CHARM FINANCE PLC

(incorporated in England and Wales with limited liability under the Companies Act 2006, registered number 9692222)

£50,000,000 3.509 per cent. Secured Bonds due 2048
(including £20,000,000 in principal amount of Retained Bonds)
Issue Price: 100 per cent.

The £50,000,000 3.509 per cent. Secured Bonds due 2048 (including £20,000,000 in principal amount of Retained Bonds) (the "**Bonds**") are issued by CHARM Finance plc (the "**Issuer**").

Application has been made to the Financial Conduct Authority in its capacity as competent authority (the "**UK Listing Authority**") for the whole class of Bonds (including any Retained Bonds) to be admitted to the Official List of the UK Listing Authority and to the London Stock Exchange plc (the "**London Stock Exchange**") for the whole class of Bonds (including any Retained Bonds) to be admitted to trading on the London Stock Exchange's regulated market. The London Stock Exchange's regulated market is a regulated market for the purposes of Directive 2004/39/EC (the "**Markets in Financial Instruments Directive**").

An investment in the Bonds involves certain risks. ***For a discussion of these risks see "Risk Factors".***

Subject as set out below, the net proceeds from the issue of the Bonds, or in the case of £20,000,000 in principal amount of the Bonds (the "**Retained Bonds**") which will be immediately purchased by the Issuer on the Issue Date (as defined below) the net proceeds of the sale of the Bonds to a third party, will be advanced by the Issuer to The Church of England Pensions Board (the "**Borrower**") pursuant to a bond loan agreement between the Borrower and the Issuer to be dated on or around the Issue Date (the "**Loan Agreement**") to be applied in accordance with the Borrower's charitable objects. The Funded Commitment (as defined in the Loan Agreement) may be drawn in one or more drawings, each in a principal amount up to an amount which corresponds to the sum of (i) the Minimum Value of the Initial Properties (as defined below) and (ii) the Minimum Value of any additional Properties (as defined below) which have been charged in favour of the Security Trustee (as defined below), for the benefit of the Issuer (the "**Additional Properties**"), less the principal amount of all previous drawings in respect of the Funded Commitment. For so long as insufficient security has been granted by the Borrower in favour of the Security Trustee for the benefit of the Issuer to permit the drawing of the Funded Commitment in full or the Borrower has not otherwise drawn any part of the Funded Commitment, the amount of the Funded Commitment that remains undrawn shall be retained in a charged account (the "**Initial Cash Security Account**") of the Issuer in accordance with the terms of the Account Agreement (and may be invested in Permitted Investments (as defined below)) (the "**Retained Proceeds**"). For the avoidance of doubt, in the event that the Borrower has not drawn any part of the Funded Commitment on the Issue Date, the Retained Proceeds at that date shall be the entire amount of the Funded Commitment. Any Retained Proceeds (including any net sale proceeds from a sale by the Issuer of Retained Bonds (less any Retained Bond Premium Amount (as defined below)) once received by the Issuer) and any net issue proceeds from a further issue of Bonds pursuant to Condition 19 (*Further issues*) shall be advanced to the Borrower at a later date pursuant to the Loan Agreement, to the extent that Properties of sufficient value to ensure continued compliance with the Asset Cover Test have been charged in favour of the Security Trustee for the benefit of the Issuer and, if applicable, subject to the sale by the Issuer of Retained Bonds and/or the issue by the Issuer of further Bonds.

Interest on the outstanding principal amount of the Bonds is payable semi-annually in arrear on 12 May and 12 November in each year at a fixed rate of 3.509 per cent. per annum, commencing on 12 May 2018, as described in Condition 7 (*Interest*), provided that the initial interest period in respect of the Bonds will commence on (and include) the Issue Date and end on (but exclude) 12 May 2018 and the final interest period in respect of the Bonds will commence on (and include) 12 November 2047 and end on (but exclude) 12 April 2048 (the "**Maturity Date**"").

Payments of principal of, and interest on, the Bonds will be made without withholding or deduction on account of United Kingdom taxes unless required by law. In the event that any such withholding or deduction is so required, the Issuer may opt to gross up payments due to the Bondholders in respect thereof as described in Condition 10 (*Taxation*).

The Bonds may be redeemed and cancelled at any time prior to the Maturity Date, in whole or in part, upon a prepayment by the Borrower of the loan (the "**Loan**") with a cancellation in whole or in part of the corresponding Commitment (as defined in the Loan Agreement) in accordance with the terms of the Loan Agreement, at the higher of: (a) their outstanding principal amount; and (b) an amount calculated by discounting the remaining principal and interest payments on the Bonds at a rate equal to the sum of (i) the yield on the relevant outstanding UK Government benchmark conventional gilt having the nearest average maturity to that of the Bonds and (ii) 0.50 per cent., in each case with accrued interest. The Bonds will also be redeemed in full at their outstanding principal amount, plus accrued interest, (a) in the event of the Loan becoming repayable as a result of a Borrower Default (as defined in the Loan Agreement), or (b) in the event of any withholding or deduction on account of United Kingdom taxes being required and the Issuer not opting to pay (or having so opted to pay, having subsequently notified the Bond Trustee (as defined below) of its intention to cease to pay) additional amounts in respect of such withholding or deduction.

Unless previously redeemed, or purchased and cancelled as specified in the Conditions, the Bonds will be redeemed in three instalments (each a "Redemption Instalment ") as follows: (a) £333 per £1,000 in outstanding principal amount on the Interest Payment Date falling in November 2044, (b) £333 per £1,000 in outstanding principal amount on the Interest Payment Date falling in November 2046 and (c) £334 per £1,000 in outstanding principal amount on the Maturity Date (each an "**Instalment Redemption Date** ").

The Bonds will not be rated on the Issue Date.

The Bonds will be issued in denominations of £100,000 and integral multiples of £1,000 in excess thereof up to and including £199,000.

MiFID II professionals/ECPs-only/No PRIIPs KID – Manufacturer target market (MiFID II product governance) is eligible counterparties and professional clients only (all distribution channels). No Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") key information document ("**KID**") has been prepared as the Bonds are not available to retail investors in the European Economic Area ("**EEA**"). See page 7 of this Prospectus "*MiFID II Product Governance / Professional Investors and ECPs only Target Market*" and "*PRIIPS Regulation – Prohibition of Sales to EEA Retail Investors*" for further information.

The Bonds will initially be represented by a temporary global bond (the "**Temporary Global Bond**"), without interest coupons or principal receipts, which will be deposited on or about 12 April 2018 (the "**Closing Date**") with a common safekeeper for Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**"). Interests in the Temporary Global Bond will be exchangeable for interests in a permanent global bond (the "**Permanent Global Bond**" and, together with the Temporary Global Bond, the "Global Bonds"), without interest coupons or principal receipts, on or after the date being 40 days after the Temporary Global Bond is issued (the "**Exchange Date**"), upon certification as to non-U.S. beneficial ownership. Interests in the Permanent Global Bond will be exchangeable for definitive Bonds only in certain limited circumstances. See *"Form of the Bonds and Summary of Provisions relating to the Bonds while in Global Form"*.

Sole Bookrunner

TradeRisks Limited

The date of this Prospectus is 10 April 2018

This Prospectus comprises a prospectus for the purposes of Directive 2003/71/EC, as amended (the "Prospectus Directive").

This Prospectus is to be read in conjunction with all documents which are incorporated by reference herein (see "*Documents Incorporated by Reference*"). This Prospectus shall be read and construed on the basis that such documents are incorporated and form part of this Prospectus.

The Issuer accepts responsibility for the information contained in this Prospectus. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Borrower accepts responsibility for the information contained in the sections "*Description of the Borrower*" and "*Documents Incorporated by Reference*", the information contained under the heading "*Factors which may affect the Borrower's ability to fulfil its obligations under the Loan Agreement*" in the section headed "*Risk Factors*" and the information relating to it under the headings of "*Material or Significant Change*" and "*Litigation*" in the section headed "*General Information*" and, to the best of its knowledge (having taken all reasonable care to ensure that such is the case), such information is in accordance with the facts and does not omit anything likely to affect the import of such information. The Borrower also accepts responsibility for the information contained in this Prospectus relating to the security created pursuant to the Fixed Charges (as defined below) under the heading "*Underlying Security*" in the section headed "*Overview*", under the heading "*Considerations relating to the Issuer Security and the Underlying Security*" in the section headed "*Risk Factors*" and contained in the section headed "*Description of the Fixed Charges and the Security Trust Deed*" and, to the best of its knowledge (having taken all reasonable care to ensure that such is the case), such information is in accordance with the facts and does not omit anything likely to affect the import of such information.

Savills Advisory Services Limited (the "Valuer") accepts responsibility for the information contained in the section entitled "*Valuation Report*" and, to the best of its knowledge (having taken all reasonable care to ensure that such is the case), such information is in accordance with the facts and does not omit anything likely to affect the import of such information into this Prospectus. With the exception of the information contained in the section entitled "*Valuation Report*", the Valuer does not accept any liability in relation to the information contained in this Prospectus or any other information provided by the Issuer, the Borrower, TradeRisks Limited (the "Sole Bookrunner") or Prudential Trustee Company Limited (the "Bond Trustee") in connection with the issue of the Bonds.

Save for the Issuer and the Borrower, no other person has independently verified any information contained herein. No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Sole Bookrunner or the Bond Trustee as to the accuracy or completeness of the information contained in this Prospectus or any other information provided by the Issuer or the Borrower in connection with the offering of the Bonds. None of the Sole Bookrunner or the Bond Trustee accepts any liability in relation to the information contained in this Prospectus or any other information provided by the Issuer in connection with the issue of the Bonds.

No person is or has been authorised by the Issuer, the Borrower, the Sole Bookrunner or the Bond Trustee to give any information or to make any

representation not contained in or not consistent with this Prospectus or any other information supplied in connection with the offering of the Bonds or other such information as is in the public domain and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Borrower, the Sole Bookrunner or the Bond Trustee.

To the fullest extent permitted by law, none of the Sole Bookrunner or the Bond Trustee accepts any responsibility for the contents of this Prospectus or for any other statement made or purported to be made by it or on its behalf in connection with the Issuer, the Borrower or the issue and offering of the Bonds. Each of the Sole Bookrunner and the Bond Trustee accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this Prospectus or any such statement.

Neither this Prospectus nor any other information supplied in connection with the Bonds (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuer, the Borrower, the Sole Bookrunner or the Bond Trustee that any recipient of this Prospectus or any other information supplied in connection with the Bonds should purchase any Bonds. Each investor contemplating purchasing any Bonds should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and the Borrower. Neither this Prospectus nor any other information supplied in connection with the offering of the Bonds constitutes an offer or invitation by or on behalf of the Issuer, the Borrower, the Sole Bookrunner or the Bond Trustee to any person to subscribe for or to purchase the Bonds.

Neither the delivery of this Prospectus nor the offering, sale or delivery of the Bonds shall in any circumstances imply that the information contained herein concerning the Issuer or the Borrower is correct at any time subsequent to the date hereof or that any other information supplied in connection with the offering of the Bonds is correct as of any time subsequent to the date indicated in the document containing the same. The Sole Bookrunner and the Bond Trustee expressly do not undertake to review the financial condition or affairs of the Issuer or the Borrower during the life of the Bonds or to advise any investor in the Bonds of any information coming to their attention.

The Bonds have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act") and are subject to U.S. tax law requirements. Subject to certain exceptions, the Bonds may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons. For a further description of certain restrictions on the offering and sale of the Bonds and on distribution of this document, see "*Subscription and Sale*" below.

This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Bonds in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Prospectus and the offer or sale of Bonds may be restricted by law in certain jurisdictions. The Issuer, the Borrower, the Sole Bookrunner and the Bond Trustee do not represent that this Prospectus may be lawfully distributed, or that the Bonds may be lawfully offered or sold, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Borrower, the Sole Bookrunner or the Bond Trustee which is intended to permit a public offering of any Bonds or the distribution of this Prospectus in any jurisdiction where action

for that purpose is required. Accordingly, no Bonds may be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus or any Bonds may come must inform themselves about, and observe, any such restrictions on the distribution of this Prospectus and the offering and sale of Bonds. In particular, there are restrictions on the distribution of this Prospectus and the offer or sale of Bonds in the United States and the United Kingdom (see "*Subscription and Sale*").

Prospective purchasers of Bonds should ensure that they understand the nature of the Bonds and the extent of their exposure to risk, that they have sufficient knowledge, experience and access to professional advisers to make their own legal, tax, accounting and financial evaluation of the merits and the risks of investment in the Bonds and that they consider the suitability of the Bonds as an investment in light of their own circumstances and financial condition.

All references in this Prospectus to "Sterling" and "£" refer to pounds sterling.

MiFID II product governance / Professional investors and ECPs only target market – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Bonds has led to the conclusion that: (i) the target market for the Bonds is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended) ("MiFID II"); and (ii) all channels for distribution of the Bonds to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Bonds (a "distributor") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Bonds (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

PRIIPs Regulation / Prohibition of sales to EEA retail investors – The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the "Insurance Mediation Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by the PRIIPs Regulation) for offering or selling the Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

CONTENTS

OVERVIEW	7
STRUCTURE DIAGRAM OF THE TRANSACTION	24
RISK FACTORS	25
TERMS AND CONDITIONS	37
FORM OF BONDS AND SUMMARY OF PROVISIONS RELATING TO THE BONDS WHILE IN GLOBAL FORM	65
USE OF PROCEEDS	67
DESCRIPTION OF THE LOAN AGREEMENT	66
DESCRIPTION OF THE FIXED CHARGES AND THE SECURITY TRUST DEED	81
DESCRIPTION OF THE FLOATING CHARGE DEED AND THE FLOATING CHARGE TRUST DEED	85
DESCRIPTION OF THE ACCOUNT AGREEMENT, THE CUSTODY AGREEMENT AND THE RETAINED BOND CUSTODY AGREEMENT	94
DESCRIPTION OF THE ISSUER	100
DESCRIPTION OF THE BORROWER	102
DOCUMENTS INCORPORATED BY REFERENCE	108
VALUATION REPORT	109
TAXATION	290
SUBSCRIPTION AND SALE	293
GENERAL INFORMATION	295
INDEX OF DEFINED TERMS	298
INDEX TO FINANCIAL STATEMENTS OF THE BORROWER	299

OVERVIEW

The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Prospectus.

This overview must be read as an introduction to this Prospectus and any decision to invest in the Bonds should be based on a consideration of this Prospectus as a whole.

Words and expressions defined in "*Terms and Conditions*", "*Form of the Bonds and Summary of Provisions relating to the Bonds while in Global Form*" and "*Description of the Loan Agreement*" shall have the same meanings in this overview.

Issuer:	Charm Finance plc.
Description of the Bonds:	£50,000,000 3.509 per cent. Secured Bonds due 2048 (the "**Bonds**"), to be issued by the Issuer on 12 April 2018 (the "**Issue Date**"). £20,000,000 in principal amount of the Bonds will be immediately purchased by or on behalf of the Issuer on the Issue Date (the "**Retained Bonds**").
Issue Price:	100 per cent.
Use of Proceeds:	The net proceeds of the issue of the Bonds (or, in the case of the Retained Bonds, the net proceeds of the sale of the Bonds to a third party (after deduction of expenses payable by the Issuer)) will be on-lent by the Issuer to the Borrower. Subject as described in "*Initial Cash Security Account*" below, the Issuer will lend such proceeds to the Borrower pursuant to the Loan Agreement to be applied in accordance with the charitable objects of the Borrower. The Issuer may from time to time invest the funds held in the Initial Cash Security Account and the Ongoing Cash Security Account in Permitted Investments (as defined below) until such time as such funds are on-lent, or returned, to the Borrower pursuant to the Loan Agreement.
Form of Bonds:	The Bonds will be issued in bearer form as described in "*Form of the Bonds and Summary of Provisions relating to the Bonds while in Global Form*".
Interest:	The Bonds will bear interest on their outstanding principal amount at a fixed rate of 3.509 per cent. per annum, payable semi-annually in arrear on 12 May and 12 November of each year (commencing on 12 May 2018), from (and including) the Issue Date to (but excluding) 12 April 2048 (the "**Maturity Date**"), subject to adjustment in accordance with Condition 8.5 (*Payment Day*) (each, an "**Interest Payment Date**"), provided that the initial interest period in respect of the Bonds will commence on (and include) the Issue Date and end on

	(but exclude) 12 May 2018 and the final interest period in respect of the Bonds will commence on (and include) 12 November 2047 and end on (but exclude) the Maturity Date.
Instalment Redemption:	Unless previously redeemed or purchased and cancelled in accordance with Condition 9 (*Redemption and purchase*), the Bonds will be redeemed in three instalments on 12 November 2044, 12 November 2046 and the Maturity Date.
Early Redemption:	Subject as described in "*Mandatory Early Redemption*" below, the Bonds shall be redeemed in whole or in part at any time upon an optional prepayment by the Borrower of the loan provided to it under the Loan Agreement (the "**Loan**") with a cancellation in whole or in part of the corresponding Commitment (as defined in the Loan Agreement) in accordance with the terms of the Loan Agreement at the higher of (a) their outstanding principal amount; and (b) an amount calculated by discounting the remaining principal and interest payments on the Bonds at a rate equal to the sum of (i) the yield on the relevant outstanding UK Government benchmark conventional gilt having the nearest average maturity to that of the Bonds and (ii) 0.50 per cent., in each case together with accrued interest.
Early Redemption for Tax Reasons:	The Issuer shall redeem the Bonds in whole, but not in part, at their outstanding principal amount, together with any interest accrued, if, as a result of any actual or proposed change in tax law, the Issuer determines that it would be required to make a withholding or deduction on account of tax in respect of payments to be made by it in respect of the Bonds and the Issuer does not opt to pay additional amounts pursuant to Condition 10.2 (*No obligation to pay additional amounts*) or, having so opted, notifies the Bond Trustee of its intention to cease paying such additional amounts.
Mandatory Early Redemption:	If the Loan becomes repayable as a result of a Borrower Default the Bonds shall be redeemed in full at their outstanding principal amount, plus accrued interest. A "**Borrower Default**" includes, among others, non-payment, breach of other obligations, cross-default in an amount equal to or in excess of £5,000,000 (indexed in accordance with RPI) or its equivalent in other currencies, winding-up, cessation of business, insolvency, unlawfulness and breach of the Asset Cover, as set out in Clause 16 (*Loan Events of Default*) of the Loan Agreement and described further in "*Description of the Loan Agreement*".
Purchase:	The Retained Bonds will be immediately purchased by the Issuer on the Issue Date. The Issuer, the Borrower and any other member of the

Borrower Group may also purchase Bonds at any time in the open market or otherwise at any price.

Any Bonds so purchased may be cancelled or surrendered to the Issuer for cancellation in consideration for an amount equal to the outstanding principal amount of the Bonds being surrendered being deemed to be prepaid under the Loan Agreement or, to the extent that the Loan is not then outstanding, an amount of the Undrawn Commitment (as defined below) equal to the outstanding principal amount of the Bonds surrendered being deemed to be cancelled.

Retained Bonds: Pursuant to the terms of the Retained Bond Custody Agreement, the Retained Bond Custodian will hold the Retained Bonds on the Issuer's behalf (see "*Account Agreement, Custody Agreement and Retained Bond Custody Agreement*" below), and the Issuer has instructed the Retained Bond Custodian to waive its rights to receive payments (of interest, principal or otherwise) on the Retained Bonds for so long as the Retained Bonds are held on the Issuer's behalf. Such waiver may not be revoked without the consent of the Bond Trustee.

Pursuant to the Bond Trust Deed, the Issuer has covenanted with the Bond Trustee that it will, immediately prior to a sale of any Retained Bonds by the Issuer, deliver to the Bond Trustee a certificate in writing signed by two directors of the Issuer addressed to the Bond Trustee confirming that, immediately following the sale of such Retained Bonds, the Borrower will be in compliance with the Asset Cover Test. For the purpose of giving such confirmation, the Issuer will require the Borrower to deliver a Retained Bond Compliance Certificate pursuant to the Loan Agreement, as described further in "Description of the Loan Agreement".

Events of Default: Following an Event of Default, the Bond Trustee may, and if so directed by the holders of at least one half in outstanding principal amount of the Bonds then outstanding or by the Majority Bondholder Representative, shall (subject to it being secured and/or indemnified and/or pre-funded to its satisfaction), give notice to the Issuer that the Bonds are immediately due and repayable at their outstanding principal amount together with accrued interest.

The Events of Default include, inter alia, non-payment of any principal and interest due in respect of the Bonds, failure of the Issuer to perform or observe any of its other obligations under the Conditions and the Bond Trust Deed, insolvency, unlawfulness or non-payment in respect of other indebtedness in an aggregate amount equal to or in excess of £5,000,000 (indexed in accordance with RPI) or its equivalent in other currencies (as reasonably determined by the Bond Trustee).

Upon the Bonds becoming repayable prior to the Maturity Date (other than as a result of a prepayment or termination of the Loan Agreement), the Borrower is required to prepay the Loan in full together with accrued interest and commitment fee to and including the date of redemption. The Borrower is also required to pay to the Issuer, within three Business Days of demand, the Issuer's costs, expenses and liabilities throughout the life of the Bonds.

Issuer Security:

The Issuer's obligations in respect of the Bonds are secured pursuant to the Issuer Security Deed in favour of the Bond Trustee for the benefit of itself and the Bondholders and the other Issuer Secured Creditors by the following (the "**Issuer Fixed Security**"):

(a) an assignment by way of first fixed security of the Issuer's rights, title and interest arising under the Loan Agreement, the Accession Deed, the Security Trust Deed, the Security Agreement, the Agency Agreement, the Bond Trust Deed, the Custody Agreement and the Account Agreement;

(b) a charge by way of first fixed charge over all moneys and/or securities from time to time standing to the credit of the Transaction Account, the Ongoing Cash Security Account, the Initial Cash Security Account and the Custody Account and all debts represented thereby; and

(c) a charge by way of first fixed charge over the Paying Agents' obligations to repay all sums held from time to time by the Paying Agents for the payment of principal or interest in respect of the Bonds and not otherwise claimed.

In addition, the Issuer will, on the Issue Date, enter into the floating charge deed (the "**Floating Charge Deed**"), pursuant to which the Issuer will charge, in favour of the Floating Charge Trustee for itself and to hold on trust for the 2015 Issuer Secured Creditors, the 2018 Issuer Secured Creditors and any transferee or successor of such parties, to the extent any such transferee or successor or the relevant Instructing Party (as defined in the Floating Charge Trust Deed) on its behalf has acceded to the Floating Charge Trust Deed (as defined below) as 2015 Issuer Secured Creditor or (as applicable) 2018 Issuer Secured Creditor and the Further Issuer Secured Creditors (each as defined in the Floating Charge Trust Deed), by way of first floating charge the whole of its undertaking and all of its property, assets, present and future (including without limitation, its uncalled capital) (the "**Issuer Floating Security**" and, together with the Issuer Fixed Security, the "**Issuer Security**").

In connection with the issue of £100,000,000 3.126 per cent. secured bonds due 2048 (the "**2015 Bonds**"), the Issuer previously granted a floating charge (the "**2015 Issuer Floating Security**") in favour of Prudential Trustee Company Limited in its capacity as bond trustee in respect of the 2015 Bonds (the "**2015 Bond Trustee**"). The Floating Charge Trustee, the Issuer, the Bond Trustee and the 2015 Bond Trustee will enter into the floating charge trust deed on the Issue Date (the "**Floating Charge Trust Deed**"), which sets out the agreement as regards the ranking of claims and the exercise of the enforcement rights in respect of the Issuer Floating Security and the 2015 Issuer Floating Security.

The Floating Charge Trust Deed includes a mechanism pursuant to which any Additional Beneficiaries (as defined in the Floating Charge Trust Deed) in respect of any Further Class of Bonds (as defined in the Floating Charge Trust Deed) may benefit from the Issuer Floating Security in the future.

Initial Cash Security Account:

For so long as insufficient security has been granted by the Borrower in favour of the Security Trustee for the benefit of the Issuer to permit the drawing of the Original Commitment in full or the Borrower has not otherwise drawn any part of the Original Commitment, the amount of the Original Commitment that remains undrawn shall be retained in a charged account (the "**Initial Cash Security Account**") of the Issuer (and may be invested in Permitted Investments) in accordance with the terms of the Account Agreement and the Custody Agreement (the "**Retained Proceeds**").

For the avoidance of doubt, in the event that the Borrower has not drawn any part of the Original Commitment on the Issue Date, the Retained Proceeds at that date shall be the entire amount of the Original Commitment (less any amount which is to be funded by a sale of Retained Bonds). Any Retained Proceeds shall be advanced to the Borrower at a later date pursuant to the Loan Agreement to the extent that Properties of sufficient value to ensure continued compliance with the Asset Cover Test have been charged in favour of the Security Trustee for the benefit of the Issuer and, if applicable, subject to the sale by the Issuer of Retained Bonds.

Funds standing to the credit of the Initial Cash Security Account may: (a) be held on deposit, in which case they shall accrue interest at a rate notified from time to time by the Account Bank to the Issuer pursuant to the

Account Agreement or (b) be invested in Permitted Investments in accordance with the Custody Agreement. See "*Permitted Investments*" below.

Pursuant to the Loan Agreement, the Borrower shall pay to the Issuer a commitment fee in respect of the Undrawn Commitment on each Loan Payment Date in an amount equal to (a) the aggregate of the interest payable by the Issuer under the Bonds on the following Interest Payment Date less (b) the interest received from the Borrower under the Loan Agreement on such Loan Payment Date and the interest otherwise received by the Issuer in respect of the Retained Proceeds during that period (including, but not limited to, any income received in respect of any Permitted Investments in which any Retained Proceeds are, for the time being, invested).

See "*Description of the Loan Agreement*" below.

Ongoing Cash Security Account: Pursuant to the Loan Agreement, the Borrower is required to procure that, inter alia, the Asset Cover Test is satisfied (see "*Description of the Loan Agreement*" below). In the event that the value of any Mortgaged Property is insufficient to maintain the Asset Cover Test, the Borrower may deposit moneys into the Ongoing Cash Security Account. Such moneys will be charged in favour of the Bond Trustee pursuant to the terms of the Issuer Security Deed.

Funds standing to the credit of the Ongoing Cash Security Account may: (a) be held on deposit, in which case they shall accrue interest at a rate notified from time to time by the Account Bank to the Issuer pursuant to the Account Agreement or (b) be invested in Permitted Investments in accordance with the Custody Agreement. See "*Permitted Investments*" below.

Moneys standing to the credit of the Ongoing Cash Security Account may also be withdrawn in accordance with the Loan Agreement: (a) to be applied in the acquisition of Property to be charged in favour of the Security Trustee for the benefit of the Issuer or (b) to the extent that the Asset Cover Test would not be breached immediately after such withdrawal.

Permitted Investments: Permitted Investments shall consist of:

(a) money market funds with a long term issuer credit rating of not less than "AAAm" from Standard and Poor's Rating Services ("**S&P**") and "Aaa-mf" from Moody's;

(b) direct obligations of the United Kingdom or of any agency or instrumentality of the United Kingdom which are guaranteed by the United

Kingdom;

(c) demand and time deposits in, certificates of deposit of and bankers' acceptances issued by any depositary institution or trust company with a maturity of no more than 360 days subject to a long term debt or issuer (as applicable) credit rating of not less than "A" from S&P and "Aa3" from Moody's or a short term debt or issuer (as applicable) credit rating of not less than "A-1" from S&P and "P-1" from Moody's (or, in each case, any other equivalent rating given by a credit rating agency registered under the CRA Regulation (an "**Equivalent Rating**"));

(d) securities bearing interest or sold at a discount to the face amount thereof issued by any corporation having a long term credit rating of not less than "AA" from S&P and "Aa2" from Moody's (or, in each case, an Equivalent Rating); and/or

(e) commercial paper or other short-term obligations which, inter alia, have a short term credit rating of not less than "A-1" from S&P and "P-1" from Moody's (or, in each case, an Equivalent Rating),

provided that, in the case of (b) to (e) above, such investment shall be an investment which is an obligation of the United Kingdom or a company incorporated in the United Kingdom, and in all cases (i) such investment shall be an investment which is denominated in Sterling and (ii) such investment shall have a maturity which is not later than five years from the date of purchase.

In the event that any Permitted Investments are sold to fund a drawing by the Borrower pursuant to the Loan Agreement and such sale results in a loss realised by the Issuer, such drawing shall be advanced in an amount equal to the Actual Advance Amount (as defined in the Loan Agreement) (which may be a discount to the principal amount requested).

In the event that any Permitted Investments are sold to fund an advance to the Borrower pursuant to the Loan Agreement and such sale results in a gain realised by the Issuer (such gain, the "**Permitted Investment Profit**"), the Issuer shall advance monies to the Borrower at the principal amount requested and shall make a loan or a Gift Aid Payment (as defined below) to the Borrower or a charitable member of the Borrower Group which is connected with the Borrower for the purposes of section 939G of the Corporation Tax Act 2010 (a "**Charitable Group Member**") in an amount equal to the Permitted Investment Profit.

Immediately prior to the end of each accounting period, to the extent that the Issuer would otherwise be required to recognise a profit for tax purposes in respect of its Permitted Investments and/or Retained Bonds as a result of the movement in the fair value recognised in its accounts of such Permitted Investments and/or Retained Bonds for that accounting period, the Issuer shall sell Permitted Investments in an aggregate amount equal to the Accounting Profit (as defined in the Loan Agreement) and shall, in the same accounting period, make a loan or a Gift Aid Payment to the Borrower or any Charitable Group Member in an amount equal to the Accounting Profit.

See "*Description of the Loan Agreement – Facility*".

Account Agreement, Custody Agreement and Retained Bond Custody Agreement:

The Issuer has appointed Elavon Financial Services DAC, UK Branch as its Account Bank pursuant to the Account Agreement, its Custodian pursuant to the Custody Agreement and its Retained Bond Custodian in respect of the Retained Bonds pursuant to the Retained Bond Custody Agreement.

Pursuant to the Account Agreement, the Account Bank shall maintain three accounts for the Issuer in respect of the Bonds: the Transaction Account, the Initial Cash Security Account and the Ongoing Cash Security Account. Pursuant to the Account Agreement and the Bond Trust Deed, the Issuer has entered into certain covenants in respect of the moneys which may be credited to and debited from each Account.

Pursuant to the Custody Agreement, the Custodian shall, subject to receipt of such documents as it may require, open the Custody Account (consisting of the Ongoing Cash Security Custody Sub-Account, the Initial Cash Security Custody Sub-Account, the Ongoing Cash Security Cash Sub-Account and the Initial Cash Security Cash Sub-Account). The Issuer has authorised the Custodian to make payments and delivery out of the Custody Account only for the purpose of any acquisition or sale of Permitted Investments or as set out therein as directed by the Issuer.

Pursuant to the Retained Bond Custody Agreement, the Retained Bond Custodian shall, subject to receipt of such documents as it may require, open the Retained Bond Custody Account (consisting of the Retained Bond Custody Sub-Account and the Retained Bond Cash Sub-Account). The Retained Bond Custodian has agreed not to effect a transfer of any Retained Bonds except with the prior written consent of the Bond Trustee, and the Issuer has authorised the Retained Bond Custodian to make other payments and delivery out of the Retained Bond Custody Account only as set out therein.

See "*Description of the Account Agreement, the Custody Agreement and the Retained Bond Custody Agreement*" below.

Underlying Security:	Pursuant to the Fixed Charges and the Security Trust Deed, the Borrower has created first fixed charges over all of the Borrower's right, title and interest from time to time in the Mortgaged Property (as defined in the Fixed Charges) in favour of the Security Trustee for the benefit of itself and the Issuer (the "**Underlying Security**"). Until a Borrower Default has occurred and is outstanding, the Borrower shall be entitled to exercise all its rights under or in connection with the Mortgaged Properties save to the extent expressly provided pursuant to the Fixed Charges and the Security Trust Deed. The Issuer has secured its rights, title and interest in respect of the Underlying Security in favour of the Bond Trustee pursuant to the Issuer Security Deed. See "*Description of the Fixed Charges and the Security Trust Deed*" below.
Addition, substitution and release of Mortgaged Properties:	The Security Trust Deed provides that the Borrower and the Issuer shall agree the allocation of properties which shall comprise the Issuer's Designated Security in respect of the Loan Agreement. All properties which are not Designated Security for the Issuer or another Beneficiary under the Security Trust Deed (as defined in the Security Trust Deed) shall form the Undesignated Security. Pursuant to the Loan Agreement, the Borrower has agreed that it shall not enter into any further Fixed Charges in respect of any Property for the benefit of the Issuer (or allocate any Property as part of the Issuer's Designated Security), unless, in respect of such security, it provides to the Issuer and the Security Trustee a completed Eligible Property Certificate confirming that, inter alia, the proposed Additional Properties are Eligible Properties, Full Valuation Reports in respect of each Additional Property, a Certificate of Title in respect of each tranche of Additional Properties charged and the other Additional Property conditions precedent set out in the Security Trust Deed. At the request and expense of the Borrower, the Security Trustee shall (subject to receiving instructions from the Issuer to effect such release, and an amended Designated Properties Schedule from, inter alios, the Borrower and the Issuer in accordance with the Security Trust Deed) release from the relevant Security Documents (and/or reallocate, if applicable) such of the

Properties forming part of the Issuer's Designated Security and substitute such of the Properties as may be selected by the Borrower. The Issuer will be required to give instructions to the Security Trustee approving such release, provided that the Borrower satisfies the conditions precedent specified in the Loan Agreement in relation to the Substitute Properties. Such conditions precedent include, inter alia, a completed Substitute Property Certificate certifying, inter alia, that each Substitute Property is an Eligible Property, that, immediately following such release (and/or reallocation, if applicable), the Asset Cover Test and Residential Tenancy Limit will not be breached as a result of the substitution of the relevant Properties and that no Event of Default or Potential Event of Default has occurred and is continuing, a Valuation in respect of each Substitute Property and a Certificate of Title in respect of the Substitute Properties.

At the request and expense of the Borrower, the Security Trustee shall release (subject to receiving instructions from the Issuer to effect such release, and an amended Designated Properties Schedule from, inter alios, the Borrower and the Issuer in accordance with the Security Trust Deed) from the relevant Security Documents (and/or reallocate, if applicable) such Properties forming part of the Issuer's Designated Security as may be selected by the Borrower. The Issuer will be required to give instructions to the Security Trustee approving such release, provided that the Borrower delivers to the Issuer and the Security Trustee a completed Property Release Certificate, certifying that, immediately following such release (and/or reallocation, if applicable), the Asset Cover Test and Residential Tenancy Limit will not be breached as a result of the release (and/or reallocation, if applicable) of such part of the security and that no Event of Default or Potential Event of Default has occurred and is continuing.

Enforcement of the Underlying Security and the Issuer Security:

Following a Borrower Default, the Issuer may declare the Underlying Security immediately enforceable and/or declare the Loan immediately due and repayable. Pursuant to the Security Trust Deed, the Security Trustee shall only be required to take action to enforce or protect the security in respect of the Loan Agreement if so instructed in writing by the Issuer (and then only if it has been indemnified and/or secured and/or prefunded to its satisfaction).

The Issuer has assigned its rights under, inter alia, the Fixed Charges and the Security Trust Deed, and, pursuant to Condition 6.3 (*Loan Agreement, Fixed Charges and Security Trust Deed Consents Covenant*), has covenanted not to take any action or direct the Security Trustee to take any action pursuant thereto except with the prior consent of the Bond Trustee. The Bond Trustee may, but is not obliged to, seek the consent of the Bondholders in accordance with the Bond Trust Deed prior to giving any such consent.

In enforcing the Issuer Fixed Security (including the Issuer's rights, title and interests in the Fixed Charges and the Security Trust Deed insofar as they relate to the Bonds) the Bond Trustee may act in its discretion. It is, however, required to take action, pursuant to Condition 12.2 (*Enforcement*), where so directed by the requisite majority of the Bondholders provided, however, that it is secured and/or indemnified and/or pre-funded to its satisfaction.

See "*Description of the Fixed Charges and the Security Trust Deed*" below.

Pursuant to the Floating Charge Trust Deed, upon the Floating Charge Trustee becoming aware that either the 2015 Issuer Floating Security or the Issuer Floating Security has become enforceable in accordance with their respective terms, the Floating Charge Trustee shall notify each Instructing Party (as defined in the Floating Charge Trust Deed) and request that each Instructing Party obtains a direction from its relevant Instructing Group (as defined in the Floating Charge Trust Deed) as to any Enforcement Action (as defined in the Floating Charge Trust Deed) to be taken. From such date, the Floating Charge Trustee may (and shall, if instructed to do so by the Instructing Group) institute such proceedings against the Issuer and take such action as it may think fit to enforce all or any part of either the 2015 Issuer Floating Security or the Issuer Floating Security.

Pursuant to the Floating Charge Trust Deed, the Floating Charge Trustee may at any time deliver a request in writing to the relevant Instructing Parties specifying:

(a) particulars of the consent, direction, determination or instruction which the Instructing Group is being requested to make, expressed as a positive or negative proposal to be answered in the affirmative or negative (as the case may be); and

(b) the date, being no later than one Business Day after the date of that request by which each relevant Instructing Party is to advise the Floating Charge Trustee in writing of an affirmative or negative (as the case may be) response of its respective part of the Instructing Group to that request.

If any constituent part of the Instructing Group does not respond to a request made in accordance with the above by the date referred to in paragraph (b), it will be deemed to have rejected the making of the relevant consent, direction, determination or instruction which is the subject of that request, unless the request relates to the taking of any Enforcement Action, in which case it will be deemed to have approved the making of the relevant consent, direction, determination or instruction which is the subject of that request.

Priorities of Payments: Prior to the enforcement of the Issuer Security, the Issuer shall apply the monies standing to the credit of the Transaction Account on each Interest Payment Date and such other dates on which a payment is due in respect of the Bonds in the following order of priority (the "**Pre-enforcement Priority of Payment**"):

(a) first, in payment of any taxes due and owing by the Issuer to any taxing authority (insofar as they relate to the Bonds);

(b) second, in payment of any Liabilities incurred by the Bond Trustee, the Floating Charge Trustee and any Appointee (including remuneration payable to it and any Appointee) in carrying out its functions under the Bond Trust Deed, the Floating Charge Deed, the Floating Charge Trust Deed and the Issuer Security Deed;

(c) third, in payment of any Liabilities of the Issuer owing to the Agents under the Agency Agreement, the Account Bank under the Account Agreement, the Custodian under the Custody Agreement and the Retained Bond Custodian under the Retained Bond Custody Agreement on a pro rata and pari passu basis;

(d) fourth, in payment of any other Liabilities of the Issuer (in so far as they relate to the Bonds) on a pro rata and pari passu basis;

(e) fifth, in payment, on a pro rata and pari passu basis, to the Bondholders of any interest due and payable in respect of the Bonds;

(f) sixth, in payment, on a pro rata and pari passu basis, to the Bondholders of any principal due and payable in respect of the Bonds;

(g) seventh, in payment to the Borrower

of any amount due and payable under the terms of the Loan Agreement; and

(h) eighth, in payment of any Permitted Investment Profit, Accounting Profit or Retained Bond Premium Amount, as the case may be, to any Charitable Group Member.

Following the enforcement of the Issuer Fixed Security, all monies standing to the credit of the Transaction Account, the Ongoing Cash Security Account and the Initial Cash Security Account and the net proceeds of enforcement of the Issuer Fixed Security shall be applied in the following order of priority (the "**Post-enforcement Fixed Security Priority of Payment**"):

(i) first, in payment of any Liabilities incurred by the Bond Trustee or any Receiver or Appointee in preparing and executing the trusts under the Bond Trust Deed and the Issuer Security Deed (including the costs of realising any Issuer Security and the Bond Trustee's and such Appointee's or Receiver's remuneration);

(j) second, in payment of all amounts owing to the Agents under the Agency Agreement, the Account Bank under the Account Agreement, the Custodian under the Custody Agreement and the Retained Bond Custodian under the Retained Bond Custody Agreement on a pro rata and pari passu basis;

(k) third, in payment, on a pro rata and pari passu basis, to the Bondholders of any interest due and payable in respect of the Bonds;

(l) fourth, in payment, on a pro rata and pari passu basis, to the Bondholders of any principal due and payable in respect of the Bonds;

(m) fifth, in payment of any other Liabilities of the Issuer (in each case insofar as they relate to the Bonds) on a pro rata and pari passu basis;

(n) sixth, in payment to the Borrower of any amount due and payable under the terms of the Loan Agreement;

(o) seventh, in payment of any taxes due and owing by the Issuer to any taxing authority; and

(p) eighth, in payment of any Permitted Investment Profit, Accounting Profit or Retained Bond Premium Amount, as the case may be, to any Charitable Group Member.

The Floating Charge Trustee shall, upon the enforcement of any of the security constituted by either the 2015 Issuer Floating Security or the Issuer Floating Security, and after satisfying claims which at law rank in priority to the sums owing to any Beneficiaries under the Floating Charge Trust Deed (as defined in the Floating Charge Trust Deed), apply the net proceeds of enforcement of either the 2015 Issuer Floating Security or the Issuer Floating Security (only in respect of the Floating Charge Assets, for so long as the security created pursuant to clause 4.1 of the 2015 Issuer Security Deed (as defined in the Floating Charge Trust Deed), clause 4.1 of the Issuer Security Deed and any comparable provision of any Further Issuer Security Deed (as defined in the Floating Charge Trust Deed) continues to exist) and all monies derived therefrom in the following order of priority:

(a) first, in or towards payment pro rata of all remuneration, costs, charges, expenses and liabilities (and all interest thereon as provided in the Floating Charge Trust Deed) incurred by or on behalf of the Floating Charge Trustee and any receiver, attorney or agent in connection with the due performance of its duties and exercise of its powers and discretions under the Floating Charge Trust Deed and either 2015 Issuer Floating Security or the Issuer Floating Security;

(b) second, the proceeds from the 2015 Issuer Floating Security or the Issuer Floating Security and monies derived therefrom shall be apportioned *pro rata* between the Beneficiaries by reference to the proportion which the Liabilities owed to each Beneficiary bear to the aggregate Liabilities owed to all Beneficiaries at the time of such application; and

(c) third, if each Instructing Party has confirmed in writing to the Floating Charge Trustee that there are no Secured Amounts outstanding in relation to the Transaction Documents (as defined in the Floating Charge

Trust Deed) and Bonds (as defined in the Floating Charge Trust Deed) in respect of which transaction they act as Instructing Party, then the Floating Charge Trustee shall pay any surplus of the Proceeds to the Issuer.

Status of the Bonds:	The Bonds, Coupons and Receipts will constitute direct, secured, unsubordinated obligations of the Issuer and will rank pari passu among themselves.
Issuer Covenants:	Pursuant to Condition 6 (*Covenants*), the Issuer has covenanted not to engage in any activity or do anything other than carry out the business of a company which has as its purpose raising finance and on-lending such finance for the benefit of the Borrower or perform any act incidental to or necessary in connection with the aforesaid, without the consent in writing of the Bond Trustee. The Issuer has also covenanted to deliver to the Bond Trustee and, upon request by a Bondholder to the Issuer, to make available to any of the Bondholders, copies of the Compliance Certificates and other financial information received from the Borrower pursuant to the terms of the Loan Agreement and copies of the annual audited financial statements of the Borrower promptly upon publication of the same, as is described further in Condition 6.2 (*Information Covenants*). In addition to the rights of Bondholders to convene a meeting pursuant to Condition 17 (*Meetings of Bondholders, Modification and Waiver*), at the request of Bondholders holding not less than 33 per cent. in principal amount of the Bonds for the time being outstanding, the Issuer shall convene a meeting of the Bondholders to discuss the financial position of the Issuer and the Borrower Group, provided that the Issuer shall not be required to hold any such meeting more than twice in any calendar year. In addition, the Issuer has covenanted that, for so long as any of the Bonds remain outstanding, it shall not consent to any waiver, amendment or modification of, or take any action or direct the Security Trustee to take any action pursuant to, the Loan Agreement, the Fixed Charges or the Security Trust Deed except with the prior written consent of the Bond Trustee. The Bond Trustee may seek the consent of the Bondholders in accordance with the Bond Trust Deed prior to giving any such consent.
Borrower Covenants:	For so long as the Bonds remain outstanding, the Borrower has covenanted pursuant to the Loan Agreement to procure that the ratio of Resources Available for Debt Service to Debt Service (both as defined in the Loan Agreement) in respect of the previous financial year shall not be less than 0.90:1, and in respect of any rolling period of three consecutive prior

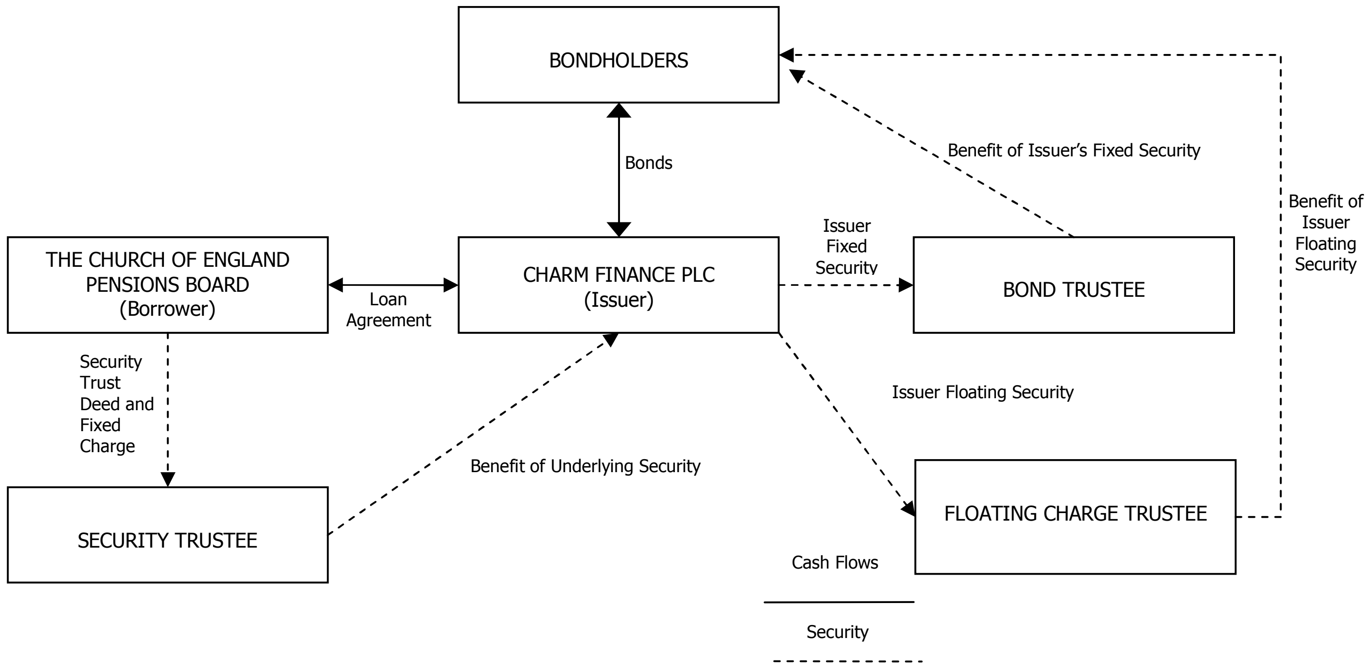
financial years shall not be less than 1.05:1.

For so long as the Bonds remain outstanding, the Borrower has also covenanted to maintain cash and investment assets (each as ascertained from the latest Accounts and Management Accounts (as defined below) of the Borrower) equal to the interest payments due on the next two Interest Payment Dates in respect of the Bonds (the "**Reserve Amount**"").

Taxation:	All payments in respect of the Bonds will be made without withholding or deduction for or on account of any taxes unless a tax deduction is required by law. In the event that any such withholding or deduction is required, the Issuer may at its option, but will not be obliged to, pay to Bondholders such additional amounts as may be necessary in order that the net amounts received by the Bondholders after such withholding or deduction will equal the amounts of principal and interest which would have been received in respect of the Bonds in the absence of such withholding or deduction. In the event that the Issuer does not opt to pay, or opts to pay and thereafter notifies the Bond Trustee and the Bondholders of its intention to cease paying, such additional amounts the Bonds shall be redeemed at their outstanding principal amount, together with any accrued interest, in accordance with Condition 9.3 (*Early Redemption for Tax Reasons*).
Meetings of Bondholders:	The Conditions of the Bonds and the Bond Trust Deed contain provisions for calling meetings of Bondholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Bondholders including Bondholders who did not attend and vote at the relevant meeting and Bondholders who voted in a manner contrary to the majority.
Risk Factors:	There are certain factors that may affect the Issuer's ability to fulfil its obligations under the Bonds. These are set out under "*Risk Factors*" below and include factors which may affect the Issuer's and/or the Borrower's ability to fulfil their obligations under the Bonds, the Loan Agreement and/or the Fixed Charges, respectively, factors which are material for the purpose of assessing the market risks associated with the Bonds, risks relating to the security for the Bonds and risks relating to the market generally. See "*Risk Factors*" below.
Rating:	The Bonds will not be rated.
Listing and admission to trading:	Application has been made to the UK Listing Authority for the whole class of Bonds (including the Retained Bonds) to be admitted to the Official List and to the London Stock Exchange for the whole class of Bonds (including the Retained Bonds) to be admitted to trading on the

	London Stock Exchange's regulated market.
Sole Bookrunner:	TradeRisks Limited.
Principal Paying Agent:	Elavon Financial Services DAC, UK Branch.
Account Bank:	Elavon Financial Services DAC, UK Branch.
Custodian:	Elavon Financial Services DAC, UK Branch.
Retained Bond Custodian:	Elavon Financial Services DAC, UK Branch.
Bond Trustee:	Prudential Trustee Company Limited.
Floating Charge Trustee:	Prudential Trustee Company Limited.
Security Trustee:	Prudential Trustee Company Limited.
Borrower:	The Church of England Pensions Board.
	The Issuer's right of recourse under the Loan Agreement will be limited to the Borrower's General Purposes Fund, including the Mortgaged Properties.
Selling Restrictions:	There are restrictions on the offer, sale and transfer of the Bonds in the United States and the United Kingdom, see "*Subscription and Sale*".
MiFID II Product Governance/PRIIPS Regulation:	Solely for the purposes of each manufacturer's product approval processes, the manufacturers have concluded that: (i) the target market for the Bonds is eligible counterparties and professional clients only; and (ii) all channels for distribution of the Bonds to eligible counterparties and professional clients are appropriate. No PRIIPs Regulation KID has been prepared as the Bonds are not available to retail investors in the EEA.
Governing law:	The Bonds, the Transaction Documents and any non-contractual obligations arising out of or in connection with them shall be governed by, and construed in accordance with, English law.

STRUCTURE DIAGRAM OF TRANSACTION



Note: the Floating Charge Trustee also holds the benefit of the Issuer Floating Security for the benefit of the holders of the 2015 Bonds and holders of any Further Class of Bonds.

RISK FACTORS

The Issuer believes that the following factors (which include factors which may affect the ability of the Borrower to fulfil its obligations under the Loan Agreement) may affect its ability to fulfil its obligations under the Bonds. Most of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.

In addition, factors which are material for the purpose of assessing the market risks associated with the Bonds issued are also described below.

The Issuer believes that the factors described below represent the principal risks inherent in investing in the Bonds, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with the Bonds may occur for other reasons which may not be considered significant risks by the Issuer based on information currently available to it or which it may not currently be able to anticipate. This section is not intended to be exhaustive and prospective investors should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision. If any of the following risks actually materialise, the Issuer's and/or the Borrower's business, financial condition and prospects could be materially and adversely affected. No assurance can be given that prospective Bondholders will receive full and/or timely payment of interest and principal or ultimate recovery in relation to the Bonds.

Factors which may affect the Issuer's ability to fulfil its obligations under the Bonds

Special Purpose Vehicle Issuer*:* The Issuer is a special purpose finance entity with no business operations other than the incurrence of financial indebtedness, including the issuance of the Bonds. As at the date of this Prospectus, the Issuer's only source of income to make payments in respect of the Bonds is moneys received from the Borrower under the Loan Agreement and, as such, the Issuer is entirely dependent upon receipt of funds received from the Borrower in order to fulfil its obligations under the Bonds.

The Issuer has other indebtedness outstanding pursuant to the 2015 Bonds and a loan agreement with the Borrower in respect thereof.

Credit Risk*:* The Issuer, and therefore payments by the Issuer in respect of the Bonds, will be subject to the credit risk of the Borrower. The Issuer will be subject to the risk of delays in the receipt, or risk of defaults in the making, of payments due from the Borrower in respect of the Loan Agreement. Delays in the receipt of payments due from the Borrower under the Loan Agreement could adversely affect the ability of the Issuer to fulfil its payment obligations under the Bonds.

Effect of Losses on Loan on Interest Payments and Repayments on the Bonds*:* There can be no assurance that the levels or timeliness of payments of collections received in respect of the Loan will be adequate to ensure fulfilment of the Issuer's obligations in respect of the Bonds on each Interest Payment Date or on the Maturity Date. In addition, a default under the Loan Agreement could ultimately result in the enforcement of the Underlying Security. The proceeds of any such enforcement may be insufficient to cover the full amount due from the Borrower resulting in a shortfall in funds available to the Issuer to repay the Bonds.

Factors which may affect the Borrower's ability to fulfil its obligations under the Loan Agreement

Rental Income Risk

The tenants of the Borrower's properties are personally responsible for the rental payments on the relevant occupied properties. In the main they will be retired clergy or their spouses and rents due will be deducted at source from their Church pensions or be collected by direct debit / paid by standing order arranged for the same day their Church pension is paid. Under the choice based letting scheme some of the tenants will be non-clergy occupying the properties on short term arrangements at full commercial rent pending the take up of the property by retired clergy or surviving clergy spouse (commercial tenants are required to pay a deposit of at least one month's rent and are subject to credit checks). In the event that tenants fail to pay their rent in full on a timely basis, this could also affect the ability of the Borrower to meet its payment obligations on a timely basis under the Loan Agreement, which in turn would impact the Issuer's ability to fulfil its obligations under the Bonds.

Level of rent payable

The Borrower is not subject to regulations affecting registered providers of social housing.

From 1 April 2015 the Board changed its rental policy for new tenancies from one based on tenants' incomes to a formula "target rent" model. Target rents are based on national average housing association rents in 1999, adjusted to take into account a number of factors. It is calculated using a formula which reflects relative property values, relative local earnings together with a bedroom factor so that, other things being equal, smaller properties have lower rents. Target rents are expected to increase annually in line with inflation as measured by the Retail Prices Index.

Any tenants of the Borrower who currently pay more than target rent or less than target rent are being moved onto the new arrangements on a slow convergence path. Information currently available to the Borrower suggests that those tenants who pay more than target rent, and those who pay less, roughly balance out.

If those tenants currently paying more than the target rent vacate quicker than assumed in the business plan, there is a risk that the amounts of rent receivable will be less than the expected level, which may have a corresponding effect on the ability of the Borrower to meet its payment obligations under the Loan Agreement on a timely basis, which in turn would impact the Issuer's ability to fulfil its obligations under the Bonds.

Rental Growth Risk

Rental agreements with the Borrower's tenants allow for rents to rise in line with price inflation (currently based on RPI, but potentially moving to CPI within the life of the Bonds) as this reflects the basis on which clergy pension payments are set to increase. Any decision to restrict the rate at which clergy pensions increase either through legislative change or a change in the scheme rules may result in pressure being put on the Borrower and its management to limit the rate of rent increases, which could lead to a shortfall in rental income, which in turn could affect the ability of the Borrower to meet its payment obligations under its Loan Agreement on a timely basis, and therefore would impact the Issuer's ability to fulfil its obligations under the Bonds.

Sales and Housing Market Risk

The Borrower generates revenue from the sale of some of its surplus housing stock and is therefore exposed to market risk, including both demand and pricing risks. The timing of sales is dependent upon clergy and their spouses vacating the properties (either on death or when they move to other retirement accommodation). Prevailing market conditions mean that the prices achieved in the market place or indeed the ability to sell the property within a certain time period cannot be guaranteed. There is a risk therefore that the amounts receivable will be less than is expected within the business plan, which may have a corresponding effect on the ability of the Borrower to meet its payment obligations under the Loan Agreement on a timely basis, which in turn would impact the Issuer's ability to fulfil its obligations under the Bonds.

It should be noted that some of the Borrower's housing stock has been acquired with funding from the Church Commissioners, who are entitled to receive the profits arising upon sale of the relevant properties.

Vote 5 (Grant income) Risk

The General Synod is the Church's parliament and the Archbishops' Council is the body at the heart of the Church of England that enacts the will of the General Synod, operating as the Church of England's "civil service". The Borrower receives an annual grant from the Archbishops' Council towards the cost of the Church's Housing Assistance for the Retired Ministry or "CHARM" scheme. This is known as the "Vote 5" grant.

The monies for "Vote 5" (and all the budget lines managed by the Archbishops' Council) are obtained through contributions from dioceses of the Church of England and are agreed annually by the General Synod when approving the budget for the forthcoming year. The Borrower does not have any contractual commitment or automatic right to the Vote 5 grant it receives, notwithstanding that it is backed by a strongly supported commitment on the part of the General Synod and the dioceses to honour their 'covenant with the clergy'. The continuation of the Vote 5 grant is not guaranteed - it depends upon the Church of England continuing to value its 'covenant with the clergy' and on the ability of dioceses to fund the costs of making the grant. In the financial year to December 2018 the Vote 5 contribution is set at £4.806 million and is currently expected to increase at a rate of 5% per annum (subject to the annual approval of the General Synod) to £5.299 million by 2020. (In July 2017 General Synod approved the 2018 Vote 5 grant of £4.806 million, a 5% increase on the 2017 level). The Borrower's business plan assumes that the Vote 5 contribution it receives from 2020 onwards would increase in line with inflation measured in accordance with the Retail Prices Index.

If the Vote 5 grant was withdrawn or materially reduced, there is a risk that the Borrower would be unable to reduce its costs and/or increase other revenue streams sufficiently to enable it to generate the amounts required in order that the Borrower can meet its obligations under the Loan Agreement on a timely basis, which in turn would impact the Issuer's ability to fulfil its obligations under the Bonds.

Demand Risk

The CHARM scheme is a discretionary scheme and clergy are only accepted into the scheme if they meet eligibility criteria (which are regularly reviewed). If the Borrower's Board perceives that demand has increased to the extent that threatens the sustainability of the CHARM scheme, it is able to request an increase in Vote 5 grant support from the wider Church.

If this is not forthcoming, there is a risk that the Borrower would be unable to reduce its costs and/or increase other revenue streams sufficiently to enable it to generate the amounts required in order to cope with any increased demand. At such a point, the Borrower would (for example) consider tightening the eligibility criteria and / or phase in a higher level of occupancy charges to existing tenants in order to continue to provide housing in line with the terms of the scheme in order that the Borrower can meet its obligations under the Loan

Agreement on a timely basis, which in turn affects the Issuer's ability to fulfil its obligations under the Bonds.

Operational Risk

Operational risks may result from major systems failure or breaches in systems relating to the CHARM scheme and or the other housing operations of the Borrower. Detailed business continuity plans are in place and the Borrower continues to invest in computer and other systems improvements, but the consequence of theft, fraud, health and safety and environmental issues, natural disaster and acts of terrorism could result in financial loss to the Borrower and hence the Issuer.

Risk of dependence on key personnel

The Borrower's future success may be adversely affected by the loss of the services and continuing contribution from its Trustees, Senior Executive Team and other key personnel. The Borrower has not taken out key person insurance for any of these individuals.

Following the unexpected and untimely death of Bernadette Kenny, the Borrower's former Chief Executive, in October 2017, the Borrower's Board put arrangements in place until a new Chief Executive is appointed and takes up their post. Further details are provided in the "Description of Borrower" section. On 28 March 2018 John Ball, currently Chief Executive and Diocesan Secretary of the Chelmsford Diocesan Board of Finance, was announced as the Borrower's new Chief Executive. He will take up the post on 1 July 2018.

Regulatory Risk

The Borrower is not a registered provider of social housing ("**RP**") registered with the Homes and Communities Agency but is regulated by the Charity Commission. The Borrower is under moral pressure to comply with best practice in terms of the way it provides its services despite operating within a wider housing market place. Whilst not directly applicable to the Borrower, it may be the case that changes in legislation or policy affecting RPs will have some impact on the Borrower's business. For example, tenants may wish to challenge aspects of the way the Borrower operates by reference to regulations, legislation or best practice applying to RPs or to the social housing sector more generally. Changes to the regulation of the social housing market therefore may impact on the Borrower's operating costs; any increase in costs may have a corresponding effect on the ability of the Borrower to meet its payment obligations under the Loan Agreement on a timely basis, which in turn would impact the Issuer's ability to fulfil its obligations under the Bonds.

Capital Resources and Treasury Risk

To mitigate liquidity risk and augment its capital resources, the Borrower relies on secured term and revolving credit facilities from major banks and building societies. The Borrower is also subject to interest rate risk in respect of variable rate borrowing although accessing the capital markets through the issue of the Bonds by the Issuer and the on-lending of the proceeds to the Borrower under the Loan Agreement will reduce the reliance of the Borrower on funding from banks and building societies.

The Borrower could find itself unable to access sources of financing if bank or building society lines become unavailable (for example, if banks and building societies are unable to provide new facilities, or extend existing facilities, or are unable to meet commitments to provide funds under existing committed lines). Any adverse change in the availability of financing may have an effect on the ability of the Borrower to meet its payment obligations under the Loan Agreement on a timely basis, which in turn would impact the Issuer's ability to fulfil its obligations under the Bonds.

The Borrower has a £4 million embedded RPI loan with Santander repayable in June 2025. The Borrower has no other derivative exposure. It does have the power to enter into interest rate swaps or similar instruments if it decides to reduce its exposure to variable interest rates.

Pensions Risk

The Borrower participates in the following pensions schemes:

(a) the Church Administrators Pension Scheme for staff employed at Church House, its main office; and

(b) the Church Workers Pension Fund for staff employed directly in the Borrower's supported housing units.

Both schemes are considered to be multi-employer schemes. Employer participation in each scheme is subject to adherence with the employer responsibilities and obligations as set out in the rules and policies of the respective schemes. It is not possible, in the normal course of events, to readily identify the share of the underlying assets and liabilities attributable to each individual employer participating in arrangements such as these.

As a result of pension scheme legislation there is a potential debt on the employer that could be levied by the pension trustees. The debt is due if the employer ceases to participate by ceasing to employ active members when another participating employer continues to employ active members or on the winding-up of the scheme. The debt as a whole is calculated by comparing the scheme liabilities (calculated on a buy-out basis, i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the scheme's assets. There is a buy-out debt if the liabilities exceed assets.

The amount of the buy-out debt therefore depends on many factors including total liabilities, investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

At the last valuation date (31 December 2014) the shortfall on the Church Administrators Pension Fund was calculated at £25.1 million. The trustees put in place a plan in order to fully fund the deficit, and the employers participating in the scheme agreed to a collective annual payment of £2.5 million in 2016 (this annual amount increasing annually at 3.3% with the final payment scheduled to be made on 30 June 2025). The Borrower's share of those annual payments was calculated to be £386,000 in the financial year to December 2018. The next triennial valuation (as at the end of December 2017) will take place in 2018.

At the last valuation date (31 December 2016) the Church Workers Pension Fund showed an overall deficit of £29.4 million with individual deficit recovery periods agreed with each employer in the scheme. However, there is currently no requirement under the Borrower's schedule of contributions to make further deficit payments. If a future valuation showed an overall deficit in excess of that expected from the recovery plan, future contribution levels might need to rise which could result in the Borrower needing to make deficit recovery payments.

Pensions Act

Under the Pensions Act 2004, a person that is an employer in relation to certain occupational pension schemes, or 'connected with' or an 'associate' of such an employer, can be subject to either a contribution notice or a financial support direction in relation to that occupational pension scheme issued by the Pensions Regulator (contribution notices and financial support directions require financial support to be given to a pension scheme). As the Borrower participates in the Church Administrators Pension Scheme and the Church Workers Pension

Fund, the Borrower is an employer participating in such a defined benefit occupational scheme. The Borrower is the Issuer's parent and certain of the Borrower's employees are members of the board of directors of the Issuer. On this basis, the Issuer is likely to be treated as 'connected with' the Borrower.

A contribution notice may be issued by the Pensions Regulator against the Issuer if it is party to an act, or a deliberate failure to act (or a series of acts or deliberate failures to act), the main purpose, or one of the main purposes, of which is either (i) to prevent the recovery of the whole or any part of a debt which is, or might become, due from the employer under section 75 of the Pensions Act 1995 or (ii) to prevent such a debt becoming due, to compromise or otherwise settle such a debt, or to reduce the amount of such a debt which would otherwise become due. A contribution notice can be issued up to six years after such acts or failures to act.

Further, a contribution notice may be issued by the Pensions Regulator against the Issuer where it considers that an act, a deliberate failure to act or a series of acts or deliberate failures to act is "materially detrimental" to the likelihood of a person receiving the accrued pension scheme benefits. This is a wide power and means that the Pension Regulator does not have to show an intention to prevent the recovery of an employer debt to the pension scheme under section 75 of the Pensions Act 1995. This power applies retrospectively to acts or failures to act which occurred on or after 14th April, 2008.

A financial support direction could be served on the Issuer where the Borrower (as the employer in respect of the pension scheme) is insufficiently resourced or is a service company (i.e. a company whose turnover is solely or mainly derived from providing services to other group companies). An employer is deemed to be insufficiently resourced pursuant to the Pensions Act 2004 if the value of its resources is less than 50 per cent. of the pension scheme's deficit (calculated on an annuity buy-out basis) and at that time there is a connected or associated person or persons with sufficient resources (or connected or associated persons with sufficient aggregate resources) to meet at least 50 per cent. of the pension scheme's deficit when combined with the employer's resources.

The most recent audited accounts of the Borrower indicate that the value of its resources is currently in excess of 50 per cent. of the scheme deficits of the two schemes above. If the Borrower's resources are subsequently valued at 50 per cent. or less of the deficits, a financial support direction could be issued at any time against the Issuer.

The Pensions Regulator can only issue a contribution notice or financial support direction where it considers that it is reasonable to do so, having regard to a number of factors. If a contribution notice or financial support direction were to be issued against the Issuer, this could adversely affect the Issuer's ability to fulfil its obligations under the Bonds.

The Borrower complies with its funding obligations under the Pensions Act 2004 in relation to the two schemes.

Legal and Compliance Risk

The Borrower knows the significance to its operations of, and is focused on, adhering to all legal and compliance legislation. The Borrower is not currently aware of any material failure to adhere to applicable health and safety or environmental laws, litigation or breach of regulatory laws, or failure to comply with corporate, employee or taxation laws. If any of these were to occur in the future, this could have an adverse impact on the Borrower's results of its operations which in turn could affect the ability of the Borrower to meet its payment obligations under its Loan Agreement on a timely basis and therefore would impact the Issuer's ability to fulfil its obligations under the Bonds.

The Borrower has the benefit of insurance for, among others, employer's liability, public liability and directors' and officers' liability at levels which the management considers to be prudent for the type of business in which the Borrower is engaged.

Factors which are material for the purpose of assessing the market risks associated with the Bonds

Liability under the Bonds: The Bonds are obligations of the Issuer only and do not establish any liability or other obligation of any other person mentioned in this Prospectus. The Bonds will constitute direct, general, secured obligations of the Issuer and will rank equally among themselves.

Recourse under the Loan is limited to the Borrower's General Purposes Fund

The activities of the Borrower are comprised of two main functions: administration of the charitable funds and trusts and the administration of four pension schemes. The Borrower fully recovers all associated costs from the pension schemes and therefore no net assets are retained in relation to this activity.

The Borrower is a registered charity, established by the Clergy Pensions Measure 1961, and registered as a charity in 1964. The Borrower is separately and independently audited in accordance with applicable Accounting Standards in the United Kingdom, the Statement of Recommended Practice 2015 "Accounting and Reporting by Charities" (the "**SORP**"), and the Charities Act 2011, as set out in the Financial Statements included in this Prospectus.

The provision of housing, including the Mortgaged Properties, falls within the scope of the Borrower's charitable funds. The Issuer's recourse to the Borrower in respect of any amounts due and payable in respect of the Loan is limited to the value of the Mortgaged Properties and the other assets of the Borrower's charitable funds. The Issuer and Bondholders will not have any right, claim or entitlement to any of the other assets of the Borrower in the event of a shortfall in funds available to meet the Borrower's obligations under the Loan Agreement, or in the event that the value of the Mortgaged Properties is insufficient to discharge all amounts due and payable under the Loan Agreement upon an enforcement of the Underlying Security.

Modification, waivers and substitution: The Conditions of the Bonds and the Bond Trust Deed contain provisions for calling meetings of Bondholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Bondholders, including Bondholders who did not attend and vote at the relevant meeting and Bondholders who voted in a manner contrary to the majority.

The Conditions of the Bonds and the Bond Trust Deed also provide that the Bond Trustee may, without the consent of Bondholders (i) agree to any modification (except as stated in the Bond Trust Deed) of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of Bonds or any Transaction Document or (ii) agree to the substitution of another company, registered society or other entity as principal debtor under the Bonds in place of the Issuer, in the circumstances described in the Conditions, provided, in each case, that the Bond Trustee is of the opinion that to do so would not be materially prejudicial to the interest of Bondholders.

Denominations involve integral multiples; definitive Bonds: The Bonds have denominations consisting of a minimum of £100,000 plus one or more higher integral multiples of £1,000. It is possible that the Bonds may be traded in amounts that are not integral multiples of £100,000. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than £100,000 in his account with the relevant clearing system at the relevant time may not receive a definitive Bond in respect of such holding (should definitive Bonds be printed) and would need to purchase a principal amount of Bonds such that its holding amounts to £100,000.

If definitive Bonds are issued, holders should be aware that definitive Bonds which have a denomination that is not an integral multiple of £100,000 may be illiquid and difficult to trade.

Change in Law: The structure of the issue of the Bonds is based on English law, regulatory and administrative practice in effect as at the date of this Prospectus, and has due regard to the expected tax treatment of all relevant entities under United Kingdom tax law and the published practice of HM Revenue & Customs in force or applied in the United Kingdom as at the date of this Prospectus. No assurance can be given as to the impact of any possible change to English law, regulatory or administrative practice in the United Kingdom, or to United Kingdom tax law, or the interpretation or administration thereof, or to the published practice of HM Revenue & Customs as applied in the United Kingdom after the date of this Prospectus.

Withdrawal from the European Union: On 23 June 2016, the UK held a referendum to decide on the UK's membership of the European Union. This referendum resulted in a vote to leave the European Union. There are a number of uncertainties in connection with the future of the UK and its relationship with the European Union. The negotiation of the UK's exit terms is likely to take a number of years. Until the terms and timing of the UK's exit from the European Union are clearer, it is not possible to determine the impact that the referendum, the UK's departure from the European Union and/or any related matters may have on the Issuer. As such, no assurance can be given that such matters would not adversely affect the market value and/or the liquidity of the Bonds in the secondary market.

Potential Conflicts of Interest: Each of the Transaction Parties (other than the Issuer) and their affiliates in the course of each of their respective businesses may provide services to other Transaction Parties and to third parties and in the course of the provision of such services it is possible that conflicts of interest may arise between such Transaction Parties and their affiliates or between such Transaction Parties and their affiliates and such third parties. Each of the Transaction Parties (other than the Issuer) and their affiliates may provide such services and enter into arrangements with any person without regard to or constraint as a result of any such conflicts of interest arising as a result of it being a Transaction Party.

Taxation: Under the Conditions of the Bonds (see Condition 10 (*Taxation*) below), the Issuer may, but will not be obliged to, gross up payments in respect of the Bonds if any deduction or withholding on account of tax is imposed. In the event that any deduction or withholding on account of tax is imposed and the Issuer does not opt to gross up payments in respect of the Bonds (or, if having previously opted to gross up notifies the Bond Trustee and the Bondholders of its intention to cease grossing up payments in respect of the Bonds), the Bonds will be redeemed in accordance with Condition 9.3 (*Early Redemption for Tax Reasons*). In such circumstances an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the Bonds. In addition, any amounts in respect of accrued interest which fall due on any such redemption of the Bonds (and, where the redemption follows the next following Interest Payment Date, such Interest Payment Date) shall be paid subject to the required withholding or deduction and the Issuer shall not be obliged to pay any additional amounts in respect thereof. The Bondholders will therefore bear the risk of any such withholding or deduction in respect of the period from the previous Interest Payment Date to the date of redemption.

The Loan Agreement requires that if any withholding or deduction is required by law to be made by the Borrower thereunder, the amount of the payment due from the Borrower shall be increased to an amount which (after making the tax deduction) leaves an amount equal to the payment which would have been due if no tax deduction had been required.

For a description of the current United Kingdom law and practice relating to withholding tax treatment of the Bonds, see below in "*Taxation*".

Exchange rate risks and exchange controls: The Issuer will pay principal and interest on the Bonds in Sterling. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than Sterling. These include the risk that exchange rates may significantly change (including changes due to devaluation of Sterling or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to Sterling would decrease (1) the Investor's Currency-equivalent yield on the Bonds, (2) the Investor's Currency-equivalent value of the principal payable on the Bonds and (3) the Investor's Currency-equivalent market value of the Bonds. Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Legal investment considerations may restrict certain investments: The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) the Bonds are legal investments for it, (2) the Bonds can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of the Bonds. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Bonds under any applicable risk-based capital or similar rules.

Risks Relating to the Security of the Bonds

Considerations relating to the Issuer Fixed Security and the Underlying Security: The Bonds will be secured by the Issuer Fixed Security granted in favour of the Bond Trustee for the benefit of itself, the Bondholders and the other Issuer Secured Creditors. Such Issuer Fixed Security will include security over the Loan Agreement, the Accession Deed, the Security Trust Deed and the Fixed Charges. The Underlying Security created pursuant to the Fixed Charges includes first fixed charge and assignment over the property and rights set out in the Fixed Charges given by the Borrower in favour of the Security Trustee for the benefit of itself and, inter alios, the Issuer.

The validity of any security given by the Borrower in connection with additions and substitutions of Mortgaged Properties may depend on the solvency of the Borrower at the time of the grant.

Environmental Considerations: Under relevant UK environmental legislation, liability for environmental matters can be imposed on the "owner" or "person in control" of land. The term "owner" is not specifically defined and could include anyone with a proprietary interest in a property, which could include a representative of a trustee as a mortgagee in possession (in respect of which see the risk factor entitled "*Mortgagee in Possession Liability*" below). Environmental laws may impose liability on the owner for clean-up costs if a property is or becomes contaminated. The Borrower may therefore be liable for the entire amount of the clean-up and redemption costs for a contaminated site regardless of whether the contamination was caused by it or not. These costs may be significant and may affect the ability of the Borrower to meet its payment obligations under the Loan Agreement.

In addition, the presence of hazardous or toxic substances, or the failure to adequately remedy adverse environmental conditions at a Mortgaged Property, may adversely affect the market value of the Mortgaged Property, as well as the Borrower's ability to sell, lease or refinance the Mortgaged Property. Any environmental liability imposed on the Borrower could also affect the ability of the Borrower to meet its payment obligations under the Loan Agreement.

Sufficiency of Insurance: Although each Mortgaged Property is required to be insured at appropriate levels and against customary risks, there can be no assurance that any loss incurred will be of a type covered by such insurance, nor can there be any assurance that the loss will not exceed the limits of such insurance. Any reduction in income or any loss or damage caused to a Mortgaged Property not adequately covered by insurance could result in a shortfall in funds available to meet the Borrower's payment obligations under the Loan Agreement.

Investment of Retained Proceeds in Permitted Investments: For so long as any part of the net proceeds of the issue of the Bonds remains undrawn (or has been repaid by the Borrower without a corresponding cancellation of the Commitment) pursuant to the Loan Agreement, the Issuer may invest such amounts in Permitted Investments in accordance with the Custody Agreement. The Issuer may also invest the Charged Cash in Permitted Investments in accordance with the Custody Agreement.

Although Permitted Investments are limited to highly rated securities which satisfy certain specified criteria (which includes a requirement that the investments have a maturity date which is no later than five years from the date of purchase), the Issuer may be required to liquidate such Permitted Investments (a) prior to the enforcement of the Issuer Security, (in the case of the Permitted Investments purchased with Retained Proceeds) to fund advances to a Borrower pursuant to a Loan Agreement or to fund redemptions of the Bonds in accordance with the Conditions or (b) following the enforcement of the Issuer Security, to make payments in accordance with the Post-enforcement Fixed Security Priority of Payment, in either case at a time when the disposal proceeds of such Permitted Investments is less than the price paid by the Issuer upon the acquisition thereof.

Prior to the enforcement of the Issuer Security, any losses realised by the Issuer in respect of a sale of Permitted Investments purchased with Retained Proceeds is passed on to the Borrower pursuant to the terms of the Loan Agreement as a result of (i) the Issuer's obligation to fund a principal amount of an advance being such that it may be satisfied by funding such advance at a discount in proportion to any such losses and (ii) the Borrower's obligation to make further payments to the Issuer in respect of any prepayment of the loan in full to enable the Issuer to fund any shortfall on a redemption of the Bonds. However, following the enforcement of the Issuer Security, any losses in respect of the Permitted Investments will reduce the amounts available to the Issuer to satisfy its payment obligations in respect of the Bonds. For the purpose of calculating the Borrower's compliance with the Asset Cover Test, the value of such Permitted Investments will be the purchase price thereof and the Borrower shall not be required to monitor the market value of such Permitted Investments. Consequently, the value attributed to the Permitted Investments for this purpose may be more than the realisable value from time to time.

