For professional clients only, not suitable for retail investors.

Royal London Property Fund

Annual Report

For the year ended 31 December 2023

ROYAL LONDON
ASSET MANAGEMENT

Contents

* The Authorised Corporate Director's report comprises these items.

+ The Investment Adviser's report includes a note on The Value Assessment.

Company Information

Company

Royal London Property Fund
Registered in England with Company Number IC000822

Registered office:
80 Fenchurch Street, London EC3M 4BY

Authorised Corporate Director (the "ACD")

The ACD is Royal London Unit Trust Managers Limited which is the sole director.

Place of business and Registered office:
80 Fenchurch Street, London EC3M 4BY

Authorised and regulated by the Financial Conduct Authority; a member of The Investment Association (IA).

T: 020 3272 5000

F: 020 7506 6501

Directors of the ACD

H.I. Georgeson

R.A.D. Williams

A.L. Hunt

J.S. Glen (Appointed 1 April 2024)

R. Kumar

S. Spiller

J.M. Brett (Non-executive Director)

J.M. Jackson (Non-executive Director)

Investment Adviser

Royal London Asset Management Limited

Place of business and Registered office:
80 Fenchurch Street, London EC3M 4BY

Authorised and regulated by the Financial Conduct Authority.

Depositary of the ACD

NatWest Trustee and Depositary Services Limited

1 Princes Street, London EC2R 8BP

Authorised and regulated by the Financial Conduct Authority.

Registrar

SS&C Financial Services Europe Limited

The Register may be inspected at:
SS&C House, St Nicholas Lane, Basildon, Essex SS15 5FS

Authorised and regulated by the Financial Conduct Authority.

Administrator to the ACD

HSBC Bank plc

8 Canada Square, Canary Wharf, London E14 5HQ

Authorised and regulated by the Financial Conduct Authority.

Independent Valuers

Cushman & Wakefield Debenham Tie Leung Limited

43/45 Portman Square, London W1A 3BG

Property Manager

Jones Long LaSalle Limited (JLL)

30 Warwick Street, London W1B 5NH

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

7 More London Riverside, London SE1 2RT

Report of the Authorised Corporate Director

We are pleased to present the Annual Report and Financial Statements for the Royal London Property Fund (the "Company"), covering the year from 1 January 2023 to 31 December 2023.

About the Company

The Company is an open-ended investment company with variable capital (ICVC) which has Property Authorised Investment Fund (PAIF) status, as defined in Part 4A of the Tax Regulations and the Glossary to the FCA Handbook, incorporated in England on 28 May 2010. It is governed by the OEIC Regulations, the Collective Investment Schemes Sourcebook (COLL) and its Instrument of Incorporation. Registered in England with Company Number IC000822.

The shareholders are not liable for the debts of the Company.

Authorised status

The Company is a single sub-fund and a stand-alone Collective Investment Scheme as defined in the Financial Services and Markets Act 2000 which is categorised as a non-Undertaking for Collective Investments in Transferrable Securities retail scheme (NURS). The Company was authorised by the Financial Conduct Authority ("FCA") on 28 May 2010 and its Instrument of Incorporation was registered with the Registrar of Companies for England and Wales. The Company qualifies as an Alternative Investment Fund within the meaning of Alternative Investment Fund Managers Directive ("AIFMD") for the purposes of the FCA Rules.

A unit trust in umbrella form (Royal London Property Trust) was launched for those investors unable to invest directly in the Company.

The financial statements

As required by the OEIC Regulations, information for the Company has been included in these financial statements. We have provided a detailed description of the strategy that was adopted during the year under review.

This report has been prepared in accordance with the requirements of the Collective Investment Schemes Sourcebook as issued and amended by the Financial Conduct Authority.

For and behalf of Royal London Unit Trust Managers Limited

Authorised Corporate Director

J.S. Glen (Director)

R. Kumar (Director)

22 April 2024

Statement of Authorised Corporate Director's Responsibilities

The Open-Ended Investment Companies Regulations 2001 (SI 2001/1228) (the "OEIC Regulations") and the Financial Conduct Authority's Collective Investment Schemes Sourcebook ("COLL") require the Authorised Corporate Director to prepare financial statements for each accounting period which give a true and fair view of the financial position of the Company for the year and of its net revenue and the net capital losses on the property of the Company for the year.

The financial statements are prepared on a going concern basis unless it is inappropriate to presume that the Company will continue in operation for the foreseeable future. In preparing the financial statements the Authorised Corporate Director is required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- comply with all the requirements of the Statement of Recommended Practice for Authorised Funds issued by the Investment Association in May 2014 as amended in June 2017 (the "2014 SORP");
- follow UK accounting standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and the Republic of Ireland";
- comply with the disclosure requirements of the Prospectus and instrument of incorporation;
- keep proper accounting records which enable it to demonstrate that the financial statements, as prepared, comply with all the requirements of the Statement of Recommended Practice for Authorised Funds; and
- take reasonable steps for the prevention and detection of fraud and other irregularities.

The Authorised Corporate Director is responsible for the management of the Company in accordance with its Prospectus, the FCA's rules and Instrument of Incorporation and to use monitoring controls to enable preparation of financial statements free from material misstatements or error.

Investment Adviser's Report

Objective

The investment policy is to manage a balanced UK property portfolio across business sectors and regions, seeking to balance income from core holdings with active management. The objective is to target a total return over the long term, which should be considered as a period of 7-plus years by investing predominantly in UK commercial properties.

Strategy

The Company invests across business sectors and regions seeking to balance the income from 'core' holdings with active management, taking advantage of opportunities when they arise to enhance the Company's value. The Company will aim to purchase properties of suitable quality and manage them actively and effectively, until positive market conditions allow them to sell on beneficial terms. The Company's manager aims to mostly acquire properties which are fully let to tenants of sound financial strength, but can take a measured exposure to development property. Investments will be made in a wide range of UK commercial property, with diversification geographically throughout the UK and across a range of business sectors and tenant covenant.

Benchmark change

From 1 July 2023, the Company moved to a new benchmark: MSCI/AREF UK All Property Index. This benchmark was chosen because it is a larger, more comprehensive benchmark more representative of the overall property fund's market. This is considered to be a more appropriate benchmark for the Company as it covers a wider cohort of funds, increasing the overall size of the benchmark which delivers performance more aligned to the wider market and to the Company's objective of balancing income with capital growth.

The previous benchmark held more active positions and offered more reversionary potential than permitted in the Company's prospectus, resulting in a greater ability to drive enhanced return. The new benchmark is better aligned with the Company's investment philosophy.

Performance

Fund level performance during 2023 recovered from the weakness seen in 2022, but remained marginally negative over the 12 months, with a total return -0.08% (2022: -8.32%). In relative terms the Company's performance was resilient with the Company outperforming its new benchmark the MSCI/AREF UK All Property Index by 150 basis points which showed a return for the year of -1.59% (2022: -10.02%). Performance was particularly strong in the final quarter of the year, with the industrial portfolio seeing strong rental value growth, which delivered positive capital appreciation. Over the 12 months, the Company's total return was ranked on the 32nd percentile.

Relative performance at fund level was a combination of a higher income return, stronger capital growth over the year and more resilient movement in NAV. Cash as a percentage of NAV has averaged 8.0% over the last 12 months, which is above the benchmark average over that time (5.8%). In a market with falling capital values, this has helped to preserve fund NAV.

Over the past 12 months the Company's distribution yield has improved marginally from 3.76% to 3.90%. The total distributable income (net of management fees, gross of tax) totalled £14.53m, which compares to a figure £14.88m in 2022. This reduction in income was driven by the disposal of two assets during the last 12 months and an increase in vacancies. Gross income (before fund charges) was stable at £19.76m.

In comparison against the new benchmark, the Company has outperformed for the fourth consecutive year and is ahead by 77 basis points per annum, when measured over the last five years. Longer term performance (over a ten-year period) shows total returns averaging 4.34% per annum. This is behind the benchmark at 4.62%, due to relatively weaker returns experienced back in 2017 and 2018 prior to the strategic rebalancing of sector weightings that has significantly improved performance.

Performance analysis over 5 years

The Company's performance was driven by the underlying portfolio of directly held assets, which have returned 1.79% per annum. Fund level fees and charges have taken off 72 basis points per annum. This year the Company's annual management charge was lowered to 60 basis points, so it is projected that this impact will be reduced. Cash has been a marginal drag on performance.

Over the five years to December 2023, the Company's property portfolio (including the Fund's indirect investments) has delivered an annualised return of 1.80%, which compares favourably with the benchmark at 1.07%.

This outperformance can be split into income and capital components. Income return over the five years has averaged 4.98% per annum. This is higher than the benchmark average, by 52 basis points. This has been a function of Company's strategy, which has focused on securing income and mitigating voids. In addition to this, the benchmark contains several large, long income specialist vehicles, which have a lower running yield and are bringing down the overall average.

Portfolio level capital growth has been negative over the last five years but has been more resilient than the benchmark average. The Company's portfolio in aggregate has seen capital values decline by 3.03% when the benchmark has seen values fall on average by 3.23% per annum. Breaking down the components of capital growth, we can see that the Company has experienced more rental value growth over the last five years (2.38% vs 1.23%) and also benefitted from more favourable yield movements.

Investment Adviser's Report (continued)

Economic outlook

In the final quarter of 2023, the UK economy shrank by 0.3% following a 0.1% drop in the third quarter indicating that the Bank of England previous interest rate hikes are having an effect. There were falls in all three main sectors with declines of 0.2% in services, 1.0% in production, and 1.3% in construction output.

The UK is now in a technical recession; however, this is not much different from the weak growth in the first half of the year, with data showing the UK economy barely growing in 2023, only 0.1% higher compared with 2022.

Forecasters, such as Capital Economics, expect a short-term shallow recession from the third quarter of this year to the first quarter of 2024 with weak growth in 2024, 0.2% on an annual basis, as the delayed effect of tighter monetary policy restrains economic activity.

Based on the easing of fiscal policy announced in the Autumn Statement, Oxford Economics are slightly more optimistic, forecasting GDP growth of 0.6% in 2024. The most recent composite Purchasing Managers' Index rose to 52.1 in December from 50.7 in November, suggesting that the economy may improve in the coming months.

UK inflation rose unexpectedly to 4.0% in December from 3.9% the previous month, although it is much lower than its peak of 11.1% in October 2022. Encouragingly, inflation is following the Bank of England's most recent forecast. In its Monetary Policy Report, November 2023, the Bank of England indicated that it expected inflation to fall to around 4.5% and continue to fall towards its 2% target next year. Inflation is expected to fall further allowing interest rate cuts.

Meanwhile, wage inflation also reduced with December's figures showing annual wage growth of 6.2% for basic pay and 5.8% for total pay, including bonuses. This is still too high for the Bank of England, but momentum is at least slowing. Other labour market indicators support this view with the number of vacancies falling for the 19th period in a row, although still above pre-pandemic levels.

On a positive note, total earnings adjusted for inflation increased by 1.4% for the three months to December, the seventh successive period increase. This is good news for the consumer and alleviates some of the cost of living worries and may lead to stronger retail spending in 2024 and stimulate an economic recovery.

Especially relevant to the real estate sector is that the economy continues to create jobs, the UK added 779,000 new jobs over the year to September 2023, a 2.2% increase, while office-based sectors recorded a 3.1% rise resulting in an additional 355,000 jobs.

At its December meeting, The Monetary Policy Committee kept the policy rate at 5.25% for the third time in a row and signalled that "Monetary policy will need to be sufficiently restrictive for sufficiently long to return inflation to the 2% target sustainably in the medium term, in line with the Committee's remit" continuing its higher for longer narrative. On the other hand, markets are anticipating several quarter point cuts next year. We should see cuts to the base rate from the middle of next year, unless inflationary pressures increase again, which will benefit property yields.

Investment market

Despite the significant drop in values since June 2022, market sentiment is still weak. Investment volumes fell by 44% for 2023 compared with the previous year and 40% lower than the 10-year average.

Unlike previous years, there was no fourth quarter volume surge in 2023. Instead, volumes were 20% lower than the third quarter. All sectors experienced lower volumes, but offices had the largest decline of the traditional sectors, down 52% from the year before.

A distinguishing feature of this cycle is the divergence between office capital values and other sectors. This has become more apparent in the last few months as the fall in office values accelerated. MSCI reports that office capital values decreased by 16.6% in 2023 compared with 5.6% for retail and a 0.1% increase for industrial. Acting as an additional drag on office values is investors' concerns about the capital expenditure to meet net zero carbon requirements and the slow return to work.

