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Royal London UK Real Estate Fund

Annual Report

For the year ended 31 December 2023

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* The ACS Manager's report comprises these items.

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

ACS Information

Authorised Contractual Scheme (the "ACS")

Royal London UK Real Estate Fund

Registered office:
80 Fenchurch Street, London EC3M 4BY

Authorised Contractual Scheme Manager (the "ACS Manager")

The ACS Manager is Royal London Unit Trust Managers Limited.

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).

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Directors of the ACS Manager

R.A.D. Williams

A.L. Hunt

J.S. Glen (Appointed 1 April 2024)

R. Kumar

S. Spiller

J.M. Brett (Non-executive Director)

H.I. Georgeson

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 ACS Manager

HSBC Bank plc

8 Canada Square, Canary Wharf, London E14 5HQ

Authorised and regulated by the Financial Conduct Authority.

Registrar and Transfer Agents

HSBC Bank plc

8 Canada Square, Canary Wharf, London E14 5HQ

Authorised and regulated by the Financial Conduct Authority.

Administrator of the ACS Manager

HSBC Bank plc

8 Canada Square, Canary Wharf, London E14 5HQ

Authorised and regulated by the Financial Conduct Authority.

Standing Independent Valuers

Cushman & Wakefield Debenham Tie Leung Limited

43/45 Portman Square, London W1A 3BG

CBRE Limited

Henrietta House, Henrietta Place, London W1G 0BN

Property Manager

Jones Lang LaSalle Limited (JLL)

30 Warwick Street, London W1B 5NH

Legal Advisers to the ACS Manager

Eversheds Sutherland (International) LLP

One Wood Street, London EC2V 7WS

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

7 More London Riverside, London SE1 2RT

Report of the ACS Manager

We are pleased to present the Annual Report and Financial Statements covering the year from 1 January 2023 to 31 December 2023.

About the ACS

Royal London UK Real Estate Fund (the "ACS") is an authorised contractual scheme in co-ownership form under section 235A of the Financial Services and Markets Act 2000 and was authorised by the FCA with effect from 3 February 2017. The FCA's product reference number (PRN) for the ACS is 769047.

As a consequence of being constituted as an authorised co-ownership scheme, the ACS is treated as tax-transparent in the UK. The structure was designed with the intention of its being regarded as tax-transparent elsewhere. Unitholders which are resident for tax purposes in the UK or in any other jurisdiction which recognises the tax-transparency of the ACS will be treated as receiving their appropriate proportion of the net income arising from the Scheme Property as it arises.

The unitholders are not liable for the debts of the ACS.

Authorised status

The ACS is a single sub-fund and a stand-alone Collective Investment Scheme as defined in the Financial Services and Markets Act 2000. The ACS was authorised by the Financial Conduct Authority (FCA) on 3 February 2017. The ACS is a Qualified Investor Scheme (QIS) and qualifies as an Alternative Investment Fund within the meaning of Alternative Investment Fund Managers Directive ("AIFMD") for the purposes of the FCA Rules.

Royal London UK Real Estate Feeder Fund, a stand-alone open-ended investment company with variable capital (ICVC) with a Property Authorised Investment Fund (PAIF) status dedicated to investment in units of the ACS was launched for those investors unable to invest directly in the ACS.

The financial statements

The information for Royal London UK Real Estate Fund (the "ACS") 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

ACS Manager

J.S. Glen (Director)

R. Kumar (Director)

22 April 2024

Statement of ACS Manager's Responsibilities in Relation to the Financial Statements of the ACS

The FCA Collective Investment Schemes Sourcebook (COLL) requires the ACS Manager to prepare financial statements for each accounting year which give a true and fair view of the financial position of the ACS for the year.

The financial statements are prepared on the basis that the ACS will continue in operation unless it is inappropriate to assume this. In preparing the financial statements the ACS Manager is required to:

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

The ACS Manager is responsible for the management of the ACS in accordance with its Prospectus, the FCA's rules, provisions of the ACS deed and to use monitoring controls to enable preparation of financial statements free from material misstatements or error.

Investment Adviser's Report

Objective

The investment objective of the Royal London UK Real Estate Fund (the "ACS") is to outperform the 12 month total return of the ACS's benchmark, the All Balanced Funds component of the MSCI/AREF UK Quarterly Property Fund Index. This index measures quarterly total returns on a net asset value basis.

Strategy

The ACS will invest in UK real estate across all major property sectors in a balanced portfolio with a strong emphasis towards prime assets in London and the South East. Stock selection will be paramount in acquisition decisions, and to exploit assets through active management and selective developments, while managing risks and void exposure.

Performance

Since the ACS was launched in October 2017, it has consistently outperformed the MSCI/AREF UK All Balanced Property Fund Index each calendar year and beaten the benchmark by 159 basis points on an annualised basis. Since inception, the ACS is ranked in the top quartile, with an annualised total return (net of notional fund management fees of 0.7%) of 4.18%. Over the five years to December 2023, the ACS is the top ranked fund in its benchmark.