In the event that the enforcement of the Issuer Security takes place prior to the Initial Properties and the Additional Properties being charged with an aggregate Minimum Value equal to the outstanding principal amount of the Bonds, and/or at a time when the Permitted Investments have been acquired with the disposal proceeds or otherwise charged by the Borrower as security, the value of the proceeds of enforcement of the Underlying Security, together with such amounts, may be insufficient to enable the Issuer to pay its obligations under the Bonds in full.

The Issuer's ability to meet its obligations under the Bonds after enforcement under the Loan: Following default by the Borrower, the Security Trustee may enforce the Underlying Security and appoint a Receiver pursuant to its powers under the Fixed Charges and the Security Trust Deed.

The Issuer's ability to continue to pay principal and interest on the Bonds following default by the Borrower under the Loan is dependent upon the ability of the Issuer to receive from the Security Trustee pursuant to the collection of rental income or a disposal of the Underlying Security, sufficient funds to make such payment.

English law security and insolvency considerations: The Issuer will enter into the Issuer Security Deed and the Floating Charge Deed pursuant to which it will grant the Issuer Fixed Security and the Issuer Floating Security in respect of certain of its obligations, including its obligations under the Bonds. If certain insolvency proceedings are commenced in respect of the Issuer, the ability to realise the Issuer Fixed Security or the Issuer Floating Security may be delayed and/or the value of the Issuer Fixed Security or the Issuer Floating Security impaired.

In addition, it should be noted that, to the extent that the assets of the Issuer are subject only to a floating charge (including any fixed charge recharacterised by the courts as a floating charge), in certain circumstances under the Insolvency Act 1986, certain floating charge realisations which would otherwise be available to satisfy the claims of secured creditors under the Floating Charge Deed may be used to satisfy any claims of unsecured creditors. While certain of the covenants and undertakings given by the Issuer in the Transaction Documents are intended to ensure it has no significant creditors other than the Secured Parties, it will be a matter of fact as to whether the Issuer has any other such creditors at any time. There can be no assurance that the Bondholders will not be adversely affected by any such reduction in floating charge realisations upon the enforcement of the Issuer Floating Security.

While the transaction structure is designed to minimise the likelihood of the Issuer becoming insolvent, there can be no assurance that the Issuer will not become insolvent and/or the subject of insolvency proceedings and/or that the Bondholders would not be adversely affected by the application of insolvency laws (including English insolvency laws).

Fixed charges may take effect under English law as floating charges: Pursuant to the Issuer Security Deed, the Issuer has purported to grant fixed charges over, amongst other things, all rights and benefits under the Transaction Account, the Ongoing Cash Security Account and the Initial Cash Security Account. English law relating to the characterisation of fixed charges is unsettled. The fixed charges purported to be granted by the Issuer (other than assignment of security) may take effect under English law only as floating charges if, for example, it is determined that the Bond Trustee does not exert sufficient control over the charged assets for the security to be said to "fix" over those assets. If the charges take effect as floating charges instead of fixed charges, then the claims of the Bond Trustee will be subject to claims which are given priority over a floating charge by law, including, amongst other things, prior charges, certain subsequent charges, the expenses of any winding up or administration and the claims of preferential creditors.

Claims of Creditors of the Issuer other than Issuer Secured Creditors: Under English law, any creditor (who has not entered into non-petition clauses) would (save where an administrator has been appointed) be able to commence insolvency or winding up proceedings against the Issuer in respect of any unpaid debt with a value in excess of £750.

Mortgagee in Possession Liability: There is a risk that the Security Trustee may be deemed to be a mortgagee in possession if it physically enters into possession of a Mortgaged Property or performs an act of control or influence which may amount to possession, such as submitting a demand direct to tenants requiring them to pay rents to the Security Trustee. The consequence of being a mortgagee in possession would be that the Security Trustee may be obliged to account to the Borrower for the income obtained from the Mortgaged Property, be liable for any damage to the Mortgaged Property, have a limited liability to repair the Mortgaged Property and, in certain circumstances, be obliged to make improvements or incur financial liabilities in respect of the Mortgaged Property. A mortgagee in possession may also be liable to a tenant for any mis-management of the relevant property and may incur liabilities to third parties in nuisance and negligence and, under certain statutes (including environmental legislation), the liabilities of a property owner. Pursuant to the Security Trust Deed, the Issuer and the Borrower, respectively, are required to indemnify the Security Trustee against all liabilities and expenses suffered or incurred by it and pursuant to the Loan Agreement, the Borrower is required to indemnify the Issuer and the Security Trustee on demand against any loss or liability incurred in connection with the Loan Agreement. The obligation to indemnify the Security Trustee may mean that there is a shortfall in funds available to pay all amounts due and owing under the Bonds and/or the Loan Agreement.

Moratorium: There may be a moratorium on enforcement against the Issuer pursuant to the relevant provisions of the Insolvency Act 1986, if an administrator were to be appointed to the Issuer. This may limit or delay the Bond Trustee's or the Floating Charge Trustee's ability to enforce security against the Issuer under the Issuer Security Deed and the Floating Charge Trust Deed, respectively (and therefore, in turn, to direct the Issuer to enforce the security granted by the Borrower over the Mortgaged Properties), for so long as the Issuer remains subject to administration.

Risks Relating to the Market Generally

Potential limited liquidity: The Bonds may not have an established market when issued. There can be no assurance of a secondary market for the Bonds or the continued liquidity of such market if one develops. The development or continued liquidity of any secondary market for the Bonds will be affected by a number of factors such as the state of credit markets in general and the Borrower's creditworthiness, as well as other factors such as the time remaining to the maturity of the Bonds.

Global economic disruption: In addition, Bondholders should be aware of the prevailing and widely reported global credit market conditions (which continue at the date hereof), whereby there is a general lack of liquidity in the secondary market for instruments similar to the Bonds, concerns over the liquidity of major banks and building societies and the consequent effects on the general economy and the housing market. The Issuer cannot predict when these circumstances will change and, if and when they do, whether conditions of general market illiquidity for the Bonds and instruments similar to the Bonds will be available in the future.

Unsolicited ratings: The Issuer has not sought a rating of the Bonds as at the Issue Date. However, rating agencies could seek to rate the Bonds. Any such "unsolicited ratings" assigned to the Bonds by the rating agencies could have an adverse effect on the market value of the Bonds if it differs to any credit assessments by any investors or potential investors in the Bonds.

TERMS AND CONDITIONS

The following are the Conditions of the Bonds which will be endorsed on each Bond in definitive form (if issued).

The £50,000,000 3.509 per cent. Secured Bonds due 2048 (the "**Bonds**", which expression shall in these Conditions, unless the context otherwise requires, include any further bonds issued pursuant to Condition 19 *(Further Issues)* and forming a single series with the Bonds) of CHARM Finance plc (the "**Issuer**") are constituted by a bond trust deed (as modified and/or amended and/or supplemented and/or restated from time to time, the "**Bond Trust Deed**"") dated 12 April 2018 and made between the Issuer and Prudential Trustee Company Limited (the "**Bond Trustee**", which expression shall include any successor as Bond Trustee) as trustee for the holders of the Bonds from time to time (the "**Bondholders**""), the holders of principal receipts pertaining to the Bonds (the "**Receiptholders**"" and "**Receipts**"" respectively) and the holders of the interest coupons appertaining to the Bonds (the "**Couponholders**"" and the "**Coupons**"" respectively, which expressions shall, unless the context otherwise requires, include the talons for further interest coupons (the "**Talons**"") and the holders of the Talons).

The Bonds have the benefit of a paying agency agreement dated 12 April 2018 (as amended and/or supplemented and/or restated from time to time, the "**Agency Agreement**"") and made between the Issuer, the Bond Trustee, Elavon Financial Services DAC, UK Branch as principal paying agent (the "**Principal Paying Agent**"", which expression shall include any successor agent) and the other paying agents named therein (together with the Principal Paying Agent, the "**Paying Agents**"", which expression shall include any additional or successor paying agents and together with the Principal Paying Agent, the "**Agents**"").

Copies of the Bond Trust Deed, the Agency Agreement, the Loan Agreement, the Fixed Charges, the Accession Deed and the Security Trust Deed are available for inspection during normal business hours at the registered office for the time being of the Bond Trustee being at the date of the issue of the Bonds at Laurence Pountney Hill, London EC4R 0HH and at the specified office of each of the Paying Agents. The Bondholders, the Receiptholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Bond Trust Deed and the Agency Agreement. The statements in these Conditions include summaries of, and are subject to, the detailed provisions of and definitions in the Bond Trust Deed, which includes the form of the Bonds, and/or the Agency Agreement.

1 DEFINITIONS

Words and expressions defined in the Bond Trust Deed or the Agency Agreement shall have the same meanings where used in the Conditions unless the context otherwise requires or unless otherwise stated.

In these Conditions:

"**2015 Bonds**" means the £100,000,000 3.126 per cent. secured bonds of the Issuer due 2048;

"**2015 Issuer Floating Security**" means the floating security created by the Issuer in order to secure its obligations pursuant to the 2015 Bonds;

"**2015 Issuer Secured Creditors**" has the meaning given to it in the Floating Charge Trust Deed;

"**2015 Issuer Security Deed**" has the meaning given to it in the Floating Charge Trust Deed;

"**2018 Issuer Secured Creditors**" has the meaning given to it in the Floating Charge Trust Deed;

"**Accession Deed**" means the accession deed dated 12 April 2018 relating to the Security Trust Deed and made between the Issuer, the Borrower and the Security Trustee;

"**Account Agreement**" means the account agreement dated 12 April 2018 and made between the Issuer, the Bond Trustee and the Account Bank, as amended and/or supplemented and/or restated from time to time;

"**Account Bank**" means Elavon Financial Services DAC, UK Branch as account bank pursuant to the Account Agreement or any successor account bank appointed thereunder;

"**Accounting Profit**" means, in respect of each accounting period of the Issuer, the aggregate amount which the Issuer would be required to recognise for corporation tax purposes as profit in respect of its Permitted Investments and/or Retained Bonds as a result of (i) the movement in the fair value recognised in its accounts of such Permitted Investments and/or Retained Bonds for that accounting period and plus (ii) any further profit arising from the sale of Permitted Investments (ignoring, for this purpose, any Gift Aid Payment to be made pursuant to Loan Agreement);

"**Appointee**" means any attorney, manager, agent, delegate, nominee, custodian, receiver, co-trustee or other person appointed by the Bond Trustee, the Security Trustee or the Floating Charge Trustee under, or pursuant to, these Conditions, the Bond Trust Deed, the Security Trust Deed, the Issuer Security Deed or the Floating Charge Trust Deed;

"**Asset Cover Test**" has the meaning given to it in the Loan Agreement;

"**Benchmark Gilt**" has the meaning given to it in Condition 9.2;

"**Beneficiary**" has the meaning given to it in the Floating Charge Trust Deed;

"**Bondholder Specific Withholding**" means any withholding or deduction of Taxes which is required in respect of any payment in respect of any Bond, Receipt or Coupon:

(a) presented for payment by or on behalf of a holder who is liable to pay the Taxes in respect of the Bond, Receipt or Coupon by reason of his having some connection with the Relevant Jurisdiction other than the mere holding of the Bond, Receipt or Coupon; or

(b) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2014/107/EU or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(c) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Bond, Receipt or Coupon to another Paying Agent in a Member State of the European Union; or

(d) presented for payment more than 30 days after the Relevant Date except to the extent that a holder would have been entitled to additional amounts on presenting the same for payment on the last day of the period of 30 days assuming, whether or not such is in fact the case, that day to have been a Payment Day (as defined in Condition 8.5 (*Payment Day*));

"**Borrower**" means The Church of England Pensions Board;

"**Borrower Default**" has the meaning given to it in the Loan Agreement;

"**Borrower Group**" means the Borrower and any present or future, direct or indirect, Subsidiaries of the Borrower;

"**Business Day**" means, for the purposes of Condition 9 (*Redemption and Purchase*) and Condition 12 (*Events of Default and Enforcement*), a day (other than a Saturday, Sunday or public holiday) on which commercial banks are open for general business in London;

"**Cancelled Retained Proceeds**" means, in respect of any Bonds purchased by the Borrower or any other member of the Borrower Group which have been surrendered to the Issuer for cancellation (other than, for the avoidance of doubt, any cancellation of Retained Bonds by the Issuer), a portion of the Retained Proceeds corresponding to the amount of the Undrawn Commitment which has been cancelled, in accordance with the Loan Agreement, pursuant to the surrender for cancellation of such Bonds;

"**Charged Cash**" means, at any time, the aggregate of all amounts (whether representing proceeds of disposal or other moneys) standing to the credit of the Ongoing Cash Security Account and, to the extent invested in Permitted Investments in accordance with the Custody Agreement, such Permitted Investments and any income received by the Issuer in respect of such Permitted Investments, provided however that, for the purpose of determining the compliance of the Borrower with the Asset Cover Test, the value to be attributed to such Permitted Investments shall be the purchase price thereof;

"**Charitable Group Member**" means the Borrower and any charitable member of the Borrower Group which is connected with the Borrower for the purposes of section 939G of the Corporation Tax Act 2010;

"**Commitment**" has the meaning given to it in the Loan Agreement;

"**Compliance Certificate**" means a certificate, signed by two authorised signatories of the Borrower, substantially in the form contained in the Loan Agreement setting out, inter alia, calculations in respect of the Asset Cover Test and the Liquidity Covenant;

"**Custodian**" means Elavon Financial Services DAC, UK Branch as custodian pursuant to the Custody Agreement or any successor custodian appointed thereunder;

"**Custody Account**" means the account of the Issuer set up with the Custodian in respect of the Permitted Investments in accordance with the Custody Agreement;

"**Custody Agreement**" means the custody agreement dated 12 April 2018 and made between the Issuer, the Bond Trustee and the Custodian, as amended and/or supplemented and/or restated from time to time;

"**Event of Default**"" has the meaning given to it in Condition 12.1 (*Events of Default*);

"**Extraordinary Resolution**" means (i) a resolution passed at a meeting of Bondholders by a majority of not less than sixty per cent. of the votes cast or (ii) a Written Resolution;

"**Finance Documents**" means:

(a) the Loan Agreement;

(b) each Security Document; and

(c) any other document designated as such by the Issuer and the Borrower;

"**Fitch**" means Fitch Ratings Ltd or any successor thereto;

"**Fixed Charges**" means (a) the fixed charges dated 7 March 2012, 7 September 2016 and 22 December 2017 and made between the Borrower and the Security Trustee pursuant to which the Borrower provides security in respect of its obligations under the Loan Agreement and (b) any additional fixed charge entered into between the Borrower and the Security Trustee pursuant to which the Borrower provides security in respect of its obligations under the Loan Agreement;

"**Floating Charge Deed**" means the floating charge deed dated 12 April 2018 and entered into by the Issuer in favour of the Floating Charge Trustee, constituting the Issuer Floating Security;

"**Floating Charge Trust Deed**" means the floating charge trust deed dated 12 April 2018 and entered into between the Issuer, the Floating Charge Trustee, the Bond Trustee and the 2015 Bond Trustee which sets out the parties' agreement as regards the ranking of claims and the exercise of enforcement rights in respect of the 2015 Issuer Floating Security and the Issuer Floating Security.

"**Floating Charge Trustee**" means Prudential Trustee Company Limited;

"**Further Issuer Secured Creditors**" has the meaning given to it in the Floating Charge Trust Deed;

"**Further Issuer Security Deed**" has the meaning given to it in the Floating Charge Trust Deed;

"**Gift Aid Payment**" means a qualifying charitable donation for the purposes of Part 6 of the Corporation Tax Act 2010;

"**Incorporated Terms Memorandum**" means the incorporated terms memorandum dated 12 April 2018 and signed for the purposes of identification by, *inter alios*, the Issuer and the Bond Trustee;

"**Initial Cash Security Account**" means the account of the Issuer set up with the Account Bank in respect of the Retained Proceeds in accordance with the Account Agreement;

"**Instalment Redemption Date**" has the meaning given to it in Condition 9.1 (*Redemption in Instalments*);

"**Interest Payment Date**" has the meaning given to it in Condition 7.1 (*Interest Rate and Interest Payment D*ates);

"Issue Date" means the issue date of the Bonds, being 12 April 2018;

"**Issuer Charged Property**" has the meaning given to it in Condition 4 (*Security*);

"**Issuer Secured Creditors**" means each of the Bond Trustee and the Floating Charge Trustee in their own respective capacities and as trustees on behalf of those persons listed as entitled to payment in the Issuer Security Deed and the Floating Charge Deed, being the Bondholders, the Paying Agents, the Custodian, the Retained Bond Custodian, the Account Bank and any Receiver or Appointee appointed by the Bond Trustee or the Floating Charge Trustee;

"**Issuer Fixed Security**" has the meaning given to it in Condition 4 (*Security*);

"**Issuer Floating Security**" has the meaning given to it in Condition 4 (*Security*);

"**Issuer Security**" means the Issuer Fixed Security and the Issuer Floating Security, taken together;

"**Issuer Security Deed**" means the security deed dated 12 April 2018 and entered into by the Issuer in favour of the Bond Trustee, constituting the Issuer Fixed Security;

"**Liabilities**" means, in respect of any person, any losses, damages, costs, charges, awards, claims, demands, expenses, judgments, actions, proceedings, indemnity payments or other liabilities whatsoever including legal fees and any Taxes and penalties incurred by that person;

"**Liquidity Covenant**" has the meaning given to it in the Loan Agreement;

"**Loan**" means the loan made by the Issuer to the Borrower pursuant to the terms of the Loan Agreement;

"**Loan Agreement**" means the bond loan agreement dated 12 April 2018 and made between the Issuer, the Borrower and the Security Trustee;

"**Loan Payment Day**" means a day on which principal or interest in respect of the Loan is due and payable by the Borrower to the Issuer in accordance with the terms of the Loan Agreement;

"**Majority Bondholder Representative**" means the person notified on the Issue Date to the Issuer and the Bond Trustee as the representative of the holders of more than 50 per cent. of the outstanding principal amount of the Bonds, or such other person (if any) as may be appointed by the holders of more than 50 per cent. of the outstanding principal amount of the Bonds from time to time and notified in writing to the Bond Trustee and the Issuer;

"**Maturity Date**" means 12 April 2048, being the final Instalment Redemption Date;

"**Moody's**" means Moody's Investors Service Limited or any successor thereto;

"**Ongoing Cash Security Account**" means the account of the Issuer set up with the Account Bank in respect of any Charged Cash in accordance with the Account Agreement;

"**outstanding principal amount**" means, in respect of each outstanding Bond, its principal amount which remains outstanding as reduced from time to time pursuant to Condition 9.1 (*Redemption in Instalments*), Clause 9.2 (*Early Redemption*), Clause 9.3 (*Early Redemption for Tax Reasons*), Clause 9.4 (*Mandatory Early Redemption*) and Clause 9.7 (*Purchase of Bonds by the Borrower or members of the Borrower Group*);

"**Permitted Investments**" means one or more of the following obligations or securities (including, without limitation, any investments for which the Custodian or an affiliate provides services):

(a) money market funds with a long term issuer credit rating of not less than "AAAm" from S&P and "Aaa-mf" from Moody's;

(b) direct obligations of the United Kingdom or of any agency or instrumentality of the United Kingdom which are guaranteed by the United Kingdom;

(c) demand and time deposits in, certificates of deposit of and bankers' acceptances issued by any depositary institution or trust company with a maturity of no more than 360 days subject to a long term debt or issuer (as applicable) credit rating of not less than "A" from S&P and "Aa3" from Moody's or a short term debt or issuer (as applicable) credit rating of not less than "A-1" from S&P and "P-1" from Moody's (or, in each case, any other equivalent rating given by a credit rating agency registered under the CRA Regulation (an "**Equivalent Rating**"));

(d) securities bearing interest or sold at a discount to the face amount thereof issued by any corporation having a long term credit rating of not less than "AA" from S&P and "Aa2" from Moody's (or, in each case, an Equivalent Rating); and

(e) commercial paper or other short-term obligations which, inter alia, have a short term credit rating of not less than "A-1" from S&P and "P-1" from Moody's (or, in each case, an Equivalent Rating),

provided that, in the case of (b) to (e) above, such investment shall be an investment which is an obligation of the United Kingdom or a company incorporated in the United Kingdom, and in all cases (i) such investment shall be an investment which is denominated in Sterling and (ii) such investment shall have a maturity which is not later than five years from the date of purchase;

"**Permitted Investment Profit**" means, in respect of any sale of Permitted Investments, the amount of any net profits or gains arising from such sale which are within the charge to corporation tax (if any);

"**Potential Event of Default**" means any act, event or circumstance which with the expiry of a grace period, the giving of notice, determination of materiality or other determination would constitute an Event of Default;

"**Proceeds**" has the meaning given to it in the Floating Charge Trust Deed;

"Relevant Date" means, in respect of any payment, the date on which the payment first becomes due but, if the full amount of the money payable has not been received by the Principal Paying Agent or the Bond Trustee on or before the due date, it means the date on which, the full amount of the money having been so received, notice to that effect has been duly given to the Bondholders in accordance with Condition 15 (*Notices*);

"**Relevant Jurisdiction**" means the United Kingdom or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer becomes subject in respect of payments made by it of principal and interest on the Bonds, Receipts or Coupons;

"**Reserved Matter**" means any proposal:

(a) to change any date fixed for payment of principal or interest in respect of the Bonds, to reduce the amount of principal or interest payable on any date in respect of the Bonds or to alter the method of calculating the amount of any payment in respect of the Bonds on redemption or maturity or the date for any such payment;

(b) to effect the exchange, conversion or substitution of the Bonds for, or the conversion of the Bonds into, shares, bonds or other obligations or securities of the Issuer or any other person body corporate formed or to be formed (other than as permitted under Clause 19 of the Bond Trust Deed);

(c) to change the currency in which amounts due in respect of the Bonds are payable;

(d) to change the quorum required at any Meeting or the majority required to pass an Extraordinary Resolution; or

(e) to amend this definition;

"**Retained Bond Custodian**" means Elavon Financial Services DAC, UK Branch as custodian pursuant to the Retained Bond Custody Agreement or any successor custodian appointed thereunder;

"**Retained Bond Custody Agreement**" means the custody agreement relating to the Retained Bonds dated 12 April 2018 and made between the Issuer, the Bond Trustee and the Retained Bond Custodian, as amended and/or supplemented and/or restated from time to time;

"**Retained Bond Premium Amount**" means, in respect of any sale by the Issuer of Retained Bonds, the amount of any net profits or gains arising from such sale which are within the charge to corporation tax (if any);

"Retained Bonds" means £20,000,000 in principal amount of the Bonds purchased by the Issuer on the Issue Date;

"**Retained Proceeds**" means, at any time, (a) an amount of the net issue proceeds of the Bonds (other than the Retained Bonds) which have not been advanced to the Borrower pursuant to the Loan Agreement at such time (if any) plus (b) an amount of the net sale proceeds of the Retained Bonds (less any Retained Bond Premium Amount) which are not advanced to the Borrower pursuant to the Loan Agreement immediately following receipt thereof by the Issuer and have not subsequently been advanced to the Borrower (if any);

"**Security Documents**" means (a) the Fixed Charges, (b) the Accession Deed, (c) the Security Trust Deed and (d) any other document creating, evidencing or granting any guarantee or security in support of the obligations of the Borrower under the Finance Documents;

"**Security Trust Deed**" means the Security Trust Deed dated 29 June 2010 (as may be amended and/or supplemented and/or restated from time to time);

"**Security Trustee**" means Prudential Trustee Company Limited as security trustee under the Security Trust Deed for, *inter alios*, the Issuer or any successor security trustee appointed thereunder;

"**Subsidiary**" has the meaning given to that term in section 1159 of the Companies Act 2006;

"**S&P**" means Standard & Poor's Ratings Services or any successor thereto;

"**Taxes**"" has the meaning given to it in Condition 10.1 (*Payments without withholding*);

"**Transaction Account**" means the account of the Issuer set up with the Account Bank in respect of the Bonds in accordance with the Account Agreement;

"**Transaction Documents**" means the Loan Agreement, the Bond Trust Deed, the Issuer Security Deed, the Accession Deed, the Security Trust Deed, the Agency Agreement, the Account Agreement, the Custody Agreement, the Incorporated Terms Memorandum and the Retained Bond Custody Agreement;

"**Transaction Parties**" means any person who is party to a Transaction Document;

"**UK Government Gilt**" means Sterling denominated gilts or stock issued by or on behalf of Her Majesty's Treasury;

"**Undrawn Commitment**" means, at any time, the Commitment which has not been advanced to the Borrower or previously cancelled pursuant to the Loan Agreement;

"**Valuation**" has the meaning given to it in the Loan Agreement; and

"**Valuer**" has the meaning given to it in the Loan Agreement;

"**Written Resolution**" means a resolution in writing signed by or on behalf of all holders of not less than 60 per cent. in principal amount of the Bonds for the time being outstanding whether contained in one document or several documents in the same form, each signed by or on behalf of one or more such holders of the Bonds.

2 FORM, DENOMINATION AND TITLE

The Bonds are in bearer form, serially numbered, in the denomination of £100,000 and integral multiples of £1,000 in excess thereof up to and including £199,000, with Coupons, Receipts and Talons attached on issue. No Bonds will be issued with a denomination above £199,000.

Title to the Bonds, Receipts and Coupons will pass by delivery. The Issuer, any Paying Agent and the Bond Trustee will (except as otherwise required by law) deem and treat the bearer of any Bond, Receipt or Coupon as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes.

3 STATUS

The Bonds and Coupons are direct obligations of the Issuer, secured in the manner set out in Condition 4 (*Security*), and rank *pari passu* without preference or priority amongst themselves.

4 SECURITY

The Issuer's obligations in respect of the Bonds are secured (subject as provided in these Conditions and the Issuer Security Deed) pursuant to the Issuer Security Deed in favour of the Bond Trustee for the benefit of itself and the Bondholders and the other Issuer Secured Creditors as follows:

(a) by an assignment by way of first fixed security of the Issuer's rights, title and interest arising under the Loan Agreement, the Security Trust Deed, the Accession Deed, the Fixed Charges, the Agency Agreement, the Bond Trust Deed, the Custody Agreement and the Account Agreement;

(b) by a charge by way of first fixed charge over all moneys and/or securities from time to time standing to the credit of the Transaction Account, the Ongoing Cash Security Account, the Initial Cash Security Account and the Custody Account and all debts represented thereby; and

(c) a charge by way of first fixed charge over the Paying Agents' obligations to repay all sums held from time to time by the Paying Agents for the payment of principal or interest in respect of the Bonds and not otherwise claimed.

The property charged and assigned pursuant to the Issuer Security Deed listed in (a) to (c) above, together with any other property or assets held by and/or assigned to the Bond Trustee and/or any deed or document supplemental thereto, is referred to herein as the "**Issuer Charged Property**" and the security created thereby, the "**Issuer Fixed Security**".

In addition, the Issuer has entered into the Floating Charge Deed in order to supplement the Issuer Security Deed. Pursuant to the Floating Charge Deed, the Issuer has charged, in favour of the Floating Charge Trustee for itself and to hold on trust for, amongst others, the 2015 Issuer Secured Creditors, the 2018 Issuer Secured Creditors and the Further Issuer Secured Creditors by way of first floating charge the whole of its undertaking and all of its property, assets, present and future (including without limitation, its uncalled capital) (the "**Issuer Floating Security**" and, together with the Issuer Fixed Security, the "**Issuer Security**").

The Issuer Security shall become enforceable:

(i) upon the delivery of an Acceleration Notice in accordance with Condition 12 (*Events of Default and Enforcement*); or

(ii) if a person who is entitled to do so presents an application to the court for the appointment of an administrator of the Issuer, gives notice of intention to appoint an administrator of the Issuer or files such notice with the court.

5 ORDER OF PAYMENTS

5.1 Pre-enforcement

Prior to the enforcement of the Issuer Security, the Issuer shall apply the monies standing to the credit of the Transaction Account on each Interest Payment Date and such other dates on which a payment is due in respect of the Bonds in the following order of priority (the "**Pre-enforcement Priority of Payment**"):

(a) first, in payment of any taxes due and owing by the Issuer to any taxing authority (insofar as they relate to the Bonds);

(b) second, in payment of any Liabilities incurred by the Bond Trustee, the Floating Charge Trustee and any Appointee (including remuneration payable to it and any Appointee) in carrying out its functions under the Bond Trust Deed, the Issuer Security Deed, the Floating Charge Deed or the Floating Charge Trust Deed;

(c) third, in payment of any Liabilities of the Issuer owing to the Agents under the Agency Agreement, the Account Bank under the Account Agreement, the Custodian under the Custody Agreement and the Retained Bond Custodian under the Retained Bond Custody Agreement on a pro rata and *pari passu* basis;

(d) fourth, in payment of any other Liabilities of the Issuer (in so far as they relate to the Bonds) on a pro rata and *pari passu* basis;

(e) fifth, in payment, on a pro rata and *pari passu* basis, to the Bondholders of any interest due and payable in respect of the Bonds;

(f) sixth, in payment, on a pro rata and *pari passu* basis, to the Bondholders of any principal due and payable in respect of the Bonds;

(g) seventh, in payment to the Borrower of any amounts due and payable under the terms of the Loan Agreement; and

(h) eighth, in payment of any Permitted Investment Profit, Accounting Profit or Retained Bond Premium Amount, as the case may be, to any Charitable Group Member.

5.2 **Post-enforcement**

5.2.1 **Issuer Fixed Security**

Following the enforcement of the Issuer Fixed Security, all moneys standing to the credit of the Transaction Account, the Ongoing Cash Security Account and the Initial Cash Security Account and the net proceeds of enforcement of the Issuer Fixed Security shall be applied in the following order of priority (the "**Post-enforcement Fixed Security Priority of Payment**"):

(a) *first*, in payment or satisfaction of the Liabilities incurred by the Bond Trustee, the Floating Charge Trustee or any Receiver or Appointee in preparing and executing the trusts under the Bond Trust Deed, the Floating Charge Trust Deed and the Issuer Security Deed (including the costs of realising any Issuer Security and the Bond Trustee's, the Floating Charge Trustee's and such Appointee's remuneration);

(b) *second*, in payment of all amounts owing to the Agents under the Agency Agreement, the Account Bank under the Account Agreement, the Custodian under the Custody Agreement and the Retained Bond Custodian under the Retained Bond Custody Agreement on a pro rata and *pari passu* basis;

(c) *third*, in payment, on a pro rata and *pari passu* basis, to the Bondholders of any interest due and payable in respect of the Bonds;

(d) *fourth*, in payment, on a pro rata and *pari passu* basis, to the Bondholders of any principal due and payable in respect of the Bonds;

(e) *fifth*, in payment of any other Liabilities of the Issuer (in each case insofar as they relate to the Bonds) on a pro rata and *pari passu* basis;

(f) *sixth*, in payment of any taxes due and owing by the Issuer to any taxing authority;

(g) *seventh*, in payment, to the Borrower of any amounts due and payable under the terms of the Loan Agreement; and

(h) *eighth*, in payment of any Permitted Investment Profit, Accounting Profit or Retained Bond Premium Amount, as the case may be, to any Charitable Group Member.

5.2.2 **2015 Issuer Floating Security and Issuer Floating Security**

The Floating Charge Trustee shall, upon the enforcement of any of the security constituted by either the 2015 Issuer Floating Security or the Issuer Floating Security, and after satisfying claims which at law rank in priority to the sums owing to any Beneficiaries, apply all Proceeds from the 2015 Issuer Floating Security and/or the Issuer Floating Security (only in respect of the Floating Charge Assets, for so long as the security created pursuant to clause 4.1 of the 2015 Issuer Security Deed, clause 4.1 of the Issuer Security Deed and any comparable provision of any Further Issuer Security Deed continues to exist) and all monies derived therefrom in the following order of priority:

(a) *first*, in or towards payment pro rata of all remuneration, costs, charges, expenses and liabilities (and all interest thereon as provided in the Floating Charge Trust Deed) incurred by or on behalf of the Floating Charge Trustee and any receiver, attorney or agent in connection with the due performance of its duties and exercise of its powers and discretions under the Floating Charge Trust Deed and either Floating Charge;

(b) *second*, the proceeds from 2015 Issuer Floating Security and/or the Issuer Floating Security and monies derived therefrom shall be apportioned pro rata between the Beneficiaries by reference to the proportion which the Liabilities owed to each Beneficiary bear to the aggregate Liabilities owed to all Beneficiaries at the time of such application; and

(c) *third*, if each Instructing Party has confirmed in writing to the Floating Charge Trustee that there are no Secured Amounts outstanding in relation to the Transaction Documents (as defined in the Floating Charge Trust Deed) and Bonds (as defined in the Floating Charge Trust Deed) in respect of which transaction they act as Instructing Party, then the Floating Charge Trustee shall pay any surplus of the Proceeds to the Issuer.

6 **COVENANTS**

6.1 **General Covenants**

In addition to the covenants of the Issuer set out in the Bond Trust Deed, for so long as any of the Bonds remain outstanding, the Issuer covenants that it will not, without the consent in writing of the Bond Trustee, engage in any activity or do anything other than:

(a) carry out the business of a company which has as its purpose raising finance and on-lending such finance for the benefit of the Borrower (including, without limitation, as envisaged by the Transaction Documents); and

(b) perform any act incidental to or necessary in connection with (a) above.

The Issuer also covenants, for so long as any of the Bonds remain outstanding, not to create or permit to subsist, over any of the security constituted by or created pursuant to the Issuer Security Deed, any mortgage or charge or any other security interest ranking in priority to, or *pari passu* with, the security created by or pursuant to the Issuer Security Deed, save as expressly permitted therein.

6.2 **Information Covenants**

For so long as any of the Bonds remain outstanding, the Issuer shall:

(a) send to the Bond Trustee and, upon request by any Bondholder to the Issuer, make available to such Bondholder at the Issuer's registered office during normal business hours, a copy of (i) the quarterly management accounts of the Borrower, (ii) the annual budget of the Borrower and (iii) the business plan of the Borrower, in each case promptly upon receipt of the same from the Borrower pursuant to the terms of the Loan Agreement;

(b) send to the Bond Trustee and the Majority Bondholder Representative and, upon request by any Bondholder to the Issuer, make available to such Bondholder at the Issuer's registered office during normal business hours, (i) a copy of the audited financial statements of the Issuer promptly upon publication of the same by the Issuer, (ii) a copy of the audited financial statements of the Borrower promptly upon publication of the same by the Borrower, and (iii) the Compliance Certificates (and any Valuation(s) delivered to the Issuer in respect of such Compliance Certificates); and

(c) at the request of Bondholders holding not less than 33 per cent. in principal amount of the Bonds for the time being outstanding, convene a meeting of the Bondholders to discuss the financial position of the Issuer and the Borrower Group, provided, however, that the Issuer shall not be required to convene any such meeting pursuant to this Condition 6.2(c) more than twice in any calendar year. Upon the request of Bondholders to convene any such meeting, as aforesaid, the Issuer shall notify all Bondholders of the date (which such date shall be no more than 21 days following such request), time and place of the meeting in accordance with Condition 15 (*Notices*). The Issuer shall act in good faith in addressing any questions regarding the financial position of itself or any other member of the Borrower Group raised at any such meeting, provided, however, that the Issuer shall not be obliged to disclose any information which it, in its absolute discretion, considers to be of a confidential nature. For the avoidance of doubt, the provisions of this Condition 6.2(c) are in addition to the meetings provisions set out in Condition 17 (*Meetings of Bondholders, Modification and Waiver*).

6.3 **Loan Agreement, Fixed Charges and Security Trust Deed Consents Covenant**

For so long as any of the Bonds remain outstanding, the Issuer covenants that it shall not consent to any waiver, amendment or modification of, or take any action or direct the Security Trustee to take any action pursuant to, the Loan Agreement, the Fixed Charges, the Accession Deed or the Security Trust Deed except with the prior written consent of the Bond Trustee. The Bond Trustee may seek the consent of the Bondholders in accordance with the Bond Trust Deed prior to giving any such consent.

7 INTEREST

7.1 Interest Rate and Interest Payment Dates

The Bonds shall bear interest on their outstanding principal amount from (and including) the Issue Date at the rate of 3.509 per cent. per annum, payable semi-annually in arrear on 12 May and 12 November in each year, commencing on 12 May 2018 (each, an "**Interest Payment Date**"). Interest will accrue from and including one Interest Payment Date (or, in the case of the first Interest Period, the Issue Date), to but excluding the next Interest Payment Date (or, in case of the final Interest Period, the Maturity Date).

7.2 Interest Accrual

Each Bond will cease to bear interest from (and including) its due date for redemption unless, upon due presentation, payment of the principal in respect of the Bond is improperly withheld or refused or unless default is otherwise made in respect of payment, in which event interest shall continue to accrue as provided in the Bond Trust Deed.

7.3 Calculation of Broken Interest

When interest is required to be calculated in respect of a period of less than a full half year, it shall be calculated on the basis of (a) the actual number of days in the period from (and including) the date from which interest begins to accrue (the "**Accrual Date**") to (but excluding) the date on which it falls due divided by (b) the actual number of days from and including the Accrual Date to (but excluding) the next following Interest Payment Date multiplied by 2, and multiplying this by the rate of interest specified in Condition 7.1 above and the relevant outstanding principal amount of the Bonds.

8 PAYMENTS

8.1 Payments in respect of Bonds, Receipts and Coupons

Payments of principal and interest in respect of each Bond will be made against presentation and surrender (or, in the case of part payment only, endorsement) of the Bond, except that payments of interest on an Interest Payment Date will be made against presentation and surrender (or in the case of part payment only, endorsement) of the relevant Coupon, in each case at the specified office outside the United States of any of the Paying Agents.

Payments of instalments of principal on an Instalment Redemption Date (other than the Instalment Redemption Date falling on the Maturity Date) will be made against presentation and surrender (or, in the case of part payment only, endorsement) of the relevant Receipt, in each case at the specified office outside the United States of any of the Paying Agents. Each Receipt must be presented for payment together with the Bond to which it appertains. Receipts presented without the Bond to which they appertain do not constitute valid obligations of the Issuer.

8.2 **Method of Payment**

Payments will be made by bank transfer to an account in Sterling maintained by the payee.

8.3 **Missing Unmatured Receipts or Coupons**

Each Bond should be presented for payment together with all relative unmatured Receipts or Coupons (which expression shall, for the avoidance of doubt, include Receipts or Coupons falling to be issued on exchange of matured Talons), failing which the full amount of any relative missing unmatured Receipt or Coupon (or, in the case of payment not being made in full, that proportion of the full amount of the missing unmatured Receipt or Coupon which the amount so paid bears to the total amount due) will be deducted from the amount due for payment. Each amount so deducted will be paid in the manner mentioned above against presentation and surrender (or, in the case of part payment only, endorsement) of the relative missing Receipt or Coupon at any time before the expiry of 10 years after the Relevant Date in respect of the relevant Bond or Receipt (whether or not the Coupon would otherwise have become void pursuant to Condition 11 (*Prescription*)) or, if later, five years after the date on which the Coupon would have become due, but not thereafter.

8.4 **Payments subject to Applicable Laws**

Payments in respect of principal and interest on the Bonds are subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment.

8.5 **Payment Day**

If the date for payment of any amount in respect of any Bond, Receipt or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay.

For these purposes, "**Payment Day**" means any day which (subject to Condition 11 (*Prescription*)):

(a) is, or falls after, the relevant due date;

(b) is, or falls at least one Business Day after, the corresponding Loan Payment Day;

(c) is a Business Day in the place of the specified office of the Paying Agent at which the Bond, Receipt or Coupon is presented for payment; and

(d) in the case of payment by a credit or transfer to a Sterling account in London as referred to above, is a Business Day in London.

In this Condition, "**Business Day**" means, in relation to any place, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in that place.

8.6 **Initial Agents**

The names of the initial Paying Agents and their initial specified offices are set out at the end of these Conditions. The Issuer reserves the right, subject to the prior written approval of the Bond Trustee, at any time to vary or terminate the appointment of any Paying Agent and to appoint additional or other Agents provided that:

(a) there will at all times be a Principal Paying Agent; and

(b) there will at all times be at least one Paying Agent (which may be the Principal Paying Agent) having its specified office in a European city which, so long as the Bonds are admitted to official listing on the London Stock Exchange, shall be London or such other place as the Financial Conduct Authority may approve;

Notice of any termination or appointment and of any changes in specified offices will be given to the Bondholders promptly by the Issuer in accordance with Condition 15 *(Notices)*.

In acting under the Agency Agreement, the Agents act solely as agents of the Issuer and, in certain circumstances specified therein, of the Bond Trustee and do not assume any obligation to, or relationship of agency or trust with, any Bondholders, Receiptholders or Couponholders. The Agency Agreement contains provisions permitting any entity into which any Paying Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor paying agent.

8.7 **Interpretation of principal and interest**

Any reference in these Conditions to principal in respect of the Bonds shall be deemed to include, as applicable:

(a) any additional amounts which may be payable with respect to principal under Condition 10 (*Taxation*); and

(b) any specific redemption price referred to in Condition 9 (*Redemption and Purchase*) which may be payable by the Issuer under or in respect of the Bonds.

Any reference in these Conditions to interest in respect of the Bonds shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 10 (*Taxation*).

9 **REDEMPTION AND PURCHASE**

9.1 **Redemption in Instalments**

Unless previously redeemed, or purchased and cancelled as specified in these Conditions, the Bonds will be redeemed by the Issuer in three instalments (each a "**Redemption Instalment**") as follows:

(a) £333 per £1,000 in outstanding principal amount on the Interest Payment Date falling in 12 November 2044;

(b) £333 per £1,000 in outstanding principal amount on the Interest Payment Date falling in 12 November 2046; and

(c) £334 per £1,000 in outstanding principal amount on the Maturity Date,

(each an "**Instalment Redemption Date**").

9.2 **Early Redemption**

If, in accordance with the Loan Agreement, the Borrower elects to prepay the Loan in whole or in part prior to the repayment date specified in the Loan Agreement and cancels all or a part of the corresponding amount of the Commitment, then the Issuer shall redeem the Bonds in an aggregate outstanding principal amount equal to the principal amount of the Commitment so cancelled, on the date which is two Business Days after that on which payment is made by the Borrower under the Loan Agreement (the "**Loan Prepayment Date**").

Redemption of the Bonds pursuant to this Condition 9.2 shall be made at the higher of the following:

(a) the outstanding principal amount; and

(b) the amount (as calculated by a financial adviser nominated by the Issuer and approved by the Bond Trustee (the "**Nominated Financial Adviser**") and reported in writing to the Issuer and the Bond Trustee) calculated by discounting the remaining principal and interest payments on the Bonds following the date fixed for early redemption at a rate equal to the sum of (i) the Gross Redemption Yield on the relevant Benchmark Gilt as at 3:00 pm (London time) on the Determination Date, and (ii) 0.50 per cent.,

together with any interest accrued up to (but excluding) the Loan Prepayment Date.

For the purposes of this Condition:

"**Benchmark Gilt**" means the conventional (i.e. not index-linked) UK Government Gilt as the Issuer (with the advice of the Nominated Financial Adviser) may determine (failing such determination, as determined by the Bond Trustee, acting solely on the advice of the Nominated Financial Adviser and without any liability for so doing) to be the benchmark conventional UK Government Gilt having the nearest average maturity to that of the Bonds;

"**Determination Date**" means three Business Days prior to the Loan Prepayment Date; and

"**Gross Redemption Yield**" means a yield calculated by the Nominated Financial Adviser on the basis set out by the United Kingdom Debt Management Office in the paper "Formulae for Calculating Gilt Prices from Yields" " page 5, Section One: Price/Yield Formulae (Conventional Gilts; Double-dated and Undated Gilts with Assumed (or actual) Redemption on a Quasi-Coupon Date) (published on 8 June 1998 and updated on 15 January 2002 and 16 March 2005) (as amended or supplemented from time to time).

9.3 **Early Redemption for Tax Reasons**

If, as a result of any actual or proposed change in tax law, the Issuer determines (in its reasonable commercial judgement), and certifies to the Bond Trustee, that it would, on the next following Interest Payment Date, be required to make a withholding or deduction in respect of payments to be made on such Interest Payment Date (other than in respect of a Bondholder Specific Withholding) and the

Issuer does not opt to pay additional amounts pursuant to Condition 10.2 (*No obligation to pay additional amounts*) or, having so opted, notifies the Bond Trustee and the Bondholders, in accordance with Condition 15 (*Notices*), of its intention to cease paying such additional amounts, the Issuer shall redeem the Bonds in whole, but not in part, at their outstanding principal amount, plus accrued interest to (but excluding) the date of redemption, as soon as reasonably practicable prior to the next following Interest Payment Date or, if it is not reasonably practicable for the Issuer to redeem the Bonds prior to the next following Interest Payment Date, within three Business Days thereafter. For the avoidance of doubt, any amounts in respect of accrued interest which fall due on any such redemption of the Bonds (and, where the redemption follows the next following Interest Payment Date, such Interest Payment Date) shall be paid subject to the required withholding or deduction and the Issuer shall not be obliged to pay any additional amounts in respect thereof.

9.4 **Mandatory Early Redemption**

If the Loan becomes repayable as a result of a Borrower Default, then the Issuer shall redeem the Bonds in full at their outstanding principal amount, plus accrued interest to (but excluding) the date on which the Loan is repaid (the "**Loan Repayment Date**"), on the date which is two Business Days after the Loan Repayment Date.

9.5 **Notice of Early Redemption**

Notice of any early redemption in accordance with Condition 9.2 (*Early Redemption*) or Condition 9.3 (*Early Redemption for Tax Reasons*) above shall be given by the Issuer to the Bond Trustee, the Paying Agents and the Bondholders, in accordance with Condition 15 (*Notices*), not more than 60 nor less than 30 days' prior to the date fixed for early redemption. Notice of any early redemption in accordance with Condition 9.4 (*Mandatory Early Redemption*) shall be given by the Issuer to the Bond Trustee, the Paying Agents and the Bondholders in accordance with Condition 15 (*Notices*) as promptly as practicable.

In the case of a partial redemption of Bonds, Bonds to be redeemed will be selected in such place as the Bond Trustee may approve and in such manner and at such time as the Bond Trustee may deem appropriate and fair, subject to compliance with applicable law and the rules of each listing authority or stock exchange (if any) by which the Bonds have been admitted to listing and/or trading. Notice of any such selection will be given by the Issuer to the Bondholders as promptly as practicable. Each notice will specify the date fixed for redemption, the early redemption amount and the aggregate outstanding principal amount of the Bonds to be redeemed, the serial numbers of the Bonds called for redemption, the serial numbers of Bonds previously called for redemption and not presented for payment and the aggregate outstanding principal amount of the Bonds which will be outstanding after the partial redemption.

9.6 **Calculations**

Each calculation, by or on behalf of the Issuer, for the purposes of this Condition 9 shall, in the absence of manifest error, be final and binding on all persons. If the Issuer does not at any time for any reason calculate amounts referred to in this Condition 9, such amounts may be calculated by the Bond Trustee, or an agent appointed (at the expense of the Issuer) by the Bond Trustee for this purpose, (without any liability accruing to the Bond Trustee as a result) based on information supplied to it by the Issuer and each such calculation shall be deemed to have been made by the Issuer.

9.7 **Purchase of Bonds by the Borrower or members of the Borrower Group**

The Borrower and any other member of the Borrower Group may at any time purchase Bonds in the open market or otherwise at any price. Following any such purchase the Borrower or such member of the Borrower Group, as the case may be, may (but is not obliged to) surrender the Bonds to the Issuer for cancellation. An amount equal to the outstanding principal amount of the Bonds being surrendered shall be deemed to be prepaid under the Loan Agreement (but, for the avoidance of doubt, without triggering a redemption under Condition 9.2 (*Early Redemption*)) or, to the extent that the Loan is not then outstanding, an amount of the Undrawn Commitment equal to the outstanding principal amount of the Bonds surrendered shall be deemed to be cancelled for the purposes of the Loan Agreement and an amount of Retained Proceeds equal to the Cancelled Retained Proceeds shall be paid by the Issuer to the Borrower or such member of the Borrower Group, as the case may be.

9.8 **Purchase of Bonds by the Issuer**

The Issuer shall purchase the Retained Bonds on the Issue Date and may at any time purchase Bonds in the open market or otherwise at any price.

9.9 **Cancellation of purchased or redeemed Bonds**

All Bonds redeemed by the Issuer pursuant to Condition 9.2 (*Early Redemption*), Condition 9.3 (*Early Redemption for Tax Reasons*) or Condition 9.4 (*Mandatory Early Redemption*) or surrendered to the Issuer for cancellation pursuant to Condition 9.7 (*Purchase of Bonds by the Borrower or members of the Borrower Group*) shall be cancelled and may not be re-issued or resold.

The Issuer (a) may cancel any Retained Bonds held by it or on its behalf following a request by the Borrower, pursuant to the Loan Agreement, to cancel a corresponding amount of the Undrawn Commitment; (b) shall cancel all Retained Bonds held by or on behalf of the Issuer (i) immediately prior to such Retained Bonds being redeemed on the Maturity Date; and (ii) forthwith upon notice that the Bonds are to be redeemed (and, in any event, prior to such redemption) in accordance with Condition 9.3 (*Early Redemption for Tax Reasons*), Condition 12 (*Events of Default and Enforcement*) or Condition 9.4 (*Mandatory Early Redemption*); and (c) may cancel any Bonds (other than Retained Bonds) held by it or on its behalf at any time at its discretion.

10 **TAXATION**

10.1 **Payments without withholding**

All payments of principal and interest in respect of the Bonds, Receipts and Coupons by or on behalf of the Issuer shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature ("**Taxes**") imposed or levied by or on behalf of the Relevant Jurisdiction, unless such withholding or deduction is required by law in which case the relevant payment will be made subject to such withholding or deduction.

10.2 **No obligation to pay additional amounts**

Neither the Issuer (subject as follows), the Bond Trustee nor any Paying Agent shall be obliged to pay any additional amounts to the Bondholders, Receiptholders or Couponholders as a result of any withholding or deduction made in accordance with Condition 10.1 (*Payments without withholding*).

Notwithstanding the foregoing, in the event that the Issuer would, on the next Interest Payment Date, be required to make a withholding or deduction in respect of tax (other than in respect of a Bondholder Specific Withholding), the Issuer may, provided that it has given notice to the Bond Trustee and the Bondholders, in accordance with Condition 15 (*Notices*), of its intention to do so prior to such Interest Payment Date, pay to Bondholders such additional amounts as may be necessary in order that the net amounts received by the Bondholders after such withholding or deduction will equal the amounts of principal and interest which would have been received in respect of the Bonds in the absence of such withholding or deduction. If at any time the Issuer intends to cease paying such additional amounts it may do so by giving notice to the Bondholders and the Bond Trustee of its intention to do so with effect from the next Interest Payment Date.

11 PRESCRIPTION

The Bonds and Coupons will become void unless presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 8 (*Payments*) or any Talon which would be void pursuant to Condition 8 (*Payments*).

12 EVENTS OF DEFAULT AND ENFORCEMENT

12.1 Events of Default

The Bond Trustee at its discretion may, and if so directed in writing by the holders of at least one-half in outstanding principal amount of the Bonds then outstanding or by the Majority Bondholder Representative, or if so directed by an Extraordinary Resolution shall (subject in each case to being secured and/or indemnified and/or pre-funded to its satisfaction), (but in the case of the happening of any of the events described in Conditions 12.1(b), (c) or (i) below, only if the Bond Trustee shall have certified in writing to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the Bondholders), give notice in writing to the Issuer (an "**Acceleration Notice**") that the Bonds are, and the Bonds shall thereupon immediately become, due and repayable at their outstanding principal amount together with accrued interest as provided in the Bond Trust Deed if any of the following events (each an "**Event of Default**") shall occur:

(a) if default is made in the payment of any principal or interest due in respect of the Bonds or any of them and the default continues for a period of seven Business Days in the case of principal and fourteen Business Days in the case of interest; or

(b) if the Issuer fails to perform or observe any of its other obligations under, or in respect of, the Conditions, the Bond Trust Deed, the Issuer Security Deed, the Floating Charge Deed or the Floating Charge Trust Deed or if any representation given by the Issuer to the Bond Trustee in the Bond Trust Deed or the Issuer Security Deed or to the Floating Charge Trustee in the Floating Charge Deed and the Floating Charge Trust Deed is found to be untrue, incorrect or misleading as at the time it was given and (except in any case where, in the opinion of the Bond Trustee, the failure or inaccuracy is incapable of remedy when no such continuation or notice as is hereinafter mentioned will be required) the failure or inaccuracy continues for the period of 30 days next following the service by the Bond Trustee on the Issuer of notice requiring the same to be remedied; or

(c) any other present or future indebtedness of the Issuer for or in respect of moneys borrowed or raised becomes due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (B) any such indebtedness is not paid when due or, as the case may be, within any originally applicable grace period, or (C) the Issuer fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this paragraph (c) have occurred equals or exceeds £5,000,000 (indexed in accordance with RPI) or its equivalent in other currencies (as reasonably determined by the Bond Trustee); or

(d) if any order is made by any competent court or resolution passed for the winding up or dissolution of the Issuer save for the purposes of a reorganisation on terms previously approved in writing by the Bond Trustee or by an Extraordinary Resolution; or

(e) if the Issuer ceases or threatens to cease to carry on the whole or, in the opinion of the Bond Trustee, substantially all of its business, save for the purposes of a reorganisation on terms previously approved in writing by the Bond Trustee or by an Extraordinary Resolution; or

(f) if the Issuer stops or threatens to stop payment of, or is unable to, or admits inability to, pay, its debts (or any class of its debts) as they fall due, or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent; or

(g) if (A) proceedings are initiated against the Issuer under any applicable liquidation, insolvency, composition, reorganisation or other similar laws, or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, liquidator, manager, administrator or other similar official, or an administrative or other receiver, liquidator, manager, administrator or other similar official is appointed, in relation to the Issuer or, as the case may be, in relation to all or substantially all of the Issuer's undertaking or assets, or an encumbrancer takes possession of all or substantially all of the Issuer's undertaking or assets, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against all or substantially all of the Issuer's undertaking or assets and (B) in any such case (other than the appointment of an administrator) is not discharged within 14 days; or

(h) if the Issuer initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including the obtaining of a moratorium) or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors); or

(i) if it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Bonds, the Bond Trust Deed, the Issuer Security Deed, the Floating Charge Deed, the Floating Charge Trust Deed or the Loan Agreement.

12.2 **Enforcement**

The Bond Trustee may at any time, at its discretion and without notice, take such proceedings and/or other steps or action (including lodging an appeal in any proceedings) against or in relation to the Issuer as it may think fit to enforce the provisions of the Bond Trust Deed, the Bonds, the Receipts, the Coupons and/or any of the other Transaction Documents, but it shall not be bound to take any such proceedings or other steps or action unless (i) it shall have been so directed by an Extraordinary Resolution or so directed in writing by the holders of at least one-half in outstanding principal amount of the Bonds then outstanding or by the Majority Bondholder Representative, and (ii) it shall have been secured and/or indemnified and/or pre-funded to its satisfaction.

The Bond Trustee may refrain from taking any action in any jurisdiction if the taking of such action in that jurisdiction would, in its opinion based upon legal advice in the relevant jurisdiction, be contrary to any law of that jurisdiction. Furthermore, the Bond Trustee may also refrain from taking such action if it would otherwise render it liable to any person in that jurisdiction or if, in its opinion based upon such legal advice, it would not have the power to do the relevant thing in that jurisdiction by virtue of any applicable law in that jurisdiction or if it is determined by any court or other competent authority in that jurisdiction that it does not have such power.

No Bondholder, Receiptholder, Couponholder or any Issuer Secured Creditor (other than the Bond Trustee) shall be entitled (i) to take any steps or action against the Issuer to enforce the performance of any of the provisions of the Bond Trust Deed, the Bonds, the Coupons, the Receipts or any of the other Transaction Documents or (ii) to take any other action (including lodging an appeal in any proceedings) in respect of or concerning the Issuer, in each case unless the Bond Trustee, having become bound so to take any such steps, actions or proceedings, fails so to do within a reasonable period and the failure shall be continuing.

13 REPLACEMENT OF BONDS, RECEIPTS, COUPONS AND TALONS

Should any Bond, Receipt, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Principal Paying Agent (subject to all applicable laws and the requirements of the UK Listing Authority or the London Stock Exchange) upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Bonds, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

14 EXCHANGE OF TALONS

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Principal Paying Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Bond to which it appertains) a further Talon, subject to the provisions of Condition 11 (*Prescription*).

15 NOTICES

Notices to the Bondholders shall be valid if published in (a) a leading daily newspaper having general circulation in London (which is expected to be *The Financial Times*) for so long as the rules of the Stock Exchange so require or (b) on a page of the Reuters screen, Bloomberg or any other medium for electronic display of data as may be previously approved in writing by the Bond Trustee and notified to the Bondholders (in each case a "**Relevant Screen**"). Any such notice shall be deemed to have been given on the date of first publication (or if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers or on the Relevant Screen).

Notices to be given by any Bondholder shall be in writing and given by lodging the same, together with the relative Bond or Bonds, with the Principal Paying Agent.

Couponholders and Receiptholders shall be deemed for all purposes to have notice of the contents of any notice given to the holders of the Bonds in accordance with this Condition 15 (*Notices*).

16 SUBSTITUTION

The Bond Trust Deed contains provisions permitting the Bond Trustee, subject to any required amendment of the Bond Trust Deed, without the consent of the Bondholders, the Receiptholders or the Couponholders or any Issuer Secured Creditor, to agree with the Issuer to the substitution in place of the Issuer (or of any previous substitute under this Condition) as the principal debtor under the Bonds, the Coupons, the Receipts and the Bond Trust Deed of another company, registered society or other entity subject to:

(a) the Bond Trustee being satisfied that the interests of the Bondholders will not be materially prejudiced by the substitution; and

(b) certain other conditions set out in the Bond Trust Deed being complied with.

Any such substitution shall be notified to the Bondholders by the Issuer in accordance with Condition 15 *(Notices)* as soon as practicable thereafter.

17 MEETINGS OF BONDHOLDERS, MODIFICATION AND WAIVER

17.1 Meetings of Bondholders

The Bond Trust Deed contains provisions for convening meetings of the Bondholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Bonds, the Receipts, the Coupons or any of the provisions of the Bond Trust Deed (as more particularly described in the Bond Trust Deed). Such a meeting may be convened by the Issuer or the Bond Trustee and shall be convened by the Issuer if required in writing by Bondholders holding not less than ten per cent. in outstanding principal amount of the Bonds for the time being remaining outstanding (other than in respect of a meeting requested by Bondholders to discuss the financial position of the Issuer and the Borrower Group, which shall be requested in accordance with, and shall be subject to, Condition 6.2(c) (*Information Covenants*)). The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing in aggregate more than 50 per cent. in outstanding principal amount of the Bonds for the time being outstanding, or at any adjourned meeting one or more persons being or representing Bondholders whatever the outstanding principal amount of the Bonds so held or represented, except that at any meeting the business of which includes any Reserved Matter, the quorum shall be one or more persons holding or representing in aggregate not less than 60 per cent. in outstanding principal amount of the Bonds for the time being outstanding, or at any such adjourned meeting one or more persons holding or representing in aggregate not less than 25 per cent. in outstanding principal amount of the Bonds for the time being outstanding. The Bond Trust Deed provides that (i) a resolution passed at a meeting duly convened and held in accordance with the Bond Trust Deed by a majority consisting of not less than 60 per cent. of the votes cast on such resolution or (ii) a resolution in writing signed by or on behalf of the holders of not less than 60 per cent. in outstanding principal amount of the Bonds for the time being outstanding, shall, in each case, be effective as an Extraordinary Resolution of the Bondholders. An Extraordinary Resolution passed by the Bondholders shall be binding on all the Bondholders, whether or not (in the case of Extraordinary Resolutions passed at any meeting) they are present at any meeting and whether or not they voted on the resolution, and on all Receiptholders and Couponholders.

17.2 **Modification, Waiver, Authorisation and Determination**

Subject to Condition 12.1, the Bond Trustee may agree, without the consent of the Bondholders, Receiptholders, the Couponholders or any Issuer Secured Creditor, to any modification (except as stated in the Bond Trust Deed) of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Bonds, the Bond Trust Deed, the Fixed Charges or any other Transaction Document, or determine, without any such consent as aforesaid, that any Potential Event of Default or Event of Default shall not be treated as such, where, in any such case, it is not, in the opinion of the Bond Trustee, materially prejudicial to the interests of the Bondholders so to do or may agree, without any such consent as aforesaid, to any modification which, in the opinion of the Bond Trustee, is of a formal, minor or technical nature or to correct a manifest error. Any such modification, waiver, authorisation or determination shall be binding on the Bondholders, the Couponholders, the Receiptholders and the Issuer Secured Creditors and, unless the Bond Trustee agrees otherwise, shall be notified to the Bondholders in accordance with Condition 15 *(Notices)* as soon as practicable thereafter.

17.3 **Bond Trustee to have regard to interests of Bondholders as a class**

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation, determination or substitution), the Bond Trustee shall have regard to the general interests of the Bondholders (excluding the Issuer, for so long as it holds any Bonds) as a class (but shall not have regard to any interests arising from circumstances particular to individual Bondholders, Receiptholders or Couponholders whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Bondholders, Receiptholders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Bond Trustee shall not be entitled to require, nor shall any Bondholder, Receiptholder or Couponholder be entitled to claim, from the Issuer, the Bond Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Bondholders, Receiptholders or Couponholders.

Notwithstanding anything to the contrary in these Conditions or the Transaction Documents, in the event of any conflict between the directions of the Majority Bondholder Representative (where the Majority Bondholder Representative is entitled to direct the Trustee in accordance with these Conditions and/or the applicable Transaction Document) and any Extraordinary Resolution or Written Resolution, the Bond Trustee shall act on the direction of the Majority Bondholder Representative (where the Majority Bondholder Representative is entitled to direct the Trustee in accordance with these Conditions and/or the applicable Transaction Document) which shall be binding upon all Bondholders, Receiptholders and Couponholders.

18 INDEMNIFICATION AND PROTECTION OF THE BOND TRUSTEE AND BOND TRUSTEE CONTRACTING WITH THE ISSUER

The Bond Trust Deed contains provisions for the indemnification of the Bond Trustee and for its relief from responsibility and liability towards the Issuer, the Bondholders, the Receiptholders and the Couponholders, including (i) provisions relieving it from taking action unless secured and/or indemnified and/or pre-funded to its satisfaction and (ii) provisions limiting or excluding its liability in certain circumstances. The Bond Trustee is exempted from any liability in respect of any loss, diminution in value or theft of all or any part of the Issuer Charged Property, from any obligation to insure all or any part of the Issuer Charged Property (including, in either such case, any documents evidencing, constituting or representing the same or transferring any rights, benefits and/or obligations thereunder), or to procure the same to be insured.

The Bond Trust Deed also contains provisions pursuant to which the Bond Trustee is entitled, inter alia, (a) to enter into or be interested in any contract or financial or other transaction or other arrangement with the Issuer and/or any other Transaction Party or any person or body corporate associated with the Issuer and/or any Transaction Party and (b) to accept or hold the trusteeship of any other trust deed constituting or securing any other securities issued by, or relating to, the Issuer and/or any Transaction Party or any such person or body corporate so associated or any other office of profit under the Issuer and/or any Transaction Party or any such person or body corporate so associated.

The Bond Trustee shall not be bound to take any step or action in connection with the Bond Trust Deed or the Bonds or obligations arising pursuant thereto or pursuant to the other Transaction Documents, where it is not satisfied that it is indemnified and/or secured and/or pre-funded against all its liabilities and costs incurred in connection with such step or action and may demand, prior to taking any such step or action, that there be paid to it in advance such sums as it considers (without prejudice to any further demand) shall be sufficient so as to indemnify it.

The Bond Trustee shall have no responsibility for the validity, sufficiency or enforceability of the Issuer Security. The Bond Trustee shall not be responsible for monitoring the compliance by any of the other Transaction Parties with their obligations under the Transaction Documents, neither shall the Bond Trustee be responsible for monitoring the compliance by the Borrower or any of the other parties to the Fixed Charges, the Accession Deed and the Security Trust Deed of their obligations under the Fixed Charges, the Accession Deed, the Security Trust Deed or any other document.

19 FURTHER ISSUES

The Issuer shall be at liberty from time to time without the consent of the Bondholders, the Receiptholders or the Couponholders to create and issue further bonds having terms and conditions (and backed by the same assets) the same as the Bonds or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single series with the outstanding Bonds. Any further bonds so created and issued shall be constituted by a trust deed supplemental to the Bond Trust Deed.

20 CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of this Bond under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

21 GOVERNING LAW

The Bond Trust Deed, the Bonds, the Receipts and the Coupons, and any non-contractual obligations or matters arising from or in connection with them, shall be governed by, and construed in accordance with, English law.

22 SUBMISSION TO JURISDICTION

The Issuer has, in the Incorporated Terms Memorandum, irrevocably agreed for the benefit of the Bond Trustee, the Bondholders, the Receiptholders and the Couponholders that the courts of England are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Bond Trust Deed, the Bonds or the Coupons (including a dispute relating to non-contractual obligations arising out of or in connection with the Bond Trust Deed, the Bonds, the Receipts or the Coupons) and accordingly has submitted to the exclusive jurisdiction of the English courts.

The Issuer has, in the Incorporated Terms Memorandum, waived any objection to the courts of England on the grounds that they are an inconvenient or inappropriate forum. The Bond Trustee, the Bondholders and the Couponholders may take any suit, action or proceeding arising out of or in connection with the Bond Trust Deed, the Bonds, the Receipts or the Coupons respectively (including any suit, action or proceedings relating to any non-contractual obligations arising out of or in connection with the Bond Trust Deed, the Bonds or the Coupons) (together referred to as "**Proceedings**") against the Issuer in any other court of competent jurisdiction and concurrent Proceedings in any number of jurisdictions.

FORM OF THE BONDS AND SUMMARY OF PROVISIONS RELATING TO THE BONDS WHILE IN GLOBAL FORM

Form of the Bonds

Form, Exchange and Payments

The Bonds will be in bearer new global note ("**NGN**") form and will be initially issued in the form of a temporary global bond (a "**Temporary Global Bond**") which will be delivered on or prior to the issue date of the Bonds to a common safekeeper for Euroclear Bank S.A./N.V. ("**Euroclear**") and/or Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**").

The Bonds are intended to be held in a manner which will allow Eurosystem eligibility. This simply means that the Bonds are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Bonds will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.

Whilst the Bonds are represented by the Temporary Global Bond, payments of principal, interest (if any) and any other amount payable in respect of the Bonds due prior to the Exchange Date (as defined below) will be made only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in the Temporary Global Bond are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg and Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Principal Paying Agent.

On and after the date (the "**Exchange Date**") which is 40 days after the Temporary Global Bond is issued, interests in the Temporary Global Bond will be exchangeable (free of charge) upon a request as described therein for interests recorded in the records of Euroclear or Clearstream, Luxembourg, as the case may be, in a permanent global bond (the "**Permanent Global Bond**" and, together with the Temporary Global Bond, the "**Global Bonds**"), against certification of beneficial ownership as described above unless such certification has already been given. The holder of the Temporary Global Bond will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Global Bond for an interest in the Permanent Global Bond is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on the Permanent Global Bond will be made through Euroclear and/or Clearstream, Luxembourg without any requirement for certification.

On each occasion of a payment in respect of a Global Bond the Principal Paying Agent shall instruct Euroclear and Clearstream, Luxembourg to make appropriate entries in their records to reflect such payment.

The Global Bonds will be exchangeable (free of charge), in whole but not in part, for definitive Bonds with interest coupons and talons attached only upon the occurrence of an Exchange Event. For these purposes, "**Exchange Event**" means that (i) an Event of Default (as defined in Condition 12.1 (*Events of Default*)) has occurred and is continuing, or (ii) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available or (iii) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Bonds represented by the relevant Global Bond in definitive form. The Issuer will promptly give notice to Bondholders in accordance with Condition 15 (*Notices*) if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Bond) or the Bond Trustee may give notice to the Principal Paying Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the Issuer may also give notice to the Principal Paying Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Principal Paying Agent.

Legend concerning United States persons

The following legend will appear on all Bonds and interest coupons and principal receipts relating to the Bonds:

"ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE."

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on the Bonds or interest coupons and principal receipts and will not be entitled to capital gains treatment of any gain on any sale, disposition, redemption or payment of principal in respect of the Bonds or interest coupons and principal receipts.

Summary of Provisions relating to the Bonds while in Global Form

Notices

For so long as all of the Bonds are represented by one or both of the Global Bonds and such Global Bond(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, notices to Bondholders (which includes, for this purpose, any Compliance Certificate or annual reports required to be made available pursuant to a request by any of the Bondholders pursuant to Condition 6.2 (*Information Covenants*) may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg (as the case may be) for communication to the relative Accountholders (as defined below) rather than by publication as required by Condition 15 (*Notices*). Any such notice shall be deemed to have been given to the holders of the Bonds on the day on which such notice was delivered to Euroclear and/or Clearstream, Luxembourg (as the case may be) as aforesaid.

For so long as all of the Bonds are represented by one or both of the Global Bonds and such Global Bond(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, notices to be given by any Bondholder may be given to the Principal Paying Agent through Euroclear and/or Clearstream, Luxembourg and otherwise in such manner as the Principal Paying Agent and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

Accountholders

For so long as any of the Bonds is represented by a Global Bond held on behalf of Euroclear and/or Clearstream, Luxembourg, each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular principal amount of such Bonds (the "**Accountholder**") (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the principal amount of such Bonds standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated as the holder of such principal amount of such Bonds for all purposes other than with respect to the payment of principal or interest on such principal amount of such Bonds, for which purpose the bearer of the relevant Global Bond shall be treated as the holder of such principal amount of such Bonds from time to time in accordance with and subject to the terms of the relevant Global Bond and the expressions "**Bondholder**" and "**holder of Bonds**" and related expressions shall be construed accordingly. In determining whether a particular person is entitled to a particular principal amount of Bonds as aforesaid, the Bond Trustee may rely on such evidence and/or information and/or certification as it shall, in its absolute discretion, think fit and, if it does so rely, such evidence and/or information and/or certification shall, in the absence of manifest error, be conclusive and binding on all concerned.

Bonds which are represented by a Global Bond will be transferable only in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as the case may be.

Prescription

Claims against the Issuer in respect of principal and interest on the Bonds represented by a Global Bond will be prescribed after 10 years (in the case of principal) and five years (in the case of interest) from the Relevant Date.

Instalment Redemption and Cancellation

Reduction of the outstanding principal amount of any Global Bond following its redemption in one or more instalments, and cancellation of any Bond represented by a Global Bond and required by the Conditions of the Bonds to be cancelled following its final redemption or purchase will be effected by entry in the records of Euroclear or Clearstream, Luxembourg, as the case may be.

Partial Redemption

For so long as all of the Bonds are represented by one or both of the Global Bonds and such Global Bond(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, no selection of Bonds will be required under Condition 9.6 (*Notice of Early Redemption*) in the event that the Bonds are to be redeemed in part pursuant to Condition 9.2 (*Early Redemption*). In such event, the standard procedures of Euroclear and/or Clearstream, Luxembourg shall operate to determine which interests in the Global Bond(s) are to be subject to such redemption (and such redemption shall be reflected in the records of Euroclear and/or Clearstream, Luxembourg as either a reduction in the principal amount of the Bonds or a reduction by the application of a pool factor at the discretion of Euroclear and/or Clearstream, Luxembourg).

Payment Day

In the case of a Global Bond, Condition 8.5(c) (*Payments – Payment Day)* shall not apply in relation to any payments in relation to such Global Bond.

USE OF PROCEEDS

Subject as set out below, the net proceeds from the issue of the Bonds or, in the case of the Retained Bonds, the net proceeds of the sale of the Bonds to a third party (after deduction of expenses payable by the Issuer) will be advanced by the Issuer to the Borrower pursuant to the Loan Agreement to be applied in the achievement of the Borrower's charitable objects (including, without limitation, on-lending to its subsidiaries and the repayment of any existing indebtedness of the Borrower and any other amounts due and payable thereunder).

For so long as insufficient security has been granted by the Borrower in favour of the Security Trustee for the benefit of the Issuer to permit the drawing of the Funded Commitment in full, or the Borrower has not otherwise drawn any part of the Funded Commitment, the amount of the Funded Commitment that remains undrawn (the "**Retained Proceeds**") shall be retained in a charged account of the Issuer in accordance with the terms of the Account Agreement and the Custody Agreement (and may be invested in Permitted Investments). Any Retained Proceeds (and any net sale proceeds from a sale by the Issuer of Retained Bonds (less any Retained Bond Premium Amount)) may be advanced to the Borrower at a later date pursuant to the Loan Agreement to the extent that Properties of sufficient value to ensure continued compliance with the Asset Cover Test have been charged in favour of the Security Trustee and allocated as Designated Security for the benefit of the Issuer. In addition, in the event that any losses are made in respect of any Retained Proceeds which have been invested in Permitted Investments, each drawing to be made by the Issuer to the Borrower pursuant to the Loan Agreement shall be advanced in accordance with the terms of the Loan Agreement (which may be a discount to the principal amount requested).

DESCRIPTION OF THE LOAN AGREEMENT

The following description of the Loan Agreement consists of a summary of certain provisions of the Loan Agreement and is subject to the detailed provisions thereof. The Loan Agreement is not, however, incorporated by reference into, and therefore does not form part of, this Prospectus.

Definitions used in this section but not otherwise defined in this Prospectus have the meanings given to them in the Loan Agreement.

The Issuer's right of recourse under the Loan Agreement will be limited to the Borrower's General Purposes Fund, including the Mortgaged Properties.

Facility

Subject to the provisions of the bond loan agreement (the "**Loan Agreement**") dated on or around the Issue Date between the Issuer, the Borrower and the Security Trustee, the Issuer shall commit to make a loan to the Borrower in the principal amount of £50,000,000 (the "**Original Commitment**" and, together with any further commitments, the "**Commitment**"). The "Loan" is the principal amount of the Commitment that has been advanced to the Borrower or the outstanding balance thereof.

The Commitment may be drawn in one or more drawings at any time prior to the date falling four business days prior to the initial Instalment Redemption Date and the maximum principal amount of each drawing shall not exceed an amount which corresponds to the Minimum Value of the Initial Properties and any Additional Properties which have, on or before the date of such drawing, been charged in favour of the Security Trustee, for the benefit of the Issuer, less such amount of the Commitment which has previously been drawn. Any amount of each Commitment which has not been drawn prior to the date falling four Business Days prior to the initial Instalment Redemption Date shall be cancelled and will no longer be capable of drawing.

No Commitment may be drawn until the Borrower has satisfied the conditions set out in Clause 4.1 (*Initial Documentary Conditions Precedent*) in respect of the first drawing, and the conditions set out in Clause 4.2 (*Conditions Precedent to All Loans*) in respect of all drawings. In addition, each of the Issuer and the Borrower have acknowledged that any drawing of a Commitment shall be subject to the Security Trustee being satisfied that the value of the Issuer's Designated Security (based solely on the relevant confirmation from the Borrower of the Minimum Value of the Properties forming part of the Issuer's Designated Security (which itself shall be evidenced by the relevant Full Valuation Report or Desk Top Valuation, as the case may be, (each a "**Valuation**")), which the Security Trustee is entitled to rely upon without further enquiry or investigation in respect thereof) is such that the Asset Cover Test is satisfied immediately following such drawing and, in respect of any part of the Commitment which is to be funded by the Issuer by a sale of Retained Bonds and/or an issue of further Bonds, the receipt by the Issuer of such net sale proceeds or issue proceeds thereof.

The Borrower has acknowledged that the Issuer may invest all or any part of the Retained Proceeds in Permitted Investments in accordance with the Custody Agreement and that, as a result of (i) any losses made by the Issuer in respect of such Permitted Investments and/or (ii) any issue or sale of Bonds by the Issuer made at a discount to the principal amount of such Bonds, the amount of Retained Proceeds held by the Issuer, at the time of any drawdown request, may be less than the Undrawn Commitment which is to be funded from such Retained Proceeds. Each drawing to be funded from the Retained Proceeds shall be advanced in an amount equal to the Actual Advance Amount (which may be a discount to the principal amount requested).

For this purpose, "**Actual Advance Amount**" means, in respect of each drawing funded from Retained Proceeds, the principal amount of such drawing multiplied by the result of dividing (i) the amount of Retained Proceeds held by the Issuer at the time of the drawdown request (for the avoidance of doubt, after taking into account any losses suffered by the Issuer as a result of investing in Permitted Investments but, for this purpose, excluding any Permitted Investment Profit) by (ii) the Undrawn Commitment which is to be funded from such Retained Proceeds.

For the avoidance of doubt:

(a) the Borrower shall not be required to monitor the market value of any Permitted Investments;

(b) any difference between the principal amount of a drawing and the relevant Actual Advance Amount shall be ignored in determining the amount of the Loan and, inter alia, the calculation of interest, principal and premium payments payable in respect thereon; and

(c) any income received by the Issuer in respect of Permitted Investments shall not be credited to the Initial Cash Security Account but shall instead be credited to the Transaction Account in accordance with the Account Agreement.