We expect the investment market to change slowly in 2024. Investment volumes will stay low at the start of the year as investors wait for price stability, but activity will pick up as values reach their lowest point in the cycle.

We anticipate further rises in yields in the first few months before we see yield compression in the second half of the year supported by lower interest rates. The different performance between offices and other sectors will continue due to the obsolescence risk of older stock, while the gap between prime and secondary will persist especially in offices where buildings with strong ESG credentials are most sought after to align with corporate goals and higher quality buildings are used to attract workers back to work.

Debt costs, which have been high since 2022, have been a major constraint on investment volumes. But they have begun to drop, falling from 5.3% in June 2023 to 3.6% at the end of December, and are approaching the level where debt will be advantageous. Since the majority of investment relies on debt to boost returns, we might see more buyers using debt return to the market acting as a boost to investment volumes and pricing although this is more likely to happen towards the end of the year.

Investment Adviser's Report (continued)

Our market forecasts

A key lesson from previous cycles is that investment volumes can recover quickly when the economy and the financial market become more stable, and investors feel more confident. When investment activity picks up in 2024, it will gradually lead to yield tightening, most likely towards the end of the year.

In the coming five years (2024–2028), we anticipate average annual returns of 6.4%, with higher returns for 2024 and 2025 driven by yield compression as investors re-enter the market. These averages hide significant differences by location, asset quality, sector and ESG credentials. Understanding these is crucial for assessing which parts of the market will experience the strongest performance in future.

As always, the low point of the cycle is preparing the conditions for the next recovery. A mix of weak market conditions, high construction and debt costs has reduced speculative developments starts, this will increase shortages for the best space from 2025 adding to upward pressure on rents, ultimately feeding through to stronger total returns. Markets, such as industrial, are already starting to see shortages of new space, and competition for space will recommence once the economy is on a sounder footing.

Key market themes

Against the backdrop of weak economic growth, falling inflation and with interest rate cuts pencilled in for next year, we are close to the bottom of the market for the real estate sector in general, while for certain sectors – industrial and logistics – we might already be there. Our investment strategy is informed by three trends.

Real estate markets are more sensitive to changes in the interest rate than other sectors. As the cost of debt increases, debt is no longer accretive for investors allowing 'fully funded' buyer to take advantage debt. Refinancing challenges will persist in the market in 2024, delaying any recovery until the later part of 2024. We see this as an opportunity to take advantage of market dislocation and acquire opportunities at the low point of the cycle.

Related to the higher debt costs and weak market conditions is the upcoming supply shortage. The development market operates with significant lags leading to too much supply in downturns and not enough new stock in the upswing. With reduced development starts in all sectors, well timed refurbishments and redevelopments can assist outperformance in the recovery phase.

The shift to net zero carbon (NZC) is a new challenge in this cycle. Today, climate change is a key issue for tenants, investors, and policymakers. Consequently, it is a sizeable consideration in most property decisions: evaluating the lifecycle carbon footprint of a building – its embedded carbon, the energy and water efficiency, the potential for on-site renewable energy generation and end-of-life carbon implications – are now a standard part of the development, acquisition, and management process. Investors are placing as much emphasis on impact and sustainability as financial returns in their investment decisions. Being at the leading edge of this allow us to benefit from the outperformance that best-in-class NZC assets will achieve.

Our conviction calls

Investors remain reluctant to invest in offices. High costs to meet NZC targets and lower demand, partly due to the slow comeback to work have reduced values considerably in 2023 and we forecast this will continue in 2024.

Secondary properties and smaller towns in the South East have experienced the biggest value falls. However, no market has avoided investors' risk-averse attitude to offices. Markets like the City of London, which has typically had large lot sizes, have been more affected by the shortage of debt, which has worsened the general market trends.

The office market should reach a stable point by the end of 2024. With values having already dropped by 28% since June 2022, we expect further value declines in the first part of 2024 and then a gradual improvement.

We predict that office property values will decline by 30% or more from the highest to the lowest point, and a rise in distressed sellers will present the opportunity to acquire high-income stable assets in prime locations. Prime regional office locations in Birmingham, Bristol and Manchester will have these opportunities, as well as Edinburgh. In the South East, Cambridge and Oxford will probably outperform the office sector in general, with assets that are focused on life sciences doing the best.

We expect the Central London market to bounce back fastest, with the highest growth in the best quality and located buildings. Development will see the best performance, but a difficult planning system will give an advantage to schemes with planning consent.

Industrial and logistics had a sharp correction in 2022 as values dropped and take-up levels returned to pre-pandemic levels. In contrast, 2023 was varied but ended with values becoming stable and we expect gradual improvement in values in 2024, as anticipated yield tightening and rental growth emerge. Multi-let assets will perform well especially in London and parts of the South East where industrial land is being lost to other uses and causing major shortages along with strong rent growth. In these markets, urban logistics assets are experiencing significant rent growth and present an opportunity.

In markets, such as Oxford and Cambridge, converting industrial to tech boxes is a significant asset management option with a big value upside. Likewise in London and places around the M25, data centre uses might generate higher returns for existing industrial and logistics assets.

Investment Adviser’s Report (continued)

Our conviction calls – continued

The living sector has shown the most durability of all property sectors with only a slight drop in values since June 2022. A shortage of supply has led to strong rental growth at high single digit rates. The high interest environment is making many private landlords sell, making the supply shortages worse, which will support future rental growth. With few construction starts in 2023, this supply situation will not get better soon, leading to strong performance in the build to rent (BTR) sector.

Similarly, purpose-built student accommodation (PBSA) has experienced a rise in demand from increasing international and domestic populations, while supply is very tight. A difficult planning framework and high construction costs will keep new supply limited, while a decline of houses for multiple occupation, which many students use, is also reducing supply.

Against the backdrop of weak economic growth and rising interest rates, consumer confidence was generally negative throughout 2023 which translated through to weak retail sales. Although the squeeze on real income eased towards the end of the year, the outlook for consumer spending is likely to remain challenging especially as households face higher refinancing costs.

The difficult environment has led to less investment activity and slightly higher yields. However, rents that had adjusted since the GFC until the pandemic, have grown moderately, helped by lower business rates. Mostly, retailers have escaped major harm, but we witnessed more administrations and CVAs in the last part of the year. Despite this, certain areas have performed well, and we think they will continue to do so in the short-term. Retail parks and food stores should enjoy the economic recovery and lower inflation, and prime shopping centres with yields of 7.75%, according to JLL, will offer strong total returns due to yield compression and rental growth.

Our investment strategy

The large repricing in capital values represents a rare cycle opportunity. This is especially true with the expected rise in distressed sellers bringing more opportunities to the market in 2024.

In general, high debt and development costs will limit new supply in most markets, while stricter planning controls will bolster this trend in some markets, most notably the West End office market. We will continue to target supply constrained markets, especially the industrial sector, in the expectation of delivering strong returns.

As NZC becomes more important, prime buildings will be in short supply, delivering stronger rental growth and supporting higher capital values. The Fund will target development and repositioning opportunities in this prime space, seeking to continue its theme of outperformance in the expectation of improving real estate returns.

Portfolio review and activity

At a property portfolio level, total returns for the year were 0.45% (2022: -8.38%) compared to the benchmark of -0.87% (2022: -9.52%) delivering an outperformance of 133 basis points. This was driven by a combination of higher income and capital returns following strong rental growth across all sectors.

Vacancy rate in the Company at year-end has increased to 8.2% (2022: 4.3%) and is now in line with the benchmark at 8.2% (2022: 10.1%).

The industrial sector was the biggest contributor to the outperformance delivering total returns of 5.27% compared to the benchmark industrial average of 3.86% over the year. In aggregate the industrial portfolio added 255 basis points to relative returns over the year. The industrial sector continues to experience yield expansion but has been offset by higher income and rental growth reflecting the strong occupational market in the industrial sector.

The office sector outperformed the benchmark average with total returns of -6.82% compared to -10.18%. Income return was below the benchmark but experienced less yield expansion, particularly across the London West End market.

The retail sector also delivered a positive performance over the year, outperforming the benchmark average by 473 basis points (2.86% vs -1.78%). Retail warehouses accounted for a large proportion of the portfolios retail sector with total returns of 7.79% compared to the benchmark of -0.08%.

Rent collection

Rent collection rates have continued to improve over the course of the year and have now recovered back to pre-pandemic levels. The Company has a 90 day collection rate of 99.93% (2022: 99.12%) of the rent demanded for the year.

Balance Sheet management

As at the 31 December 2023, the Company held £32.25m (2022: £26.66m) in cash equating to 8.72% (2022: 6.56%) of the Company’s net asset value.

The Company currently has no gearing.

Acquisition

The Company did not acquire any property investments in the year.

Disposals

During the year, the Company exchanged and completed on two properties totalling £5.5m. O2, 59 High Street, Guildford, was sold for £2.40m and Badentoy Industrial Estate, Aberdeen, was sold for £3.10m. Both disposals are aligned with the Company’s strategy to divest out of small lot sizes and was subsequently identified as a sale candidate as part of the 2023 Strategy. The sale price for both assets was at a level above valuation.

Investment Adviser's Report (continued)

Portfolio review and activity – continued

Asset management and lettings

The following are the key asset management activities completed by the Company during the year.

Industrial

King's Ride, Ascot: In March 2023, the Company secured a very good rent review settlement on Unit 2, 3 and 4 Kings Ride in Ascot with a key occupier, occupying 3 out of the 6 units on the estate. The reviews were agreed at £13.17 psf (against ERV of £12.83 and current rental of £10.08 psf). This was a key pivot point providing helpful evidence in the first quarter of 2023 for subsequent lease renewals on the estate.

Trident Industrial Estate, Hoddesdon: In May 2023, the Company completed on a lease renewal at Unit 6 Trident Industrial. A fantastic result increasing the WAULT to break by 5 years and to expiry by 10 years, inclusive of a break penalty, 3 months rent free at £105,000 pax / £10.60 psf, achieving 45% increase from passing and 4% in excess of ERV at event date. First deal on the estate to achieve in excess of £10.50 psf, providing useful evidence for upcoming asset management activity.

Offices

15 Rathbone Place, London: Redeveloped in 2017 this building comprises of basement, ground and first to fifth-floor levels. In 2021, former tenant 'WireWax' assigned their 5-year lease to FRP Advisory with an expiry date of March 2023. Through careful negotiation a 5 year (3rd year break) renewal lease with FRP Advisory was agreed with a £6.50psf increase in rent. If the 3rd floor had become vacant, the Cap Rate would have softened, a 6/9 void would have been inputted and the value would have reduced by £400,000.

Also, the Company agreed a significant rent review increase on the top two floors of 15 Rathbone Place, totalling 4,629 sq ft.

This has generated a new upper rental tone in the asset and has driven performance in the building in relation to its sub-sector, generating an £100,000 increase in value, at a time when many assets in the West End are falling in value due to outward yield shift.

41 Eastcheap, London: The property is a high quality office building of 20,000 sq ft located in EC3, the City of London's insurance district. The offices are arranged over basement, lower ground and six upper floors.

The refurbished 2nd floor has been let to Equiteq Advisors at a rent of £65.00 psf for a term of 5 years with a tenant break option at the 3rd year.

The 6th floor has been comprehensively refurbished to provide fully fitted (CAT A+) office space with works completing in September. An offer has been received for the 6th floor from a potential occupier with negotiations ongoing.

The 4th floor tenant vacated this quarter and we have tendered the CAT A+ refurbishment. The works are due to commence later this year. Demand is strong for CAT A+ space in the City as occupiers for sub 5,000 sq ft do not want to invest significant capex upfront.

Retail

Spring Ram Retail Park, Leeds: An attractive 12-unit trade scheme has 5 ongoing rent reviews within a 12-month period, to ensure the Company is delivering growth – in Q4 2022 RLAM settled on Unit 12 rent review (Q1 2022 – 25 Mar 2022) at £14.30 psf / £37,122 pax resulting in a uplift of 30p against ERV, this provide good on estate evidence for the remaining 4 reviews to settle in Q1 2023 and anchor tenant Halfords renewal in May.

The Company has also completed a lease regear with Pets at Home to vary the existing lease, which expires in August 2024, by reducing the passing rent of £367,149 pa to £295,000 pa. Simultaneously, the tenant entered into a five-year reversionary lease at a rent of £295,000 pa. This secured a rent above the ERV of £278,000 pa and a further five years term certain to August 2029.

