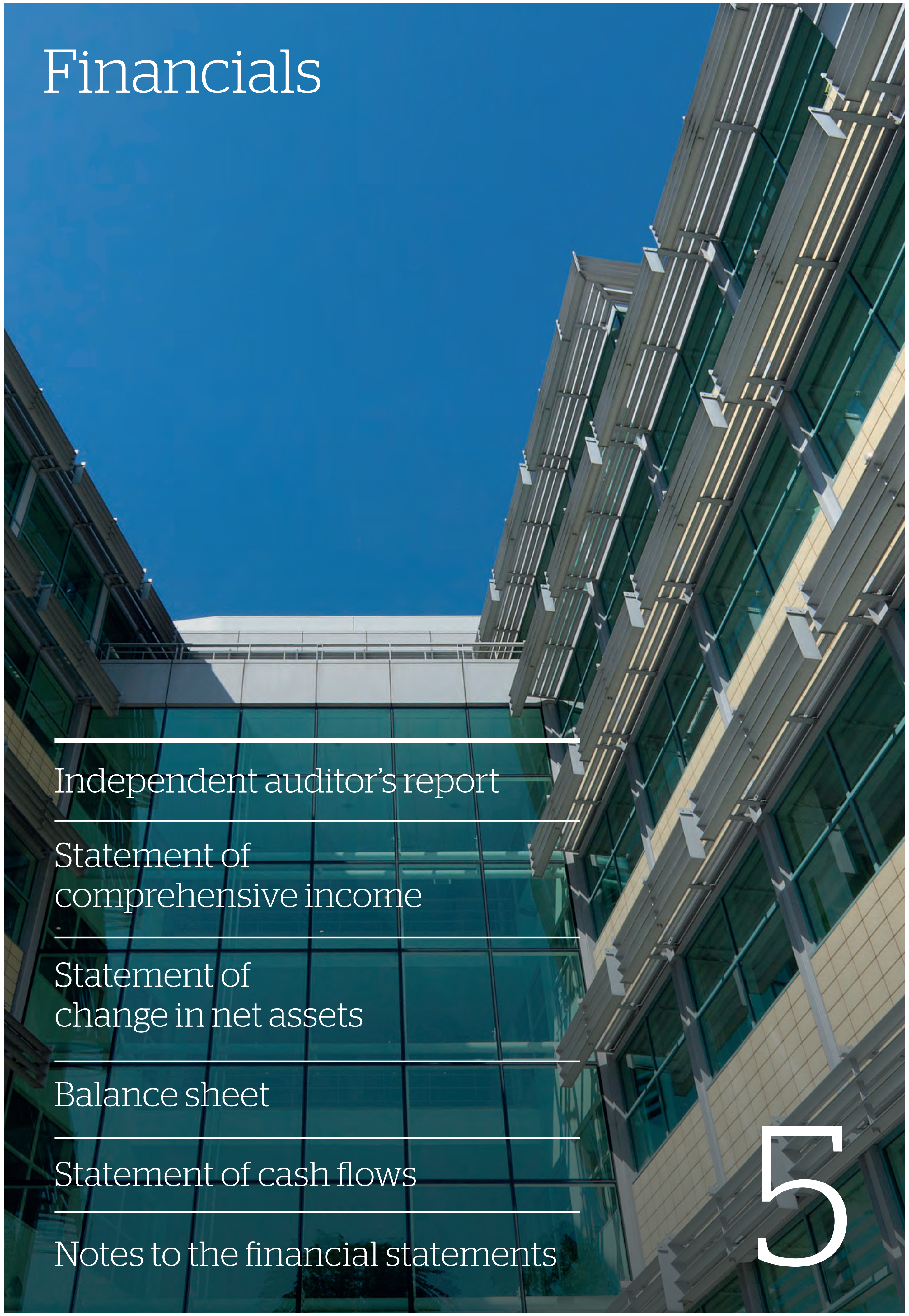
- GRESB green star awarded for 2016 and 2017
- Signatory of the UN principles for responsible investment
- Member of the Institutional Investors Group on Climate Change