The Issuer and the Borrower have agreed that:

(a) where the Issuer is required to sell any Permitted Investments to fund a drawing under the Loan Agreement and such sale results in a Permitted Investment Profit, the Issuer shall make a loan or a Gift Aid Payment to a Charitable Group Member in an amount equal to the Permitted Investment Profit and, for the avoidance of doubt, such drawing shall be advanced at the Actual Advance Amount; and

(b) immediately prior to the end of each accounting period, to the extent that the Issuer would otherwise be required to recognise a profit for tax purposes in respect of its Permitted Investments and/or Retained Bonds as a result of the movement in the fair value recognised in its accounts of such Permitted Investments and/or Retained Bonds for that accounting period, the Issuer shall sell Permitted Investments in an aggregate amount equal to the Accounting Profit and shall, in the same accounting period or, where the Issuer makes a valid claim under section 199 of the Corporation Tax Act 2010, within nine months of the end of that accounting period, make a Gift Aid Payment to a Charitable Group Member in an amount equal to the Accounting Profit, to the extent that the Issuer has not already made a loan or a Gift Aid Payment to a Charitable Group Member of that amount in accordance with the paragraph above.

The Issuer and the Borrower have also agreed that, upon a sale (if any) of the Retained Bonds by the Issuer:

(a) in the event that such sale produces a Retained Bond Premium Amount, the Issuer shall make a loan or a Gift Aid Payment to a Charitable Group Member in an amount equal to the Retained Bond Premium Amount and, for the avoidance of doubt, where the Issuer is required to sell such Retained Bonds to directly fund a drawing under the Loan Agreement, such drawing shall be advanced at the Retained Bond Actual Advance Amount; and

(b) where the Issuer is required to sell any Retained Bonds to directly fund a drawing under the Loan Agreement and such sale is made at a discount to the principal amount of such Retained Bonds, such drawing shall be advanced at a discount in an amount equal to the Retained Bond Actual Advance Amount.

For this purpose, "**Retained Bond Actual Advance Amount**" means, in relation to each drawing under the Loan Agreement which is funded directly by a sale of Retained Bonds, the principal amount of such drawing multiplied by the result of dividing (i) the net proceeds of sale of such Retained Bonds (excluding, for this purpose, the Retained Bond Premium Amount) by (ii) the principal amount of such Retained Bonds.

For the avoidance of doubt:

(a) the Borrower shall not be required to monitor the market value of any Retained Bonds; and

(b) any difference between the principal amount of a drawing and the relevant Retained Bond Actual Advance Amount shall be ignored in determining the amount of the Loan and, *inter alia*, the calculation of interest, principal and premium payments payable in respect thereon.

The Borrower has agreed that, where the Issuer is required to sell any Retained Bonds in order to fund a drawdown request, the Issuer's obligations to fund such drawdown will be subject to the ability of the Issuer to sell such Retained Bonds to a third party.

For so long as any Retained Bonds are held by or on behalf of the Issuer, the Borrower may request that an amount of the Commitment be cancelled (**provided that** such amount does not exceed the principal amount of Retained Bonds held by or on behalf of the Issuer at that time). As soon as practicable following any such request, the Issuer shall cancel Retained Bonds in a corresponding amount. Such cancellation of the Commitment shall take effect upon the cancellation of such Retained Bonds.

Subject to the conditions precedent set out in the Loan Agreement, the Issuer may make further commitments to the Borrower, each in an amount to be agreed between the Issuer, the Borrower and the Security Trustee, following the issuance of further bonds pursuant to Condition 19 (*Further issues*).

Purpose

The proceeds of the Loan may only be used by the Borrower in accordance with the Borrower's charitable objects, including the repayment of any existing indebtedness of the Borrower and any other amounts due and payable thereunder.

Interest

Rate of Interest

Following its advance, the Loan will carry interest from (and including) the date of its initial advance at a fixed rate of 3.509 per cent. per annum, payable in arrear on each Loan Payment Date (being four Business Days prior to each Interest Payment Date, or in the case of the final interest period of the Loan, four business Days prior to the Maturity Date).

Interest Periods

Notwithstanding the fact that interest is payable on each Loan Payment Date, interest will accrue daily on the Loan from (and including) an Interest Payment Date (or, in the case of the first interest period of the Loan, the date of its initial advance) to (but excluding) the immediately following Interest Payment Date (or in the case of the final interest period of the Loan, the Maturity Date) (each, a "**Loan Interest Period**").

Commitment Fee

The Borrower shall pay to the Issuer a commitment fee in respect of its Undrawn Commitment four Business Days prior to each Interest Payment Date in an amount equal to the aggregate of the interest payable by the Issuer under the Bonds on the following Interest Payment Date less (a) the interest received from the Borrower under the Loan Agreement on the date falling four Business Days prior to such Interest Payment Date and (b) any interest otherwise received by the Issuer in respect of the Retained Proceeds in the relevant Loan Interest Period (including, but not limited to, any income received by the Issuer in respect of any Permitted Investments in which any Retained Proceeds are, for the time being, invested). The commitment fee shall accrue on a daily basis.

Repayment, Purchase and Prepayment

Repayment

The Borrower must repay its Loan in an amount equal to the relevant Instalment Repayment Amount four Business Days prior to each Instalment Redemption Date (each a "**Loan Instalment Repayment Date**" and, the final such Loan Repayment Date being, the Final Repayment Date.

"**Instalment Repayment Amount**" means, in respect of a Loan Instalment Repayment Date, the aggregate principal amount of the Loan outstanding immediately prior to any repayment on such Loan Instalment Repayment Date multiplied by the Instalment Redemption Proportion in respect of the immediately following Instalment Redemption Date.

"**Instalment Redemption Proportion**" means, in respect of each Instalment Redemption Date, the Outstanding Principal Amount of the Bonds to be redeemed on such Instalment Redemption Date divided by the Outstanding Principal Amount of the Bonds outstanding immediately prior to such redemption.

Bond Purchase

The Issuer, the Borrower or any other member of the Borrower Group may at any time purchase Bonds by tender or by private treaty, at any price.

Following any such purchase, the Borrower or the relevant member of the Borrower Group may (but is not obliged to) surrender the Bonds to the Issuer to be cancelled. An amount of the outstanding balance of the Loan equal to the outstanding principal amount of the Bonds surrendered shall be deemed to be prepaid (or, to the extent that no Loan is then outstanding, then an amount of the relevant Undrawn Commitment equal to the outstanding principal amount of the Bonds surrendered shall be deemed to be cancelled for the purposes of the Loan Agreement and a corresponding portion of the Retained Proceeds shall be paid by the Issuer to the Borrower or the relevant member of the Borrower Group).

The Borrower has acknowledged that the terms of the Bond Trust Deed provide that any Bonds which are for the time being held by or on behalf of, *inter alios*, the Borrower or any member of the Borrower Group as beneficial owner shall be deemed not to remain outstanding for the purpose of, *inter alia*, the right to attend and vote at any meeting of the Bondholders.

Optional Prepayment

Pursuant to Clause 7.1 (*Voluntary Prepayment and Cancellation*) of the Loan Agreement, the Borrower may, at any time (a) on or after the date on which no Retained Bonds are held by or on behalf of the Issuer and (b) before the Final Repayment Date, by giving not less than 45 nor more than 60 days' notice in writing to the Issuer and the Security Trustee, prepay the whole or (as the case may be) any part of the outstanding balance of the Loan, together with any interest accrued up to and including the date of prepayment and where the Borrower has elected to cancel the corresponding Commitment in whole or in part, the relevant prepayment premium (being, for so long as any Bonds are outstanding, an amount (if any) equal to the excess over par of the amount notified to the Borrower by the Issuer as being the price determined under the Conditions for the redemption of an outstanding principal amount of the Bonds which corresponds to the principal amount of the Commitment cancelled, and otherwise zero).

Mandatory Prepayment – Redemption of Bonds

If the Bonds become redeemable prior to the Maturity Date, other than as a result of a prepayment or termination of the Loan Agreement, the Borrower shall prepay, at least one Business Day prior to the relevant date of redemption of the Bonds, the outstanding balance of the Loan, together with accrued interest and accrued commitment fee thereon up to and including the date of redemption.

Redemption of Bonds – Further Payment in Respect of Retained Proceeds Par Amount

In the event that the Borrower elects to, or is otherwise required to, prepay the whole of the outstanding balance of the Loan and the Issuer is required to notify the Borrower of the price determined under the Conditions for the redemption of a corresponding outstanding principal amount of the Bonds, then the Issuer shall be entitled to also take account of the redemption of such outstanding principal amount of the Bonds that shall correspond to the Retained Proceeds Par Amount (being an amount equal to the Retained Proceeds including, where any Retained Proceeds are invested in Permitted Investments, the purchase price of the relevant Permitted Investments and ignoring, for these purposes, any gains or losses in respect of such Permitted Investments and/or any discount on a sale of Retained Bonds by the Issuer), and the price notified to the Borrower shall be increased accordingly.

Warranties and Covenants

The Borrower will make various warranties and covenants pursuant to Clause 8 (*Warranties and Covenants by the Borrower*) of the Loan Agreement. These warranties and covenants include, *inter alia*, the following:

Information Covenants

The Borrower must supply to the Issuer and the Security Trustee (A) not later than 200 days after the end of each Financial Year, (i) a copy of the consolidated audited financial statements of the Borrower for such Financial Year; (ii) a certificate setting out, among other things, calculations in respect of the Asset Cover Test and the Liquidity Covenant, the Required Reserve Amount and details of the Archbishops’ Council Vote 5 Grant Budget or any successor Grant approved by the General Synod for the following Financial Year, requested by the Borrower and approved by the Archbishops' Council for that Financial Year, substantially in the form set out in the Loan Agreement (the “**Compliance Certificate**”) signed by two Authorised Signatories of the Borrower and (iii) (subject to the consent of the relevant Valuer, which the Borrower shall use reasonable endeavours to procure) the Valuation in respect of the Asset Cover Test in such Compliance Certificate, (B) not later than 30 days after the end of each Financial Year, a copy of its annual budget, (C) not later than 42 days after each Quarter Date, a copy of its Management Accounts, and information sufficient to monitor compliance with the Liquidity Covenant and maintenance of the Required Reserve Amount and (D) not later than 60 days after the end of each Financial Year, a copy of its business plan (including a five year income and expenditure, balance sheet and cashflow projections and commentary relating to assumptions).

The Borrower shall, following receipt of a notice from the Issuer stating that it intends to convene a meeting of Bondholders in accordance with Condition 6.2(c), ensure that an appropriate officer or representative of the Borrower attends such a meeting to discuss the financial position of the Borrower **provided, however, that** the Borrower shall not be obliged to disclose any information which it considers to be of a confidential nature.

The Borrower must, following receipt of a notice from the Issuer stating that it intends to sell any Retained Bonds, supply to the Issuer and the Bond Trustee not later than three Business Days prior to the date of such sale, a certificate setting out, among other things, calculations in respect of the asset cover test substantially in the form set out in Schedule 3 to the Loan Agreement (the "**Retained Bond Compliance Certificate**") signed by two Authorised Signatories of the Borrower confirming whether, immediately following such sale, the Borrower will be in compliance with the Asset Cover Test.

"**Management Accounts**" means the management accounts for the Borrower (in a form previously agreed with the Majority Bondholder Representative, acting reasonably) and containing, as a minimum, a statement of income and expenditure, a balance sheet, a cashflow forecast and a comparison of each to the annual budget for that period; and

"**Quarter Date**" means 31 March, 30 June, 30 September and 31 December in each year.

Negative Pledge

The Borrower shall not create or allow to exist any Security Interest on any assets which are Security Assets, except as set out in the Loan Agreement, which includes the Security Interests created pursuant to, *inter alia*, the Security Trust Deed and the Fixed Charges and any Security Interests created with the prior written consent of the Issuer or by operation of law.

"**Security Assets**" means all assets, rights and property of the Borrower which comprise the Issuer's Designated Security.

Mortgaged Properties

The Borrower shall obtain any authorisation or licence required in order to enable the Security Trustee pursuant to the powers of enforcement conferred on it by the Security Documents to sell vacant Mortgaged Properties and maintain insurances on and in relation to its Mortgaged Properties.

Covenants

The Borrower shall, unless the Security Trustee otherwise agrees in writing, comply in all material respects with any covenants or restrictive covenants relating to a Mortgaged Property which are binding on it.

Asset Cover Test

Pursuant to Clause 14.1 (*Asset Cover Test*) of the Loan Agreement, the Borrower shall procure that at all times the sum of:

(a) the Minimum Value of the Properties forming part of the Issuer's Designated Security;

(b) the Retained Proceeds Par Amount; and

(c) the Charged Cash,

will not be less than the Funded Commitment (the "**Asset Cover Test**"), provided however, that from and including the Final Charging Date, and for the purpose of determining the Borrower's compliance with the Asset Cover Test, the Retained Proceeds Par Amount shall be deemed to be zero unless the Issuer has sold Retained Bonds in the prior six months, in which case the Retained Proceeds Par Amount shall be deemed to be, in respect of each such sale of Retained Bonds, the lower of (X) the net sale proceeds and (Y) the nominal amount of such Retained Bonds sold, in each case to the extent that the Funded Commitment funded by that sale is undrawn (and where any such undrawn sale proceeds are invested in Permitted Investments, the amount of these proceeds shall be taken to be the purchase price of those Permitted Investments).

Interpretation

For these purposes:

"**Designated Security**" means the assets, rights and property mortgaged or charged or assigned or the subject of any security created pursuant to any Security Document, the proceeds of which are allocated to secure the repayment of all moneys, liabilities and obligations owing by the Borrower to the Issuer under the Loan Agreement;

"**Final Charging Date**" means the date falling six months after the Issue Date;

"**Funded Commitment**" means the amount of the Commitment less the aggregate principal amount of Retained Bonds held by or on behalf of the Issuer;

"**MV-ST**" has the meaning given to this term in the Loan Agreement;

"**Minimum Value**" means:

$$\left(\frac{A}{115}\right) \times 100$$

where:

A = the Value of the Mortgaged Properties determined on the basis of MV-ST.

"**Property**" means all estates or interests of the Borrower in any freehold, heritable or leasehold property wheresoever situated now or in future belonging to it and all buildings, fixtures, fittings (other than tenants fixtures and fittings) and fixed plant and machinery from time to time thereon (and "**Properties**" shall be construed accordingly);

"**Retained Proceeds Par Amount**" means an amount equal to the Retained Proceeds at the time of calculation and, for this purpose, (a) where any Retained Proceeds are at that time invested in Permitted Investments, the amount of such Retained Proceeds shall be taken as the purchase price of the relevant Permitted Investments ignoring any gains or losses in respect of those Permitted Investments since the date of purchase and (b) where the source of any Retained Proceeds is the net sale proceeds of any Retained Bonds which were sold at a discount, the amount of such Retained Proceeds shall be taken as the principal amount of such Retained Bonds; and

"**Value**" means, at any time and in relation to the Mortgaged Properties, the value of those properties as shown in the then latest Full Valuation Report or Desk Top Valuation Report on the basis of MV-ST.

Liquidity Covenant

Pursuant to the Loan Agreement, the Borrower has undertaken to ensure that:

(a) the ratio of Resources Available for Debt Service to Debt Service in respect of each Financial Year shall not be less than 0.9:1;

(b) the ratio of Resources Available for Debt Service to Debt Service in respect of any rolling period of three consecutive prior Financial Years shall not be less than 1.05:1;

such test being the "**Liquidity Covenant**".

The financial covenant above shall be tested annually by reference to the Management Accounts delivered following each 31 December Quarter Date and by reference to the Accounts for each Financial Year.

"**Accounts**" means, collectively, the annual audited accounts of the Borrower incorporating an income and expenditure account and balance sheet (and including all additional information and notes thereto and the relevant Auditors' report thereon) prepared in accordance with GAAP, SORP and the Relevant Statutory Requirements from time to time (where applicable to the Borrower).

"**Debt Service**" means, without double-counting, in respect of any Financial Year, the aggregate of:

(a) mortgage loans – interest on borrowings and loans costs;

(b) interest on loans; and

(c) any other interest payable and loan costs;

less:

(i) income from investments and deposits; and

(ii) mortgage loans – interest receivable,

in each case as presented in the latest Accounts or the Management Accounts in the section entitled "The Charitable Funds and Trusts of The Church of England Pensions Board", "Combined Statement of Financial Activities" (as applicable).

"**Financial Year**" means each period of twelve months ending on 31 December in each year.

"**GAAP**" means accounting conventions, standards, principles and practices generally adopted and accepted in the United Kingdom for the preparation and presentation of audited financial statements and complying with all applicable financial reporting standards and statements of standard accounting practice issued or adopted by the Accounting Standards Board or any other relevant body or bodies from time to time in each case insofar as applicable to the Borrower.

"**Relevant Statutory Requirements**" means (as relevant) the requirements of the Charities Act 2011, the Charities (Accounts and Reports) Regulations 2005 and 2008 and any other relevant law or regulation applicable to the Borrower, including any statutory amendments or re-enactments of the Acts detailed in this definition. For further detail please see page 24 of the Borrower's 2016 financial statements.

"**Resources Available for Debt Service**" means, without double-counting, in respect of any Financial Year, net incoming/(outgoing) resources before other recognised gains/(losses):

(a) adding back interest on borrowings and loan costs on mortgage loans;

(b) adding back interest on loans (other than mortgage loans);

(c) adding back any other related interest and loan costs;

(d) adding back any sums transferred from the property maintenance designated fund;

(e) deducting any sums transferred to the property maintenance designated fund;

(f) deducting income from investments and deposits; and

(g) deducting mortgage loans – interest receivable,

in each case as presented in the latest Accounts or the Management Accounts in the section entitled "The Charitable Funds and Trusts of The Church of England Pensions Board", "Combined Statement of Financial Activities" (as applicable).

"**SORP**" means the statements of recommended accounting practice for Accounting and Reporting by Charities, as in force at the date of this Agreement and/or, as appropriate, any applicable new, additional or substituted statements of recommended accounting practice, in each case as may be amended from time to time.

Accounting Policies

The Borrower has also covenanted to ensure that its Accounts, Management Accounts and other accounting information are produced on a consistent basis with previous equivalent information and in accordance with GAAP, SORP and all relevant statutory requirements. In the event of a material change in GAAP, SORP or any relevant statutory requirement (an "**Accounting Change**") which affects the calculations referred to in Clause 14.4 (*Liquidity Covenant*) of the Loan Agreement, the Borrower shall promptly give notice thereof to the Issuer.

Following receipt of the notice referred to above the Issuer shall use reasonable endeavours to agree with the Borrower to make such changes to the financial covenant set out in Clause 14.4 of the Loan Agreement (or any relevant definitions) as may be reasonably necessary to reflect such Accounting Change, so that the financial covenants have substantially the same effect as prior to the Accounting Change (and the Borrower shall accept such changes and enter into all documentation necessary to make such changes effective). The Issuer shall be obliged to consent to any such change if it is provided with a certificate from the Borrower's auditors certifying that, in the opinion of such auditors the ratios contained in the Liquidity Covenant after such change or amendment will have substantially the same effect as the ratios prior to such change or amendment and prior to the relevant Accounting Change.

To the extent that such changes are not agreed between the Issuer and the Borrower, the Borrower will produce such information on two bases, one consistent with that most-recently accepted by the Issuer (or equivalent to the information produced by the Borrower prior to the execution of the Loan Agreement) (the "**Original Basis**"), and the other on such new basis as the Borrower may consider necessary to reflect the Accounting Change.

If the Accounts and Management Accounts of the Borrower and, as the case may be, any other accounting information are produced on two different bases in the manner described above, the financial undertakings referred to in Clause 14.4 (*Liquidity Covenant*) of the Loan Agreement shall be tested by reference to the Accounts and Management Accounts and, as the case may be, such other accounting information, in each case produced on the Original Basis.

The Borrower shall not alter its financial year end without the consent of the Issuer, acting on the instructions of the Bond Trustee as directed by the Majority Bondholder Representative or by Extraordinary Resolution.

Reserve Amount

For so long as the Bonds remain outstanding, the Borrower has covenanted in the Loan Agreement to maintain cash and investment assets (each as ascertained from the latest Accounts) that are at least equal to the interest payments due in respect of the Bonds on the next two Interest Payment Dates (the "**Required Reserve Amount**").

Substitution and Release of Mortgaged Properties and Statutory Disposals

Substitution

At the request and expense of the Borrower, the Security Trustee shall (subject to receiving instructions from the Issuer to effect such release, and an amended Designated Properties Schedule from the Borrower and the Issuer in accordance with the Security Trust Deed) release from the relevant Security Documents (and/or reallocate, if applicable) such of the Properties (the "**Released Properties**") forming part of the Issuer's Designated Security and substitute for the Released Properties other Properties (each, a "**Substitute Property**") as may be selected by the Borrower. The Issuer will be required to give instructions to the Security Trustee approving such release, **provided that** the Borrower satisfies the conditions specified in the Loan Agreement in relation to the Substitute Properties. Such conditions include, *inter alia*, (a) a completed Substitute Property Certificate certifying, *inter alia*, that the relevant Substitute Property is an Eligible Property, that, immediately following such release (and/or reallocation, if applicable), the Asset Cover Test and Residential Tenancy Limit will not be breached as a result of the substitution of the relevant Mortgaged Properties and that no Event of Default or Potential Event of Default has occurred and is continuing, (b) a Valuation in respect of each Substitute Property and (c) a Certificate of Title in respect of the Substitute Properties.

"**Eligible Properties**" means those residential properties in England and Wales let in accordance with the Residential Tenancy Limit and tenanted residential properties which are let to Eligible Individuals.

"**Eligible Individuals**" are those in receipt of a pension paid or managed by the Church Commissioners or the Church of England Pensions Board.

No more than 10% of the Mortgaged Properties forming part of the Issuer's Designated Security may comprise residential properties of the Borrower that are not yet let to or reserved for Eligible Individuals but with the intention that these residential properties will subsequently be let to Eligible Individuals (the "**Residential Tenancy Limit**").

Cash Security

The Borrower may deposit the proceeds of disposal of Mortgaged Properties which are released from charge under the Security Trust Deed into the Ongoing Cash Security Account of the Issuer for the purpose of maintaining the Asset Cover Test. The Charged Cash may be withdrawn from the Ongoing Cash Security Account (a) to be applied by the Borrower in the acquisition of a Substitute Property or (b) to the extent that such withdrawal would not cause a breach of the Asset Cover Test.

Notwithstanding the above, the Borrower may, at any time, deposit, or arrange for the deposit of, any other money into the Ongoing Cash Security Account for the purposes of satisfying the Asset Cover Test.

The Borrower has acknowledged that the money standing to the credit of the Ongoing Cash Security Account shall be charged in favour of the Bond Trustee pursuant to the terms of the Issuer Security Deed.

The Borrower has also acknowledged that the Issuer may invest all or any part of the Charged Cash in Permitted Investments in accordance with the Custody Agreement and that, as a result of any gains or losses made by the Issuer in respect of such Permitted Investments and any income received thereon (which shall, for the avoidance of doubt, be credited to the Ongoing Cash Security Account), the amount of such Charged Cash may be greater or less than the amount deposited in the Ongoing Cash Security Account by the Borrower. The Borrower has acknowledged that it shall not have any recourse to the Issuer in respect of any losses realised by the Issuer in respect of the Charged Cash as a result of investment in any Permitted Investments.

Following the redemption in full of the Bonds, the Issuer shall return any amount standing to the credit of the Ongoing Cash Security Account to the Borrower, to the extent that such balance has not otherwise been applied in accordance with the terms of the Issuer Security Deed.

Release and reallocation

At the request and expense of the Borrower, the Security Trustee shall release (subject to receiving instructions from the Issuer to effect such release and an amended Designated Properties Schedule from the Borrower and the Issuer in accordance with the Security Trust Deed) from the relevant Security Documents (and/or reallocate, if applicable) such Properties forming part of the Issuer's Designated Security as may be selected by the Borrower. The Issuer will be required to give instructions to the Security Trustee approving such release, **provided that** the Borrower delivers to the Issuer and the Security Trustee a completed Property Release Certificate, certifying that, immediately following such release (and/or reallocation, if applicable), the Asset Cover Test and Residential Tenancy Limit will not be breached as a result of the release (and/or reallocation, if applicable) of such part of the Issuer's Designated Security and that no Event of Default or Potential Event of Default has occurred and is continuing or will occur as a result of such release.

Additional Properties

Pursuant to Clause 3.2 (*Conditions Precedent*) of the Security Trust Deed (see "*Additional Security*" below), on or prior to creating the Fixed Charges in respect of any Property for the benefit of the Issuer, the Borrower must, in respect of such security, provide the conditions precedent documents specified in the Security Trust Deed. In addition, pursuant to the Loan Agreement, the Borrower has agreed that it shall not enter into any further Fixed Charges in respect of any Property for the benefit of the Issuer (or allocate any Property as part of the Issuer's Designated Security), unless, in respect of such security, it provides to the Issuer (a) a completed Additional Property Certificate confirming that, inter alia, the proposed Additional Properties are Eligible Properties, (b) Full Valuation Reports in respect of each Additional Property, (c) a Certificate of Title in respect of each tranche of Additional Properties charged and (d) the other Additional Property conditions precedent set out in the Loan Agreement.

Valuations

Full Valuations and Desk Top Valuations

In accordance with Clause 13.3 (*Valuations*) of the Loan Agreement, the Borrower shall deliver, or procure the delivery, to the Issuer and the Security Trustee of:

(a) a Full Valuation Report prepared by a Valuer which values all Mortgaged Properties on a full valuation basis at least once in every period of five calendar years. The first such Full Valuation Report must be delivered in the period between 30 June 2023 and the date falling 90 days thereafter (or, at the option of the Borrower, within the same period in any prior calendar year) and unless the Issuer and the Borrower agree otherwise, thereafter within 90 days of each consecutive fifth anniversary of the date on which the Full Valuation Report was previously provided; and

(b) a Desk Top Valuation Report prepared by a Valuer which values all the Mortgaged Properties on a "desk-top" basis in the period between 30 June and the date falling 120 days thereafter in each year other than a year in respect of which such Mortgaged Properties have been valued on a full valuation basis through the delivery of a Full Valuation Report. The first such Desk Top Valuation Report must be delivered within 120 days of 30 June 2019.

For these purposes "**Valuer**" means Savills Advisory Services Limited or such other reputable firm of surveyors which is a member of the Royal Institute of Chartered Surveyors as may be selected by the Borrower and approved by the Security Trustee from time to time.

Loan Events of Default and Enforcement

Borrower Default

Each of the following (which is set out in more detail in Clause 16.1 (*Loan Events of Default*) of the Loan Agreement) is a "**Borrower Default**":

(a) *Non-payment*: The Borrower does not pay on the due date any amount payable by it under the Finance Documents in the manner required under the Finance Documents, unless the non-payment continues for a period of not more than seven Business Days in the case of principal and not more than fourteen Business Days in the case of interest.

(b) *Breach of other obligations*: The Borrower fails to perform or observe any of its obligations under the Finance Documents (other than as referred to in (a) above, and (j) below) and (except in any case where, in the opinion of the Security Trustee, the failure is incapable of remedy when no such continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 30 days next following the service by the Security Trustee on the Borrower of notice requiring the same to be remedied.

(c) *Other non-payment*: (A) Any other present or future indebtedness of the Borrower for or in respect of moneys borrowed or raised becomes due and payable prior to its stated maturity by reason of any actual default, event of default or the like (howsoever described), or (B) any such indebtedness is not paid when due or, as the case may be, within any originally applicable grace period, or (C) the Borrower fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised **provided that** the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned in (A), (B) or (C) above in this paragraph (c) have occurred equals or exceeds £5,000,000 (indexed in accordance with RPI) or its equivalent in other currencies (as reasonably determined by the Security Trustee).

(d) *Enforcement Event*: An Enforcement Event occurs under a Finance Document.

(e) *Winding-up*: Any order is made by any competent court or resolution passed for the winding up or dissolution of the Borrower save for a reorganisation on terms previously approved in writing by the Security Trustee.

(f) *Cessation of Business*: The Borrower ceases or threatens to cease to carry on the whole or, as determined by the Security Trustee, substantially the whole of its business, save for the purposes of a reorganisation on terms previously approved in writing by the Security Trustee.

(g) *Failure or inability to pay debts*: The Borrower stops or threatens to stop payment of, or is unable to, or admits inability to, pay, its debts (or any class of its debts) as they fall due, or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent.

(h) *Insolvency*: Any of the insolvency related events occurs or proceedings are taken as referred to in Clause 16.1.8 (which exclude any reorganisation on terms previously approved in writing by the Security Trustee).

(i) *Unlawfulness*: It is or becomes unlawful for the Borrower to perform any of its obligations under the Finance Documents.

(j) *Breach of Asset Cover Test or Liquidity Covenant*: The Borrower fails to perform its obligations to comply with the Asset Cover Test or the Liquidity Covenant and (except in the case of the Liquidity Covenant or in any case where, in the opinion of the Security Trustee, the failure is incapable of remedy when no such continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 60 days next following the service by the Security Trustee on the Borrower of notice requiring the same to be remedied.

(k) *Failure to maintain the Required Reserve Amount*: The Borrower fails to maintain the Required Reserve Amount.

(l) *Vote 5 event*: (i) The failure of a Vote 5 budget, or any replacement thereof, to be approved by the General Synod, (ii) the approval by the General Synod of a Vote 5 grant budget or any successor that is materially (greater than 10%) lower than that requested by the Archbishops' Council or (iii) the approval by the General Synod of a Vote 5 budget that could result in a potential Borrower Default, in each case unless waived by the Issuer (acting on the instructions of Bondholders by way of Extraordinary Resolution).

Obligation to Notify the Issuer and the Security Trustee

The Borrower shall notify the Issuer and the Security Trustee of any Borrower Default (and the steps, if any, being taken to remedy it) or potential Borrower Default promptly upon becoming aware of the same. The Issuer shall also notify the Security Trustee of any Borrower Default or potential Borrower Default promptly upon becoming aware of the same (unless the Issuer is aware that a notification has already been provided by the Borrower) including, but not limited to, the non-payment by the Borrower of any amounts owing to the Issuer under the Loan Agreement on the due date for payment thereof.

Borrower Default Notice

Following the occurrence of a Borrower Default, the Issuer may declare by notice to the Borrower either:

(a) that the security for the Loan has become enforceable , whereupon the security for the Loan shall become, immediately enforceable (and the Issuer shall notify the Security Trustee of the same in accordance with the Security Trust Deed); and/or

(b) (irrespective of whether a notice to the effect set out in (a) shall have already been given) that the Loan has become due and repayable, whereupon the Loan shall become immediately due and repayable at the outstanding balance thereof together with accrued interest, premium (if any) and any other amounts due and payable by the Borrower and the security therefor shall become immediately enforceable.

Enforcement

If the security constituted under any Security Documents for the benefit of the Issuer becomes enforceable as a result of the service of a notice pursuant to Clause 16.2 (Notice of Default), then the Security Trustee, any Appointee or any Receiver (where appropriate) shall hold the moneys arising from any sale, calling in, collection or conversion under, or otherwise arising from the exercise of, the powers of conversion contained in the Security Documents after the security has become enforceable upon trust to apply the same in accordance with the priorities specified in the Security Trust Deed.

All Proceeds from each pool of Designated Properties and related Security Assets and all money derived therefrom in the following order:

(a) first, in or towards payment of all remuneration, costs, charges, expenses and liabilities (and all interest thereon as provided in the Security Documents) incurred by or on behalf of the Security Trustee, any receiver, attorney or agent in connection with the due performance of its duties and exercise of its powers and discretions under the Security Documents and the remuneration of the Security Trustee and every receiver under the Security Documents; and

(b) secondly, in relation to the obligations owed by the Borrower under any Relevant Document to which at the relevant time that pool of Designated Properties is allocated, towards payment to the relevant Beneficiary to apply in accordance with the provisions of such Relevant Document.

All Proceeds from any Undesignated Properties (being those properties which have not been specifically designated in favour of particular beneficiaries under the Security Trust Deed), if any, and all money derived therefrom in the following order:

(a) first to the extent not recovered under paragraph (a) above, in or towards payment pro rata of all remuneration, costs, charges, expenses and liabilities (and all interest thereon as provided in the Security Documents) incurred by or on behalf of the Security Trustee, any receiver, attorney or agent in connection with the due performance of its duties and exercise of its powers and discretions under the Security Documents to which it is a party and the remuneration of the Security Trustee and every receiver under the Security Documents; and

(b) secondly, to each Affected Beneficiary (as defined in the Security Trust Deed), an amount equal to the Shortfall Amount owed to that Affected Beneficiary and where it is determined that there would be insufficient Security Assets in the Undesignated Properties to discharge the Shortfall Amount of each Affected Beneficiary requiring an application to be made to it, then the Proceeds from the Undesignated Properties and all monies derived therefrom shall be apportioned pro rata between the Affected Beneficiaries by reference to the proportion which the Liabilities owed to each Affected Beneficiary bear to the aggregate Liabilities owed to all Affected Beneficiaries at the time of such application.

If all of the Instructing Parties have confirmed in writing to the Security Trustee that there are no Liabilities outstanding in relation to their respective Beneficiaries, then the Security Trustee shall pay any surplus from the Proceeds to the Borrower.

Taxes

The Borrower must make all payments to be made by it to the Issuer under, *inter alia*, the Loan Agreement, the Fixed Charges and the Security Trust Deed, without any deduction or withholding for or on account of tax, unless a deduction or withholding is required by law.

If a deduction or withholding from any such payment is required by law to be made by the Borrower, the amount of the payment due from Borrower shall be increased to an amount which (after making such deduction or withholding) leaves an amount equal to the payment which would have been due if no deduction or withholding had been required.

If, as a result of any actual or proposed change in tax law, the Issuer determines (in its reasonable commercial judgement) that it would on the next following Interest Payment Date be required to make a withholding or deduction in respect of payments to be made by the Issuer to the Bondholders pursuant to the Conditions (other than in respect of a Bondholder Specific Withholding), the Issuer shall notify the Borrower of the same. The Borrower may (but, for the avoidance of doubt, shall not be obliged to), in its sole discretion, pay to the Issuer such additional amounts as will enable the Issuer (after such withholding or deduction) to pay to the Bondholders the amounts of principal and interest which they would have received in respect of the Bonds in the absence of such withholding or deduction. The Borrower shall continue to pay such additional amounts to the Issuer unless and until the Borrower delivers to the Issuer a notice stating that it shall cease to make such additional payments with effect from the next following Interest Payment Date.

Governing Law

The Loan Agreement, and any non-contractual obligations or matters arising from or connected with it, shall be governed by, and construed in accordance with, English law.

DESCRIPTION OF THE FIXED CHARGES AND THE SECURITY TRUST DEED

The Issuer's obligations in respect of the Bonds are secured pursuant to the Issuer Security Deed in favour of the Bond Trustee for the benefit of itself and the Bondholders and the other Issuer Secured Creditors by the Issuer Fixed Security, which includes an assignment by way of security of the Issuer's rights, title and interest arising under the Fixed Charges and the Security Trust Deed.

The following description of the Fixed Charges and the Security Trust Deed consists of a summary of certain provisions of the Fixed Charges and the Security Trust Deed and is qualified by reference to the detailed provisions thereof. The Fixed Charges and the Security Trust Deed are not, however, incorporated by reference into, and therefore do not form part of, this Prospectus.

Definitions used in this section but not otherwise defined in this Prospectus have the meanings given to them in the Fixed Charges and/or the Security Trust Deed.

FIXED CHARGES

The Borrower has, in relation to the Initial Properties, entered into the Fixed Charges dated 7 March 2012, 7 September 2016 and 22 December 2017 and shall, in relation to any additional properties to be charged as underlying security for the Bonds, enter into further Fixed Charges pursuant to the Security Trust Deed or the Loan Agreement, as applicable.

Fixed Charges

Pursuant to the Fixed Charges, the Borrower, as security for the payment of all Secured Liabilities, has charged, or will charge, with full title guarantee by way of first fixed charge in favour of the Security Trustee as trustee for, *inter alios*, itself and the Issuer the Mortgaged Property set out therein together with all buildings and Fixtures thereon, the proceeds of sale of all or any part thereof and (so far as the same are capable of being mortgaged) the benefit of any covenants for title given or entered by any predecessor in title of the Borrower and any moneys paid or payable in respect of such covenants.

Pursuant to the Fixed Charges, the Borrower, as security for the payment of all Secured Liabilities has charged, or will charge, with full title guarantee by way of first fixed charge in favour of the Security Trustee as trustee for, *inter alios*, itself and the Issuer:

(a) all plant and machinery (except for the Fixtures included within the heading "*Fixed Charges*" above) now or in the future owned by the Borrower and its interest in any plant and machinery in its possession which form part of or are operated by the Borrower on the Mortgaged Property;

(b) all benefits in respect of the Insurances and all claims and returns of premiums in respect thereof;

(c) the benefit of all present and future licences, consents and authorisations (statutory or otherwise) held in connection with the Security Assets and the use of the Security Assets (listed in paragraphs (b) and (c) of this section) and the right to recover and receive all compensation which may at any time become payable to it in respect thereof; and

(d) if and in so far as the fixed charge set forth in the section entitled "*Fixed Charges*" above or the assignments set out in the section entitled "*Assignments*" below shall for any reason be ineffective as fixed charges or assignments, the assets referred to therein.

Assignment

Pursuant to the Fixed Charges, the Borrower, as security for payment of the Secured Liabilities with full title guarantee assigned to the Security Trustee for the benefit of itself and, *inter alios*, the Issuer, all of its rights, title and interest in and to:

(a) the personal agreements and covenants by the tenants, lessees, licensees or other parties under the Letting Documents and by all guarantors and all security held by the Borrower from time to time, whether present or future, in respect of the obligations of the tenants, lessees, licensees or other parties under the Letting Documents (including, without limiting the generality of the foregoing, all moneys due and owing to the Borrower or which may become due and owing to the Borrower at any time in the future in connection therewith and any rent arrears or service charges due at any time from any tenants, lessees, licensees or other parties under the Letting Documents);

(b) all agreements now or from time to time entered into or to be entered into to enable the charging of the Security Assets and for the sale, letting or other disposal or realisation of the whole or any part of the Security Assets (including, without limiting the generality of the foregoing, all moneys due and owing to the Borrower or which may become due and owing to the Borrower at any time in the future in connection therewith and also, in respect of the Mortgaged Property and other Security Assets, any development agreements, contracts (including, without limitation, building and works contracts) or warranties the benefit of which is or will be vested in the Borrower (so far as such are assignable)).

The Borrower shall, however, until an Enforcement Event has occurred and is continuing, be entitled to exercise all its rights under or in connection with such agreements and covenants.

Representations, Warranties and Undertakings

Pursuant to the Fixed Charges, the Borrower has made various representations in respect of the Mortgaged Properties including as to ownership, planning permission, covenants, security interests, third-party facilities, adverse claims and tenancies. In addition, the Borrower undertakes to, inter alia, repair, insure, pay or procure the payment of taxes in respect of and comply with all leases in respect of, the Mortgaged Property.

Enforcement of Security

The Fixed Charges provide that, upon and after an Enforcement Event has occurred and is continuing, the security created by the relevant Fixed Charge will be immediately exercisable and the Security Trustee may enforce all or any part of such security (at the times, in the manner and on the terms it thinks fit) and take possession of and hold or dispose of all or any part of such security subject to the terms of, *inter alia*, the Loan Agreement.

Each Fixed Charge further entitles the Security Trustee and, *inter alios*, the Issuer, to be indemnified out of the Security Assets in respect of, *inter alia*, all liabilities and expenses properly incurred by them in the execution or purported execution of any of the powers, authorities or discretions vested in them pursuant to such Fixed Charge.

Governing Law

The Fixed Charges are governed by and construed in accordance with English law.

SECURITY TRUST DEED

Pursuant to an Accession Deed dated on or around the Issue Date, the Issuer will become a Beneficiary under the Security Trust Deed in accordance with the terms of the Security Trust Deed. The benefit of the security created by the Borrower pursuant to the Fixed Charges shall, therefore, be held by the Security Trustee on trust for the benefit of itself and, *inter alios*, the Issuer on the terms of the Security Trust Deed.

The Bond Trustee has been authorised to act as Instructing Party (as defined in the Security Trust Deed) under the Accession Deed on behalf of the Issuer (in its capacity as Additional Beneficiary under the Security Trust Deed), and in so doing the Bond Trustee may request and act on the directions of the Majority Bondholder Representative (where so provided in the relevant Transaction Documents) or may convene a meeting of Bondholders in order to take instructions as to any instructions and/or authorisations it may be required to provide under the Security Trust Deed as Instructing Party, and shall not be liable to the Issuer or any other person whatsoever for any loss or damage arising from any exercise or non-exercise by it of any power, authority or discretion conferred upon it as Instructing Party, unless such loss or damage shall be caused by its own gross negligence, wilful default or fraud.

The Security

Designation of Security

The Security Trust Deed provides that the Borrower and the Issuer shall agree the allocation of properties which shall comprise the Issuer's Designated Security in respect of the Loan Agreement. All properties which are not Designated Security shall form the Undesignated Security.

Additional Security

Pursuant to the Security Trust Deed, on or prior to the Borrower creating a further Fixed Charge for the benefit of the Issuer, the Borrower must deliver to the Security Trustee the documentation relating thereto as set out therein. Such documents must be in the form and substance satisfactory to the Security Trustee and the Issuer.

Release and Reallocation of Security

Pursuant to the terms of the Security Trust Deed, the Borrower and the Issuer may agree to amend the Issuer's Designated Security by either removing Designated Security or by designating any Undesignated Security as the Issuer's Designated Security by, *inter alia*, delivering an amended Designated Properties Schedule signed by the Borrower and the Issuer to the Security Trustee. Any such release or reallocation will be subject to the requirements set out in the Loan Agreement (see "*Description of the Loan Agreement*" above).

Application of Proceeds

Upon the enforcement of the security constituted by the Security Documents, and after satisfying claims which at law rank in priority to sums owing under or in respect of any of the Relevant Documents, all Proceeds from the Issuer's Designated Security and related Security Assets and all money derived therefrom shall be applied in the order specified under "*Description of the Loan Agreement*" above.

Enforcement of Security

Pursuant to the Security Trust Deed, the Security Trustee shall only be required to take action to enforce or protect the security in respect of the Loan Agreement if so instructed by the Issuer (subject to it being indemnified and/or secured and/or prefunded to its satisfaction).

In respect of instructions given by the Issuer, the Issuer has assigned its rights under, *inter alia*, the Security Trust Deed and the Fixed Charges to the Bond Trustee and, pursuant to Condition 6.3 (*Loan Agreement, Fixed Charges and Security Trust Deed Consents Covenant*), has covenanted not to take any action or direct the Security Trustee to take any action pursuant thereto except with the prior consent of the Bond Trustee. The Bond Trustee may, but is not obliged to, seek the consent of the Bondholders in accordance with the Bond Trust Deed prior to giving any such consent.

In enforcing the Issuer Fixed Security (including the Issuer's rights, title and interests in the Security Trust Deed and the Fixed Charges insofar as they relate to the Bonds) the Bond Trustee may act in its discretion. It is, however, required to take action, pursuant to Condition 12.2 (*Enforcement*), where so directed by the requisite majority of the Bondholders **provided, however, that** it is secured and/or indemnified and/or pre-funded to its satisfaction.

Governing Law

The Security Trust Deed is governed by and shall be construed in accordance with English law.

DESCRIPTION OF THE FLOATING CHARGE DEED AND THE FLOATING CHARGE TRUST DEED

The following description of the Floating Charge Deed and the Floating Charge Trust Deed consists of a summary of certain provisions of the Floating Charge Deed and the Floating Charge Trust Deed and is qualified by reference to the detailed provisions thereof. The Floating Charge Deed and the Floating Charge Trust Deed are not, however, incorporated by reference into, and therefore do not form part of, this Prospectus.

Definitions used in this section but not otherwise defined in this Prospectus have the meanings given to them in the Floating Charge Deed and the Floating Charge Trust Deed.

FLOATING CHARGE DEED

The Issuer has entered into the floating charge deed to be dated on or about the Issue Date (the "**Floating Charge Deed**") as a supplement to the Issuer Security Deed.

Issuer Floating Security

Pursuant to the Floating Charge Deed, as continuing security for the payment or discharge of the Secured Amounts, the Issuer, with full title guarantee, in favour of the Floating Charge Trustee for itself and to hold on trust for the 2015 Issuer Secured Creditors, the 2018 Issuer Secured Creditors and any transferee or successor of such parties, to the extent any such transferee or successor or the relevant Instructing Party on its behalf has acceded to the Floating Charge Trust Deed Deed as 2015 Issuer Secured Creditor or (as applicable) 2018 Issuer Secured Creditor, and the Further Issuer Secured Creditors will charge by way of first floating charge the whole of its undertaking and all of its property, assets, present and future (including without limitation, its uncalled capital).

Save for the security created pursuant to the 2015 Issuer Security Deed, the Issuer is disposing of the Floating Charge Assets free from all charges and encumbrances (whether monetary or not) and from all other rights exercisable by third parties (including liabilities imposed and rights conferred by or under any enactment).

The Floating Charge shall be deferred in point of priority to any fixed security and any other security validly created by the Issuer (whether before or after the date hereof) and which remains outstanding under clause 4.1 of the 2015 Issuer Security Deed, clause 4.1 of the 2018 Issuer Security Deed and any comparable provision of any Further Issuer Security Deed and held on trust for, respectively, the 2015 Issuer Secured Creditors, the 2018 Issuer Secured Creditors and the Future Issuer Secured Creditors from time to time and any right of the Issuer to deal with assets subject to the 2015 Issuer Floating Security or the Issuer Floating Security shall be expressly subject to any restrictions placed on dealings with those assets contained in any fixed security and any other security over the same.

Representations, Warranties and Undertakings

Pursuant to the Floating Charge Deed, the Issuer has given various warranties in respect of the Issuer Floating Security, including as to creation of the Issuer Floating Security and its compliance with the laws and regulation applicable to it. In addition, the Issuer undertakes not to create or permit to subsist any Security Interest on or over all or part of the Floating Charge Assets, save as created (or to be created) under any Issuer Security Deed.

Enforcement of Security

The whole of the Issuer Floating Security shall become enforceable upon the delivery of an Acceleration Notice or if any person who is entitled to do so presents an application for the appointment of an administrator of the Issuer, gives notice of intention to appoint an administrator of the Issuer or files such notice with the court (such event being an "**Administration Event**").

The Floating Charge Deed provides that, from the date on which the Issuer Floating Security becomes enforceable, subject to the provisions of the Floating Charge Trust Deed, the Floating Charge Trustee may institute such proceedings against the Issuer and take such action as it may think fit to enforce all or any part of the Issuer Floating Security, the Floating Charge Trustee may appoint a Receiver or an administrator in accordance with the Issuer Security Deed, and regardless of whether a Receiver has been appointed, the Floating Charge Trustee may exercise all or any of the powers, authorities and discretions conferred by the Trust Documents on any Receiver, conferred by the LPA (as varied or extended by the Trust Documents) on mortgagees or otherwise conferred by law on mortgagees or receivers.

The Floating Charge Trustee may at any time by notice in writing to the Issuer convert the Floating Charge with immediate effect into a fixed charge as regards any property or assets specified in the notice if the Issuer Floating Security has become enforceable as described above, the Floating Charge Trustee considers that any of the Floating Charge Assets may be in jeopardy or in danger of being seized or sold pursuant to any form of legal process or the Issuer requests the Floating Charge Trustee to exercise any of its powers under the Floating Charge Deed.

Notwithstanding the previous paragraph, and without prejudice to any law which may have a similar effect, the Floating Charge will automatically be converted (without notice) with immediate effect into a fixed charge as regards all the assets subject to the Floating Charge if the Issuer creates or attempts to create any Security (other than any Security permitted under the terms of the Bonds, the Issuer Security Deed, the Floating Charge Trust Deed and the Floating Charge Deed), over any of the Floating Charge Assets, any person levies or attempts to levy any distress, execution or other process against any of the Floating Charge Assets, an Administration Event occurs, a Receiver is appointed over all or any of the Floating Charge Assets, a meeting is convened for the passing of a resolution for the voluntary winding-up of the Issuer, a petition is presented for the compulsory winding-up of the Issuer, a provisional liquidator is appointed to the Issuer, or a resolution is passed or an order is made for the dissolution or reorganisation of the Issuer, or any analogous procedure or step is taken in any jurisdiction.

Governing Law

The Floating Charge Deed will be governed by and construed in accordance with English law.

FLOATING CHARGE TRUST DEED

The Issuer will enter into a floating charge trust deed to be dated on or about the Issue Date (the "**Floating Charge Trust Deed**") with the Floating Charge Trustee, the Bond Trustee and the 2015 Bond Trustee as Instructing Parties on behalf of the applicable Initial Beneficiaries named therein in order to set out the parties' agreement as regards the ranking of claims in respect of the 2015 Issuer Floating Security and the Floating Security.

Trust over the floating security

Pursuant to the Floating Charge Trust Deed, the Floating Charge Trustee holds each of the 2015 Issuer Floating Security and the Floating Security on trust for the Beneficiaries on the terms contained therein.

Accession of Instructing Party for Additional Beneficiaries

If the Issuer wishes any person to become an Additional Beneficiary under the Floating Charge Trust Deed in connection with the issue by the Issuer of any Further Class of Bonds, the Issuer shall notify the Floating Charge Trustee in writing of such fact and of the proposed Instructing Party for such Additional Beneficiary prior to such person(s) becoming an Additional Beneficiary under the Floating Charge Trust Deed.

On the relevant Accession Date, the Issuer and the proposed Instructing Party for the Additional Beneficiary shall deliver to the Floating Charge Trustee an Accession Memorandum executed by the Issuer and the proposed Instructing Party for the Additional Beneficiary, and copies of the documents designated as Transaction Documents evidencing or regulating the relevant Additional Liabilities.

The parties to the Floating Charge Trust Deed have agreed that any Accession Memorandum delivered in accordance with its terms shall take effect upon delivery to the Floating Charge Trustee.

If the Issuer is not or ceases to be under any actual or contingent liabilities to any Beneficiaries in respect of Designated Debt, such Beneficiary shall cease to be a Beneficiary under the Floating Charge Trust Deed following confirmation in writing to the Floating Charge Trustee from the relevant Instructing Party that no such liabilities are outstanding.

Application of proceeds

The Floating Charge Trustee shall, upon the enforcement of any of the security constituted by either Floating Charge, and after satisfying claims which at law rank in priority to the sums owing to any Beneficiaries, apply all Proceeds from the 2015 Issuer Floating Security and/or the Issuer Floating Security (only in respect of the Floating Charge Assets, for so long as the security created pursuant to clause 4.1 of the 2015 Issuer Security Deed, clause 4.1 of the Issuer Security Deed and any comparable provision of any Further Issuer Security Deed continues to exist) and all monies derived therefrom in the following order of priority:

(a) first, in or towards payment pro rata of all remuneration, costs, charges, expenses and liabilities (and all interest thereon as provided in the Floating Charge Trust Deed) incurred by or on behalf of the Floating Charge Trustee and any receiver, attorney or agent in connection with the due performance of its duties and exercise of its powers and discretions under the Floating Charge Trust Deed and either the 2015 Issuer Floating Security or the Issuer Floating Security;

(b) second, the proceeds from the Floating Charge and monies derived therefrom shall be apportioned pro rata between the Beneficiaries by reference to the proportion which the Liabilities owed to each Beneficiary bear to the aggregate Liabilities owed to all Beneficiaries at the time of such application; and

(c) third, if each Instructing Party has confirmed in writing to the Floating Charge Trustee that there are no Secured Amounts outstanding in relation to the Transaction Documents and Bonds in respect of which transaction they act as Instructing Party, then the Floating Charge Trustee shall pay any surplus of the Proceeds to the Issuer.

The order of application of Proceeds set out in paragraphs (b) and (c) above may only be varied with the consent of the Instructing Group. The order of application of Proceeds set out in paragraph (a) above may only be varied with the consent of the Floating Charge Trustee.

Any proceeds from enforcement of any fixed security created by the Issuer shall be allocated pursuant to and in accordance with, the terms of the relevant Issuer Security Deed and not pursuant to the Floating Charge Trust Deed.

Notification of default

If any Instructing Party becomes aware of the occurrence of an Event of Default, that Instructing Party shall:

(a) notify the Floating Charge Trustee of the same, and until so notified, the Floating Charge Trustee shall be entitled to assume that no Event of Default has occurred; and

(b) provide the Floating Charge Trustee in writing with accurate and up-to-date information as to the Liabilities owed to each Beneficiary (subject to it having such information, having used reasonable endeavours to obtain the same).

Enforcement

Upon the Floating Charge Trustee becoming aware that 2015 Issuer Floating Security or the Issuer Floating Security has become enforceable, the Floating Charge Trustee will promptly notify each Instructing Party and request that each Instructing Party obtains a direction from its relevant Instructing Group as to any Enforcement Action to be taken.

From the date on which either 2015 Issuer Floating Security or the Floating Security becomes enforceable:

(a) subject to the provisions of the Floating Charge Trust Deed and the applicable Issuer Security Deed and/or Floating Charge Deed, the Floating Charge Trustee may (and shall if instructed by the Instructing Group) institute such proceedings against the Issuer and take such action as it may think fit to enforce all or any part of the 2015 Issuer Floating Security or the Issuer Floating Security;

(b) the Floating Charge Trustee may appoint a Receiver or an administrator in respect of the Floating Charge Assets in accordance with the terms of the applicable Issuer Security Deed and/or Floating Charge Deed;

(c) whether or not it has appointed a Receiver, the Floating Charge Trustee may exercise all or any of the powers, authorities and discretions:

    (i) conferred by the applicable Issuer Security Deed and/or Floating Charge Deed on any Receiver;

    (ii) conferred by the LPA (as varied or extended by the applicable Issuer Security Deed and/or Floating Charge Deed) on mortgagees; or

    (iii) otherwise conferred by law on mortgagees or receivers; and

(d) the Floating Charge Trustee shall not exercise any powers conferred upon it hereunder or the applicable Issuer Security Deed and/or Floating Charge Deed in respect of Enforcement Action in contravention of any express direction by the Instructing Group, but no such direction shall affect any action previously taken by the Floating Charge Trustee.

Determination by the Instructing Group

If the Floating Charge Trustee wishes to obtain the consent, direction, determination or instruction of the Instructing Group on any issue which is governed or regulated by the Floating Charge Trust Deed, or considers that an issue which is not governed or regulated by the Floating Charge Trust Deed should be determined upon by the Instructing Group, then any such consent, direction, determination or instruction will be made as described below.

The Floating Charge Trustee may at any time deliver a request in writing to the relevant Instructing Parties specifying:

(a) particulars of the consent, direction, determination or instruction which the Instructing Group is being requested to make, expressed as a positive or negative proposal to be answered in the affirmative or negative (as the case may be); and

(b) the date, being no later than one Business Day after the date of that request by which each relevant Instructing Party is to advise the Floating Charge Trustee in writing of an affirmative or negative (as the case may be) response of its respective part of the Instructing Group to that request.

If any constituent part of the Instructing Group does not respond to a request made in accordance with the above by the date referred to in paragraph (b) above, it will be deemed to have rejected the making of the relevant consent, direction, determination or instruction which is the subject of that request, unless the request relates to the taking of any Enforcement Action, in which case it will be deemed to have approved the making of the relevant consent, direction, determination or instruction which is the subject of that request.

Promptly after the date referred to in paragraph (b) above, the Floating Charge Trustee will issue a notice to each relevant Instructing Party specifying:

(a) the response of the Instructing Group; and

(b) whether or not the relevant consent, direction, determination or instruction which was the subject of the relevant request made as described above had been made by the Instructing Group on that date.

The terms of each such notice will (in the absence of manifest error) be conclusive.

For the purposes of this section:

"**Bonds**" means each of the 2015 Bonds, the Bonds and any Further Class of Bonds.

"**Borrower Group**" means the Borrower and any present or future, direct or indirect, Subsidiaries of the Borrower.

"**Conditions**" means the terms and conditions of the 2015 Bonds, the terms and conditions of the Bonds and the terms and conditions of any Further Class of Bonds, as the case may be.

"**Enforcement Action**" means:

(a) the taking of any steps to enforce or require the enforcement of the 2015 Issuer Floating Security or the Issuer Floating Security (including the crystallisation of the 2015 Issuer Floating Security or the Issuer Floating Security); and

(b) the petitioning, applying or voting for, or the taking of any steps (including the appointment of any liquidator, receiver, administrative receiver, administrator or similar officer) in relation to, the winding up, dissolution, administration, administrative receivership or reorganisation of the Issuer or any suspension of payments or moratorium of any indebtedness of the Issuer, or any analogous procedure or step in any jurisdiction.

"**Extraordinary Resolution**" means:

(a) a resolution passed at a meeting of the holders of the 2015 Bonds by a majority of not less than 70 per cent. of the votes cast;

(b) a resolution passed at a meeting of the Bondholders by a majority of not less than 60 per cent. of the votes cast;

(c) a resolution passed at a meeting of the holders of the Further Class of Bonds by a majority specified in the transaction documents in respect of such Further Class of Bonds; or

(d) a Written Resolution,

provided that, in respect of paragraphs (a) to (c) above, where relevant thresholds for passing an Extraordinary Resolution are amended pursuant to the Transaction Documents in respect of either 2015 Bonds, the Bonds or any Further Class of Bonds, the respective thresholds set out in this definition shall be considered to have been amended accordingly.

"**Instructing Group**" means all of:

(a) in respect of the 2015 Bonds, the 2015 Bond Trustee acting on the instructions (i) of the holders of the 2015 Bonds then outstanding given by way of Extraordinary Resolution or (ii) in writing by the holders of at least one-half in Outstanding Principal Amount of the 2015 Bonds then outstanding or (iii) of the Majority Bondholder Representative in respect of the 2015 Bonds,

(b) in respect of the Bonds, the Bond Trustee acting on the instructions (i) of the holders of the Bonds then outstanding given by way of Extraordinary Resolution or (ii) in writing by the holders of at least one-half in Outstanding Principal Amount of the Bonds then outstanding or (iii) of the Majority Bondholder Representative in respect of the Bonds, and

(c) in respect of each and every Further Class of Bonds (where applicable), the bond trustee acting as such pursuant to the applicable bond trust deed acting on the instructions (i) of the holders of the Further Class of Bonds then outstanding given by way of Extraordinary Resolution or (ii) in writing by the holders of at least one-half in Outstanding Principal Amount of the Further Class of Bonds then outstanding or (iii) where such role is provided for in the applicable bond documents, of the majority bondholder representative in respect of the Further Class of Bonds,

provided that, for the purposes of providing any instructions in relation to any Enforcement Action, the "Instructing Group" shall refer to any one or more of the paragraphs (a), (b) and (c) above, which instructs the Floating Charge Trustee to take an Enforcement Action (and ignoring, for these purposes, any group of the Bondholders which instructs the Floating Charge Trustee to the contrary).

"**Majority Bondholder Representative**" means:

(a) in respect of the 2015 Bonds, any person notified on the issue date of the 2015 Bonds to the 2015 Bond Trustee as the representative of the holders of more than 50 per cent. of the Outstanding Principal Amount of the 2015 Bonds, or such other person (if any) as may be appointed by the holders of more than 50 per cent. of the Outstanding Principal Amount of the 2015 Bonds from time to time and notified in writing to the Bond Trustee and the Issuer;

(b) in respect of the Bonds, any person notified on the Issue Date to the Bond Trustee as the representative of the holders of more than 50 per cent. of the Outstanding Principal Amount of the Bonds, or such other person (if any) as may be appointed by the holders of more than 50 per cent. of the Outstanding Principal Amount of the Bonds from time to time and notified in writing to the Bond Trustee and the Issuer; and

(c) in respect of any Further Class of Bonds, any person notified on the issue date of such Further Class of Bonds to the bond trustee in respect of such Further Class of Bonds as the representative of the holders of more than 50 per cent. of the Outstanding Principal Amount of such Further Class of Bonds, or such other person (if any) as may be appointed by the holders of more than 50 per cent. of the Outstanding Principal Amount of such Further Class of Bonds from time to time and notified in writing to the bond trustee in respect of such Further Class of Bonds and the Issuer.

"**outstanding**" means, in relation to the Bonds, all the Bonds other than:

(a) those which have been redeemed in full and cancelled in accordance with the Conditions;

(b) those in respect of which the date for redemption, in accordance with the provisions of the Conditions, has occurred and for which the redemption monies (including all interest accrued thereon to such date for redemption) have been duly paid to the Bond Trustee or the Principal Paying Agent in the manner provided for in the agency agreement entered into in connection with the 2015 Bonds, the Agency Agreement or any agency agreement entered into in connection with any Further Class of Bonds (and, where appropriate, notice to that effect has been given to the Bondholders in accordance with Condition 15 (Notices) of the 2015 Bonds, Condition 15 (Notices) of the Bonds or the relevant condition of any Further Class of Bonds) and remain available for payment in accordance with the Conditions;

(c) those which have been purchased and surrendered for cancellation as provided in Condition 9 (Redemption and Purchase) of the 2015 Bonds, Condition 9 (Redemption and Purchase) of the Bonds or the relevant condition of any Further Class of Bonds and notice of the cancellation of which has been given to the Bond Trustee;

(d) those which have become void under the Conditions;

(e) those mutilated or defaced Bonds which have been surrendered or cancelled and those Bonds which are alleged to have been lost, stolen or destroyed and in all cases in respect of which replacement Bonds have been issued pursuant to the Conditions; and

(f) the Temporary Global Bond, to the extent that it shall have been exchanged for a Permanent Global Bond or to the extent that it shall have been exchanged for Definitive Bonds pursuant to the provisions contained therein and the Conditions;

provided that for each of the following purposes, namely:

(i) the right to attend and vote at any meeting of Bondholders or the right to vote on any Extraordinary Resolution to be passed in writing in accordance with Condition 17 (Meetings of Bondholders, Modification and Waiver) of the 2015 Bonds, Condition 17 (Meetings of Bondholders, Modification and Waiver) of the Bonds or similar provisions of the Conditions of any Further Class of Bonds;

(ii) the determination of how many and which Bonds are for the time being outstanding for the purpose of Clauses 17 (Waiver), 18 (Modifications), 21 (Proceedings and Actions by the Bond Trustee), 31 (Appointment of Bond Trustees) and 32 (Notice of a New Bond Trustee) of the Bond Trust Deed and Conditions 12 (Events of Default and Enforcement), and 17 (Meetings of Bondholders, Modification and Waiver) of each of the bond trust deed entered into in connection with the 2015 Bonds and the Bond Trust Deed and any similar provisions of any bond trust deed entered into in connection with any Further Class of Bonds, and the Provisions for Meetings of Bondholders; and

(iii) any right, discretion, power or authority, whether contained in the Bond Trust Deed or provided by law, which the Bond Trustee is required to exercise in or by reference to the interests of the holders of any Bonds or any of them,

those Bonds (if any, and for the avoidance of doubt, including any portion of any Bonds purchased by the Issuer on their respective issue Date) which, are for the time being, held by the Issuer, the Borrower and any member of the Borrower Group or any person for the benefit of the Issuer or any member of the Borrower Group, shall (unless and until ceasing to be so held) be deemed not to remain outstanding.

"**Outstanding Principal Amount**" means, in respect of each outstanding Bond, its principal amount as reduced from time to time pursuant to Condition 9.1 (*Redemption in Instalments*) of the 2015 Bonds, Condition 9.1 (*Redemption in Instalments*) of the Bonds or the comparable conditions in any Further Class of Bonds, as the case may be.

"**Subsidiary**" has the meaning given to that term in section 1159 of the Companies Act 2006.

"**Written Resolution**" means, as the case may be:

(a) a resolution in writing signed by or on behalf of all holders of not less than 70 per cent. in principal amount of the 2015 Bonds for the time being outstanding;

(b) a resolution in writing signed by or on behalf of all holders of not less than 60 per cent. in principal amount of the Bonds for the time being outstanding; or

(c) a resolution in writing signed by or on behalf of all holders of a percentage of the Further Class of Bonds for the time being outstanding as specified in the transaction documents in respect of such Further Class of Bonds,

in each case whether contained in one document or several documents in the same form, each signed by or on behalf of one or more such holders of the 2015 Bonds, the Bonds or Further Class of Bonds, as the case may be, and further provided that, where relevant thresholds for passing a Written Resolution are amended pursuant to the Transaction Documents in respect of either 2015 Bonds, the Bonds or any Further Class of Bonds, the respective thresholds set out in the this definition shall be considered to have been amended accordingly.

Governing Law

The Floating Charge Trust Deed is governed by and shall be construed in accordance with English law.

DESCRIPTION OF THE ACCOUNT AGREEMENT, THE CUSTODY AGREEMENT AND THE RETAINED BOND CUSTODY AGREEMENT

The Issuer has appointed Elavon Financial Services DAC, UK Branch operating from its offices in London at 125 Old Broad Street, Fifth Floor, London, EC2N 1AR, United Kingdom as its Account Bank pursuant to the Account Agreement, its Custodian pursuant to the Custody Agreement and its Retained Bond Custodian pursuant to the Retained Bond Custody Agreement in relation to the issue of the Bonds.

Elavon Financial Services DAC

U.S. Bank Global Corporate Trust Services is a trading name of Elavon Financial Services DAC (a U.S. Bancorp group company), registered in Ireland with the Companies Registration Office, Reg. No. 418442. Its registered office is located at Building 8, Cherrywood Business Park, Loughlinstown, Dublin 18, Ireland, D18 W319. The United Kingdom branch is registered in England and Wales under the number BR009373. In the U.K., Elavon Financial Services DAC, trading as U.S. Bank Global Corporate Trust Services, operates from offices in London at 125 Old Broad Street, Fifth Floor, London, EC2N 1AR, United Kingdom.

Elavon Financial Services DAC is an Irish licensed credit institution incorporated in Ireland and is a wholly owned subsidiary of U.S. Bank National Association. Elavon Financial Services DAC is authorised by the Central Bank of Ireland and is subject to limited regulation by the Financial Conduct Authority and the Prudential Regulation Authority.

U.S. Bank Global Corporate Trust Services in combination with U.S. Bank National Association, the legal entity through which the Corporate Trust Division conducts business in the United States, is one of the world's largest providers of trustee services with more than $4.1 trillion in assets under administration in municipal, corporate, asset-backed and international bonds. The division provides a wide range of trust and agency services such as calculation/paying agent, collateral administration and document custody through its network of 48 U.S.-based offices, an Argentinean office and European offices in London and Dublin.

U.S. Bancorp (NYSE: USB), with $459 billion in assets as of January 31 2018, is the parent company of U.S. Bank National Association, the 5th largest commercial bank in the United States. The company operates 3,072 banking offices in 25 U.S. states and 4,801 ATMs and provides a comprehensive line of banking, brokerage, insurance, investment, mortgage, trust and payment services products to consumers, businesses and institutions. Visit U.S. Bancorp on the web at www.usbank.com.

The following description of the Account Agreement, the Custody Agreement and the Retained Bond Custody Agreement consists of a summary of certain provisions of the Account Agreement, the Custody Agreement and the Retained Bond Custody Agreement and is qualified by reference to the detailed provisions thereof. The Account Agreement, the Custody Agreement and the Retained Bond Custody Agreement are not, however, incorporated by reference into, and therefore do not form part of, this Prospectus.

Definitions used in this section but not otherwise defined in this Prospectus have the meanings given to them in the Account Agreement, the Custody Agreement and the Retained Bond Custody Agreement.

ACCOUNT AGREEMENT

Accounts

The Account Bank shall maintain three cash accounts for the Issuer in respect of the Bonds: the Transaction Account, the Initial Cash Security Account and the Ongoing Cash Security Account.

Initial Deposits

Pursuant to the Account Agreement, the Issuer shall on the Issue Date of the Bonds:

(a) credit the Initial Cash Security Account with the Retained Proceeds to the extent that such amount is not invested directly in Permitted Investments which are deposited in the Initial Cash Security Custody Sub-Account; and

(b) credit the Transaction Account with the net issue proceeds of the Bonds less the Retained Proceeds to the extent that such amount is not paid directly to or to the order of the Borrower pursuant to, and in accordance with, the Loan Agreement.

The Issuer shall, upon receipt, credit to the Ongoing Cash Security Account all amounts received from the Borrower pursuant to Clause 15.3 (*Cash Security*) of the Loan Agreement.

Retained Bond Deposits

Pursuant to the Account Agreement, the Issuer shall, upon the sale of any Retained Bonds:

(a) credit the Initial Cash Security Account with the net sale proceeds of such Retained Bonds (less any Retained Bond Premium Amount), to the extent that such amount is not paid directly to the Borrower pursuant to, and in accordance with, the Loan Agreement; and

(b) credit the Transaction Account with the Retained Bond Premium Amount (if any), pending application in accordance with the Conditions.

Future Deposits and Withdrawals

The Issuer has covenanted, pursuant to the Issuer Security Deed that:

(a) prior to the enforcement of the Issuer Fixed Security, payments from the Initial Cash Security Account shall only be made to fund:

   (i) the Commitment pursuant to, and in accordance with the terms of, the Loan Agreement;

   (ii) payment to the Borrower or a member of the Borrower Group in respect of any Bonds surrendered for cancellation in accordance with the Loan Agreement;

   (iii) the purchase of Permitted Investments pursuant to the Custody Agreement; or

   (iv) redemptions of the Bonds in accordance with the Conditions;

(b) prior to the enforcement of the Issuer Fixed Security, payments from the Ongoing Cash Security Account shall only be made to the Borrower pursuant to, and in accordance with the terms of, the Loan Agreement or to purchase Permitted Investments in accordance with the Custody Agreement; and

(c) no payments from the Transaction Account will be made other than in accordance with the Conditions and the Issuer has undertaken to procure that amounts are paid into and out of the Transaction Account only in accordance with the Conditions, the Account Agreement and the Agency Agreement.

The Account Bank is under no obligation to monitor compliance with the above covenants.

Interest

Any moneys standing to the credit of the Transaction Account, the Initial Cash Security Account and/or the Ongoing Cash Security Account may earn interest at the rate(s), which may be positive, negative or zero, notified from time to time by the Account Bank to the Issuer.

Pursuant to the Account Agreement, interest accrued on the Transaction Account and the Initial Cash Security Account shall be credited to the Transaction Account and interest accrued on the Ongoing Cash Security Account shall be credited to the Ongoing Cash Security Account.

Change of Account Bank

The appointment of the Account Bank may, with the prior written approval of the Bond Trustee, be terminated upon 45 days' written notice or forthwith at any time the Account Bank is adjudged bankrupt or insolvent. The appointment of the Account Bank shall also be terminated in the event that the short-term senior, unsecured and unguaranteed indebtedness rating of the Account Bank as assigned by Moody's or S&P falls below "P-1" or "A-1" respectively or is withdrawn, and there are amounts standing to the credit of the Initial Cash Security Account and/or the Ongoing Cash Security Account (subject to the Issuer using all reasonable endeavours to secure the appointment of a replacement Account Bank within 30 days of notice to the Bond Trustee of such termination).

The Account Bank may resign its appointment upon giving at least 45 days' written notice (subject to the appointment of a replacement Account Bank).

Pursuant to the Account Agreement, the appointment of any replacement Account Bank shall be subject to the prior written approval of the Bond Trustee, be on substantially the same terms as the Account Agreement and be subject to the condition that such replacement Account Bank must have a short-term senior, unsecured and unguaranteed indebtedness rating from Moody's of no less than "P-1" and from S&P of no less than "A-1".

Governing law

The Account Agreement, and any non-contractual obligations or matters arising from or connected with it, are governed by and shall be construed in accordance with, English Law.

CUSTODY AGREEMENT

Custody Account

Pursuant to the Custody Agreement, the Custodian shall, subject to receipt of such documents as it may require, open, in the name of the Issuer, the Ongoing Cash Security Custody Sub-Account and the Initial Cash Security Custody Sub-Account (the "**Custody Sub-Accounts**") and the Ongoing Cash Security Cash Sub-Account and the Initial Cash Security

Cash Sub-Account (the "**Cash Sub-Accounts**" and, together with the Custody Sub-Accounts, the "**Custody Account**").

Payments and Delivery

The Issuer has authorised the Custodian to make payments and delivery out of the Custody Account only for the purpose of any acquisition or sale of Permitted Investments or as provided below.

Pursuant to the Custody Agreement, unless otherwise instructed pursuant to Instructions to make a payment out of the proceeds of any Distributions in respect of Permitted Investments purchased by or on behalf of the Issuer in the settlement of an acquisition of other Permitted Investments on or prior to the date of receipt of such Permitted Investments (subject as provided below), the Issuer has agreed to give Instructions to the Custodian, forthwith upon receipt by the Custodian of any Distributions, to transfer:

(a) all Distributions credited to the Ongoing Cash Security Cash Sub-Account to the Ongoing Cash Security Account;

(b) all Distributions (including any amount representing Permitted Investment Profit (if any)) credited to the Initial Cash Security Cash Sub-Account (other than Distributions which represent redemption and/or sale proceeds less any Permitted Investment Profit (if any)) to the Transaction Account; and

(c) all Distributions credited to the Initial Cash Security Cash Sub-Account (other than those to be credited to the Transaction Account pursuant to (b) above) to the Initial Cash Security Account,

subject, in each case, to any deductions in respect of any taxes or levies required by any revenue or governmental authority.

The Issuer has agreed that it shall not instruct the Custodian pursuant to Instructions to make a payment out of the proceeds of any Distributions standing to the credit of the Initial Cash Security Cash Sub-Account other than Distributions which represent redemption and/or sale proceeds (but excluding any amount representing Permitted Investment Profit (if any)) and that such amounts shall forthwith upon receipt be transferred to the Transaction Account in accordance with (b) above.

Interest

Any moneys standing to the credit of the Ongoing Cash Security Cash Sub-Account and the Initial Cash Security Cash Sub-Account may earn interest at the rate(s), which may be positive, negative or zero, notified from time to time by the Custodian to the Issuer.

Change of Custodian

The appointment of the Custodian may be terminated upon 45 days' written notice (subject to the appointment of a replacement Custodian). The appointment of the Custodian may also be terminated in the event that the short-term senior, unsecured and unguaranteed indebtedness rating of the Custodian as assigned by Moody's or S&P falls below "P-1" or "A-1" respectively or is withdrawn, and there are Permitted Investments standing to the credit of the Custody Account (subject to the appointment of a replacement Custodian).

Either of the Issuer or the Custodian may further terminate the Custody Agreement immediately upon notice to the other party following a material or persistent breach by the other party which has not been remedied within 30 days of notice requiring it to be remedied, or if an Insolvency Event (as defined in the Custody Agreement) has occurred in relation to that other party.

The Custodian may terminate its appointment upon giving at least 45 days' written notice to the Issuer and the Bond Trustee (subject to the appointment of a replacement Custodian).

Pursuant to the Custody Agreement, the appointment of any replacement Custodian shall be subject to the prior written approval of the Bond Trustee, be on substantially the same terms as the Custody Agreement and be subject to the condition that such replacement Custodian must have a short-term senior, unsecured and unguaranteed indebtedness rating from Moody's of no less than "P-1" and from S&P if no less than "A-1".

Governing law

The Custody Agreement, and any non-contractual obligations or matters arising from or connected with it, are governed by and shall be construed in accordance with, English Law.

RETAINED BOND CUSTODY AGREEMENT

Retained Bond Custody Account

Pursuant to the Retained Bond Custody Agreement, the Retained Bond Custodian shall, subject to receipt of such documents as it may require, open, in the name of the Issuer, the Retained Bond Custody Sub-Account and the Retained Bond Cash Sub-Account (together with the Retained Bond Custody Sub-Account, the "**Retained Bond Custody Account**").

Payments and Delivery

The Issuer has authorised the Retained Bond Custodian to make payments and delivery out of the Retained Bond Custody Account only as provided below.

Pursuant to the Retained Bond Custody Agreement, the Retained Bond Custodian shall not effect a transfer of any Retained Bonds except with the prior written consent of the Bond Trustee in the form of a Retained Bond Confirmation Letter which has been countersigned on behalf of the Bond Trustee.