Responsible Property Investment (RPI)

In 2023, we published our Responsible Property Investment (RPI) Report and Net Zero Carbon Pathway Progress Report. These reports detail the progress made against our RPI strategy and net zero carbon targets that were launched in 2021. We have completed and commenced several projects allowing us to embed these strategies.

- Completed Net Zero Carbon audits across four of the Company's multi-let offices that are targeting to achieve net zero carbon by 2030. These audits benchmark the performance of the asset against the 1.5-degree pathway set out by the Carbon Risk Real Estate Monitor (CRREM). These audits identified interventions to decarbonise the asset and work towards achieving net zero carbon. These were followed by mechanical and electrical (M&E) feasibility studies to determine the interventions that are practically implementable at the property to enable the transition to net zero carbon.
- Commenced developing our Social Value Framework which will determine opportunities to maximise societal benefits across our standing investments and developments. A place-based needs analysis was conducted in regions where our assets are most concentrated to ensure that interventions are tailored to address the specific requirements of each community in which our assets are situated. Our framework aims to align with the UK Green Building Council (UKGBC) recommendations as best practice guidance.

Investment Adviser's Report (continued)

Responsible Property Investment (RPI) – continued

- Continued undertaking Energy Performance Certificate (EPC) Improvement Cost Assessments on all units with an EPC rating below a B, in response to the potential legislation requiring all commercial buildings to achieve an EPC B rating by 2030.
- Continued our efforts in collecting occupier consumption data through the installation of utility loggers across our largest single-let properties and Automatic Meter Reading (AMRs) devices on all refurbishments and developments. We have also used two specialist consultancies to access aggregated, anonymous energy data at the building level directly from a national database across 32% of all single-let units to further increase occupier data coverage across the Company.
- Commenced flood risk assessments across all assets to identify those at highest risk of flooding both in the present day and in the future using climate projections. The assessments identify necessary mitigation measures to minimise risk and highlight the potential financial risk related to flooding. In 2024, we will look to deploy these mitigation measures where required and undertake more detailed assessments across our assets at the highest risk to flooding.
- We have consolidated property-level Environmental, Social and Governance (ESG) information across our managed assets into an ESG Database. The database generates an ESG score by aggregating scores assigned to each ESG criteria such as biodiversity, onsite renewable energy and community engagement. The ESG criteria are weighted according to their relative significance to the building typology. The database will be used to identify areas for ESG enhancement at each property.

In 2023, the Company received excellent results across a range of ESG benchmarks certifications.

- Maintained our rating of three stars within the annual GRESB assessment. GRESB is the leading ESG global benchmark for real estate and infrastructure investments. The Company improved its score by three points, achieving 76 out of 100 and ranking 39th out of 100 peers.
- Achieved a five-star rating in the real estate module of the United Nations Principles of Responsible Investment (UN PRI) assessment, scoring 96%. This is 32% higher than the median score of 64%.
- Maintained compliance with the ISO 14001 Standard across eight of the Company's largest commercial properties within the Environmental Management System (EMS).

The Company also continues to be active members participating and contributing to the Better Buildings Partnership (BBP), the UKGBC, the British Property Federation (BPF) and the Investment Property Forum (IPF) Sustainability Interest Group.

Stephanie Hacking
Portfolio Fund Manager
Royal London Asset Management Limited
26 February 2024

This report covers investment performance, activity and outlook. The Company's Annual Assessment of Value report is available on www.rlam.com. Portfolio holdings are subject to change, for information only and are not investment recommendations.

The Task Force on Climate-related Financial Disclosures Report for Property Funds can be found on our website, at https://www.rlam.com/uk/institutional-investors/our-capabilities/property/responsible-property-investment/. This report has been prepared in accordance with the recommendations of the TCFD, which aims to help the investment community build a more in-depth and consistent picture of the impact of climate change. The views expressed are the author's own and do not constitute investment advice and are not an indication of future Company's performance. Portfolio holdings are subject to change, for information only and are not investment recommendations.

Source: Royal London Asset Management Limited, unless otherwise stated.

Portfolio Statement

As at 31 December 2023

Investments	Holding	Tenure	Sector	31 December 2023 Market value (£'000)	31 December 2023 Total net assets (%)
Direct Properties					
Direct Properties Market Values up to £10m – 22.22% (31/12/22 – 23.97%)					
Bracknell – 1 The Braccens		Freehold	Offices		
Cambridge – 24/26 Hills Street		Freehold	Offices		
Colchester – Axial Way		Freehold	Alternatives		
Eastleigh – St Georges Industrial Estate		Freehold	Industrial		
Hove – 154 Old Shoreham Road		Freehold	Retail Warehouse		
Leeds – Spring Ram Retail Park		Freehold	Retail Warehouse		
Loughborough – Southfield Road		Leasehold	Alternatives		
Manchester – Fabrica, Great Ancoats Retail Park		Freehold	Alternatives		
Newbury – Newbury Trade Park		Freehold	Industrial		
Northampton – Swan Street		Leasehold	Alternatives		
Tamworth – Unit 2 Alpha Park		Freehold	Industrial		
Winchester – 18/20 High Street		Freehold	Retail		
Total Direct Properties Market Values up to £10m				**82,250**	**22.22**
Direct Properties Market Values between £10m and £20m – 41.04% (31/12/22 – 36.12%)					
Ascot – Kings Ride Park		Freehold	Industrial		
Aylesford – Bellington Way		Freehold	Industrial		
Birmingham – Midpoint 105		Freehold	Industrial		
Chessington – Compass Business Park		Freehold	Industrial		
Ellesmere Port – Junction 8 Business Park		Leasehold	Industrial		
London EC3M – 41 Eastcheap		Freehold	Offices		
London W1 – 28-32 Lexington Street		Freehold	Offices		
Milton Keynes – Cairngorm Retail Park		Freehold	Retail Warehouse		
Northampton – Lodge Farm Trade Park		Freehold	Industrial		
Raynes Park – Coombe Lane		Leasehold	Retail		
Total Direct Properties Market Values between £10m and £20m				**151,749**	**41.04**
Direct Properties Market Values over £20m – 25.64% (31/12/22 – 31.02%)					
Hoddesdon – Trident Industrial Estate		Freehold	Industrial		
London W1 – 44-45 Great Marlborough Street		Freehold	Offices		
London W1 – 15-18 Rathbone Place		Freehold	Offices		
Total Direct Properties Market Values over £20m				**94,850**	**25.64**
Collective Investment Schemes – 2.41% (31/12/22 – 2.16%)					
Industrial Property Investment Fund	5,278		Collective	8,454	2.29
Octopus Healthcare Fund	354		Collective	447	0.12
Total Collective Investment Schemes				**8,901**	**2.41**
Portfolio of investments				**337,750**	**91.31**
Adjustments to Fair Value*				**(2,999)**	**(0.81)**
Net other assets				**35,131**	**9.50**
Total net assets				**369,882**	**100.00**

* Fair value adjustments include lease incentive, rent free debtor and finance lease payables.

Summary of Material Portfolio Changes

For the year ended 31 December 2023

Significant Purchases

	Cost £'000
There have been no purchases during the year	–

Significant Sales

	Net proceeds £'000
Aberdeen – Badentoy Avenue	3,150
Guildford – 59 High Street	2,450
Subtotal	**5,600**
Total proceeds from sales for the year	**5,600**

Significant Capital Expenditure

	Cost £'000
London EC3M – 41 Eastcheap	678
Cambridge – 24/26 Hills Street	161
Ascot – Kings Ride Park	105
Bracknell – 1 The Braccens	79
Newbury – Newbury Trade Park	74
Subtotal	**1,097**
Total capital expenditure for the year	**1,069**

The purchases, sales and top 5 capital expenditure detail the material changes in the portfolio during the year.

Significant Valuation Movements

	Valuation Changes £'000
London EC3M – 41 Eastcheap	(3,650)
London W1 – 44-45 Great Marlborough Street	(2,650)
Raynes Park – Coombe Lane	(2,300)
Bracknell – 1 The Braccens	(1,600)
London W1 – 15-18 Rathbone Place	(1,250)
Subtotal	**(11,450)**

Comparative Tables

Class A Accumulation

Change in net assets per share	31/12/23 (p)	31/12/22 (p)	31/12/21 (p)
Opening net asset value per share	760.31	834.78	714.13
Return before operating charges*	13.46	(56.72)	134.34
Operating charges	(20.26)	(17.75)	(13.69)
Return after operating charges*	(6.80)	(74.47)	120.65
Closing net asset value per share	753.51	760.31	834.78
Retained distribution on accumulation shares	23.86	23.49	20.87
* after direct transaction costs of:	0.10	0.60	3.48
Performance			
Return after charges	(0.89%)	(8.92)%	16.89%
Other information			
Closing net asset value (£'000)	355,757	368,877	404,353
Closing number of shares	47,213,538	48,516,569	48,438,047
Operating charges excluding property expenses	0.75%	0.87%	0.70%
Property expenses	0.67%	0.25%	0.19%
Operating charges	1.42%	1.12%	0.88%
Direct transaction costs	0.01%	0.07%	0.47%
Prices			
Highest share price	751.31	888.90	823.37
Lowest share price	735.23	749.69	706.05

Class B Income

Change in net assets per share	31/12/23 (p)	31/12/22 (p)	31/12/21 (p)
Opening net asset value per share	284.63	321.53	282.72
Return before operating charges*	2.20	(25.52)	50.21
Operating charges	(5.65)	(2.46)	(3.27)
Return after operating charges*	(3.45)	(27.98)	46.94
Distributions on income shares	(8.81)	(8.92)	(8.13)
Closing net asset value per share	272.37	284.63	321.53
* after direct transaction costs of:	0.04	0.11	1.12
Performance			
Return after charges	(1.21%)	(8.70)%	16.60%
Other information			
Closing net asset value (£'000)	14,125	15,052	38,531
Closing number of shares	5,185,856	5,288,315	11,983,720
Operating charges excluding property expenses	0.75%	0.87%	0.70%
Property expenses	0.67%	0.25%	0.19%
Operating charges	1.42%	1.12%	0.88%
Direct transaction costs	0.01%	0.07%	0.47%
Prices			
Highest share price	277.87	336.47	316.32
Lowest share price	268.38	280.59	277.59

It should be remembered that past performance is not a reliable indicator of future performance and that the value of shares, and the income derived from them, can vary.

Direct transaction costs are stated after deducting the proportion of the amounts collected from dilution adjustments that relate to direct transaction costs.

Statement of Depositary's Responsibilities to the Shareholders of the Royal London Property Fund ("The Company")

The Depositary must ensure that the Company is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook, the Investment Funds Sourcebook, the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228) (the "OEIC Regulations"), as amended, the Financial Services and Markets Act 2000, as amended, (together "the Regulations"), the Company's Instrument of Incorporation and Prospectus (together "the Scheme documents") as detailed below.

The Depositary must in the context of its role act honestly, fairly, professionally, independently and in the interests of the Company and its investors.

The Depositary is responsible for the safekeeping of all custodial assets and maintaining a record of all other assets of the Company in accordance with the Regulations.

The Depositary must ensure that:

- the Company's cash flows are properly monitored and that cash of the Company is booked into the cash accounts in accordance with the Regulations;
- the sale, issue, redemption and cancellation of shares are carried out in accordance with the Regulations;
- the value of shares in the Company is calculated in accordance with the Regulations;
- any consideration relating to transactions in the Company's assets is remitted to the Company within the usual time limits;
- the Company's income is applied in accordance with the Regulations; and
- the instructions of the Alternative Investment Fund Manager ("the AIFM") are carried out (unless they conflict with the Regulations).

The Depositary also has a duty to take reasonable care to ensure that the Company is managed in accordance with the Regulations and the Scheme documents in relation to the investment and borrowing powers applicable to the Company.

Report of the Depositary to the Shareholders of the Royal London Property Fund

Having carried out such procedures as we consider necessary to discharge our responsibilities as Depositary of the Company, it is our opinion, based on the information available to us and the explanations provided, that in all material respects the Company, acting through the AIFM:

(i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Company's shares and the application of the Company's income in accordance with the Regulations and the Scheme documents of the Company, and

(ii) has observed the investment and borrowing powers and restrictions applicable to the Company.