The ACS is comprised of a large and diversified portfolio of assets, with a focus on prime buildings in core markets. This has delivered relative outperformance throughout recent market cycles; during the pandemic in 2020, during the recovery in 2021 and more recently, during the market downturn in 2022 and gradual stabilisation in 2023.

During 2023, the ACS's performance has remained resilient, reflecting the quality of the assets and the successful proactive approach to asset management, tenant engagement and mitigating loss of income. During this period, the fund delivered a stable income distribution and experienced less decline in NAV relative to other funds in the benchmark.

Over the 12 months to 31st December 2023, the ACS has outperformed the All Balanced Funds component of the MSCI/AREF UK Quarterly Property Fund Index by 77 basis points delivering a total return of -0.65% (2022: -5.43%). This marks the sixth calendar year in succession that the ACS has beaten its benchmark.

Since the ACS was launched, the strategy has remained consistent: assets are acquired, managed and developed with a 'best in class' philosophy to reduce risk in an economic downturn whilst using that period to position the assets to maximise the potential for active management and growth in the upturn.

This strategy has continued to deliver positive outcomes from active management during 2023, with letting successes across a number of assets. This has de-risked the portfolio and provided valuation upside in a market that experienced negative capital growth. The asset with the second biggest contribution to performance was the ACS's New Bond Street Estate, where the performance was driven by the completion of a surrender of Hush Brasserie's lease and a simultaneous grant of a new 15-year lease with the Soho House Group. There was further leasing activity at The Distillery in Bristol, with 14,800 sq ft let or committed during the year. Deals with PA Consulting Group, SNC Mission UK Ltd, Ramboll, and Teneo provide a diversified tenant mix at the scheme, demonstrating occupier demand for sustainable best in class office space. Another significant contributor was 1-3 Uxbridge Road in Hayes, where the ACS successfully completed the letting of an industrial unit to BHW Automotive Limited. Terms were agreed within 4 weeks of the former tenant vacating, with the new rent reflecting a 96% increase on the previous passing rent.

Performance analysis over 5 years

Historically the ACS has tended to hold a lower proportion of cash than the benchmark, with capital redeployed into the portfolio via development initiatives and selective acquisitions. This lower cash ratio had benefitted ACS level performance when the market was experiencing strong levels of capital growth with the ACS experiencing less cash drag relative to the benchmark.

In 2022 this position reversed with the ACS benefitting from an investor inflow of £185m, which resulted in an overweight cash allocation. This coincided with a market downturn, which has seen property level capital values fall during the latter half of 2022 and through 2023. During this period the ACS has retained a relatively higher cash allocation, which has supported the fund NAV.

Over the five years to December 2023, the ACS property portfolio (including the fund's indirect investments) has delivered an annualised return of 3.59%, which compares favourably to the benchmark at 2.06%.

This outperformance can be split into income and capital components. Income return over the five years has averaged 3.60% per annum. This is lower than the benchmark average, which is a function of prime assets in the portfolio, focused in lower yielding sectors, as well as a higher level of development activity.

This shortfall has been outweighed by higher rates of capital growth. The ACS's portfolio in aggregate has seen flat capital movements, when the benchmark has seen values fall on average by 2.24% per annum.

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 continue to identify development and repositioning opportunities, allowing us to access outperformance.

Portfolio and activity review

At property level, the ACS portfolio outperformed the benchmark by 61 basis points, delivering total returns of -0.39% compared to the benchmark of -1.00%.

Capital declines continued into 2023 driven largely by the office sector which have seen falls in office values, accelerating in the second half of the year. The benchmark reports that office capital values decreased by -15.29% in 2023 compared with -5.71% for retail and a 0.03% increase for industrial. In comparison to its benchmark, each sector outperformed during 2023.

The ACS's portfolio was impacted by the wider market trend evidenced in the office sector, but reassuringly demonstrated resilience in comparison to its benchmark delivering capital returns of -3.60% compared to the benchmark of -5.40% at an all property level.

On average across the portfolio, equivalent yields rose by 19 basis points and capital values fell by 3.60%. Rental value growth over the year was still strong at 4.17%, with retail, office and industrial sectors all experiencing an increase in rental values.

Retail sector returns were boosted by strong performance at the New Bond Street estate (with a total return of 4.79%) and across most of the retail warehouse portfolio, which saw returns averaging 3.57%.

Office sector performance was more resilient than the benchmark, with the Fund recording a total return of -9.55% over the 12 months to December compared with -11.74% for the benchmark. Returns were supported by the sale of Trafalgar Buildings, London and by strong performance at The Distillery, Bristol.