Pursuant to the Retained Bond Custody Agreement, unless otherwise instructed pursuant to Instructions to make a payment out of any Sale Proceeds (other than any Retained Bond Premium Amount) to the Borrower in satisfaction of the Issuer's obligation to make an advance pursuant to the Loan Agreement, the Issuer shall give Instructions to the Retained Bond Custodian, forthwith upon receipt by the Retained Bond Custodian of any Sale Proceeds to transfer:

(a) all Sale Proceeds (other than any Retained Bond Premium Amount) to the Initial Cash Security Account; and

(b) all Retained Bond Premium Amounts to the Transaction Account, in each case, subject to any withholding as required by applicable tax laws. Payment Waiver

Notwithstanding any other provision of the Retained Bond Custody Agreement to the contrary and subject to the following paragraph, the Issuer has, pursuant to Clause 1.3 of the Retained Bond Custody Agreement, unconditionally and irrevocably:

(a) waived its rights to receive payments of interest, principal or otherwise in respect of the Retained Bonds and, for the avoidance of doubt, such waiver by the Issuer of such rights will continue to be effective following the occurrence of an Event of Default or Potential Event of Default;

(b) authorised the Retained Bond Custodian to disclose the waiver referred to in (a) above in respect of the Retained Bonds (and the Retained Bonds position with the Retained Bond Custodian) to the Principal Paying Agent and any applicable international clearing system for the Retained Bonds to ensure that the waiver of the right to receive payments of interest, principal or otherwise in respect of the Retained Bonds is effected; and

(c) directed the Retained Bond Custodian, in respect of each Retained Bond held by the Retained Bond Custodian on behalf of the Issuer in the Retained Bond Custody Sub-Account in definitive certificated form, (i) on each Interest Payment Date, to surrender the interest coupon and (if applicable) principal receipt for such Retained Bond corresponding to such Interest Payment Date to the Principal Paying Agent for cancellation and (ii) to surrender the definitive certificate representing such Retained Bond to the Principal Paying Agent for cancellation on any date on which the Retained Bonds are to be redeemed in full.

The Retained Bond Custodian and the Issuer have each acknowledged and agreed that the waiver, authorisation and direction provided by the Issuer as described above are irrevocable except with the prior written consent of the Bond Trustee in the form of a Retained Bond Confirmation Letter which has been countersigned on behalf of the Bond Trustee.

Termination of Retained Bond Custody Agreement

Either of the Issuer or the Retained Bond Custodian may terminate the Retained Bond Custody Agreement by giving to at least 45 days' written notice to the other party.

Either of the Issuer or the Retained Bond Custodian may further terminate the Retained Bond Custody Agreement immediately upon notice to the other party following a material or persistent breach by the other party which has not been remedied within 30 days of notice requiring it to be remedied, or if an Insolvency Event (as defined in the Retained Bond Custody Agreement) has occurred in relation to that other party.

Pursuant to the Bond Trust Deed, the Issuer has covenanted for the benefit of the Bond Trustee that, in the event that the Retained Bond Custody Agreement is terminated, it shall appoint a successor custodian to hold the Retained Bonds on substantially similar terms to the Retained Bond Custody Agreement, in particular, but without limitation to, the payment waiver and transfer restrictions applicable to the Retained Bonds, as described above.

Governing law

The Retained Bond Custody Agreement, and any non-contractual obligations or matters arising from or connected with it, are governed by and shall be construed in accordance with, English Law.

DESCRIPTION OF THE ISSUER

Incorporation and Status

The Issuer is a public limited company duly incorporated in, and according to the relevant laws of, England and Wales with registered number 9692222 on 17 July, 2015 under the Companies Act 2006.

The registered address of the Issuer is 29 Great Smith Street, London SW1P 3PS. The telephone number of its registered address is 020 7898 1000. The Issuer has no subsidiaries.

Principal Activities

The Issuer is a special purpose vehicle established for the purpose of issuing the Bonds, being asset backed securities, and incurring other indebtedness (including other secured indebtedness but subject to the covenant set out in Condition 6.1 (*General Covenants*)) and lending the proceeds thereof to the Borrower to be applied in the achievement of the Borrower's charitable objects.

Directors

The directors of the Issuer and their principal activities outside of the Issuer are as follows:

Name	Principal Activities outside the Issuer
Lee Marshall	Chief of Staff of the Borrower. Director of CEPB Mortgages Limited.
David White	Head of Financial Policy and Planning, Church of England Central Services. Director of Church of England Central Services Trading Limited. Director of CEPB Mortgages Limited. Director of CEPB Developments Limited.
Joanna Woolcock	Director of Finance Operations, Church of England Central Services. Director of Church of England Central Services Trading Limited. Director of CEPB Mortgages Limited. Director of CEPB Developments Limited.
Linda Ferguson (Alternate Director)	Customer Insight and Strategy Director of the Borrower.

Loraine Miller (Alternate Director)	Head of Housing of the Borrower

The secretary of the Issuer is James Sanders, Head of Tax, Church of England Central Services.

The business address of each of the above directors and the secretary is Church House, 29 Great Smith Street, London SW1P 3PS.

There are no potential conflicts of interest between any duties to the Issuer of the directors of the Issuer and their private interests and/or duties. However, each of the directors of the Issuer is an employee of the Borrower.

The Issuer has no employees but has available to it the treasury and business resources of the Borrower to enable it to administer its business and perform its obligations, some of which are provided by Church of England Central Services. Church of England Central Services provides services including accounting and finance to national Church institutions - its main clients (and owners) are the Borrower, the Church Commissioners and the Archbishops' Council.

Share Capital and Major Shareholders

The entire issued share capital of the Issuer comprises 50,000 ordinary shares of £1 each, all of which are paid up to 25 pence. All the shares of the Issuer are held by the Borrower.

The Borrower exercises control over the Issuer through its full ownership of the Issuer.

Operations

Since the date of incorporation, the Issuer has issued bonds in the principal amount of £100,000,000, including £30,000,000 in principal amount of Retained Bonds. The Issuer has produced financial statements for each of the financials years up to 31 December 2016. The operations of the Issuer contemplated in this Prospectus are in conformity with its constitution.

DESCRIPTION OF THE BORROWER

Incorporation and Status

The Borrower is constituted in England as a statutory corporation under the Church of England (Pensions) Measures 1961 to 2003. The Borrower is a registered charity (number 236627) and regulated by the Charity Commission.

The principal place of business of the Borrower is Church House, 29 Great Smith Street, London SW1P 3PS. The telephone number of its principal place of business is 020 7898 1000.

The Borrower has two wholly owned subsidiaries in addition to the Issuer: CEPB Mortgages Limited (company number 05540666) and CEPB Developments Limited (company number 03016028) (dormant). CEPB Mortgages Limited is registered with the Financial Conduct Authority (number 441548).

The principal activity of CEPB Mortgages Limited is the granting and administering of mortgages to retied clergy on behalf of the Charitable Funds of the Church of England Pensions Board. It was registered with the Financial Conduct Authority on 28 March 2005 in order to carry out mortgage business.

The principal activity of CEPB Developments Limited is to undertake property and building developments.

Background and History

The Borrower was originally founded in 1926. In 1949 legislation extended the remit of the Borrower to enable it to use its funds support retirement housing for clergy. The Borrower's "Church's Housing Assistance for the Retired Ministry" or "CHARM" scheme was launched in 1983.

Objectives

The Borrower's overall purpose is to provide retirement services for those who have served or worked for the Church of England. Its vision is to deliver a professional high quality and efficient service to its customers, respecting their needs and the needs of those who provide its funding.

The Borrower also acts as administrator and trustee of several pension schemes, each of which is a separate discrete entity. The main charitable fund administered by the Borrower is its General Purposes Fund first established by a resolution of the Borrower in 1975 but now governed by section 1 of the Church of England (Pensions) Measure 2003.

The Borrower's primary objectives in respect of its charitable funds are as follows:

- to provide quality retirement housing for retired clergy and associated others whilst demonstrating good value for money; and
- to achieve a sustainable return on investment funds, acting in accordance with the National Church Institutions' ethical policies;
- to ensure long term service provision;
- to maintain the Borrower's retirement and supported housing services and continue to provide appropriate services; and

- to provide discretionary grants to those who have served or worked for the Church of England to ensure that such people have a minimum level of income.

Principal Activities

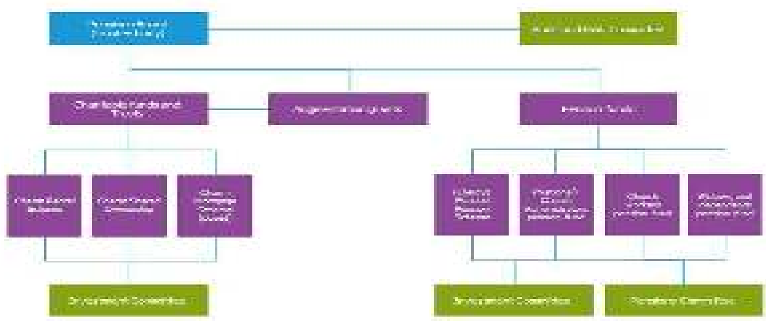
The Borrower provides housing assistance for around 2,500 retired clergy and their dependants. CHARM provides three schemes: a rental scheme which assists around 1,200 households, a shared ownership scheme which assists around 120 households and a legacy mortgage scheme which has around 700 remaining customers but closed to new business in 2008.

The Borrower operates seven supported housing schemes assisting around 230 individuals.

The Borrower also administers four separate pension schemes on behalf of a range of Church of England bodies. The assets of each of the pension schemes are segregated and are not available to the Borrower to support its charitable funds activity.

Structure and governance arrangements

The following diagram sets out the Borrower's structure and governance arrangements:



The Borrower has a board of twenty members, providing a broad range of expertise and experience in fields ranging from housing, investment, governance, finance and pensions. Board members are a mix of appointed and elected members. Elected members are either elected by one of the three Houses of General Synod (the Church of England's "Parliament") - bishops, clergy and laity – or by one of the pension schemes administered by the Board.

The board meets formally at least five times a year with one of those meetings being a two day residential. Board members also serve on one or more functional committees:

- **Audit and Risk Committee**. This committee monitors the integrity of the Borrower's financial statements, reviews and monitors the external auditors' independence and objectivity and reviews the effectiveness of the audit process. It also reviews the Borrower's internal control and risk management systems and monitors and reviews the effectiveness of the internal audit function.

- **Board Development Committee**. This committee supports the Borrower in ensuring that the trustee body is effective in the delivery of all of its objectives and responsibilities. This includes reviewing and advising the Borrower on the appointment, induction, training and appraisal of trustees and sub-committee members.

- **Housing Committee**. This committee oversees the strategic direction of the CHARM housing scheme and the supported housing schemes.
- **Investment Committee**. The committee supervises the Borrower's investment fund managers and implements the investment policy set by the board. It has the power to select, review and deselect investment managers and the custodian. It also monitors investment performance and compliance with the ethical investment policy.
- **Pensions Committee**. The committee oversees the administration of the pension schemes, considers the assumptions underlying the actuarial valuations in depth and makes recommendations to the board.

Committee membership is strengthened with additional independent expertise through co-opted members.

Board

The Board members of the Church of England Pensions Board and their principal activities outside the charity, where these are significant with respect to the charity, are as follows:

Name	Other principal activities
Dr Jonathan Spencer (Chair since 2009)	Chair, Gibraltar Financial Services Commission (financial regulatory body for Gibraltar)
	Governor of three schools, including Chair of one
Nicolette Fisher (Chair, Board Development Committee)	Member, Lincoln Diocesan Synod
	Member, Lincoln Diocesan Board of Education
	Member, Lincoln Anglican Academy Trust
	Corporate member, Harrowby/National Academies Trust
Alan Fletcher (Vice Chair, Pensions Board and Chair, Investment Committee)	Non-executive director, Paragon Group and director, Paragon Pensions Trustee Company
	Member, Savills Investment Management Advisory Committee

Name	Other principal activities
Roger Mountford	Director and Chairman, HgCapital Trust plc Member of Advisory Board, VenCap Group Governor & Member of Council, London School of Economics (Director under the Companies Act) Non-executive director, HS2 Limited Chairman, Lafarge UK Pension Plan Chairman, Tri-Pillar Infrastructure Fund Ltd
Canon Sandra Newton (Chair, Housing Committee)	None.
Maggie Rodger (Chair, Audit and Risk Committee)	Trustee, The Pensions Trust Member, The Pensions Trust Funding Committee Director, Verity Trustees Ltd
Revd. Paul Benfield	Vicar, St Mark, Burnley & St Andrew, Burnley Dioceses of Blackburn Member, General Synod Vice chair, Dioceses Commission Member, Legal Advisory Commission Member, Legal Aid Commission
Ian Boothroyd	None.
Roger Boulton (Chair, Pensions Committee)	Director, Rosyth Royal Dockyard Pension Trustees Ltd Director, InsVestigate Ltd
Revd. Nigel Bourne	Vicar, Chalk, Diocese of Rochester Member, Rochester Diocesan Synod Board of Finance Vice-President, Churches Mutual Credit Union
Jeremy Clack	Senior Consultant, Towers Watson. Member, Coventry DBF Investment Committee Church Commissioner

Name	**Other principal activities**
Ian Clark	Member, Romsey Abbey & Romsey Abbey Finance committees
	Treasurer, Romsey Deanery Synod
Richard Hubbard	Director, OPF BP Pension Funds
	Director, BP Finance P.L.C.
	Member, Church Missionary Society Investment Committee
	Trustee, Juniper Trust
Emma Osborne	Member, Archbishops' Council Investment Committee
	Member, Salisbury Cathedral Finance Advisory Group
	Member, Church Army Investment Committee
	Director, VisionFund International
Revd Peter Ould	None.
Nikesh Patel	None.
Bill Seddon	Member, General Synod.
	Treasurer and Council Member, Queen Victoria Clergy Fund
	Member, St Albans Diocesan Synod
	Senior Independent Director, The Dominion Insurance Co Ltd & its wholly owned subsidiary Trent Insurance Co Ltd
Revd Canon David Stanton	Canon Treasurer & Archdeacon, Westminster Abbey.
The Revd Caroline Titley	None.
Rt. Revd. Alan Wilson	Bishop of Buckingham, Diocese of Oxford.
	Member, Oxford Diocesan Board of Finance
	Trustee, Oxford Nandyal Education Foundation
	Trustee, Slough and East Berkshire Multi Academy Trust

Name	Other principal activities
	Governor, Chiltern Hills Academy Director & Chair, Oxford Diocesan Board of Education Chair & Director, Oxford Diocesan Bucks Schools Trust Member, Oxford Diocesan Schools Trust

The Chief Executive (sometimes known as the Secretary) post became vacant on the untimely sudden death of Bernadette Kenny in October 2017. On 28 March 2018 John Ball, currently Chief Executive and Diocesan Secretary of the Chelmsford Diocesan Board of Finance, was announced as the Borrower's new Chief Executive. He will take up the post on 1 July 2018.

Under the Borrower's Standing Orders, when there is a vacancy in the Chief Executive post or when the Chief Executive is absent any of the Borrower's Assistant Secretaries (of which there are five, forming the majority of the Senior Executive Team) may act in their stead.

The five Assistant Secretaries, appointed by the Borrower's Board, appointed by the Board and given specific responsibly by them are: Peter Dickinson (Pensions Manager), Linda Ferguson (Customer Insight and Strategy Director), Pierre Jameson (Chief Investment Officer), Lee Marshall (Chief of Staff) and Loraine Miller (Head of Housing). The Senior Executive Team also includes: Kristal Clark (HR Business Partner to the Borrower), Aneil Jhumat (Director of Risk Management and Internal Audit, Church of England Central Services), Adam Matthews (Head of Engagement for the Borrower and the Church Commissioners and Secretary to the Ethical Investment Advisory Group), Joanna Woolcock (Director of Finance Operations, Church of England Central Services).

The business address of each of the above directors and the Senior Executive Team is Church House, 29 Great Smith Street, London SW1P 3PS.

There are no potential conflicts of interest between any duties to the Church of England Pensions Board members and their private interests and/or duties. However, all stipendiary clergy are entitled to become members of the pension scheme administered by the Board and, subject to satisfying eligibility criteria, may apply for the Board's housing scheme.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published and have been filed with the Financial Conduct Authority shall be incorporated in, and form part of, this Prospectus:

(b) the audited financial statements of the Issuer in respect of the financial years ended 31 December 2015, together with the auditor's reports prepared in connection therewith; and

(c) the audited financial statements of the Issuer in respect of the financial years ended 31 December 2016, together with the auditor's reports prepared in connection therewith.

Copies of the documents incorporated by reference in the Prospectus can be obtained from the registered office of the Issuer and the specified office of the Principal Paying Agent and can be viewed electronically free of charge on www.morningstar.co.uk/uk/NSM.

Any documents themselves incorporated by reference in the above documents shall not form part of this Prospectus.

VALUATION REPORT

The following valuation report (the "**Valuation Report**") relates to the properties which will be charged in favour of the Security Trustee on the Issue Date (the "**Initial Properties**") and allocated to secure the Bonds. Accordingly, on the Issue Date the Issuer's Designated Security will be comprised of the Initial Properties.

The Valuation Report was prepared by Savills Advisory Services Limited of 33 Margaret Street, London, W1G 0JD (the "**Valuer**"). The Valuation Report is included in this Prospectus, in the form and context in which it is included, with the consent of the Valuer and the Valuer has authorised the contents of this section.The Valuation Report refers to the position as at the date it was originally issued and the Valuer has not taken any action to review or update the Valuation Report since the date it was originally issued.

The Valuer does not have a material interest in the Issuer or the Borrower.

Summary of valuations

A summary of the valuations of the Initial Properties set out in the Valuation Report is set out below:

Units No.	Valued on MV-ST basis
217	£40,622,000

Report & Valuation

Bond Report & Valuation of 217 residential properties for security

FILE Ref: LHSH393020

Date: 10 April 2018

savills

PRIVATE & CONFIDENTIAL

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"This report is addressed to and capable of being relied upon by:

(i) *CHARM Finance plc*
Church House,
29 Great Smith Street,
London,
SW1P 3PS
(as the Issuer);

(ii) *Church of England Pension Board (the **"Borrower"** or the **"Pensions Board"**)*
Church House,
29 Great Smith Street,
London,
SW1P 3PS;

(iii) *TradeRisks Limited*
21 Great Winchester Street
London EC2N 2JA;

(iv) *Prudential Trustee Company Limited as Security Trustee for itself and on behalf of the Beneficiaries (the "**Security Trustee**") as defined in a Security Trust Deed dated 29 June 2010 and made between the Security Trustee and The Church of England Pensions Board as Borrower, as may be further amended, novated, supplemented or restated from time to time (the "**Security Trust Deed**"); and*

(v) *Prudential Trustee Company Limited as bond trustee for itself and on behalf of the Bondholders (the "Bond Trustee") as are more particularly defined in the Bond Trust Deed dated on or about the date hereof made between CHARM Finance Plc as issuer (1) and the Bond Trustee (2) as may be amended, novated, varied, supplemented or restated from time to time,*

*(together, the **Addressees**) provided that, in relying on this report, each of the Addressees acknowledges and agrees that:*

(a) this report refers to the position at the date it was originally issued and, unless otherwise confirmed by us in writing, we have taken no action to review or update this report since the date it was originally issued;

(b) our aggregate liability to any one or more or all of the Addressees in respect of this report shall be limited to the lower of 20% of the Value of the Property as stated in our report and £75million; and

(c) this report is subject to the terms and conditions set out in our letter of engagement with CHARM Finance plc and Church of England Pension Board dated 1 March 2018".

Dear Sirs,

THE CHURCH OF ENGLAND PENSIONS BOARD
VALUATION OF 217 PROPERTIES RELATING TO THE ISSUE OF £50,000,000 SECURED BONDS DUE 2048 (INCLUDING £20,000,000 IN PRINCIPAL AMOUNT OF RETAINED BONDS) (THE BONDS)

In accordance with your email to us dated 22 January 2017, as confirmed in our letter to you dated 1 March 2018 we have inspected the property and made such enquiries as are sufficient to provide you with our opinion of value on the basis/es stated below. Copies of your instruction letter and of our letter of confirmation are enclosed at **Appendix 5.**

We draw your attention to our accompanying Report together with the General Assumptions and Conditions upon which our Valuation has been prepared, details of which are provided at the rear of our report.

We trust that our report meets your requirements, however should you have any queries, please do not hesitate to contact us.

Yours faithfully

For and on behalf of Savills Advisory Services Limited

Andy Smith BSc MRICS IRRV
RICS Registered Valuer
Director

Kathryn Devine BSc (Hons) MRICS
RICS Registered Valuer
Associate

Andy Garratt MRICS FCIH
RICS Registered Valuer
Director

Contents

1. Executive Summary 5

1.1. Executive Summary 6

2. Instructions and Terms of Reference 8

2.1. Instructions & Terms of Reference 9

2.2. Basis of Valuation 9

2.3. General Assumptions and Conditions 9

2.4. Valuation Date 9

2.5. Purpose of Valuation 10

2.6. Proposed Loan Terms 10

2.7. Conflicts of Interest 10

2.8. Valuer Details and Inspection 10

2.9. Extent of Due Diligence Enquiries and Information Sources 10

2.10. Liability Cap 10

2.11. RICS Compliance 11

3. The Properties 12

3.1. The Properties 13

3.2. Environmental Considerations 15

3.3. Town Planning 15

3.4. Title and Tenure 15

3.5. Lotting 18

3.6. Rental Income 18

4. Market Commentary 19

4.1. General Summary 20

4.2. Local Market Conditions Analysis of Regional House Prices and Portfolio VP values 20

4.3. Investment Market 21

4.4. Vacant Possession Values 22

5. Valuation Advice 23

5.1. Market Value with the Special Assumption of Vacant Possession - Valuation Approach 24

5.2. Market Value - Valuation Approach 24

6. Valuations 26

6.1. Valuations 27

7. Suitability, Liability & Confidentiality 28

7.1. Suitability as Loan Security 29

7.2. Verification 30

7.3. Confidentiality 30

Appendices 31

Appendix 1 - Executive Summary of Valuation 32

Appendix 2 - Schedule of Properties 33

Appendix 3 – Market Commentary 34

Appendix 4 - Photographs 35

Appendix 5 - Confirmation of Instructions 36

Appendix 6 - General Assumptions 37

Appendix 7 - Map of Stock 38

1. Executive Summary

1.1. Executive Summary

THIS EXECUTIVE SUMMARY MUST BE READ IN CONJUNCTION WITH THE MAIN BODY OF THE REPORT WHICH SUMMARISES THE TERMS, CONDITIONS AND ASSUMPTIONS UPON WHICH OUR VALUATIONS HAVE BEEN MADE AND TAKE PRECEDENCE.

We consider the subject portfolio to be a saleable proposition comprising geographically diverse individual properties in non-uniform condition.

1.1.1. Inspections

A representative 10% sample of the properties were inspected internally and 25% of the properties were inspected externally in January and February 2018 with the remainder of the properties inspected in May and June 2016. In providing our opinion of Vacant Possession values we have relied upon the inspection notes taken and we have carried out extensive due diligence in order to update our valuations to reflect recent comparable evidence.

1.1.2. Ownership, tenure type and voids

The properties are owned by the Pensions Board. There are 22 properties with a percentage of equity held outside of the Pensions Board mainly by the property beneficiaries. The proportion of equity held within these properties by the Pensions Board is an average of 50%.

13 of the properties are currently unoccupied (6%).

7 properties are let within the private rented sector on standard form ASTs and these properties are entered at full vacant possession value within our assessment of Market Value as they have the capability of being marketed with full vacant possession now or within the near future. Table 1 below details the various tenancy types present within this portfolio.

Table 1: Summary of tenancy types

Tenancy Type	Number of Properties
Church Army	2
Clergy Rental - AST	62
Clergy Rental - AT	52
Clergy Rental - Licence	59
Private Lets	7
Shared Ownership - Full Repairing Lease	16
Shared Ownership - Lease to Occupy	6
Vacant Properties	13
Grand Total	**217**

The majority of the properties are subject to licenses, assured tenancies or ASTs agreed after 15th January 1989; however the licenses at 4 properties were agreed prior to this date and as such are considered protected tenancies. We have appraised these accordingly.

1.1.3. Valuation approach

It is the intention of the Church of England Pensions Board that these properties should be provided for the remainder of the licensee's and their spouse's lives. There is little security provided to the occupants by the current rental agreements however we believe there is considerable reputational risk in realising the security prior to the residents vacating the property, given the nature of the portfolio and age profile of the licensees. We consider the portfolio would act in a similar way to Life Tenancy portfolios with the value derived from deferred capital receipts and income cashflow.

The passing rents (for tenancies starting before 1st April 2015) are calculated with reference to the retirement income of the occupant and were maintained at this level to cover the costs of managing and maintaining the wider portfolio at the time that the initial tranche was charged. Following the restructuring of management services in 2011 the Church is now undergoing a restructuring of rents throughout the portfolio. The properties can be operated as a value neutral proposition even if there is a deficit on managing the subject properties.

Whilst to our knowledge these rents are currently limited to 30% of the licensee's gross pension income, we believe there is scope to increase the rents sufficiently to cover the ongoing management and maintenance budgets and potentially produce a surplus for post 1989 licenses, based on our rent setting evaluation report issued in April 2013.

Rents from tenancies commencing after 1st April 2015 are effectively "target rents" based on the value of the property and are subsidised so that they are more affordable than Market Rents.

1.1.4. Suitability as security

We regard the properties as suitable security for a mortgage loan.

1.1.5. Valuations

The Market Value ("MV") of the Church of England Pension Board's Freehold/Leasehold interests in the portfolio of 217 properties in their existing condition subject to the various licenses and tenancies when sold as a single lot is in the region of:

£40,622 ,000
(FORTY MILLION SIX HUNDRED AND TWENTY TWO THOUSAND POUNDS)

The Aggregate of the individual Market Values of the Church of England Pension Board's equity held within the 217 properties charged in the bond on the basis of the special assumption of Vacant Possession ("MV-VP") is in the region of:

£51,098,000
(FIFTY ONE MILLION AND NINETY EIGHT THOUSAND POUNDS)

2. Instructions and Terms of Reference

2.1. Instructions & Terms of Reference

This valuation is required in connection with the proposed issue by the Issuer of the Bonds.

Further to instructions received from Church of England Pensions Board dated 22 January 2018 and our confirmation of instructions letter 27 February 2018 we now have pleasure in reporting to you the following valuations and advice for the purposes of assessing secured lending on the subject properties to the above Addressees.

In completing this exercise we have a) agreed a full set of property schedule data with the Issuer; b) discussed details as to our approach and methodology and c) completed our own inspections, research and analysis.

The above has enabled us to arrive at the valuation assumptions which have enabled us to carry out our valuations and final reported figures herein.

We confirm that it would not be appropriate or possible to compare the values attributed to the Properties in this Report with the values of the same Properties valued for the purposes of the Borrower's statutory accounts. The reasons for this are as follows:

- The valuation of Properties for the purpose of the Borrower's statutory accounts is a valuation of the Borrower's entire portfolio. However this valuation is of a much smaller portfolio of Properties.
- Accounts valuations do not provide a breakdown of individual property values making it impossible to compare individual property valuations as provided within this report.
- For this report, properties have been valued on a Market Value basis (as defined below).

This report has been prepared in accordance with the RICS Red Book (as defined herein). The valuations are prepared on this basis so that we can determine the value recoverable if the charges over the properties which are the subject of this Report (the "Properties") were enforced as at the date of this Report.

2.2. Basis of Valuation

In accordance with your instructions, we have provided an assessment of the Market Value ("MV") of the Properties subject to the various licences and tenancies and the Aggregate of the individual Market Values ("MV–VP") of the equity held within properties subject to the Special Assumption of Vacant Possession. This assumes that the properties are available free from the existing tenancies for individual sale immediately. It does not assume a sale as a single lot which is likely to attract a discount from such aggregate value.

Market Value is defined by the Royal Institution of Chartered Surveyors at VPS4 (IVS 104 Para 30.1) as:-

"The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

2.3. General Assumptions and Conditions

All our valuations have been carried out on the basis of the General Assumptions and Standard Conditions set out in **Appendix 6** of this report.

2.4. Valuation Date

Our opinions of value are as at the date of this report. The importance of the valuation date must be stressed as property values can change over a relatively short period of time.

2.5. Purpose of Valuation

We understand that our valuation is required for loan security purposes in connection with a new facility to be granted to the Borrower. This Report is issued for the benefit of the Addressees and for the inclusion in the Prospectus for the Bonds to be issued by the Issuer and may only be used in connection with the transaction referred to in this Report and for the purposes of the Prospectus

2.6. Proposed Loan Terms

You have provided us with details of the loan terms within the prospectus. Although we comment on the suitability of the Property as loan security, we do so generally and not in the context of specific loan terms as we are not qualified to do so.

2.7. Conflicts of Interest

We are not aware of any conflict of interest, either with the Properties or with the Borrower, preventing us from providing you with an independent valuation of the Properties in accordance with the RICS Red Book. We will value as External Valuers, as defined in the Red Book.

2.8. Valuer Details and Inspection

The due diligence enquiries referred to below were undertaken by Kathryn Devine BSc(Hons) MRICS and Andy Smith BSc MRICS IRRV.

A representative 10% sample of the properties were inspected internally and 25% of the properties were inspected externally in January and February 2018 with the remainder of the properties inspected in May and June 2016. In providing our opinion of Vacant Possession values we have relied upon the inspection notes taken but we have carried out extensive due diligence in order to update our valuations to reflect recent comparable evidence.

All those above with MRICS or FRICS qualifications are also RICS Registered Valuers. Furthermore, in accordance with VPS 3.7, we confirm that the aforementioned individuals have sufficient current local and national knowledge of the particular market and the skills and understanding to undertake the valuation competently.

We highlight that there may be a need to inspect the properties regularly due to the composition of the portfolio with genuinely individual properties acquired according to the tastes/requirements of the occupants over an extended period, which are subject to individual maintenance requirements.

We have assumed that all the properties have been maintained to a similar standard seen over the course of our most recent inspections, with no new material capital expenditure requirement discovered at any of the addresses.

2.9. Extent of Due Diligence Enquiries and Information Sources

The Church of England Pensions Board has provided:

- A schedule of the properties to be valued including the percentage equity owned by the Pensions Board, tenancy types, the current passing rent for each property and the dates of birth of retired ministers and their spouses currently in occupation of the properties.

- Management and maintenance expenditure for wider Pensions Board and Church Commissioners for 2016 and 2017. We have also given consideration to historic data for 2013, 2014 and 2015.

2.10. Liability Cap

Our letter confirming instructions at **Appendix 5** includes details of any liability cap.

2.11. RICS Compliance

This report has been prepared in accordance with Royal Institution of Chartered Surveyors' ("RICS") Valuation – Global Standards 2017 incorporating the IVSC International Valuation Standards issued June 2017 and effective from 1 July 2017 (the "**Red Book**"). In particular, where relevant, in accordance with the requirements of Valuation Professional Standards VPS1: Terms of Engagement, VPS3: Valuation Reports, UKVS1: Valuations for financial statements, UKVS1.13: Valuations for Registered Social Landlords, UKVS3: Valuations for Residential Property, UKVS3.11 Affordable Rent and Market Rent, UK Appendix 1: Accounting concepts and terms used in FRS 15 and SSAP 19 and UK Appendix 13: Valuation of registered social housing providers' stock for secured lending purposes.

This report also complies with the International Valuation Standards where applicable.

3. The Properties

3.1. The Properties

3.1.1. Location and Description

The portfolio comprises 217 properties located across a wide geographic area throughout England and Wales, extending from Truro in the South West to Berwick on Tweed in the North East. The diverse spread of individual units, with few small aggregations, reflect the way in which the portfolio has been assembled with individual properties purchased over a prolonged period according to retired ministers own choices. Location maps showing the property locations are attached at **Appendix 7** and photographs at **Appendix 4**.

The regional distribution of the properties is summarised in **Table 2** below.

Table 2: Stock Location

Type	Number of Properties
East Midlands	24
Eastern	27
Inner London	1
North East	12
North West	25
Outer London	5
South East	41
South West	40
Wales	3
West Midlands	13
Yorkshire and Humber	26
Total	**217**

Source: COEPB

The property schedule attached at **Appendix 2**, details the type of property and number of bedrooms within each property. 68% of the properties are three bed houses and bungalows. Property types are summarised within the tables below.

Table 3: Property Types

Property Type	Number of Properties
Bungalow – Detached	54
Bungalow – Semi Detached	19
Bungalow – End Terrace	2
Bungalow – Mid Terrace	1
Flat – Converted	3
Flat – Purpose built	17
House – Detached	60
House – Semi Detached	44
House – End Terrace	7
House – Mid Terrace	10
Total	**217**

Source: COEPB

Table 4 below gives the breakdown of the basic property type across the whole portfolio with reference to the number of bedrooms.

Table 4: Property type and Bedroom Number

Type	1	2	3	4	Total
Bungalow	0	26	49	1	76
Flat	1	15	4		20
House	1	12	98	10	121
Total	**2**	**53**	**151**	**11**	**217**

Source: COEPB

3.1.2. Property Types

The properties can be summarised by type and tenure as follows:

Table 5: Property Types and Tenure

Type	Flats & Maisonettes	Houses & Bungalows	Total
Rented	15	167	182
Shared Ownership – FRI leases	1	15	16
Shared Ownership – Lease to Occupy	2	4	6
Void	2	11	13
Total	**20**	**197**	**217**

Source: COEPB

Please refer to **Appendix 2** for a full breakdown of all of the schemes and property types, together with summary rental income data.

3.1.3. Condition

As instructed, we have not carried out a structural survey. However, we can comment, without liability, that during the course of our inspections during May and June 2016, we observed that the Properties appear to be in fair condition and they are now subject to a regular and planned maintenance programme which is suitable to maintain the condition of the properties.

Apart from any matters specifically referred to in this report, we have assumed that the Properties are free from structural faults, or other defects and are in a good and lettable condition internally. The report is prepared on this assumption.

3.1.4. Services

No detailed inspections or tests have been carried out by us on any of the services or items of equipment, therefore no warranty can be given with regard to their purpose. We have valued the Properties on the assumption that all services are in full working order and comply with all statutory requirements and standards.

Typically those properties purchased earlier are presented in lesser condition with more dated fittings. The properties inspected internally are generally in a clean and marketable condition albeit with some updating of fixtures, fittings and decoration required to match standards normally expected of similar properties in the location.

The tenant profile is such that we consider that each property is likely to have been occupied for a significant period before it is ultimately sold out of the portfolio. Accordingly we have made the overriding assumption that when property comes to the market that it is likely to require some level of modernisation and upgrade (typically to kitchen and bathrooms fixtures and fittings).

We have been advised by the Borrower that Sanctuary Housing Association are contracted to provide third party maintenance services to the portfolio following a restructuring of the management operation across the Pension Board's wider residential holdings in 2011. We understand that under this contract Sanctuary instigated a new regime of fully programmed works which augment the existing five yearly inspections and a significant proportion of the annual maintenance budget is now dedicated to Major Works.

Management of the properties including letting, rent collection, accounting services etc., is retained by the Borrower.

3.2. Environmental Considerations

We have valued the Properties on the assumption that they have not suffered any land contamination in the past, nor are they likely to become so contaminated in the foreseeable future. However, should it subsequently be established that contamination exists at the Properties, or on any neighbouring land, then we may wish to review our valuation advice.

We have assumed there to be no adverse ground or soil conditions and that the load bearing qualities of the site are sufficient to support the building constructed thereon.

3.3. Town Planning

We have not been provided with any planning consents in respect of the subject properties

In the context of this valuation it is not practical to make planning enquiries for all the properties. We have therefore assumed that there are no pending planning applications or other planning issues likely to adversely affect the subject properties. We have not made specific planning enquiries for each site.

We have also assumed that the relevant consent for all extensions and alterations works to the properties have been obtained and fully complied with.

3.4. Title and Tenure

3.4.1. Title

Of the 217 properties, a total of 195 properties are held with Freehold title and the remaining 22 properties are held with Leasehold title with at least 70 years of the leases remaining (an average of 620 years remaining). 4 of the Leasehold Properties (note: subject to confirmation re COT) have less than 125 years remaining on the lease and we have therefore made incremental reductions to their VP values using a Savills methodology utilised by our leasehold residential team to reflect the limited lease term remaining.

We have reviewed existing copies of the short form Certificate on Title from Messrs Devonshires dated 7 March 2012, 7 September 2016 and 22 December 2017 to confirm matters to be disclosed for the individual properties. We do not consider that the matters disclosed affect our valuations although we draw your attention to the following points noted:

- For the Certificate of Title dated 7 March 2012, Local, Water, Environmental and Chancel Check searches were not carried out on the properties, but LLC1 searches have been carried out and Local, water, environmental, chancel check and coal mining search indemnity insurance has been put on all properties with an aggregate value of the MV-STT on all of the properties
- Most of the properties with restrictive covenants have a suitable level of indemnity insurance in place but there are some properties with restrictive covenants that do not currently have indemnity insurance in place.
- There are a number of properties where mines and minerals are excepted from the Titles for the property although not all of these are within coal mining areas. A small proportion of these have historic claims but the Pensions Board is not aware of any subsidence at the properties since then.

- A few properties have shared driveways but there is generally no evidence of claims in this regard.
- 3 properties have use restrictions which may be enforceable but the effect on the valuation is negligible.

3.4.2. Tenancies

We have been supplied with copies of the Borrower's standard tenancy agreements, all of which are in a standard format.

Just over half of the portfolio is occupied under AST or Assured Tenancy agreements; the majority of these properties were acquired from 2010 onwards (except 14 properties) and therefore have contracts that commenced within the past 8 years. Where newly retired clergy have recently been admitted to the CHARM scheme, they have been granted AST or Assured tenancy agreements. The assured tenancies offer some security of tenure. Standard license agreements are in place on 59 properties. The agreements are made on the understanding that, although not explicit in the license documentation, the licensee and their spouse are able to remain until death or until moving into residential care. The tenure types are summarised in the table below.

Table 6: Property Tenure Types

Tenancy Type	Number of Properties
Church Army	2
Clergy Rental - AST	62
Clergy Rental - AT	52
Clergy Rental - Licence	59
Private Lets	7
Shared Ownership - Full Repairing Lease	16
Shared Ownership - Lease to Occupy	6
Vacant Properties	13
Grand Total	**217**

Source :COEPB

Whilst the licenses do not confer any security of tenure to the licensees, we believe that if tested in court they would be treated as tenancies.

All of the rental properties are 100% owned by the Pensions Board.

4 properties have licenses in place created before 15 January 1989 and as such are governed by the provisions of the Rent Act 1977. In these cases they would be regarded as Regulated Tenancies in a market transaction and have been appraised as such.

There are currently 13 void units. Some are undergoing repair and maintenance works. The properties may either be sold into the local market, reoccupied by retiring clergy under the CHARM scheme or alternatively relet to private rented sector tenants.

The tenancy types are identified within the property schedules attached at **Appendix 2**.

3.4.3. Property Ages

Approximately 58% of the properties were constructed within the last 50 years with only 16% built over a century ago.

Table 7: Property Ages

Age of Properties	Grand Total
0-10 years old	10
11 - 20 years old	28
21-30 years old	31
31-40 years old	52
41-50 years old	29
51-60 years old	28
61-80 years old	5
81-100 years old	8
Over 100 years old	26
Grand Total	217

Source :COEPB

3.4.4. Management and Maintenance Expenditure

The Borrower has provided us with management accounts for their wider Pensions Board residential estate, including the subject properties for 2015 to 2017 and we have considered this information in arriving at our assumptions on management and maintenance across the portfolio. We have not been provided with the service charges and ground rents payable at the leasehold properties. Should the leasehold properties be subject to any exceptional ground rents or service charges, we may wish to review our valuations accordingly.

3.4.5. Shared Ownership Leases

There are 22 properties on shared ownership leases with a percentage of equity held outside of the Pension Board. The proportion of equity held by the Pensions board within these properties is an average of 50%.

We have been supplied with the two types of the standard shared ownership leases The newer FRI lease is granted for a term of 125 years and the leaseholder is responsible for all repairs. The older Shared Ownership lease is granted for a term of 99 years and the leaseholder is only responsible for internal repairs although any Landlord costs for external repairs are recoverable via the service charge. Both lease types allow staircasing by the leaseholders whereby they can purchase additional blocks of equity at market value.

The clauses of most importance to the valuer are the level of specified rent, which is set at the leases inception, and the rent review provisions. The rent review provisions in the modern shared ownership lease provide for annual increases of RPI. The older Shared ownership lease to occupy rent review provisions are that the specified rent is the interest payable by Landlord on moneys borrowed to fund the difference between Premium paid and Initial Market Value.

Full details of the rents payable, the equity held by the Borrower and rent review provisions are set out in **Appendix 2**.

3.5. Lotting

When assessing Market Value we have valued the properties assuming disposal as a single lot. We have also assessed the individual market values on the special assumption of vacant possession.

3.6. Rental Income

The gross rental income currently produced by the properties, before deductions, is shown in the following table broken down by tenure.

Table 8: Gross Rental Income (correct as at January 2018)

Tenure Type	Gross Rent £
Rental	£1,119,449
Shared Ownership FRI	£74,709
Shared Ownership Lease to Occupy	£28,258
Total	**£1,222,416**

Source: COEPB

4. Market Commentary

4.1. General Summary

Annual house price growth finished 2017 at 2.5% with growth of 0.6% in December, according to the Nationwide Index. The strongest performing regions were the West Midlands with 5.3% growth and the South West at 4.8%. London was the only region to see price falls, but growth in the East of England and South East has slowed over the year. Price growth in 2017 exceeded our November 2016 forecast of 0.0% as price growth has spread out to the midlands and north much faster than we then anticipated.

The same number of RICS surveyors reported price falls as price growth in November, this is the lowest that confidence in price growth has been since March 2013. However, the majority of surveyors reporting falling buyer enquiries got substantially smaller in November reversing the trend set throughout 2017. This measure is now broadly in line with new instructions suggesting little pressure for house prices to move in either direction.

Consumers have a pessimistic outlook for the year ahead with a large majority thinking the economic situation will get worse in 2018 according to the GfK sentiment survey. This pessimism is unsurprising following a year of high inflation, peaking at 3.1%, and low wage growth. Throughout 2017 predictions about when CPI would peak and at what level were constantly revised. In spite of this the Monetary Policy Committee of the Bank of England remains confident that inflation will now start to fall and voted unanimously to keep the base rate the same in their December meeting.

Table 9: Nominal House Price Forecasts – Mainstream Markets

Region	2018	2019	2020	2021	2022
UK	1.0%	2.5%	5.0%	2.5%	2.5%
London	-2.0%	0.0%	5.0%	2.0%	2.0%
South East	0.5%	2.5%	4.0%	2.0%	2.0%
South West	1.0%	3.0%	4.5%	2.5%	2.5%
East of England	0.5%	2.5%	4.0%	2.0%	2.0%
East Midlands	1.0%	3.0%	5.0%	2.5%	2.5%
West Midlands	1.0%	3.0%	5.0%	2.5%	2.5%
North East	1.5%	3.5%	5.5%	3.0%	3.0%
North West	1.5%	3.5%	6.0%	3.0%	3.0%
Yorks & Humber	1.5%	3.5%	5.5%	3.0%	3.0%
Wales	1.0%	3.0%	5.0%	3.0%	3.0%
Scotland	1.5%	3.5%	5.0%	3.0%	3.0%

Source: COEPB

Please refer to **Appendix 3** for a full, detailed market commentary.

4.2. Local Market Conditions Analysis of Regional House Prices and Portfolio VP values

From our conversations with local estate agents we believe that there is currently little growth if any, in central London, with limited growth in Outer London and the South East. The ripple effect is still affecting areas located further from London with higher growth in these regions. Most agents have commented that transactional levels have remained steady in most regions with a dip in London.

Table 10 below show the current average regional vacant possession values for the portfolio compared with the Nationwide average house prices, demonstrating that the portfolio has outperformed the national average in all regions apart from Inner London and the South West. The annual HPI change figures give an indication of how different regions have performed against each other and nationally over the past year. The portfolio is atypical with significant holdings in sub-sectors such as bungalows, the price performance of which are more closely linked with market confidence than debt financing.

Table 10: HPI Regional figures over last 12 months to Q4 2017

Region	Nationwide Average House Price Q4 2017	Portfolio Average VP value	Nationwide Annual % HPI change from Q4 2016 to Q4 2017
East Midlands	£177,180	£196,917	4.63%
East Anglia	£223,613	£283,222	2.32%
Inner London	£470,922	£358,000	-0.45%
Outer London	£361,598	£491,600	1.19%
North East	£124,535	£180,750	0.20%
North West	£157,488	£181,680	3.98%
South East	£277,030	£319,878	3.12%
South West	£239,576	£236,375	4.80%
Wales	£150,885	£199,000	3.31%
West Midlands	£182,861	£228,308	5.23%
Yorkshire & Humberside	£151,747	£210,115	1.76%
UK	**£211,433**	**£251,301**	**2.67%**

Source: Savills & Nationwide

Overall UK growth has been lower over Q4 2016 to Q4 2017 (2.7%) in comparison with the year before (4.5%). The highest annual HPI growth has been seen in the Midlands, the South West, and the North West, with negative growth in Inner London and low growth in the North East. Growth rates have increased generally in a ripple effect in regions further from London with the exception of Yorkshire and Humberside and the East Midlands which have still seen growth but less than the previous year. Regions closer to London have generally seen growth but less than the previous year.

4.3. Investment Market

The appetite for larger scale residential investment has previously been focussed on assets in London with investors seeking exposure to the higher end residential in equity driven markets which in part was influenced by capital preservation by international investors. Whilst this interest has been maintained there is increasing evidence of longer term investments being made to rental portfolios albeit still primarily focussed on the south east. This conversely has been where the greatest affordability and supply constraints has driven high and growing demand for rental property.

There has been an increase in activity in the residential investment market in the last five years with a number of new entrants and long term re-entrants to the sector making first purchases. This activity has slowed more recently partially due to economic uncertainty surrounding Brexit. The case for investment has been backed by above inflation rental increases in London and the main commuter settlements of the south east driven by the demographic change of "Generation Rent" with increasing numbers of families and individuals prevented from accessing home ownership due to limited savings to put towards a deposit. Rental growth has been quite subdued lately but forecasts are looking brighter across the UK in particular in London and the South East over the following 5 years.

The investment rationale for these new entrants which appears compelling to those seeking exposure at scale, is in the increased running returns available from residential which are anticipated to stabilise at higher levels rather than an expectation of capital appreciation. Coupled with this is the counter cyclical nature of residential as an asset class. Interest therefore remains concentrated on areas of anticipated rental growth i.e. London and the South East.

From the 2016 we have recorded a total of 32 larger scale and portfolio sales across the regions totalling 8,800 properties. 20 sales of blocks and portfolios have been sold in London and near South Eastern locations over this period including 6,000 properties. Discounts from vacant possession values and yields have generally remained static. This is against a backdrop of low interest rates, rising property values, an improving economic background and continuing supply constraints.

Historically there has been a weight of equity from around the globe looking to access the UK housing market. These investors have been interested in holding residential property for the medium to long term as part of a diversified investment portfolio. Investors have been buying for income return and rental growth has been their primary driver.

The CHARM portfolio is unusual for the sector as it comprises reversionary assets and allows for possible annual uplifts in income. In this sense it is comparable to portfolios of Regulated Tenancies where a Fair Rent (set by the local Rent Officer) is charged. We believe this blend of long term exposure to house price growth with potential income growth would prove attractive to investors in the market.

Due to the combined factors of geographic spread, and the majority of value being within deferred capital receipts the portfolio will still be viewed as a speculative opportunity in the market and would not necessarily benefit directly from the renewed appetite in the sector over the past 5 years. However as the availability of Regulated Tenancies has progressively dwindled the market has seen more aggressive pricing when these properties come to auction as individual lots. The opportunity to buy at greater scale is therefore a strong marketing point on which competitive bidding could be generated. We are aware that regulated tenancies typically achieve between 70% and 80% of vacant possession value in the auction market currently.

However, whilst the single right of succession conferred on the retired minister's spouse is favourable to the intergenerational right of succession permitted under Regulated Tenancies, we believe that the reputational risk of dealing in Life Tenancies and in particular with the tenant profile of retired clergy will however prohibit most institutional investors from acquiring such a portfolio.

4.4. Vacant Possession Values

Table 11 below shows the average vacant possession values for the properties included within the valuation summarised by type and bedroom number:

Table 11: Vacant Possession Values

Savills Property Type	Bedrooms	Average VP Value
Houses and Bungalows	1	£340,000*
	2	£242,895
	3	£244,075
	4	£350,818
Average VP value of all Houses & Bungalows		£250,294
Flats and Maisonettes	1	£147,000
	2	£199,867
	3	£261,250
Average VP value of all Flats & Maisonettes		£209,500

*Source: Savills/COEPB * Note – this relates to a single property and on external inspection, it appeared to be more likely a 3 or 4 bedroom property.*

Further detail of vacant possession values can be found on the property schedule at **Appendix 2**.

5. Valuation Advice

5.1. Market Value with the Special Assumption of Vacant Possession - Valuation Approach

As stated above we have undertaken a valuation having carried out 25% external and sample internal inspections of the individual properties in January and February 2018 with the remainder inspected in May and June 2016. We have also carried out extensive due diligence to research the current market for Vacant Possession values in the various subject locations and have had discussions with local agents to obtain comparable information of sales and opinions of value of the subject properties.

Market Value with the Special Assumption of Vacant Possession assumes that although the properties are tenanted and form part of a portfolio they are treated as individual properties that are capable of being disposed of separately with the benefit of vacant possession. This is normally used for internal accounting purposes, and for when individual properties are being sold when vacant to calculate the repayment of debt from the capital receipt of sales.

We have stated the aggregate Vacant Possession value for the 217 subject properties within the valuations summary attached at **Appendix 1**. Within this summary we have also stated the aggregate proportionate Vacant Possession value attributable to the equity stake held by the Pensions Board. A schedule of Vacant Possession values for these properties is attached at **Appendix 2**.

5.2. Market Value - Valuation Approach

Although there are no formal Life Tenancy agreements in place the portfolio has been operated on a similar basis to date, with the expectation of future capital receipts occurring only on the death of the properties' occupants. We believe that the reputational risk to any prospective purchaser of accelerating capital receipts prior to the death of the licensee in evicting retired and in many cases elderly clergy is so great as to preclude the market from assessing the portfolio in another way.

In reaching our opinion of Market Value we have therefore applied a deferment rate to the Vacant Possession values inflated until the sale of the property. We have determined the appropriate deferment period referring to the most recent Governmental Actuary's Department (GAD) Interim Life Tables (2014-2016).

A typical Life Tenancy portfolio will provide zero income and will still incur the costs of management and maintenance. The CHARM portfolio provides a rental income currently operated as cost neutral and as such there are parallels with Regulated Tenancy Portfolios where a "Fair Rent" is payable by the tenant.

In each instance, we have assessed the likely deferment period in accordance with the latest GAD Interim Life Tables (England and Wales). Where there are two occupants we have adopted the longest life expectancy of the two occupants. We have selected the relevant period life expectancy rounded to the nearest year and applied as the deferment period (cash flow length) to the individual calculations.

We have reviewed the income and expenditure of the portfolio and produced a discounted cashflow of anticipated rental receipts and costs of operating the portfolio utilising market assumptions for each property. We believe that cost efficiencies could and would be made by an operator with less pastoral priorities.

Where passing annual rents are below the relevant Local Housing Allowance for similar types of property we have inflated rents at a nominal rate of 5% until the sale of the property or until they are in balance with the LHA at target rent (inflated at CPI +1% per annum), whichever is sooner. Thereafter rents continue to be inflated at the long term CPI + 1% assumption. For shared ownership properties we have inflated rents at RPI in line with the terms of the modern FRI leases.

Where the licenses were agreed prior to 15th January 1989 we believe the licensees have the benefit of a Regulated Tenancy and have adopted separate assumptions as to the rental increases at 1% per annum. We do not however believe that a right of succession is extended beyond that of the spouse to occupy the property after the licensees' death and have deferred the capital receipt until death of the younger spouse at the same deferment rate as post 1989 licenses.

Following the restructuring of the management across the wider portfolio in late 2010 the management and maintenance expenditure has been streamlined through a single contract granted to Sanctuary Housing. The rental properties are still managed and maintained at a similar level of expenditure overall at around £3,000 per unit per annum. This is with the exception of the 16 Shared Ownership properties on full repairing leases where tenants are responsible for their own maintenance.

We have adopted slightly lower total management and maintenance costs for the rental properties than in 2017 within our model (£2,675 per property) reflective of current expenditure costs provided. We have not included any maintenance costs for the shared ownership properties where they are held on fully repairing leases. These figures are then inflated at 3% per annum over the long term until the eventual sale. These cost assumptions remain above normal industry standards but reflect a small backlog of renewals, the relatively small numerical size and the disparate geography of the portfolio. They do however allow for some further efficiency which would be achieved by an operator with greater commercial consideration.

Current Vacant Possession values have been escalated at current nominal HPI forecasts for 2018 of 1%, 2019 at 2.5%, 2020 at 5%, 2021 onwards at 2.5% assuming long term HPI of 2.5%. We have then applied a nominal discount rate to deferred capital receipts of 6.5%. We have assessed this at a margin over the prevailing 15 year swap rates at around 1.65% as at 28 February 2018. This is a slightly increased margin above 15 year swap rates than those applied to our model in July 2017 for Pensions Boards Loan security valuations. We have discounted the income receipts and anticipated expenditure at a deferment rate of 6.25% reflecting the relative risk attached to collection, and various inflation factors applied to income and expenditure over time.

We have also had consideration for typical percentage discounts paid for mature Life Tenancy and Regulated Tenancy portfolios in the market. It is important to note that the standard deviation of fall in rates within mature Life Tenancy portfolios differs markedly with numerical size of the subject portfolio. We are of the opinion that a portfolio of 217 properties is medium sized and comment that the fall-in rate may vary from the GAD data.

We have assessed the Market Value subject to tenancies of the portfolio as a whole. The nature of Life Tenancies and their appraisal suggests that they are more predictable with scale. Our valuations should not therefore be apportioned to individual units and cannot be relied upon as such.

We note that the Market Value as a percentage of the Market Value with Vacant Possession is 75.93%, a figure falling within expected ranges achieved on sales of similar portfolios of properties. A higher figure of 79.50% Market Value as a percentage of the Pensions Board Equity Share Market Value with Vacant Possession has been achieved, as this share gives a VP value £2.4 million lower than the total VP Value. Of course this latter figure gives a clearer indication of the potential rates achieved as it reflects the Pension Board's actual interest in the properties.

6. Valuations

6.1. Valuations

Our valuations are as follows. Please note that this summary must only be read in conjunction with the rest of this report and all Appendices.

6.1.1. Market Value with special assumption of Vacant Possession

The Market Value ("MV") of the Church of England Pension Board's Freehold/Leasehold interests in the portfolio of 217 properties in their existing condition subject to the various licenses and tenancies when sold as a single lot is in the region of:

£40,622 ,000
(FORTY MILLION SIX HUNDRED AND TWENTY TWO THOUSAND POUNDS)

6.1.2. Market Value

The Aggregate of the individual Market Values of the Church of England Pension Board's equity held within the 217 properties charged in the bond on the basis of the special assumption of Vacant Possession ("MV-VP") is in the region of:

£51,098,000
(FIFTY ONE MILLION AND NINETY EIGHT THOUSAND POUNDS)

Scheme by scheme valuations are listed at **Appendix 2.** Those figures must not be used as a basis for lending until your lawyers have confirmed clear title to us.

6.1.3. Valuation Summary

Table 12: Valuation Summary

	MV-VP (PB equity)	MV
Post 15/1/1989 tenancies	£50,167,000	£39,922,000
Protected Tenancies	£931,000	£700,000
Total	**£51,098,000**	**£40,622,000**

7. Suitability, Liability & Confidentiality

7.1. Suitability as Loan Security

7.1.1. Lender's Responsibility

It is usual for a valuer to be asked to express an opinion as to the suitability of a property as security for a loan, debenture or mortgage. However, it is a matter for the lender to assess the risks involved and make its own assessment in fixing the terms of the loan, such as the percentage of value to be advanced, the provision for repayment of the capital, and the interest rate.

In this report we refer to all matters that are within our knowledge and which may assist you in your assessment of the risk. In assessing the nature of the risk we would draw your attention to the following matters:

- With any appraisal of a Life Tenancy the value is most sensitive to the timings of, and deferment rate applied to, capital receipts. This is dependent upon the fall in rates of the properties and the individual sales values achieved when becoming vacant.

- Whilst the subjectivity of values is smoothed by our deferment rate we are reliant upon the Government Actuary's Department data as to life expectancy and the likely fall in rate of properties. The actual fall in rate may exceed or belie these expectations.

- We emphasize the limitations of the GAD Life Tables in predicting fall in rates on smaller portfolios. Most Life Tenancy portfolios would be considerably larger in number with portfolios more usually in the thousands in order to achieve critical mass. We regard 217 units as a medium sized portfolio and draw your attention to the possibility of a greater standard deviation from GAD data fall in predictions, than may be evident in a small portfolio. As the number of charged holdings reduce this factor will also be exacerbated.

- Vacant Possession values currently vary across the 217 properties from £100,000 to £598,000 and the resultant standard deviation from mean is £86,000 (approximately 35% from the average VP value). The risk of a deviation of actual capital receipt from those assumed by the Life Tables references is amplified with a greater standard deviation from mean.

- We also reiterate the inherent risk to reputation of involvement with a portfolio of this nature with an elderly tenant profile with emotional attachment to "their" homes and entrenched expectations as to retention of the status quo.

Valuation is a question of opinion and different valuers can legitimately arrive at a different opinion of value. Historically it has generally been considered that valuers should arrive at a tolerance of accuracy of up to 15%. Academic research has questioned this statistic and suggested that a wider bracket is appropriate.

The definition of Value requires a valuer to arrive at a value at the top of a range. There is no discount or margin to reflect the purpose of the valuation for loan security purposes.

We have made subjective adjustments during our valuation approach in arriving at our opinion and whilst we consider these to be both logical and appropriate they are not necessarily the same adjustments which would be made by a purchaser acquiring the property.

Where we have expressed any reservations about the property we have reflected these in the valuation figure reported. However it may be that the purchasers in the market at the time the property is marketed might take a different view.

7.1.2. Suitability as Security

We have considered each of the principal risks associated with these Properties within the context of the wider property market and these risks are reflected in our valuation calculations and reported figures as appropriate.

Overall, we consider that the Properties provide good security for a loan secured upon it, which reflects the nature of the Properties, our reported opinions of value and the risks involved.

7.2. Verification

This report contains many assumptions, some of a general and some of a specific nature. Our valuations are based upon certain information supplied to us by others. Some information we consider material may not have been provided to us. All of these matters are referred to in the relevant sections of this report.

We recommend that you satisfy yourself on all these points, either by verification of individual points or by judgement of the relevance of each particular point in the context of the purposes of our valuations. Our Valuations should not be relied upon pending this verification process.

7.3. Confidentiality

In accordance with the recommendations of the RICS, this report is provided solely for the purposes stated above. It is confidential to and for the use only of the party to whom it is addressed and no responsibility whatsoever is accepted to any third party for the whole or any part of its contents. Any such parties rely upon this report at their own risk. Neither the whole nor any part of this report or any reference to it may be included now, or at any time in the future, in any published document, circular or statement, nor published, referred to or used in any way without our written approval of the form and context in which it may appear.

Appendices

Appendix 1 - Executive Summary of Valuation

CHURCH OF ENGLAND PENSIONS BOARD

CHARM PORTFOLIO VALUATION FEBRUARY 2018

	Number of properties	Aggregate VP Values 2018	Aggregate VP Values 2018 PB Equity	PV of Capital Receipts	Percentage of VP Value	NPV Income v Outgoings	Market Value 2018	Sum of Passing rent per annum
Post 15/01/1989 tenancies	213	£ 52,567,000	£ 50,166,720	£ 29,382,383	58.6%	£ 10,539,705	£ 39,922,088	£ 1,205,759
Protected Tenancies	4	£ 931,000	£ 931,000	£ 662,694	71.2%	£ 37,291	£ 699,985	£ 16,657
Total	**217**	**£ 53,498,000**	**£ 51,097,720**	**£ 30,045,076**	**58.8%**	**£ 10,576,997**	**£ 40,622,073**	**£ 1,222,416**

% of VP	***75.93%***
% of PB Equity VP	***79.50%***
Yield on MV	***3.01%***
Yield on PB Equity VP	***2.39%***

Appendix 2 - Schedule of Properties

PB Ref No	Tranche	Building Name	House No.	Street	City	County	Post Code	Building type	No of beds	Economic Region	Tenure	Contract Type Text	Protected Tenancy?	Passing Rent per annum 2018	Vacant Values Feb 2018	Market Values Feb 2018
L/39045	SANTANDER T4		31	Trenethick Avenue	Truro	Cornwall	TR13 8LU	Bungalow - Detached	3	SOUTH WEST	FREEHOLD	Clergy Rental - Licence		£ 641	£ 243,000	£ 67,878
M/01028	SANTANDER T4		49	Park House Road	Minehead	Somerset	TA24 8AD	Bungalow - Detached	2	SOUTH WEST	FREEHOLD	Clergy Rental - AT		£ 5,800	£ 250,000	£ 191,212
M/10054	SANTANDER T4		4	Blenheim Gardens	Chichester	West Sussex	PO19 7XE	House - Detached	3	SOUTH EAST	FREEHOLD	Clergy Rental - Licence		£ 7,207	£ 327,000	£ 241,577
M/10067	SANTANDER T3		65	Church Lane	Bognor Regis	West Sussex	PO22 9QA	Bungalow - Detached	2	SOUTH EAST	FREEHOLD	Clergy Rental - Licence		£ 4,777	£ 265,000	£ 231,562
M/21013	SANTANDER T4		12	Ridgeway	Lincoln	Lincolnshire	LN2 2TL	Bungalow - Detached	3	EAST MIDLANDS	FREEHOLD	Clergy Rental - Licence		£ 5,687	£ 228,000	£ 167,638
N/01090	SANTANDER T4		91	Brampton Way	Bristol		BS20 6YT	House - Detached	3	SOUTH WEST	FREEHOLD	Clergy Rental - Licence		£ 3,975	£ 320,000	£ 217,952
N/01093	SANTANDER T3		4	Brue Crescent	Burnham On Sea	Somerset	TA8 1LR	House - Detached	3	SOUTH WEST	FREEHOLD	Clergy Rental - AST		£ 7,149	£ 250,000	£ 196,730
N/01105	SANTANDER T4		41	Furlong Close	Bath		BA3 2PR	Bungalow - Detached	2	SOUTH WEST	FREEHOLD	Clergy Rental - Licence		£ 6,580	£ 271,000	£ 234,943
N/01125	SANTANDER T4		17	The Fairways	Taunton	Somerset	TA1 3PA	House - Detached	3	SOUTH WEST	FREEHOLD			£ -	£ 315,000	£ 315,000
N/01128	SANTANDER T4		23	Conway Crescent	Burnham On Sea	Somerset	TA8 2SL	Bungalow - Detached	3	SOUTH WEST	FREEHOLD	Clergy Rental - Licence		£ 3,986	£ 270,000	£ 232,093
N/03081	SANTANDER T4		57	West Cliffe	Lytham	Lancashire	FY8 5DR	House - Semi-Detached	2	NORTH WEST	LEASEHOLD	Clergy Rental - AST		£ 7,463	£ 175,000	£ 157,559
N/05037	SANTANDER T4		10	Elmer Close	Malmesbury	Wiltshire	SN16 9UE	Bungalow - Detached	3	SOUTH WEST	FREEHOLD	Clergy Rental - Licence		£ 6,754	£ 353,000	£ 251,071
N/06053	SANTANDER T4	Redcroft		Vulcan Close	Whitstable	Kent	CT5 4LZ	Bungalow - Detached	3	SOUTH EAST	FREEHOLD	Clergy Rental - Licence		£ 6,443	£ 365,000	£ 322,572
N/07057	SANTANDER T3		20	Campfield Road	Ulverston	Cumbria	LA12 9PB	House - Semi-Detached	3	NORTH WEST	FREEHOLD	Clergy Rental - Licence		£ 8,328	£ 190,000	£ 175,702
N/08074	SANTANDER T4		10	Tapestry Court	Colchester	Essex	CO6 2SR	Bungalow- End Terrace	2	EASTERN	LEASEHOLD	Clergy Rental - Licence		£ 3,475	£ 129,000	£ 115,338
N/08081	SANTANDER T4		14	The Wayback	Saffron Walden	Essex	CB10 2AX	House - Semi-Detached	3	EASTERN	FREEHOLD	Clergy Rental - Licence		£ 5,354	£ 359,000	£ 321,488
N/08085	SANTANDER T3		5	Coltsfoot Court	Colchester	Essex	CO4 5UD	House - Detached	3	EASTERN	FREEHOLD	Clergy Rental - AST		£ 3,196	£ 285,000	£ 163,395
N/08095	SANTANDER T3		6a	Bushwood	London		E11 3AY	House- Mid Terrace	3	OUTER LONDON	FREEHOLD	Clergy Rental - Licence		£ 4,197	£ 470,000	£ 304,659
N/08126	SANTANDER T4		7	Chelmer Drive	South Ockendon	Essex	RM15 6EE	House - Semi-Detached	3	EASTERN	FREEHOLD	Clergy Rental - AST		£ 8,488	£ 335,000	£ 260,671
N/10107	SANTANDER T3		16	Blakes Way	Eastbourne	East Sussex	BN23 6EW	House - Semi-Detached	2	SOUTH EAST	FREEHOLD	Clergy Rental - Licence	Protected tenancy	£ 4,925	£ 258,000	£ 238,309
N/10152	SANTANDER T4		49	Beacon Drive	Seaford	East Sussex	BN25 2JX	House - Detached	3	SOUTH EAST	FREEHOLD	Clergy Rental - Licence		£ 4,849	£ 391,000	£ 301,627
N/10154	SANTANDER T4		1	The Briary	Bexhill On Sea	East Sussex	TN40 2ET	Bungalow - Detached	3	SOUTH EAST	FREEHOLD	Clergy Rental - Licence		£ 5,892	£ 316,000	£ 228,107
N/10171	SANTANDER T4		10	Langdale Close	Eastbourne	East Sussex	BN23 8HS	House - Detached	4	SOUTH EAST	FREEHOLD	Clergy Rental - Licence		£ 7,079	£ 335,000	£ 260,153
N/13044	SANTANDER T4		6	Hamsterley Close	Chester Le Street	County Durham	DH3 4SL	Bungalow - Detached	3	NORTH EAST	FREEHOLD	Clergy Rental - Licence		£ 6,296	£ 206,000	£ 170,197
N/13063	SANTANDER T3		2	Christchurch Close	Darlington	County Durham	DL1 2YL	House - Detached	3	NORTH EAST	FREEHOLD	Clergy Rental - Licence		£ 6,960	£ 157,000	£ 142,113
N/14028	SANTANDER T4		31	Greengarth	St Ives	Cambridgeshire	PE27 5QS	House - Semi-Detached	3	EASTERN	FREEHOLD			£ -	£ 281,000	£ 281,000
N/14048	SANTANDER T3		47	Ward Way	Ely	Cambridgeshire	CB6 2JR	House - Detached	3	EASTERN	FREEHOLD	PB - Commercial lets		£ 10,200	£ 303,000	£ 245,002
N/15097	SANTANDER T4		1	Bramble Lane	Crediton	Devon	EX17 1DA	House - Semi-Detached	3	SOUTH WEST	FREEHOLD	PB - Commercial lets		£ 9,600	£ 201,000	£ 218,114
N/15151	SANTANDER T4	Chestnut Cottage		Old Pinn Lane	Exeter	Devon	EX1 3RF	House - Semi-Detached	3	SOUTH WEST	FREEHOLD	Clergy Rental - Licence		£ 5,532	£ 259,000	£ 184,099
N/16042	SANTANDER T4		18	Dibden Lane	Tewkesbury	Gloucestershire	GL20 8NT	House- End Terrace	3	SOUTH WEST	FREEHOLD	Clergy Rental - Licence	Protected tenancy	£ 4,727	£ 240,000	£ 167,111
N/16067	SANTANDER T4		22	Ince Castle Way	Gloucester	Gloucestershire	GL1 4DT	House- Mid Terrace	3	SOUTH WEST	FREEHOLD	Clergy Rental - Licence		£ 5,166	£ 170,000	£ 138,585
N/16070	SANTANDER T4		4	Boxbush Close	Cirencester	Gloucestershire	GL7 5XS	House - Semi-Detached	2	SOUTH WEST	FREEHOLD	Clergy Rental - Licence		£ 7,439	£ 223,000	£ 179,483
N/17040	SANTANDER T4		1	Terra Cotta Court	Farnham	Surrey	GU10 4SL	House - Semi-Detached	3	SOUTH EAST	FREEHOLD	Clergy Rental - Licence		£ 7,141	£ 480,000	£ 432,892
N/18026	SANTANDER T4		2	Quantock Close	Hereford	0.00	HR4 0TD	House - Detached	3	WEST MIDLANDS	FREEHOLD			£ -	£ 250,000	£ 250,000
N/19034	SANTANDER T4		28	Oxford Drive	Melton Mowbray	Leicestershire	LE13 0AL	House - Detached	3	EAST MIDLANDS	FREEHOLD	Clergy Rental - Licence		£ 6,422	£ 271,000	£ 223,875
N/20035	SANTANDER T4		13	Belvidere Avenue	Shrewsbury	Shropshire	SY2 5PF	House - Semi-Detached	3	WEST MIDLANDS	FREEHOLD	Clergy Rental - Licence		£ 3,774	£ 250,000	£ 221,241
N/21062	SANTANDER T4		23	Londesborough Way	Lincoln	Lincolnshire	LN4 3HW	Bungalow - Detached	3	EAST MIDLANDS	FREEHOLD	Clergy Rental - Licence		£ 5,780	£ 161,000	£ 134,143
N/21069	SANTANDER T3		1a	Kinder Avenue	Lincoln	Lincolnshire	LN6 8HA	Bungalow - Detached	3	EAST MIDLANDS	FREEHOLD	Clergy Rental - Licence		£ 4,438	£ 201,000	£ 176,654
N/21100	SANTANDER T4		9	Bellwood Grange	Lincoln	Lincolnshire	LN3 4JD	Bungalow - Detached	3	EAST MIDLANDS	FREEHOLD	Clergy Rental - Licence		£ 5,085	£ 195,000	£ 142,033
N/21114	SANTANDER T4		20	Newbolt Close	Caistor	Lincolnshire	LN7 6NY	House - Semi-Detached	3	YORKSHIRE AND HUMBER	FREEHOLD	Clergy Rental - AST		£ 5,752	£ 178,000	£ 145,730
N/22067	SANTANDER T4		119	Folkestone Road	Southport	Merseyside	PR8 5PH	House - Semi-Detached	3	NORTH WEST	FREEHOLD	Clergy Rental - AST		£ 4,516	£ 184,000	£ 162,842
N/23077	SANTANDER T4		19	St Elmos Road	London	London	SE16 6SA	House- Mid Terrace	2	OUTER LONDON	FREEHOLD	Clergy Rental - AT		£ 7,974	£ 598,000	£ 348,723
N/25044	SANTANDER T4		1	The Pastures	Berwick Upon Tweed	Northumberland	TD15 2NT	Bungalow - Detached	3	NORTH EAST	FREEHOLD	Clergy Rental - Licence		£ 4,800	£ 230,000	£ 188,680
N/26044	SANTANDER T4		121	Stuart Road	Norwich	Norfolk	NR11 6HN	House - Detached	3	EASTERN	FREEHOLD	Clergy Rental - Licence		£ 3,659	£ 240,000	£ 168,680
N/26072	SANTANDER T3		4	Burton Close	Diss	Norfolk	IP22 4YJ	House - Detached	3	EASTERN	FREEHOLD	Clergy Rental - Licence		£ 5,943	£ 248,000	£ 213,451
N/26083	SANTANDER T3		3	Forge Close	Norwich	Norfolk	NR14 7SZ	House - Detached	3	EASTERN	FREEHOLD	Clergy Rental - Licence		£ 7,207	£ 232,000	£ 200,404
N/26116	SANTANDER T4		10	Sorrel Drive	Thetford	Norfolk	IP24 2YJ	House- Mid Terrace	3	EASTERN	FREEHOLD			£ -	£ 175,000	£ 175,000
N/27104	SANTANDER T4		17	Snowberry Close	Wokingham	Berkshire	RG41 4AQ	House - Semi-Detached	3	SOUTH EAST	FREEHOLD	Clergy Rental - Licence		£ 7,443	£ 402,000	£ 305,684
N/29053	SANTANDER T4		9	Briarfield Gardens	Waterlooville	Hampshire	PO8 9HX	House- Mid Terrace	3	SOUTH EAST	FREEHOLD	Clergy Rental - Licence		£ 5,445	£ 257,000	£ 213,120
N/30025	SANTANDER T4		20	Grantley Drive	Harrogate	North Yorkshire	HG3 2ST	Bungalow - Detached	3	YORKSHIRE AND HUMBER	FREEHOLD	Clergy Rental - Licence		£ 6,661	£ 260,000	£ 203,340
N/30051	SANTANDER T4		5	Showfield Close	Leeds	West Yorkshire	LS25 6LW	House - Semi-Detached	3	YORKSHIRE AND HUMBER	FREEHOLD	Clergy Rental - AST		£ 7,932	£ 210,000	£ 181,687
N/31019	SANTANDER T3		30	Constance Crescent	Bromley	Kent	BR2 7QJ	House - Semi-Detached	3	OUTER LONDON	FREEHOLD	Clergy Rental - Licence		£ 6,481	£ 500,000	£ 292,160
N/31028	SANTANDER T4		141	Knights Manor Way	Dartford	Kent	DA1 5SD	House- Mid Terrace	2	SOUTH EAST	FREEHOLD	Clergy Rental - Licence		£ 5,715	£ 253,000	£ 225,866
N/31039	SANTANDER T3		15	Mulberry Close	Tunbridge Wells	Kent	TN4 9XR	House - Semi-Detached	3	SOUTH EAST	FREEHOLD			£ -	£ 344,000	£ 344,000
N/32030	SANTANDER T4		11	Hill End Lane	St Albans	Hertfordshire	AL4 0TX	House - Semi-Detached	3	EASTERN	FREEHOLD	Clergy Rental - Licence		£ 3,960	£ 500,000	£ 453,898
N/32057	SANTANDER T4		27	Craiglands	St Albans	Hertfordshire	AL4 9AH	House- End Terrace	2	EASTERN	FREEHOLD	PB - Church Army		£ 5,375	£ 371,000	£ 290,932
N/41093	SANTANDER T3		10	Altona Gardens	Andover	Hampshire	SP10 4LG	House - Detached	4	SOUTH EAST	FREEHOLD	Clergy Rental - Licence		£ 7,497	£ 380,000	£ 265,731
N/42019	SANTANDER T4		16	Allesborough Drive	Pershore	Worcestershire	WR10 1JH	House - Detached	3	WEST MIDLANDS	FREEHOLD			£ -	£ 280,000	£ 280,000
N/43034	SANTANDER T4		31	Pinelands	York	North Yorkshire	YO32 3YT	House - Detached	3	YORKSHIRE AND HUMBER	FREEHOLD	Clergy Rental - Licence		£ 5,836	£ 310,000	£ 255,532
P/01136	SANTANDER T3		25	Coralberry Drive	Weston Super Mare	Somerset	BS22 6SQ	Bungalow - Semi-Detached	2	SOUTH WEST	FREEHOLD	Clergy Rental - AST		£ 4,953	£ 197,000	£ 141,991
P/03018	SANTANDER T2		27	Wallace Lane	Nr Preston	Lancashire	PR3 0BA	Bungalow - Detached	3	NORTH WEST	FREEHOLD	Clergy Rental - Licence		£ 6,030	£ 200,000	£ 164,122
P/08109	SANTANDER T2		4	Pine Drive	Brentwood	Essex	CM4 9EF	House - Semi-Detached	4	EASTERN	FREEHOLD	Clergy Rental - AT		£ 8,860	£ 540,000	£ 387,535
P/10026	SANTANDER T2	Tudor Croft	3	Tudor Close	Seaford	East Sussex	BN25 2LU	House - Detached	3	SOUTH EAST	FREEHOLD			£ -	£ 410,000	£ 410,000
P/10189	SANTANDER T3		1	Redcotts	Worthing	West Sussex	BN11 4JW	Flat- Purpose built	2	SOUTH EAST	LEASEHOLD			£ -	£ 237,000	£ 237,000
P/15023	SANTANDER T4	Little Garth		Longmeadow Road	Exmouth	Devon	EX8 5LF	Bungalow - Semi-Detached	4	SOUTH WEST	FREEHOLD	Clergy Rental - Licence		£ 8,622	£ 400,000	£ 325,411
P/15188	SANTANDER T2		3	Kellett Close	Ashburton	Devon	TQ13 7FB	House - Detached	4	SOUTH WEST	FREEHOLD	Clergy Rental - AST		£ 8,765	£ 278,000	£ 241,184
P/16030	SANTANDER T4		36	St Mary's Square	Gloucester	Gloucestershire	GL1 2QT	Flat- Purpose built	2	SOUTH WEST	FREEHOLD	PB - Commercial lets		£ 7,800	£ 120,000	£ 162,732
P/16031	SANTANDER T4		36A	St Mary's Square	Gloucester	Gloucestershire	GL1 2QT	Flat- Purpose built	2	SOUTH WEST	FREEHOLD	Clergy Rental - Licence		£ 3,360	£ 120,000	£ 80,198
P/16032	SANTANDER T4		37	St Mary's Square	Gloucester	Gloucestershire	GL1 2QT	Flat- Purpose built	2	SOUTH WEST	FREEHOLD	Clergy Rental - Licence		£ 6,168	£ 120,000	£ 118,011
P/16033	SANTANDER T4		37A	St Mary's Square	Gloucester	Gloucestershire	GL1 2QT	Flat- Purpose built	2	SOUTH WEST	FREEHOLD	PB - Commercial lets		£ 6,780	£ 100,000	£ 132,799
P/18047	SANTANDER T2			Grace Dieu House	Hereford	Herefordshire	HR4 7LT	House - Detached	2	WEST MIDLANDS	FREEHOLD	Clergy Rental - Licence		£ 4,237	£ 265,000	£ 229,080
P/20083	SANTANDER T2		19	Meadow Drive	Stafford	Staffordshire	ST18 9HQ	House - Semi-Detached	4	WEST MIDLANDS	FREEHOLD	Clergy Rental - Licence		£ 8,208	£ 190,000	£ 178,721
P/21002	SANTANDER T3		11	Beckett Close	Washingborough	Lincolnshire	LN4 1EA	House - Detached	3	EAST MIDLANDS	FREEHOLD	Clergy Rental - Licence	Protected tenancy	£ 3,346	£ 193,000	£ 125,885
P/21110	SANTANDER T2		5	Manor Paddock	Grantham	Lincolnshire	NG32 2DL	Bungalow - Detached	3	EAST MIDLANDS	FREEHOLD	Clergy Rental - Licence		£ 4,127	£ 256,000	£ 168,447
P/23041	SANTANDER T4	St Luke's Cottage	13	Brearley Close	Uxbridge	Middlesex	UB8 1JJ	House - Detached	4	OUTER LONDON	FREEHOLD	Clergy Rental - Licence		£ 6,964	£ 530,000	£ 475,544
P/25041	SANTANDER T2			Ubbanford Bank Cottag	Berwick Upon Tweed	Northumberland	TD15 2JZ	Bungalow - Detached	3	NORTH EAST	FREEHOLD	Clergy Rental - Licence		£ 7,957	£ 310,000	£ 246,297
P/26123	SANTANDER T4		1	Stirling Road	Norwich	Norfolk	NR6 6GE	House - Detached	3	EASTERN	FREEHOLD	Clergy Rental - AST		£ 4,499	£ 241,000	£ 164,966
P/33014	SANTANDER T2		72	Rembrandt Way	Bury St Edmunds	Suffolk	IP33 2LT	Bungalow - Detached	3	EASTERN	FREEHOLD	Clergy Rental - AST		£ 5,834	£ 315,000	£ 278,096
P/37034	SANTANDER T2		58	Wolseley Road	Mitcham	Surrey	CR4 4JQ	House - Semi-Detached	3	SOUTH EAST	FREEHOLD	Clergy Rental - Licence		£ 8,469	£ 369,000	£ 290,119
P/43103	SANTANDER T2		9	Knott Lane	York	North Yorkshire	YO61 3LX	House - Detached	4	YORKSHIRE AND HUMBER	FREEHOLD	Clergy Rental - AT		£ 7,545	£ 300,000	£ 228,088
P/71014	SANTANDER T2	Newlands	75	Glan-Y-Mor Road	Llandudno	Caernarfonshire	LL30 3PF	House - Detached	3	WALES	FREEHOLD	Clergy Rental - Licence		£ 6,014	£ 210,000	£ 177,838
QA01159	SANTANDER T3		163	Eaton Crescent	Taunton	Somerset	TA2 7UF	House - Semi-Detached	3	SOUTH WEST	FREEHOLD	Clergy Rental - AST		£ 6,253	£ 215,000	£ 173,742
QA02027	SANTANDER T3		210	Staple Lodge Road	Birmingham	West Midlands	B31 3DL	House - Detached	3	WEST MIDLANDS	FREEHOLD	Clergy Rental - AT		£ 6,001	£ 180,000	£ 143,715
QA02028	SANTANDER T4		47	Myton Drive	Soilhull	West Midlands	B90 1HD	House - Semi-Detached	4	WEST MIDLANDS	FREEHOLD			£ -	£ 290,000	£ 290,000