NatWest Trustee and Depositary Services Limited

22 April 2024

Standing Independent Valuer's Report

Cushman & Wakefield Debenham Tie Leung Limited, acting in its capacity as appointed standing External Valuer to Royal London Property Fund (the "Company"), has valued the immoveables held by the Company as at 31 December 2023 in accordance with the RICS Valuation – Global Standards which incorporate the international Valuation Standards ("IVS") and the RICS UK Valuation Standards (the "RICS Red Book") edition current at the Valuation Date. It follows that the valuations are compliant with "IVS" and are in accordance with 8.4.13R of the Collective Investment Schemes sourcebook.

The immoveables have been valued on the basis of Fair Value as defined in the RICS Valuation – Professional Standards subject to existing leases. Royal London Unit Trust Manager, as the Authorised Corporate Director ("ACD"), has been provided with a full valuation certificate dated 31 December 2023.

We have been provided with information from the Fund's property managers including tenancy schedules and floor areas. We have assumed that the Fund's interests in the immoveables are not subject to any onerous restrictions, to the payment of any unusual outgoings or to any changes, easements or rights of way, other than those to which we have referred in our reports. We rely upon the property managers to keep us advised of any changes that may occur in the investments. We are not instructed to carry out structural surveys or test any of the service installations. Our valuations therefore have regard only to the general condition of the immoveables evident from our inspections. We have assumed that no materials have been used in the construction or subsequent alteration of the buildings which are deleterious, hazardous or likely to cause structural defects. We are not instructed to carry out investigations into environmental contamination which might affect the immoveables and our valuations assume the immoveables are not adversely affected by any environmental contamination.

In our opinion the aggregate value of the market values of the immoveables owned by the Company as at 31 December 2023 is £328,850,000. This figure represents the aggregate of the individual values attributable to the individual immoveables and should not be regarded as a valuation of the portfolio as a whole in the context of a sale as a single lot. This report should be read in conjunction with the full valuation certificate dated 31 December 2023 which sets out all assumptions and relevant caveats.

No allowances are made for any expenses of realisation, or for taxation, which might arise in the event of a disposal. The immoveables are considered as if free and clear of all mortgages or other charges which may be secured thereon. Valuations are prepared and expressed exclusive of VAT. Pending clarity in the market's response to the International Property Measurement Standard (IPMS), we have continued to use floor areas as defined by the RICS Code of Measuring Practice 6th Edition 2007. This has been discussed and agreed with the ACD.

Cushman & Wakefield Debenham Tie Leung Limited

31 December 2023

Independent Auditors' Report to the Shareholders of Royal London Property Fund

Report on the audit of the financial statements

Opinion

In our opinion, the financial statements of Royal London Property Fund (the "Company"):

- give a true and fair view of the financial position of the Company and its sub-fund as at 31 December 2023 and of the net revenue and the net capital losses on the scheme property of the Company and its sub-fund for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law), the Statement of Recommended Practice for UK Authorised Funds, the Collective Investment Schemes sourcebook and the Instrument of Incorporation.

Royal London Property Fund is an Open Ended Investment Company ('OEIC') with a single sub-fund. The financial statements of the Company comprise the financial statements of its sub-fund. We have audited the financial statements, included within the Annual Report, which comprise: the Balance Sheet as at 31 December 2023; the Statement of Total Return, the Statement of Change in Net Assets Attributable to Shareholders and the Statement of Cash Flows for the year then ended; the Distribution Tables; and the Notes to the Financial Statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from the date on which the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Authorised Corporate Director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the Authorised Corporate Director with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Authorised Corporate Director is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Based on our work undertaken in the course of the audit, the Collective Investment Schemes sourcebook requires us also to report certain opinions as described below.

Authorised Corporate Director's Report

In our opinion, the information given in the Authorised Corporate Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent Auditors' Report to the Shareholders of Royal London Property Fund (continued)

Report on the audit of the financial statements – continued

Responsibilities for the financial statements and the audit

Responsibilities of the Authorised Corporate Director for the financial statements

As explained more fully in the Statement of Authorised Corporate Director's Responsibilities, the Authorised Corporate Director is responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Authorised Corporate Director is also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Authorised Corporate Director is responsible for assessing the Company's and its sub-fund's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Authorised Corporate Director either intends to wind up or terminate the Company or its sub-fund, or has no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Company/industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of the Collective Investment Schemes sourcebook, and we considered the extent to which non-compliance might have a material effect on the financial statements, in particular those parts of the sourcebook which may directly impact on the determination of amounts and disclosures in the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue or to increase the net asset value of the Company and judgements and assumptions made by management in their significant accounting estimates. Audit procedures performed included:

- Discussions with the Authorised Corporate Director, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Reviewing relevant meeting minutes, including those of the Authorised Corporate Director's board of directors;
- Identifying and testing journal entries, specifically any journals posted as part of the financial year end close process;
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing; and
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to the valuation of investment properties.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Independent Auditors' Report to the Shareholders of Royal London Property Fund (continued)

Report on the audit of the financial statements – continued

Use of this report

This report, including the opinions, has been prepared for and only for the Company's shareholders as a body in accordance with paragraph 4.5.12 of the Collective Investment Schemes sourcebook as required by paragraph 67(2) of the Open-Ended Investment Companies Regulations 2001 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.

Other required reporting

Opinion on matter required by the Collective Investment Schemes sourcebook

In our opinion, we have obtained all the information and explanations we consider necessary for the purposes of the audit.

Collective Investment Schemes sourcebook exception reporting

Under the Collective Investment Schemes sourcebook we are also required to report to you if, in our opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records.

We have no exceptions to report arising from this responsibility.

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

22 April 2024

Financial Statements

Statement of Total Return

For the year ended 31 December 2023

	Note	31 Dec 2023 £'000	31 Dec 2023 £'000	31 Dec 2022 £'000	31 Dec 2022 £'000
Income					
Net capital losses	6		(15,622)		(51,183)
Revenue	7	22,184		21,747	
Expenses	8	(7,716)		(6,878)	
Net revenue before taxation		14,468		14,869	
Taxation	9	–		–	
Net revenue after taxation			14,468		14,869
Total deficit before distributions			(1,154)		(36,314)
Distributions	10		(14,527)		(14,881)
Change in net assets attributable to shareholders from investment activities			**(15,681)**		**(51,195)**

Statement of Change in Net Assets Attributable to Shareholders

For the year ended 31 December 2023

	31 Dec 2023 £'000	31 Dec 2023 £'000	31 Dec 2022 £'000	31 Dec 2022 £'000
Opening net assets attributable to shareholders		**383,929**		**442,884**
Amounts receivable on creation of shares	812		770	
Amounts payable on cancellation of shares	(10,888)		(20,265)	
		(10,076)		(19,495)
Change in net assets attributable to shareholders from investment activities		(15,681)		(51,195)
Dilution adjustment		215		349
Retained distributions on accumulation shares		11,495		11,386
Closing net assets attributable to shareholders		**369,882**		**383,929**

Balance Sheet

As at 31 December 2023

	Note	31 Dec 2023 £'000	31 Dec 2022 £'000
Assets			
Fixed assets:			
Land and buildings	22	325,850	346,603
Investments		8,901	8,236
Total fixed assets		334,751	354,839
Current assets:			
Debtors	11	11,812	10,571
Cash and bank balances	12	32,245	26,661
Total current assets		44,057	37,232
Total assets		378,808	392,071
Liabilities			
Creditors:			
Other creditors	13	8,111	7,311
Finance lease payable	14	783	783
Distribution payable		32	48
Total liabilities		8,926	8,142
Net assets attributable to shareholders		**369,882**	**383,929**

The notes on pages 22 to 36 are an integral part of these financial statements.

Financial Statements (continued)

Statement of Cash Flows

For the year ended 31 December 2023

	Note	31 Dec 2023 £'000	31 Dec 2022 £'000
Net cash inflow from operating activities	16	**13,520**	**13,344**
Distributions to shareholders		(3,048)	(3,541)
Interest received	7	507	84
Net cash generated from operating activities		**10,979**	**9,887**
Cash flows from investing activities			
Payments to acquire investments and capital expenditure		(1,069)	(3,332)
Receipts from sale of investments		5,535	3,776
Net cash inflow from investing activities		**4,466**	**444**
Net cash inflow before financing activities		**15,445**	**10,331**
Cash flows from financing activities			
Amounts received from creation of shares		812	770
Amounts paid on cancellation of shares		(10,888)	(20,265)
Dilution adjustment		215	349
Net cash outflow from financing activities		**(9,861)**	**(19,146)**
Net increase/(decrease) in cash during the year		**5,584**	**(8,815)**
Cash and bank balances brought forward		26,661	35,476
Cash and bank balances at the end of the year		**32,245**	**26,661**

Notes to the Financial Statements

For the year ended 31 December 2023

1. Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the accounting years presented, unless otherwise stated.

Basis of preparation

The financial statements of the Company have been prepared in compliance with the FCA's Collective Investment Schemes Sourcebook ("COLL") and in accordance with the UK Accounting Standards, including Financial Reporting Standard 102, ''The Financial Reporting Standard applicable in the UK and the Republic of Ireland'' (''FRS 102''), the Statement of Recommended Practice (SORP) for Financial Statements of Authorised Funds issued by The Investment Association in May 2014 and amended in June 2017 (the "2014 SORP") the Prospectus and Instrument of Incorporation. These financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the revaluation of land and buildings and certain financial assets and liabilities measured at fair value through the profit or loss.

Going concern

The ACD has undertaken a detailed assessment, and continues to monitor the Company's ability to meet its liabilities as they fall due, including liquidity, declines in global capital markets and investor redemption levels. Based on this assessment, the Company continues to be open for trading and the Manager is satisfied the Company has adequate financial resources to continue in operation and meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements. Accordingly, it is appropriate to adopt the going concern basis in preparing the financial statements.

Basis of valuation of investments

Fair value of investment property

Investment properties owned by the Company which are classified under land and buildings are held either to earn rental income or for capital appreciation or both. Investment properties are measured initially on acquisition at their costs, including transaction costs. Acquisitions of investment properties are recognised where, by the end of the accounting year, there is a legally binding, unconditional and irrevocable contract. Additions to investment properties consist of costs of a capital nature.

Subsequent to initial recognition, investment properties are valued individually on a monthly basis by Cushman & Wakefield Debenham Tie Leung Limited in accordance with the Royal Institution of Chartered Surveyors ('RICS') Valuation Global Standards 2017 ("The Red Book") on the basis of Fair Value in accordance with FRS 102.

Fair value represents the figure that would appear in a hypothetical contract of sale between a willing buyer and a willing seller and is a product of rent and yield derived using comparison techniques.

The Company's properties are subject to an ongoing rolling programme of internal and external inspection by the standard independent valuers each year.

Fair value of collective investment schemes

Units in collective investments schemes are valued at bid-price if dually priced as provided by the relevant fund managers. The fair value of single priced collective investment schemes is their single price.

The Company considers the availability and punctuality of the valuation provided by the fund manager, which is based on the net asset value and, if necessary, can adjust it to obtain the best estimates of fair value at the reporting date. The fair value assigned to the collective investment schemes are based on a fair value pricing methodology as determined by the ACD.

Finance leased assets

Finance leases are capitalised at commencement of the lease as assets at the fair value of the leased asset or, if lower, the present value of the minimum lease payments calculated using the equivalent yield. Incremental direct costs incurred in negotiating and arranging the lease, are included in the cost of the asset. The capital element of lease obligations is recorded as a liability on inception of the arrangement. Lease payments are apportioned between capital repayment and finance charge, using the effective interest rate method, to produce a constant rate of charge on the balance of the capital repayments outstanding.

Lessor operating leases

Payments made under operating leases (net of any incentives received from the lessor) are taken to the income statement on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

Lease incentives

Incentives received to enter into an operating lease are credited to the Statement of Total Return account, to reduce the lease expense, on a straight-line basis over the period of the lease.

Notes to the Financial Statements (continued)

For the year ended 31 December 2023

1. Significant accounting policies – continued

Provision for bad and doubtful debts

It is the policy of the Company to make provision for bad and doubtful debts which are based on objective evidence of impairment using available information to determine whether it has become probable, for example, that a debtor will enter bankruptcy. The amount of the loss is measured as the difference between the asset's carrying amount and the estimated recoverable amount and is recognised in the Statement of Total Return.

Cash and bank balances

Cash is cash in hand and at bank. Bank overdrafts are shown within borrowings in current liabilities where held.

Financial liabilities

Basic financial liabilities, including trade and other payables are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the credit instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Shares

Shares are recognised as financial liabilities and are measured based on the NAV per share for each relevant share class as set out within the comparative tables.