29 to 60

PITCH overall GRESB score

106% increase in 4 years

Source: Mayfair Capital Investment Management Limited and AREF/ IPD All Balanced Property Fund Index 31.12.2017



Independent auditor's report

Opinion

We have audited the financial statements of The Trust for the year ended 31 December 2017 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flow, the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102; The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to The Trust's unitholders, as a body, in accordance with the requirements of the Trust Deed. Our audit work has been undertaken so that we might state to the Trust'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 Trust and the Trust's unitholders as a body, for our audit work, for this report, or for the opinions we have formed.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of The Trust in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Trust's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Trust have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Trust's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Respective responsibilities of Manager Mayfair Capital Investment Management and the auditor

As explained more fully in the Statement of Manager's Responsibilities set out on page 19 the Manager is responsible for the preparation of the financial statements which are intended to give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with the Trust Deed and the terms of our engagement letter dated 13 January 2015 and International Standard on Auditing (UK and Ireland). Those standards require us to comply with FRC's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involved obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement; whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to The Trust's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Manager; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Investors' Committee Chairman's Report, Property Fund Manager's Report and the Trust Manager's Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on materiality or inconsistent with the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of The Trust's affairs as at 31 December 2017 and of its profit/loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Trust Deed.

Crowe Clark Whitehill LLP

Crowe Clark Whitehill LLP
Statutory Auditor
Riverside House, 40-46 High Street
Maidstone ME14 1JH

27 April 2018

Statement of comprehensive income

For the year ended 31 December 2017

	Notes	2017		2016	
	Notes	£'000	£'000	£'000	£'000
Net capital gains	2		25,353		1,577
Movement in unamortised tenant incentives			316		(227)
			25,669		1,350
Revenue	3	28,661		28,016	
Expenses	4	(4,182)		(3,538)	
Net Income before interest payable and similar charges		24,479		24,478	
Interest payable and similar charges	5	(2,928)		(3,018)	
Net revenue			21,551		21,460
Total return before distributions			**47,220**		**22,810**
Distributions	7		(24,918)		(24,528)
Change in net assets attributable to unitholders from investment activities			**22,303**		**(1,718)**

The Accounting policies and Notes on page 36 to 42 form part of these financial statements

Statement of change in net assets

	2017 (£'000)	2016 (£'000)
Opening net assets attributable to unitholders	**395,707**	**387,816**
Amounts receivable on creation of units	56,919	14,611
Amounts payable on redemption of units	(7,650)	(5,002)
Change in net assets attributable to unitholders (see page 32)	22,303	(1,718)
Closing net assets attributable to unitholders	**467,279**	**395,707**

The Accounting policies and Notes on page 36 to 42 form part of these financial statements

Balance sheet

	Notes	31 December 2017 £'000	31 December 2017 £'000	31 December 2016 £'000	31 December 2016 £'000
Fixed assets					
Investment properties	8	476,360		395,604	
Investment in unit trusts	9	24,529		23,661	
			500,889		**419,265**
Current assets					
Debtors	10	21,720		13,590	
Cash at bank		40,818		56,955	
		62,538		70,545	
Creditors: amounts falling due within one year	11	(47,168)		(19,407)	
Net current assets			**15,370**		**51,138**
Total assets less current liabilities			**516,259**		**470,403**
Creditors: amounts falling due after more than one year	12		**(48,980)**		**(74,696)**
Net assets attributable to unitholders			**467,279**		**395,707**

These financial statements were approved by the Manager on 27 April 2018 and signed on its behalf by:

Mayfair Capital Investment Management Limited

The Accounting policies and Notes on page 36 to 42 form part of these financial statements