PB Ref No	Tranche	Building Name	House No.	Street	City	County	Post Code	Building type	No of beds	Economic Region	Tenure	Contract Type Text	Protected Tenancy?	Passing Rent per annum 2018	Vacant Values Feb 2018	Market Values Feb 2018
QA02031	SANTANDER T3		8	Perch Road	Walsall	West Midlands	WS2 7RJ	House - Detached	3	WEST MIDLANDS	FREEHOLD	Clergy Rental - AT		£ 5,874	£ 183,000	£ 140,034
QA03087	SANTANDER T3		3	Winston Avenue	Lytham St Annes	Lancashire	FY8 3NS	Bungalow - Semi-Detached	3	NORTH WEST	LEASEHOLD	Clergy Rental - AT		£ 5,462	£ 205,000	£ 152,819
QA03094	SANTANDER T3		14	Durham Avenue	Lancaster	Lancashire	LA1 4ED	House - Semi-Detached	3	NORTH WEST	FREEHOLD	Clergy Rental - AT		£ 7,007	£ 245,000	£ 175,324
QA03096	SANTANDER T3		7	Crookhalgh Avenue	Burnley	Lancashire	BB10 3JL	House - Detached	3	NORTH WEST	FREEHOLD	Clergy Rental - AT		£ 6,369	£ 227,000	£ 182,055
QA03098	SANTANDER T3		5	Oakwood Close	Thornton-Cleveleys	Lancashire	FY5 4EL	Bungalow - Semi-Detached	3	NORTH WEST	FREEHOLD	Clergy Rental - AST		£ 8,400	£ 134,000	£ 153,050
QA05046	SANTANDER T3		18	The Dormers	Swindon	Wiltshire	SN6 7NY	Bungalow- Mid Terrace	2	SOUTH WEST	FREEHOLD	Clergy Rental - AT		£ 6,164	£ 231,000	£ 185,716
QA06074	SANTANDER T3		48	Egremont Road	Maidstone	Kent	ME15 8LX	Bungalow - Semi-Detached	3	SOUTH EAST	FREEHOLD	Clergy Rental - AT		£ 7,751	£ 333,000	£ 249,756
QA07065	SANTANDER T3			Old School House	Newcastleton	Cumbria	TD9 0TR	Bungalow - Detached	3	NORTH WEST	FREEHOLD	Clergy Rental - AT		£ 6,412	£ 130,000	£ 120,545
QA08129	SANTANDER T3	Bryanstone		Oakmead Road	Clacton-On-Sea	Essex	CO16 8NL	Bungalow - Detached	3	EASTERN	FREEHOLD	Clergy Rental - AST		£ 6,904	£ 230,000	£ 182,735
QA08130	SANTANDER T3		51	Kingsmere	Benfleet	Essex	SS7 3XN	House - Semi-Detached	3	SOUTH EAST	FREEHOLD	Clergy Rental - AT		£ 6,983	£ 267,000	£ 208,473
QA10210	SANTANDER T4		51	St Kitts Drive	Eastbourne	East Sussex	BN23 5TL	House - Detached	3	SOUTH EAST	FREEHOLD	Clergy Rental - AST		£ 7,113	£ 308,000	£ 230,424
QA10220	SANTANDER T4		28	Dolphin Court	Eastbourne	East Sussex	BN20 7XE	Flat- Purpose built	3	SOUTH EAST	LEASEHOLD	Clergy Rental - AST		£ 2,710	£ 290,000	£ 174,257
QA10221	SANTANDER T3		1	Purbeck Close	Eastbourne	East Sussex	BN23 8EX	House - Detached	3	SOUTH EAST	FREEHOLD	Clergy Rental - AST		£ 6,142	£ 286,000	£ 201,767
QA10223	SANTANDER T3		5	Chichester Drive	Chichester	West Sussex	PO20 2FF	House - Semi-Detached	3	SOUTH EAST	FREEHOLD	Clergy Rental - AST		£ 2,973	£ 263,000	£ 141,275
QA10224	SANTANDER T3		19	Plover Close	Eastbourne	East Sussex	BN23 7SB	Bungalow - Semi-Detached	2	SOUTH EAST	FREEHOLD	Clergy Rental - AT		£ 6,417	£ 230,000	£ 183,239
QA10225	SANTANDER T4		2	Harlech Close	Worthing	West Sussex	BN13 3QS	House - Detached	3	SOUTH EAST	FREEHOLD	Clergy Rental - AT		£ 7,161	£ 276,000	£ 207,837
QA10226	SANTANDER T3		6	Benedict Close	Worthing	West Sussex	BN11 2NZ	Bungalow - Semi-Detached	3	SOUTH EAST	FREEHOLD	Clergy Rental - AT		£ 7,977	£ 310,000	£ 234,730
QA10227	SANTANDER T4		58	Kendall Close	Littlehampton	West Sussex	BN17 6SZ	House - Semi-Detached	3	SOUTH EAST	FREEHOLD	Clergy Rental - AT		£ 7,480	£ 277,000	£ 217,122
QA12066	SANTANDER T4		3	Chartwell Avenue	Chesterfield	Derbyshire	S42 6SR	Bungalow - Detached	2	EAST MIDLANDS	FREEHOLD	Clergy Rental - AT		£ 6,382	£ 227,000	£ 159,532
QA12067	SANTANDER T3		4	Bath Lane	Swadlincote	Derbyshire	DE12 6BP	Bungalow - Detached	2	EAST MIDLANDS	FREEHOLD	Clergy Rental - AT		£ 5,686	£ 180,000	£ 135,114
QA13066	SANTANDER T3		27	Castle Riggs	Chester Le Street	County Durham	DH2 2DL	House - Detached	3	NORTH EAST	LEASEHOLD	Clergy Rental - AST		£ 6,943	£ 145,000	£ 133,087
QA13073	SANTANDER T4		18	Thurso Close	Stockton on Tees	North Yorkshire	TS19 7JD	House - Detached	3	NORTH EAST	FREEHOLD	Clergy Rental - AST		£ 8,040	£ 194,000	£ 171,866
QA13074	SANTANDER T4		10	Alder Grove	Seaham	County Durham	SR7 7RT	House - Detached	3	NORTH EAST	FREEHOLD	Clergy Rental - AST		£ 7,308	£ 154,000	£ 160,977
QA13075	SANTANDER T3		83	Daleside	Durham	County Durham	DH7 6DH	Bungalow - Detached	2	NORTH EAST	FREEHOLD	Clergy Rental - AST		£ 3,702	£ 154,000	£ 118,795
QA13076	SANTANDER T4		36	Westfield Grove	Sunderland	Tyne & Wear	SR4 8QZ	Bungalow - Semi-Detached	3	NORTH EAST	LEASEHOLD	Clergy Rental - AST		£ 4,031	£ 171,000	£ 120,056
QA14077	SANTANDER T3			Meadow Way	Ely	Cambridgeshire	CB6 2GH	Bungalow - Detached	3	EASTERN	FREEHOLD			£ -	£ 270,000	£ 270,000
QA15194	SANTANDER T4		11	Fountain Court	Exeter	Devon	EX4 4FX	Flat- Converted	2	SOUTH WEST	LEASEHOLD			£ -	£ 221,000	£ 221,000
QA15200	SANTANDER T3		5	Melhuish Close	Tiverton	Devon	EX16 8AZ	Bungalow - Detached	3	SOUTH WEST	FREEHOLD	Clergy Rental - AST		£ 7,584	£ 248,000	£ 195,357
QA15204	SANTANDER T4		3	Pine Tree Close	Dawlish	Devon	EX7 0RD	House - Semi-Detached	4	SOUTH WEST	FREEHOLD	Clergy Rental - AT		£ 1,678	£ 246,000	£ 116,676
QA15206	SANTANDER T4	Flat 2		Silver Street	Honiton	Devon	EX14 1SU	Flat- Purpose built	3	SOUTH WEST	LEASEHOLD	Clergy Rental - Licence		£ 5,399	£ 140,000	£ 133,957
QA16080	SANTANDER T4		19	Pear Tree Close	Hardwicke	Gloucestershire	GL2 4TL	House - Detached	3	SOUTH WEST	FREEHOLD	Clergy Rental - AST		£ 9,138	£ 200,000	£ 189,394
QA18061	SANTANDER T3		82	Betjemen Way	Kiidderminster	Shropshire	DY14 8BB	House - Semi-Detached	3	WEST MIDLANDS	FREEHOLD	Clergy Rental - AST		£ 6,263	£ 230,000	£ 172,137
QA19053	SANTANDER T3		6	Russett Close	Leicester	Leicestershire	LE9 8HZ	House - Detached	3	EAST MIDLANDS	FREEHOLD	Clergy Rental - AST		£ 6,447	£ 190,000	£ 149,912
QA19055	SANTANDER T4		6	Parkside Close	Leicester	Leicestershire	LE4 1EP	House - Detached	3	EAST MIDLANDS	FREEHOLD	Clergy Rental - AT		£ 5,969	£ 210,000	£ 161,185
QA20095	SANTANDER T4		2	Meadow View	Burton On Trent	Staffordshire	DE13 9AN	Bungalow - Detached	3	WEST MIDLANDS	FREEHOLD	Clergy Rental - AST		£ 6,508	£ 275,000	£ 233,105
QA20097	SANTANDER T4		1	Cambridge Court	Ellesmere	Shropshire	SY12 0FN	House - Detached	3	WEST MIDLANDS	FREEHOLD	Clergy Rental - AST		£ 7,423	£ 220,000	£ 175,423
QA20100	SANTANDER T3		4	Gwyn Avenue	Stoke On Trent	Staffordshire	ST8 7BW	Bungalow - Detached	3	WEST MIDLANDS	FREEHOLD	Clergy Rental - AT		£ 6,054	£ 165,000	£ 126,067
QA20101	SANTANDER T4		9	Ash Close	Oswestry	Shropshire	SY10 7TW	Bungalow - Detached	2	NORTH WEST	FREEHOLD	Clergy Rental - AT		£ 5,576	£ 178,000	£ 125,611
QA21119	SANTANDER T3		10	Mayflower Drive	Sleaford	Lincolnshire	NG34 9UX	House - Detached	3	EAST MIDLANDS	FREEHOLD	Clergy Rental - AST		£ 6,138	£ 190,000	£ 148,947
QA21123	SANTANDER T4		8	Worcester Close	Lincoln	Lincolnshire	LN6 3LW	Bungalow - Detached	3	EAST MIDLANDS	FREEHOLD	Clergy Rental - AST		£ 6,256	£ 200,000	£ 151,164
QA21124	SANTANDER T4		3	Roman Close	Lincoln	Lincolnshire	LN5 0GW	Bungalow - Detached	3	EAST MIDLANDS	FREEHOLD	Clergy Rental - AST		£ 5,822	£ 225,000	£ 158,804
QA21125	SANTANDER T3		1	Ockbrook Court	Lincoln	Lincolnshire	LN1 3EP	Flat- Purpose built	2	EAST MIDLANDS	LEASEHOLD	Clergy Rental - AT		£ 4,928	£ 141,000	£ 115,345
QA22073	SANTANDER T3		1	Rainbow Drive	Liverpool	Merseyside	L31 1BY	Bungalow - Semi-Detached	3	NORTH WEST	FREEHOLD	Clergy Rental - AST		£ 5,599	£ 160,000	£ 131,349
QA22074	SANTANDER T4		19	Foxfield Grove	Wigan	Lancashire	WN6 8AJ	House - Detached	3	NORTH WEST	FREEHOLD	Clergy Rental - AST		£ 5,900	£ 207,000	£ 145,075
QA22076	SANTANDER T3		45	Mayfair Close	Warrington	Cheshire	WA5 3PL	House - Detached	3	NORTH WEST	FREEHOLD	Clergy Rental - AST		£ 4,676	£ 185,000	£ 143,491
QA22077	SANTANDER T4	Apartment 2		Lancaster Road	Southport	Merseyside	PR8 2LE	Flat- Purpose built	3	NORTH WEST	LEASEHOLD	Clergy Rental - AT		£ 6,265	£ 215,000	£ 162,856
QA22078	SANTANDER T4		5	Moor Close	Southport	Merseyside	PR8 3PA	Bungalow - Semi-Detached	2	NORTH WEST	FREEHOLD	Clergy Rental - AT		£ 5,723	£ 172,000	£ 135,778
QA23085	SANTANDER T4		22	Colman Court	London	London	N12 0DT	Flat- Purpose built	2	INNER LONDON	LEASEHOLD	Clergy Rental - AST		£ 4,541	£ 358,000	£ 181,731
QA24060	SANTANDER T3		21	Bateman Avenue	Rochdale	Greater Manchester	OL12 9ST	House - Detached	3	NORTH WEST	FREEHOLD	Clergy Rental - AST		£ 8,376	£ 187,000	£ 172,973
QA24061	SANTANDER T4		51	Shorefield Mount	Bolton	Lancashire	BL7 9EW	House - Semi-Detached	3	NORTH WEST	LEASEHOLD	Clergy Rental - AST		£ 8,760	£ 199,000	£ 184,036
QA24063	SANTANDER T3		28	Vicars Hall Gardens	Worsley		M28 1HU	Bungalow - Semi-Detached	2	NORTH WEST	FREEHOLD	Clergy Rental - AST		£ 4,447	£ 170,000	£ 117,754
QA24065	SANTANDER T3		10	Stoneyfield Close	Manchester		M16 8GT	Bungalow - Semi-Detached	2	NORTH WEST	LEASEHOLD	Clergy Rental - AT		£ 5,696	£ 188,000	£ 141,044
QA25076	SANTANDER T3		10	Alnwick Way	Morpeth	Northumberland	NE65 0GQ	House - Detached	3	NORTH EAST	LEASEHOLD	Clergy Rental - AT		£ 5,252	£ 180,000	£ 123,351
QA26135	SANTANDER T3		8	Pearsons Road	Holt	Norfolk	NR25 6EJ	Bungalow - Detached	2	EASTERN	FREEHOLD	Clergy Rental - AT		£ 6,199	£ 255,000	£ 145,461
QA26138	SANTANDER T4		7	Robinson Road	Diss	Norfolk	IP21 4EF	Bungalow - Detached	3	EASTERN	FREEHOLD	Clergy Rental - AT		£ 6,466	£ 254,000	£ 176,692
QA26139	SANTANDER T4		51	Mileham Drive	Aylsham	Norfolk	NR11 6WD	House - Semi-Detached	3	EASTERN	FREEHOLD	Clergy Rental - AT		£ 6,242	£ 234,000	£ 174,885
QA26140	SANTANDER T3		24	Fletcher Close	Norwich	Norfolk	NR12 8RA	Bungalow - Detached	3	EASTERN	FREEHOLD	Clergy Rental - AT		£ 6,560	£ 251,000	£ 171,862
QA26143	SANTANDER T3		8	Oakfield Road	Norwich	Norfolk	NR15 2WB	House - Detached	3	EASTERN	FREEHOLD	Clergy Rental - AT		£ 6,273	£ 227,000	£ 154,020
QA27130	SANTANDER T3		1	Webster Close	Reading	Berkshire	RG2 8BF	House - Semi-Detached	2	SOUTH EAST	FREEHOLD	Clergy Rental - AST		£ 5,395	£ 287,000	£ 220,712
QA27132	SANTANDER T4		12	Amerden Way	Slough	Berkshire	SL1 9BB	House - Semi-Detached	3	SOUTH EAST	FREEHOLD	Clergy Rental - AST		£ 8,535	£ 364,000	£ 274,697
QA27134	SANTANDER T3		2	Carroll Close	Newport Pagnell	Buckinghamshire	MK16 8QQ	House- End Terrace	3	SOUTH EAST	FREEHOLD	Clergy Rental - AT		£ 6,772	£ 247,000	£ 199,091
QA28063	SANTANDER T3		2c	Manor Road	Northampton	Northamptonshire	NN2 6QJ	Bungalow - Semi-Detached	2	EAST MIDLANDS	FREEHOLD	Clergy Rental - AST		£ 7,764	£ 185,000	£ 164,482
QA28066	SANTANDER T4		8	Barlow Close	Kettering	Northamptonshire	NN14 6YD	Bungalow - Detached	3	EAST MIDLANDS	FREEHOLD	Clergy Rental - AT		£ 6,774	£ 255,000	£ 174,123
QA29071	SANTANDER T4		33	Cotton Road	Portsmouth	Hampshire	PO3 6FL	House - Detached	3	SOUTH EAST	FREEHOLD	Clergy Rental - AST		£ 9,181	£ 297,000	£ 237,927
QA29073	SANTANDER T4		5	Richard Court	Portsmouth	Hampshire	PO3 6FR	House- Mid Terrace	3	SOUTH EAST	FREEHOLD	Church Army		£ 9,772	£ 253,000	£ 224,009
QA30057	SANTANDER T4	Fairview		Carlisle Road	Leeds	West Yorkshire	LS28 8LW	House- Mid Terrace	3	YORKSHIRE AND HUMBER	FREEHOLD	Clergy Rental - AST		£ 6,242	£ 210,000	£ 173,538
QA34127	SANTANDER T3		5	Rope Yard Court	Swindon	Wiltshire	SN4 7FD	House - Detached	2	SOUTH WEST	FREEHOLD	Clergy Rental - AST		£ 7,847	£ 210,000	£ 176,518
QA34128	SANTANDER T4		131	Stour View Gardens	Wimborne	Dorset	BH21 3TN	House- End Terrace	2	SOUTH WEST	FREEHOLD	Clergy Rental - AST		£ 8,031	£ 282,000	£ 224,251
QA34129	SANTANDER T3		10	Beechcroft Road	Salisbury	Wiltshire	SP1 1PF	Bungalow - Detached	3	SOUTH WEST	FREEHOLD	Clergy Rental - AT		£ 7,244	£ 285,000	£ 220,814
QA35049	SANTANDER T3		1	Green Oak Grove	Sheffield	South Yorkshire	S17 4GG	Bungalow - Detached	2	YORKSHIRE AND HUMBER	FREEHOLD	Clergy Rental - AST		£ 5,439	£ 235,000	£ 190,995
QA35052	SANTANDER T3		27a	Lees Hall Road	Sheffield	South Yorkshire	S8 9JH	House - Semi-Detached	3	YORKSHIRE AND HUMBER	FREEHOLD	Clergy Rental - AT		£ 5,679	£ 178,000	£ 134,843
QA37040	SANTANDER T4		39a	Warminster Road	South Norwood	London	SE25 4DL	Bungalow - Detached	2	OUTER LONDON	FREEHOLD	Clergy Rental - AST		£ 6,117	£ 360,000	£ 260,705
QA37041	SANTANDER T4		8	Master Close	Oxted	Surrey	RH8 9NA	Flat- Purpose built	2	SOUTH EAST	LEASEHOLD	Clergy Rental - AT		£ 7,108	£ 315,000	£ 239,950
QA38052	SANTANDER T3		11	Stannier Way	Nottingham	Nottinghamshire	NG16 1GL	House- End Terrace	3	EAST MIDLANDS	FREEHOLD	Clergy Rental - AST		£ 3,436	£ 176,000	£ 96,113
QA38053	SANTANDER T4		46	Holding	Worksop	Nottinghamshire	S81 0TD	Bungalow - Detached	3	EAST MIDLANDS	FREEHOLD	Clergy Rental - AST		£ 5,273	£ 160,000	£ 126,143
QA38054	SANTANDER T4		19	Jenny Becketts Lane	Mansfield	Nottinghamshire	NG18 4HP	Bungalow - Detached	3	EAST MIDLANDS	FREEHOLD	Clergy Rental - AT		£ 5,870	£ 180,000	£ 129,941
QA38055	SANTANDER T4		4	Swallow Drive	Newark	Nottinghamshire	NG23 5FG	House - Detached	3	EAST MIDLANDS	FREEHOLD	Clergy Rental - AT		£ 5,839	£ 210,000	£ 148,789
QA38056	SANTANDER T3		1	Patient Close	Nottingham	Nottinghamshire	NG9 4HA	House - Semi-Detached	3	EAST MIDLANDS	FREEHOLD	Clergy Rental - AT		£ 5,593	£ 142,000	£ 120,056
QA39086	SANTANDER T4		24	Gwel Lewern	Penzance	Cornwall	TR18 3AX	House - Detached	3	SOUTH WEST	FREEHOLD	Clergy Rental - AST		£ 6,066	£ 255,000	£ 185,984
QA39090	SANTANDER T4		14	Penmare Court	Hayle	Cornwall	TR27 4RD	House- End Terrace	3	SOUTH WEST	FREEHOLD	Clergy Rental - AT		£ 5,871	£ 215,000	£ 165,442
QA40033	SANTANDER T3		88	Ashworth Road	Pontefract	West Yorkshire	WF8 2UL	House - Detached	3	YORKSHIRE AND HUMBER	FREEHOLD	Clergy Rental - AST		£ 5,688	£ 177,000	£ 129,296
QA41115	SANTANDER T4	Flat 33	31-33	Suffolk Road	Bournemouth	Dorset	BH2 6AT	Flat- Purpose built	2	SOUTH WEST	LEASEHOLD	Clergy Rental - AST		£ 3,295	£ 183,000	£ 96,743
QA41116	SANTANDER T4		5	Simpkins Court	Eastleigh	Hampshire	SO53 1AL	Flat- Purpose built	2	SOUTH WEST	LEASEHOLD	Clergy Rental - AT		£ 6,152	£ 223,000	£ 206,652
QA43131	SANTANDER T4		3	Belvedere Mansions	Scarborough	North Yorkshire	YO11 2QU	Flat- Purpose built	2	YORKSHIRE AND HUMBER	LEASEHOLD	Clergy Rental - AST		£ 5,483	£ 174,000	£ 141,981

PB Ref No	Tranche	Building Name	House No.	Street	City	County	Post Code	Building type	No of beds	Economic Region	Tenure	Contract Type Text	Protected Tenancy?	Passing Rent per annum 2018	Vacant Values Feb 2018	Market Values Feb 2018
QA43136	SANTANDER T3		14	Chestnut Croft	Selby	North Yorkshire	YO8 6UD	Bungalow - Detached	3	YORKSHIRE AND HUMBER	FREEHOLD	Clergy Rental - AST		£ 6,408	£ 195,000	£ 162,639
QA43144	SANTANDER T3		7	Burlyn Road	Filey	North Yorkshire	YO14 0QA	Bungalow - Detached	3	YORKSHIRE AND HUMBER	FREEHOLD	Clergy Rental - AST		£ 5,486	£ 173,000	£ 137,892
QA43149	SANTANDER T4		96	Shipman Road	York	North Yorkshire	YO43 3RB	House - Detached	3	YORKSHIRE AND HUMBER	FREEHOLD	Clergy Rental - AST		£ 7,416	£ 180,000	£ 156,667
QA43151	SANTANDER T4		8	Pomona Way	Driffield	East Yorkshire	YO25 6YH	Bungalow - Detached	3	YORKSHIRE AND HUMBER	FREEHOLD			£ -	£ 172,000	£ 172,000
QA43152	SANTANDER T3		8	Church Lane	Middlesbrough	North Yorkshire	TS7 9AH	Bungalow - Semi-Detached	3	NORTH EAST	FREEHOLD	Clergy Rental - AT		£ 6,266	£ 160,000	£ 127,885
QA43153	SANTANDER T4		28	Stoneybrough Lane	Thirsk	North Yorkshire	YO7 2LS	House - Detached	3	NORTH WEST	FREEHOLD	Clergy Rental - AT		£ 6,208	£ 211,000	£ 159,459
QA43154	SANTANDER T4		45	Severn Green	York	0.00	YO26 6RE	House - Semi-Detached	3	YORKSHIRE AND HUMBER	FREEHOLD			£ -	£ 210,000	£ 210,000
QA43155	SANTANDER T4		3	Tudor Close	Bridlington	East Yorkshire	YO15 3TA	House - Detached	3	YORKSHIRE AND HUMBER	FREEHOLD	Clergy Rental - AT		£ 5,535	£ 172,000	£ 122,241
QA43156	SANTANDER T4		2	Plane Tree Way	Filey	North Yorkshire	YO14 9PA	Bungalow - Detached	3	YORKSHIRE AND HUMBER	FREEHOLD	Clergy Rental - AT		£ 5,778	£ 189,000	£ 160,939
QA46001	SANTANDER T4		2	Westfield Farm	Ossett	West Yorkshire	WF5 8QT	Bungalow - Detached	2	YORKSHIRE AND HUMBER	FREEHOLD	Clergy Rental - AST		£ 3,801	£ 177,000	£ 109,202
QA46002	SANTANDER T3		49	Throstle Nest Close	Otley	West Yorkshire	LS21 2RR	House - Detached	3	YORKSHIRE AND HUMBER	FREEHOLD	Clergy Rental - AST		£ 5,934	£ 248,000	£ 187,518
QA46003	SANTANDER T4		12	Oak Tree Drive	Bedale	North Yorkshire	DL8 1UL	Bungalow - Detached	3	YORKSHIRE AND HUMBER	FREEHOLD	Clergy Rental - AST		£ 6,201	£ 243,000	£ 167,751
QA46004	SANTANDER T3		5	Rockingham Road	Leeds	West Yorkshire	LS15 8UL	Bungalow - Semi-Detached	2	YORKSHIRE AND HUMBER	FREEHOLD	Clergy Rental - AT		£ 5,459	£ 168,000	£ 144,360
QA46005	SANTANDER T3		551	Shadwell Lane	Leeds	West Yorkshire	LS17 8AP	House - Detached	3	YORKSHIRE AND HUMBER	FREEHOLD	Clergy Rental - AT		£ 6,163	£ 220,000	£ 178,920
QA46006	SANTANDER T3		32	Lyndhurst Avenue	Brighouse	West Yorkshire	HD6 3RY	Bungalow - Detached	3	YORKSHIRE AND HUMBER	FREEHOLD	Clergy Rental - AT		£ 6,586	£ 250,000	£ 182,511
QA71050	SANTANDER T4	Stepping Stones		Church Lane	Reynalton	Pembrokeshire	SA68 0PG	Bungalow- End Terrace	3	WALES	FREEHOLD	Clergy Rental - AST		£ 7,080	£ 199,000	£ 164,806
QA71054	SANTANDER T3		51	Cornpoppy Avenue	Monmouth	Monmouthshire	NP25 5SD	House- End Terrace	3	WALES	FREEHOLD	Clergy Rental - AST		£ 7,680	£ 188,000	£ 165,627
QS0007Q	SANTANDER T3		12	Blenheim Avenue	Alfreton	Derbyshire	DE55 1PQ	House - Detached	3	EAST MIDLANDS	FREEHOLD	Shrd Ownershp - Full Rep Lease		£ 4,921	£ 180,000	£ 102,974
QS0020R	SANTANDER T3	Flat 12	27-29	St Simons Road	Southsea	Hampshire	PO5 2QE	Flat- Purpose built	1	SOUTH WEST	LEASEHOLD	Shrd Ownrshp - Lease to Occupy		£ 2,592	£ 147,000	£ 35,080
QS0038F	SANTANDER T3		16	Broad Meadow	Stonehouse	Gloucestershire	GL10 3PG	House - Detached	1	SOUTH WEST	FREEHOLD	Shrd Ownrshp - Lease to Occupy		£ 8,330	£ 340,000	£ 168,715
QS0052G	SANTANDER T3		8	Cherrywood Gardens	Nottingham	Nottinghamshire	NG3 6LQ	Bungalow - Detached	2	EAST MIDLANDS	FREEHOLD	Shrd Ownershp - Full Rep Lease		£ 2,442	£ 170,000	£ 47,895
QS0053C	SANTANDER T4		41	Skelldale Close	Ripon	North Yorkshire	HG4 1UH	House - Semi-Detached	3	YORKSHIRE AND HUMBER	FREEHOLD	Shrd Ownershp - Full Rep Lease		£ 2,507	£ 193,000	£ 47,861
QS0059M	SANTANDER T3	Flat 11	77	Albert Road	Southport	Merseyside	PR9 9LN	Flat- Purpose built	2	NORTH WEST	LEASEHOLD	Shrd Ownrshp - Lease to Occupy		£ 4,749	£ 131,000	£ 77,194
QS0061R	SANTANDER T4		8	The Thatchers	Maidstone	Kent	ME16 0XA	House - Semi-Detached	2	SOUTH EAST	FREEHOLD	Shrd Ownrshp - Lease to Occupy		£ 4,298	£ 275,000	£ 94,620
QS0062B	SANTANDER T4		164	Northern Parade	Portsmouth	Hampshire	PO2 9LT	House- Mid Terrace	3	SOUTH EAST	FREEHOLD	Shrd Ownrshp - Lease to Occupy		£ 3,542	£ 276,000	£ 60,278
QS0066C	SANTANDER T4	Scatwell House		Church Fenton Lane	Tadcaster	North Yorkshire	LS24 9DW	House - Semi-Detached	3	YORKSHIRE AND HUMBER	FREEHOLD	Shrd Ownershp - Full Rep Lease		£ 5,246	£ 206,000	£ 115,141
QS0069J	SANTANDER T4		37	St Augustine Mews	Colchester	Essex	CO1 2PF	House - Detached	3	EASTERN	FREEHOLD	Shrd Ownershp - Full Rep Lease		£ 3,418	£ 300,000	£ 72,472
QS0070C	SANTANDER T3		25	Church Meadows	St. Neots	Cambridgeshire	PE19 1PR	House - Detached	3	EASTERN	FREEHOLD	Shrd Ownershp - Full Rep Lease		£ 5,514	£ 256,000	£ 129,759
QS0071S	SANTANDER T4		19	Orchard Drive	Shrewsbury	Shropshire	SY5 0DG	Bungalow - Detached	3	WEST MIDLANDS	FREEHOLD	Shrd Ownershp - Full Rep Lease		£ 5,305	£ 190,000	£ 112,869
QS0072F	SANTANDER T4		7	Sunningdale Close	Liverpool	Merseyside	L36 4QF	House - Detached	3	NORTH WEST	FREEHOLD	Shrd Ownershp - Full Rep Lease		£ 3,290	£ 180,000	£ 66,976
QS0073G	SANTANDER T3		10	Fitzalan Court	Littlehampton	West Sussex	BN16 2LE	Flat- Purpose built	2	SOUTH EAST	LEASEHOLD	Shrd Ownershp - Full Rep Lease		£ 5,618	£ 235,000	£ 118,737
QS0074K	SANTANDER T3		10	Stonyhurst Drive	Whitehaven	Cumbria	CA28 7RZ	House - Semi-Detached	3	NORTH WEST	FREEHOLD	Shrd Ownershp - Full Rep Lease		£ 4,473	£ 152,000	£ 92,087
QS0076T	SANTANDER T3		39	Oakwood Road	Hayling Island	Hampshire	PO11 9AY	Bungalow - Semi-Detached	2	SOUTH EAST	FREEHOLD	Shrd Ownershp - Full Rep Lease		£ 7,686	£ 262,000	£ 172,877
QS0077P	SANTANDER T3		39	The Roundway	Newton Abbot	Devon	TQ12 5BN	Bungalow - Detached	2	SOUTH WEST	FREEHOLD	Shrd Ownershp - Full Rep Lease		£ 7,038	£ 219,000	£ 160,012
QS0078K	SANTANDER T3		3	Cranford Close	Frinton On Sea	Essex	CO13 9LF	Bungalow - Semi-Detached	2	EASTERN	FREEHOLD	Shrd Ownershp - Full Rep Lease		£ 2,899	£ 220,000	£ 60,145
QS0080H	SANTANDER T3		12	Mallom Avenue	Chorley	Lancashire	PR7 6PU	Bungalow - Semi-Detached	3	NORTH WEST	FREEHOLD	Shrd Ownershp - Full Rep Lease		£ 2,082	£ 162,000	£ 36,019
QS0081W	SANTANDER T3		35	Briarwood Road	Liverpool	Merseyside	L17 6DD	House- Mid Terrace	2	NORTH WEST	FREEHOLD	Shrd Ownershp - Full Rep Lease		£ 5,109	£ 155,000	£ 112,871
QS0082J	SANTANDER T4		3	Fall Close	Aylesbury	Buckinghamshire	HP19 9XR	House - Semi-Detached	3	SOUTH EAST	FREEHOLD	Shrd Ownershp - Full Rep Lease		£ 7,160	£ 315,000	£ 162,553
S00011B	SANTANDER T3		86	Woodburn	Gateshead	Tyne & Wear	NE10 8LY	House - Semi-Detached	3	NORTH EAST	FREEHOLD	Shrd Ownrshp - Lease to Occupy		£ 4,747	£ 108,000	£ 74,107
TH33051	SANTANDER T2	Peacehaven		Duke Street	Bury St Edmunds	Suffolk	IP31 2AB	Bungalow - Semi-Detached	3	EASTERN	FREEHOLD	Clergy Rental - Licence		£ 6,514	£ 260,000	£ 222,176
TH33057	SANTANDER T3		3	Bracken Row	Thurston	Suffolk	IP31 3PT	Bungalow - Detached	3	EASTERN	FREEHOLD	Clergy Rental - AT		£ 6,991	£ 336,000	£ 254,043
V/01139	SANTANDER T2		17	Millgreen Close	Highbridge	Somerset	TA9 3QY	Bungalow - Detached	3	SOUTH WEST	FREEHOLD	Clergy Rental - Licence		£ 4,442	£ 220,000	£ 183,302
V/17019	SANTANDER T3		2	Lawn Road	Guildford	Surrey	GU2 4DE	Bungalow - Detached	2	SOUTH EAST	FREEHOLD	Clergy Rental - AT		£ 7,974	£ 550,000	£ 358,405
V/17021	SANTANDER T3		6	Lawn Road	Guildford	Surrey	GU2 4DE	House - Semi-Detached	3	SOUTH EAST	FREEHOLD	Clergy Rental - Licence		£ 6,003	£ 490,000	£ 392,184
V/34054	SANTANDER T4		51	St Francis Road	Salisbury	Wiltshire	SP1 3QP	House - Semi-Detached	4	SOUTH WEST	FREEHOLD	PB - Commercial lets		£ 10,475	£ 370,000	£ 298,371
V/39072	SANTANDER T2	Carennac House		Polbreen Lane	St Agnes	Cornwall	TR5 0UL	House - Detached	3	SOUTH WEST	FREEHOLD	Clergy Rental - Licence		£ 5,408	£ 305,000	£ 223,799
V/40025	SANTANDER T2		44	Falconers Ride	Huddersfield	West Yorkshire	HD4 7LJ	Bungalow - Detached	2	YORKSHIRE AND HUMBER	FREEHOLD	Clergy Rental - Licence		£ 4,713	£ 235,000	£ 217,531
ZR17045	SANTANDER T4	First Floor Flat	60	Firgrove Hill	Farnham	Surrey	GU9 8LL	Flat- Converted	3	SOUTH EAST	FREEHOLD	PB - Commercial lets		£ 3,924	£ 400,000	£ 164,395
ZR17049	SANTANDER T4	Ground Floor Flat	60	Firgrove Hill	Farnham	Surrey	GU9 8LL	Flat- Converted	2	SOUTH EAST	FREEHOLD	PB - Commercial lets		£ 5,196	£ 320,000	£ 174,627

Appendix 3 – Market Commentary

January 2018

UK Housing Market Update

What the lead indicators tell us this month

Savills Research
UK Residential

New year: same old story

Annual house price growth finished 2017 at 2.5% with growth of 0.6% in December, according to the Nationwide Index. The strongest performing regions were the West Midlands with 5.3% growth and the South West at 4.8%. London was the only region to see price falls, but growth in the East of England and South East has slowed over the year. Price growth in 2017 exceeded our November 2016 forecast of 0.0% as price growth has spread out to the midlands and north much faster than we then anticipated.

The same number of RICS surveyors reported price falls as price growth in November, this is the lowest that confidence in price growth has been since March 2013. However, the majority of surveyors reporting falling buyer enquiries got substantially smaller in November reversing the trend set throughout 2017. This measure is now broadly in line with new instructions suggesting little pressure for house prices to move in either direction.

Consumers have a pessimistic outlook for the year ahead with a large majority thinking the economic situation will get worse in 2018 according to the GfK sentiment survey. This pessimism is unsurprising following a year of high inflation, peaking at 3.1%, and low wage growth. Throughout 2017 predictions about when CPI would peak and at what level were constantly revised. In spite of this the Monetary Policy Committee of the Bank of England remains confident that inflation will now start to fall and voted unanimously to keep the base rate the same in their December meeting.

Forest Heath in Suffolk now tops the chart in terms of annual growth, at 11.5%, followed by Wellingborough in Northamptonshire (10.7%) and Tendring in Essex (9.5%). Annual price falls have spread across eight London boroughs and now include Wandsworth, Hounslow, Brent, Camden and Haringey.

Annual rental growth slowed for the fourth month in a row, hitting 1.4% in November according to the ONS index. London saw month on month price falls of 0.1% in November. The strongest performing region remains the East Midlands with 2.7% annual rent growth, followed by the South East at 2.3%.

Figure 1 – Average price versus 2007/8 peak, Oct-17

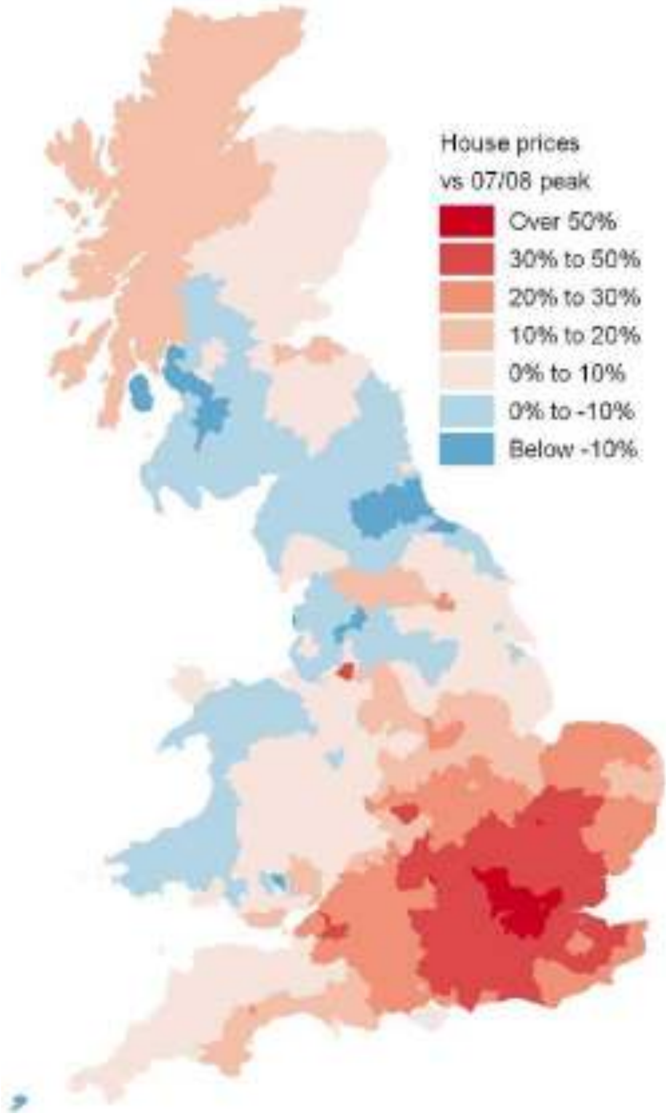
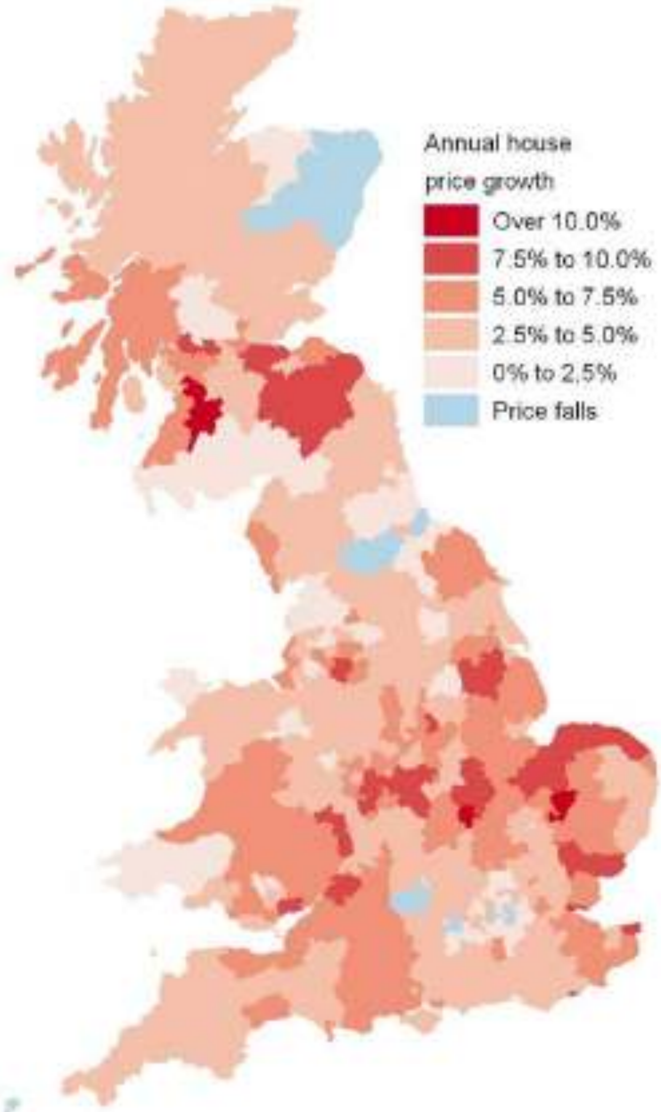


Figure 2 – Average price growth, year to Oct-17



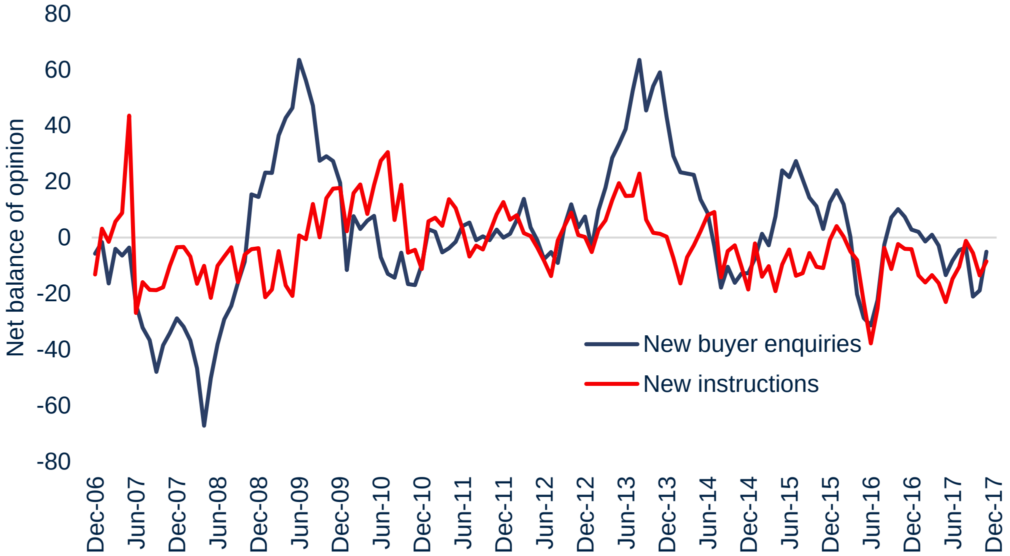
*Source: Savills using HM Land Registry and Registers of Scotland (6 month smoothed)**

The share of surveyors reporting growing numbers of buyer enquiries went up in November, although the majority still think enquiries are falling.

More surveyors reported growing numbers of new instructions in November than in October.

A small majority of surveyors still believe both enquires and instructions are falling. This may be reflected in subdued transactional activity but little pressure on house prices.

Figure 3 – Little pressure on prices in either direction



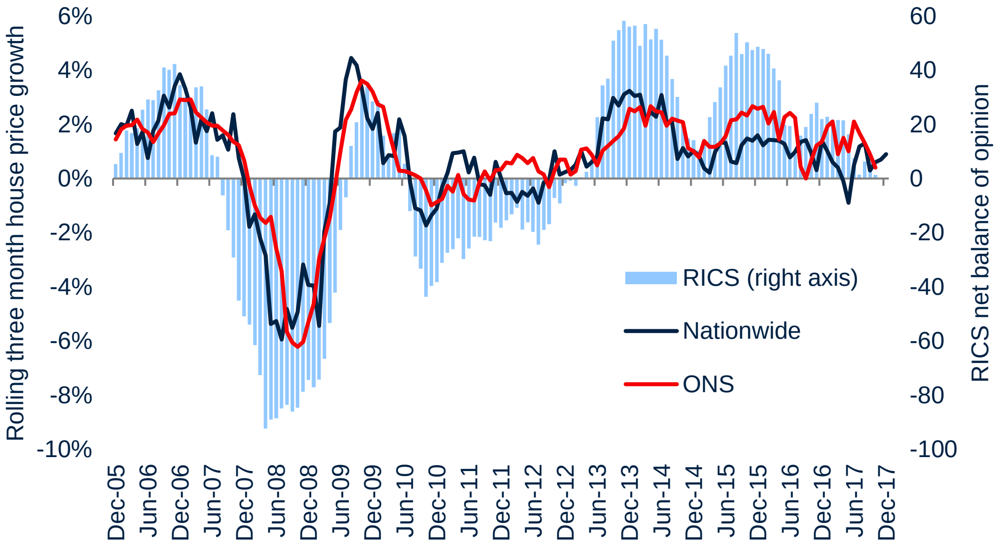
Source: RICS (seasonally adjusted)

The RICS Survey has, at times, been a good forward indicator of house price movements.

The number of surveyors reporting price growth was equal to those reporting price falls in November. This is the weakest confidence in price growth since March 2013.

Three month house price growth went up again in December to 0.9% compared to 0.7% in November according to Nationwide. The ONS index fell from 0.9% in September to 0.4% in October.

Figure 4 – Same number of surveyors think prices are falling as rising



Source: RICS, Nationwide, ONS

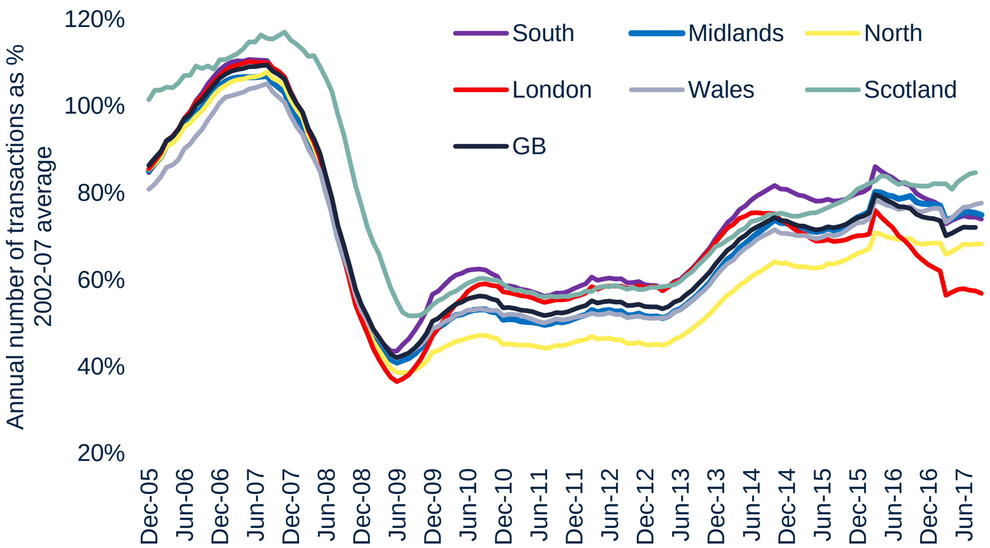
Transactions have remained stable in the North and Wales over the last three months.

In the Midlands transaction levels are still broadly in line with levels seen before the stamp duty surcharge in April 2016.

Transaction levels in the South have fallen since before the SDLT change but have stabilised at their current level over the last three months.

In London annual transactions have fallen from 112,000 to 91,000 between October 2015 and October 2017.

Figure 5 – Transaction activity remains steady



Source: Savills using HM Land Registry (adjusted for count lag) and Registers of Scotland

January 2018

UK Housing Market Update | **What the lead indicators tell us this month**

Recent house price growth

	Nationwide (to Dec-17)			ONS (to Oct-17)			Savills (to Oct-17)		
	m/m	q/q	y/y	m/m	q/q	y/y	m/m	q/q	y/y
UK	0.6%	0.9%	2.5%	0.1%	0.4%	4.5%	0.4%	1.6%	4.0%
London	n/a	0.4%	-0.5%	-0.2%	-0.2%	2.1%	-0.1%	0.8%	1.8%
South East	n/a	0.5%	3.1%	0.0%	0.7%	4.7%	0.4%	1.4%	4.1%
East of England	n/a	1.2%	2.2%	0.5%	0.5%	6.1%	0.4%	1.6%	5.8%
South West	n/a	0.9%	4.8%	0.8%	1.1%	6.7%	0.6%	2.0%	4.8%
East Midlands	n/a	0.5%	4.6%	0.7%	1.2%	7.0%	0.7%	2.2%	6.2%
West Midlands	n/a	1.1%	5.3%	-0.3%	0.1%	5.3%	0.4%	2.0%	5.9%
North East	n/a	-1.4%	0.1%	0.8%	1.2%	2.4%	0.5%	1.6%	2.3%
Yorks & Humber	n/a	1.5%	1.8%	-0.3%	0.6%	3.3%	0.4%	1.8%	3.7%
North West	n/a	1.6%	4.0%	-0.5%	0.1%	3.9%	0.4%	1.7%	4.4%
Wales	n/a	1.6%	3.3%	0.7%	2.1%	4.4%	0.5%	1.7%	4.3%
Scotland	n/a	0.8%	2.6%	0.0%	-1.0%	2.8%	0.6%	2.3%	4.7%

Source: Savills using HM Land Registry and Registers of Scotland, Nationwide (seasonally adjusted), ONS (seasonally adjusted)*

Five year forecasts (first published November 2017)

	2018	2019	2020	2021	2022	5-year
UK	1.0%	2.5%	5.0%	2.5%	2.5%	14.2%
London	-2.0%	0.0%	5.0%	2.0%	2.0%	7.1%
South East	0.5%	2.5%	4.0%	2.0%	2.0%	11.5%
East of England	0.5%	2.5%	4.0%	2.0%	2.0%	11.5%
South West	1.0%	3.0%	4.5%	2.5%	2.5%	14.2%
East Midlands	1.0%	3.0%	5.0%	2.5%	2.5%	14.8%
West Midlands	1.0%	3.0%	5.0%	2.5%	2.5%	14.8%
North East	1.5%	3.5%	5.5%	3.0%	3.0%	17.6%
Yorks & Humber	1.5%	3.5%	5.5%	3.0%	3.0%	17.6%
North West	1.5%	3.5%	6.0%	3.0%	3.0%	18.1%
Wales	1.0%	3.0%	5.0%	3.0%	3.0%	15.9%
Scotland	1.5%	3.5%	5.0%	3.0%	3.0%	17.0%

Source: Savills

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Website www.savills.co.uk/housing-market-updates

**Savills index is an unadjusted repeat sales index based on HM Land Registry and Registers of Scotland price paid data. Note that Savills national index (labelled UK) is for Great Britain, not including Northern Ireland.*

Appendix 4 - Photographs

1 Green Oak Grove, Totley

1 Rainbow Drive, Melling, Liverpool

1 The Pastures, Tweedmouth,
Berwick Upon Tweed

2 Carrol CLose Newport Pagnell


2 Lawn Road, Guildford


2c Manor Road, Northampton


3 Winston Avenue, Lytham St Annes


4 Burton Close, Diss

4 Pine Drive, Ingatestone

4 Swallow Drive, Claypole

5 Coltsfoot Court, Colchester

5 Rockingham Road, Crossgates, Leeds


5 Rope Yard Court, Swindon


5 Showfield Close, Sherburn In Elmet


6 Lawn Road, Guildford


7 Sunningdale Close, Roby


8 Master Close Oxted


9 Knott Lane, Easingwold


10 Fitzalan Ct, Littlehampton


10 Tapestry Court, Earls Colne

12 Canterbury Court, Southsea

13 Belvidere Avenue, Shrewsbury

14 Chestnut Croft, Hemingborough

17 Millgreen Close, Highbridge

19 Jenny Becketts Lane, Mansfield

19 Meadow Drive, Stafford

19 Pear Tree Close, Hardwicke

22 Colman Court, North Finchley

savills


22 Ince Castle Way,Gloucester


27 Castle Riggs, Chester le Street


27 Wallace Lane, Forton


30 Constance Crescent, Bromley

savills

31 Pinelands, Haxby

35 Briarwood Road, Liverpool

36,36a & 37 St Marys Square, Gloucester

37 St Augustine Mews, Colchester

46 Holding, Worksop

49 Park House Road, Minehead

51 St Francis Road, Salisbury

58 Wolesely Road, Mitcham

60a & 60b Firgrove Hill, Farnham

72 Rembrandt Way, Bury St Edmunds

75 Newlands, Llandudno

82 Betjemen Way, Kidderminster


96 Shipman Road, Market Weighton


141 Knights Manor Way, Dartford


163 Eaton Crescent, Taunton


551 Shadwell Lane, Moortown

Apt 2, Ten Lancaster, Southport

Flat 11, Howard Court, 77 Albert Road, Southport

Flat 12 Canterbury Ct, 27-29, Southsea

Grace Dieu House, Hereford

Peacehaven, Duke Street, Stanton

Ubbanthorpe Bank Cottage, Berwick on Tweed

1 Bramble Lane, Crediton, Devon

1 Cambridge Court, Scotland Street, Ellesmere

1 Ockbrook Court, Williamson Street, Lincoln

1 Patient Close, Chilwell

1 Purbeck Close, Eastbourne

1 Redcotts, St Botolphs Rd, Worthing

1 Stirling Road, Norwich

1 The Briary, Bexhill On Sea

1 Webster close, Reading

1a Kinder Avenue, North Hykeham, Lincoln

savills

2 Christchurch Close Darlington

2 Harlech Close, Worthing

2 Meadow View, Burton on Trent

2 Plane Tree Way, Filey

2 Quantock Close, Hereford

2 Westfield Farm, Ossett

3 Belvedere Mansions, Scarborough

3 Bracken Row, Furze Close, Thurston

3 Chartwell Avenue, Wingerworth

3 Cranford Close, Frinton On Sea

3 Fall Close, Aylesbury

3 Forge Close, Poringland, Norwich,

3 Kellett Close, Ashburton

3 Pine Tree Close, Dawlish Warren, Devon

3 Roman Close, Navenby, Lincoln

3 Tudor Close, Bridlington

3 Winston Avenue, Lytham St Annes

4 Bath Lane, Moira

4 Blenheim Gardens, Chichester

4 Boxbush Close, Cirencester

4 Brue Crescent, Burnham On Sea

4 Gwyn ave, Knypersley, Stoke On Trent

4 Swallow Drive, Claypole, Newark

5 Chichester Drive, Chichester

5 Manor Paddock, Grantham

5 Melhuish Close, Witheridge, Nr Tiverton, Devon

5 Moor Close, Ainsdale, Southport

5 Oakwood Close, Thornton Cleveleys

5 Richard Court, off Cotton Road, Portsmouth

5 Showfield Close, Leeds

5 Simpkins Court, Hursley Road, Eastleigh

6 Benedict Close, Worthing

6 Hamsterley Close, Durham

6 Parkside Close, Anstey Heights, Leicester

6 Russett Close, Leicester

6a Bushwood, London

7 Burlyn Road, Hunmanby, Filey, North Yorkshire

7 Chelmer Drive, South Ockendon, Essex

7 Crookhalgh Avenue, Burnley

7 Robinson Road, Diss, Norfolk


8 Barlow Close, Rothwell


8 Cherrywood Gardens, Nottingham, Nottinghamshire


8 Church Lane, Reynalton


8 Oakfield Road, Long Stratton, Norwich

8 Pearsons Road, Holt

8 Perch Road, Walsall

8 Pomona Way Driffield

8 The Thatchers, Maidstone

8 Worcester Close, Doddington Park, Lincoln

9 Ash Close, Weston Rhyn

9 Bellwood Grange, Lincoln

9 Briarfield Gardens, Horndean, Waterlooville

savills

10 Alder Grove, Seaham

10 Alnwick Way, Morpeth

10 Altona Gardens, Andover

10 Beechcroft Road, Laverstock,
Salisbury, Wilts

10 Elmer Close, Malmesbury, Wiltshire

10 Langdale Close, Eastbourne

10 Mayflower Drive, Heckington

10 Sorrel Drive, Thetford

10 Stoneyfield Close, Whalley Range, Manchester

10 Stonyhurst Drive, Whitehaven

11 Beckett Close, Highfarm, Washingborough

11 Hill End Lane, St Albans


11 Stannier Way, Watnall


12 Amerden Way, Cippenham, Slough


12 Blenheim Ave, Swanwick


12 Mallom Avenue, Euxton, Chorley

12 Oak Tree Drive, Bedale

12 Ridgeway, Nettleham, Lincoln, Lincolnshire

13 Brearley Close, Uxbridge

14 Durham Avenue, Lancaster

14 Penmare Court, off Penmare Terrace, Hayle, Cornwall

14 The Wayback, Saffron Walden

15, Mulberry Close, Tunbridge Wells

16 Allesborough Drive, Pershore


16 Blakes Way, Langney Point


16 Broad Meadow, Stonehouse


17 Snowberry close, Wokingham


17 The Fairways, Taunton

18 Dibden Lane, Tewkesbury, Alderton

18 The Dormers, Highworth, Swindon

18 Thurso Close Stockton On Tees

19 Foxfield Grove, Shevington, Wigan

19 Orchard Drive, Shrewsbury

19 Pear Tree Close, Hardwicke

19 Plover Close, Eastbourne

19 St Elmos Road, London

20 Campfield Road, Ulverston

20 Grantley Drive, Harrogate

20 Newbolt Close, Caistor, Lincolnshire

20 Sandford Gardens, Wells

21 Bateman Avenue, Wardle, Rochdale

22 Coleman Court, North Finchley

23 Conway Crescent, Burnham On Sea

23 Londesborough Way, Metheringham, Lincoln

23 Meadow Way, Ely

24 Fletcher Close, Tunstead, Norwich

24 Gwel Lewern, Eastern Green, Penzance, Cornwall

25 Church Meadows, St. Neots, Cambridgeshire

25 Coralberry Drive, Weston Super Mare

27 Craiglands, Jersey Farm, St Albans

27a Lees Hall Road, Sheffield

28 Dolphin Court, Cliff Rd, Eastbourne

28 Oxford Drive, Melton Mowbray

28 Stoneybrough Lane, Thirsk

28 Vicars Hall Gardens, Worsley

31 Greengarth, St Ives

savills

31 Pinelands, York

31 Trenethick Avenue, Truro, Cornwall

32 Lyndhurst Avenue, Brighouse

33 Cotton Road, Portsmouth

Vulcan Close, Whitstable, Kent

36 Westfield Grove Sunderland

39 Oakwood Road, Hayling Island

39a Warmister Road, South Norwood, London

41 Furlong Close, Bath

41 Skelldale Close, Ripon

44 Falconers Ride, Huddersfield, West Yorkshire

45 Mayfair Close, Warrington

45 Severn Green, York

46 Craneswater Park, Southsea

47 Myton Drive, Solihull

47 Ward Way, Witchford, Downham Market


48 Egremont Road, Maidstone, Kent


49 Beacon Drive, Seaford


49 Park House Road, Minehead


49 Throstle Nest Close, Otley

51 Cornpoppy Avenue, Church Lane, Monmouthshire

51 Kingsmere, Thundersley, Benfleet

51 Mileham Drive, Aylsha

51 Shorefield Mount, Egerton, Bolton

51 St Kitts Drive, Eastbourne

57 West Cliffe, Lytham

58 Kendall Close, Littlehampton

65 Church Lane, Bersted

83 Daleside, Durham

86 Woodburn, Gateshead

88 Ashworth Road, Pontefract

91 Brampton Way, Bristol

119 Folkestone Road, Southport

121 Stuart Road, Aylsham, Norwich

131 Stour View Gardens, Wimborne, Dorset

164 Northern Parade, Hilsea

210 Staple Lodge Road Northfield

Bryanstone, Oakmead Road, St Osyth

Carennac House, Polbreen Lane, St Agnes, Cornwall

Chestnut Cottage Old Pinn Lane, Pinhoe Exeter

Fairview, Carlisle Road Pudsey

Flat 2, Heritage Court, Silver Street, Honiton, Devon

Flat 11 Fountain Court, Mount Dinham Court, Exeter, Devon

Flat 11 Howard Court, 77 Albert Road, Southport

Flat 33 Suffolk House, 31-33 Suffolk Road, Bournemouth

Little Garth, Longmeadow Road, Exmouth, Devon

Melhuish CLose, Witheridge, Devon

Old School House, Bailey, Newcastleton

Scatwell House, Church Fenton Lane,
Tadcaster

Stepping Stones, Lyndhurst Avenue,
Brighouse, West Yorkshire

1 Bramble Lane, EX17 1DA

1 Cambridge Court, SY12 0FN

1 Green Oak Grove, S17 4GG

1 Ockbrook Court, LN1 3EP


1 Patient Close, NG9 4HA


1 Purbeck Close, BN23 8EX


1 Rainbow Drive, L31 1BY


1 Redcotts, BN11 4JW

1 Stirling Road, NR6 6GE

1 Terra Cotta Court, GU10 4SL

1 The Briary, TN40 2ET

1 The Pastures, TD15 2NT

1 Webster Close, RG2 8BF

1a Kinder Avenue, LN6 8HA

2 Carroll Close, MK16 8QQ

2 Harlech Close, BN13 3QS

2 Lawn Road, GU2 4DE

2 Meadow View, DE13 9AN

2 Plane Tree Way, YO14 9PA

2 Quantock Close, HR4 0TD

2 Westfield Farm, WF5 8QT

2c Manor Road, NN2 6QJ

3 Belvedere Mansions, YO11 2QU

3 Bracken Row, IP31 3PT

3 Chartwell Avenue, S42 6SR

3 Christchurch Close, DL1 2YL

3 Cranford Close, CO13 9LF

3 Fall Close, HP19 9XR

3 Forge Close, NR14 7SZ

3 Kellett Close, TQ13 7FB

3 Pine Tree Close, EX7 0RD

3 Roman Close, LN5 0GW

3 Tudor Close, BN25 2LU

3 Tudor Close, YO15 3TA

3 Winston Avenue, FY8 3NS

4 Bath Lane, DE12 6BP

4 Blenheim Gardens, PO19 7XE

4 Blue Crescent, TA8 1LR

4 Boxbush Close, GL7 5XS

4 Burton Close, IP22 4YJ

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4 Gwyn Avenue, ST8 7BW

4 Pine Drive, CM4 9EF

4 Swallow Drive, NG23 5FG

5 Chichester Drive, PO20 2FF

5 Coltsfoot Road, CO4 5UD

5 Manor Paddock, NG32 2DL

5 Melhuish Close, EX16 8AZ

5 Moor Close, PR8 3PA

5 Oakwood Close, FY5 4EL

5 Richard Court, PO3 6FR

5 Rockingham Road, LS15 8UL

5 Rope Yard Court, SN4 7FD


5 Showfield Close, LS25 6LW


5 Simpkins Court, SO53 1AL


6 Benedict Close, BN11 2NZ


6 Hamsterley Close, DH3 4SL

savills

6 Lawn Road, GU2 4DE

6 Parkside Close, LE4 1EP

6 Russett Close, LE9 8HZ

6a Bushwood, E11 3AY

7 Burlyn Road, YO14 0QA

7 Chelmer Drive, RM15 6EE

7 Crookhalgh Avenue, BB10 3JL

7 Robinson Road, IP21 4EF


7 Sunningdale Close, L36 4QF


8 Barlow Close, NN14 6YD


8 Cherrywood Gardens, NG3 6LQ


8 Church Lane, TS7 9AH

8 Master Close, RH8 9NA


8 Oakfield Road, NR15 2WB


8 Pearsons Road, NR25 6EJ


8 Perch Road, WS2 7RJ

savills

8 Pomona Way, YO25 6YH

8 The Thatchers, ME16 0XA

8 Worcester Close, LN6 3LW

9 Ash Close, SY10 7TW

savills

9 Bellwood Grange, LN3 4JD

9 Briarfield Gardens, PO8 9HX

9 Knott Lane, YO61 3LX

10 Alder Grove, SR7 7RT

10 Alnwick Way, NE65 0GQ

10 Altona Gardens, SP10 4LG

10 Beechcroft Road, SP1 1PF

10 Elmer Close, SN16 9UE


10 Fitzalan Court, BN16 2LE


10 Langdale Close, BN23 8HS


10 Mayflower Drive, NG34 9UX


10 Sorrel Drive, IP24 2YJ

10 Stoneyfield Close, M16 8GT

10 Stonyhurst Drive, CA28 7RZ

10 Tapestry Court, CO6 2SR

11 Beckett Close, LN4 1EA

11 Beckett Close, LN4 1EA

11 Fountain Court, EX4 4FX

11 Hill End Lane, AL4 0TX

11 Stannier Way, NG16 1GL

12 Amerden Way, SL1 9BB

12 Blenheim Avenue, DE55 1PQ

12 Mallom Avenue, PR7 6PU

12 Oak Tree Drive, DL8 1UL

12 Ridgeway, LN2 2TL

13 Belvidere Avenue, SY2 5PF

13 Brearley Close, UB8 1JJ

14 Chestnut Croft, YO8 6UD

14 Durham Avenue, LA1 4ED

14 Penmare Court, TR27 4RD

14 The Wayback, CB10 2AX

15 Mulberry Close, TN4 9XR

16 Allesborough Drive, WR10 1JH

16 Blakes Way, BN23 6EW

16 Broad Meadow, GL10 3PG

17 Millgreen Close, TA9 3QY

17 Snowberry Close, RG41 4AQ

17 The Fairways, TA1 3PA

18 Dibden Lane, GL20 8NT

18 The Dormers, SN6 7NY


18 Thurso Close, TS19 7JD


19 Foxfield Grove, WN6 8AJ

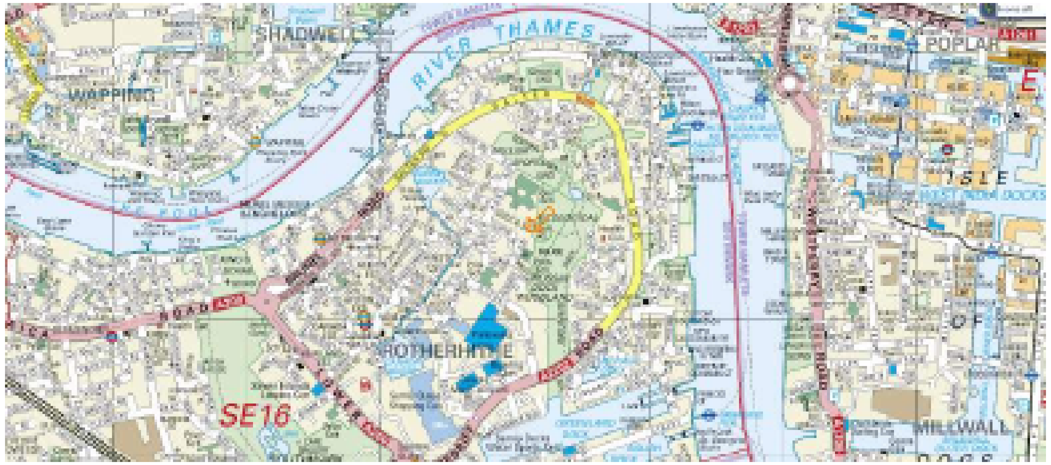

19 Jenny Becketts Lane, NG18 4HP


19 Meadow Drive, ST18 9HQ

19 Orchard Drive, SY5 0DG

19 Pear Tree Close, GL2 4TL

19 Plover Close, BN23 7SB



19 St Elmos Road, SE16 6SA

savills

20 Campfield, LA12 9PB

20 Grantley Drive, HG3 2ST

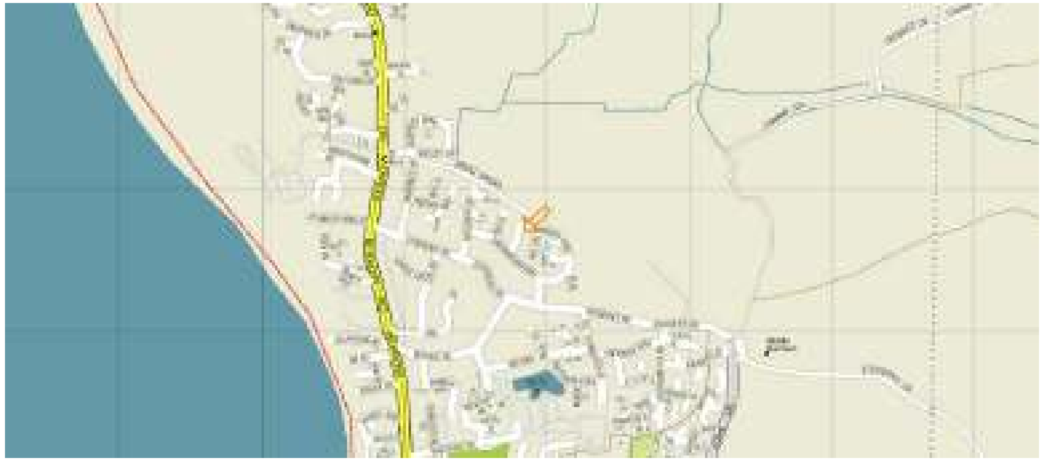
20 Newbolt Close, LN7 6NY

21 Bateman Avenue, OL12 9ST

savills

22 Colman Court, N12 0DT


22 Ince Castle Way, GL1 4DT


23 Conway Crescent, TA8 2SL


23 Londesborough Way, LN4 3HW

23 Meadow Way, CB6 2GH

24 Fletcher Close, NR12 8RA

24 Gwel Lewern, TR18 3AX

25 Church Meadows, PE19 1PR

25 Coralberry Drive, BS22 6SQ

27 Castle Riggs, DH2 2DL

27 Craiglands, AL4 9AH

27 Wallace Lane, PW3 0BA

27-29 St Simons Road, PO5 2QE

27a Lees Hall Road, S8 9JH

28 Dolphin Court, BN20 7XE

28 Oxford Drive, LE13 0AL

28 Stoneybrough Lane, YO7 2LS

28 Vicars Hall Gardens, M28 1HU

30 Constance Crescent, BR2 7QJ

31 Greengarth, PE27 5QS


31 Pinelands, YO32 3YT


31 Trenethick Avenue, TR13 8LU

31-33 Suffolk Road, BH2 6AT


32 Lyndhurst Avenue, HD6 3RY

33 Cotton Road, PO3 6FL

35 Briarwood Road, L17 6DD

36 St Mary's Square, GL1 2QT

36 Westfield Grove, SR4 8QZ

36a St Mary's Square, GL1 2QT

37 St Augustine Mews, CO1 2PF

37 St Mary's Square, GL1 2QT

37a St Mary's Square, GL1 2QT

39 Oakwood Road, PO11 9AY

39 The Roundway, TQ12 5BN

39a Warminster Road, SE25 4DL

41 Furlong Close, BA3 2PR

41 Skelldale Close, HG4 1UH

44 Falconers Ride, HD4 7LI

45 Mayfair Close, WA5 3PL

45 Severn Green, YO26 6RE

46 Holding, S81 0TD

47 Myton Drive, B90 1HD

47 Ward Way, CB6 2JR

48 Egremont Road, ME15 8LX

49 Beacon Drive, BN25 2JX

49 Park House Road, TA24 8AD

49 Throstle Nest Close, LS21 2RR

51 Cornpoppy Avenue, NP25 5SD

51 Kingsmere, SS7 3XN

51 Mileham Drive, NR11 6WD

51 Shorefield Mount, BL7 9EW

51 St Francis Road, SP1 3QP


51 St Kitts Drive, BN23 5TL


57 West Cliffe, FY8 5DR


58 Kendall Close, BN17 6SZ


58 Wolseley Road, CR4 4JQ

60 Firgrove Hill, GU9 8LL - Rose Dene

60 Firgrove Hill, GU9 8LL

65 Church Lane, PO22 9QA

72 Rembrandt Way, IP33 2LT

75 Glan-Y-Mor Road, LL30 3PF

77 Albert Road, PR9 9LN

82 Betjeman Way, DY14 8BB

83 Daleside, DH7 6DH

86 Woodburn, NE10 8LY

88 Ashworth Road, WF8 2UL

91 Brampton Way, BS20 6YT

96 Shipman Road, YO43 3RB

119 Folkestone Road, PR8 5PH

121 Stuart Road, NR11 6HN

131 Stour View Gardens, BH21 3TN

141 Knights Manor Way, DA1 5SD


163 Eaton Crescent, TA2 7UF


164 Northern Parade, PO2 9LT


210 Staple Lodge Road, B31 3DL

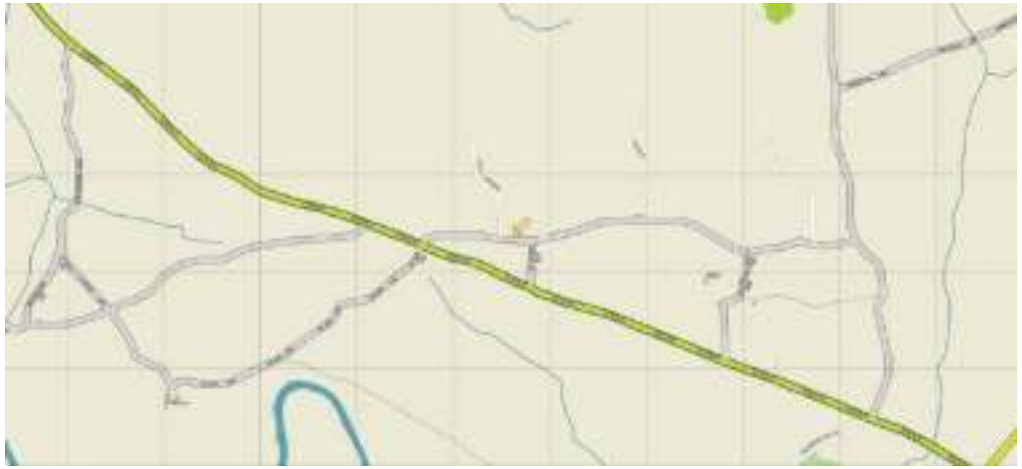

551 Shadwell Lane, LS17 8AP

Carlisle Road, LS28 8LW

Church Fenton Lane, LS24 9DW

Church Lane, SA68 0PG

Duke Street, IP31 2AB



Grace Dieu House, HR4 7LT

Lancaster Road, PR8 2LE

Longmeadow Road, EX8 5LF

Oakmead Road, CO16 8NL


Old Pinn Lane, EX1 3RF


Old School House, TD9 0TR


Polbreen Lane, TR5 0UL


Silver Street, EX14 1SU

Ubbanford Bank Cottage, TD15 2JZ

Vulcan Close, CT5 4LZ

Appendix 5 - Confirmation of Instructions

1 March 2018

To: The Church of England Pensions Board
Church House,
29 Great Smith Street,
London,
SW1P 3PS

E: ADSmith@savills.com
DL: +44 (0)20 74095993
33 Margaret Street,
London,
W1G 0JD
T: +44 (0) 20 7499 4596
savills.com

And: CHARM Finance plc
Church House,
29 Great Smith Street,
London,
SW1P 3PS
(as the Issuer)

For the attention of David White (Head of Financial Policy and Planning for the National Church Institutions, Finance and Resources)

Dear Sirs

CLIENT: CHURCH OF ENGLAND PENSIONS BOARD
PROPERTY / PROJECT NAME: VALUATION OF 217 PROPERTIES IN ENGLAND AND WALES RELATING TO THE ISSUE OF £50,000,000 SECURED BONDS DUE 2048 (INCLUDING £20,000,000 IN PRINCIPAL AMOUNT OF RETAINED BONDS) (THE BONDS)

Confirmation of terms of engagement for the provision of valuation advice

1. Thank you for your email to us dated 22 January 2018. We are grateful to you for your kind instructions to advise and now write to confirm the terms upon which Savills Advisory Services Ltd (**Savills**, **we** or **us**) will provide CHARM Finance plc, and Church of England Pensions Board, (**together, you**) with a valuation report (the **Valuation** or **Report**) in respect of the above property or properties (each being a **Property**).