Taxation

The Company qualifies as a Property Authorised Investment Fund ("PAIF") for tax purposes. Accordingly, the income generated by its property investment business will be exempt from tax. Any dividend income it receives from United Kingdom companies or, in general, from non-United Kingdom companies will also be exempt from tax. The Company would, however, be subject to tax in the unlikely event that there should be a net balance of other income, which will generally consist of interest but could include other property income, less deductible expenses and the gross amount of any PAIF interest distributions made or a tax charge otherwise arises.

The Company's distributions will be split into three streams for United Kingdom tax purposes:

1. Property income distributions, representing income from its property investment business;
2. PAIF dividend distributions representing any dividends received by it; and
3. PAIF interest distributions representing the net amounts of all other income received.

Capital allowances are accrued in line with the other policies in these statements. Capital deductions increase the distributable income of the Company. This income is classified as dividend for the purpose of the three streams.

Income tax has been provided for at an appropriate rate for distribution to Shareholders and the calculation of the Share price is net of tax. Property Income is taxed at 20%, interest income being taxed at 20% and dividend income at 0%.

Revenue recognition

Revenue includes rental income, insurance and service charges from investment properties and distributions from collective investment schemes.

Rental income

Rental income is accounted for on an accruals basis. Rental income received in advance is deferred and recognised in the period to which it relates. Rental income from properties where leases have been entered into, which have been let subject to an initial rent free period, or lease incentive, are accounted for on a straight-line basis in accordance with FRS 102. Additional rental income arising from rent reviews will be recognised once the review is complete.

Service charge income

The service charge is operated by the Company on a self-funding basis by collecting and disbursing service charge income to cover service charge expenses. Service charge income is recognised in the Statement of Total Return on an accruals basis.

Interest income

Interest income from bank balances and deposits is recognised on an accruals basis.

Collective Investment Schemes

Dividend income from collective investment schemes are accounted for on an accruals basis.

Expenses recognition

Expenses are classified as revenue based on the nature of the expenses such as, audit, fund management, service charge or other operating expenses. Expenses relating to or incidental to the purchase and sale of land and buildings and property under construction and stamp duty land tax are treated as capital. All expenses are recognised in Statement of Total Return in the period in which they are incurred (on an accruals basis).

Notes to the Financial Statements (continued)

For the year ended 31 December 2023

1. Significant accounting policies – continued

Expenses recognition – continued

Fund manager's fee

The fund manager's fee is calculated monthly, accrued on a daily basis by reference to the net asset value of each share class on that dealing day and the amount due for each month is payable the last working day of the following month.

The manager's fee is based on 0.75% of the net asset value of the previous month accrued on a daily basis across all share classes.

As per the letter to shareholders dated 19 April 2023, the ACD reduced the periodic management charge from 0.75% to 0.60% with effect from 1 July 2023.

Service charge expenses

Service charge expenses represent the aggregate of all service charge expenses incurred by the Company's property portfolio and reported by the managing agent at year end.

Service charge expenses are recognised in the Statement of Total Return on an accrual basis.

Distribution to Shareholders

Dividends and other distributions to the Company's Shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the Company's Depositary. These amounts are recognised in the Statement of Total Return. The reinvestment of the accumulation distribution is recognised in the Statement of Change in Net Assets Attributable to Shareholders.

Dilution levy

In certain circumstances the ACD may charge a dilution levy on the sale or repurchase of shares. The levy is intended to cover certain dealing charges not included in the value of the Company used in calculating the share price, which could have a dilutive effect. Normally the Company will only charge such a levy on a sub-fund experiencing large levels of net purchases or net redemptions relative to its size. Any dilution levy is charged at the discretion of the ACD.

Related party transactions

The Company discloses transactions with related parties which are not wholly owned within the same Group. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the ACD, separate disclosure is necessary to understand the effect of the transactions on the Company's financial statements.

2. Estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience as adjusted for current market conditions and other factors.

Key accounting estimates and assumptions

Estimation of fair value of investment property

Investment property is measured at fair value which represents a significant proportion of the Company's net assets at 88.09% (31/12/22: 90.28%). Therefore, the estimates and assumptions made to determine their carrying value during valuation are critical to the Company's financial position and performance.

The valuation derived is only an opinion and is a product of rent and yield derived using comparison techniques. In undertaking the valuation of properties under this method, an assessment has been made on the basis of a collation and analysis of appropriate comparable investment, rental and sale transaction, together with evidence of demand within the vicinity of subject property.

Sensitivity analysis

The values of investment properties are driven by their rental yield. At the year end, the Company's portfolio had an equivalent yield of 5.77% (31/12/2022: 5.35%). If the yield of every property within the portfolio increased by 0.25% (31/12/2022: 0.25%) it is estimated that the net asset would fall by 3.76% (31/12/2022: 4.16%). If the yield decreased by 0.25% (31/12/2022: 0.25%) it is estimated that the net asset value would rise by 4.11% (31/12/2022: 4.59%). The 0.25% benchmark has been used to measure sensitivity analysis as the ACD believes that it is a good indicator of materiality in yield movements. These estimates are subject to the prevailing conditions at the year end.

The current equivalent yield by sector is shown in the following table, along with the potential impact to values if all the properties in the sector increased or decreased by 0.25%.

Sector	Weighted average equivalent Yield	Yield shift by Sector	Change in value if decrease in yield	NAV impact	Change in value if increase in yield	NAV impact
Industrial	5.96%	0.25%	6,122,000	1.65%	(5,620,000)	(1.52)%
Offices	5.24%	0.25%	5,701,000	1.54%	(5,159,000)	(1.39)%
Retail	6.17%	0.25%	2,005,000	0.54%	(1,848,000)	(0.50)%
Others	6.17%	0.25%	1,378,000	0.37%	(1,270,000)	(0.34)%

Critical judgements in applying the Company's accounting policies

The Company makes assessments on whether it requires any critical judgements in applying accounting policies. There were no critical judgements applied to any of the Company's accounting policies for the current year.

Notes to the Financial Statements (continued)

For the year ended 31 December 2023

3. Distribution policies

Basis of distribution

The distribution policy of the Company is to distribute or accumulate all available property rents, interest and dividend income earned on an accruals basis, after deduction of charges and expenses payable, subject to adjustment for income tax and for any other expenses which may be transferred to capital (abortive costs and property gains and losses). Under the PAIF structure, the Company distributes income in three streams (property rents, interests and dividend income).

Distribution in respect of Income shares is paid out at the end of the relevant accounting period whilst distribution in respect of Accumulation shares is retained at the end of each distribution period and will be reflected in the price of each Accumulation share at the end of the relevant accounting period and represents a reinvestment of revenue.

All Share classes of the Company are priced and distribute on a monthly basis therefore there are no group 2 shares at the end of each distribution period and therefore no equalisation is applied to share class prices.

Apportionment to share classes

The allocation of revenue and expenses to each share class is based on the proportion of the Company's assets attributable to each share class on the day the revenue is earned or the expenses are suffered.

Expenses

In determining the net revenue available for distribution, expenses that are deemed to be capital in nature or are related to the purchase and sale of investments are ultimately charged to the capital of the Company.

4. Performance fee

In addition to the periodic management charge, the ACD is permitted under COLL to pay the Investment Adviser a performance fee from the Company.

This performance fee will only be paid after consideration of all other payments out of the Company and provided the Company meets certain performance objectives. Any such performance fee payable by the Company shall be paid in its entirety to the Investment Adviser.

The performance fee is payable monthly in arrears based on the performance of the Company over the prior 12 months. The performance fee will only be charged based on the formula shown below and depending on the Company's relative performance within the Benchmark Index.

Benchmark index

The Benchmark Index will be the MSCI/AREF UK Other Balanced Quarterly Property Fund Index ("Index"). This index is an industry standard property index which provides a broad and fair representation of the UK property funds peer group.

The Index is calculated and published on a quarterly basis following each calendar quarter end. Therefore, the performance fee accrued and paid for each month will be based on prior performance and may at times not reflect the Company's current performance.

If there is at any time another index which in the opinion of the Investment Adviser matches more effectively the objective of the Company, the ACD may, with the agreement of the Depositary and by giving not less than 60 days' written notice to Shareholders, substitute that index for the one referred to above and the performance fee shall be based on that new index instead.

As per the letter to shareholders dated 19 April 2023 in relation to changes in the objective and use of a new benchmark the MSCI /AREF UK All Property Index. The use of the benchmark will change from being a target to a comparator benchmark, meaning that outperforming it will not be an objective of the Fund, although you will be able to use the new Benchmark to measure the Fund's performance.

Performance fee calculation

The Company's quartile ranking against the Index for the most recently available year will be taken and applied to the following table:

- If performance as compared to the Index falls into the fourth (bottom) quartile of the index, then the performance fee will be negative at -0.10%.
- If performance falls into the third quartile of the index, then no performance fee will be payable.
- If performance falls into the second quartile of the index, then a performance fee of 0.10% will be payable.
- If performance falls into the first (top) quartile of the index, then a performance fee of 0.30% will be payable.

The performance fee calculation will be based on the most recently available MSCI PPFI Index rankings. The Index is typically published by MSCI in the third or fourth week of each calendar quarter; therefore the new Fund Performance ranking will be available for the three months following such publication. (If, for example, the Index for the year ending 31 December is published late in January, then this ranking will be used to determine the performance fee to be applied for January, February and March of that year).

The performance fee will be calculated, and paid by the Company on a monthly basis, at each monthly valuation point and will be paid to the Investment Adviser at the same time as the periodic management charge is also paid to the ACD.

As per the letter to shareholders dated 19 April 2023, the ACD had amended the Fund's investment objective to remove the performance target and removal of the performance fee with effect from 1 July 2023.

Notes to the Financial Statements (continued)

For the year ended 31 December 2023

5. Risk management policies

In accordance with its investment objective, the Company holds financial instruments which may comprise:

- UK property and shares in collective investment schemes;
- Cash, liquid resources and short-term debtors and creditors that arise directly from the Company's operations; and
- Short term borrowings used to finance investments activity.

The risks set out below do not purport to be exhaustive and the Company may be exposed to risks of an exceptional nature from time to time.

Market price risk and valuation of property

Market risk is the risk of loss resulting from fluctuations in the market value of the Company's investments including, but not limited to, adverse property valuation movements.

Since the fair value of investment property represents a significant proportion of the Company's net assets at 88.09% (31/12/22: 90.28%), property values are exposed to a number of risk factors which may affect the total return of the Company. These may be attributable to changes to global or local economic conditions; local market conditions such as the price volatility of the UK commercial property markets or performance of individual properties; the financial conditions of tenants; changes in interest rates or exchange rates and other operational expenses; environmental laws and regulations; planning laws and other governmental legislation; energy prices and the relative attractiveness of real estate types or locations. In addition, real estate is subject to long-term cyclical trends that give rise to significant volatility in values.

Market price risk is minimised through holding a diversified portfolio that invests across various property sectors.

The ACD may employ derivatives solely for the purposes of Efficient Portfolio Management. The use of derivatives for EPM purposes is not expected to affect the risk profile of the Company. The use of these instruments may however from time to time expose the Company to volatile investment returns and increase the volatility of the net asset value of the Company. The Company does not currently use derivatives for investment purposes.

The Company adheres to the investment guidelines and investment and borrowing powers established in the Prospectus, instrument of incorporation and in the rules governing the operation of open ended investment companies.

Liquidity risk

Liquidity risk is the risk that cash cannot be raised, or investments sold at limited cost or in an adequate time frame to meet financial commitments such as redemptions.

Since the Company invests mainly in immovable property, which is relatively illiquid and more difficult to realise than most equities or bonds, it can be exposed to liquidity risk surrounding its capacity to maintain sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to meet its obligations to fund its distribution payments and redemptions.

In normal circumstances, the Company permits redemptions on a monthly basis but with shareholder's required to provide 3 months' advance notice of their intention to redeem, although the ACD may waive this notice period at its discretion provided that this does not materially prejudice shareholders. The ACD also has additional tools to deal with liquidity constraints which could arise. The Company may (i) borrow cash to meet redemptions within the limits, that is, the value of the assets involved in Property Investment Business will be at least 60% of the value of the total value of the assets held by the Company at the end of each of its accounting periods; (ii) defer a redemption request to the next dealing day where requested redemptions exceed 5% of the Net Asset Value or (iii) apply the in specie redemption provisions issue in which shares in the Company are exchanged for assets as well as cash in excess of £10m.