Statement of cash flows

	31 December 2017 £'000	31 December 2017 £'000	31 December 2016 £'000	31 December 2016 £'000
Net cash generated from operating activities		**18,782**		**22,260**
Cash flows from investing activities				
Purchase of investment property	(74,253)		(25,875)	
Sale proceeds from investment property	17,635		39,550	
Capital expenditure on existing properties	(1,277)		(1,344)	
Purchase of units in unit trusts	–		–	
Proceeds from sale of units in unit trusts	–		14,314	
		(57,895)		**26,645**
Cash flows from financing activities				
Loan interest paid	(2,921)		(3,027)	
Distributions paid	(25,053)		(25,063)	
Cash received for new units	58,599		18,164	
Units redeemed	(7,649)		(5,002)	
Net (repayment) of long term facility	–		(8,834)	
		22,976		**(23,762)**
Increase / (Decrease) in cash		**(16,137)**		**25,143**
Cash and cash equivalents at beginning of year		**56,955**		**31,812**
Cash and cash equivalents at the end of year		**40,818**		**56,955**

The Accounting policies and Notes on page 36 to 42 form part of these financial statements

Notes to the financial statements

For the year ended 31 December 2017

1. Accounting policies

Statutory information

Basis of accounting

The financial statements are prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), and with the Companies Act 2006. The financial statements of the Trust have been prepared on the going concern basis under the historical cost convention. The principal accounting policies adopted are described below:

Valuation of investment property

The freehold and leasehold investment properties were valued by the Fund's independent valuers, Cushman & Wakefield, as at 31 December 2017, on the basis of Market Value in accordance with RICS Appraisal and Valuation Standards.

Acquisitions and disposals

Proceeds from the sale of properties are recognised when the risks and rewards of ownership have been transferred to the purchaser. Properties that have exchanged but not completed are recognised in debtors being the proceeds expected to be received on completion. Gains and losses are included in unrealised gains and losses until legal completion. Gains or losses on the sale of property are included under net capital gains in the Statement of Comprehensive Income. The book cost of an asset consists of the purchase price, related legal fees, survey fees, agents' costs, certain refurbishment costs and other associated professional costs.

Income and expenditure

Rental income, interest and expenditure are accounted for on an accrual basis net of VAT.

Rental income is recognised on a straight-line basis over the term of the lease even if payments are not made as such. Lease incentives are spread on a straight-line basis from the lease start date until the end of the lease.

Capital contributions paid to tenants are shown as a debtor and amortised in line with the provisions of FRS 102. The valuation of the investment properties is reduced by all amortised lease incentives in accordance with the Trust Deed.

Fund manager, administrator and several other fees are treated as capital expenses. They are reported within expenditure in the Statement of Comprehensive Income but are not taken into account in determining the Fund's distributable income, instead being taken to the capital expenses reserve. The effect of this treatment is to increase income distributions and reduce the Fund's Net Assets by the value of such expenses each year. Property investment transaction costs as outlined above are capitalised and reported as part of the net gain or loss on investments in the Statement of Comprehensive Income.

Distributions

It is the policy of the Fund to distribute all income net of revenue expenses to the unit holders monthly.

Taxation

As an exempt unauthorised unit trust whose investors are all charities, the fund qualifies for exemption from tax on capital gains.

Depreciation

No depreciation is charged in respect of freehold or leasehold investment properties.

Bank borrowing

Interest bearing bank loans are recorded at proceeds received, net of direct issue costs. Finance charges, including direct issue costs, are recognised on an accruals basis. Issue costs are amortised over the period to the date of expiry of the facility agreement.