2. Our Valuation will be undertaken on the terms set out in this letter, including its appendices.

3. Please sign and return a copy of this letter to us to confirm your acceptance of the terms set out herein. In particular, we draw your attention to the fact that when signing this letter you are confirming your agreement to the limitation of our liability set out at paragraphs 8-12 inclusive.

4. Please note we will be unable to formally issue our final Report to you, and you will be unable to rely upon the contents of our Report, until such time as we have received your signed copy of this letter.

5. To the extent that there is conflict or inconsistency between this confirmation of instruction letter and your email referred to above, this confirmation of instruction letter will prevail.

6. **Conflicts of Interest**

We confirm that Savills Advisory Services Limited does not have a material connection or involvement with the subject property or any other parties and there are no other factors that could limit the valuer's ability to provide an impartial and independent valuation. Therefore, the valuer will report an objective and unbiased valuation.

RICS Red Book

7. We shall prepare our Valuation in accordance with the RICS Valuation – Global Standards 2017 (incorporating the IVSC International Valuation Standards) (the "**Red Book**") and, if relevant the RICS Valuation - Professional Standards UK January 2014 (revised April 2015). In addition, and in accordance with the requirements of Valuation Practice Statement 1 of the Red Book, we confirm the following:

   (a) Identification and status of the Valuer

      (i) The Valuation will be the responsibility of and the Report will be signed by Kathryn Devine BSc (Hons) RICS RV (the **Valuer**). The Valuer will work with colleague(s) as appropriate, and the Report will be counter-signed by at least one other RICS Registered Valuer;

      (ii) The Valuer has sufficient current knowledge of the particular market(s) and sufficiently developed skills and understanding to undertake the valuation competently.

      We are acting as "an external valuer" as defined in the Red Book and at Appendix 1 attached.

   (b) Identification of the client and other intended users

   Church of England Pension Board is the client and an addressee of this letter. We agree that the Report will be addressed as follows and that the following parties (together, the **Addressees**) shall be entitled to rely upon our Report:

   "This report is addressed to and capable of being relied upon by:

   (i) CHARM Finance plc;

   (ii) Church of England Pension Board;

   (iii) TradeRisks Limited;

   (iv) Prudential Trustee Company Limited as Security Trustee for itself and on behalf of the Beneficiaries (the ***"Security Trustee"****) as defined in a Security Trust Deed dated 29 June 2010 and made between the Security Trustee and The Church of England Pensions Board as borrower, as may be further amended, novated, supplemented or restated from time to time (the* ***"Security Trust Deed"****); and*

   *(v) Prudential Trustee Company Limited as bond trustee for itself and on behalf of the Bondholders (the "****Bond Trustee****") as are more particularly defined in the Bond Trust Deed dated on or about the date hereof made between CHARM Finance Plc as issuer (1) and the Bond Trustee (2) as may be amended, novated, varied, supplemented or restated from time to time,*

   (together, the ***Addressees****) provided that, in relying on this report, each of the Addressees acknowledges and agrees that:*

   (a) this report refers to the position at the date it was originally issued and, unless otherwise confirmed by us in writing, we have taken no action to review or update this report since the date it was originally issued;

   (b) our aggregate liability to any one or more or all of the Addressees in respect of this report shall be limited to the lower of 20% of the Value of the Property as stated in our report and £75million; and

(c) this report is subject to the terms and conditions set out in our letter of engagement with CHARM Finance plc and Church of England Pension Board dated 1 March 2018".

(c) Identification of the asset or liability to be valued

(i) The Property addresses are confirmed in the schedule attached at **Appendix 4.**

(ii) The interest(s) to be valued are Freehold and Leasehold as per the schedule. The Property will be valued subject to the occupational leases / licences and / or with vacant possession, details to be confirmed in our Report.

(i) The interests to be valued comprise 217 properties occupied by retired church ministers who with the agreement of Church of England Pensions Board are permitted to occupy until death with single right of succession to a spouse / partner. They are held as investment properties by The Church of England Pensions Board.

(d) The valuation will be in pounds sterling

(e) Purpose of the valuation

The Valuation is required for Loan Security – new lending by way of an Own Name Publicly Listed Bond. It is important that the Report is not used out of context or for the purposes for which it was not intended. We shall have no responsibility or liability to any party in the event that the Report is used outside of the purposes for which it was intended, or outside of the restrictions on its use set out at sub-paragraph (l) below.

You have instructed us to report on the suitability of the property for lending purposes. So that we may do this, please provide details of the loan. This is a Red Book requirement and we will not be able to address this question without this information.

(f) Basis of value

The basis of our Valuation will be Market Value and Market Value with Vacant Possession (of The Church of England Pensions Board's retained equity share in the case of shared ownership properties) the definitions of which are set out at **Appendix 1** (attached).

(g) Valuation date

The Valuation date is the date of our report. You will appreciate that in providing you with our Valuation, we shall have regard to market conditions as at the Valuation date. Naturally, these are subject to change and it is therefore important that the Addressees take account of any such change in conditions that may occur from the Valuation date before making any binding decision in relation to the Property. Please do not hesitate to contact us ahead of making any binding decision which takes account of our Valuation if you have any concerns in this respect.

(h) Extent of investigation

We will carry out an inspection of the Property and undertake investigations to the extent necessary to undertake the Valuation. We will not carry out a structural survey or test the services and nor will we inspect the woodwork and other parts of the structures which are covered, unexposed or inaccessible.

This will include 25% external and sample internal inspections of the portfolio but we will otherwise rely on the findings of our inspections carried out in May and June2016.

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(i) Nature and source of information to be relied upon

(i) We will carry out our Valuation on the information listed below:

- A property schedule supplied by Church of England Pensions Board dated January 2018 and sent to us on 26 January 2018.
- Void information and Management and maintenance expenditure for Pensions Board properties.

(ii) To the extent that you have provided us with information and / or instructed us to obtain it from a third party you agree, unless it is otherwise agreed by us in writing, that we can safely rely upon the accuracy, completeness and consistency of this information without further verification and that you will not hold us responsible in the event that any dispute regarding the Valuation arises from the accuracy of such information.

(iii) Floor areas:

We will not be measuring the Property. It is agreed that we will rely on the net internal floor areas where available provided to us by the Church of England Pensions Board.

(iv) We will not be measuring any part of the Property which we are unable to access. In such cases we may estimate floor areas from plans, or by extrapolation. Such measurements should not be relied upon for any other purpose.

(v) We will not make formal searches with local planning authorities, but shall rely on the information provided informally by the local planning authority or its officers. We recommend you instruct lawyers to confirm the position in relation to planning and that the Report is reviewed in light of advice from your solicitors in this respect.

(vi) For the avoidance of doubt, we accept no liability for any inaccuracy or omission contained in information disclosed by you or any third party or from the Land Registry or any database to which we subscribe. We will highlight in our Report where we have relied on such information.

(j) Assumptions and Special Assumptions

Unless otherwise agreed, our Valuation will be reported on the basis of the general assumptions attached at **Appendix 2** and, where the Property is residential, the additional assumptions set out at **Appendix 3**.

Our Valuation will also be reported on the basis of the following special assumptions:

- That the tenants/ licensees in occupation enjoy a right to remain in the property until death or moving into care homes and that their spouses/ partners also enjoy the same right.
- That the properties are maintained in reasonable saleable order but at the point of sale are likely to require some cosmetic modernisation.

(k) Format of Report

Our Report will meet the requirements of VPS 3, Valuation Reports, which sets out the mandatory minimum terms of reporting and includes all the matters addressed in this confirmation of instruction letter. We will adopt the relevant Savills valuation report template, adapted, as necessary, to accommodate your instructions.

(l) Restrictions on use, distribution or publication

(i) Our Report shall be confidential to, and for the use only of, the Addressee(s) and no responsibility shall be accepted to any third party for the whole or any part of its contents.

(ii) Neither the whole nor any part of our Report or any reference to it may be included in any published document, circular or statement, nor published, reproduced, referred to or used in any way without our prior written approval (with such approval to be given or withheld at our absolute discretion).

(iii) Where any addressee is a lender, in the event of a proposal to place the loan on the Property in a syndicate, you must notify us so that we can agree the extent of our responsibility to further named parties. If this is not done or we do not agree to be responsible to further named parties, we shall have no responsibility to any party other than the Addressee(s).

(iv) Notwithstanding the foregoing, we confirm that we consent in principle to the Report or a summary of our Report being included in an offering circular (the **Materials**) in connection with the issue of £50m secured bonds due 2048 (including £20m in principal amount of retained bonds) by CHARM Finance plc (the **Proposed Transaction**), provided that:

(A) the Report or any summary shall not be published until such time as we have first approved the form and context in which the Report or summary appears (such approval not to be unreasonably withheld or delayed) and are satisfied that the Report has been accurately reproduced or the summary is sufficiently accurate and comprehensive (as the case may be);

(B) the Materials shall make clear that, with the exception of the Report or summary, Savills does not accept any responsibility for any part of the Materials or any other information issued by CHARM Finance plc or any other person in connection with the Proposed Transaction;

(C) such Report or summary complies in all respects with the requirements of the Red Book and any applicable regulations or directives; and

(D) if, in our opinion, any part of our Report becomes misleading or inaccurate between the date of issue of the Report and the date of issue of any Materials we reserve the right to withdraw our consent to your use of our Report or the summary unless and until we have made such amendments to it as we (acting reasonably and without undue delay) deem necessary or desirable, notwithstanding that our doing so may necessitate deferral of publication of the relevant materials.

(v) Draft reports, if provided, will be sent on the basis that they are provisional (i.e. subject to completion of our final report) and for your internal purposes only. They must not be published or disclosed and you will not be entitled to rely upon them for any purpose whatsoever. Savills neither owes nor accepts a duty of care to you in connection with any drafts and shall not be liable to you for any loss, damage, cost or expense of whatever nature caused by your use of or reliance on them. Should you choose to rely upon a draft

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you do so entirely at your own risk and you are responsible for carrying out your own independent investigations.

(vi) We confirm that our valuation will be undertaken in accordance with the RICS Valuation – Global Standards (2017) which incorporate the International Valuation Standards (IVS) and where appropriate the RICS Valuation – Professional Standards UK, January 2014 (revised April 2015).

(m) The basis on which the fee will be calculated

(i) The agreed fee for the provision of the Valuation is £40,000 plus VAT and is payable in pounds sterling. Our fee is inclusive of expenses in relation to the agreed sample inspections and the review of up to 217 certificates of title only. All other reasonable expenses incurred will be added to the agreed fee. Such expenses shall include (but not be limited to) the cost of travelling, photography, plans, artwork for preparation of Report appendices, town planning documents, copying charges, faxes, couriers and subsistence.

(ii) Our agreed fee and any expenses, together with any VAT (at the prevailing rate) on such amounts, shall become due and payable by Church of England Pension Board to us within 30 days of us issuing you with a valid VAT invoice in respect of such amounts, such invoice to be addressed to you but marked "payable by Church of England Pension Board". In the event that our fee is not paid by the date for payment we reserve the right to charge default interest at a rate of 4% above the Barclays Bank base rate for payment.

(iii) In the event of our instructions being terminated at any time prior to completion of our work, a fee will become payable on a time basis (at our prevailing rates) for work carried out up to the date of termination, subject to a minimum of 50% of the agreed fee, together with all expenses incurred.

(iv) If we incur any expenditure on solicitors or other third parties in order to recover the fee due, such amounts will be payable by you.

(v) If we perform any additional services for you, we will agree an additional fee with you in respect of such services and such fee shall be payable in the manner set out above.

(vi) You acknowledge that you shall not be entitled to rely upon our Report until such time as our fees have been paid as detailed here.

(n) Savills Complaints Handling Procedure

A copy of our Client Complaints Handling Procedure can be made available to you on request.

(o) Monitoring under RICS conduct and disciplinary regulations

Savills Advisory Services Limited is regulated by the RICS. Compliance with the standards set down in the RICS Red Book may be subject to monitoring by the RICS under its conduct and disciplinary regulations.

Limitations on Liability

8. Subject to paragraph 12 below, our aggregate liability to any one, or more, or all of the Addressees or any other party who otherwise becomes entitled to rely upon the Report under or in connection with this agreement and our Valuation, however that liability arises (including, without limitation, a liability arising

by breach of contract, arising by tort, including, without limitation, the tort of negligence, or arising by breach of statutory duty) shall be limited to the lower of:

(a) 20% of the Value (as defined below) of the Property stated in our Report; and

(b) £75M.

9. In paragraph 7, **Value** means:

(a) where more than one value is stated for the same Property on different bases, the highest valuation figure recorded in our Report; and

(b) in the case of valuations of portfolios, estates, shopping centres and other multi-unit properties within one Report, the aggregate of our valuations included in the one Report.

10. You acknowledge and agree that we shall not be liable under or in connection with this agreement and the provision of our Valuation in tort (including negligence), breach of contract, breach of statutory duty or otherwise due to, under and/or arising out of or in connection with this agreement to the extent such loss or damage is consequential, indirect, special or punitive.

11. You acknowledge and agree that none of our employees, partners or consultants individually has a contract with you or owes you a duty of care or personal responsibility. You agree that you will not bring a claim against any such individuals personally in connection with our services.

12. Nothing in this agreement shall exclude or limit our liability for death or personal injury caused by our negligence or for any other liability that cannot be excluded by law.

Insurance

13. During the period that we are producing our Valuation and for a period of six years thereafter, we will maintain in force, with insurers or underwriters approved by the RICS, professional indemnity insurance in an amount not less than the amount of our liability cap, as calculated pursuant to clause 8 above and shall, on your request, produce confirmation of the same from our insurance broker.

Reliance

14. As stated above, we accept responsibility for our Report only to the Addressees and no third party may rely on our Report. We do not accept any responsibility to, and shall have no liability in respect of, any third parties unless otherwise agreed writing even if that third party pays all or part of our fees, or is permitted to see a copy of our Valuation. In addition, the benefit of our Report is personal and neither you nor any other Addressee may assign the benefit of our Report to any third party without our prior written consent (with such consent to be given or withheld at our absolute discretion). You acknowledge that if we agree to extend reliance on our Report to any third party or to the benefit of our Report being assigned, we will require the relevant third party or assignee to enter into a reliance letter before such party is entitled to rely upon our Report. We will provide you with a copy of our reliance letter on request. If we agree to any such extension or assignment, we may charge you an additional fee.

Confidentiality

15. Neither party shall disclose any confidential information relating to the affairs, business, customers or clients of the disclosing party to any other party without the disclosing party's prior written consent except to those of the receiving party's employees, officers, representatives and/or advisors who need to know the information for the purposes of carrying out the receiving party's obligations under this agreement (save to the extent that the receiving party is compelled to disclose such information by law).

16. Our Report is confidential to and for the use only of the Addressees, but the Addressees may disclose the Report on a non-reliance and without liability basis to their directors, officers, employees and professional advisers provided the relevant Addressee procures any person to whom our Report is disclosed pursuant to this paragraph 16 keeps the Report confidential and does not disclose it to any other party.

Reinstatement Costs

17. If you have instructed us to report on the reinstatement cost of the Property for insurance purposes, we will provide you with an approximate opinion of such cost only. You acknowledge and agree that the provision of our opinion of the reinstatement cost is provided to you strictly without liability and on a non-reliance basis. If you require a reinstatement cost figure on which you may rely, please let us know and we will ask our building surveying colleagues to provide a fee estimate.

Sub-Contracting

18. We may sub-contract the provision of any services to be performed by us pursuant to this agreement (including, without limitation, to other companies that are direct or indirect subsidiaries of Savills plc) provided that we will remain responsible to you for the provision of those services and the provision of our Report. We may request that you pay any sub-contractor directly for those of our fees which relate to work carried out by the sub-contractor. In these circumstances, the fees in question are to be paid by you directly to the sub-contractor and we will be entitled to assign to the sub-contractor any rights that we have in respect of those fees.

Money Laundering

19. You shall promptly, upon request, provide us with any information reasonably required to enable us to comply with our obligations under the Money Laundering Regulations and our internal compliance policies relating to the same. For the avoidance of doubt, searches may also be conducted on your directors and "beneficial owners" as is required by the legislation. You agree that we may retain such information and documentation for these purposes and make searches of appropriate databases electronically. If such information is not provided within a reasonable time or you do not meet the requirements set out in our relevant internal policies, we may terminate this instruction immediately upon written notice to you.

Health and Safety

20. If we are undertaking physical inspections of the Property, you shall take reasonable steps to procure that the owner and/or occupier of the Property: (a) advises us of any hazards to which our staff may be exposed at the Property (b) provides us with any relevant health and safety policies and (c) arranges for any site visits to the Property to be hosted by a representative of the owner/occupier of the Property.

Jurisdiction

21. This agreement and any dispute arising from the Valuation is subject to English jurisdiction and law.

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Appendices

22. Your attention is drawn to the attached appendices which form part of the agreement between us and on which our Valuation will be reported. By signing a copy of this letter you are also confirming your agreement to them.

Yours sincerely

Andy Smith

Andy Smith MRICS IRRV RICS Registered Valuer
Savills Advisory Services Limited
Director

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Client Acceptance

I confirm CHARM Finance plc's agreement to this letter and the attached appendices and, in particular, confirm that the limitation on liability set out in paragraph 8 above is acknowledged, considered reasonable and accepted:

Signed by CHARM Finance plc by its duly authorised signatory	David White.
Name in capitals	DAVID WHITE
Position	HEAD OF FINANCIAL POLICY & PLANNING
Date	2/3/2018

I confirm Church of England Pensions Board's agreement to this letter and the attached appendices and, in particular, confirm that the limitation on liability set out in paragraph 8 above is acknowledged, considered reasonable and accepted:

Signed by Church of England Pensions Board by its duly authorised signatory	
Name in capitals	JOANNA WOOLCOCK
Position	DIRECTOR OF FINANCE - OPERATIONS
Date	2/3/2018

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Appendix 1: Definitions and Bases of Valuation - definitions

Assumption: A supposition taken to be true. It involves facts, conditions or situations affecting the subject of, or approach to, a valuation that, by agreement, do not need to be verified by the valuer as part of the valuation process. (RICS Valuation – Global Standards, 2017)

Depreciated Replacement Cost: The current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation. (RICS Valuation – Global Standards, 2017)

Existing Use Value: The estimated amount for which an asset or liability should exchange on the Valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had acted knowledgeably, prudently and without compulsion, assuming that the buyer is granted vacant possession of all parts of the asset required by the business and disregarding potential alternative uses and any other characteristics of the asset that would cause its market value to differ from that needed to replace the remaining service potential at least cost. (UKVS 1, RICS Valuation – Professional Standards UK, January 2014 (revised April 2015).

NB Existing Use Value is to be used only for valuing property that is owner occupied by a business, or other entity, for inclusion in financial statements.

External Valuer: A valuer who, together with any associates, has no material links with the client, an agent acting on behalf of the client or the subject of the assignment. (RICS Valuation – Global Standards 2017). Unless otherwise stated, External Valuer does not refer to the role of an external valuer within the context of the Alternative Investment Fund Managers Directive 2011/61/EU and its implementing provisions in the United Kingdom unless agreed otherwise in writing.

Fair Value: The definition adopted by the International Accounting Standard Board (IASB) is: The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date

Investment Value (worth): The value of an asset to a particular owner or prospective owner for individual investment or operational objectives. (IVS 104 paragraph 60.1)

Market Rent: The estimated amount for which an interest in real property should be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and where the parties had each acted knowledgably, prudently and without compulsion. (IVS 104 paragraph 40.1)

Market Value: The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgably, prudently and without compulsion. (IVS 104 paragraph 30.1)

Special Assumption: An assumption that either assumes facts that differ from the actual facts existing at the valuation date or that would not be made by a typical market participant in a transaction on the valuation date. (RICS Valuation – Global Standards, 2017)

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Appendix 2: General assumptions and conditions applicable to all Valuations

Unless otherwise agreed in writing and /or stated in our report, our Valuation will be carried out on the basis of the following general assumptions and conditions in relation to each Property that is the subject of our Report. If any of the following assumptions or conditions are not valid, this may be that it has a material impact on the figure(s) reported and in that event we reserve the right to revisit our calculations.

1. That the Property is not subject to any unusual or especially onerous restrictions, encumbrances or outgoings and good title can be shown. Should there be any mortgages or charges, we have assumed that the property would be sold free of them. We have not inspected the Title Deeds or Land Registry Certificate.

2. That we have been supplied with all information likely to have an effect on the value of the Property, and that the information supplied to us and summarised in this Report is both complete and correct.

3. That the building(s) has/have been constructed and is/are used in accordance with all statutory and bye-law requirements, and that there are no breaches of planning control and any future construction or use will be lawful.

4. That the Property is not adversely affected, nor likely to become adversely affected, by any highway, town planning or other schemes or proposals, and that there are no matters adversely affecting value that might be revealed by a local search, replies to usual enquiries, or by any statutory notice (other than those points referred to above).

5. That the building(s) is/are structurally sound, and that there are no structural, latent or other material defects, including rot and inherently dangerous or unsuitable materials or techniques, whether in parts of the building(s) we have inspected or not, that would cause us to make allowance by way of capital repair (other than those points referred to above). Our inspection of the Property and our Report do not constitute a building survey or any warranty as to the state of repair of the Property. Our Valuation is on the basis that a building survey would not reveal material defects or cause us to alter our Valuation materially.

6. That there is unrestricted access to the Property and that it is connected, or capable of being connected without undue expense, to the public services of gas, electricity, water, telephones and sewerage.

7. Sewers, mains services and roads giving access to the Property have been adopted, and any lease provides rights of access and egress over all communal estate roadways, pathways, corridors, stairways and the use of communal grounds, parking areas and other facilities.

8. That in the construction or alteration of the building(s) no use was made of any deleterious or hazardous materials or techniques, such as high alumina cement, calcium chloride additives, woodwool slabs used as permanent shuttering and the like (other than those points referred to above). We have not carried out any investigations into these matters.

9. That the Property is free from environmental hazards and has not suffered any land contamination in the past, nor is it likely to become so contaminated in the foreseeable future. We have not carried out any soil tests or made any other investigations in this respect, and we cannot assess the likelihood of any such contamination.

10. That any tenant(s) is/are capable of meeting its/their obligations, and that there are no arrears of rent or undisclosed breaches of covenant.

11. In the case of a Property where we have been asked to value the site under the special assumption that the Property will be developed, there are no adverse site or soil conditions, that the Property is not adversely affected by the Town and Country Planning (Environmental Impact Assessment) Regulations 2017 that the ground does not contain any archaeological remains, nor that there is any other matter that would cause us to make any allowance for exceptional delay or site or construction costs in our Valuation.

12. We will not make any allowance for any Capital Gains Tax or other taxation liability that might arise upon a sale of the Property.

13. Our Valuation will be exclusive of VAT (if applicable).

14. No allowance will be made for any expenses of realisation.

15. Excluded from our Valuation will be any additional value attributable to goodwill, or to fixtures and fittings which are only of value in situ to the present occupier.

16. When valuing two or more properties, or a portfolio, each property will be valued individually and no allowance will be made, either positive or negative, should it form part of a larger disposal. The total stated will be the aggregate of the individual Market Values.

17. In the case of a Property where there is a distressed loan we will not take account of any possible effect that the appointment of either an Administrative Receiver or a Law of Property Act Receiver might have on the perception of the Property in the market and its/their subsequent valuation, or the ability of such a Receiver to realise the value of the property(ies) in either of these scenarios.

18. No allowance will be been made for rights, obligations or liabilities arising under the Defective Premises Act 1972, and it will be assumed that all fixed plant and machinery and the installation thereof complies with the relevant UK and EEC legislation.

19. Our Valuation will be based on market evidence which has come into our possession from numerous sources, including other agents and valuers and from time to time this information is provided verbally. Some comes from databases such as the Land Registry or computer databases to which Savills subscribes. In all cases, other than where we have had a direct involvement with the transactions being used as comparables in our Report, we are unable to warrant that the information on which we have relied is correct.

Appendix 3: Further General Assumptions applicable to residential Valuations only

The following general assumptions apply to residential property valuations and are in addition to the general assumptions at Appendix 2.

1 Where the Property comprises flats or maisonettes, unless instructed or otherwise aware to the contrary, we will assume that:

(a) The costs of repairs and maintenance or the building and grounds are shared equitably between the flats and maisonettes.

(b) There are suitable, enforceable covenants between all leaseholds, or through the landlord or the owner.

(c) There are no onerous liabilities outstanding.

(d) There are no substantial defects, or other matters requiring expenditure (in excess of the current amount or assumed amount of service charge payable on an annual basis), expected to result in charges to the leaseholder, or owner of the Property, during the next five years, equivalent to 10% or more of the reported Market Value.

2 Where the dwelling is leasehold and it is not possible to inspect the lease or details have not been provided, the following further assumptions will be made, unless instructed to the contrary:

(a) The unexpired term of the lease is 85 years, and no action is being taken by any eligible party with a view to acquiring the freehold or to extending the lease term.

(b) That there are no exceptionally onerous covenants upon the leaseholder.

(c) The lease cannot be determined except on the grounds of a serious breach of covenant in the existing lease agreement.

(d) If there are separate freeholders, head and/or other sub-head leaseholders, the terms and conditions of all the leases are in the same form and contain the same terms and conditions.

(e) The lease terms are mutually enforceable against all parties concerned.

(f) There are no breaches of covenants or disputes between the various interests concerned.

(g) The leases of all the properties in the building/development are materially the same.

(h) The ground rent stated or assumed is not subject to unreasonable review and is payable throughout the expired lease term.

(i) In the case of blocks of flats or maisonettes of over six dwellings, the freeholder manages the property directly or there is an appropriate management structure in place.

(j) There is a dutyholder, as defined in the Control of Asbestos Regulations 2012, and there are in place an asbestos register and effective management plan, which does not require any immediate expenditure, pose a significant risk to health or breach of the Health and Safety Executive (HSE) regulations.

(k) Where the Property forms part of a mixed residential or commercially used block or development, there will be no significant changes in the existing pattern of use.

(l) Where the Property forms part of a development containing separate blocks of dwellings, the lease terms of the Property apply only to the block. There will be no requirement to contribute towards costs relating to the other parts of the development, other than in respect of common roads, paths, communal grounds and services.

(m) Where the Property forms part of a larger development, the ownership of which has since been divided, all necessary rights and reservations have been reserved.

(n) There are no unusual restrictions on assignment or sub-letting of the Property for residential purposes.

(o) There are no outstanding claims or litigation concerning the lease of the Property or any others within the same development.

(p) Where the Property benefits from additional facilities within a development, the lease makes adequate provision for the lessee to continue to enjoy them with exceptional restriction, for the facilities to be maintained adequately, and that there are no charges over and above the service charge for such use and maintenance.

3 In respect of insurance the following assumptions will be made, unless instructed otherwise:

(a) The Property can be insured under all-risks cover for the current reinstatement cost and is available on normal terms.

(b) There are no outstanding claims or disputes.

(c) Where individuals in a block makes separate insurance arrangements, the leases make provision for mutual enforceability of insurance and repairing obligations

(d) Any landlord responsible for insurance is required to rebuild the Property with the alterations that may be necessary to comply with current Building Regulations and planning requirements.

Appendix 6 - General Assumptions

BASES OF VALUE & GENERAL ASSUMPTIONS AND CONDITIONS

1. Basis of Valuation - definitions

Depreciated Replacement Cost: The current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation.

Existing Use Value: The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had acted knowledgeably, prudently and without compulsion, assuming that the buyer is granted vacant possession of all parts of the asset required by the business and disregarding potential alternative uses and any other characteristics of the asset that would cause its market value to differ from that needed to replace the remaining service potential at least cost.

Existing Use Value is to be used only for valuing property that is owner occupied by a business, or other entity, for inclusion in financial statements.

Existing Use Value For Social Housing: an opinion of the best price at which the sale of an interest in a property would have been completed unconditionally for a cash consideration on the valuation date, assuming:

a) a willing seller
b) that prior to the valuation date there had been a reasonable period (having regard to the nature of the property and the state of the market) for the proper marketing of the interest for the agreement of the price and terms and for the completion of the sale
c) that the state of the market, level of values and other circumstances were on any earlier assumed date of exchange of contracts, the same as on the date of valuation
d) that no account is taken of any additional bid by a prospective purchaser with a special interest
e) that both parties to the transaction had acted knowledgeably, prudently and without compulsion
f) that the property will continue to be let by a body pursuant to delivery of a service for the existing use
g) that at the valuation date any regulatory body in applying its criteria for approval would not unreasonably fetter the vendor's ability to dispose of a property to organisations intending to manage their housing stock in accordance with that regulatory body's requirements
h) that properties temporarily vacant pending re-letting should be valued, if there is a letting demand, on the basis that the prospective purchaser intends to re-let them, rather than with vacant possession and
i) that any subsequent sale would be subject to all the same assumptions above.

Fair Value: Valuations based on Fair Value will adopt one of two definitions – depending upon the purpose, namely:

The IVS 2013 definition: The estimated price for the transfer of an asset or liability between identified knowledgeable and willing parties that reflects the respective interests of those parties, or

The IFRS 13 definition: The price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date.

Gross development value (GDV) - The aggregate Market Value of the proposed development assessed on the special assumption that the development is complete as at the date of valuation in the market conditions prevailing at that date.

Investment value: Investment value is the value of an asset to the owner or prospective owner for individual investment or operational purposes.

Market Rent: The estimated amount for which an interest in real property should be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and where the parties had each acted knowledgably, prudently and without compulsion.

Market Value: The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgably, prudently and without compulsion.

2. General assumptions and conditions applicable to all valuations

Unless otherwise agreed in writing, our Valuation will be carried out on the basis of the following general assumptions and conditions in relation to each Property that is the subject of our Report. If any of the following assumptions or conditions are not valid, this may be that it has a material impact on the figure(s) reported and in that event we reserve the right to revisit our calculations.

1. That the Property is not subject to any unusual or especially onerous restrictions, encumbrances or outgoings contained in the Freehold Title. Should there be any mortgages or charges, we have assumed that the property would be sold free of them. We have not inspected the Title Deeds or Land Registry Certificate.

2. That we have been supplied with all information likely to have an effect on the value of the Property, and that the information supplied to us and summarised in this Report is both complete and correct.

3. That the building(s) has/have been constructed and is/are used in accordance with all statutory and bye-law requirements, and that there are no breaches of planning control and any future construction or use will be lawful.

4. That the Property is not adversely affected, nor likely to become adversely affected, by any highway, town planning or other schemes or proposals, and that there are no matters adversely affecting value that might be revealed by a local search, replies to usual enquiries, or by any statutory notice (other than those points referred to above).

5. That the building(s) is/are structurally sound, and that there are no structural, latent or other material defects, including rot and inherently dangerous or unsuitable materials or techniques, whether in parts of the building(s) we have inspected or not, that would cause us to make allowance by way of capital repair (other than those points referred to above). Our inspection of the Property and our Report do not constitute a building survey or any warranty as to the state of repair of the Property.

6. That the Property is connected, or capable of being connected without undue expense, to the public services of gas, electricity, water, telephones and sewerage.

7. That in the construction or alteration of the building(s) no use was made of any deleterious or hazardous materials or techniques, such as high alumina cement, calcium chloride additives, woodwool slabs used as permanent shuttering and the like (other than those points referred to above). We have not carried out any investigations into these matters.

8. That the Property has not suffered any land contamination in the past, nor is it likely to become so contaminated in the foreseeable future. We have not carried out any soil tests or made any other investigations in this respect, and we cannot assess the likelihood of any such contamination.

9. That any lessee(s) is/are capable of meeting its/their obligations, and that there are no arrears of rent or undisclosed breaches of covenant.

10. In the case of a Property where we have been asked to value the site under the special assumption that the Property will be developed, there are no adverse site or soil conditions, that the Property is not adversely affected by the Town and Country Planning (Assessment of Environmental Effects) Regulations 1988, that the ground does not contain any archaeological remains, nor that there is any other matter that would cause us to make any allowance for exceptional delay or site or construction costs in our Valuation.

11. We will not make any allowance for any Capital Gains Tax or other taxation liability that might arise upon a sale of the Property.

12. Our Valuation will be exclusive of VAT (if applicable).

13. No allowance will be made for any expenses of realisation.

14. Excluded from our Valuation will be any additional value attributable to goodwill, or to fixtures and fittings which are only of value in situ to the present occupier.

15. When valuing two or more properties, or a portfolio, each property will be valued individually and no allowance will be made, either positive or negative, should it form part of a larger disposal. The total stated will be the aggregate of the individual Market Values.

16. In the case of a Property where there is a distressed loan we will not take account of any possible effect that the appointment of either an Administrative Receiver or a Law of Property Act Receiver might have on the perception of the Property in the market and its/their subsequent valuation, or the ability of such a Receiver to realise the value of the property(ies) in either of these scenarios.

17. No allowance will have been made for rights, obligations or liabilities arising under the Defective Premises Act 1972, and it will be assumed that all fixed plant and machinery and the installation thereof complies with the relevant UK and EEC legislation.

18. Our Valuation will be based on market evidence which has come into our possession from numerous sources, including other agents and valuers and from time to time this information is provided verbally. Some comes from databases such as the Land Registry or computer databases to which Savills subscribes. In all cases, other than where we have had a direct involvement with the transactions being used as comparables in our Report, we are unable to warrant that the information on which we have relied is correct.

3. Further General Assumptions applicable to residential Valuations only

The following general assumptions apply to residential property valuations. For the avoidance of doubt, these are in addition to the general assumptions at Appendix 2.

1. Where the Property comprises leasehold flats or maisonettes, unless instructed or otherwise aware to the contrary, we will assume that:

    a) The costs of repairs and maintenance or the building and grounds are shared equitably between the flats and maisonettes.

    b) There are suitable enforceable covenants between all leaseholders or through the landlord or the owner.

    c) There are no onerous liabilities outstanding.

    d) There are no substantial defects or other matters requiring expenditure (in excess of the current amount of assumed service charge payable on an annual basis), expected to result in charges to the leaseholder, or owner of the Property, during the next five years, equivalent to 10% or more of the reported Market Value.

2. Where the dwelling is leasehold and it is not possible to inspect the lease or details have not been provided to us, the following further assumptions will be made, unless instructed to the contrary:

    a) The unexpired term of the lease is 70 years, and no action has been taken by any eligible party with a view to acquiring the freehold or to extending the lease term.

    b) That there are no exceptionally onerous covenants upon the leaseholder.

    c) The lease cannot be determined except on the grounds of a serious breach of covenants in the existing lease agreement.

    d) If there are separate freeholders, head and/or other sub-head leaseholders, the terms and conditions of all the leases are in the same form and contain the same terms and conditions.

    e) The lease terms are mutually enforceable against all parties concerned.

    f) There are no breaches of covenants or disputes between the various interests concerned.

    g) The leases of all the properties in the building/development are materially the same.

    h) The ground rent stated or assumed is not subject to review and is payable throughout the expired lease term.

    i) In the case of blocks of flats or maisonettes of over six dwellings, the freeholder manages the property directly or there is an appropriate management structure in place.

j) There is a dutyholder, as defined in the Control of Asbestos Regulations 2006, and there are in place an asbestos register and effective management plan, which does not require any immediate expenditure, pose a significant risk to health or breach of the Health and Safety Executive (HSE) regulations.

k) Where the Property forms part of a mixed residential or commercially used block or development, there will be no significant changes in the existing pattern of use.

l) Where the Property forms part of a development containing separate blocks of dwellings, the lease terms of the Property apply only to the block. There will be no requirement to contribute towards costs relating to the other parts of the development, other than in respect of common roads, paths, communal grounds and services.

m) Where the Property forms part of a larger development, the ownership of which has since been divided, all necessary rights and reservations have been reserved.

n) There are no unusual restrictions on assignment or sub-letting of the Property for residential purposes.

o) There are no outstanding claims or litigation concerning the lease of the Property or any others within the same development.

p) Where the Property benefits from additional facilities within a development, the lease makes adequate provision for the lessee to continue to enjoy them with exceptional restriction, for the facilities to be maintained adequately, and that there are no charges over and above the service charge for such use and maintenance.

3. In respect of insurance the following assumptions will be made, unless instructed otherwise:

a) The Property can be insured under all-risks cover for the current reinstatement cost and is available on normal terms.

b) There are no outstanding claims or disputes.

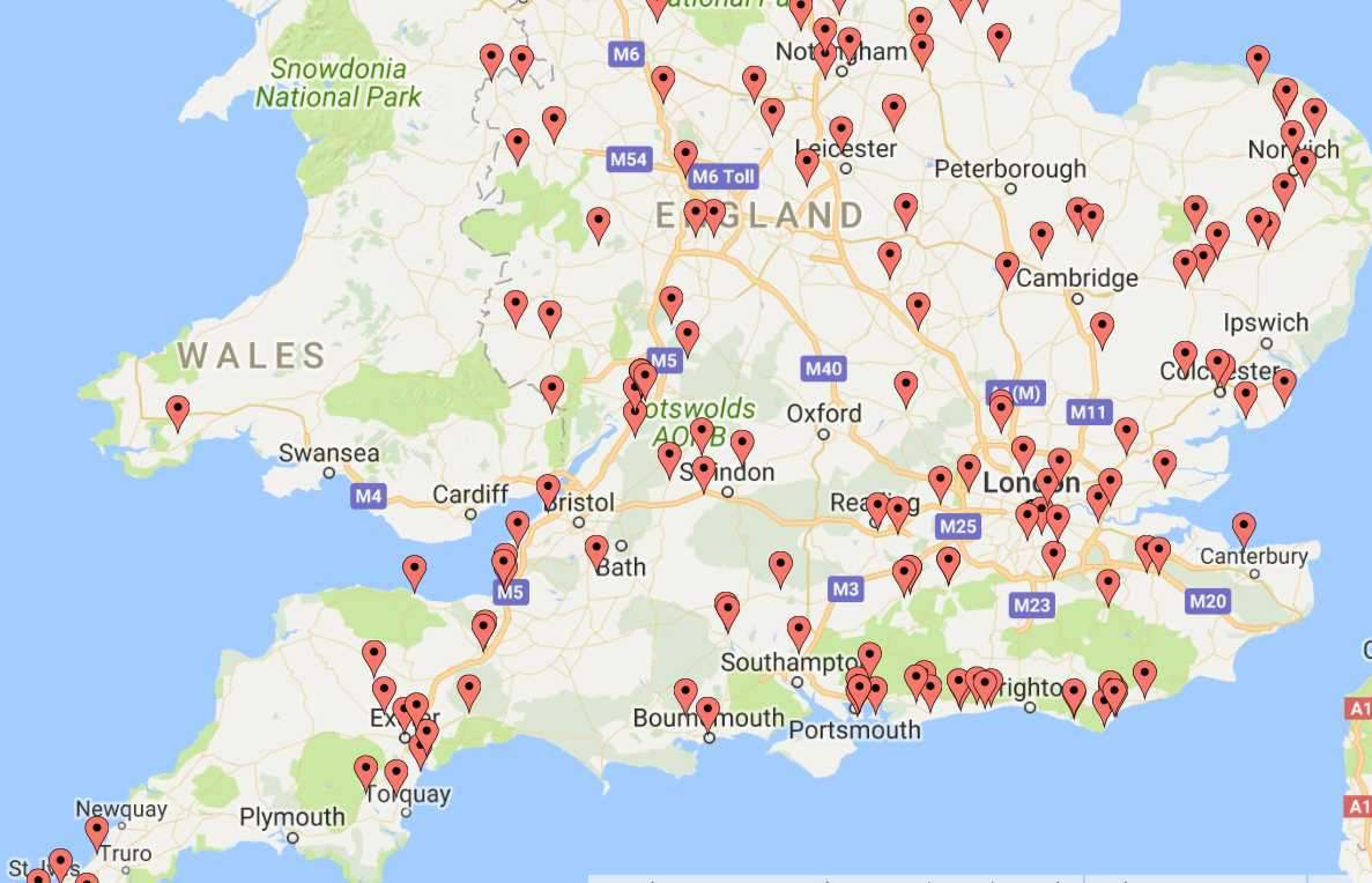
c) Where individuals in a block make separate insurance arrangements, the leases make provision for mutual enforceability of insurance and repairing obligations

d) Any landlord responsible for insurance is required to rebuild the Property with the alterations that may be necessary to comply with current Building Regulations and planning requirements.

June 2016

Appendix 7 - Map of Stock


Paisley
M77
M74
Ayr
A74(M)
Dumfries
United Kingdom
Newcastle upon Tyne
Durham
North Pennines AONB
Middlesbrough
Lake District National Park
North York Moors National Park
Yorkshire Dales National Park
Isle of Man
A1(M)
York
Blackpool
Leeds
Great Britain
Hull
M61
M1
M18
Liverpool
M62
Sheffield
Peak District National Park
Chester


Snowdonia
National Park
M6
M54
M6 Toll
ENGLAND
Leicester
Peterborough
Cambridge
Ipswich
WALES
M5
M40
Oxford
M11
Swansea
Cardiff
Bristol
London
M4
M25
Bath
M5
M3
M23
M20
Canterbury
Southampton
Bournemouth
Portsmouth
Newquay
Plymouth
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TAXATION

United Kingdom Taxation

*The following is a summary of the United Kingdom withholding taxation treatment at the date hereof in relation to payments of principal and interest in respect of the Bonds. It is based on current law and the practice of Her Majesty's Revenue and Customs ("**HMRC**"), which may be subject to change, sometimes with retrospective effect. The comments do not deal with other United Kingdom tax aspects of acquiring, holding or disposing of Bonds. The comments relate only to the position of persons who are absolute beneficial owners of the Bonds. The following is a general guide for information purposes and should be treated with appropriate caution. It is not intended as tax advice and it does not purport to describe all of the tax considerations that may be relevant to a prospective purchaser. Bondholders who are in any doubt as to their tax position should consult their professional advisers. Bondholders who may be liable to taxation in jurisdictions other than the United Kingdom in respect of their acquisition, holding or disposal of the Bonds are particularly advised to consult their professional advisers as to whether they are so liable (and if so under the laws of which jurisdictions), since the following comments relate only to certain United Kingdom taxation aspects of payments in respect of the Bonds. In particular, Bondholders should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of the Bonds even if such payments may be made without withholding or deduction for or on account of taxation under the laws of the United Kingdom.*

Interest on the Bonds

Withholding tax on payments of interest on the Bonds

The Bonds will constitute "quoted Eurobonds" provided they are and continue to be listed on a recognised stock exchange. Whilst the Bonds are and continue to be quoted Eurobonds, payments of interest on the Bonds may be made without withholding or deduction for or on account of United Kingdom income tax.

The London Stock Exchange is a recognised stock exchange for this purpose, and accordingly the Bonds will constitute quoted Eurobonds provided they are and continue to be included in the United Kingdom official list (within the meaning of Part 6 of the Financial Services and Markets Act 2000) and admitted to trading on the Regulated Market of that Exchange.

In all cases falling outside the exemption described above, interest on the Bonds may fall to be paid under deduction of United Kingdom income tax at the basic rate (currently 20 per cent.) subject to such relief as may be available following a direction from HMRC pursuant to the provisions of any applicable double taxation treaty, or to any other exemption which may apply.

Provision of Information

HMRC have powers to obtain information, including in relation to interest or payments treated as interest and payments derived from securities. This may include details of the beneficial owners of the Bonds (or the persons for whom the Bonds are held), details of the persons to whom payments derived from the Bonds are or may be paid and information in connection with transactions relating to the Bonds. Information obtained by HMRC may be provided to tax authorities in other countries.

Exchange of Information Regime

A new automatic exchange of information regime was introduced by Council Directive 2011/16/EU on Administrative Cooperation in the field of Taxation (as amended by Council

Directive 2014/107/EU). Council Directive 2011/16/EU (as amended), which effectively implements the OECD's common reporting standard on the automatic exchange of financial account information in tax matters, requires governments to obtain detailed account information from financial institutions and exchange that information automatically and exchange that information with other jurisdictions annually.

Council Directive 2011/16/EU (as amended) does not impose withholding taxes.

Investors who are in any doubt as to their position should consult their professional advisers.

Other Rules Relating to United Kingdom Withholding Tax

(a) Where interest has been paid under deduction of United Kingdom income tax, Bondholders who are not resident in the United Kingdom may be able to recover all or part of the tax deducted if there is an appropriate provision in any applicable double taxation treaty.

(b) The references to "interest" above mean "interest" as understood in United Kingdom tax law. The statements above do not take any account of any different definitions of "interest" or principal" which may prevail under any other law.

United Kingdom Stamp Duty and Stamp Duty Reserve Tax

No United Kingdom stamp duty or stamp duty reserve tax ("**SDRT**") is chargeable on the issue or transfer or delivery of the Bonds. Bondholders should consult their professional advisers and take their own advice.

The Proposed Financial Transactions Tax ("FTT")

On 14 February 2013, the European Commission has published a proposal for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the participating Member States).

The proposed FTT has very broad scope. If introduced in the form proposed on 14 February 2013, it could apply to certain dealings in the Bonds (including secondary market transactions) in certain circumstances.

Under the Commission's, proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Bonds where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

Joint Statements issued by participating Member States indicate an intention to implement the FTT by 1 January 2016.

However, The FTT proposal remains subject to negotiation between the participating Member States and the scope of any such tax is uncertain. Additional EU Member States may decide to participate. Prospective holders of the Bonds are advised to seek their own professional advice in relation to the FTT.

Foreign Account Tax Compliance Act

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as "FATCA", a "foreign financial institution" (as defined by FATCA) may be required to withhold certain payments it makes ("foreign passthru payments") to persons that fail to meet certain certification, reporting or related requirements.

The Issuer may be a foreign financial institution for these purposes. A number of jurisdictions (including the United Kingdom) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("IGAs"), which modify the way in which FATCA applies in their jurisdictions.

Even if the Issuer were a foreign financial institution for these purposes, under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of FATCA provisions and IGAs to instruments such as the Bonds, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Bonds, are uncertain and may be subject to change.

Even, if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Bonds, such withholding would not apply prior to 1 January 2019 and Bonds issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are filed with the U.S. Federal Register generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date.

Bondholders should consult their own tax advisers regarding how these rules may apply to their investment in the Bonds. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Bonds, no person will be required to pay additional amounts as a result of the withholding.

SUBSCRIPTION AND SALE

The Sole Bookrunner has, pursuant to a subscription agreement (the "**Subscription Agreement**") dated 10 April 2018, agreed to subscribe or procure subscribers for the Bonds at the issue price of 100 per cent. of the principal amount of the Bonds. The Issuer has separately agreed to fee and reimbursement of expenses provisions in respect of the Sole Bookrunner in respect of its services. In addition, the Issuer has agreed to indemnify the Sole Bookrunner against certain liabilities, incurred in connection with the issue and offering of the Bonds. The Subscription Agreement may be terminated in certain circumstances prior to payment of the Issuer.

United States

The Bonds have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act.

The Bonds are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

The Sole Bookrunner has represented and agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver Bonds (a) as part of its distribution at any time or (b) otherwise until 40 days after the later of the commencement of the offering and the Issue Date within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering of the Bonds, an offer or sale of Bonds within the United States by any dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

Terms used above have the meanings given to them by Regulation S under the Securities Act.

United Kingdom

The Sole Bookrunner has represented and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the "**FSMA**")) received by it in connection with the issue or sale of any Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Borrower; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Bonds in, from or otherwise involving the United Kingdom.

Prohibition of Sales to EEA Retail Investors

The Sole Bookrunner has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bonds to any retail investor in the European Economic Area. For the purposes of this provision, the expression "retail investor" means a person who is one (or more) of the following:

(a) a retail client as defined in point (11) of Article 4(1) of MiFID II; or

(b) a customer within the meaning of the Insurance Mediation Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

General

The Sole Bookrunner has agreed that it will, to the best of its knowledge and belief, comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Bonds or possesses or distributes this Prospectus and will obtain any consent, approval or permission which is, to the best of its knowledge and belief, required by it for the purchase, offer, sale or delivery by it of Bonds under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries. None of the Issuer, the Borrower, the Bond Trustee, or the Sole Bookrunner represents that Bonds may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

GENERAL INFORMATION

Authorisation

The issue of the Bonds has been approved by a resolution of the board of directors of the Issuer dated 28 March 2018. The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of the Bonds as required under the laws of the United Kingdom.

Listing of Bonds

It is expected that the official listing of the Bonds will be granted on or about 13 April 2018 subject only to the issue of the Temporary Global Bond. Application has been made to the UK Listing Authority for the whole class of Bonds (including any Retained Bonds) to be admitted to the Official List and to the London Stock Exchange for the whole class of Bonds (including any Retained Bonds) to be admitted to trading on the London Stock Exchange's regulated market.

The Issuer estimates that the total expenses related to the admission to trading will be £10,400. The Borrower shall pay to the Issuer, inter alia, an amount equal to such expenses in accordance with Clause 19 (*Expenses*) of the Loan Agreement.

Documents Available

For the period of 12 months following the date of this Prospectus, copies of the following documents will, when published, be available for inspection from the registered office of the Issuer and from the specified office of the Principal Paying Agent for the time being in London:

(a) the constitutional documents of the Issuer and the Borrower;

(b) the audited financial statements, including the reports of the auditors, of the Issuer in respect of the financial years ended 31 December 2015 and 31 December 2016. The Issuer currently prepares audited accounts on an annual basis;

(c) the audited consolidated financial statements, including the reports of the auditors, of the Borrower in respect of the financial years ended 31 December 2015 and 31 December 2016. The Borrower currently prepares audited accounts on an annual basis;

(d) the most recently published audited annual financial statements (if any) of the Issuer and of the Borrower, and the most recently published unaudited interim financial statements (if any) of the Issuer and of the Borrower, together with any audit or review reports prepared in connection therewith;

(e) the Bond Trust Deed, the Issuer Security Deed, the Floating Charge Deed, the Floating Charge Trust Deed, the Agency Agreement, the Account Agreement, the Custody Agreement, the Retained Bond Custody Agreement, the Loan Agreement, the Accession Deed, the Security Trust Deed, the Incorporated Terms Memorandum and the Fixed Charges;

(f) the Valuation Report;

(g) a copy of this Prospectus; and

(h) any future offering circulars, prospectuses and information memoranda and any other documents incorporated therein by reference.

Clearing Systems

The Bonds have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The ISIN and the Common Code for the Bonds is XS1785151363 and 178515136, respectively.

The address of Euroclear is Euroclear Bank S.A./N.V., 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

Characteristics of underlying assets

The Loan Agreement has characteristics that demonstrate the capacity to produce funds to service any payments due and payable on the Bonds.

Material or Significant Change

There has been no material adverse change in the financial position or prospects of the Issuer since 31 December 2016.

There has been no significant change in the financial or trading position of the Borrower and its subsidiaries since 31 December 2016 and there has been no material adverse change in the prospects of the Borrower and its subsidiaries since 31 December 2016.

Litigation

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) in the 12 months preceding the date of this Prospectus which may have, or have had in the recent past, significant effects on the Issuer's financial position or profitability.

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Borrower is aware) in the 12 months preceding the date of this Prospectus which may have, or have had in the recent past, significant effects on the Borrower’s financial position or profitability.

Auditors

The auditors of the Issuer are PricewaterhouseCoopers LLP, whose registered address is 1 Embankment Place, London WC2N 6RH, who have audited the Issuer’s accounts, without qualification, in accordance with generally accepted accounting principles of the United Kingdom, for each of the two financial years ended on 31 December 2015 and 31 December 2016. The auditors of the Issuer have no material interest in the Issuer.

The auditors of the Borrower are PricewaterhouseCoopers LLP, whose registered address is 1 Embankment Place, London WC2N 6RH, who have audited the accounts of the Borrower, without qualification, in accordance with generally accepted accounting principles in the United Kingdom for each of the two financial years ended on 31 December 2015 and 31 December 2016. The auditors of the Borrower have no material interest in the Borrower.

Post-issuance information

The Issuer does not intend to provide any post-issuance information in relation to the Bonds, the Issuer Fixed Security, the Issuer Floating Security or the Underlying Security, other than as required pursuant to Condition 6.2 (*Information Covenants*).

Sole Bookrunner transacting with the Issuer or the Borrower

The Sole Bookrunner and its respective affiliates may in the future engage in transactions with, and may perform services for, the Issuer and/or the Borrower and their respective affiliates in the ordinary course of business.

Yield

Indication of the yield on the Bonds: 3.509 per cent. (semi annual). The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

Valuation Report

There has been no material change in the value of the properties since the date of the Valuation Report.

INDEX OF DEFINED TERMS

£ 5
2015 Bond Trustee 11
2015 Bonds 11
2015 Issuer Floating Security 11
Accountholder 63
Accounting Change 74
Additional Properties 1
Agency Agreement 37
Agents 37
Asset Cover Test 72
Bond Trust Deed 37
Bond Trustee 3
Bondholders 37
Bonds 1, 7
Borrower 1
Cash Sub-Accounts 97
Charitable Group Member 13
Clearstream, Luxembourg 2, 62
Closing Date 2
Commitment 66
Compliance Certificate 70
Couponholders 37
Coupons 37
Custody Account 97
Custody Sub-Accounts 96
EEA 2
Equivalent Rating 13
Euroclear 2, 62
Event of Default 39
Exchange Date 2, 62
Exchange Event 62
Floating Charge Deed 10, 85
Floating Charge Trust Deed 11, 86
FSMA 113
FTT 111
Gift Aid Payment 40
Global Bonds 62
HMRC 110
Initial Cash Security Account 1, 11
Instalment Redemption Date 2
Insurance Mediation Directive 5
Interest Payment Date 7
Investor's Currency 33
Issue Date 7
Issuer 1
Issuer Fixed Security 10
Issuer Floating Security 10, 45
Issuer Security 10, 45
KID 2
Loan 1, 8
Loan Agreement 1, 66
Loan Instalment Repayment Date 69
Loan Interest Period 68
London Stock Exchange 1
Markets in Financial Instruments Directive 1
Maturity Date 1, 7
MiFID II 5
NGN 62
Original Basis 74
Original Commitment 66
Paying Agents 37
Permanent Global Bond 2, 62
Permitted Investment Profit 13
Post-enforcement Fixed Security Priority of Payment 19
Pre-enforcement Priority of Payment 18
PRIIPs Regulation 2
Principal Paying Agent 37
Prospectus Directive 3
Receiptholders 37
Receipts 37
Released Properties 75
Required Reserve Amount 75
Reserve Amount 22
Residential Tenancy Limit 75
Retained Bond Compliance Certificate 71
Retained Bond Custody Account 98
Retained Bonds 1, 7
Retained Proceeds 1, 11, 65
S&P 12
SDRT 111
Securities Act 4
Sole Bookrunner 3
Sterling 5
Subscription Agreement 113
Substitute Property 75
Talons 37
Taxes 44
Temporary Global Bond 2, 62
UK Listing Authority 1
Valuation 66
Valuer 3

INDEX TO FINANCIAL STATEMENTS OF THE BORROWER

The Church of England Pensions Board Financial Statements as at and for the year ended 31 December 2015	F-1
Report of the Trustees	F-3
Independent Auditor's Report	F-17
Consolidated Statement of Financial Activities	F-19
Consolidated Balance Sheet	F-20
Charity Balance Sheet	F-21
Consolidated Cash Flow Statement	F-22
Notes to the Financial Statements	F-23
The Church of England Pensions Board Financial Statements as at and for the year ended 31 December 2016	F-41
Report of the Trustees	F-43
Independent Auditor's Report	F-58
Consolidated Statement of Financial Activities	F-60
Consolidated Balance Sheet	F-61
Charity Balance Sheet	F-62
Consolidated Cash Flow Statement	F-63
Notes to the Financial Statements	F-64

The
Church of England
Pensions Board

Annual Report 2015

Contents

Trustees' report	
Structure and history	3
Objectives and activities	
Public benefit	4
Charitable activities:	4
Church's Housing Assistance for Retired Ministry ("CHARM")	4
Administration of pensions	6
Achievements and performance	6
Financial review	6
Investments	7
Risk management	8
Reserves policy	9
Plans for the future	10
Structure, governance and management	10
Governance	10
Trustees	11
Committees	12
Reference and administrative details	13
Management: staff remuneration and executive pay	14
Trustee attendance at meetings	15
Statement of trustee's responsibilities	16
Independent auditor's report	17
Financial statements	19
Consolidated Statement of Financial Activities	19
Consolidated balance sheet	20
Charity balance sheet	21
Consolidated cash flow statement	22
Notes to the financial statements	23

Report of the trustees for the year ended 31 December 2015

The trustees present their annual report and financial statements of the charity for the year ended 31 December 2015. The financial statements have been prepared in accordance with the accounting policies set out in note 1 to the financial statements and comply with the Charities Act 2011, FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and "Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Finance Reporting Standard applicable in the UK and Republic of Ireland (FRS 102)" ("the SORP") published on 16 July 2014.

Structure and history

The Church of England Pensions Board ("the Board") was established in 1926 by the Church Assembly (now the General Synod) by the Clergy Pensions Measure 1926, to serve as the pensions authority for the Church of England and to administer a comprehensive pension scheme for clergy. Prior to 1926 there was no proper pension system for clergy.

The Board was given powers in 1948 to provide housing for retired clergy and their widows and dependants, and in subsequent years also became trustee of various charitable funds and trusts to provide for the relief of poverty of retired clergy and their widows and dependants. In 1964 the Board became a registered charity. Since then the funds and trusts have been amalgamated and now exist as a single restricted fund: the 'General Purposes Fund'; and one linked charity for which the Board is corporate trustee: the 'Clergy Retirement Housing Trust'.

In its current form, the Board is a body corporate, a registered charity, and is governed by the Clergy Pensions Measure 1961 (as amended from time to time). It is the corporate trustee of four pension schemes:

- The Church of England Funded Pensions Scheme;
- Clergy (Widows and Dependants) Pension Fund;
- The Church Workers Pension Fund;
- The Church Administrators Pension Fund.

The financial statements of the four pension schemes are not included in this report. The pension schemes themselves are members of a common investment fund, The Church of England Investment Fund for Pensions which is not a pension scheme nor a corporate body in its own right.

The Board administers two other pension schemes, for which it is not a trustee: the Church of England Pensions Scheme (for clergy service prior to 1 January 1998); and the Church Commissioners Superannuation Scheme (for staff service prior to 1 January 2000). The financial affairs of these schemes can be found in the Church Commissioners' accounts. They have no impact on the financial position of the pension schemes of which the Board is trustee.

Public benefit

The purposes of the Board are the provision of retirement services set by the Church of England for those who have served or worked for the Church. This is carried out primarily through the provision of retirement housing and through the administration of pensions.

In accordance with the requirements of s17(5) Charities Act 2011, in exercising their responsibilities the Board has had regard to the Charity Commission's published advice on public benefit, especially that contained in its supplementary guidance *"The Advancement of Religion for the Public Benefit"*.

Nationally, the Church, through its network of more than 12,000 parishes, 16,000 churches and 20,000 ordained and lay ministers seeks to build social capital and provide spiritual care for all those who might wish to engage with matters of faith in a Christian context. The local churches are a focus for community activity, and through resources available at their disposal, provide activities that support community development and social cohesion. These can include projects which support children, families and the elderly.

Retired clergy and their dependants often play a role in these projects. Through the provision of retirement accommodation and, where applicable, direct grants to supplement their income, we assist clergy in retirement to continue to play a full role in the community.

Charitable activities

At least one in four clergy retiring from the stipendiary ministry seek our assistance. Retirement is a difficult process for the majority of people, but made more difficult for the Church of England clergy who have lived the majority of their working lives in tied accommodation.

We aim to ensure that we are able to provide an appropriate level of service over the long term, and that our retirement housing is well maintained and suits its purpose.

In 2016, we will continue to provide these services within the resources available to us. We continue to shape and refine the services that we offer to ensure that they are sustainable in the future.

Our charitable activities are financed by grants, gifts, legacies and investment income. All donations are placed in our General Purposes Fund unless otherwise specified.

CHARM

The CHARM scheme is the main housing provision made by the Church of England Pensions Board. It is designed to assist retiring clergy leaving tied accommodation and who have not been able to make their own provision for somewhere to live in retirement.

Under CHARM there are several options, some of which have now been closed and are no longer available. Through the various options around 2,500 retired clergy and their dependants receive assistance.

The provision of housing through CHARM is a discretionary facility with the Board specifying various parameters relating to the size and type of property available. The parameters are regularly reviewed.

Information on the CHARM scheme, eligibility and access to the various options is available on www.cepb.org.uk or from housing@churchofengland.org.

Rental Property
The rental option is our core product, with around 1,200 retired clergy and their dependants in this section of the scheme. Customers can choose from a portfolio of properties across the country that become vacant during the five years before they intend to retire and “reserve” it for their retirement. The Board is building up a portfolio of suitable properties and bought 60 properties in 2015.

The Board ensures that all properties are in a good state of repair. It uses stock condition surveys carried out by Sanctuary Housing Association, our maintenance service provider, to plan and carry out maintenance.

Tenants who moved into their properties after 1 April 2015 pay a “target rent” based on a social housing model; tenants who already lived in a property prior to this date pay a rent which was based on their (joint) income and are now making a very slow transition to a target rent.

The CHARM scheme is subsidised by the wider Church of England through Vote 5 of the Archbishops’ Council’s budget. The total grant for 2015 was £4.3m (2014: £4.0m).

Shared Ownership
The Shared Ownership option assists around 120 households. Properties are bought in partnership with the customer who contributes a minimum of 25% of the property cost. The Board’s maximum contribution is £150,000. Additional shares of the property can be bought by the customer who can buy outright ownership if they wish.

Customers pay a rent, based on the Board’s capital share of the property, and a service charge which reflects the likely cost of maintaining and insuring the property. The rent is increased in line with the weighted increase in the full Church and State pension for a married couple.

Mortgage Schemes
The mortgage schemes are closed to new applicants.

A fixed-interest mortgage option was in operation until 31 December 1982. Mortgagors had the option to pay interest on the amount loaned during the life of the loan and then on redemption repay the nominal amount of the loan, or pay one-half of the interest due during the life of the loan and on redemption repay the nominal amount of the loan together with the unpaid interest. 6 loans were outstanding at the end of the year, 3 of which the mortgagor is paying the full interest amount on the mortgage advanced, and 3 of which the mortgagor is paying one-half of the interest due.

A value-linked mortgage option closed on 31 March 2008. Mortgagors pay an interest-only element on the advanced sum, with the rate of interest being subject to an annual uplift in line with increases in Church and State pensions. When the property is sold or the mortgage redeemed, the sale proceeds are divided between the mortgagor and the Board in the same proportions as when the loan was advanced. At the end of the year 842 mortgages were outstanding (759 loans from the Charity and 83 from the subsidiary company CEPB Mortgages Ltd).

Supported Housing and Nursing Care
We have been providing supported housing for those retired clergy and their dependants who wish to live as independently as possible in a caring Christian community, with access to a range of comprehensive support services for over sixty years. Some retired clergy, or their surviving spouses or civil partners, no longer feel comfortable living by themselves or find it increasingly difficult to maintain and manage a home of their own. Equally, some wish to continue living within a community where the liturgical and spiritual life of the Church of England is central.

Our seven supported housing communities not only provide residents with a self-contained flat but also include dining facilities, meeting spaces, libraries, a chapel and communal grounds. We also operate a nursing home, including two dementia care units.

Residents may receive a subsidy from the Board's charitable funds to help them pay the charges; this is dependent on their income and capital resources. Residents who are eligible are also encouraged to seek state benefits.

The cost of running the supported housing operation is not met fully by the rent and service charges received and shortfalls are met from the charitable funds. In 2015 these amounted to £1.0m (2014: £1.3m).

Administration of pensions

The Church of England Pensions Board is the trustee of four pension funds - the Church of England Funded Pension Scheme, the Clergy (Widows and Dependants) Pension Fund, the Church Workers Pension Fund and the Church Administrators Pension Fund. The administration of pensions for the clergy is one of the charitable objects of the Board; this is carried out at no cost to the charitable funds since the administration costs are charged to the relevant pension fund.

In total, the pensions for around 35,000 people, across more than 280 employers are administered by the Board. Separate reports and accounts are issued for the pension schemes and are available on the website www.cepb.org.uk.

Monitoring achievement

The trustees receive regular performance reports on the charitable activities. These include monitoring customer satisfaction with the service offered, and with key areas such as ensuring that gas safety tests are carried out at all properties. Key financial information is also routinely examined.

Financial Review

It is costly to maintain the level of services offered. The wider Church, through Vote 5 of the Archbishops' Council's budget, contributed £4.3m (2014: £4.0m) to the provision of retirement housing.

Donations received towards the Board's charitable works totalled £169,000 (2014: £164,000). Legacies received totalled £1,049,000 (2014: £506,000).

During 2014 we started to look at the long-term financing of CHARM. This reached a conclusion in 2015 with the Board issuing a £100m Bond, of which £70m was drawn down immediately. This gave the Board access to long-term finance to purchase additional retirement properties, which will secure the future of clergy housing in retirement. The Board used part of the proceeds to acquire the further economic interest in 196 CHARM rental properties which had been financed by the Church Commissioners and had previously been subject to significant restrictions. This is part of a long term strategy to keep or acquire properties that are most suitable for the rental scheme, replace others as they become vacant, and add further properties to give retiring clergy a wider choice as they approach retirement. The remaining proceeds were used to repay other existing, shorter-term, borrowings.

Investments

The charity holds investments of £36.8m (2014: £36.7m), which generated income of £1.8m in the year (2014: £1.7m).

The majority of investments £36.1m (2014: £36.1m) are currently with the CBF Investment Fund (CBFIF, managed by CCLA Management Ltd), the Charities Property Fund (CPF, managed by Savills) and the Property Income Trust for Charities (PITCH, managed by Mayfair Capital). The CBFIF is a balanced fund that invests across a range of asset classes, including equities, bonds and property. The CPF and PITCH funds invest wholly in UK property, principally industrial, office and retail property. All three funds are structured as charity common investment funds, which allow investing charities to benefit from their statutory exemption from stamp duty on UK investments. The charity also holds £0.7m (2014: £0.6m) in investment properties, covering a portfolio of 6 (2014: 6) properties.

The amounts invested at the end of 2015 by the Board across the three funds are shown in the table below, along with the return generated by each investment for the Board over the year. The Board's returns may differ from the funds' own returns, because of disinvestment during the year by the Board, which will affect its returns.

	Value at end 2015 £m	*Allocation* *%*	2015 Return for the Board %
CBF Investment Fund	**8.8**	*23.9*	**5.9**
Investment Properties	**0.7**	*1.9*	**11.8**
Savills Charities Property Fund	**19.1**	*51.9*	**11.9**
Mayfair Capital Property Income Trust for Charities	**8.2**	*22.3*	**14.6**
Total	**36.8**	*100.0*	**10.9**

The charity also holds £0.8m (£0.7m) in short-term cash deposits with the CBF Deposit Fund (CBFDF, managed by CCLA Management Ltd).

2015 was a strong year for property returns, and the Board's decision to invest the bulk of its charitable funds' assets in property was vindicated. The funds listed above produced a good level of income over the year. Nearly £1.8m of cash came in from the investments in 2015, and that was helpful in supporting the day to day financial needs of the Board's charitable objectives.

The Board intends to maintain the charitable funds' high weighting to property in the future, believing the asset class to deliver good returns over time, with most of it coming from rental income, which tends to be very stable.

The recent returns of the three main funds, and their income yields and sizes, are shown below:

	Fund returns (net of fees)			Yield	Fund size
	2015 % p.a.	2013-2015 % p.a.	2011-2015 % p.a.	End 2015 %	End 2015 £m
CBF Investment Fund	6.1	11.1	9.3	3.8	1,004
Savills Charities Property Fund	12.3	13.6	10.2	4.6	1,053
Mayfair Capital Property Income Trust for Charities	14.6	13.4	9.7	5.9	474

Risk Management
The Church of England Pensions Board's risk management process assists management by facilitating the identification and assessment of significant risks to the achievement of objectives. The process is supported by a risk management policy which outlines the roles and responsibilities of Trustees, management and staff.

The Board reviews the risk registers and risk management arrangements at least annually. The Board is supported by the Audit & Risk Committee, which regularly reviews the content of the risk registers and seeks assurance over the adequacy of arrangements in place to manage the risks.

Individual departments and identified risk owners are responsible for the identification, assessment and review of risks which fall in their area of responsibility. Risks are prioritised using an agreed scoring methodology and are assessed at an inherent and residual level. The risk management process is facilitated and monitored by the Audit and Risk function. The management of key risks are subject to independent review and assurance through the internal audit function, which reports to the Audit & Risk Committee.

Principal Strategic Risks
The principal strategic risks which the Board considers most significant to its charitable activities and in its role as Trustee of the pension schemes, and are subject to management action and monitoring, are:

Risk	Key Management Actions
Issue or occurrence which gives rise to significant reputational impact on the Pensions Board leading to loss of confidence/support on part of customers, sponsors or stakeholders.	• Robust policies and procedures and effective compliance monitoring and internal control evaluation arrangements. • Externally contracted services subject to regular and detailed performance review and oversight. • Effective staff and trustee recruitment, performance management and training processes and procedures.
Significant legislative or legal/regulatory change means a scheme (pension or housing) may no longer be viable.	• Horizon scanning, supported by professional advice from external advisors. • Maintain good relationships with stakeholders, ensuring that they are up to date with developments, their impact and possible mitigations. • Monitoring of the legal and regulatory environment.
Failure to ensure adequate trustee capability, to provide the level of oversight required in an increasingly complex legal and regulatory environment	• Board Development Committee to review and enhance election, appointment and training processes. • Proactive communication of trustee requirements to inform the election and appointment process. • Use of experienced and appropriately qualified co-opted members for sub committees. • Trustee induction and training.

Going concern
The trustees have reasonable expectation that the Church of England Pensions Board has adequate resources and cash flows to meet spending commitments for the foreseeable future. Accordingly, they continue to adopt the going concern basis of accounting in preparing the annual report and accounts. The most significant assumptions that affect items in the accounts are to do with estimating the pension deficit liability (see Notes 1(h) and 8 for more details).

Reserves Policy
The Board annually considers the level of reserves that should be maintained within the charitable funds, and takes account of the requirements of the Charities SORP and the guidance issued by the Charity Commission (Charities and reserves CC19).

Unrestricted funds
The **unrestricted funds** represent expenditure incurred by the CEPB on salaries and working expenses subsequently recovered from the funds administered by the Board. The CEPB has no net assets in its own right as a body corporate and, consequently, no net unrestricted funds are shown on its balance sheet.

Restricted funds
All the net assets of the Board, which primarily represent the assets of the **General Purposes Fund ("GPF")**, are technically restricted funds since the statutory objects of the Board are wider than those of the GPF and any other fund. The categorisation as restricted funds is a technical accounting categorisation as the objects of the GPF are the main charitable objects of the Board. The GPF is the largest charitable fund administered by the Board at £110.0m (2014: £107.0m), covering the provision, maintenance & management of homes of residence for retired clergy and church workers and their spouses/former spouses/dependants, etc.
Within the GPF, the Board has earmarked funds of £3.7m (2014: £2.4m) tied up in the provision for future property maintenance costs.

The designation of this fund merely expresses the current intentions of the Trustees and has no legal effect. Legally, the funds are available for spending on any of the objects of the GPF.

The **Clergy Retirement Housing Trust ("CRHT")** is a registered charity and is a linked charity of the Board (Charity No. 236627-2). The charitable object of the CRHT is to use its property as residences for those persons who are qualified for such residence by virtue of the provisions of the Clergy Pensions Measure 1961 or any succeeding legislation. As a linked charity, it is accounted for as a separate restricted fund, which together with some smaller trusts is valued at £9.1m (2014: £8.6m).

Plans for the future

In 2016, the Pensions Board will have been providing retirement services to the Church of England for 90 years. These services have changed over the years and will continue to change over the coming years.

We will continue to regularly review these services using the information obtained from an understanding of our customers' needs and expectations, to improve delivery, whilst demonstrating value for money to those who provide us with the resources to run our business. We will also continue to provide a working environment which motivates and develops our people to give of their best and take pride in working for the Church of England Pensions Board.

Structure, governance and management

Governance

There are 20 members of the Board representing a balance of skills and expertise who are drawn from a wide range of constituencies. In summary, eleven are elected by the various Houses of the General Synod and five by the members or the employers participating in the pension schemes for lay workers. One is appointed by the Church Commissioners and three are appointed by the Archbishops of Canterbury and York, including the Chairman whose appointment is approved by General Synod. A period of membership lasts for six years; retiring members may offer themselves for re-election or be reappointed.

The Board decides on the frequency of its meetings, which is typically five a year. If required, decisions are taken by a simple majority with the chairman having the casting vote. For Board meetings a quorum is present when six people are in attendance, including at least two persons elected by the members of the pension schemes administered by the Board.

New trustees receive an induction into the work and practices of the organisation. All have access to an online database which includes outlines of their responsibilities and copies of the rules and other documentation for each pension scheme, and policies relating to the provision and operation of retirement housing assistance.

The majority of members of the Board have completed either fully or partially the Pensions Regulator's Trustee Toolkit, or an equivalent qualification, and regular training sessions are provided at Board meetings on a range of subject areas.

The Board has committees to oversee the following areas: Audit and Risk, Housing, Investment and Pensions. The Board has delegated authority to make decisions concerning these areas within its terms of reference and to make recommendations to the full Pension Board on other matters.

The Board has also delegated some of the day-to-day management and operation of the Scheme's affairs to professional organisations as set out on page 13.

Ethical Investment

The Board also manages the Secretariat to the Ethical Investment Advisory Group ("EIAG") on behalf of the Church of England's national investing bodies – the Church Commissioners, the Church of England Pensions Board and the CBF Church of England funds managed by CCLA Investment Management Ltd. The role of the EIAG supported by the Secretariat is to advise the national investing bodies on ethical investment policies. In addition the secretariat supports the Church Commissioners and the Church of England Pensions Board directly to:

- engage with companies on ethical issues; and
- oversee proxy voting at company general meetings.

Trustees and advisors

The Board has members elected and appointed by various means, which are described below. It delegates some of its business and decision making to sub committees.