The ACS's industrial portfolio also outperformed, driven by more robust yield movements, than those seen in the benchmark. Industrial capital values increased by 2.74%, whereas the benchmark saw values remain flat over the last 12 months, with weakness in yields, offset by positive rental value growth.

The ACS still lags on income return at 3.31%, 126 basis points below the benchmark of 4.64%. This reflects the ACS's higher exposure to the London market which typically have lower yields but are more resilient in downturns due to the prime nature of the London market. Vacancy rate in the ACS increased over the 12 months from 10.3% as at December 2022 up to 11.7% as at December 2023 above the benchmark of 11.4%.

Stock selection contributed most to outperformance following strong performance across the London standard industrial assets and retail warehouses.

Investment Adviser's Report (continued)

Portfolio and activity review – continued

Performance across all sectors have outperformed their respective benchmark sector averages over the last year. The industrial sector delivered superior total returns of 6.28% compared to the benchmark at 4.29%. The top 3 performing industrial assets are in London which experienced strong rental growth over the year.

The retail sector also contributed positively to the ACS outperformance delivering total returns of 1.79% compared to the benchmark sector average of -0.35%. The ACS retail portfolio is largely made up of Central London prime unit shops and retail warehouses which have both delivered positive returns, contributing 74 basis points to relative outperformance. The new lettings at the prime retail led mixed-use asset in New Bond Street has been accretive to performance, setting a new rental tone across the estate.

The office sector has also outperformed the benchmark sector average by 249 basis point over the year, delivering total returns of -9.55% compared to -11.74%. The sale of Trafalgar buildings and the asset management initiatives at The Distillery in Bristol has helped to boost the performance of the office sector.

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 ACS had a 90 day collection rate of 99.74% (2022: 97.21%) of the rent demanded for the year.

Balance Sheet management

As at the 31 December 2023, the ACS held £45.10m (2022: £122.88m) in cash (ex. distribution) equating to 1.42% (2022: 3.75%) of the ACS's NAV. A further £285.14m (2022: £151.81m) of cash is invested in Royal London cash funds for an enhanced near cash return.

The ACS currently has no gearing.

Acquisition

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

During the year, the ACS invested a total of £245.00m and divested a total of £125.00m in Royal London cash funds for an enhanced near cash return.

Disposals

Over the 12 months to December 2023, the ACS has disposed of five assets: Runnymede, Egham (£13.5m), Capitol Retail and Leisure Parks in Preston (combined price of £51.5m), Lidl in Guildford (£17.25m) and Trafalgar Buildings, London (£47.5m). Combined sales receipts from these five transactions amounted to £129.75m.

The disposal of the properties in Egham, Preston and Guildford align with the ACS's strategy to dispose of assets exposed to significant flooding risk that significantly impairs liquidity of the asset and future leasing demand by occupiers.

Trafalgar Buildings in London was sold to a hotel operator for a price of £47.50m, which was substantially ahead of market value. Trafalgar Buildings was a fully consented retained facade office redevelopment. The construction issues were significantly higher risk than a traditional office development due to the tight construction site, underground tunnels, challenging neighbourly matters and higher construction risk due to the retained façade. A disposal was considered the optimum strategy.

Asset management and lettings

Industrial

Unit 6 Centre Mead, Osney Mead, Oxford: The ACS is currently undertaking a significant refurbishment of several units at the estate with a contract value of c.£3m. The refurbishment includes achieving a B EPC rating having carried out a full redecoration of the internal and external elements, new double-glazed windows, new LED lighting with smart lighting technology PIR sensors and water saving fixtures and fittings in the WC's. Unit 11 was the first to PC and was relet on the same day as completion of the works. The unit was leased to Energy Store Limited who are an existing tenant on the estate at £9 psf having signed up for a 10-year term with a break.

Southampton Mail Centre, Mitchell Way, Southampton: The Southampton Mail Centre is a distribution unit measuring 117,500 sq ft, strategically located off the M27. The property is used by Royal Mail as an automated post centre and remains a key part of the delivery network. The location is arguably one of the best for commercial activity in the Solent region. The September 2022 rent review was successfully concluded in the third quarter of 2023. The newly agreed rent is £1,180,000 per annum showing a 21% uplift on the previous rent (£975,000 per annum). As a result of this rent review and subsequent improvement on the valuers assumed settlement, the ACS benefitted from a valuation increase of 9.75% or £1,850,000 on the quarter.

Retail

Sprowston Retail Park, Norwich and Colton Retail Park, Leeds: Further to previous reports, we can now report the successful completion of the two Costa Drive Thru developments, at Sprowston Retail Park, Norwich and Colton Retail Park, Leeds. Both buildings were handed over to Costa this quarter and the tenant has since commenced fitting out rating to a B. Within 3 months of the unit becoming vacant, it went under offer to Glum Tortoise Ltd at a rent of £28 psf, on an 8 year lease, 5th year tenant break and rent review with 4 months' rent free. The newly agreed rent was 37% higher than the last letting undertaken on the estate and as a result of this transaction, the valuation saw a 12% increase on the quarter. The ACS also retained flexibility to achieve vacant possession in July 2027 in order to bring forward an industrial led, mixed use development if it wished.