2. Net capital gains

	2017 (£'000)	2016 (£'000)
Net unrealised gains / (losses) on investment property	28,279	(5,221)
Net realised (losses) / gains on investment property	(3,794)	5,032
Net unrealised gains on investment in unit trusts	868	1,766
Total	**25,353**	**1,577**

3. Revenue

	2017 (£'000)	2016 (£'000)
Rental income	26,957	26,219
Investment income	1,206	1,284
Interest received	48	40
Other income	450	473
Total	**28,661**	**28,016**

4. Expenses

	2017 (£'000)	2016 (£'000)
Charged to income		
Legal and professional fees	135	108
Bank charges	18	15
Premises expenses	662	347
	815	470
Charged to capital		
Investor committee	50	48
Trustee fees	117	109
Fund management fees	2,604	2,412
Administrator fees	308	193
Valuation fees	104	102
Audit fee	28	21
Depository fees	111	110
Other	45	73
	3,367	3,068
Total	**4,182**	**3,538**

5. Interest payable and other similar charges

	2017 (£'000)	2016 (£'000)
Loan interest payable	2,724	2,816
Amortisation of loan costs	204	202
Total	**2,928**	**3,018**

6. Taxation

New regulations came into force on 6 April 2014 allowing Exempt Unauthorised Unit Trusts ("EUUTs"), such as PITCH, to make distributions to investors without the deduction of 20% tax. One of the requirements for an EUUT to make gross distributions is that it must obtain approval as an exempt trust from HM Revenue & Customs ("HMRC"). PITCH has approval from HMRC as an exempt trust. Accordingly all distributions in 2017 were paid without the deduction of tax, meaning tax exempt investors no longer need to reclaim the tax withheld from HMRC.

7. Distributions

	2017 (£'000)	2016 (£'000)
Distributions paid		
Month ended 31.01.17 / 31.01.16	2,028	1,898
Month ended 28.02.17 / 28.02.16	1,711	2,228
Month ended 31.03.17 / 31.03.16	2,282	2,031
Month ended 30.04.17 / 30.04.16	2,184	2,062
Month ended 31.05.17 / 31.05.16	2,136	2,136
Month ended 30.06.17 / 30.06.16	2,031	2,013
Month ended 31.07.17 / 31.07.16	2,407	2,039
Month ended 31.08.17 / 31.08.16	2,106	2,029
Month ended 30.09.17 / 30.09.16	1,860	1,938
Month ended 31.10.17 / 31.10.16	1,980	1,899
Month ended 30.11.17 / 30.11.16	2,007	1,935
Distributions paid	22,732	22,208
Distributions payable	2,186	2,320
Total distributions	**24,918**	**24,528**
Reconciliation of net income after taxation to distributions		
Net income	21,551	21,460
Expenses charged to capital	3,367	3,068
Total	**24,918**	**24,528**

8. Investment properties

	2017 (£'000)	2016 (£'000)
Market value of investments bought forward	**395,604**	**409,801**
Adjustment in respect of tenant lease incentives	4,796	4,569
Fair value of investments bought forward	400,400	414,370
Additions from acquisitions at cost including purchase costs	74,253	26,263
Additions to existing properties at cost	1,277	422
Value of properties sold	(19,575)	(40,466)
Change in fair value of investments	24,485	(189)
Market valuation of investments carried forward	**480,840**	**400,400**
Adjustment in respect of tenant lease incentives	(4,480)	(4,796)
Fair value of investments carried forward	**476,360**	**395,604**

The Fund's investment properties were valued by Cushman & Wakefield, independent valuers, on a market value basis at £480,840,000. The valuations have been reduced by unamortised tenant incentives in line with accounting policies (see note 1).

8. Investment properties continued

Valuation method and assumptions

The valuations were carried out in accordance with the RICS Valuation Professional Standards 2014 (UK Edition) issued by the Royal Institution of Chartered Surveyors (the 'Red Book'). In particular the market value has been assessed in accordance with RICS Global Valuation Practice Statements ('VPS'), the Professional Standards ('PS'), RICS Global Valuation Practice Guidance – Applications ('VPEA') and United Kingdom Valuation Standards ('UKVS').

No adjustments have been made to reflect any liability to taxation that may arise on disposals, nor any costs associated with disposals incurred by the owner. Deductions have been made to reflect purchaser's acquisition costs.