The ACD has established a liquidity management policy and procedures for the qualitative and quantitative assessment of existing positions taken by the Company and to assess whether intended investments would have a material impact on the overall liquidity profile of the Company. In following these procedures, the assessment by the ACD takes account of actual and anticipated subscription and redemption flows, investor concentration, the current level of readily realisable assets in the Company and the time required to realise further assets, prices and or spreads of investments in both normal and exceptional liquidity conditions. These factors are monitored and managed to ensure the liquidity profile of the Company is aligned appropriately with the anticipated redemption flows. The ACD conducts regular stress testing (at least annually) of the Company's portfolio in order to fully understand the liquidity profile of the Company.

Notes to the Financial Statements (continued)

For the year ended 31 December 2023

5. Risk management policies – continued

Liquidity risk – continued

The following table provides a profile of the Company's liquidity.

	Within three months	Over three months but not more than one year	Over one year
As at 31 December 2023	**£'000**	**£'000**	**£'000**
Cash at bank	32,245	–	–
	%	**%**	**%**
Shareholding that can be redeemed	100	–	–
Portfolio capable of being liquidated	–	100	–
As at 31 December 2022	**£'000**	**£'000**	**£'000**
Cash at bank	26,661	–	–
	%	**%**	**%**
Shareholding that can be redeemed	100	–	–
Portfolio capable of being liquidated	–	100	–

The following table provides a maturity analysis of the Company's financial liabilities showing the remaining contractual maturities on an undiscounted basis.

	Within one year	Over one year but not more than five years	Over five years
As at 31 December 2023	**£'000**	**£'000**	**£'000**
Distribution payable	32	–	–
Finance lease payable	50	202	11,302
Other creditors	8,111	–	–
	8,193	**202**	**11,302**
As at 31 December 2022	**£'000**	**£'000**	**£'000**
Distribution payable	48	–	–
Finance lease payable	50	202	11,353
Other creditors	7,311	–	–
	7,409	**202**	**11,353**

Credit and counterparty risk

Credit risk is the risk that counterparty will default on their contractual obligations resulting in financial loss to the Company. The Company will be subject to the risk of the inability of any counterparty to perform with respect to transactions, whether due to insolvency, bankruptcy or other causes.

Concentration of credit risk refers to disproportionally large risk exposure to specific credit risks, such as, certain individual tenants, specific industry sectors and/or region of the counterparty. The Company could be subject to significant losses if it holds a large position in a particular investment that declines in value or is otherwise adversely affected, including default of the counterparty.

In managing counterparty and concentration of credit risk, rental income from any one tenant or tenants, specific industry sectors and/or region within the Company is monitored so that it does not exceed a certain threshold of the aggregate revenue in relation to the property investments in any accounting period as determined from time to time by the ACD. Rent is collected from tenants in advance, usually quarterly. Cash is placed on deposit with reputable financial institutions and is subject to limits as disclosed in the Prospectus.

In the event of the insolvency of a counterparty, the ACD might not be able to recover cash or assets of equivalent value in full. The ACD has been closely monitoring the ability of tenants to pay their rent and adjusting bad debt provision accordingly. The ACD also works with the tenants to determine any rent concessions on a case-by-case basis.

There are no significant concentrations of credit risk, whether through exposure to certain individual tenants, specific industry sectors and/or region. The credit ratings of the investments are monitored frequently for credit deterioration. By diversifying the portfolio, where this is appropriate and consistent with the Company's objectives, the risk that a significant change in the credit risk or quality of certain individual tenants, particular sector, specific industry sectors and/or region will have a material impact on the Net Asset Value of the Company is minimised. The investment concentrations within the portfolio are disclosed in the portfolio statement by investment type.

The Company adhere to regulatory and fund management guidance and investment strategy and that mitigates any risk of excessive exposure to any particular type of sector or tenant type.

Notes to the Financial Statements (continued)

For the year ended 31 December 2023

5. Risk management policies – continued

Credit and counterparty risk – continued

The Company's cash and short term deposits at 31 December 2023 amounted to £32.25m (31/12/2022: £26.66m). Deposits and interest rate deposits were placed with financial institutions with BBB+ or better credit ratings.

At 31 December 2023, the fair value of all interest rate derivative assets held by the Company was £nil (31/12/2022: £nil).

At 31 December 2023, taking into consideration any offset arrangements, the largest combined credit exposure to a single counterparty arising from money market deposits, liquid investments and derivatives was £32.25m (31/12/2022: £26.66m). This represents 8.51% (31/12/2022: 6.80%) of gross assets of the Company.

The deposit exposures are with UK banks.

Currency risk

Currency of foreign exchange risk is a financial risk that exists when a financial transaction is denominated in a currency other than the domestic currency of the Company.

All financial assets and financial liabilities of the Company are in sterling, thus the Company has no exposure to currency risk at the Balance Sheet date.

Interest rate risk

The Company may at certain times invest cash on deposit. The Company held £32.25m (31/12/22: £26.66m) cash at the end of the period and has minimal exposure to interest rate risk. In times of low nominal interest rate, there may be no, negative or low interest paid on these holdings. In such circumstances, the Company could be subject to losses especially after charges are deducted.

The ACD assesses the interest rate risk and has determined that the interest rate risk is low and therefore no sensitivity analysis has been performed.

Inflation risk

Inflationary risk is the risk that the future value of an investment, asset, or income stream, in real terms, will be reduced by unanticipated inflation.

A key to the effectiveness of managing inflationary risk associated with the fall in real income or returns lies in the Company's ability to raise rents in markets with low vacancy rates, thus outpacing rising inflation and potentially increasing income distribution to shareholders. The Company also use built-in rent escalators that are tied to inflation that can directly drive rental income which protects the income-generation of existing leases. The Company also allow new leases to capitalise on rising market rents when the leases are being agreed. In general, Property investment has served as a hedge against inflation over the long term and tend to be less sensitive to inflationary risk and may even benefit from unanticipated inflation.

The ACD address inflationary risk associated with increased costs by adjusting its cash flows for inflation to prevent changes in purchasing power especially in relation to capital expenditure such as construction and refurbishment costs. The ACD employ various risk management measures such as, the use of fixed price contract sums; inflation contingency in budgets and in appraisals; early procurement of risk packages; and protection against amendments in construction contracts where the contractor may seek to include an exclusion related to material inflation or supply chain issues.

On the other hand, sharp increase in construction and building costs may constrain the growth of new property stocks to some degree which would support property values. In fact, construction cost inflation has outrun other measures of inflation in recent years since high construction costs imply increased replacement costs for buildings and making existing property investments more valuable.

The ACD assesses the inflation risk and has determined that inflation risk is low and therefore no sensitivity analysis has been performed.

Leverage risk

Leverage risk is the uncertainty introduced by the method by which the ACD finances parts of its investments through borrowing.

In managing the assets of the Company, the ACD may from time to time use leverage, either in the form of borrowings (for example, for the purposes of funding acquisitions in anticipation of receiving subscriptions or to meet redemption requests as part of the liquidity management of the Company). Currently the Company has no borrowings of cash or securities and as such no disclosure is required under the AIFM Directive.

Notes to the Financial Statements (continued)

For the year ended 31 December 2023

5. Risk management policies – continued

Climate risk

Climate risk is the risk that asset valuations and the wider economy are negatively impacted by the transition to a low-carbon economy, as well as the physical risk to asset holdings as a result of severe weather events and longer-term shifts in climate.

The built environment is particularly susceptible to the effects of climate change. It affects the exposure of our assets to physical risks, such as flooding. It influences transition risks, such as divestment away from high-risk assets. It contributes to urban heat islands and impacts the health and wellbeing of occupants and local communities.

The Company has reviewed the carbon footprint and emissions trajectory of its property portfolio for the coming decades. Based on this review, it has developed an informed pathway to decarbonise the property portfolio and achieve net zero carbon. This pathway is aligned with the latest industry guidance and principles for the built environment on how to reduce and compensate for its emissions meaningfully and accountably.

A key element of the Company's risk mitigation strategy is set out within its new Responsible Property Investment (RPI) framework which covers four strategic focus areas:

- Investing in a resilient portfolio
- Developing for the future
- Managing assets for positive impact
- Responsible decision making.

Ten material Environmental, Social & Governance (ESG) issues form the foundation of the RPI framework, of which one was identified as the 'Transition to net zero carbon'. A set of Key Performance Indicators (KPIs) will be developed to track quantitative performance against achieving net zero carbon and actions will be undertaken as necessary to ensure fulfilment of the Company's goals.

Economic and geopolitical risk

The performance of the Company may be adversely affected by the impact of geopolitical and general economic conditions under which the Company operates.

Political risks include changes in landlord and tenant, planning, trust or other law in the UK could also materially affect the investment returns.

Geopolitical risk feeds through into real economic activity because uncertainty over future economic conditions, particularly when caused by a large-scale war, causes firms and consumers to adopt a 'wait and see' approach, cutting back on investment and consumption plans.

The ongoing conflicts in Ukraine and in the Middle East continue to carry huge risks for the world economy. If geopolitical uncertainties persist, volatility in energy prices and inflation could return. The Company has no exposure to Russian companies as commercial tenants or investment.

However, sanctions imposed on Russia as a response by the UK and its allies have had a significant impact on the UK economy due to the disruption to the supply of energy to Europe which has affected wholesale prices in the UK to a greater extent than implied by direct trade links. The full economic impact of the conflicts on Western economies including the UK with higher inflation, volatile financial markets and adverse economic environment will depend on the extent to which the conflicts, and therefore the severity of sanctions and economic disruption, escalates and how long they last.

The returns that are likely to be achieved on an investment in the Company, which has its assets predominantly based in the UK, are not likely to be materially affected by the situation in Ukraine or the Middle East but by the political and economic climate in the UK.

Notes to the Financial Statements (continued)

For the year ended 31 December 2023

6. Net capital losses

	31 Dec 2023 £'000	31 Dec 2022 £'000
The net capital losses during the year comprise:		
Non derivative securities unrealised gains/(losses)	665	(1,983)
Investment property realised (losses)/ gains	(329)	154
Investment property unrealised losses	(15,958)	(49,354)
Net capital losses	**(15,622)**	**(51,183)**

7. Revenue

	31 Dec 2023 £'000	31 Dec 2022 £'000
Property rental income	18,778	19,180
Service charge income	2,430	2,080
Bank interest	507	84
Overseas income*	469	403
Total revenue	**22,184**	**21,747**

* There is no FX impact to overseas income as the income received is wholly due to the Company's investments in the Industrial Property Investment Fund and Octopus Healthcare Fund. These are Jersey and Guernsey based entities and income is paid in pounds sterling. This is a Jersey based entity and income is paid in pounds sterling.

8. Expenses

	31 Dec 2023 £'000	31 Dec 2022 £'000
Payable to the Authorised Corporate Director or associates of the Authorised Corporate Director and their agents:		
Authorised Corporate Director's fee	2,525	3,398
Performance fee	187	226
	2,712	3,624
Payable to the Depositary, associates of the Depositary and their agents:		
Depositary's fee	75	91
Other expenses		
Recoverable service charges	2,430	2,080
Other property expenses*	952	430
Surveyor's fee	542	341
Irrecoverable service charges	321	188
Bad and doubtful debts**	215	(323)
Repairs and maintenance	115	66
Valuation fee	93	111
Legal fees	84	37
Audit fee***	80	76
Managing agent fees	59	67
Head rent	38	90
	4,929	3,163
Total expenses	**7,716**	**6,878**

* Other Property Expenses is made up of miscellaneous expenses relating to management of the Fund.

** Bad and doubtful debts in the prior year includes write down of bad debt provision (see note 11).

*** Audit fee £71,461 (31/12/22: £68,058) excluding VAT. This includes £8,328 (31/12/22: £7,931) paid on behalf of the Royal London Property Trust.

Notes to the Financial Statements (continued)

For the year ended 31 December 2023

9. Taxation

The Company qualifies as a Property Authorised Investment Fund (PAIF) for tax purposes. Accordingly, the income generated by its property investment business will be exempt from tax. Investors pay tax on the distributions according to individual circumstances. Individual investors may want to consult with their financial advisor on how they are affected.

In order that investors are taxed efficiently the distributions of the PAIF Fund will be split into up to three streams for United Kingdom tax purposes:

i. Property income distributions, representing income from the Company's Property Investment Business;

ii. PAIF dividend distributions representing any dividends received by the Company and certain other income; and

iii. PAIF interest distributions representing the net amount of all other income received by the Company.