Investment Adviser's Report (continued)

Portfolio and activity review – continued

Asset management and lettings – continued

Retail – continued

103 Oxford Street, London: The property comprises a retail unit at ground floor and basement levels with five floors of offices above. Both elements are vacant. An Agreement for Lease has been exchanged with Rituals Cosmetics for the ground floor retail unit. A new 10 year term with a break at the end of the 5th year has been agreed at a rent of £375,000 pa. The tenant was granted an 18 month rent free period. The tenant took the building in its current condition and no landlords works were required. The lease completed subsequent to the end of the period.

Unit E1, Horsted Retail Park, Chatham: An Agreement for Lease was exchanged in Q4 2023 with JD Gyms Limited on a unit that has been vacant for a number of months. This is for a new 15-year full repairing and insuring lease, commencing on the earlier of the lease completion date or the date the tenant takes access to the premises. There is a tenant only break at the end of the 10th year. The rent is £275,000 pa (£15.00 psf). There are five yearly upwards only rent reviews based on the lower of open market rental value or 2.5% pa compounded. The first rent review increase will therefore be capped at £311,137 pa. The ACS is contributing a capital sum of £100,000 towards the fit out and the tenant will benefit from a 12 month rent free period. The unit is to be used as a gym and the tenant plans to sublet part of the space to a swimming pool.

Offices

60 Fenchurch Street, London: 60 Fenchurch Street comprises a Grade A office building of 58,000 sq ft across basement, ground and eleven upper floors located adjacent to Fenchurch Street Station in London. Following HSBC vacation of the part ground and basement floors, the ACS is undertaking a reconfiguration and refurbishment of the ground and basement floors to deliver a redesigned reception and enhanced amenity.

The new enlarged reception will provide break out and dwell space for occupiers and visitors. At basement level new cycle and shower facilities will be provided with a separate dedicated cycle entrance. The works will reposition the building and maximise occupier engagement and existing tenant retention.

By undertaking the works, it will drive rental values on the office floors and align the building with the wider competition. The 4th floor which is vacant is also being refurbished to include CAT plus (fully fitted with furniture). For floorplates of this size, occupier demand is high for fully fitted office space and the void period for the 4th floor is expected to reduce significantly by delivering the space fitted. Works are expected to commence in Q2 2024.

The Distillery, Glassfields, Bristol: Distillery Bristol comprises of an office development totalling 92,000 sq ft across two buildings. Two lettings have been completed over the quarter to PA Consulting and SNC on the 1st and 2nd floors at Distillery 1 respectively. The 2nd floor was delivered fully fitted and the tenant required yearly break options and a higher headline rent of £60 per sq ft (psf) was achieved to reflect these benefits. PA Consulting took a lease of the 1st floor at a rent of £40 psf for a term of five years with a tenant break at the 3rd year. Additionally, the 5th floor in Distillery 1 is under offer to Ramboll at a rent of £41.50 psf for a five year term. This takes the Distillery to 84% let or under offer.

86 Jermyn Street, St James's, London: 6 Jermyn Street is a Grade A mixed use office building located in the prime area of St James's, in London's West End. During the year, there were several significant positive asset management initiatives. The vacant ground floor retail unit was let to a pop-up tenant, producing income on the unit. At the start of the year there were three vacant office suites. The asset management team committed to fit out the suites to a high standard, with a view to achieving higher rental levels on both a headline and net effective basis. The three suites were let quickly (all under offer within 3 months of PC), with one suite achieving £107.50 per sq ft due to competition for the suite and only two months' initial rent free. Furthermore, an early renewal of an additional suite, extended the income to the potential redevelopment block date in 2027. This has protected performance and led to a valuation increase of 3.6% over the course of the year, equating to £2.65m.

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 published in 2021. We have completed and commenced several projects allowing us to embed these strategies.

- Completed Net Zero Carbon audits across four of the ACS'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. Where required, 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.

Investment Adviser's Report (continued)

Responsible Property Investment (RPI) – continued

- 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.
- Continued producing 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 nearly 82% of all single-let units to further increase occupier data coverage across the ACS.
- 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 ACS received excellent results across a range of ESG benchmarks certifications.

- Maintained our rating of four stars within the annual GRESB assessment in the Standing Investment Section. GRESB is the leading ESG global benchmark for real estate and infrastructure investments. The ACS improved its score by one point, achieving 83 out of 100 and ranking seventh out of 100 peers.
- Maintained our rating of four stars within the annual GRESB assessment in the Development Section. The ACS improved its score by two points, achieving 94 out of 100 and ranking third out of six 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 ACS's largest commercial properties within the Environmental Management System (EMS).