In undertaking the valuations, Cushman & Wakefield have made the following assumptions.

a) Title

Cushman & Wakefield have assumed that no title issues have arisen and that, save as disclosed in the draft Reports or Certificates of Title, the Properties have good and marketable title and that the properties are free from rights of way or easements, restrictive covenants, disputes or onerous or unusual outgoings. It has also been assumed that the properties are free from mortgages, charges or other encumbrances.

b) Condition of structure and services, deleterious materials, plant and machinery and goodwill

The properties were inspected for the purpose of the valuations for loan purposes and due regard has been given to the apparent state of repair and condition of the properties; however no condition surveys were undertaken. Unless informed by the property manager, Cushman & Wakefield have assumed that the properties are free from rot, infestation, adverse toxic chemical treatments, deleterious materials, asbestos, and structural or design defects.

No Mining, geological or other investigations have been undertaken to certify that the sites of the properties are free from any defects to foundations. Cushman & Wakefield have made an assumption that the load bearing qualities of the sites are sufficient and that there are no abnormal ground conditions, nor archaeological remains present.

c) Environmental matters

Cushman & Wakefield have made enquiries of the property manager and the Environmental Health Officer in order, so far as reasonably possible, to establish the potential existence of contamination arising out of previous or present uses of the sites of the properties and any adjoining sites.

No investigations have been made into past or present uses, either of the properties or any neighbouring land to establish whether these is any contamination, and Cushman & Wakefield have made no allowance for actual or potential contamination in its valuation.

d) Statutory requirements and planning

Verbal or written enquiries have been made of the relevant planning authority in whose areas the Properties lie as to the possibility of highway proposals, comprehensive development schemes and other ancillary planning matters that could affect property values.

Save as disclosed in the Reports or Certificates of title, Cushman & Wakefield have made an assumption that the buildings have been constructed in full compliance with valid town planning and building regulations approvals, that where necessary they have the benefit of current Fire Risk Assessments compliant with the requirements of the Regulatory Reform (Fire Safety) Order 2005.

Cushman & Wakefield have also made an assumption that the properties are not subject to any outstanding statutory notices as to their construction, use or occupation. A further assumption has been made that the existing uses of the Properties are duly authorised or established and that no adverse planning conditions or restrictions apply.

Notes to the financial statements

For the year ended 31 December 2017

8. Investment properties continued

e) Leasing

Unless Cushman & Wakefield have become aware by general knowledge, or have been specifically advised to the contrary they have made the assumption that the tenants are financially in a position to meet their obligations. Unless informed to the contrary, Cushman & Wakefield have also assumed that there are no material rental arrears of rent or service charges, breaches of covenants, current or anticipated tenant disputes. Finally, Cushman & Wakefield have assumed that wherever rent reviews or lease renewals are pending or impending, with anticipated reversionary increases, all notices have been served validly within the appropriate time limits.

Restrictions on realisability

There are currently three loans, which have been secured against certain of the Fund's investment properties (see note 12).

Contractual obligations

The responsibilities for repairs, maintenance and enhancements are clearly set out in the leases.

9. Property related investments

	2017 £'000	2016 £'000
Market value of investments brought forward	23,661	36,209
Additions from acquisitions at cost	–	–
Value of properties sold	–	(14,314)
Change in fair value of investments	868	1,766
Market valuation of investment carried forward	**24,529**	**23,661**

The investment in Unite UK Student Accommodation Fund (USAF) is held at the 31 December 2017 estimated net asset value per unit as reported by the manager of USAF. The manager of USAF provides valuations on a quarterly basis. Included in the market valuation as at 31 December 2017 are the following:

	2017 £'000	2016 £'000
Proportionate share of cash in USAF	1,512	637
Proportionate share of loans in USAF	10,281	7,628

10. Debtors

	2017 £'000	2016 £'000
Rental arrears	1,614	731
Prepayments and accrued income	399	346
Unamortised tenant incentives	4,479	4,796
Rent deposit debtors	280	666
Amounts receivable on disposals	5,690	3,750
Other debtors	9,258	3,301
Total	**21,720**	**13,590**

Included within Other debtors is an amount of £1,525,000 (2016 – £3,749,565) in relation to a property disposal for which exchange occured before the year end but for which completion occured post year end.