The Company undertakes property investment business. Capital allowances are accrued in line with the other policies in these statements. Capital deductions increase the distributable income of the Company. This income is classified as dividend for the purpose of the three streams.

Property income distributions are made to Shareholders with 20% income tax deducted. PAIF interest distributions were made gross before this income tax of 20% was also deducted. Investors may be able to reclaim or offset this tax paid and should consult with their advisor. Dividend distributions no longer have a UK tax credit, the first £5,000 of dividends (including PAIF dividend distributions) received by a United Kingdom resident individual each tax year will be exempt from income tax.

a) Analysis of charge for the year

	31 Dec 2023 £'000	31 Dec 2022 £'000
Corporation tax	–	–
Current tax charge	**–**	**–**

b) Factors affecting total tax charge for the year

The tax assessed for the year is lower (31/12/22: lower) than the standard rate of corporation tax in the UK for Open Ended Investment Companies (20%).

The differences are explained below:

	31 Dec 2023 £'000	31 Dec 2022 £'000
Net revenue before taxation	14,468	14,869
Corporation tax at 20%	2,894	2,974
Effects of:		
Revenue not subject to taxation	(2,894)	(2,974)
Current tax charge for the year	**–**	**–**

Authorised Open Ended Investment Companies are exempt from tax on capital gains in the UK, therefore any capital gains/(losses) are not included in the reconciliation above.

c) Deferred tax

There was no provision required for deferred tax at the balance sheet date (31/12/22: same).

10. Distributions

The distributions take account of income received on the issue of shares and income deducted on the cancellation of shares and comprise:

	31 Dec 2023 £'000	31 Dec 2022 £'000
Accumulation shares		
Interim	10,702	10,211
Final	793	1,175
	11,495	**11,386**
Income shares		
Interim	429	953
Final	32	48
	461	**1,001**
Add: Income tax withheld on Property Income Distributions	2,571	2,494
Net distributions for the year	**14,527**	**14,881**

Details of the distribution per share are set out on pages 37 and 38.

Notes to the Financial Statements (continued)

For the year ended 31 December 2023

11. Debtors

	31 Dec 2023 £'000	31 Dec 2022 £'000
Managing agent	4,120	2,974
Rent free debtor	3,308	3,500
Rental income receivable*	1,979	2,171
Service charge receivable	1,158	987
Lease incentive	474	529
Other debtors	773	410
Total debtors	**11,812**	**10,571**

* Rental income receivable is shown after deducting a provision for bad and doubtful debts of £269,719 (31/12/22: £95,329). The provision for doubtful debts is calculated based on the incurred loss model in accordance with FRS 102. The charge to the Statement of Total Return in relation to write-offs and provisions made against doubtful debts was £215,000 expense (31/12/22: £323,363 income).

12. Cash and bank balances

	31 Dec 2023 £'000	31 Dec 2022 £'000
Cash and bank balances	32,245	26,661
Total cash and bank balances	**32,245**	**26,661**

13. Other creditors

	31 Dec 2023 £'000	31 Dec 2022 £'000
Deferred rent	3,959	3,947
Other creditors	1,247	737
Service charge payable	1,158	987
VAT payable	702	901
Tax payable	580	515
Accrued expenses	465	224
Total other creditors	**8,111**	**7,311**

14. Finance lease payable

The following property has finance lease commitments:

Ellesmere Port – Junction 8 Business Park

	31 Dec 2023 £'000	31 Dec 2022 £'000
Commitments in relation to finance leases are payable as follows:		
No later than one year	50	50
Later than one year and not later than five years	202	202
Later than five years	11,302	11,353
Minimum lease payments	11,554	11,605
Future finance charges	(10,771)	(10,822)
Total lease liabilities	**783**	**783**
The present value of finance lease liabilities is as follows:		
No later than one year	48	48
Later than one year and not later than five years	166	166
Later than five years	569	569
Minimum lease payments	**783**	**783**

15. Operating leases

The future aggregate minimum rentals receivable under non-cancellable operating leases are as follows:

	31 Dec 2023 £'000	31 Dec 2022 £'000
No later than one year	18,148	15,812
Later than one year and no later than five years	72,591	36,690
Later than five years	46,883	42,349
Total	**137,622**	**94,851**

Notes to the Financial Statements (continued)

For the year ended 31 December 2023

16. Reconciliation of total return before distributions to net cash flow from operating activities

	31 Dec 2023 £'000	31 Dec 2022 £'000
Total (deficit)/return before distributions	(1,154)	(36,314)
Less: Net capital losses	15,622	51,183
Less: Interest received	(507)	(84)
Net income from operating activities	**13,961**	**14,785**
Increase in debtors	(1,241)	(848)
Increase/decrease in creditors	800	(593)
Net cash inflow from operating activities	**13,520**	**13,344**

17. Reconciliation of number of shares

	Class A Accumulation	Class B Income
Opening shares issued at 01/01/23	48,516,570	5,288,315
Shares issued	108,184	–
Shares cancelled	(1,411,216)	(102,459)
Closing shares at 31/12/23	**47,213,538**	**5,185,856**

18. Contingent liabilities and outstanding commitments

There were no contingent liabilities or outstanding commitments at the Balance Sheet date (31/12/22: same).

19. Related party transactions

The Company's Authorised Corporate Director, Royal London Unit Trust Managers Limited is a related party to the Company as defined by Section 33 "Related Party Disclosures" of FRS 102.

Authorised Corporate Director fees charged by Royal London Unit Trust Managers Limited are shown in note 8 and details of shares created and cancelled by Royal London Unit Trust Managers Limited are shown in the Statement of Changes in Net Assets Attributable to Shareholders. At the year end the balance due to Royal London Unit Trust Managers Limited in respect of these transactions was £185,000 (31/12/22: £266,000).

RLGPS Trustee Limited as a material shareholder, is a related party holding shares comprising 21.33% (31/12/22: 25.93%) of the total net assets of the Company as at 31 December 2023.

The Royal London Property Trust as a feeder vehicle for the Company holds shares comprising 68.05% (31/12/22: 66.18%) of the total net assets of the Company.

20. Financial instruments

The policies applied to the management of the financial instruments are set out in note 2. The fair values of the Company's assets and liabilities are represented by the values shown in the Balance Sheet on page 20. There is no material difference between the value of the financial assets and liabilities, as shown in the Balance Sheet, and their fair value.

The Company's financial assets comprise cash, on which interest is receivable. However, no interest is receivable or payable on the Company's other assets (debtors) or liabilities (creditors).

Notes to the Financial Statements (continued)

For the year ended 31 December 2023

21. Portfolio transaction costs

For the year ended 31 December 2023

There were no purchases for the year ended 31 December 2023

Analysis of total sales costs	Value £'000	Commissions and legal fees £'000	%	Taxes £'000	%	Total £'000
Aberdeen – Badentoy Avenue	2,450	35	1.42	–	–	2,485
Guildford – 59 High Street	3,150	13	0.42	–	–	3,163
Total	**5,600**	**48**		**–**		**5,648**

Commissions, taxes and fees as % of average net assets

Commissions and legal fees	0.0001%
Taxes	0.0000%

For the year ended 31 December 2022

Analysis of total purchase costs	Value £'000	Commissions and legal fees £'000	%	Taxes £'000	%	Total £'000
IPIF Feeder Unit Trust	453	–	–	–	–	453
Octopus Healthcare Fund	445	–	–	–	–	445
Total	**898**	**–**		**–**		**898**

Analysis of total sales costs	Value £'000	Commissions and legal fees £'000	%	Taxes £'000	%	Total £'000
South Shields – Waterloo Square	4,100	302	7.37	–	–	4,402
Total	**4,100**	**302**		**–**		**4,402**

Commissions, taxes and fees as % of average net assets

Commissions and legal fees	0.0007%
Taxes	0.0000%

Portfolio transaction costs are commissions and legal fees paid to agents and advisers, and transfer taxes and duties associated with investment transaction on the Company.

As at balance sheet date the portfolio dealing spread of the Company was 7.33% (31/12/22: 7.35%).

Notes to the Financial Statements (continued)

For the year ended 31 December 2023

22. Fair value of investments

The primary financial instruments held by the Company at 31 December 2023 were property related investments, cash, short term assets and liabilities to be settled in cash. The Company did not hold, and was not a counterparty to, any derivative instruments either during the year or at the year end.

The policies applied to the management of the financial instruments are set out in note 2. The fair values of the Company's assets and liabilities are represented by the values shown in the Balance Sheet on page 20. There is no material difference between the value of the financial assets and liabilities, as shown in the Balance Sheet, and their fair value.

The fair value of investments has been determined using the following hierarchy:

Category 1 The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

Category 2 Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

Category 3 Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

For the year ended 31 December 2023

Category	1 £'000	2 £'000	3 £'000	Total £'000
Investments				
Collective Investment Schemes	–	–	8,901	8,901
Total	**–**	**–**	**8,901**	**8,901**

For the year ended 31 December 2022

Category	1 £'000	2 £'000	3 £'000	Total £'000
Investments				
Collective Investment Schemes	–	–	8,236	8,236
Total	**–**	**–**	**8,236**	**8,236**

The above asset has been classified as level 3 due to redemptions being capped at 10% for the year.

At the current year end, the level 3 assets held were the Industrial Property Investment Fund and Octopus Heathcare Fund. These assets have been included as level 3 due to the possibility of restrictions being imposed on their redemption rights.

Reconciliation to Market Value

	31 Dec 2023 £'000	31 Dec 2022 £'000
Reconciliation to Fair Value – Land and Buildings		
Cost		
At 1 January	304,033	313,774
Additions – acquisitions	–	–
Additions – subsequent expenditure	1,069	2,434
Disposals	(13,702)	(12,175)
At 31 December	**291,400**	**304,033**
Revaluation Surplus		
At 1 January	42,570	83,371
Revaluations in the year	(7,791)	(40,955)
Transferred to realised	(329)	154
At 31 December	**34,450**	**42,570**
At 31 December	**325,850**	**346,603**
Reconciliation to Market Valuation		
Book value at 31 December	325,850	346,603
Rent free debtor adjustment	3,308	3,500
Capital lease incentive adjustment	474	529
Finance lease adjustment	(783)	(783)
Market value reported by valuers	**328,849**	**349,849**

Notes to the Financial Statements (continued)

For the year ended 31 December 2023

23. Events after the end of the reporting year

The final distribution for the year ended 31 December 2023 was paid on 12 January 2024.

There have been no purchases or sales of investments since the balance sheet date.

There have been no significant redemptions since the balance sheet date.

The movement in the Company's NAV between the end of the reporting year and the latest prices available as at the date of which the financial statements were authorised for issue are shown below:

	Price 31 Dec 2023 (p)	Price 31 Mar 2024 (p)	Movement (%)
Royal London Property Fund, Class A Accumulation	743.18	750.50	0.98
Royal London Property Fund, Class B Income	269.88	270.22	0.13

On 5 April 2024, the Company completed the purchase of Downley Road, West Leigh for £5.129m.