The ACS also continues to be active members participating and contributing to the Better Buildings Partnership (BBP), the UK Green Building Council (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

Stephanie Hacking replaced Drew Watkins as Portfolio Fund Manager in July 2023.

This report covers investment performance, activity and outlook. The ACS' 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 indicator of future the ACS's performance.

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 £25m – 13.59% (31/12/22 – 16.19%)					
Bedfont – Cargo 30		Freehold	Industrial		
Chelmsford – 5 Springfield Business Park Phase 1		Freehold	Industrial		
Chelmsford – 5 Springfield Business Park Phase 2		Freehold	Industrial		
Chelmsford – 5 Springfield Business Park Phase 3		Freehold	Industrial		
Chelmsford – Land at Springfield Business Park		Freehold	Industrial		
Eastleigh – Royal London Park		Freehold	Industrial		
Gatwick – 2 City Place		Freehold	Offices		
Kingston-upon-Thames – 6/8a Church Street		Freehold	Retail		
Leeds – Phase 1 and 2 Manston Industrial Estate		Leasehold	Industrial		
Leeds – Stourton Link Haigh Park Road		Freehold	Industrial		
Leicester – GP2002 Unit Grove Park		Freehold	Industrial		
London W1 – 103/103a Oxford Street		Freehold	Retail		
London W1 – 22 Old Bond Street		Leasehold	Retail		
London WC1 – Medius House		Freehold	Offices		
London WC2 – 2-4 Bucknall Street and 12 Dyott Street		Freehold	Offices		
Maidenhead – 68 Lower Cookham Road, Whitebrook Park		Freehold	Offices		
Maidenhead – Beach House		Freehold	Offices		
Maidenhead – King's Gate		Freehold	Offices		
Manchester – Davenport Green		Freehold	Other Commercial		
Manchester – H&M – Kings Court		Leasehold	Retail		
Northampton – Units 1-5 Brackmills Industrial Estate		Freehold	Industrial		
Oxford – Centremead / Ferry Mills		Freehold	Industrial		
Redhill – Gatton Park Business Centre		Freehold	Industrial		
Southall – 169 Brent Road		Freehold	Industrial		
Southall – Bulls Bridge Trading Estate		Freehold	Industrial		
Southampton – Southampton Mail Centre		Freehold	Industrial		
Tamworth – Audi Garage, Cardinal Point		Freehold	Other Commercial		
Tamworth – Cardinal Point Retail Park		Freehold	Retail Warehouse		
Tamworth – Distribution Unit, Winchester Road		Freehold	Industrial		
Tamworth – Plot 1- Mini Car Showroom		Freehold	Other Commercial		
Tamworth – Plot 4 – BMW Car Showroom		Freehold	Other Commercial		
Tamworth – Ventura Park Trading Estate		Freehold	Industrial		
Tunbridge Wells – Longfield Road Retail Park		Freehold	Retail Warehouse		
Windsor – Minton Place and Consort House		Freehold	Offices		
Total Direct Properties Market Values up to £25m				**430,790**	**13.59**
Direct Properties Market Values between £25m and £50m – 15.53% (31/12/22 – 17.73%)					
Chatham – Horsted Retail Park		Freehold	Retail		
Daventry – Distribution Centre		Freehold	Industrial		
Hayes – Pasadena Close		Freehold	Industrial		
Hemel Hempstead – Robert Dyas		Freehold	Industrial		
Leeds – Colton Retail Park		Freehold	Retail Warehouse		
London EC1 – 14-21 Holborn Viaduct*		Freehold	Offices		
London EC3 – 62-63 Fenchurch Street		Freehold	Offices		
London NW10 – 1-11 Cumberland Avenue		Freehold	Industrial		
London NW10 – Cumberland and Whitby Avenue		Freehold	Industrial		
London W1 – 149 &151/151a Oxford Street		Freehold	Retail		
London WC2 – 20 and 1-3 Long Acre and 20 Garrick Street		Freehold	Offices		
Norwich – Sprowston Retail Park		Freehold	Retail		
Southall – Brent Park Industrial Estate		Freehold	Industrial		
Watford – Century Retail Park		Freehold	Retail Warehouse		
Total Direct Properties Market Values between £25m and £50m				**492,125**	**15.53**
Direct Properties Market Values between £50m and £100m – 32.60% (31/12/22 – 29.21%)					
Bristol – 1-3 & 5-9 Broad Plain		Freehold	Offices		
Brixton – Ellerslie Square Industrial Estate		Freehold	Industrial		
Greenford – Westway Shopping Park		Freehold	Retail		
Hayes – 1/3 Uxbridge Road		Freehold	Industrial		
London EC4 – 1-3 St Pauls Churchyard		Freehold	Offices		
London SE1 – Land at Six Bridges Trading Estate		Freehold	Industrial		
London SE18 – Westminster Industrial Estate		Freehold	Industrial		
London SW1 – 85/87 Jermyn Street		Freehold	Offices		
London SW1 – Parnell House		Freehold	Offices		
London W1 – Frith & Dean Street and Soho Square		Freehold	Offices		
London W1 – 470/482 Oxford Street and Granville Place		Leasehold	Retail		
London W1 – Kingsley House		Freehold	Offices		
London WC2 – 9-12 Bow Street and Hanover Place		Freehold	Retail		
Salford – Metroplex Business Park		Freehold	Industrial		
Total Direct Properties Market Values between £50m and £100m				**1,033,250**	**32.60**