11. Creditors amounts falling due within one year

	2017 £'000	2016 £'000
Distributions payable	2,185	2,320
Deferred income	7,328	6,967
VAT payable	641	850
Rent deposit creditors	280	666
Investor funds received for January dealing	7,801	6,121
Loan interest payable	536	529
Accruals and other creditors	2,476	1,954
Bank loan	26,000	–
Less: unamortised loan costs	(79)	–
Total	**47,168**	**19,407**

The bank loan detailed above consists of the following:

- A loan facility with Canada Life in the amount of £26,000,000 (2016: £26,000,000) attracts interest at a fixed rate of 3.61% per annum and becomes repayable in full on 16th October 2018. This loan is interest only and is secured against certain of the Fund's investment properties, the total value being £69,150,000 as at 31st December 2017.

12. Creditors amounts falling due after more than one year

	2017 £'000	2016 £'000
Bank loans	49,500	75,500
Less : unamortised loan costs	(520)	(804)
Total	**48,980**	**74,696**

The amount detailed above consists of two loans as follows:

- A loan facility with Canada Life in the amount of £24,700,000 (2016: £24,700,000) attracts interest at a fixed rate of 4.09% per annum and becomes repayable in full on 20th July 2021. This loan is interest only and is secured against certain of the Fund's investment properties, the total value being £67,275,000 as at 31st December 2017.
- A loan facility with Aviva in the amount £24,800,000 (2016: £24,800,000) attracts interest at a fixed rate of 3.10% per annum and becomes repayable on 28th September 2025. This loan is interest only and is secured against certain of the Fund's investment properties, the total value being £63,175,000 as at 31st December 2017.

13. Reconciliation of net income to net cash flow in net funds

	2017 £'000	2016 £'000
(Decrease) / increase in available cash during the year	(16,137)	25,143
Increase in loans during the year	–	9,000
(Decrease) / increase in net funds during the year	(16,137)	34,143
Opening net funds attributable to unit holders	(18,545)	(52,688)
Closing net funds attributable to unit holders	**(34,682)**	**(18,545)**

Notes to the financial statements

For the year ended 31 December 2017

14. Analysis of net funds

	2017 £'000	2016 £'000
Cash	40,818	56,955
Bank loans due within one year	(26,000)	-
Bank loans due after more than one year	(49,500)	(75,500)
Total net funds	**(34,682)**	**(18,545)**

15. Counterparty risk

	2017 (£'000)	2016 (£'000)
Cash		
RBS	17,779	29,568
Santander	23,039	23,015
Aviva	-	2,802
Canada Life	-	1,570
Total cash	**40,818**	**56,955**
Loans		
Canada Life	50,700	50,700
Aviva	24,800	24,800
Total loans	**75,500**	**75,500**

16. Forward Commitments and Contingent liabilities

During the year the fund entered into a forward commitment to finance the purchase of a new office building based in Watford for £14.5m. At year end the development was progressing well and the fund expects to complete on the transaction during April 2018. There were no contingent liabilities at 31 December 2017 (31 December 2016 : £nil).

17. Related party transactions

Amounts payable to the manager were £2,608,877 (31 December 2016: £2,416,731).
The amount outstanding at the year end in respect of those fees was £685,459 (31 December 2016: £598,189).

Amounts payable to the Trustee were £117,420 (31 December 2016: £109,085).
The amount outstanding at the year end in respect of those fees was £30,109 (31 December 2016: £54,073).

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