Board Members (1 January 2015 to 14 July 2016)

Appointed with the approval of the General Synod, by the Archbishops of Canterbury and York
Dr Jonathan Spencer CB (Chairman)

Appointed by the Archbishops of Canterbury and York
Roger Mountford

Appointed by the Archbishops of Canterbury and York after consultation with the representatives of the dioceses

Canon David Froude ACIB

Appointed by the Church Commissioners
Jeremy Clack FIA

Elected by the Employers in the Church Workers Pension Fund and the Church Administrators Pension Fund
Clive Hawkins (Deputy Vice Chairman) *(to December 2015)*
Richard Hubbard *(from January 2016)*
Canon Sandra Newton (Vice Chairman)

Elected by the House of Bishops of the General Synod
The Rt Revd Richard Blackburn, Bishop of Warrington (to February 2015)
The Rt Revd Alan Wilson, Bishop of Buckingham (from June 2015)

Elected by the House of Clergy of the General Synod
The Revd Fr Paul Benfield
The Revd Paul Boughton ACA
The Revd Nigel Bourne
The Revd Canon Ian Gooding *(to December 2015)*
The Revd Canon David Stanton *(from January 2016)*

Elected by the House of Laity of the General Synod
Simon Baynes *(to December 2015)*
Jane Bisson
Roger Boulton *(from January 2016)*
Dr Graham Campbell FCA *(to December 2015)*
Canon Nicolete Fisher
Alan Fletcher FCII
Emma Osborne *(from January 2016)*
Brian Wilson FIA

Elected by the members of the Church Workers Pension Fund
Ian Boothroyd
Ian Clark

Elected by the members of the Church Administrators Pension Fund
John Ferguson (to December 2015)
Maggie Rodger (from January 2016)

Trustees and advisors (continued)

Committee Members (1 January 2015 to 14 July 2016)

Audit and Rick Committee
Canon David Froude ACIB (Chair)
James Archer ACA *(to December 2015)*
Jane Bisson
Ian Boothroyd *(from January 2016)*
Ian Clark *(to December 2015)*
David Hunt FCA (co-opted)
The Revd Paul Boughton ACA

Board Development Committee
Canon Nicolete Fisher (Chair)
Roger Boulton *(from January 2016)*
Alan Fletcher FCII (Chairman)
The Revd Nigel Bourne
Canon Sandra Newton

Pensions Committee
Roger Mountford (Chair)
The Revd Fr Paul Benfield
Ian Boothroyd
Ian Clark *(to December 2015)*
John Ferguson *(to December 2015)*
Canon Sandra Newton
Ben Preece-Smith (co-opted)
Maggie Rodger *(from January 2016)*
Brian Wilson FIA

Housing Committee
Alan Fletcher FCII (Chair) *(to December 2015)*
James Berrington (co-opted)
The Revd Nigel Bourne
Ian Clark *(from January 2016)*
Canon Nicolete Fisher
Jeremy Gray (co-opted)
Canon Ian Gooding *(to December 2015)*
Jon Head (co-opted)
Canon Sandra Newton (Chair) *(from January 2016)*
Henrietta Podd (co-opted)
The Rt Revd Alan Wilson, Bishop of Buckingham *(from January 2016)*

Investment Committee
Clive Hawkins (Chair) *(to December 2015)*
Alan Fletcher FCII (Chair from January 2016)
Simon Baynes
Matthew Beesley (co-opted) *(from January 2016)*
The Revd Paul Boughton ACA
Roger Boulton *(from January 2016)*
Jeremy Clack FIA
Richard Hubbard *(from January 2016)*
Roger Mountford
Emma Osborne *(from January 2016)*
Peter Parker TD DIA (co-opted)
Jonathan Rodgers (co-opted) *(from June 2015)*

Trustees and advisors (continued)

Reference and administrative information is shown below:

Charity number	236627
Principal office	Church House, London SW1P 3PS
Chief Executive	Bernadette Kenny
Actuary	Aaron Punwani, Lane Clark and Peacock LLP
Independent auditors	PricewaterhouseCoopers LLP
Bankers	National Westminster Bank plc
Corporate financial advisor	Traderisks Ltd
Investment Advisers	Mercer Ltd
Investment Managers	CCLA Investment Management Ltd Savills Investment Management Ltd Mayfair Capital Investment Management Ltd

Enquiries

Enquiries should be addressed to:

Church of England Pensions Board
29 Great Smith Street
London
SW1P 3PS

Alternatively, enquiries may be made by email to pbhcustomerservices@churchofengland.org, or by telephone to 020 7898 1890.

Management

Staff Remuneration and Executive Pay
Other than staff employed to work in the supported housing schemes and nursing home, all staff in the Pensions Board, and those working for Church of England Central Services who provide support functions to the Board, are covered by a unified pay policy that operates across all the National Church Institutions. The policy is designed to ensure the same level of pay for all staff in posts with work of equal value which is based on a comprehensive job evaluation scheme, with staff being placed in one of eight 'bands'. For certain staff with specialist skills, typically those whose role requires them to hold a professional qualification, a market adjustment may be applied, the value of which is determined by reference to the lower quartile and median of market related salaries and is subject to annual review. The NCIs retain the services of AON Hewitt to advise on market rates.

Staff pay is reviewed annually and any increases as a result of the annual pay negotiations are awarded with effect from 1 January each year.

Certain senior roles, including that of the Chief Executives, sit outside the banding system, as the skill set required to fulfil the role is not readily measured within the NCI's standard job evaluation system. Salaries for these roles are set individually with reference to the wider market place, typically comparing to the charity and public sector market, and is overseen by the Remuneration Committee comprising senior trustees from each of the main NCIs. In general these staff can expect the same percentage annual uplift for cost of living as the rest of the staff enjoy.

The amount paid to the highest member of staff is £150,000 (2014: £148,000), 10 (2014: 10) times the salary earned by the lowest paid member of staff and 5 (2014: 5) times the median salary.

Pensions
Staff employed by the National Church Institutions are eligible to join the Church Administrators Pension Fund – those whose employment commenced before July 2006 accrue pension on a defined benefit basis, and those employed subsequently are part of the defined contribution section with employer contribution rates ranging from 8% to 18% depending on the age of the employee.

Staff employed by the Board directly to work in the supported housing schemes and nursing home are eligible to join the Church Workers Pension Fund.

Attendance by Trustees at meetings of the Board and its Committees

The table below sets out the attendance of trustees at meetings of the Board and its Committees during 2015. Where a member only served for part of the year, the number of meetings that they could have attended is shown in brackets.

Trustee	**Board (6)**	**Audit and Risk (4)**	**Housing (4)**	**Investment (5)**	**Pensions (5)**
Dr Jonathan Spencer	6				
Canon Sandra Newton	5		4		5
Clive Hawkins	5			5	2 (2)
Simon Baynes	5			5	
The Revd Fr Paul Benfield	6				5
Jane Bisson	5	4			
The Rt Revd Richard Blackburn	0 (1)				
Ian Boothroyd	6				5
The Revd Paul Boughton	6	3		5	
The Revd Nigel Bourne	5		2		
Dr Graham Campbell	6				
Jeremy Clack	4			4	
Ian Clark	5	4			5
John Ferguson	6				5
Canon Nicolete Fisher	6		3		
Alan Fletcher	6		4	5	
Canon David Froude	5	4			
The Revd Canon Ian Gooding	5		3		
Roger Mountford	4			5	5
The Rt Revd Alan Wilson	2 (3)				
Brian Wilson	5				4

Approval

The Trustees Report was approved by the Trustees on 14 July 2016 and signed on its behalf by:

Jonathan Spencer
Chairman

Statement of Trustees' responsibilities in relation to the financial statements

The charity trustees are responsible for preparing a trustees' annual report and financial statements in accordance with United Kingdom Accounting Standards , comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

The law applicable to charities in England and Wales requires the charity trustees to prepare financial statements for each year. Under that law the trustees must not approve the financial statements unless they give a true and fair view of the state of affairs of the charity and of the incoming resources and application of resources, of the charity for that period. In preparing the financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the applicable Charities SORP;
- make judgements and estimates that are reasonable and prudent;
- state whether FRS 102 has been followed, subject to any material departures that must be disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

The trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charity and to enable them to ensure that the financial statements comply with the Charities Act 2011, the applicable Charities (Accounts and Reports) Regulations, and the provisions of the Measures governing the Board. They are also responsible for safeguarding the assets of the charity and taking reasonable steps for the prevention and detection of fraud and other irregularities.

The trustees are responsible for the maintenance and integrity of the charity's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements.

Independent auditor's report to the Church of England Pensions Board and the General Synod of the Church of England

Report on the financial statements

Our opinion

In our opinion, the Church of England Pensions Board's consolidated financial statements and charity financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the parent charity's affairs as at 31 December 2015 and of the group's incoming resources and application of resources and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of section 144 of the Charities Act 2011 and Regulation 15 of The Charities (Accounts and Reports) Regulations 2008.

What we have audited

The financial statements, included within the Annual Report, comprise:

- the consolidated and charity only balance sheets as at 31 December 2015;
- the consolidated statement of financial activities for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the trustees have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Other matters on which we are required to report by exception

Sufficiency of accounting records and information and explanations received

Under the Charities Act 2011 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- sufficient accounting records have not been kept by the parent charity; or
- the parent charity financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Other information in the Annual Report

Under the Charities Act 2011 we are required to report to you if, in our opinion the information given in the Trustees' Annual Report is inconsistent in any material respect with the financial statements. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the trustees

As explained more fully in the statement of Trustees' responsibilities set out on page 16, the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the charity's trustees as a body in accordance with section 144 of the Charities Act 2011 and regulations made under section 154 of that Act (Regulation 30 of The Charities (Accounts and Reports) Regulations 2008)and for no other purpose. We do not, in giving these opinions, 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.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves 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 group's and the parent charity's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the trustees; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the trustees' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially 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.

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
July 2016
PricewaterhouseCoopers LLP is eligible to act, and has been appointed, as auditor under section 144(2) of the Charities Act 2011.

Consolidated statement of financial activities of the Church of England Pensions Board for the year ended 31 December 2015

	Notes	2015			2014 (Restated)		
		Unrestricted funds	**Restricted funds**	**Total**	**Unrestricted funds**	**Restricted funds**	**Total**
		£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Income from:							
Grants, donations and legacies	2	-	5,380	**5,380**	-	4,643	**4,643**
Investment income	3	-	1,810	**1,810**	-	1,746	**1,746**
Charitable activities	4	4,319	14,742	**19,061**	4,533	14,855	**19,388**
Other income: gain on sale of fixed assets		-	633	**633**	-	2,287	**2,287**
Total income		4,319	22,565	**26,884**	4,533	23,531	**28,064**
Expenditure on:							
Charitable activities	4	(4,319)	(20,931)	**(25,250)**	(4,533)	(21,635)	**(26,168)**
Raising funds	5	-	(16)	**(16)**	-	(70)	**(70)**
Total expenditure		(4,319)	(20,947)	**(25,266)**	(4,533)	(21,705)	**(26,238)**
Total income less expenditure before gain on investments		-	1,618	**1,618**	-	1,826	**1,826**
Net gain on investments	9	-	2,097	**2,097**	-	1,124	**1,124**
Net income		**-**	**3,715**	**3,715**	**-**	**2,950**	**2,950**
Other recognised gains							
Other gains: transfer from other charity		-	-	**-**	-	393	**393**
Other gains/(losses): adjustment to pension provision	8	-	396	**396**	-	(810)	**(810)**
Total other gains and (losses)		-	396	**396**	-	(417)	**(417)**
Net movement in funds		**-**	**4,111**	**4,111**	**-**	**2,533**	**2,533**
RECONCILIATION OF FUNDS							
Total funds brought forward at 1 January (restated)		-	112,949	**112,949**	-	110,416	**110,416**
Net movement in funds in year		-	4,111	**4,111**	-	2,533	**2,533**
Total funds carried forward at 31 December		**-**	**117,060**	**117,060**	**-**	**112,949**	**112,949**

The income, expenditure and other recognised gains and losses all relate to continuing operations, none of which have been acquired during the year.

Consolidated balance sheet of the Church of England Pensions Board as at 31 December 2015

	Notes	2015 Consolidated £'000 Funded by CC*	2015 Consolidated £'000 Funded by CEPB**	2015 £'000 Total	2014 Consolidated £'000 Funded by CC*	2014 Consolidated £'000 Funded by CEPB**	2014 £'000 Total
FIXED ASSETS							
Investment assets	9	-	36,788	**36,788**	-	36,699	**36,699**
Fixed assets - supported housing and IT	10	-	27,300	**27,300**	-	27,822	**27,822**
Fixed assets - CHARM	11	83,308	133,959	**217,267**	106,632	80,727	**187,359**
Total fixed assets		83,308	198,047	**281,355**	106,632	145,248	**251,880**
CURRENT ASSETS							
Debtors	12	-	1,841	**1,841**	-	1,769	**1,769**
Short term deposits		-	821	**821**	-	698	**698**
Cash at bank and in hand		-	3,814	**3,814**	-	1,436	**1,436**
Total current assets		-	6,476	**6,476**	-	3,903	**3,903**
CURRENT LIABILITIES							
Creditors: amounts falling due within one year	13	-	(5,384)	**(5,384)**	-	(4,317)	**(4,317)**
Loans repayable on sale of fixed assets	13	(83,308)	(1,142)	**(84,450)**	(106,632)	(1,171)	**(107,803)**
Total current liabilities		(83,308)	(6,526)	**(89,834)**	(106,632)	(5,488)	**(112,120)**
Net current liabilities		(83,308)	(50)	**(83,358)**	(106,632)	(1,585)	**(108,217)**
Total assets less current liabilities		-	197,997	**197,997**	-	143,663	**143,663**
NON-CURRENT LIABILITIES	13	-	(78,931)	**(78,931)**	-	(28,150)	**(28,150)**
Net assets excluding pension provision		-	119,066	**119,066**	-	115,513	**115,513**
Defined benefit pension scheme liability	8	-	(2,006)	**(2,006)**	-	(2,564)	**(2,564)**
NET ASSETS		**-**	**117,060**	**117,060**	-	112,949	**112,949**
FUNDS OF THE CHARITY							
Total unrestricted funds		-	-	-	-	-	-
Restricted funds (excl. pension reserve)	14	-	119,066	119,066	-	115,513	**115,513**
Pension reserve	14	-	(2,006)	(2,006)	-	(2,564)	**(2,564)**
Total restricted funds	14	-	117,060	117,060	-	112,949	**112,949**
TOTAL CHARITY FUNDS CARRIED FORWARD AT 31 DECEMBER		**-**	**117,060**	**117,060**	**-**	**112,949**	**112,949**

*Funded by the Church Commissioners

**Funded by the Church of England Pensions Board

(See Note 11 for more details)

These financial statements were approved by the trustees on 14 July 2016 and signed on their behalf by:

Dr Jonathan Spencer
Chairman

Charity only balance sheet of the Church of England Pensions Board as at 31 December 2015

	Notes	2015			2014		
		£'000	£'000	£'000	£'000	£'000	£'000
		Funded by CC*	Funded by CEPB**	**Total**	Funded by CC*	Funded by CEPB**	**Total**
FIXED ASSETS							
Investment assets	9	-	36,801	**36,801**	-	36,699	**36,699**
Fixed assets - supported housing and IT	10	-	27,300	**27,300**	-	27,822	**27,822**
Fixed assets - CHARM	11	83,308	126,128	**209,436**	106,632	72,658	**179,290**
Total fixed assets		83,308	190,229	**273,537**	106,632	137,179	**243,811**
CURRENT ASSETS							
Debtors	12	-	9,645	**9,645**	-	9,837	**9,837**
Short term deposits		-	821	**821**	-	698	**698**
Cash at bank and in hand		-	3,801	**3,801**	-	1,437	**1,437**
Total current assets		-	14,267	**14,267**	-	11,972	**11,972**
CURRENT LIABILITIES							
Creditors: amounts falling due within one year	13	-	(5,357)	**(5,357)**	-	(4,317)	**(4,317)**
Loans repayable on sale of fixed assets	13	(83,308)	(1,142)	**(84,450)**	(106,632)	(1,171)	**(107,803)**
Total current liabilities		(83,308)	(6,499)	**(89,807)**	(106,632)	(5,488)	**(112,120)**
Net current assets/(liabilities)		(83,308)	7,768	**(75,540)**	(106,632)	6,484	**(100,148)**
Total assets less current liabilities		-	199,997	**199,997**	-	143,663	**143,663**
NON-CURRENT LIABILITIES	13	-	(78,931)	**(78,931)**	-	(28,150)	**(28,150)**
Net assets excluding pension provision		-	119,066	**119,066**	-	115,513	**115,513**
Defined benefit pension scheme liability	8	-	(2,006)	**(2,006)**	-	(2,564)	**(2,564)**
NET ASSETS		**-**	**117,060**	117,060	-	112,949	**112,949**
FUNDS OF THE CHARITY							
Total unrestricted funds		-	-	-	-	-	-
Restricted funds (excl. pension reserve)	14	-	119,066	119,066	-	115,513	**115,513**
Pension reserve	14	-	(2,006)	(2,006)	-	(2,564)	**(2,564)**
Total restricted funds	14	-	117,060	117,060	-	112,949	**112,949**
TOTAL CHARITY FUNDS CARRIED FORWARD AT 31 DECEMBER		**-**	**117,060**	**117,060**	**-**	**112,949**	**112,949**

*Funded by the Church Commissioners
**Funded by the Church of England Pensions Board

Consolidated cash flow statement of the Church of England Pensions Board for the year ended 31 December 2015

Reconciliation of net income/(expenditure) before other gains and losses to net cash flow from operating activities

	Notes	2015 £'000	2014 £'000
Net income for the year (as per the statement of financial activities)		3,715	2,950
Adjustments for:			
Depreciation – supported housing and IT systems	10	666	665
Amortisation – Santander arrangement fee	13	33	33
Amortisation – CHARM Finance PLC bond set-up costs	13	7	-
Gains on investments	9	(2,097)	(1,124)
Dividends, interest and rents from investments	3	(1,810)	(1,746)
Gains on disposal of fixed assets – CHARM	11	(633)	(2,287)
Transfer from other charity		-	393
Gain/(loss) on pension deficit movement	8	396	(810)
Movement in debtors	12	(72)	(751)
Movement in creditors: amounts due within less than one year	13	1,067	(1,923)
Movement in pension liability	8	(558)	682
Net cash used in operating activities		714	(3,918)

Cash flow statement

	Notes	2015 £'000	2014 £'000
Net cash used in operating activities		714	(3,918)
Cash flows from investing activities:			
Dividends, interest and rents from investments	3	1,810	1,746
Proceeds from the sale of fixed assets – CHARM properties	11	5,972	12,280
Purchase of fixed assets – CHARM properties	11	(35,247)	(12,463)
Purchase of fixed assets – supported housing	10	(144)	(1,107)
Purchase of fixed assets – IT systems	10	-	(8)
Proceeds from the sale of investments	9	2,008	26,609
Purchase of investments	9	-	(25,000)
Net cash (used in) / provided by investing activities		(25,601)	2,057
Cash flows from financing activities:			
Repayment of loans from Church Commissioners	13	(23,324)	(6,989)
Repayment of loans from Santander	13	(28,000)	-
Additional funding from Santander	13	9,250	-
Repayment of dioceses' share of rental properties	13	(29)	(115)
CHARM Finance Bond – loan from PIC	13	70,000	-
CHARM Finance Bond – capitalised set-up costs	13	(509)	-
Net cash provided by / (used in) financing activities		27,388	(7,104)
Change in cash and cash equivalents in the year		2,501	(8,965)
Cash and cash equivalents at the beginning of the year		2,134	11,099
Cash and cash equivalents at the end of the year		4,635	2,134

Analysis of cash and cash equivalents

	Notes	2015 £'000	2014 £'000
Cash at bank and in hand		3,814	1,436
Short term deposits		821	698
Total cash and cash equivalents		4,635	2,134

Notes to the financial statements of the Church of England Pensions Board for the year ended 31 December 2015

1. Accounting policies

a) Legal status

The Church of England Pensions Board ("the Board") is a body corporate established in 1926 but now governed by the 1961 Clergy Pensions Measure and subsequent Measures. It is a registered charity in England and Wales (Charity No. 236627) and is regulated by the Charity Commission.
The charity's address is: 29 Great Smith Street, London, SW1P 3PS.

b) Basis of preparation

The consolidated and charity financial statements have been prepared in accordance with:

- Financial Reporting Standard 102: The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102");
- Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) ("the SORP"); and
- the Charities Act 2011.

The financial statements have been prepared to give a 'true and fair' view and have departed from the Charities (Accounts and Reports) Regulations 2008 only to the extent required to provide a 'true and fair view'. This departure has involved following Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) issued on 16 July 2014 rather than the Accounting and Reporting by Charities: Statement of Recommended Practice effective from 1 April 2005 which has since been withdrawn.

The Board meets the definition of a Public Benefit Entity ("PBE") as set out in FRS 100, and therefore applies the PBE prefixed paragraphs in FRS 102. The date of transition to FRS 102 was 1 January 2014.

The financial statements have been prepared on the historical cost basis (except for the revaluation of investments and where cost is deemed to be the revaluation amount at date of transition) and on the accruals basis.

The 2015 financial statements (and restated 2014 statements) contain the financial information for the Church of England Pensions Board which is structured as follows:

- Unrestricted Funds - representing expenditure incurred by the CEPB on salaries and working expenses subsequently recovered in full from the pension funds administered by the Board.
- Restricted Funds – formerly referred to as the "Charitable Funds and Trusts", these funds have narrower purposes than that of the CEPB.

The 2014 financial statements previously contained the financial information for what was referred to as the "Charitable Funds and Trusts". These excluded the Unrestricted Funds pension fund related expenditure and the matching income, the latter representing the recovery of these expenses from the pension funds administered by the board as described above. The decision to include the income and expenditure relating to these unrestricted funds, made at the same time as adopting FRS 102 and the new SORP, represents the adoption of an accounting policy intended to ensure that the financial statements provide more relevant and reliable information about the effects of transactions on the financial position of the charity and to correct an error in previous years' accounting. Comparative figures in the Statement of Financial Activities have been restated accordingly, although there is no impact on the Balance Sheet. As part of this restatement, the Restricted Funds description relating to the charitable activities of the Church of England Pensions Board has now been clearly made to cover both current and prior year funds. There has been no impact on the charity and consolidated balance sheets within these financial statements or in respect of periods prior to these financial statements but the statement of financial activities has been affected as follows:

- income and expenditure previously shown in the unrestricted columns have now been added to the amounts shown in the restricted columns
- income and expenditure of £4,319,000 (2014: £4,533,000) which had previously not been recognised in the financial statements is now shown in the unrestricted funds columns, with no effect at net income level in the SOFA.

A summary of the accounting policies, which have been applied consistently across the group, is set out below.

Notes to the financial statements of the Church of England Pensions Board for the year ended 31 December 2015

1. **Accounting policies (continued)**

c) Reconciliation with previous Generally Accepted Accounting Practice

In preparing the financial statements, the trustees have considered whether in applying FRS 102 and the SORP, a restatement of comparative items was needed. In accordance with FRS 102 a reconciliation of opening balances and net income for the year is provided. Reconciliation of total funds, for the group and the charity only, as previously reported to total funds in accordance with FRS 102 and SORP 2015:

	31 December 2014			1 January 2014		
	Unrestricted funds £'000	Restricted funds £'000	**Total £'000**	Unrestricted funds £'000	Restricted funds £'000	**Total £'000**
Total funds as previously reported	-	115,992	**115,992**	-	112,298	**112,298**
Changes arising from FRS 102 introduction:						
Recognition of pension deficit recovery plan	-	(2,564)	**(2,564)**	-	(1,882)	**(1,882)**
Revaluation of supported housing assets deemed to be cost	-	(479)	**(479)**	-	-	-
Total funds in accordance with FRS 102	-	112,949	**112,949**	-	110,416	**110,416**

Reconciliation of net movement in funds for the group as previously reported to net movement in funds in accordance with FRS 102 and SORP 2015:

	Unrestricted funds	Restricted funds	**2014 Total**
	£'000	£'000	**£'000**
Net movement in funds in year as previously reported	-	3,694	**3,694**
Pension deficit movement in year	-	(683)	**(683)**
Gain on revaluation of supported housing assets in year as revaluation amount deemed to be cost	-	(478)	**(478)**
Net movement in funds in year (restated)	-	2,533	**2,533**

The principal changes in accounting policy that have been made in order to comply with FRS 102 are as follows:

Recognition of pension deficit recovery plans

Section 28 of FRS 102 requires an entity to recognise liabilities arising from an agreed deficit recovery plan for a multi-employer defined benefit pension scheme. At the date of transition, the Board had agreements in place to contribute towards the deficit recovery plan of the Church Administrators Pension Fund (for staff, both directly and through Church of England Central Services). The initial liability recognised at the date of transition was £1,882,000.

Change in measurement basis of supported housing schemes and nursing home

Section 35.10(d) of FRS 102 allows first time adopters of FRS 102 to use fixed assets' revaluation amounts as their deemed cost at the transition date of 1 January 2014. The Board has taken advantage of this to re-base the 'cost' of its supported housing and nursing home properties and change the accounting policy to cease revaluing them going forward and instead hold them at deemed cost.

In accordance with FRS 102 a reconciliation of opening balances and net income for the year is provided. Net income under previous GAAP has been adjusted for the presentation of investment gains as a component of reported income.

d) Basis of consolidation

The consolidated statement of financial activities ("SOFA") and the balance sheet include the financial information of the Board and its subsidiary undertakings (CEPB Developments Ltd, CEPB Mortgages and CHARM Finance plc) for the year ended 31 December 2015. The subsidiaries have been consolidated on a line by line basis. Intra-group balances and transactions are eliminated on consolidation.

The Board does not present its non-consolidated statement of financial activities but provides a summary in note 15: Subsidiary results. The Board have also taken advantage of the exemption conferred by FRS 102 Section 1 not to prepare a charity-only cash flow statement.

The Board, together with the Archbishops' Council and the Church Commissioners are equal partners in Church of England Central Services (ChECS), a joint venture. This jointly controlled entity is included in the Board's consolidated financial statements using the equity method. The Board's share of profits or losses from ChECS is included in the SOFA and its share of net assets is included in the balance sheet.

e) Going concern

The trustees believe it is appropriate to prepare the financial statements on a going concern basis and consider that there are no material uncertainties about the Board's ability to continue as a going concern. The Board reached this conclusion after having reviewed the financial forecast for the following year, its long term business plan and its reserves and contingency plans to deal with a range of adverse scenarios.

Notes to the financial statements of the Church of England Pensions Board for the year ended 31 December 2015

1. Accounting policies (continued)

f) Income

All income is recognised once the Board has entitlement to the income, it is probable that the income will be received and the amount of income receivable can be measured reliably.

i) Voluntary income

Donations are accounted for when received. Gift Aid receivable is included in income when there is a valid declaration from the donor. Legacies are recognised when conditions for entitlement, probability of receipt and measurability have been met. Gifts in kind are valued at an amount equivalent to the basis of the value of the gift to the charity at the time of their receipt, and are included in the SOFA. In the case of properties, these are valued at market value. Grants are recognised when the Board is entitled to receive them.

ii) Investment income

Income from investments is recognised on an accruals basis.

iii) Income from charitable activities

Income from charitable activities represents rent from rental properties, rent and service charge from shared ownership properties, income from mortgaged properties and fees and service charges from supported housing schemes, which are all recognised on the accruals basis.

iv) Other income

Other income is recognised when entitled to be received.

g) Expenditure

All expenditure is accounted for on the accruals basis. Expenditure and liabilities are recognised when a legal or constructive obligation exists as outlined in Section 7 of FRS 102. The SOFA has been presented on an activity basis. Costs have been distinguished between charitable activities and those incurred to raise funds. Specific accounting policies are:

i) Charitable activities

Direct costs and grants are allocated directly to activities. Grants payable are recognised when a firm commitment to provide funding is made and there is evidence of a constructive obligation to the beneficiary.

ii) Support costs

Costs include shared service costs (finance, IT, HR, legal, internal audit), department running costs and governance costs. They are allocated across the charitable activities and raising funds as detailed in notes 4 and 5. Governance costs relate to the general running of the Board, which include costs associated with the strategic as opposed to day to day management of the Board's activities, and compliance with constitutional and statutory requirements.

h) Pensions

Staff pensions are described in note 8. Defined benefit schemes are considered to be a multi-employer schemes as described in FRS 102 paragraph 28.11 and consequently are accounted for as if they were defined contribution schemes, where employer contributions payable in the year are charged to expenditure.

Where schemes have deficit recovery contribution plans in place, FRS 102 paragraph 28.11A requires the present value of these agreed payments to be recognised as a liability. Amounts paid during the year are charged against this liability.

i) Fixed assets

Gains (or losses) resulting from the sale of fixed assets are recognised in income (or expenditure). Gains or losses resulting from the sale and revaluation of investment assets are recognised in the SOFA in a separate section before net income/expenditure.

Where fixed assets were purchased with significant restrictions as a result of agreements with the funder such that the Board has a right of use of the asset for the lifetime of a beneficiary of the charity but the risks and rewards relating to capital value accrue entirely to the lender, these assets are shown in a separate category. Proceeds on eventual sale of these properties are not accounted for by the Board as they are received as agent for the lender and are used to settle the corresponding liability.

Rental properties, shared ownership properties, mortgaged properties and supported housing properties generate income from the furtherance of the charity's objects. As such, they are not considered to be investment properties but are classed as programme related investments, which under the SORP, do not need to be revalued.

i) Rental properties

Properties are held at original cost or for properties received as gifts, the notional cost equivalent to the market value. Funding arrangements are explained in note 11.

Costs relating to the repair and maintenance of properties are charged to the SOFA in the year incurred.

No depreciation is charged on long leasehold or freehold properties due to the long life and the high residual value of properties which would result in immaterial depreciation for each asset and in aggregate.

An impairment review is carried out annually and where materially different from historic cost, the properties are carried at recoverable amount (being the higher of fair value less costs to sell and value in use).

Notes to the financial statements of the Church of England Pensions Board for the year ended 31 December 2015

1. Accounting policies (continued)

ii) Shared ownership properties
These properties are purchased by the Board and the resident buys a 90 year lease for a share in the property (at least 25%) and pays a rent and a service charge on the proportion of the property that they do not own. Residents can purchase further shares in their property if their financial circumstances change, and the equity interests are adjusted accordingly.

The Board holds each property at its equity percentage of the original cost, subject to an impairment review. An impairment review is carried out annually and where materially different from historic cost, the Board's proportion of each property is carried at recoverable amount (being the higher of fair value less costs to sell and value in use).

No depreciation is charged on leasehold or freehold shared ownership properties due to the long life and the high residual value of properties which would result in immaterial depreciation for each asset and in aggregate.

iii) Mortgaged properties
Mortgaged properties were purchased by the Board under a scheme that closed to new business in 2008. These mortgages operate as value linked loans, where the Board's equity interest in a property is the amount loaned to the resident (up to 95% of the property value) and the resident's equity interest is the amount funded directly by the resident. If a resident pays off part of their loan, the equity interests are adjusted accordingly.

On the sale of a property, the Board and the resident receive proceeds in the same proportion as their equity interests.

The Board's interest is therefore classified as a tangible fixed asset and not as a financial instrument, as the rights attaching are more closely linked to the ownership of a share of a property. The Board accounts for each property at its equity percentage of original cost, subject to an impairment review. An impairment review is carried out annually and where materially different from historic cost, the Board's proportion of each property is carried at recoverable amount (being the higher of fair value less costs to sell and value in use).

iv) Supported housing schemes and nursing home
As explained in note 1(c), the properties and their associated land are held at deemed cost. Freehold land is not depreciated. The buildings are depreciated.

Fixtures, fittings, plant and equipment are held at original cost to the Board less depreciation.
Depreciation is charged on the following basis:

Fixed asset	***Basis***	***Rate***
Freehold buildings	Reducing balance	2.5% per annum
Fixtures, fittings, plant and equipment	Straight line	10-25 years

v) Investment properties
Investment properties are held at fair value. Valuations are carried out every year in accordance with the Appraisals & Valuation Manual issued by the Royal Institute of Chartered Surveyors. No depreciation is charged.

vi) IT systems and office equipment
IT systems are held at original cost to the Board less depreciation charged on a straight line basis over 5 years. Systems are capitalised while under construction until implementation and at that stage depreciation commences.

j) Loans
The Board applies the measurements provisions of FRS 102 paragraphs PBE34.90-92 to all its concessionary loans. Loans from the Church Commissioners are measured at the amount received from the Commissioners. See notes 11 and 13 for more information.

The loan from Santander is a basic financial instrument and measured at transaction price (less transactions costs). Subsequently, it is measured at amortised cost using the effective interest method. The arrangement fee is deducted from the transaction price and is amortised over 15 years.

The loan from CHARM Finance PLC to the Charity is a basic financial instrument and is measured at transaction price (less transactions costs). Subsequently, it is measured at amortised cost using the effective interest method. Arrangement fees are deducted from the transaction price and are amortised over the length of the facility.

The Bond liability relates to the corporate bond issued by CHARM Finance PLC, and is a basic financial instrument measured initially at the proceeds of issue less transaction costs directly attributable to the issue for the Bond. After initial recognition the liability is measured at amortised cost using the effective interest method with transaction costs being amortised over the life of the facility.

k) Financial instruments
The Board have chosen to adopt sections 11 and 12 of FRS 102 in respect of financial instruments which are not public benefit entity concessionary loans.

Basic financial instruments
Financial assets, including cash at bank and trade and other receivables are recognised and held at transaction price. They are derecognised when the rights to the cash flows from the financial assets expire or are settled.

Notes to the financial statements of the Church of England Pensions Board for the year ended 31 December 2015

1. Accounting policies (continued)

Listed and unlisted investments are initially measured at fair value. Such assets are subsequently held at fair value at each balance sheet date. The changes in fair value are recognised in the SOFA. The fair value of listed investments is determined using bid price in accordance with the practice of the appropriate stock exchange). Unlisted investments are valued by reference to latest dealing prices, valuations from reliable sources or net asset values.

Financial liabilities, including trade and other payables and inter-group balances are initially recognised at transaction price. Bank loans are subsequently measured at the amortised cost, using the effective interest rate. Financial liabilities are de-recognised, when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

l) Taxation

As a registered charity, the Board is exempt from taxation on its income and gains falling within Part 11 of the Corporation Taxation Act 2010 or section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that they are applied to charitable purposes.

The Board, in common with many other charities, is unable to recover the majority of Value Added Tax (VAT) incurred on expenditure. The amount of VAT that cannot be recovered is included in the underlying cost to which it relates.

m) Related parties

The Church of England comprises a large number of legally independent bodies in its parishes, cathedrals and dioceses as well as at national level. These bodies are not related to the Board as defined in the Charities SORP or chapter 33 of FRS 102: Related parties disclosures. Transactions and balances with these bodies are accounted for in the same way as other transactions and, where material, are separately identified in the notes to the financial statements.

n) Funds

In line with the SORP, the Board segregates its funds between those that are restricted and those that are unrestricted.

Unrestricted funds, represent the accumulated surplus on income and expenditure and are available for use at the discretion of the Board in pursuing the general charitable objectives of the charity.

Restricted funds are funds received by the Board for particular purposes and are to be used in accordance with those purposes.

An analysis of restricted funds is provided in note 14.

2. Income from grants, donations and legacies

	Notes	2015 £'000	2014 £'000
Grants			
The Archbishops' Council	4	4,151	3,954
Other grants	4	-	19
Total grants		4,151	3,973
Donations		180	164
Legacies		1,049	506
Total income from grants, donations and legacies		**5,380**	**4,643**

The Archbishops' Council makes grants from money provided by the dioceses under the General Synod Vote 5, towards the costs of the CHARM scheme.

In 2015 all £5,380,000 of income from grants, donations and legacies was attributable to restricted funds (2014: £4,643,000).

3. Investment income

	2015 £'000	2014 £'000
Dividends	1,761	1,704
Rental income from investment properties	22	16
Interest on cash	27	26
Total income from investments	**1,810**	**1,746**

In 2015 all £1,810,000 of income from investments was attributable to restricted funds (2014:£1,746,000).

Notes to the financial statements of the Church of England Pensions Board
For the year ended 31 December 2015

4. Charitable activities

		Restricted Funds								
		Rental properties	Shared ownership	Mortgage loans	Supported housing & nursing home	Other charitable activities	Total restricted funds	Unrestricted funds	2015 Total	2014 Total
	Notes	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Charitable Income										
Rent received		6,216	520	-	1,130	-	**7,866**	-	**7,866**	**7,807**
Service charge received		-	40	-	2,653	-	**2,693**	-	**2,693**	**2,591**
Income from mortgage properties		-	-	2,951	-	-	**2,951**	-	**2,951**	**3,211**
Fees received for nursing homes		-	-	-	1,232	-	**1,232**	-	**1,232**	**1,246**
Support costs recharge		-	-	-	-	-	-	4,319	**4,319**	**4,533**
Total income from charitable activities		6,216	560	2,951	5,015	-	**14,742**	4,319	**19,061**	**19,388**
Charitable expenditure										
Financing costs (interest and commitment fee)		4,495	453	2,883	-	-	**7,831**	-	**7,831**	**7,811**
Grant making		-	-	-	-	149	**149**	-	**149**	**111**
Property costs (repairs, insurance and other costs)		3,992	21	19	8	-	**4,040**	-	**4,040**	**4,835**
Support costs	6	1,891	621	413	1,239	-	**4,164**	4,319	**8,483**	**8,194**
Service charge costs		-	68	-	2,492	-	**2,560**	-	**2,560**	**2,781**
Nursing home costs		-	-	-	1,383	-	**1,383**	-	**1,383**	**1,526**
Supported Housing and other direct costs		-	-	-	287	-	**287**	-	**287**	**366**
Depreciation charge		-	-	-	638	-	**638**	-	**638**	**638**
Amortisation of loan arrangement fee		41	-	-	-	-	**41**	-	**41**	**33**
Total		10,419	1,163	3,315	6,047	149	**21,093**	4,319	**25,412**	**26,295**
Unwinding of pension deficit on charitable activities		(73)	(24)	(16)	(49)	-	**(162)**	-	**(162)**	**(127)**
Total expenditure on charitable activities		10,346	1,139	3,299	5,998	149	**20,931**	4,319	**25,250**	**26,168**

Notes to the financial statements of the Church of England Pensions Board
For the year ended 31 December 2015

4. Charitable activities (continued)

2014 Summary	Restricted Funds							
	Rental properties	**Shared ownership**	**Mortgage loans**	**Supported housing & nursing home**	**Other charitable activities**	**Total restricted funds**	**Unrestricted funds**	**2014 Total**
Total income from charitable activities	6,160	579	3,211	4,905	-	**14,855**	4,533	**19,388**
Total expenditure on charitable activities	10,453	1,162	3,621	6,288	111	**21,635**	4,533	**26,168**

The deficit on charitable activities is funded through a combination of specific and general voluntary income, investment income, and realised gains on disposal of investments and property. In the year ended 31 December 2015 grants of £4,151,000 were received from the Archbishops' Council towards the CHARM scheme (2014: £3,954,000). In addition, the Board's broader charitable activities were funded through voluntary income of £1,229,000 (2014:£670,000), Investment income of £1,810,000 (2014:£1,746,000) and gains on disposal of property of £633,000 (2014:£2,287,000).

Income & Expenditure from charitable activities:

Rental Properties
The Archbishops' Council, from money provided by the dioceses under the General Synod Vote 5, makes grants towards the costs of the CHARM scheme, being the excess of direct expenditure and interest payable over maintenance contributions receivable from residents.

Rent from tenancies starting after 1 April 2015 are target rents based on the value of the property and are subsidised so that they are more affordable than market rents. Rent from tenancies before this are based on the occupant's ability to pay. Residents pay for moving costs, furnishings and white goods, contents insurance and on-going utility and council tax costs. The Board pays for repairs and on-going maintenance of the properties.

There are a small number of properties that are let on the open market at market rents during short periods when a property is not occupied by residents eligible for the CHARM scheme. At 31 December 2015 there were 20 (2014: 21) such tenancies.

All tenancies fall into the definition of operating leases as set out in FRS 102 section 20, and clarified in the Housing SORP 2014 paragraph 10.3 (which though the Board does not comply with, it does look to this guidance for clarification where the Charities SORP and FRS 102 are silent on particular issues). All tenancies are cancellable, either on death or notice of the resident and are not assignable.

Shared Ownership
Residents pay rent based on the Board's share of the ownership of the property and the cost of buildings insurance.

For some properties bought before 1 April 2014, residents also pay a service charge towards the repairs and maintenance of properties. For properties bought after 1 April 2014, or where residents have opted, the responsibility for repairs and maintenance lies with the resident.

Mortgage Properties
The mortgage scheme offered value linked loans to retired clergy and closed to new business in 2008. Mortgagees pay an interest-only amount on the capital advanced.

A small number of loans pre-dating the 1983 CHARM mortgage scheme remain, where a fixed amount of interest is paid based on the capital advanced. At 31 December 2015, the number of such loans in place was 6 (2014: 10).

Supported Housing & Nursing Home
Some residents in the schemes receive subsidies from the Board's charitable funds. The cost of running the schemes is not met fully by rent and service charge fees. The operating deficit is met from the Board's charitable funds.

Other charitable
Grants are payable to augment the income of those retired clergy and clergy widow(er)s whose income falls below a certain standard, which is reviewed annually.

5. Raising funds

	Notes	2015 £'000	2014 £'000
Cost of generating voluntary income (support costs)	6	10	40
Investment management costs (direct costs)		6	30
Total cost of generating funds		**16**	**70**

Notes to the financial statements of the Church of England Pensions Board
For the year ended 31 December 2015

6. Support costs

Support costs include department running costs and governance costs, plus charges for using shared services operated by ChECS. They are included in charitable expenditure (note 4) and are apportioned to the various charitable activities to which they relate.

	Restricted funds						Unrestricted funds	Total 2015
	Rental properties	**Shared ownership**	**Mortgage properties**	**Supported housing and nursing home**	**Raising funds**	**Total**	**Pension schemes**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Housing department	1,017	329	219	657	-	2,222	-	**2,222**
Executive, and Secretariat	131	44	29	87	-	291	135	**426**
Governance costs	95	32	21	63	-	211	123	**334**
Pensions department	-	-	-	-	-	-	2,434	**2,434**
Investments department	-	-	-	-	-	-	581	**581**
Shared services	648	216	144	432	-	1,440	1,046	**2,486**
Total support costs	**1,891**	**621**	**413**	**1,239**	**-**	**4,164**	**4,319**	**8,483**
Fund raising section	-	-	-	-	10	10	-	**10**
Total support costs	**1,891**	**621**	**413**	**1,239**	**10**	**4,174**	**4,319**	**8,493**
2014								
Total support costs	1,720	477	365	1,099	40	3,701	4,533	8,234

Housing and Raising funds department costs

These costs are allocated on a 'per head' basis: costs relating to management and general housing staff not directly involved in an activity are allocated 34% to rental properties, 33% to supported housing schemes and nursing home, 33% to mortgages and shared ownership; costs relating to customer service staff costs are allocated 95% to rental properties and 5% to shared ownership; costs relating to staff directly involved in an activity are allocated to that activity.

Executive and Secretariat and shared service costs

Centrally incurred management and shared service costs are allocated between pension schemes and the charity on a 'per head' basis. The charity's housing share is then allocated 47% to rental properties, 30% to supported housing schemes and nursing home, 10% to mortgages and 13% to shared ownership.

Governance costs

Governance costs comprise staff and non-staff costs relating to the general running of the Board, including supporting the work of the Board and its Committees. Members of the Board are reimbursed for travel expenses incurred whilst on official business but are not entitled to any other remuneration or allowances. In the year to 31 December 2015, 24 (2014: 18) members claimed a total of £22,000 (2014: £20,000). Governance costs other than external audit costs are allocated between pension schemes and the charity on a 'per head' basis. The charity's housing share is then allocated 47% to rental properties, 30% to supported housing schemes and nursing home, 10% to mortgages and 13% to shared ownership.

	2015	2014
	£'000	£'000
External audit	121	81
Internal audit	80	75
Other costs	-	94
Board and committee meetings	10	12
Total governance costs	**211**	**262**

Total fees paid (excluding VAT) to PricewaterhouseCoopersLLP are shown below:

	2015	**2014**
	£'000	**£'000**
Audit of CEPB and its subsidiary undertakings	101	68
Audit of Pension Schemes	50	51
Total audit fees	**151**	**119**
Advisory work in relation to bond (included within Bond issue transaction costs)	187	-
Total non-audit fees	**187**	**-**

Pensions department costs
Expenses are incurred by the Board for administering the pension schemes. These costs are recovered from the pension schemes by charging an administration fee to each scheme.

Investment department costs
Expenses are incurred by the Board for managing the investment portfolio of the Church of England Investment Fund for Pensions through which the pension schemes hold investments. These costs are recovered by the Board as part of the administration fee the Board charges each pension scheme.

Shared service costs
Shared services are provided by Church of England Central Services. Expenses incurred by the Board for administering the Pension Funds are either charged directly to the activity to which they relate or are allocated to the funds in proportion to staff costs, number of data processes or other relevant criteria.

7. Staff numbers and costs

The Chief Executive and staff employed to work in the supported housing schemes and the nursing home are employed directly by the Board. The Board is joint employer, together with the other National Church Institutions (the NCIs), of most of the other staff of the NCIs. In addition to staff employed directly, the work of the Board is supported by staff in shared service departments who provide finance, HR, communications, legal, IT and internal audit services. Since 1 April 2014 they have been employed by a separate NCI, Church of England Central Services (ChECS). Prior to this they had one of the three main NCIs as managing employer and their costs were shown only in the relevant NCI's accounts.

The SORP requirements are that the costs of staff employed by third parties who operate on your behalf should be disclosed in the accounts. In order to comply with the spirit of the SORP, the costs of all ChECS staff are shown in aggregate in the tables below – the Board's share of which was £1,451,000 (2014: £1,256,000).

The cost of staff for which the Board is the managing employer and for ChECS (in aggregate) was:

	Pensions Board own staff										ChECS	
	Housing		Pensions and Investments		Secretariat and fundraising		Supported housing and nursing home		Total		Shared services	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
Average number employed	31	28	26	21	6	5	148	141	211	195	133	121
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000			£'000	£'000
Salaries	1,088	1,024	1,115	933	360	366	2,093	2,045	4,656	4,368	5,809	4,932
National Insurance costs	116	109	112	102	43	41	147	144	418	396	577	539
Pension contributions	244	227	238	219	120	112	174	485	776	1,043	1,444	1,398
Total cost of staff	**1,448**	**1,360**	**1,465**	**1,254**	**523**	**519**	**2,414**	**2,674**	5,850	5,807	**7,830**	**6,869**
Total chargeable to Charitable Funds	**1,448**	**1,360**	**-**	-	**284**	**311**	**2,414**	**2,674**	4,146	4,345		

Included in staff costs is £89,000 (2014: £26,000) paid by way of redundancy costs to two (2014: three) individuals following a restructuring, the costs of which are accounted for in full in the year in which the restructure is announced.

Notes to the financial statements of the Church of England Pensions Board
For the year ended 31 December 2015

7. Staff numbers and costs (continued)

The numbers of staff whose emoluments for the year fell in the following bands were:

	Pensions Board own staff								ChECS	
	Housing		Pensions and Investments		Secretariat and fundraising		Supported housing schemes and nursing home		Shared services	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
£60,001 to £70,000	1	1	1*	-	-	-	-	-	8	9
£70,001 to £80,000	-	-	1~	1	1	1	-	-	2	3
£80,001 to £90,000	-	-	2*	1	-	-	-	-	7*	6
£90,001 to 100,000	-	-	1	-	-	-	-	-	1	-
£100,001 to 110,000	-	-	-	-	-	-	-	-	1*	-
£110,001 to 120,000	-	-	-	-	-	-	-	-	1*	-
£120,001 to £130,000	-	-	-	-	-	-	-	-	1	1
£130,001 to £140,000	-	-	-	-	-	-	-	-	3*	-
£140,001 to £150,000	-	-	-	-	-	1^	-	-	2*	1
£150,001 to £160,000	-	-	-	-	1^	-	-	-	-	-

^ *Chief Executive*   * *Includes redundancy costs*

~ *Pensions and investments includes staff of the Ethical Investment Advisory Group managed by the Board, the costs of which are shared with the Church Commissioners and CCLA Investment Management Ltd.*

All staff above were members of the Church Administrators Pension Fund. Of those directly managed by the Board, five (2014: four) staff accrue benefits under a defined contributions scheme for which contributions for the year were £65,000 (2014: £52,000). The remaining three (2014: one) staff accrued benefits under a defined benefit scheme. Of those managed by ChECS, 10 (2014: 10) staff accrue benefits under a defined contribution scheme for which contributions for the year were £118,000 (2014: £92,000). The remaining 16 (2014: 10) staff members accrue benefits under a defined benefit scheme.

The highest paid member of staff was the Chief Executive who earned £150,000 (2014: £148,000). Further details of the Board's remuneration policy are included in the Governance section of the Board's report, on page 10.

Interest free loans are made for travel season tickets and interest free green travel loans for the purchase of bicycles and electric scooters.

Notes to the financial statements of the Church of England Pensions Board
For the year ended 31 December 2015

8. Staff pensions

Staff employed jointly by the National Church Institutions

Pension benefits from Service up to 31 December 1999
These are met by the Church Commissioners for England, so no costs or liability are reflected by the Board.

Pension benefits from Service from 1 January 2000
Benefits for staff arising from service from 1 January 2000 are provided by the Church Administrators Pension Fund.

The participating employers are responsible for making contributions of £222,000 (2014: £216,000) towards the administration costs of the CAPF and the cost of Pension Protection Fund levies of £60,000 (2014: £46,000). The Board's share of these costs was £28,000 (2014: 26,000).

Staff who were in service as at 30 June 2006 are members of the defined benefit section of the CAPF. This is considered to be a multi-employer scheme as described in FRS 102 paragraph 28.11 and consequently is accounted for as if it were a defined contribution scheme, where employer contributions payable in the year are charged to expenditure.

The contributions to the scheme are assessed by an independent qualified actuary using the projected unit method of valuation. A valuation of the scheme is carried out once every three years, the most recent having been carried out as at 31 December 2014. This revealed a deficit of £25.1 million, based on assets of £96.3m and a funding target of £121.4m. The level of additional contributions to be made by the employers was £2,373,000 per annum from 1 July 2013 to 30 June 2025, increasing on 1 January each year by 5.0%. This was revised in October 2015 as a result of the 2014 valuation and it was agreed that with effect from 1 January 2016 to 30 June 2025 the employers would pay £2,500,000 per annum increasing each year by 3.3%.

FRS 102 requires the Board's share of this agreed deficit recovery plan to be provided at the transition date of 1 January 2014. The provision is measured at its net present value. As a result, brought forward reserves have been restated. The table below shows the movement on the provision:

	Provision brought forward	Contributions Paid	Interest charged on provision	Adjustment to net present value of provision	Provision carried forward
	£000	£000	£000	£000	£000
Share of CEPB staff	1,702	(145)	37	(292)	1,303
Share of ChECS staff	862	(73)	19	(104)	703
Total provision	2,564	(218)	56	(396)	2,006

Staff who joined after 20 June 2006 are members of the defined contributions section of the CAPF. Employer contributions payable in the year are charged to expenditure.

Staff employed directly by the Board (supported housing schemes and nursing home)
Pension benefits for staff in managerial positions are provided for by a defined benefit section of the Church Workers Pension Fund ("CWPF"). The scheme is considered to be a multi-employer scheme as described in FRS 102 paragraph 28.11 and consequently is accounted for as if it were a defined contribution scheme, where employer contributions payable in the year are charged to expenditure.

The contributions to the Fund are assessed by an independent qualified actuary using the projected unit method of valuation. The last full valuation of the Fund, as at 31 December 2013, showed an overall deficit of £12.9m (2010: £40.3m). The deficit recovery period is agreed with each participating employer in the scheme, however there is currently no requirement under the Charity's schedule of contributions to make further deficit payments.

Pension benefits for other staff are provided for by a defined contribution scheme in CWPF, where employer contributions payable in the year are charged to expenditure.

Notes to the financial statements of the Church of England Pensions Board
For the year ended 31 December 2015

9. Investment assets

GROUP	At 1 January	Additions	Disposals	Unrealised gains	At 31 December
	£'000	£'000	£'000	£'000	£'000
UK investment funds	36,076	-	(2,008)	2,048	36,116
UK government stock	23	-	-	(1)	22
UK investment properties	600	-	-	50	650
Consolidated total investment assets	**36,699**	**-**	**(2,008)**	**2,097**	**36,788**

CHARITY	At 1 January	Additions	Disposals	Unrealised gains	At 31 December
	£'000	£'000	£'000	£'000	£'000
UK investment funds	36,076	-	(2,008)	2,048	36,116
UK government stock	23	-	-	(1)	22
UK investment properties	600	-	-	50	650
Investment in subsidiary	-	13	-	-	13
Charity's total investment assets	**36,699**	**13**	**(2,008)**	**2,097**	**36,801**

Funds were principally managed by CCLA, Savills and Mayfair. Investment funds were held as follows:-

	2015	2014
	£'000	£'000
CCLA Investments	8,804	10,610
Savills	19,077	17,846
Mayfair	8,235	7,620
Total	**36,116**	**36,076**

Subsidiaries
The Board owns 100% of CEPB Developments Ltd, a dormant company limited by shares, held to undertake property and building development at the supported housing schemes and nursing home, and CEPB Mortgages Ltd, a company limited by guarantee, held to administer mortgages on behalf of the Board. Both companies are registered at 29 Great Smith Street, London, SW1P 3PS.

The Board also owns 100% of CHARM Finance PLC, a company limited by share capital of £50,000 (of which £12,500 has been paid up by the Board), held as a special purpose vehicle providing £100m of funds to the Board via a bond issue. These funds are being used to secure current and future obligations for clergy housing in retirement.

Joint ventures
ChECS is a charitable joint venture between the Commissioners, the Archbishops' Council and the Church of England Pensions Board, who are equal partners. The purpose of ChECS is to enhance the efficiency and effectiveness of the charitable national and diocesan institutions of the Church of England and of other charities with a church ethos, by facilitating the provision of cost-effective shared financial, legal and other services.

The charity was registered with the Charity Commission on 31 December 2013 and started operating from 1 April 2014. Prior to this, the responsibility for the provision of shared services was split between the three main NCIs. The previous management arrangements continued into the new structure.

The Board's share of net assets of ChECS was £nil. As at 31 December 2015, £82,000 was owed by the Board to ChECS (2014: £31,000 owed by ChECS to the Board).

The Pensions Board have no associated undertakings.

UK investment properties
The valuers of the investment properties were Savills LLP.

Notes to the financial statements of the Church of England Pensions Board
For the year ended 31 December 2015

10. Fixed assets – Supported housing and IT systems

Supported housing and nursing home
The Board provides seven supported housing schemes and one nursing home for retired clergy. Under the previous UK GAAP, the land and buildings have been revalued and the buildings depreciated. The adoption of FRS 102 (paragraph 35.10(d)) allows the revalued sum under UK GAAP to be used as the deemed cost under FRS 102. The Board is taking advantage of this to re-base the deemed cost of its supported housing and nursing home land and buildings at their 31 December 2013 revaluation amounts, at the transition date of 1 January 2014, and change its accounting policy to not revalue these assets going forward. The valuation as at 31 December 2013 was carried out by Knight Frank LLP.

IT systems
The Board's operational IT systems which it uses across all of its activities are recorded as fixed assets.

Consolidated and charity	1 January	Additions	Disposals	Charge in year	Impairment	31 December
Land and buildings						
Cost	27,259	19	-	-	-	27,278
Depreciation	(548)	-	-	(549)	-	(1,097)
Net book value	26,711	19	-	(549)	-	26,181
Fixtures and fittings						
Cost	3,719	125	-	-	-	3,844
Depreciation	(2,687)	-	-	(89)	-	(2,776)
Net book value	1,032	125	-	(89)	-	1,068
IT systems						
Cost	960	-	-	-	-	960
Depreciation	(881)	-	-	(28)	-	(909)
Net book value	79	-	-	(28)	-	51
Total supported housing and IT	27,822	144	-	(666)	-	27,300

11. Fixed assets – CHARM properties

The Board owns a number of different types of properties which it uses to fulfil its charitable objective: to provide retirement housing for retired clergy (CHARM).

Consolidated	01-Jan	Additions	Disposals	Charge in year	Transfers	Impairment	31-Dec
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
-Properties with significant restrictions (funded by Church Commissioners)	*106,632*	-	*(5,112)*	-	(18,212)	-	*83,308*
-Properties without significant restrictions (funded by the Pensions Board)	*80,727*	*35,247*	*(227)*	-	18,212*	-	*133,959*
Total CHARM properties	187,359	35,247	(5,339)	-	-	-	217,267
Rental properties							
Net book value (cost)	129,136	34,228*	(1,731)	-	-	-	161,633
Number of properties	*1,157*	*60*	*(35)*				*1,182*
Shared ownership properties							
Net book value (cost)	10,274	1,019	(526)	-	-	-	10,767
Number of properties	*114*	*10*	*(7)*				*117*
Mortgaged properties							
Net book value (cost)	47,949	-	(3,082)	-	-	-	44,867
Number of properties	*912*	-	*(64)*				*848*
Total CHARM properties	187,359	35,247	(5,339)	-	-	-	217,267

*Rental additions consist of £23,629,000 in respect of the acquisition of the further economic interest in 196 formerly Church Commissioners-funded properties (the total consideration being £41,841,000 of which £18,212,000 was used to settle outstanding financing in relation to the restricted properties already held) and £10,599,000 relating to the purchase of new rental properties.

Notes to the financial statements of the Church of England Pensions Board
For the year ended 31 December 2015

11. Fixed assets – CHARM properties (continued)

Charity only	01-Jan	Additions	Disposals	Charge in year	Transfers	Impairment	31-Dec
	£’000	£’000	£’000	£’000	£’000	£’000	£’000
-Properties with significant restrictions (funded by Church Commissioners)	*106,632*		*(5,112)*	-	(18,212)	-	*83,308*
-Properties without significant restrictions (funded by the Pensions Board)	*72,658*	*35,247*	*11*	-	18,212	-	*126,128*
Total CHARM properties	179,290	35,247	(5,101)	-	-	-	209,436
Rental properties							
Net book value (cost)	129,136	34,228	(1,731)	-	-	-	161,633
Number of properties	*1,157*	*60*	*(35)*				*1,182*
Shared ownership properties							
Net book value (cost)	10,274	1,019	(526)	-	-	-	10,767
Number of properties	*114*	*10*	*(7)*				*117*
Mortgaged properties							
Net book value (cost)	39,880	-	(2,844)	-	-	-	37,036
Number of properties	*827*	-	*(62)*				*765*
Total CHARM properties	179,290	35,247	(5,101)	-	-	-	209,436

Financing and restriction

Historically, the Board’s own properties were funded from trusts and legacies. From 1983 until July 2010 most of the rental, shared ownership and mortgaged properties purchased were financed by loans from the Church Commissioners. Under this arrangement, the legal ownership of each property lay with the Board but a significant part of the economic interest lay with the Commissioners. In the case of mortgaged and shared ownership properties, the Commissioners’ economic interest was in the same proportion as the amount of financing they provided compared to the purchase price. Purchases were recognised at cost and the loan from the Commissioners recognised at an equal amount within creditors. If the property were sold, an amount equal to the proceeds (for mortgaged and shared ownership properties, in the same proportion as the financing they provided compared to the purchase price) would be repayable. This arrangement meant that the Commissioners retained a significant degree of financial control over the properties they funded, and on a property becoming vacant, determined if and when it was sold and for how much.

When the Commissioners’ financing arrangement ended in 2010, the Board took out a loan facility with Santander to finance subsequent property purchases. In 2015 the Board was loaned £70,000,000 from its subsidiary CHARM Finance PLC, which raised funds through the issue of a listed bond. The sum was used to repay £28,000,000 of the Santander loan, and £41,000,000 was used to purchase the economic interest in 196 properties which had originally been funded by the Commissioners at a cost of £18,000,000 during the years 1983-2010. The transaction has been carefully considered, and consistent with accounting standards, an addition to the cost of these 196 properties of £23,000,000 has been recognised, bringing their book cost to £41,000,000, reflecting the total amount paid in respect of those properties up to the transaction date. This reflects the substance of the transaction, which is that the Board purchased the economic interest and the financial control of the 196 properties, thus enhancing its right to future economic benefit from these assets.

The transaction also resulted in part of the loan from the Commissioners being extinguished. This has been treated in the same way as all other repayments of the loans relating to other properties funded by the Commissioners: the loan is reduced by its book value and no gain/loss is reported through the SOFA, The Commissioners, Santander and CHARM Finance PLC loans are described in more detail in note 13.

In accordance with the contract, the Church Commissioners have retained a right to receive any profit on disposal of any of the 196 properties up to August 2025, over the agreed amount relating to that property included in the £41,841,000 initial payment. In the opinion of the trustees, as these properties have been identified for long-term use by the charity, it is not expected that any further payments will accrue to the Church Commissioners as a result of this arrangement.

In addition to these arrangements, 48 rental properties were purchased with contributions from dioceses and others, where the contributions are repayable when the property is sold, as either a simple repayment or in the same proportion as the original contribution to the purchase price, depending on the agreement made. The Board recognises the full cost of the property and also recognises a liability for the amount contributed (see note 13).

Notes to the financial statements of the Church of England Pensions Board
For the year ended 31 December 2015

12. Debtors

	Consolidated		Charity	
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
Trade debtors	512	463	509	459
Subsidiary undertakings	-	-	7,834	8,072
Prepayments and accrued income	1,154	741	1,127	565
Other debtors	175	565	175	741
Total	**1,841**	**1,769**	**9,645**	**9,837**

13. Creditors

Current liabilities:

	Consolidated		Charity	
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
Amounts falling due within one year				
Trade creditors	2,545	2,651	2,545	2,651
Accruals and deferred income	2,129	439	2,134	439
Tax creditor	37	72	37	72
Joint venture (ChECS)	88	56	88	56
Other creditors	585	1,099	553	1,099
Total amounts falling due within one year:	**5,384**	4,317	**5,357**	4,317
Concessionary loans repayable on sale of fixed assets				
Loans from Church Commissioners for:				
- rental properties	34,774	54,774	34,774	54,774
- shared ownership properties	4,766	5,158	4,766	5,158
- mortgage properties	43,768	46,700	43,768	46,700
Diocesan and other creditors	1,142	1,171	1,142	1,171
Total loans repayable on sale of fixed assets	**84,450**	107,803	**84,450**	107,803
Total current liabilities	**89,834**	112,120	**89,807**	112,120

Loans from the Church Commissioners are repayable when the properties associated with them are sold. The trigger for the repayment is the sale of the property and the proceeds are passed in full to the Church Commissioners. Properties are sold when residents vacate rented properties, shared ownership properties are sold and mortgages are redeemed. These assets are classified as fixed assets and are included in note 11.

FRS 102 section 4.7 states that where the repayment of a creditor cannot unconditionally be deferred for more than a year, it must be classed as a current liability. Even though experience has shown that loans from the Church Commissioners will be repaid steadily over a timeline substantially longer than one year, they meet this definition and as a result are included within current liabilities.

The terms of these concessionary loans are: for loans granted prior until 31 March 1993 the initial interest rate was 3%, increasing in line with RPI each April; for loans granted from 1 April 1993 the initial interest rate was 4%, increasing in line with RPI each April.

The same current liability classification has been applied to the Diocesan loans from the Pensions Board.

13. Creditors (continued)

Non-current liabilities:

	Consolidated		Charity	
	2015	2014	**2015**	2014
	£'000	£'000	**£'000**	£'000
Bond liabilities - PIC	70,000	-	-	-
Bond liabilities – capitalised bond set-up costs	(502)	-	-	-
Intra-group liability – loan repayable to CHARM Finance PLC	-	-	70,000	-
Intra-group liability – capitalised bond set-up costs	-	-	(502)	-
Loan from Santander	9,750	28,500	9,750	28,500
Loan from Santander – capitalised set-up costs	(317)	(350)	(317)	(350)
Total	**78,931**	28,150	**78,931**	28,150

The bond, issued by subsidiary undertaking CHARM Finance plc, was issued to finance the growth and development of the CHARM scheme. Transaction costs of £509,000 were incurred. At 31 December 2015, the amortised cost of the bond set-up fees incurred (predominantly legal and financial advice fees) was £502,000 (2014: £nil). Interest due is based on the current agreed interest rate of 3.126%. In future the interest rate used is subject to increases with CPI (subject to a 4% cap and a floor of zero). Repayment of the bond is due in five equal instalments of £14m due in August of 2038, 2041, 2043, 2045 and 2048 respectively. The bond is effectively secured by a fixed charge over 483 properties held by the Charity.

The following table details the maturity of the bond-related contractual payments as at 31 December 2015:

Period	**Interest due**	**Capital repayment**
	£’000	**£’000**
Due to end Dec 2015	753	-
Within one year (to end Dec 2016)	1,808	-
Due within five years (to end Dec 2020)	7,663	-
Due after five years	51,083	70,000
Total	**61,307**	**70,000**

The intra-group liability due by the charity to CHARM Finance plc mirrors the terms of the bond noted above.

The charity has a loan facility with Santander through Abbey National Treasury Services PLC which is secured by fixed charges over 149 properties (2014: 250 properties) owned by the charity, with occupied market value of £29,000,000 (2014: £50,000,000). The loan is repayable, subject to terms and conditions, between June 2020 and June 2025 (dependent on the value of loan outstanding).

The cost of the Santander arrangement fee of £500,000 (1% of the loan facility) is offset against the loans and is being amortised over 15 years. At 31 December 2015, the amortised cost was £317,000 (2014: £350,000).

14. Funds

Consolidated and charity	**Balance at 1 January**	**Income**	**Expenditure**	**Investment gains**	**Other gains**	**Transfers**	**Balance at 31 December**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Unrestricted funds	-	4,319	(4,319)	-	-	-	-
Total unrestricted funds	-	4,319	(4,319)	-	-	-	-
Restricted funds:-							
General Purposes Fund:							
- General Funds	104,527	21,799	(20,526)	2,073	396	(2,000)	106,269
- Earmarked – Property Maintenance	2,434	-	(777)	-	-	2,000	3,657
Clergy Retirement Housing Trust & other trusts	8,552	766	(202)	24	-	-	9,140
Total restricted funds	115,513	22,565	(21,505)	2,097	396	-	119,066
Pension reserve	(2,564)	-	558	-	-	-	(2,006)
Total funds	**112,949**	**26,884**	**(25,266)**	**2,097**	**396**	**-**	**117,060**

Notes to the financial statements of the Church of England Pensions Board
For the year ended 31 December 2015

14. Funds (continued)

Unrestricted funds
The **unrestricted funds** represent expenditure incurred by the CEPB on salaries and working expenses subsequently recovered from the funds administered by the Board. The CEPB has no net assets or liabilities in its own right as a body corporate.

Restricted funds
The **General Purposes Fund ("GPF")** is the largest charitable fund administered by the Church of England Pensions Board, covering the provision, maintenance & management of homes of residence for retired clergy and church workers and their spouses/former spouses/dependants, etc.

Within restricted funds, the Trustees have earmarked an amount for property maintenance. £2.0m (2014: £2.6m) was transferred from the restricted general fund to the earmarked Property Maintenance fund to allow for additional property maintenance work.

The **Clergy Retirement Housing Trust ("CRHT")** is a registered charity (Charity No. 236627-2) and is a linked charity of the Board. As a linked charity, it is accounted for as a restricted fund. The charitable object of the CRHT is to use its property as residences for those persons who are qualified for such residence by virtue of the provisions of the Clergy Pensions Measure 1961 or any succeeding legislation.

Below is a summary of the assets and liabilities of each fund as at 31 December 2015:

FUND	Fixed Assets	Current Assets	Current Liabilities	Non-Current Liabilities	SUB TOTAL	Provision for Pension Liability	NET ASSETS
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Unrestricted funds	-	1,082	(1,082)	-	**-**	-	**-**
Restricted Funds:							
General Funds	275,915	(1,957)	(88,738)	(78,951)	**106,269**	(2,005)	**104,264**
Earmarked– Property Maintenance	-	3,657	-	–	**3,657**	–	**3,657**
Clergy Retirement Housing Trust & other trusts	5,440	3,694	(14)	20	**9,140**	(1)	**9,139**
Total	**281,355**	**6,476**	**(89,834)**	**(78,931)**	**119,066**	**(2,006)**	**117,060**

15. Subsidiary results

The Board owns 100% of CEPB Developments Ltd, a dormant company limited by shares, held to undertake property and building development at the supported housing schemes and nursing home, and CEPB Mortgages Ltd, a company limited by guarantee, held to administer mortgages on behalf of the Board. Both companies are registered at 29 Great Smith Street, London, SW1P 3PS.

The Board also owns 100% of CHARM Finance PLC (incorporated and acquired 17 July 2015), a company limited by share capital of £50,000 (of which £12,500 has been paid up by the Board), held as a special purpose vehicle providing a facility for £100m of funds to the Board via a bond issue (of which £70m has been issued so far). These funds are being used to secure current and future obligations for clergy housing in retirement.

Summaries of the subsidiaries' profit and loss accounts are shown below:

	CEPB Developments Ltd (dormant)		CEPB Mortgages		CHARM Finance PLC	
	2015	2014	**2015**	2014	**2015**	2014
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
Revenue	-	-	420	427	787	-
Expenditure	-	-	(420)	(427)	(787)	-
Profit or loss	**-**	-	**-**	-	**-**	-

A summary of the charity only SOFA is shown below:	Charity	
	2015	**2014**
	£'000	**£'000**
Total incoming resources	25,677	27,636
Total resources expended	(23,663)	(26,620)
Investment gains	2,097	1,124
Net incoming resources	4,111	2,140
Other gains and losses	-	393
Net movement in funds	**4,111**	**2,533**

Notes to the financial statements of the Church of England Pensions Board
For the year ended 31 December 2015

16. Related Parties

Joint ventures
Church of England Central Services (ChECS) is a joint venture between the Church Commissioners, the Archbishops' Council and the Church of England Pensions Board, and therefore a related party of the Board. More information can be found in Note 9.

Key Management Personnel
The Board's executive leadership team comprises nine individuals, six of whom are employed directly by the Board and three by ChECS. The aggregate remuneration for these nine individuals, including pension contributions, is £840,000 (2014: £811,000).

Pension Schemes
Details of amounts paid to the pension schemes are disclosed in note 8.

17. Post balance sheet events

On 23 June 2016 the UK electorate voted to leave the European Union. This decision is expected to begin an exit process that could take up to two years to complete under the relevant legislation and the UK remains a member of the European Union until such time as this process is effected. The result of the referendum is likely to result in a period of uncertainty for the UK economy and financial markets and potentially significant volatility in the valuation of investment assets, including from fluctuations from the impact in foreign exchange rates. The longer term impact of the referendum decision is clearly yet to be determined. The Trustees will keep the situation under review over the coming months, including implications for investment strategy and risk management.

The
Church of England
Pensions Board

Annual Report

Year ended 31 December 2016

Contents

Trustees' report	
Structure and history	3
Objectives and activities	
Public benefit	4
Charitable activities:	4
Church's Housing Assistance for Retired Ministry ("CHARM")	4
Administration of pensions	6
Achievements and performance	6
Financial review	7
Investments	7
Risk management	8
Reserves policy	10
Plans for the future	11
Structure, governance and management	11
Governance	11
Trustees	12
Committees	13
Reference and administrative details	14
Management: staff remuneration and executive pay	15
Trustee attendance at meetings	16
Statement of trustees' responsibilities	17
Independent auditor's report	18
Financial statements	20
Consolidated Statement of Financial Activities	20
Consolidated balance sheet	21
Charity balance sheet	22
Consolidated cash flow statement	23
Notes to the financial statements	24

Report of the trustees for the year ended 31 December 2016

The trustees present their annual report and financial statements of the charity ("the Board") for the year ended 31 December 2016. The financial statements have been prepared in accordance with the accounting policies set out in note 1 to the financial statements and comply with the Charities Act 2011, FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and "Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Finance Reporting Standard applicable in the UK and Republic of Ireland (FRS 102)" ("the SORP") published on 16 July 2014.

Structure and history

The Church of England Pensions Board ("the Board") was established in 1926 by the Church Assembly (now the General Synod) by the Clergy Pensions Measure 1926, to serve as the pensions authority for the Church of England and to administer a comprehensive pension scheme for clergy. Prior to 1926 there was no proper pension system for clergy.

The Board was given powers in 1948 to provide housing for retired clergy and their widows and dependants, and in subsequent years also became trustee of various charitable funds and trusts to provide for the relief of poverty of retired clergy and their widows and dependants. In 1964 the Board became a registered charity. Since then the funds and trusts have been amalgamated and now exist as a single restricted fund: the 'General Purposes Fund'; and one linked charity for which the Board is corporate trustee: the 'Clergy Retirement Housing Trust'.

In its current form, the Board is a body corporate, a registered charity, and is governed by the Clergy Pensions Measure 1961 (as amended from time to time). It is the corporate trustee of four pension schemes:

- The Church of England Funded Pensions Scheme;
- Clergy (Widows and Dependants) Pension Fund;
- The Church Workers Pension Fund;
- The Church Administrators Pension Fund.

The financial statements of the four pension schemes are not included in this report. The pension schemes themselves are members of a common investment fund, The Church of England Investment Fund for Pensions which is not a pension scheme nor a corporate body in its own right.

The Board administers two other pension schemes, for which it is not a trustee: the Church of England Pensions Scheme (for clergy service prior to 1 January 1998); and the Church Commissioners Superannuation Scheme (for staff service prior to 1 January 2000). The financial affairs of these schemes can be found in the Church Commissioners' accounts. They have no impact on the financial position of the pension schemes of which the Board is trustee.

Public benefit

The purposes of the Board are the provision of retirement services set by the Church of England for those who have served or worked for the Church. This is carried out primarily through the provision of retirement housing and through the administration of pensions.

In accordance with the requirements of s17(5) Charities Act 2011, in exercising their responsibilities the Board has had regard to the Charity Commission's published advice on public benefit, especially that contained in its supplementary guidance *"The Advancement of Religion for the Public Benefit"*.

Nationally, the Church, through its network of more than 12,000 parishes, 16,000 churches and 20,000 ordained and lay ministers seeks to build social capital and provide spiritual care for all those who might wish to engage with matters of faith in a Christian context. The local churches are a focus for community activity, and through resources available at their disposal, provide activities that support community development and social cohesion. These can include projects which support children, families and the elderly.

Retired clergy and their dependants often play a role in these projects. Through the provision of retirement accommodation and, where applicable, direct grants to supplement their income, we assist clergy in retirement to continue to play a full role in the community.

Charitable activities

At least one in four clergy retiring from the stipendiary ministry seek our assistance. Retirement is a difficult process for the majority of people, but made more difficult for the Church of England clergy who have lived the majority of their working lives in tied accommodation.

We aim to ensure that we are able to provide an appropriate level of service over the long term, and that our retirement housing is well maintained and suits its purpose.

In 2017, we will continue to provide these services within the resources available to us. We continue to shape and refine the services that we offer to ensure that they are sustainable in the future.

Our charitable activities are financed by grants, gifts, legacies and investment income. All donations are placed in our General Purposes Fund unless otherwise specified.

CHARM

The Church's Housing Assistance for Retired Ministry ("CHARM") scheme is the main housing provision made by the Church of England Pensions Board. It is designed to assist retiring clergy leaving tied accommodation and who have not been able to make their own provision for somewhere to live in retirement.

Under CHARM there are several options, some of which have now been closed and are no longer available. Through the various options around 2,500 retired clergy and their dependants receive assistance.

The provision of housing through CHARM is a discretionary facility with the Board specifying various parameters relating to the size and type of property available. The parameters are regularly reviewed.

Information on the CHARM scheme, eligibility and access to the various options is available on www.cepb.org.uk or from housingservices@churchofengland.org.

Rental Property
The rental option is our core product, with around 1,200 retired clergy and their dependants in this section of the scheme. Customers can choose from a portfolio of properties across the country that become vacant during the five years before they intend to retire and “reserve” it for their retirement. The Board is building up a portfolio of suitable properties and bought 68 properties in 2016.

The Board ensures that all properties are in a good state of repair. It uses stock condition surveys carried out by Sanctuary Housing Association, our maintenance service provider, to plan and carry out maintenance.

Tenants who moved into their properties after 1 April 2015 pay a “target rent” based on a social housing model; tenants who already lived in a property prior to this date pay a rent which was based on their (joint) income and are now making a very slow transition to a target rent.

The CHARM scheme is subsidised by the wider Church of England through Vote 5 of the Archbishops’ Council’s budget. The total grant for 2016 was £4.4m (2015: £4.2m).

Shared Ownership
The Shared Ownership option assists around 117 households. Properties are bought in partnership with the customer who contributes a minimum of 25% of the property cost. The Board’s maximum contribution is £150,000. Additional shares of the property can be bought by the customer who can buy outright ownership if they wish.

Customers pay a rent, based on the Board’s capital share of the property, and a service charge which reflects the likely cost of maintaining and insuring the property. The rent is increased in line with the weighted increase in the full Church and State pension for a married couple.

Mortgage Schemes
The mortgage schemes are closed to new applicants.

A fixed-interest mortgage option was in operation until 31 December 1982. Mortgagors had the option to pay interest on the amount loaned during the life of the loan and then on redemption repay the nominal amount of the loan, or pay one-half of the interest due during the life of the loan and on redemption repay the nominal amount of the loan together with the unpaid interest. 6 loans were outstanding at the end of the year, 3 of which the mortgagor is paying the full interest amount on the mortgage advanced, and 3 of which the mortgagor is paying one-half of the interest due.