Portfolio Statement (continued)

As at 31 December 2023

Investments	Holding	Tenure	Sector	31 December 2023 Market value (£'000)	Total net assets (%)
Direct Properties Market Values greater than £100m – 26.31% (31/12/22 – 27.06%)					
London W1 – 120-122 New Bond Street		Freehold	Retail		
London W1 – Ham Yard Hotel		Freehold	Hotel		
London WC1 – The Earnshaw, New Oxford Street, London		Freehold	Offices		
Southall – International Trading Estate		Freehold	Industrial		
Total Direct Properties Market Values greater than £100m				**834,150**	**26.31**
Collective Investment Schemes – 11.42% (31/12/22 – 6.79%)					
Industrial Property Investment Fund	47,845		Collectives	76,637	2.42
Royal London Short Term Fixed Income E Fund	95,045,740		Collectives	104,309	3.29
Royal London Short Term Fixed Income Fund	48,791,865		Collectives	53,188	1.68
Royal London Short Term Money Market Fund	118,346,802		Collectives	127,642	4.03
Total Collective Investment Schemes				**361,776**	**11.42**
Portfolio of investments				**3,152,091**	**99.45**
Adjustments to Fair Value**				**(29,176)**	**(0.92)**
Net other assets				**46,492**	**1.47**
Total net assets				**3,169,407**	**100.00**

* London EC1 – 14-21 Holborn Viaduct is under construction.

** Adjustments to Fair Value include lease incentives, rent free debtors and finance lease payables.

Summary of Material Portfolio Changes

For the year ended 31 December 2023

Significant Purchases

	Cost £'000
Royal London Short Term Money Market Fund	150,062
Royal London Short Term Fixed Income E Fund	102,275
Royal London Short Term Fixed Income Fund	2,309
Total purchases for the year	**254,646**

Significant Sales

	Net proceeds £'000
Royal London Short Term Money Market Fund	125,000
London – Trafalgar Buildings 1-6 Northumberland Avenue/ Whitehall WC2N 5BW	47,500
Preston – Capitol Retail Park, London Road, Walton le Dale PR5 4AW	27,949
Preston – Capitol Leisure Park, London Road, Walton le Dale PR5 4AW	23,551
Guildford – Woodbridge Road GU1 1EF	17,250
Egham – Runnymede Centre, The Avenue TW20 2AB	13,500
Total proceeds from sales for the year	**254,750**

Significant Capital Expenditure

	Cost £'000
London WC1 – The Earnshaw, New Oxford Street, London	28,612
London EC1 – 14-21 Holborn Viaduct	25,956
Hayes – Pasadena Close	3,697
Chelmsford – 5 Springfield Business Park Phase 2	1,531
Leeds – Phase 1 and 2 Manston Industrial Estate	1,525
London – 85/89 Jermyn Street SW1Y 6JD	1,363
Subtotal	**62,684**
Total capital expenditure for the year	**77,613**

The purchases, sales and top 6 capital expenditure detail the material changes in the portfolio during the year.

Significant Valuation Movements

	Valuation Changes £'000
London WC1 – The Earnshaw, New Oxford Street, London	16,600
Southall – International Trading Estate	11,425
London EC4 – 1-3 St Pauls Churchyard	(16,800)
London EC1 – 14-21 Holborn Viaduct	(18,550)
London W1 – Kingsley House	(20,900)
Total significant Valuation movements for the year	**(28,225)**

Comparative Tables

Class W Gross Income

Change in net assets per unit	31/12/23 (£)	31/12/22 (£)	31/12/21 (£)
Opening net asset value per unit	111.14	119.98	102.48
Return before operating charges*	(1.24)	(6.28)	21.71
Operating charges	(0.56)	(0.63)	(0.16)
Return after operating charges*	(1.80)	(6.91)	21.55
Distribution on income units	(1.80)	(1.93)	(4.05)
Closing net asset value per unit	107.54	111.14	119.98
* after direct transaction costs of:	0.02	0.03	0.03
Performance			
Return after charges	(1.62)%	(5.76)%	21.03%
Other information			
Closing net asset value (£'000)	2,963,543	3,062,888	3,306,449
Closing number of units	27,558,517	27,558,517	27,558,517
Operating charges excluding property expenses	0.01%	0.01%	0.01%
Property expenses	0.49%	0.50%	0.14%
Operating charges	0.50%	0.51%	0.15%
Direct transaction costs	0.02%	0.03%	0.03%
Prices			
Highest unit price	114.16	136.59	123.58
Lowest unit price	105.92	109.47	101.89