Distribution Tables

For the year ended 31 December 2023

Class A Accumulation

Distribution in pence per share

Distribution period	Property income distribution per share	Interest income distribution per share	Dividend income distribution per share	Equalisation	Total Distribution per share 2023	Total Distribution per share 2022
January						
Group 1	1.6363	0.0427	0.1059	–	1.7849	1.8311
Group 2	1.6363	0.0427	0.1059	–	1.7849	1.8311
February						
Group 1	1.8959	0.0314	0.1075	–	2.0348	1.7355
Group 2	1.8959	0.0314	0.1075	–	2.0348	1.7355
March						
Group 1	1.7782	0.0612	0.1067	–	1.9461	2.0630
Group 2	1.7782	0.0612	0.1067	–	1.9461	2.0630
April						
Group 1	1.8122	0.0494	0.1046	–	1.9662	2.7503
Group 2	1.8122	0.0494	0.1046	–	1.9662	2.7503
May						
Group 1	1.7733	0.0622	0.1069	–	1.9424	2.2137
Group 2	1.7733	0.0622	0.1069	–	1.9424	2.2137
June						
Group 1	1.1867	0.0798	0.1021	–	1.3686	1.6089
Group 2	1.1867	0.0798	0.1021	–	1.3686	1.6089
July						
Group 1	2.2017	0.0811	0.1071	–	2.3899	1.5091
Group 2	2.2017	0.0811	0.1071	–	2.3899	1.5091
August						
Group 1	1.8261	0.0832	0.1044	–	2.0137	1.5571
Group 2	1.8261	0.0832	0.1044	–	2.0137	1.5571
September						
Group 1	1.7646	0.1297	0.1074	–	2.0017	1.9127
Group 2	1.7646	0.1297	0.1074	–	2.0017	1.9127
October						
Group 1	2.1618	0.0807	0.0905	–	2.3330	2.0820
Group 2	2.1618	0.0807	0.0905	–	2.3330	2.0820
November						
Group 1	2.2036	0.0897	0.1095	–	2.4028	1.8018
Group 2	2.2036	0.0897	0.1095	–	2.4028	1.8018
December						
Group 1	0.2610	0.0973	1.3212	–	1.6795	2.4213
Group 2	0.2610	0.0973	1.3212	–	1.6795	2.4213

Distribution Tables (continued)

For the year ended 31 December 2023

Class B Income

Distribution in pence per share

Distribution period	Property income distribution per share	Interest income distribution per share	Dividend income distribution per share	Equalisation	Total Distribution per share 2023	Total Distribution per share 2022
January						
Group 1	0.6124	0.0160	0.0396	–	0.6680	0.7035
Group 2	0.6124	0.0160	0.0396	–	0.6680	0.7035
February						
Group 1	0.7081	0.0117	0.0401	–	0.7599	0.6654
Group 2	0.7081	0.0117	0.0401	–	0.7599	0.6654
March						
Group 1	0.6624	0.0228	0.0397	–	0.7249	0.7894
Group 2	0.6624	0.0228	0.0397	–	0.7249	0.7894
April						
Group 1	0.6732	0.0184	0.0389	–	0.7305	1.0501
Group 2	0.6732	0.0184	0.0389	–	0.7305	1.0501
May						
Group 1	0.6573	0.0230	0.0396	–	0.7199	0.8427
Group 2	0.6573	0.0230	0.0396	–	0.7199	0.8427
June						
Group 1	0.4387	0.0295	0.0378	–	0.5060	0.6110
Group 2	0.4387	0.0295	0.0378	–	0.5060	0.6110
July						
Group 1	0.8126	0.0300	0.0395	–	0.8821	0.5722
Group 2	0.8126	0.0300	0.0395	–	0.8821	0.5722
August						
Group 1	0.6720	0.0306	0.0384	–	0.7410	0.5894
Group 2	0.6720	0.0306	0.0384	–	0.7410	0.5894
September						
Group 1	0.6477	0.0476	0.0394	–	0.7347	0.7228
Group 2	0.6477	0.0476	0.0394	–	0.7347	0.7228
October						
Group 1	0.7916	0.0295	0.0331	–	0.8542	0.7851
Group 2	0.7916	0.0295	0.0331	–	0.8542	0.7851
November						
Group 1	0.8044	0.0327	0.0400	–	0.8771	0.6779
Group 2	0.8044	0.0327	0.0400	–	0.8771	0.6779
December						
Group 1	0.0950	0.0354	0.4808	–	0.6112	0.9090
Group 2	0.0950	0.0354	0.4808	–	0.6112	0.9090

Fact File

Royal London Property Fund

Launch date	Class A – Accumulation shares	28 May 2010
	Class B – Income shares	28 May 2010
Accounting end dates	31 December (Final)	
	30 June (Interim)	
Distribution dates	31 January (Final)	
	Last business day of every month (Interim)	
Minimum investment	£100,000	
Management charges*	Preliminary charge	0.00%
	ACD's periodic management charge	0.60%
	Performance fee	0.00%

* As per the letter to shareholders dated 19 April 2023, the ACD has amended the Fund's investment objective to remove the performance target, removal of the performance fee and reduction in the periodic management charge from 0.75% to 0.60% with effect from 1 July 2023.

Remuneration Policy (unaudited)

The Authorised Corporate Director (“ACD”) of the Royal London Property Fund, Royal London Unit Trust Managers Limited (“RLUTM”), is subject to remuneration policies, procedures and practices (together, the “Remuneration Policy”), as required under the UCITS Directive (“UCITS V”). RLUTM has appointed Royal London Asset Management Limited (“RLAM”) as the Investment Adviser to the Company.

RLUTM and RLAM are wholly owned subsidiaries of The Royal London Mutual Insurance Society, “the Group”. The Group maintains a “Group Remuneration Policy” that RLUTM has adopted which is consistent with and promotes sound and effective risk management. It is designed so that risk-taking is not encouraged where this is inconsistent with the risk profiles or the instrument constituting the fund or the prospectus, as applicable, of the UCITS it manages. The Group has appointed a Remuneration Committee which is made up of Non-Executive Directors and is advised by independent remuneration consultants. The Committee considers the advice by independent remuneration consultants and the implications of remuneration policies across the Group, including for RLUTM.

The Remuneration Policy is in line with the business strategy, objectives, values and the interests of the ACD and the interests of the Royal London Property Fund and includes measures to avoid conflicts of interest. The Remuneration Policy adopts performance related pay, with salaries determined by reference to both individual performance and the external market. Total Remuneration comprises of a mix of fixed remuneration (including base salary and benefits), and variable remuneration in the form of incentives. The ratio between fixed and variable pay (both short-term and long-term incentives) is set by the Group to ensure that there is appropriate balance between the fixed and variable remuneration components. The Group Remuneration Policy applies to staff of the ACD whose professional activities have a material impact on the risk profile of the ACD or the Company and ensures that an individual cannot be involved in determining or approving their own remuneration. The UCITS Directive requires RLUTM to identify employees whose professional activities have a material impact on the risk profile of the RLUTM and the Company. Identified staff includes senior management, risk takers, control functions, and any employees receiving total remuneration that takes them into the same remuneration bracket as senior management and risk takers.

The Remuneration Policy is updated annually and reviewed and approved by the Remuneration Committee. The most recent review include increases to the maximum incentive opportunities for executive directors of the Group, updates to reflect the Financial Conduct Authority’s (FCA) Consumer Duty principle and supporting rules which comes into effect in July 2023, as well as minor wording changes to improve clarity. Details of the Remuneration Policy (provided in the form of the “UCITS Summary Remuneration Policy”), includes a description on the purpose of the policy, how remuneration and benefits are calculated and the identity of persons responsible for awarding the remuneration and benefits. The UCITS Summary Remuneration Policy will be made available for inspection and a paper copy may be obtained, free of charge, at the registered office of the ACD, upon request.

RLUTM has a board of directors (the “Directors”). The Directors of the Company who are also employees of the Group do not receive any remuneration in respect of their services as directors of RLUTM. The other Non-Executive Directors receive fixed remuneration in respect of their services which is set at a level determined by the Group and is not performance related. None of the Directors are currently in receipt of variable remuneration in respect of their services as Directors of RLUTM. RLUTM has no employees and therefore there are no other controlled functions, or senior management employed and paid by RLUTM. However, for the financial year ending 31 December 2023, total remuneration of £32,720,486 was paid to 48 individuals whose actions may have a material impact on the risk profile of RLUTM, of which £8,986,030 related to senior management. The fixed element of the total remuneration mentioned above is £10,709,034 and the variable element is £22,011,452. In addition, the Company does not make any payments directly to any staff of the delegates.

In accordance with the Remuneration Policy and the requirements of UCITS V, staff working for RLAM are not remunerated by the ACD but they are subject to remuneration requirements which are equally as effective as those in place under the UCITS Directive. RLAM is also subject to the Financial Conduct Authority’s Remuneration Codes.

General Information

Pricing and dealing

For the purposes of determining the prices at which shares may be purchased from or redeemed by the ACD, the ACD will carry out a valuation of the Scheme Property at 5:00 p.m. (the "valuation point") on the last business day (a day on which the London Stock Exchange Limited is open for business) of each calendar month, unless otherwise agreed by the Depositary. However, the ACD may, at its discretion, value the Company at any other time.

Dealing in shares conducted on a monthly basis; on the seventh business day following the end of the previous month, between 9:00 a.m. and 5:00 p.m.

Buying shares

Investors should complete an application form available from the ACD and send it to the ACD, on or before the 15th of the month prior to the Dealing Day, at its administration centre with a cheque payable to Royal London Unit Trust Managers Limited. On acceptance of the application, shares will be sold at the relevant sale price, and a contract note confirming the sale price and the number of shares sold together with, in appropriate cases, a notice of the applicant's right to cancel, will be issued. An order for the purchase of shares will only be deemed to have been accepted by the ACD once it is in receipt of cleared funds for the application.

Selling shares

To redeem shares, investors should provide a written instruction, three months in advance of a monthly Dealing Day, to the ACD at its administration centre with instructions to redeem the relevant number (if known) or value of shares. The shares will be repurchased at the price calculated at the valuation point on the appropriate Dealing Day. Proceeds of redemption (less, if the proceeds are to be remitted abroad, the cost of such remittance) will be paid no later than the close of business on the fourth business day following receipt of a signed form of renunciation.

Cancellation rights

Where a person purchases shares the Conduct of Business Sourcebook (as amended from time to time) may give the investor the right to cancel the relevant purchase within 14 days of receipt of the requisite notice of a right to cancel. The right to cancel does not arise if (a) the investor is not a private customer, (b) the investor is not an execution-only customer, (c) the agreement to purchase is entered into through a direct offer financial promotion, or (d) the agreement is entered into under a customer agreement or during negotiations (which are not ISA related) intended to lead to a client agreement.

UK taxation

This information is based on United Kingdom law and practice known at the date of this document. Shareholders are recommended to consult their professional adviser if they are in any doubt as to their tax position.

The Company is an authorised scheme and accordingly is not liable to tax on capital gains on the disposal of any of its property (including interest-bearing securities and derivatives).

The Company qualifies as a PAIF for tax purposes. Accordingly, the income generated by its property investment business will be exempt from tax. Any dividend income it receives from United Kingdom companies or, in general, from non-United Kingdom companies will also be exempt from tax. The Company would, however, be subject to tax in the unlikely event that there should be a net balance of other income, which will generally consist of interest but could include other property income, less deductible expenses and the gross amount of any PAIF interest distributions made or a tax charge otherwise arises.

The Company's distributions will be split into three streams for United Kingdom tax purposes:

- property income distributions, representing income from its property investment business;
- PAIF dividend distributions representing any dividends received by it; and
- PAIF interest distributions representing the net amounts of all other income received.

Tax-exempt shareholders: Shareholders who are exempt from tax on income will be able to reclaim from HM Revenue & Customs the basic rate of tax withheld on the payment of property income distributions and PAIF interest distributions. The tax credits on PAIF dividend distributions cannot be reclaimed.

Corporate shareholders: Property income distributions are generally paid to corporation tax payers without the deduction of tax at source and taxed as profits of a property business. PAIF interest distributions are also generally paid gross to corporation tax payers, and are taxed as yearly interest in their hands. PAIF dividend distributions are treated in the same way as dividends paid by United Kingdom companies, and are therefore exempt from corporation tax.

General Information (continued)

UK taxation – continued

Individual shareholders: Property income distributions and PAIF interest distributions will be made to shareholders subject to deduction of tax at 20%. Individuals will be liable for income tax on this income at their marginal rate and may set off the tax credit against their liability. PAIF dividend distributions will carry a notional tax credit rate at the rate of 10% of the gross income. It will be taxable at the appropriate dividend tax rate and the tax credit may be used to reduce the tax liability. The tax credit only applies to pay dates until 5 April 2016.

For all income allocations: A tax voucher showing the amount of the income distributed or deemed to be distributed to the shareholder and the notional tax credits and tax deducted will be sent to the shareholders at the time of a distribution.

Capital gains: The sale of the shares by a shareholder will constitute a disposal for the purposes of tax on capital gains. The extent of any liability to tax will depend upon the particular circumstances of shareholders. For shareholders within the charge to corporation tax, net capital gains on shares should be added to their profits chargeable to corporation tax.

Any individual shareholders resident or ordinarily resident in the United Kingdom will generally be liable to tax on their capital gains. A shareholder who is an individual, and is not resident or ordinarily resident in the United Kingdom, would not normally be liable to United Kingdom tax on capital gains.

SDLT: Stamp Duty Land Tax (SDLT) is payable by the Company on the purchase of property investments.

Fund reports and Prospectus

Copies of the latest yearly and half yearly financial statements and copies of the Prospectus may be obtained from Royal London Unit Trust Managers Limited upon request or at the following address, http://www.rlam.com.

Contact Us

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