A value-linked mortgage option closed on 31 March 2008. Mortgagors pay an interest-only element on the advanced sum, with the rate of interest being subject to an annual uplift in line with increases in Church and State pensions. When the property is sold or the mortgage redeemed, the sale proceeds are divided between the mortgagor and the Board in the same proportions as when the loan was advanced. At the end of the year 781 mortgages were outstanding (706 loans from the Charity and 75 from the subsidiary company CEPB Mortgages Ltd).

Supported Housing and Nursing Care

We have been providing supported housing for those retired clergy and their dependants who wish to live as independently as possible in a caring Christian community, with access to a range of comprehensive support services for over sixty years. Some retired clergy, or their surviving spouses or civil partners, no longer feel comfortable living by themselves or find it increasingly difficult to maintain and manage a home of their own. Equally, some wish to continue living within a community where the liturgical and spiritual life of the Church of England is central.

Our seven supported housing communities not only provide residents with a self-contained flat but also include dining facilities, meeting spaces, libraries, a chapel and communal grounds.

Residents may receive a subsidy from the Board's charitable funds to help them pay the charges; this is dependent on their income and capital resources. Residents who are eligible are also encouraged to seek state benefits.

The Board has also operated a nursing and dementia care home, but at the end of 2016 the difficult decision was made to close this service.

Over the last couple of years we had been finding it increasingly difficult to both recruit and retain nursing and care staff, and with no likelihood of the situation improving, had reached the point where we could no longer guarantee the long-term safety of our residents. Our increasing reliance on agency nursing and care staff was not sustainable in the longer term. The decision was announced in November 2016 and the home was closed in March 2017.

The cost of redundancies and the costs of relocating our residents, including the cost of providing, where needed, ongoing assistance with fees in their new homes cost the Board £641,290 during the latter end of 2016.

The cost of running the supported housing operation including our central administration costs and the costs of depreciation are not met fully by the income from fees, rent and service charges and shortfalls are met from the charitable funds. In 2016, including the one-off costs of the closure of the nursing home, the shortfall amounted to £1.7m (2015: £1.0m).

Administration of pensions

The Church of England Pensions Board is the trustee of four pension funds - the Church of England Funded Pension Scheme, the Clergy (Widows and Dependants) Pension Fund, the Church Workers Pension Fund and the Church Administrators Pension Fund. The administration of pensions for the clergy is one of the charitable objects of the Board; this is carried out at no cost to the charitable funds since the administration costs are charged to the relevant pension fund.

In total, the pensions for around 35,000 people, across more than 280 employers are administered by the Board. Separate reports and accounts are issued for the pension schemes and are available on the website www.cepb.org.uk.

Monitoring achievement

The trustees receive regular performance reports on the charitable activities. These include monitoring customer satisfaction with the service offered, and with key areas such as ensuring that gas safety tests are carried out at all properties. Key financial information is also routinely examined.

Financial Review

It is costly to maintain the level of services offered. The wider Church, through Vote 5 of the Archbishops' Council's budget, contributed £4.4m (2015: £4.2m) to the provision of retirement housing.

Donations received towards the Board's charitable works totalled £0.7m (2015: £0.2m). Legacies received totalled £1.2m (2015: £1.0m).

During 2014 we started to look at the long-term financing of CHARM. This reached a conclusion in 2015 with the Board issuing a £100m Bond, of which £70m was drawn down immediately. This gave the Board access to long-term finance to purchase additional retirement properties, which will secure the future of clergy housing in retirement. The Board used part of the proceeds to acquire the further economic interest in 196 CHARM rental properties which had been financed by the Church Commissioners and had previously been subject to significant restrictions. This is part of a long term strategy to keep or acquire properties that are most suitable for the rental scheme, replace others as they become vacant, and add further properties to give retiring clergy a wider choice as they approach retirement. The remaining proceeds were used to repay other existing, shorter-term, borrowings.

Investments

At the end of 2016 the charity held investments of £37.9m (2015: £36.8m), which generated income and unrealised investment gains of £1.8m in the year (2015: £1.8m).

The majority of investments £37.2m (2015: £36.1m) were with the CBF Investment Fund (CBFIF, managed by CCLA Management Ltd), the Charities Property Fund (CPF, managed by Savills) and the Property Income Trust for Charities (PITCH, managed by Mayfair Capital). The CBFIF is a balanced fund that invests across a range of asset classes, including equities, bonds and property. The CPF and PITCH funds invest wholly in UK property, principally industrial, office and retail property. All three funds are structured as charity common investment funds, which allow investing charities to benefit from their statutory exemption from stamp duty on UK investments. The charity also held £0.7m (2015: £0.6m) in investment properties, covering a portfolio of 6 (2015: 6) properties at the end of the year.

The charity also held £1.1m (2015: £0.8m) in short-term cash deposits with the CBF Deposit Fund (CBFDF, managed by CCLA Management Ltd).

The amounts invested at the end of 2016 by the Board across the four funds are shown in the table below, along with the return generated by each investment for the Board over the year. The Board's returns may differ from the funds' own returns, because of disinvestment during the year by the Board, which will affect its returns.

	Value at end 2016 £m	*Allocation* *%*	2016 Return for the Board %
CBF Investment Fund (CBFIF)	**9.7**	*25.6*	**15.9**
Investment Properties	**0.7**	*1.7*	**2.8**
Savills Charities Property Fund (CPF)	**19.3**	*51.0*	**6.4**
Mayfair Capital Property Income Trust for Charities (PITCH)	**8.2**	*21.7*	**6.0**
Total	**37.9**	*100.0*	**8.5**

2016 was a more muted year for property returns than 2015, with the AREF/IPD All Balanced Property Fund Index returning 2.8%. Capital values were down across the industry by around 2.8% over the year, but good rental income overcame that to deliver the positive return for UK property. The PITCH and CPF funds returned 6.0% and 6.4% respectively over 2016, and the funds continue to lead their peers.

The CBF Investment Fund generated strong returns over the year, gaining 15.9%, with equity returns being the significant contributor.

The Board intends to maintain the charitable funds' high weighting to property in the future, believing the asset class to deliver good returns over time, with most of it coming from rental income, which tends to be very stable.

The recent returns of the three main funds, and their income yields and sizes, are shown below:

	Fund returns (net of fees)			Yield	Fund size
	2016 % p.a.	2014-2016 % p.a.	2012-2016 % p.a.	End 2016 %	End 2016 £m
CBF Investment Fund	15.9	10.7	12.9	3.5	1,153
Savills Charities Property Fund	6.4	11.9	9.9	4.9	1,102
Mayfair Capital Property Income Trust for Charities	6.0	12.4	9.8	6.3	472

Risk Management

The Church of England Pensions Board's risk management process assists management by facilitating the identification and assessment of significant risks to the achievement of objectives. The process is supported by a risk management policy which outlines the roles and responsibilities of Trustees, management and staff.

The Board reviews the risk register and risk management arrangements at least annually. The Board is supported by the Audit & Risk Committee, which regularly reviews the content of the risk registers and seeks assurance over the adequacy of arrangements in place to manage the risks.

Individual departments and identified risk owners are responsible for the identification, assessment and review of risks which fall in their area of responsibility. Risks are prioritised using an agreed scoring methodology and are assessed at an inherent and residual level. The risk management process is facilitated and monitored by the Audit and Risk function. The management of key risks are subject to independent review and assurance through the internal audit process, which reports to the Audit & Risk Committee.

Principal Risks

The principal risks, which Trustees consider most significant to its charitable activities are:

Risk	Key Management Actions
A decision or action we take (or fail to take) damages trust in CEPB to such an extent that it becomes difficult to continue to operate (at all/one of our major services).	• Ensure effective policies in place that are kept under review and audited regularly to ensure compliance. • Maintain effective staff and trustee recruitment and training processes. • Regular staff and trustee performance appraisal supported by development plans. • Maintain robust risk management approach with regular review by Board and Executive Team. • Internal financial controls and segregation of duties.
Significant changes in society (e.g. mortality rates) materially impacts on the viability of pension schemes or overstretch our housing provision.	• Estimated reductions in mortality rates over time are built into actuarial assumptions. • Annual review by Actuary • Members and staff monitoring of wider industry views and developments to provide an early warning.
Significant legislative or legal/regulatory change means a housing scheme may no longer be viable.	• Develop and maintain horizon scanning capability, supported by professional advice from external advisors. • Maintain good relationships with stakeholders etc., ensuring that they are up to date with developments, their impact and possible mitigations. • Develop capability to influence/engage with policy makers; use membership of professional bodies.

Going concern

The trustees have reasonable expectation that the Church of England Pensions Board has adequate resources and cash flows to meet spending commitments for the foreseeable future. Accordingly, they continue to adopt the going concern basis of accounting in preparing the annual report and accounts. The most significant assumptions that affect items in the accounts are to do with estimating the pension deficit liability (see Notes 1(g) and 8 for more details).

Approach to Taxation

In conducting their tax affairs the Board will:

- ensure that they conduct them not only in accordance with the letter but also the spirit of the law;
- not behave in a manner that could be considered aggressive or abusive;
- endeavour to obtain all reliefs available to them as charities;
- ensure that all tax filings are compliant with the law and that tax payments are made in a timely manner;
- engage in dialogue with Her Majesty's Revenue & Customs ("HMRC") on a regular basis to ensure that any matters where the tax treatment is uncertain or difficult are raised and discussed at an early opportunity;
- maintain suitable processes and controls to ensure that the risk of non-compliance with filing and disclosure requirements is minimised; and
- ensure appropriate compliance with non-UK tax regimes in relation to filing and payment obligations by paying the right amount of tax in the right place at the right time and disclosing all relevant facts and circumstances to the tax authorities and claiming reliefs and incentives where available.

Reserves Policy
Given that the significant majority of restricted reserves relate to the carrying value of properties there is comparatively little scope for management to develop a targeted reserves policy. The Trustees carefully maintain the level of reserves to ensure that they remain appropriate in light of property valuations and anticipated demands on cash flow.

The Board annually considers the level of reserves that should be maintained within the charitable funds, and takes account of the requirements of the Charities SORP and the guidance issued by the Charity Commission (Charities and reserves CC19).

Unrestricted funds
The **unrestricted funds** represent expenditure incurred by the CEPB on salaries and working expenses subsequently recovered from the pension funds administered by the Board. The CEPB has no net assets in its own right as a body corporate and, consequently, no net unrestricted funds are shown on its balance sheet.

Restricted funds
All the net assets of the Board, which primarily represent the assets of the **General Purposes Fund ("GPF")**, are technically restricted funds since the statutory objects of the Board are wider than those of the GPF and any other fund. The categorisation as restricted funds is a technical accounting categorisation as the objects of the GPF are the main charitable objects of the Board. The GPF is the largest charitable fund administered by the Board at £111.2m (2015: £110.0m), covering the provision, maintenance & management of homes of residence for retired clergy and church workers and their spouses/former spouses/dependants, etc.
Within the GPF, the Board has earmarked funds of £4.0m (2015: £3.7m) to provide for future property maintenance costs.

The designation of this fund merely expresses the current intentions of the Trustees and has no legal effect. Legally, the funds are available for spending on any of the objects of the GPF.

The **Clergy Retirement Housing Trust ("CRHT")** is a registered charity and is a linked charity of the Board (Charity No. 236627-2). The charitable object of the CRHT is to use its property as residences for those persons who are qualified for such residence by virtue of the provisions of the Clergy Pensions Measure 1961 or any succeeding legislation. As a linked charity, it is accounted for as a separate restricted fund, which together with some smaller trusts is valued at £9.5m (2015: £9.1m).

Plans for the future

In 2017, the Pensions Board will have been providing retirement services to the Church of England for 90 years. These services have changed over the years and will continue to change over the coming years.

We will continue to regularly review these services using the information obtained from an understanding of our customers' needs and expectations, to improve delivery, whilst demonstrating value for money to those who provide us with the resources to run our business. We will also continue to provide a working environment which motivates and develops our people to give of their best and take pride in working for the Church of England Pensions Board.

Structure, governance and management

Governance

There are 20 members of the Board representing a balance of skills and expertise who are drawn from a wide range of constituencies. In summary, eleven are elected by the various Houses of the General Synod and five by the members or the employers participating in the pension schemes for lay workers. One is appointed by the Church Commissioners and three are appointed by the Archbishops of Canterbury and York, including the Chairman whose appointment is approved by General Synod. A period of membership lasts for six years; retiring members may offer themselves for re-election or be reappointed.

The Board decides on the frequency of its meetings, which is typically five a year. If required, decisions are taken by a simple majority with the chairman having the casting vote. For Board meetings a quorum is present when six people are in attendance, including at least two persons elected by the members of the pension schemes administered by the Board.

New trustees receive an induction into the work and practices of the organisation. All have access to an online database which includes outlines of their responsibilities and copies of the rules and other documentation for each pension scheme, and policies relating to the provision and operation of retirement housing assistance.

The majority of members of the Board have completed either fully or partially the Pensions Regulator's Trustee Toolkit, or an equivalent qualification, and regular training sessions are provided at Board meetings on a range of subject areas.

The Board has committees to oversee the following areas: Audit and Risk, Housing, Investment and Pensions. The Board has delegated authority to make decisions concerning these areas within its terms of reference and to make recommendations to the full Pension Board on other matters.

The Board has also delegated some of the day-to-day management and operation of the Scheme's affairs to professional organisations as set out on page 14.

Ethical Investment

The Board also manages the Secretariat to the Ethical Investment Advisory Group ("EIAG") on behalf of the Church of England's national investing bodies – the Church Commissioners, the Church of England Pensions Board and the CBF Church of England funds managed by CCLA Investment Management Ltd. The role of the EIAG supported by the Secretariat is to advise the national investing bodies on ethical investment policies. In addition the secretariat supports the Church Commissioners and the Church of England Pensions Board directly to:

- engage with companies on ethical issues; and
- oversee proxy voting at company general meetings.

Trustees and advisors

The Board has members elected and appointed by various means, which are described below. It delegates some of its business and decision making to sub committees.

Trustees and advisors (continued)

Committee Members (1 January 2016 to 30 June 2017)

Audit and Risk Committee
Canon David Froude ACIB (Chair)
Jane Bisson
Ian Boothroyd
The Revd Paul Boughton ACA
David Hunt FCA *(co-opted)*

Board Development Committee
Canon Nicolete Fisher (Chair)
Roger Boulton
The Revd Nigel Bourne
Canon Sandra Newton

Pensions Committee
Roger Mountford (Chair)
The Revd Fr Paul Benfield
Ian Boothroyd
Canon Sandra Newton
Maggie Rodger
Brian Wilson FIA
Ben Preece-Smith *(co-opted)*

Housing Committee
Canon Sandra Newton (Chair)
James Berrington *(co-opted)*
The Revd Nigel Bourne
Ian Clark
Canon Nicolete Fisher
The Rt Revd Alan Wilson, Bishop of Buckingham
James Berrington *(co-opted)*
Jeremy Gray *(co-opted)*
Jon Head *(co-opted)*
Henrietta Podd *(co-opted)*

Investment Committee
Alan Fletcher FCII (Chair)
Simon Baynes *(co-opted)*
Roger Boulton
Jeremy Clack FIA
Richard Hubbard
Roger Mountford
Emma Osborne
Matthew Beesley *(co-opted)*
Peter Parker TD DIA *(co-opted)*
Jonathan Rodgers *(co-opted)*

Reference and administrative information is shown below:

Charity number	236627
Principal office	Church House, London SW1P 3PS
Chief Executive	Bernadette Kenny
Actuary	Aaron Punwani, Lane Clark and Peacock LLP
Independent auditors	PricewaterhouseCoopers LLP
Bankers	National Westminster Bank plc
Corporate financial advisor	Traderisks Ltd
Investment Advisers	Mercer Ltd
Investment Managers	CCLA Investment Management Ltd Savills Investment Management Ltd Mayfair Capital Investment Management Ltd

Enquiries

Enquiries should be addressed to:

Church of England Pensions Board
29 Great Smith Street
London
SW1P 3PS

Alternatively, enquiries may be made by email to pbhcustomerservices@churchofengland.org, or by telephone to 020 7898 1890.

Management

Staff Remuneration and Executive Pay
Other than staff employed to work in the supported housing schemes and nursing home, all staff in the Pensions Board, and those working for Church of England Central Services who provide support functions to the Board, are covered by a unified pay policy that operates across all the National Church Institutions. The policy is designed to ensure the same level of pay for all staff in posts with work of equal value which is based on a comprehensive job evaluation scheme, with staff being placed in one of eight 'bands'. For certain staff with specialist skills, typically those whose role requires them to hold a professional qualification, a market adjustment may be applied, the value of which is determined by reference to the lower quartile and median of market related salaries and is subject to annual review. The NCIs retain the services of AON Hewitt to advise on market rates.

Staff pay is reviewed annually and any increases as a result of the annual pay negotiations are awarded with effect from 1 January each year.

Certain senior roles, including that of the Chief Executives, sit outside the banding system, as the skill set required to fulfil the role is not readily measured within the NCI's standard job evaluation system. Salaries for these roles are set individually with reference to the wider market place, typically comparing to the charity and public sector market, and is overseen by the Remuneration Committee comprising senior trustees from each of the main NCIs. In general these staff can expect the same percentage annual uplift for cost of living as the rest of the staff enjoy.

The amount paid to the highest member of staff is £153,000 (2015: £150,000), 10 (2015: 10) times the salary earned by the lowest paid member of staff and 5 (2015: 5) times the median salary.

Pensions
Staff employed by the National Church Institutions are eligible to join the Church Administrators Pension Fund – those whose employment commenced before July 2006 accrue pension on a defined benefit basis, and those employed subsequently are part of the defined contribution section with employer contribution rates ranging from 8% to 18% depending on the age of the employee.

Staff employed by the Board directly to work in the supported housing schemes and nursing home are eligible to join the Church Workers Pension Fund.

Attendance by Trustees at meetings of the Board and its Committees

The table below sets out the attendance of trustees at meetings of the Board and its Committees during 2016. Where a member only served for part of the year, the number of meetings that they could have attended is shown in brackets.

Trustee	**Board (6)**	**Audit and Risk (2)**	**Board Develop-ment (4)**	**Housing (4)**	**Investment (4)**	**Pensions (4)**
Dr Jonathan Spencer	5		4			
Canon Sandra Newton	6		4	4		4
The Revd Fr Paul Benfield	5					3
Jane Bisson	4	2				
Ian Boothroyd	5	2				4
The Revd Paul Boughton	5	2			2 (2)	
Roger Boulton	4		3		1 (2)	
The Revd Nigel Bourne	6		4	3		
Jeremy Clack	2				2	
Ian Clark	5			4		
Canon Nicolete Fisher	6		4	4		
Alan Fletcher	4				4	2
Canon David Froude	5	1 (1)		1 (1)		
Richard Hubbard	5				3	
Roger Mountford	4				2	4
Emma Osborne	5				4	
Maggie Rodger	6					1 (2)
The Revd Canon David Stanton	5	2				
The Rt Revd Alan Wilson	2					
Brian Wilson	4					4

Approval

The Trustees Report was approved by the Trustees on 30 June 2017 and signed on its behalf by:

Jonathan Spencer
Chairman

Statement of Trustees' responsibilities in relation to the financial statements

The charity trustees are responsible for preparing a trustees' annual report and financial statements in accordance with United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

The law applicable to charities in England and Wales requires the charity trustees to prepare financial statements for each year. Under that law the trustees must not approve the financial statements unless they give a true and fair view of the state of affairs of the charity and of the incoming resources and application of resources, of the charity for that period. In preparing the financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the applicable Charities SORP;
- make judgements and estimates that are reasonable and prudent;
- state whether FRS 102 has been followed, subject to any material departures that must be disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

The trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charity and to enable them to ensure that the financial statements comply with the Charities Act 2011, the applicable Charities (Accounts and Reports) Regulations, and the provisions of the Measures governing the Board. They are also responsible for safeguarding the assets of the charity and taking reasonable steps for the prevention and detection of fraud and other irregularities.

The trustees are responsible for the maintenance and integrity of the charity's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements.

Independent auditor's report to the Church of England Pensions Board and the General Synod of the Church of England

Report on the financial statements

Our opinion
In our opinion, the Church of England Pensions Board's consolidated financial statements and charity financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the charity's affairs as at 31 December 2016 and of the group's incoming resources and application of resources and cash flows, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of section 144 of the Charities Act 2011 and Regulation 15 of The Charities (Accounts and Reports) Regulations 2008.

What we have audited
The financial statements, included within the Annual Report, comprise:

- the consolidated and charity balance sheets as at 31 December 2016;
- the consolidated statement of financial activities for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).
In applying the financial reporting framework, the trustees have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Other matters on which we are required to report by exception

Sufficiency of accounting records and information and explanations received
Under the Charities Act 2011 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- sufficient accounting records have not been kept by the charity; or
- the charity financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Other information in the Annual Report
Under the Charities Act 2011 we are required to report to you if, in our opinion the information given in the Trustees' Report is inconsistent in any material respect with the financial statements. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the trustees
As explained more fully in the Statement of Trustees' Responsibilities, the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the charity's trustees as a body in accordance with section 144 of the Charities Act 2011 and regulations made under section 154 of that Act (Regulation 30 of The Charities (Accounts and Reports) Regulations 2008) and for no other purpose. We do not, in giving these opinions, 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.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves 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 group's and the charity's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the trustees; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the trustees' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially 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.

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

PricewaterhouseCoopers LLP is eligible to act, and has been appointed, as auditor under section 144(2) of the Charities Act 2011.

Consolidated statement of financial activities of the Church of England Pensions Board for the year ended 31 December 2016

	Notes	2016 Unrestricted funds	2016 Restricted funds	2016 Total	2015 Unrestricted funds	2015 Restricted funds	2015 Total
		£'000	£'000	£'000	£'000	£'000	£'000
Income from:							
Grants, donations and legacies	2	-	6,246	**6,246**	-	5,380	**5,380**
Investment income	3	-	1,842	**1,842**	-	1,810	**1,810**
Charitable activities	4	4,736	14,904	**19,640**	4,319	14,742	**19,061**
Other income: gain on sale of fixed assets		-	709	**709**	-	633	**633**
Total income		4,736	23,701	**28,437**	4,319	22,565	**26,884**
Expenditure on:							
Charitable activities	4	(4,736)	(23,081)	**(27,817)**	(4,319)	(20,931)	**(25,250)**
Raising funds	5	-	(6)	**(6)**	-	(16)	**(16)**
Total expenditure		(4,736)	(23,087)	**(27,823)**	(4,319)	(20,947)	**(25,266)**
Total income less expenditure before gain on investments		-	614	**614**	-	1,618	**1,618**
Net gain on investments	9	-	1,144	**1,144**	-	2,097	**2,097**
Net income		**-**	**1,758**	**1,758**	**-**	**3,715**	**3,715**
Other recognised gains/(losses)							
Other (losses)/gains: adjustment to pension provision	8	-	(56)	**(56)**	-	396	**396**
Total other gains and (losses)		-	(56)	**(56)**	-	396	**396**
Net movement in funds		**-**	**1,702**	**1,702**	**-**	**4,111**	**4,111**
RECONCILIATION OF FUNDS							
Total funds brought forward at 1 January		-	117,060	**117,060**	-	112,949	**112,949**
Net movement in funds in year		-	1,702	**1,702**	-	4,111	**4,111**
Total funds carried forward at 31 December		**-**	**118,762**	**118,762**	**-**	**117,060**	**117,060**

The income, expenditure and other recognised gains and losses all relate to continuing operations, none of which have been acquired during the year.

Note – all figures within the consolidated statement of financial activities are the same as for the charity-only statement of financial activities.

Consolidated balance sheet of the Church of England Pensions Board as at 31 December 2016

	Notes	2016 Consolidated			2015 Consolidated		
		£'000	£'000	£'000	£'000	£'000	£'000
		Funded by CC*	Funded by CEPB**	Total	Funded by CC*	Funded by CEPB**	Total
FIXED ASSETS							
Investment assets	9	-	37,871	**37,871**	-	36,788	**36,788**
Tangible assets - supported housing and IT	10	-	26,748	**26,748**	-	27,300	**27,300**
Tangible assets - CHARM	11	77,269	149,189	**226,458**	83,308	133,959	**217,267**
Total fixed assets		77,269	213,808	**291,077**	83,308	198,047	**281,355**
CURRENT ASSETS							
Debtors	12	-	2,459	**2,459**	-	1,841	**1,841**
Short term deposits		-	1,081	**1,081**	-	821	**821**
Cash at bank and in hand		-	3,242	**3,242**	-	3,814	**3,814**
Total current assets		-	6,782	**6,782**	-	6,476	**6,476**
CURRENT LIABILITIES							
Creditors: amounts falling due within one year	13	-	(5,448)	**(5,448)**	-	(5,384)	**(5,384)**
Loans repayable on sale of fixed assets	13	(77,269)	(1,142)	**(78,411)**	(83,308)	(1,142)	**(84,450)**
Total current liabilities		(77,269)	(6,590)	**(83,859)**	(83,308)	(6,526)	**(89,834)**
Net current (liabilities)/assets		(77,269)	192	**(77,077)**	(83,308)	(50)	**(83,358)**
Total assets less current liabilities		-	214,000	**214,000**	-	197,997	**197,997**
NON-CURRENT LIABILITIES	13	-	(93,333)	**(93,333)**	-	(78,931)	**(78,931)**
Net assets excluding pension provision		-	120,667	**120,667**	-	119,066	**119,066**
Defined benefit pension scheme liability	8	-	(1,905)	**(1,905)**	-	(2,006)	**(2,006)**
NET ASSETS		**-**	**118,762**	**118,762**	**-**	**117,060**	**117,060**
FUNDS OF THE CHARITY							
Total unrestricted funds		-	-	-	-	-	-
Restricted funds (excl. pension reserve)	14	-	120,667	120,667	-	119,066	119,066
Pension reserve	14	-	(1,905)	(1,905)	-	(2,006)	(2,006)
Total restricted funds	14	-	118,762	118,762	-	117,060	117,060
TOTAL CHARITY FUNDS CARRIED FORWARD AT 31 DECEMBER		**-**	**118,762**	**118,762**	**-**	**117,060**	**117,060**

*Funded by the Church Commissioners
**Funded by the Church of England Pensions Board
(See Note 11 for more details)

These financial statements were approved by the trustees on 30 June 2017 and signed on their behalf by:

Dr Jonathan Spencer
Chairman

Charity only balance sheet of the Church of England Pensions Board as at 31 December 2016

	Notes	2016			2015		
		£'000	£'000	£'000	£'000	£'000	£'000
		Funded by CC*	Funded by CEPB**	Total	Funded by CC*	Funded by CEPB**	Total
FIXED ASSETS							
Investment assets	9	-	37,884	**37,884**	-	36,801	**36,801**
Tangible assets - supported housing and IT	10	-	26,748	**26,748**	-	27,300	**27,300**
Tangible assets - CHARM	11	77,269	142,031	**219,300**	83,308	126,128	**209,436**
Total fixed assets		77,269	206,663	**283,932**	83,308	190,229	**273,537**
CURRENT ASSETS							
Debtors	12	-	9,599	**9,599**	-	9,645	**9,645**
Short term deposits		-	1,081	**1,081**	-	821	**821**
Cash at bank and in hand		-	3,229	**3,229**	-	3,801	**3,801**
Total current assets		-	13,909	**13,909**	-	14,267	**14,267**
CURRENT LIABILITIES							
Creditors: amounts falling due within one year	13	-	(5,430)	**(5,430)**	-	(5,357)	**(5,357)**
Loans repayable on sale of fixed assets	13	(77,269)	(1,142)	**(78,411)**	(83,308)	(1,142)	**(84,450)**
Total current liabilities		(77,269)	(6,572)	**(83,841)**	(83,308)	(6,499)	**(89,807)**
Net current assets/(liabilities)		(77,269)	7,337	**(69,932)**	(83,308)	7,768	**(75,540)**
Total assets less current liabilities		-	214,000	**214,000**	-	199,997	**199,997**
NON-CURRENT LIABILITIES	13	-	(93,333)	**(93,333)**	-	(78,931)	**(78,931)**
Net assets excluding pension provision		-	120,667	**120,667**	-	119,066	**119,066**
Defined benefit pension scheme liability	8	-	(1,905)	**(1,905)**	-	(2,006)	**(2,006)**
NET ASSETS		**-**	**118,762**	**118,762**	**-**	**117,060**	**117,060**
FUNDS OF THE CHARITY							
Total unrestricted funds		-	-	-	-	-	-
Restricted funds (excl. pension reserve)	14	-	120,667	**120,667**	-	119,066	119,066
Pension reserve	14	-	(1,905)	**(1,905)**	-	(2,006)	(2,006)
Total restricted funds	14	-	118,762	**118,762**	-	117,060	117,060
TOTAL CHARITY FUNDS CARRIED FORWARD AT 31 DECEMBER		**-**	**118,762**	**118,762**	**-**	**117,060**	**117,060**

*Funded by the Church Commissioners
**Funded by the Church of England Pensions Board

Consolidated cash flow statement of the Church of England Pensions Board for the year ended 31 December 2016

Reconciliation of net income before other gains and losses to net cash used in operating activities

	Notes	2016 £'000	2015 £'000
Net income for the year (as per the statement of financial activities)		1,758	3,715
Adjustments for:			
Depreciation – supported housing and IT systems	10	674	666
Amortisation – Santander arrangement fee	13	34	33
Amortisation – CHARM Finance PLC bond set-up costs	13	18	7
Gains on investments	9	(1,144)	(2,097)
Dividends, interest and rents from investments	3	(1,842)	(1,810)
Gains on disposal of tangible assets – CHARM	11	(709)	(633)
(Loss)/gain on pension deficit movement	8	(56)	396
Movement in debtors	12	(618)	(72)
Movement in creditors: amounts due within less than one year	13	64	1,067
Movement in pension liability	8	(101)	(558)
Net cash (used in) / generated from operating activities		(1,922)	714

Cash flow statement

	Notes	2016 £'000	2015 £'000
Net cash used in operating activities		(1,922)	714
Cash flows from investing activities:			
Dividends, interest and rents from investments	3	1,842	1,810
Proceeds from the sale of tangible assets – CHARM properties	11	7,652	5,972
Purchase of tangible assets – CHARM properties	11	(16,134)	(35,247)
Purchase of tangible assets – supported housing	10	(122)	(144)
Proceeds from the sale of investments	9	147	2,008
Purchase of investments	9	(86)	-
Net cash (used in) investing activities		(6,701)	(25,601)
Cash flows from financing activities:			
Repayment of loans from Church Commissioners	13	(6,039)	(23,324)
Repayment of loans from Santander	13	-	(28,000)
Additional funding from Santander	13	14,350	9,250
Repayment of dioceses' share of rental properties	13	-	(29)
CHARM Finance Bond – loan from PIC	13	-	70,000
CHARM Finance Bond – capitalised set-up costs	13	-	(509)
Net cash generated from financing activities		8,311	27,388
Change in cash and cash equivalents in the year		(312)	2,501
Cash and cash equivalents at the beginning of the year		4,635	2,134
Cash and cash equivalents at the end of the year		4,323	4,635

Analysis of cash and cash equivalents

	2016 £'000	2015 £'000
Cash at bank and in hand	3,242	3,814
Short term deposits	1,081	821
Total cash and cash equivalents	4,323	4,635

Notes to the financial statements of the Church of England Pensions Board for the year ended 31 December 2016

1. Accounting policies

a) Legal status

The Church of England Pensions Board ("the Board") is a body corporate established in 1926 but now governed by the 1961 Clergy Pensions Measure and subsequent Measures. It is a registered charity in England and Wales (Charity No. 236627) and is regulated by the Charity Commission.
The charity's address is: 29 Great Smith Street, London, SW1P 3PS.

b) Basis of preparation

The consolidated and charity financial statements have been prepared in accordance with:

- Financial Reporting Standard 102: The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102");
- Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their financial statements in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) ("the SORP"); and
- the Charities Act 2011.

The financial statements have been prepared to give a true and fair view and have departed from the Charities (Accounts and Reports) Regulations 2008 only to the extent required to provide a true and fair view. This departure has involved following Accounting and Reporting by Charities preparing their financial statements in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) issued on 16 July 2014 rather than the Accounting and Reporting by Charities: Statement of Recommended Practice effective from 1 April 2005 which has since been withdrawn.

The Board meets the definition of a Public Benefit Entity ("PBE") as set out in FRS 100, and therefore applies the PBE prefixed paragraphs in FRS 102.

The financial statements have been prepared on the historical cost basis (except for the revaluation of investments and where cost is deemed to be the revaluation amount at date of transition) and on the accruals basis.

The financial statements contain the financial information for the Church of England Pensions Board which is structured as follows:

- Unrestricted Funds - representing expenditure incurred by the Board on salaries and working expenses subsequently recovered in full from the pension funds administered by the Board.
- Restricted Funds - these funds have narrower purposes than that of the Board.

A summary of the accounting policies, which have been applied consistently across the group, is set out below.

c) Basis of consolidation

The consolidated statement of financial activities ("SOFA") and the balance sheet include the financial information of the Board and its subsidiary undertakings (CEPB Developments Ltd, CEPB Mortgages and CHARM Finance plc) for the year ended 31 December 2016. The subsidiaries have been consolidated on a line by line basis. Intra-group balances and transactions are eliminated on consolidation.

The Board has chosen not to present its non-consolidated statement of financial activities separately as the numbers are the same as for the consolidated equivalent. The Board have also taken advantage of the exemption conferred by FRS 102 Section 1 not to prepare a charity-only cash flow statement.

The Board, together with the Archbishops' Council and the Church Commissioners are equal partners in Church of England Central Services (ChECS), a joint venture. This jointly controlled entity is included in the Board's consolidated financial statements using the equity method. The Board's share of profits or losses from ChECS is included in the SOFA and its share of net assets is included in the balance sheet.

d) Going concern

The trustees believe it is appropriate to prepare the financial statements on a going concern basis and consider that there are no material uncertainties about the Board's ability to continue as a going concern. The Board reached this conclusion after having reviewed the financial forecast for the following year, its long term business plan and its reserves and contingency plans to deal with a range of adverse scenarios.

e) Income

All income is recognised once the Board has entitlement to the income, it is probable that the income will be received and the amount of income receivable can be measured reliably.

i) Grants, donations and legacies

Donations are accounted for when received. Grants are recognised when the Board is entitled to receive them and revenue recognition criteria of entitlement, certainty and measurement have been met. Gift Aid receivable is included in income when there is a valid declaration from the donor. Pecuniary legacies are recognised as receivable once probate has been granted and notification has been received. Residuary legacies are recognised as receivable once probate has been granted, where sufficient information has been received and are recognised on an estimated basis as follows: cash elements are recognised at monetary value, with property and other assets, including investments, valued at probate or net realisable value. Values are reviewed and adjusted up to the point of financial statement approval.

Gifts in kind are valued at an amount equivalent to the basis of the value of the gift to the charity at the time of their receipt, and are included in the SOFA. In the case of properties, these are valued at market value.

ii) Investment income

Income from investments is recognised on an accruals basis.

Notes to the financial statements of the Church of England Pensions Board for the year ended 31 December 2016

1. **Accounting policies (continued)**

iii) Income from charitable activities

Income from charitable activities represents rent from rental properties, rent and service charge from shared ownership properties, income from mortgaged properties and fees and service charges from supported housing schemes, which are all recognised on the accruals basis.

iv) Other income

Other income is recognised when the Board is entitled to receive it and revenue recognition criteria of entitlement, certainty and measurement have been met.

f) Expenditure

All expenditure is accounted for on the accruals basis. Expenditure and liabilities are recognised when a legal or constructive obligation exists as outlined in Section 7 of FRS 102. The SOFA has been presented on an activity basis. Costs have been distinguished between charitable activities and those incurred to raise funds. Specific accounting policies are:

i) Charitable activities

Direct costs and grants are allocated directly to activities. Grants payable are recognised when a firm commitment to provide funding is made and there is evidence of a constructive obligation to the beneficiary.

ii) Support costs

Costs include shared service costs (finance, IT, HR, legal, internal audit), department running costs and governance costs. They are allocated across the charitable activities and raising funds as detailed in notes 4 and 5. Governance costs relate to the general running of the Board, which include costs associated with the strategic as opposed to day to day management of the Board's activities, and compliance with constitutional and statutory requirements.

g) Pensions

Staff pensions are described in note 8. Defined benefit schemes are considered to be a multi-employer schemes as described in FRS 102 paragraph 28.11 and consequently are accounted for as if they were defined contribution schemes, where employer contributions payable in the year are charged to expenditure.

Where schemes have deficit recovery contribution plans in place, FRS 102 paragraph 28.11A requires the present value of these agreed payments to be recognised as a liability. Amounts paid during the year are charged against this liability.

h) Fixed assets

Rental properties, shared ownership properties, mortgaged properties and supported housing properties generate income from the furtherance of the charity's objects. As such, they are not considered to be investment properties but are classed as programme related investments, which under the SORP, do not need to be revalued.

Where fixed assets were purchased with significant restrictions as a result of agreements with the funder such that the Board has a right of use of the asset for the lifetime of a beneficiary of the charity but the risks and rewards relating to capital value accrue entirely to the lender, these assets are shown in a separate category. Proceeds on eventual sale of these properties are not accounted for by the Board as they are received as agent for the lender and are used to settle the corresponding liability.

i) Rental properties

Properties are held at original cost or for properties received as gifts, the notional cost equivalent to the market value. Funding arrangements are explained in note 11.

Costs relating to the repair and maintenance of properties are charged to the SOFA in the year incurred.

No depreciation is charged on long leasehold or freehold properties due to the long life and the high residual value of properties which would result in immaterial depreciation for each asset and in aggregate.

An impairment review is carried out annually and where materially different from historic cost, the properties are carried at recoverable amount (being the higher of fair value less costs to sell and value in use).

ii) Shared ownership properties

These properties are purchased by the Board and the resident buys a 90 year lease for a share in the property (at least 25%) and pays a rent and a service charge on the proportion of the property that they do not own. Residents can purchase further shares in their property if their financial circumstances change, and the equity interests are adjusted accordingly.

The Board holds each property at its equity percentage of the original cost, subject to an impairment review. An impairment review is carried out annually and where materially different from historic cost, the Board's proportion of each property is carried at recoverable amount (being the higher of fair value less costs to sell and value in use).

No depreciation is charged on leasehold or freehold shared ownership properties due to the long life and the high residual value of properties which would result in immaterial depreciation for each asset and in aggregate.

Notes to the financial statements of the Church of England Pensions Board for the year ended 31 December 2016

1. Accounting policies (continued)

iii) Mortgaged properties

Mortgaged properties were purchased by the Board under a scheme that closed to new business in 2008. These mortgages operate as value linked loans, where the Board's equity interest in a property is the amount loaned to the resident (up to 95% of the property value) and the resident's equity interest is the amount funded directly by the resident. If a resident pays off part of their loan, the equity interests are adjusted accordingly.

On the sale of a property, the Board and the resident receive proceeds in the same proportion as their equity interests.

The Board's interest is therefore classified as a tangible fixed asset and not as a financial instrument, as the rights attaching are more closely linked to the ownership of a share of a property. The Board accounts for each property at its equity percentage of original cost, subject to an impairment review. An impairment review is carried out annually and where materially different from historic cost, the Board's proportion of each property is carried at recoverable amount (being the higher of fair value less costs to sell and value in use).

iv) Supported housing schemes and nursing home

The properties and their associated land are held at deemed cost. Freehold land is not depreciated. The buildings are depreciated.

Fixtures, fittings, plant and equipment are held at original cost to the Board less depreciation.

Depreciation is charged on the following basis:

Tangible asset	***Basis***	***Rate***
Freehold buildings	Reducing balance	2.5% per annum
Fixtures, fittings, plant and equipment	Straight line	10-25 years

v) Investment properties

Investment properties are held at fair value. Valuations are carried out every year in accordance with the Appraisals & Valuation Manual issued by the Royal Institute of Chartered Surveyors. No depreciation is charged.

vi) IT systems and office equipment

IT systems are held at original cost to the Board less depreciation charged on a straight line basis over 5 years. Systems are capitalised while under construction until implementation and at that stage depreciation commences.

vii) Gains (or losses) from sale of fixed assets

Gains (or losses) resulting from the sale of fixed assets are recognised in income (or expenditure). Gains or losses resulting from the sale and revaluation of investment assets are recognised in the SOFA in a separate section before net income/expenditure

i) Loans

The Board applies the measurements provisions of FRS 102 paragraphs PBE34.90-92 to all its concessionary loans. Loans from the Church Commissioners are measured at the amount received from the Commissioners. See notes 11 and 13 for more information.

The loan from Santander is a basic financial instrument and measured at transaction price (less transactions costs). Subsequently, it is measured at amortised cost using the effective interest method. Arrangement fees are deducted from the transaction price and are amortised over 15 years (July 2010 to July 2025).

The loan from CHARM Finance PLC to the Charity is a basic financial instrument and is measured at transaction price (less transactions costs). Subsequently, it is measured at amortised cost using the effective interest method. Arrangement fees are deducted from the transaction price and are amortised over the length of the facility.

The Bond liability relates to the corporate bond issued by CHARM Finance PLC, and is a basic financial instrument measured initially at the proceeds of issue less transaction costs directly attributable to the issue of the Bond. After initial recognition the liability is measured at amortised cost using the effective interest method with transaction costs being amortised over the length of the facility.

j) Financial instruments

The Board has chosen to adopt sections 11 & 12 of FRS 102 in respect of financial instruments which are not public benefit entity concessionary loans.

Basic financial instruments

Financial assets, including cash at bank and trade and other receivables are recognised and held at transaction price. They are derecognised when the rights to the cash flows from the financial assets expire or are settled.

Listed and unlisted investments are initially measured at fair value. Such assets are subsequently held at fair value at each balance sheet date. The changes in fair value are recognised in the SOFA. The fair value of listed investments is determined using bid price in accordance with the practice of the appropriate stock exchange. Unlisted investments are valued by reference to latest dealing prices, valuations from reliable sources or net asset values.

Financial liabilities, including trade and other payables and inter-group balances are initially recognised at transaction price. Bank loans are subsequently measured at the amortised cost, using the effective interest rate. Financial liabilities are derecognised, when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Notes to the financial statements of the Church of England Pensions Board for the year ended 31 December 2016

1. Accounting policies (continued)

k) Taxation

As a registered charity, the Board is exempt from taxation on its income and gains falling within Part 11 of the Corporation Taxation Act 2010 or section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that they are applied to charitable purposes.

The Board, in common with many other charities, is unable to recover the majority of Value Added Tax (VAT) incurred on expenditure. The amount of VAT that cannot be recovered is included in the underlying cost to which it relates.

l) Related parties

The Church of England comprises a large number of legally independent bodies in its parishes, cathedrals and dioceses as well as at national level. These bodies are not related to the Board as defined in the Charities SORP or chapter 33 of FRS 102: Related parties disclosures. Transactions and balances with these bodies are accounted for in the same way as other transactions and, where material, are separately identified in the notes to the financial statements. The Church of England Pensions Board are related to ChECS, as they are a partner in this joint venture. Details are given in Note 16.

m) Funds

In line with the SORP, the Board segregates its funds between those that are restricted and those that are unrestricted.

Unrestricted funds are funds received by the Board that are available for use at the discretion of the Board in pursuing the general charitable objectives of the charity.

Restricted funds are funds received by the Board for particular purposes and are to be used in accordance with those purposes. An analysis of restricted funds is provided in note 14.

n) Significant judgements and estimates

The Board's key judgements and estimates, which have a significant effect on the amounts recognised in the financial statements, are described in the accounting policies and are summarised below:

• Residuary legacies – estimation required for residuary legacies receivable once probate has been granted.
• Pension deficit liabilities - estimations surrounding the recognition of the Charity's defined benefit pension deficit liabilities. Further details are disclosed in note 8.
• Carrying value of investment assets and tangible assets – judgements in respect of appropriate valuation methods used for the assets of the Charity. Further details are disclosed in notes 9 to 11.

2. Income from grants, donations and legacies

	Note	2016 £'000	2015 £'000
Grants from:			
The Archbishops' Council	4	4,359	4,151
Other grants		44	-
Total grants		4,403	4,151
Donations		670	180
Legacies		1,173	1,049
Total income from grants, donations and legacies		**6,246**	**5,380**

The Archbishops' Council makes grants from money provided by the dioceses under the General Synod Vote 5, towards the costs of the CHARM scheme. All income from grants, donations and legacies of £6,246,000 (2015: £5,380,000) was attributable to restricted funds.

3. Investment income

	2016 £'000	2015 £'000
Dividends	1,822	1,761
Rental income from investment properties	15	22
Interest on cash	5	27
Total income from investments	**1,842**	**1,810**

All income from investments of £1,842,000 (2015: £1,810,000) was attributable to restricted funds.

Notes to the financial statements of the Church of England Pensions Board
For the year ended 31 December 2016

4. Charitable activities

		Restricted Funds								
		Rental properties	**Shared ownership**	**Mortgage loans**	**Supported housing & nursing home**	**Other charitable activities**	**Total restricted funds**	**Unrestricted funds**	**2016 Total**	**2015 Total**
	Note	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Charitable income:										
Rent received		6,286	546	-	1,154	-	**7,986**	-	**7,986**	**7,866**
Service charge received		-	62	-	2,752	-	**2,814**	-	**2,814**	**2,693**
Income from mortgage properties		-	-	2,776	-	-	**2,776**	-	**2,776**	**2,951**
Fees received for nursing homes		-	-	-	1,229	-	**1,229**	-	**1,229**	**1,232**
Support costs recharge		-	-	-	-	-	**-**	4,736	**4,736**	**4,319**
Other charitable activities		-	99	-	-	-	**99**	-	**99**	**-**
Total income from charitable activities		6,286	707	2,776	5,135	-	**14,904**	4,736	**19,640**	**19,061**
Charitable expenditure:										
Financing costs (interest and commitment fee)		4,853	444	2,713	-	-	**8,010**	-	**8,010**	**7,831**
Grant making		-	-	-	-	123	**123**	-	**123**	**149**
Property costs (repairs, insurance and other costs)		5,324	46	63	10	-	**5,443**	-	**5,443**	**4,040**
Support costs	6	1,748	582	388	1,164	-	**3,882**	4,736	**8,618**	**8,483**
Service charge costs		-	39	-	2,596	-	**2,635**	-	**2,635**	**2,560**
Nursing home costs		-	-	-	2,056	-	**2,056**	-	**2,056**	**1,383**
Supported Housing and other direct costs		-	-	-	362	-	**362**	-	**362**	**287**
Depreciation charge		-	-	-	674	-	**674**	-	**674**	**638**
Amortisation of loan arrangement fee		52	-	-	-	-	**52**	-	**52**	**41**
Total		11,977	1,111	3,164	6,862	123	**23,237**	4,736	**27,973**	**25,412**
Unwinding of pension deficit on charitable activities		(70)	(23)	(16)	(47)	-	**(156)**	-	**(156)**	**(162)**
Total expenditure on charitable activities		11,907	1,088	3,148	6,815	123	**23,081**	4,736	**27,817**	**25,250**

Notes to the financial statements of the Church of England Pensions Board
For the year ended 31 December 2016

4. Charitable activities (continued)

2015 Summary	**Restricted Funds**							
	Rental properties	**Shared ownership**	**Mortgage loans**	**Supported housing & nursing home**	**Other charitable activities**	**Total restricted funds**	**Unrestricted funds**	**2015 Total**
Total income from charitable activities	6,216	560	2,951	5,015	-	**14,742**	4,319	**19,061**
Total expenditure on charitable activities	10,346	1,139	3,299	5,998	149	**20,931**	4,319	**25,250**

The deficit on charitable activities is funded through a combination of specific and general voluntary income, investment income, and realised gains on disposal of investments and property. In the year ended 31 December 2016 grants of £4,359,000 were received from the Archbishops' Council towards the CHARM scheme (2015: £4,151,000). In addition, the Board's broader charitable activities were funded through voluntary income of £1,843,000 (2015: £1,229,000), Investment income of £1,842,000 (2015: £1,810,000) and gains on disposal of property of £709,000 (2015: £633,000).

Income & Expenditure from charitable activities:

Rental Properties
The Archbishops' Council, from money provided by the dioceses under the General Synod Vote 5, makes grants towards the costs of the CHARM scheme, being the excess of direct expenditure and interest payable over maintenance contributions receivable from residents.

Rent from tenancies starting after 1 April 2015 are target rents based on the value of the property and are subsidised so that they are more affordable than market rents. Rent from tenancies before this are based on the occupant's ability to pay. Residents pay for moving costs, furnishings and white goods, contents insurance and on-going utility and council tax costs. The Board pays for repairs and on-going maintenance of the properties.

There are a small number of properties that are let on the open market at market rents during short periods when a property is not occupied by residents eligible for the CHARM scheme. At 31 December 2016 there were 22 (2015: 20) such tenancies.

All tenancies fall into the definition of operating leases as set out in FRS 102 section 20, and clarified in the Housing SORP 2014 paragraph 10.3 (which though the Board does not comply with, it does look to this guidance for clarification where the Charities SORP and FRS 102 are silent on particular issues). All tenancies are cancellable, either on death or notice of the resident and are not assignable.

Shared Ownership
Residents pay rent based on the Board's share of the ownership of the property and the cost of buildings insurance.

For some properties bought before 1 April 2014, residents also pay a service charge towards the repairs and maintenance of properties. For properties bought after 1 April 2014, or where residents have opted, the responsibility for repairs and maintenance lies with the resident.

Mortgage Properties
The mortgage scheme offered value linked loans to retired clergy and closed to new business in 2008. Mortgagees pay an interest-only amount on the capital advanced.

A small number of loans pre-dating the 1983 CHARM mortgage scheme remain, where a fixed amount of interest is paid based on the capital advanced. At 31 December 2016, the number of such loans in place was 6 (2015: 6).

Supported Housing & Nursing Home
Some residents in the schemes receive subsidies from the Board's charitable funds. The cost of running the schemes is not met fully by rent and service charge fees. The operating deficit is met from the Board's charitable funds.

Other charitable activities
Grants are payable to augment the income of those retired clergy and clergy widow(er)s whose income falls below a certain standard, which is reviewed annually.

5. Raising funds

	Notes	**2016**	**2015**
		£'000	**£'000**
Cost of generating voluntary income (support costs)	6	-	10
Investment management costs (direct costs)		6	6
Total cost of generating funds		**6**	**16**

Notes to the financial statements of the Church of England Pensions Board
For the year ended 31 December 2016

6. Support costs

Support costs include department running costs and governance costs, plus charges for using shared services operated by ChECS. They are included in charitable expenditure (note 4) and are apportioned to the various charitable activities to which they relate.

	Restricted funds						Unrestricted funds	Total 2016
	Rental properties	Shared ownership	Mortgage properties	Supported housing and nursing home	Raising funds	Total	Pension schemes	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Housing department	980	326	218	653	-	2,177	-	**2,177**
Executive, and Secretariat	88	29	19	58	-	194	117	**311**
Governance costs	74	25	16	49	-	164	153	**317**
Pensions department	-	-	-	-	-	-	2,685	**2,685**
Investments department	-	-	-	-	-	-	822	**822**
Shared services	606	202	135	404	-	1,347	959	**2,306**
Total support costs	**1,748**	**582**	**388**	**1,164**	**-**	**3,882**	**4,736**	**8,618**
2015								
Total support costs	1,891	621	413	1,239	10	4,174	4,319	8,493

Housing department costs

These costs are allocated on a 'per head' basis: costs of housing staff are allocated 45% to rental properties, 30% to supported housing schemes and nursing home, 25% to mortgages and shared ownership.

Executive and Secretariat and shared service costs

Centrally incurred management and shared service costs are allocated between pension schemes and the charity on a 'per head' basis. The charity's housing share is then allocated 45% to rental properties, 30% to supported housing schemes and nursing home, 10% to mortgages and 15% to shared ownership.

Governance costs

Governance costs comprise staff and non-staff costs relating to the general running of the Board, including supporting the work of the Board and its Committees. Members of the Board are reimbursed for travel expenses incurred whilst on official business but are not entitled to any other remuneration or allowances. In the year to 31 December 2016, 24 (2015: 24) members claimed a total of £17,000 (2015: £22,000). Governance costs other than external audit costs are allocated between pension schemes and the charity on a 'per head' basis. The charity's housing share is then allocated 45% to rental properties, 30% to supported housing schemes and nursing home, 10% to mortgages and 15% to shared ownership.

	2016	2015
	£'000	£'000
External audit	89	121
Internal audit	67	80
Board and committee meetings	8	10
Total governance costs	**164**	**211**

Total fees paid (excluding VAT) to PricewaterhouseCoopers LLP are shown below:

	2016	2015
	£'000	£'000
Audit of CEPB and its subsidiary undertakings	56	101
Total audit fees relating to current year for CEPB and its subsidiaries	**56**	**101**
Additional CEPB audit work relating to prior year	18	-
Advisory work in relation to bond (included within Bond issue transaction costs)	-	187
Total other audit fees for CEPB and its subsidiaries	**18**	**187**
Audit of Pension Schemes	78	50
Total audit fees relating to current year for Pension Schemes	**78**	**50**

Notes to the financial statements of the Church of England Pensions Board
For the year ended 31 December 2016

Pensions department costs
Expenses are incurred by the Board for administering the pension schemes. These costs are recovered from the pension schemes by charging an administration fee to each scheme.

Investment department costs
Expenses are incurred by the Board for managing the investment portfolio of the Church of England Investment Fund for Pensions through which the pension schemes hold investments. These costs are recovered by the Board as part of the administration fee the Board charges each pension scheme.

Shared service costs
Shared services are provided by Church of England Central Services. Expenses incurred by the Board for administering the Pension Funds are either charged directly to the activity to which they relate or are allocated to the funds in proportion to staff costs, number of data processes or other relevant criteria.

7. Staff numbers and costs

The Chief Executive and staff employed to work in the supported housing schemes and the nursing home are employed directly by the Board. The Board is joint employer, together with the other National Church Institutions (the NCIs), of most of the other staff of the NCIs. In addition to staff employed directly, the work of the Board is supported by staff in shared service departments who provide finance, HR, communications, legal, IT and internal audit services. Since 1 April 2014 they have been employed by a separate NCI, Church of England Central Services (ChECS). Prior to this they had one of the three main NCIs as managing employer and their costs were shown only in the relevant NCI's financial statements.

The SORP requires that the costs of staff employed by third parties who operate on your behalf be disclosed in the financial statements. In order to comply with the spirit of the SORP, the costs of all ChECS staff are shown in aggregate in the tables below – the Board's share of which was £1,313,000 (2015: £1,451,000).

The cost of staff for which the Board is the managing employer and for ChECS (in aggregate) was:

	Pensions Board own staff										**ChECS**	
	Housing		**Pensions and Investments**		**Secretariat and fundraising**		**Supported housing and nursing home**		**Total**		**Shared services**	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Average number employed	30	31	28	26	5	6	154	148	217	211	144	133
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**			**£'000**	**£'000**
Salaries	1,115	1,088	1,206	1,115	339	360	2,426	2,093	5,086	4,656	5,599	5,809
National Insurance costs	120	116	135	112	41	43	145	147	441	418	616	577
Pension contributions	162	244	178	238	49	120	307	174	696	776	1,437	1,444
Total cost of staff	**1,397**	**1,448**	**1,519**	**1,465**	**429**	**523**	**2,878**	**2,414**	6,223	5,850	**7,652**	**7,830**
Total chargeable to Charitable Funds	**1,397**	**1,448**	**-**	**-**	**246**	**284**	**2,878**	**2,414**	4,521	4,146		

Included in staff costs is £329,000 (2015: £89,000) paid by way of redundancy costs to thirty seven (2015: two) individuals following a restructuring. Restructuring costs are accounted for in full in the year in which the restructure is announced.

Notes to the financial statements of the Church of England Pensions Board
For the year ended 31 December 2016

7. Staff numbers and costs (continued)

The number of staff whose total employee benefits for the year fell in the following bands were:

	Pensions Board own staff								ChECS	
	Housing		Pensions and Investments		Secretariat and fundraising		Supported housing schemes and nursing home		Shared services	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
£60,001 to £70,000	-	1	-	1*	-	-	-	-	4	8
£70,001 to £80,000	1	-	1	1~	1	1	-	-	5	2
£80,001 to £90,000	-	-	-	2*	-	-	-	-	7	7*
£90,001 to 100,000	-	-	1	1	-	-	-	-	-	1
£100,001 to 110,000	-	-	-	-	-	-	-	-	-	1*
£110,001 to 120,000	-	-	-	-	-	-	-	-	-	1*
£120,001 to £130,000	-	-	1	-	-	-	-	-	1	1
£130,001 to £140,000	-	-	-	-	-	-	-	-	-	3*
£140,001 to £150,000	-	-	-	-	-	-	-	-	1	2*
£150,001 to £160,000	-	-	-	-	1^	1^	-	-	-	-

^ *Chief Executive*   * *Includes redundancy costs*

~ *Pensions and investments includes staff of the Ethical Investment Advisory Group managed by the Board, the costs of which are shared with the Church Commissioners and CCLA Investment Management Ltd.*

Employee benefits include gross salaries and termination payments but do not include employer pension contributions and employer National Insurance contributions.

All staff above were members of the Church Administrators Pension Fund. Of those directly managed by the Board, five (2015: five) staff accrue benefits under a defined contributions scheme for which contributions for the year were £69,000 (2015: £65,000). The remaining one (2015: three) staff accrued benefits under a defined benefit scheme. Of those managed by ChECS, 9 (2015: 10) staff accrue benefits under a defined contribution scheme for which contributions for the year were £104,000 (2015: £118,000). The remaining 9 (2015: 16) staff members accrue benefits under a defined benefit scheme.

The highest paid member of staff was the Chief Executive who earned £153,000 (2015: £150,000). Further details of the Board's remuneration policy are included in the Management section of the Board's report, on page 15.

Interest free loans are made for travel season tickets and interest free green travel loans for the purchase of bicycles and electric scooters.

Notes to the financial statements of the Church of England Pensions Board
For the year ended 31 December 2016

8. Staff pensions

Staff employed jointly by the National Church Institutions

Pension benefits from Service up to 31 December 1999
These are met by the Church Commissioners for England, so no costs or liability are reflected by the Board.

Pension benefits from Service from 1 January 2000
Benefits for staff arising from service from 1 January 2000 are provided by the Church Administrators Pension Fund ("CAPF").

The participating employers are responsible for making contributions of £210,000 (2015: £222,000) towards the administration costs of the CAPF and the cost of Pension Protection Fund levies of £57,000 (2015: £60,000). The Board's share of these costs was £28,000 (2015: 28,000).

Staff who were in service as at 30 June 2006 are members of the defined benefit section of the CAPF. This is considered to be a multi-employer scheme as described in FRS 102 paragraph 28.11 and consequently is accounted for as if it were a defined contribution scheme, where employer contributions payable in the year are charged to expenditure.

The contributions to the CAPF are assessed by an independent qualified actuary using the projected unit method of valuation. A valuation of the scheme is carried out once every three years, the most recent having been carried out as at 31 December 2014. This revealed a deficit of £25.1m, based on assets of £96.3m and a funding target of £121.4m. The level of additional contributions to be made by the employers was £2,373,000 per annum from 1 July 2013 to 30 June 2025, increasing on 1 January each year by 5.0%. This was revised in October 2015 as a result of the 2014 valuation and it was agreed that with effect from 1 January 2016 to 30 June 2025 the employers would pay £2,500,000 per annum increasing each year by 3.3%.

The Board's share of this agreed deficit recovery plan is provided for. The provision is measured at its net present value. The table below shows the movement on the provision:

	Provision brought forward	Contributions Paid	Interest charged on provision	Adjustment to net present value of provision	Provision carried forward
	£000	£000	£000	£000	£000
Share of CEPB staff	1,303	(142)	31	130	1,322
Share of ChECS staff	703	(62)	16	(74)	583
Total provision	2,006	(204)	47	56	1,905

Staff who joined after 20 June 2006 are members of the defined contributions section of the CAPF. Employer contributions payable in the year are charged to expenditure.

Staff employed directly by the Board (supported housing schemes and nursing home)
Pension benefits for staff in managerial positions are provided for by a defined benefit section of the Church Workers Pension Fund ("CWPF"). The scheme is considered to be a multi-employer scheme as described in FRS 102 paragraph 28.11 and consequently is accounted for as if it were a defined contribution scheme, where employer contributions payable in the year are charged to expenditure.

The contributions to the Fund are assessed by an independent qualified actuary using the projected unit method of valuation. The last full valuation of the Fund, as at 31 December 2013, showed an overall deficit of £12.9m (2010: £40.3m). The deficit recovery period is agreed with each participating employer in the scheme, however there is currently no requirement under the Charity's schedule of contributions to make further deficit payments.

Pension benefits for other staff are provided for by a defined contribution scheme in CWPF, where employer contributions payable in the year are charged to expenditure.

Notes to the financial statements of the Church of England Pensions Board
For the year ended 31 December 2016

9. Investment assets

GROUP	At 1 January 2016	Additions	Disposals	Unrealised gains	At 31 December 2016
	£'000	£'000	£'000	£'000	£'000
UK investment funds	36,116	86	(128)	1,144	37,218
UK government stock	22	-	(19)	(3)	-
UK investment properties	650	-	-	3	653
Consolidated total investment assets	**36,788**	**86**	**(147)**	**1,144**	**37,871**

CHARITY	At 1 January 2016	Additions	Disposals	Unrealised gains	At 31 December 2016
	£'000	£'000	£'000	£'000	£'000
UK investment funds	36,116	86	(128)	1,144	37,218
UK government stock	22	-	(19)	(3)	-
UK investment properties	650	-	-	3	653
Investment in subsidiary	13	-	-	-	13
Charity's total investment assets	**36,801**	**86**	**(147)**	**1,144**	**37,884**

Funds were managed by CCLA, Savills and Mayfair. Investment funds were held as follows:-

	2016	2015
	£'000	£'000
CCLA Investments	9,689	8,804
Savills	19,327	19,077
Mayfair	8,202	8,235
Total	**37,218**	**36,116**

Subsidiaries
The Board owns 100% of CEPB Developments Ltd, a dormant company limited by shares, held to undertake property and building development at the supported housing schemes and nursing home, and CEPB Mortgages Ltd, a company limited by guarantee, held to administer mortgages on behalf of the Board. Both companies are registered at 29 Great Smith Street, London, SW1P 3PS.

The Board also owns 100% of CHARM Finance PLC, a company limited by share capital of £50,000 (of which £12,500 has been paid up by the Board), held as a special purpose vehicle providing £100m of funds to the Board via a bond issue. These funds are being used to secure current and future obligations for clergy housing in retirement.

Joint ventures
ChECS is a charitable joint venture between the Church Commissioners, the Archbishops' Council and the Church of England Pensions Board, who are equal partners. The purpose of ChECS is to enhance the efficiency and effectiveness of the charitable national and diocesan institutions of the Church of England and of other charities with a church ethos, by facilitating the provision of cost-effective shared financial, legal and other services.

The charity was registered with the Charity Commission on 31 December 2013 and started operating from 1 April 2014. Prior to this, the responsibility for the provision of shared services was split between the three main NCIs. The previous management arrangements continued into the new structure.

The Board's share of net assets of ChECS was £nil. As at 31 December 2016, £90,000 was owed by the Board to ChECS (2015: £88,000 owed by the Board to ChECS).

The Pensions Board have no associated undertakings.

UK investment properties
The valuers of the investment properties were Savills LLP.

Notes to the financial statements of the Church of England Pensions Board
For the year ended 31 December 2016

10. Tangible assets – Supported housing and IT systems

Consolidated and charity

	At 1 January 2016	Additions	Disposals	Charge in year	Impairment	At 31 December 2016
	£'000	£'000	£'000	£'000	£'000	£'000
Land and buildings						
Cost	27,278	14	-	-	-	27,292
Depreciation	(1,097)	-	-	(549)	-	(1,646)
Net book value	26,181	14	-	(549)	-	25,646
Fixtures and fittings						
Cost	3,844	108	-	-	-	3,952
Depreciation	(2,776)	-	-	(97)	-	(2,873)
Net book value	1,068	108	-	(97)	-	1,079
IT systems						
Cost	960	-	-	-	-	960
Depreciation	(909)	-	-	(28)	-	(937)
Net book value	51	-	-	(28)	-	23
Total supported housing and IT	27,300	122	-	(674)	-	26,748

11. Tangible assets – CHARM properties

The Board owns a number of different types of properties which it uses to fulfil its charitable objective: to provide retirement housing for retired clergy (CHARM).

Consolidated	At 1 January 2016	Additions	Disposals	Charge in year	Transfers	Impairment	At 31 December 2016
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
-Properties with significant restrictions (funded by Church Commissioners)	*83,308*	-	*(6,039)*	-	-	-	*77,269*
-Properties without significant restrictions (funded by the Pensions Board)	*133,959*	*16,134*	*(904)*	-	-	-	*149,189*
Total CHARM properties	217,267	16,134	(6,943)	-	-	-	226,458
Rental properties							
Book value (cost)	161,633	15,534	(3,080)	-	-	-	174,087
Number of properties	*1,183*	*68*	*(35)*	-	-	-	*1,216*
Shared ownership properties							
Book value (cost)	10,767	600	(533)	-	-	-	10,834
Number of properties	*117*	*7*	*(7)*	-	-	-	*117*
Mortgaged properties							
Book value (cost)	44,867	-	(3,330)	-	-	-	41,537
Number of properties	*842*	-	*(67)*	-	-	-	*775*
Total CHARM properties	217,267	16,134	(6,943)	-	-	-	226,458

Notes to the financial statements of the Church of England Pensions Board
For the year ended 31 December 2016

11. Tangible assets – CHARM properties (continued)

Charity only	At 1 January 2016 £'000	Additions £'000	Disposals £'000	Charge in year £'000	Transfers £'000	Impairment £'000	At 31 December 2016 £'000
-Properties with significant restrictions (funded by Church Commissioners)	*83,308*	-	*(6,039)*	-	-	-	*77,269*
-Properties without significant restrictions (funded by the Pensions Board)	*126,128*	*16,134*	*(231)*	-	-	-	*142,031*
Total CHARM properties	209,436	16,134	(6,270)	-	-	-	219,300
Rental properties							
Net book value (cost)	161,633	15,534	(3,080)	-	-	-	174,087
Number of properties	*1,183*	*68*	*(35)*	-	-	-	*1,216*
Shared ownership properties							
Net book value (cost)	10,767	600	(533)	-	-	-	10,834
Number of properties	*117*	*7*	*(7)*	-	-	-	*117*
Mortgaged properties							
Net book value (cost)	37,036	-	(2,657)	-	-	-	34,379
Number of properties	*765*	-	*(59)*	-	-	-	*706*
Total CHARM properties	209,436	16,134	(6,270)	-	-	-	219,300

Financing and restriction

Historically, the Board's own properties were funded from trusts and legacies. From 1983 until July 2010 most of the rental, shared ownership and mortgaged properties purchased were financed by loans from the Church Commissioners. Under this arrangement, the legal ownership of each property lay with the Board but a significant part of the economic interest lay with the Commissioners. In the case of mortgaged and shared ownership properties, the Commissioners' economic interest was in the same proportion as the amount of financing they provided compared to the purchase price. Purchases were recognised at cost and the loan from the Commissioners recognised at an equal amount within creditors. If the property were sold, an amount equal to the proceeds (for mortgaged and shared ownership properties, in the same proportion as the financing they provided compared to the purchase price) would be repayable. This arrangement meant that the Commissioners retained a significant degree of financial control over the properties they funded, and on a property becoming vacant, determined if and when it was sold and for how much.

Since the end of the Commissioners funding arrangement, financing for purchases of new rental or shared ownership properties has been provided through two sources. Firstly in 2010 the Board put in place a loan facility with Santander. Secondly in 2015 the Board was loaned £70,000,000 from its subsidiary CHARM Finance PLC, which raised funds through the issue of a listed bond. Further details of both facilities are provided in Note 13.

Of the £70,000,000 loaned to the Board in 2015, £41,841,000 was used to purchase the economic interest in 196 properties which had originally been funded by the Commissioners. The Commissioners have retained a right to receive any profit on disposal of any of the 196 properties up to August 2025, over the agreed purchase price of that property. In the opinion of the trustees, as these properties have been identified for long-term use by the charity, it is not expected that any further payments will accrue to the Church Commissioners as a result of this arrangement.

In addition to these arrangements, 48 rental properties were purchased with contributions from dioceses and others, where the contributions are repayable when the property is sold, as either a simple repayment or in the same proportion as the original contribution to the purchase price, depending on the agreement made. The Board recognises the full cost of the property and also recognises a liability for the amount contributed (see note 13).

Notes to the financial statements of the Church of England Pensions Board
For the year ended 31 December 2016

12. Debtors

	Consolidated		Charity	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Trade debtors	607	512	590	509
Subsidiary undertakings	-	-	7,174	7,834
Prepayments and accrued income	813	1,154	796	1,127
Other debtors	1,039	175	1,039	175
Total	**2,459**	**1,841**	**9,599**	**9,645**

13. Creditors

Current liabilities:

	Consolidated		Charity	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Amounts falling due within one year				
Trade creditors	2,383	2,545	2,382	2,545
Accruals and deferred income	2,729	2,129	2,712	2,134
Tax creditor	39	37	39	37
Joint venture (ChECS)	90	88	90	88
Other creditors	207	585	207	553
Total amounts falling due within one year:	**5,448**	**5,384**	**5,430**	**5,357**
Concessionary loans repayable on sale of fixed assets				
Loans from Church Commissioners for:				
- rental properties	32,348	34,774	32,348	34,774
- shared ownership properties	4,413	4,766	4,413	4,766
- mortgage properties	40,508	43,768	40,508	43,768
Diocesan and other creditors	1,142	1,142	1,142	1,142
Total loans repayable on sale of fixed assets	**78,411**	**84,450**	**78,411**	**84,450**
Total current liabilities	**83,859**	**89,834**	**83,841**	**89,807**

Loans from the Church Commissioners are repayable when the properties associated with them are sold. The trigger for the repayment is the sale of the property and the proceeds are passed in full to the Church Commissioners. Properties are sold when residents vacate rented properties, shared ownership properties are sold and mortgages are redeemed. These assets are classified as fixed assets and are included in note 11.

FRS 102 section 4.7 states that where the repayment of a creditor cannot unconditionally be deferred for more than a year, it must be classed as a current liability. Even though experience has shown that loans from the Church Commissioners will be repaid steadily over a timeline substantially longer than one year, they meet this definition and as a result are included within current liabilities.

The terms of these concessionary loans are: for loans granted prior until 31 March 1993 the initial interest rate was 3%, increasing in line with RPI each April; for loans granted from 1 April 1993 the initial interest rate was 4%, increasing in line with RPI each April.

The same current liability classification has been applied to the Diocesan loans to the Pensions Board.

Notes to the financial statements of the Church of England Pensions Board
For the year ended 31 December 2016

13. Creditors (continued)

Non-current liabilities:

	Consolidated		Charity	
	2016	**2015**	**2016**	**2015**
	£'000	**£'000**	**£'000**	**£'000**
Bond liabilities - PIC	70,000	70,000	-	-
Bond liabilities – capitalised bond set-up costs	(484)	(502)	-	-
Intra-group liability – loan repayable to CHARM Finance PLC	-	-	70,000	70,000
Intra-group liability – capitalised bond set-up costs	-	-	(484)	(502)
Loan from Santander	24,100	9,750	24,100	9,750
Loan from Santander - capitalised set-up costs	(283)	(317)	(283)	(317)
Total	**93,333**	**78,931**	**93,333**	**78,931**

The bond, issued by subsidiary undertaking CHARM Finance plc, was issued to finance the growth and development of the CHARM scheme. Transaction costs of £509,000 were incurred. At 31 December 2016, the amortised cost of the bond set-up fees incurred (predominantly legal and financial advice fees) was £484,000 (2015: £502,000). Interest due is based on the current agreed interest rate of 3.126%. In future the interest rate used is subject to increases with CPI (subject to a 4% cap and a floor of zero). Repayment of the bond is due in five equal instalments of £14m due in August of 2038, 2041, 2043, 2045 and 2048 respectively. The bond is effectively secured by a fixed charge over 477 properties held by the Charity.

The following table details the maturity of the bond-related contractual payments as at 31 December 2016:

Period	**Interest due**	**Capital repayment**
	£'000	**£'000**
Due to end December 2016	747	-
Within one year (to end December 2017)	1,808	-
Due within five years (to end December 2021)	7,667	-
Due after five years	48,891	70,000
Total	**59,113**	**70,000**

The intra-group liability due by the charity to CHARM Finance plc mirrors the terms of the bond noted above.

The charity has a loan facility with Santander through Abbey National Treasury Services PLC which is secured by fixed charges over 237 properties (2015: 149 properties) owned by the charity, with occupied market value of £45,000,000 (2015: £29,000,000). The loan is repayable, subject to terms and conditions, between June 2020 and June 2025 (dependent on the value of loan outstanding).

The cost of the Santander arrangement fee of £500,000 (1% of the loan facility) is offset against the loans and is being amortised over 15 years. At 31 December 2016, the amortised cost was £283,000 (2015: £317,000).

14. Funds

Consolidated and charity	**Balance at 1 January 2016**	**Income**	**Expenditure**	**Investment gains**	**Other gains**	**Transfers**	**Balance at 31 December 2016**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Unrestricted funds	-	4,736	(4,736)	-	-	-	-
Total unrestricted funds	-	4,736	(4,736)	-	-	-	-
Restricted funds:-							
General Purposes Fund:							
- General Funds	106,269	23,275	(20,922)	960	-	(2,397)	107,185
- Earmarked – Property Maintenance	3,657	-	(2,049)	-	-	2,400	4,008
Clergy Retirement Housing Trust & other trusts	9,140	426	(273)	184	-	(3)	9,474
Total restricted funds	119,066	23,701	(23,244)	1,144	-	-	120,667
Pension reserve	(2,006)	-	101	-	-	-	(1,905)
Total funds	**117,060**	**28,437**	**(27,879)**	**1,144**	**-**	**-**	**118,762**

Notes to the financial statements of the Church of England Pensions Board
For the year ended 31 December 2016

14. Funds (continued)

Unrestricted funds
The **unrestricted funds** represent expenditure incurred by the CEPB on salaries and working expenses subsequently recovered from the funds administered by the Board. The CEPB has no net assets or liabilities in its own right as a body corporate.

Restricted funds
The **General Purposes Fund ("GPF")** is the largest charitable fund administered by the Church of England Pensions Board, covering the provision, maintenance & management of homes of residence for retired clergy and church workers and their spouses/former spouses/dependants, etc.

Within restricted funds, the Trustees have earmarked an amount for property maintenance. £2.4m (2015: £2.0m) was transferred from the restricted general fund to the earmarked Property Maintenance fund to allow for additional property maintenance work.

The **Clergy Retirement Housing Trust ("CRHT")** is a registered charity (Charity No. 236627-2) and is a linked charity of the Board. As a linked charity, it is accounted for as a restricted fund. The charitable object of the CRHT is to use its property as residences for those persons who are qualified for such residence by virtue of the provisions of the Clergy Pensions Measure 1961 or any succeeding legislation.

Below is a summary of the assets and liabilities of each fund as at 31 December 2016:

FUND	Fixed Assets	Current Assets	Current Liabilities	Non-Current Liabilities	SUB TOTAL	Provision for Pension Liability	NET ASSETS
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Unrestricted funds	-	1,076	(1,076)	-	**-**	-	**-**
Restricted Funds:							
General Funds	285,533	(2,258)	(82,757)	(93,333)	**107,185**	(1,905)	**105,280**
Earmarked– Property Maintenance	-	4,008	-	-	**4,008**	-	**4,008**
Clergy Retirement Housing Trust & other trusts	5,544	3,956	(26)	-	**9,474**	-	**9,474**
Total	**291,077**	**6,782**	**(83,859)**	**(93,333)**	**120,667**	**(1,905)**	**118,762**

15. Subsidiary results

The Board owns 100% of CEPB Developments Ltd, a dormant company limited by shares, held to undertake property and building development at the supported housing schemes and nursing home, and CEPB Mortgages Ltd, a company limited by guarantee, held to administer mortgages on behalf of the Board. Both companies are registered at 29 Great Smith Street, London, SW1P 3PS.

The Board also owns 100% of CHARM Finance PLC (incorporated and acquired 17 July 2015), a company limited by share capital of £50,000 (of which £12,500 has been paid up by the Board), held as a special purpose vehicle providing a facility for £100m of funds to the Board via a bond issue (of which £70m has been issued so far). These funds are being used to secure current and future obligations for clergy housing in retirement.

Summaries of the Board's significant subsidiaries' results are shown below:

	CEPB Mortgages		**CHARM Finance PLC**	
	2016	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000
Revenue	400	420	2,223	787
Expenditure	(400)	(420)	(2,223)	(787)
Profit or loss	**-**	-	**-**	-

Notes to the financial statements of the Church of England Pensions Board
For the year ended 31 December 2016

16. Related Parties

Joint ventures

Church of England Central Services (ChECS) is a joint venture between the Church Commissioners, the Archbishops' Council and the Church of England Pensions Board, and therefore a related party of the Board. More information can be found in Note 9.

Key Management Personnel

The Board's executive leadership team comprises nine individuals, six of whom are employed directly by the Board and three by ChECS. The aggregate remuneration for these nine individuals, including pension contributions, is £864,000 (2015: £840,000).

Pension Schemes

Details of amounts paid to the pension schemes are disclosed in note 8.

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