Class V Gross Income

Change in net assets per unit	31/12/23 (£)	31/12/22** (£)
Opening net asset value per unit	111.14	132.84
Return before operating charges*	(1.24)	(20.21)
Operating charges	(0.56)	(0.54)
Return after operating charges*	(1.80)	(20.75)
Distribution on income units	(1.80)	(0.95)
Closing net asset value per unit	107.54	111.14
* after direct transaction costs of:	0.02	0.03
Performance		
Return after charges	(1.62)%	(15.62)%
Other information		
Closing net asset value (£'000)	149,755	154,776
Closing number of units	1,392,603	1,392,603
Operating charges excluding property expenses	0.01%	0.01%
Property expenses	0.49%	0.42%
Operating charges	0.50%	0.43%
Direct transaction costs	0.02%	0.03%
Prices		
Highest unit price	114.16	136.59
Lowest unit price	105.92	109.47

** Class V Gross Income unit class launched on 31 March 2022.

Class Z Gross Income

Change in net assets per unit	31/12/23 (£)	31/12/22 (£)	31/12/21 (£)
Opening net asset value per unit	111.14	119.98	102.48
Return before operating charges*	(0.85)	(5.82)	21.71
Operating charges	(1.33)	(1.52)	(0.90)
Return after operating charges*	(2.18)	(7.34)	20.81
Distribution on income units	(1.42)	(1.50)	(3.31)
Closing net asset value per unit	107.54	111.14	119.98
* after direct transaction costs of:	0.02	0.03	0.03
Performance			
Return after charges	(1.96)%	(6.12)%	20.31%
Other information			
Closing net asset value (£'000)	56,109	57,990	62,601
Closing number of units	521,767	521,767	521,767
Operating charges excluding property expenses	0.72%	0.73%	0.71%
Property expenses	0.49%	0.50%	0.14%
Operating charges	1.21%	1.23%	0.85%
Direct transaction costs	0.02%	0.03%	0.03%
Prices			
Highest unit price	114.16	136.59	123.58
Lowest unit price	105.92	109.47	101.89

It should be remembered that past performance is not a reliable indicator of future performance and that the value of units, 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 Unitholders of the Royal London UK Real Estate Fund (the "Scheme")

The Depositary must ensure that the Scheme is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook, the Financial Services and Markets Act 2000, as amended, the Collective Investment in Transferable Securities (Contractual Scheme) Regulations 2013 (together "the Regulations") and the Contractual Scheme Deed 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 Scheme and its investors.

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

The Depositary must ensure that:

- the Scheme's cash flows are properly monitored and that cash of the Scheme is booked in cash accounts in accordance with the Regulations;
- the sale, issue, repurchase, redemption and cancellation of units are carried out in accordance with the Regulations;
- the values of units of the Scheme are calculated in accordance with the Regulations;
- any consideration relating to transactions in the Scheme's assets are remitted to the Scheme within the usual time limits;
- the Scheme'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 Scheme is managed in accordance with the Scheme documents and the Regulations in relation to the investment and borrowing powers applicable to the Scheme.

Report of the Depositary to the Unitholders of the Royal London UK Real Estate Fund

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

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

(ii) has observed the investment and borrowing powers and restrictions applicable to the Scheme in accordance with the Regulations and Scheme documents of the Scheme.

This report is given on the basis that no breaches are subsequently advised to us before the distribution date. We therefore reserve the right to amend the report in light of such circumstances.

HSBC Bank plc

22 April 2024

Standing Independent Valuer's Report (Cushman & Wakefield Debenham Tie Leung Limited)

Cushman & Wakefield Debenham Tie Leung Limited, acting in its capacity as appointed standing External Valuer to Royal London UK Real Estate Fund (the "ACS"), has valued the immoveables held by the ACS 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 ACS Manager, has been provided with a full valuation certificate dated 3 January 2024.

We have been provided with information from the ACS's property managers including tenancy schedules and floor areas. We have assumed that the ACS'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 ACS as at 31 December 2023 is £1,170,315,000. 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 3 January 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

Standing Independent Valuer's Report (CBRE)

CBRE Limited, acting in its capacity as appointed standing independent valuer to Royal London Real Estate Fund (the "ACS"), has valued the immoveables held by the ACS as at 31 December 2023 in accordance with the current edition of the Royal Institution of Chartered Surveyors ("RICS") Global Standards including the International Valuation Standards and the RICS Valuation – Global Standards 2017 – UK national supplement and 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 ACS Manager, has been provided with a full valuation certificate dated 31 December 2023.

We have been provided with information from the ACS's property managers including tenancy schedules and, where we have not measured the immoveables ourselves, floor areas. We have assumed that the ACS'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 generally 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 fair values of the immoveables owned by the ACS as at 31 December 2023 is £1,620,000,000. 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.

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. The 16 March 2016 Budget issued by UK Government and enacted as part of the Finance Act on 15 September 2016 changed the basis of assessing Stamp Duty Land Tax in England and Wales to a tiered approach and this has been adopted in the valuation as at 31 December 2023. Pending clarity in the market's response to the new International Property Measurement Standard (IPMS), we have continued to use floor areas as defined by the RICS Code of Measuring Practice 6th Edition 2015. This has been discussed and agreed with the ACS Manager.

CBRE Limited

8 January 2024

Independent Auditors' Report to the Unitholders of Royal London UK Real Estate Fund

Report on the audit of the financial statements

Opinion

In our opinion, the financial statements of Royal London UK Real Estate Fund (the "Scheme"):

- give a true and fair view of the financial position of the Scheme 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 Scheme 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 ACS Deed.

Royal London UK Real Estate Fund is an Authorised Contractual Scheme with a single sub-fund. The financial statements of the Scheme 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 Unitholders 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 Scheme 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 Scheme'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 ACS Manager'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 Scheme's ability to continue as a going concern.

Our responsibilities and the responsibilities of the ACS Manager 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 ACS Manager 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.

Report of the ACS Manager

In our opinion, the information given in the Report of the ACS Manager for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent Auditors' Report to the Unitholders of Royal London UK Real Estate Fund (continued)

Report on the audit of the financial statements – continued

Responsibilities for the financial statements and the audit

Responsibilities of the ACS Manager for the financial statements

As explained more fully in the Statement of ACS Manager's Responsibilities in relation to Financial Statements of the ACS, the ACS Manager 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 ACS Manager 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 ACS Manager is responsible for assessing the Scheme'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 ACS Manager either intends to wind up or terminate the Scheme 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 Scheme/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 Scheme and the judgements and assumptions made by management in their significant accounting estimates. Audit procedures performed included:

- Discussions with the ACS Manager, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Reviewing relevant meeting minutes, including those of the ACS Manager's board of directors;
- Identifying and testing journal entries, specifically any journals with unusual account combinations or unusual timing and 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, for example 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 Unitholders of Royal London UK Real Estate 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 Scheme's unitholders as a body in accordance with paragraph 4.5.12 of the Collective Investment Schemes sourcebook 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	5		(106,122)		(278,111)
Revenue	6	139,757		131,995	
Expenses	7	(31,708)		(31,284)	
Interest payable and similar charges	8	1		1	
Net revenue before taxation		108,050		100,712	
Taxation	9	–		–	
Net revenue after taxation			108,050		100,712
Total return/(deficit) before distributions			1,928		(177,399)
Distributions	10		(108,175)		(100,997)
Change in net assets attributable to unitholders from investment activities			**(106,247)**		**(278,396)**

Statement of Change in Net Assets Attributable to Unitholders

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 unitholders		**3,275,654**		**3,369,050**
Amounts receivable on issue of units	–		179,612	
Amounts payable on cancellation of units	–		–	
		–		179,612
Dilution adjustment		–		5,388
Change in net assets attributable to unitholders from investment activities		(106,247)		(278,396)
Closing net assets attributable to unitholders		**3,169,407**		**3,275,654**

Balance Sheet

As at 31 December 2023

	Note	31 Dec 2023 £'000	31 Dec 2022 £'000
Assets			
Fixed assets:			
Tangible assets			
Investment property		2,733,789	2,591,461
Property under construction		27,350	336,400
Investments		361,776	222,430
Total fixed assets		3,122,915	3,150,291
Current assets:			
Debtors	11	71,590	72,262
Cash and bank balances	12	45,104	122,883
Total current assets		116,694	195,145
Total assets		3,239,609	3,345,436
Liabilities			
Creditors:			
Other creditors	13	37,078	44,266
Finance lease payable	14	1,155	1,156
Distribution payable		31,969	24,360
Total liabilities		70,202	69,782
Net assets attributable to unitholders		**3,169,407**	**3,275,654**

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	**98,009**	**98,284**
Distribution paid to unitholders		(100,566)	(106,212)
Interest received	6	3,524	1,865
Interest paid		–	–
Net cash generated from/(used in) operating activities		**967**	**(6,063)**
Cash flows from investing activities			
Payments to acquire investments and capital expenditure		(332,259)	(228,563)
Receipts from sale of investments		253,513	74,180
Net cash outflow from investing activities		**(78,746)**	**(154,383)**
Net cash outflow before financing activities		**(77,779)**	**(160,446)**
Cash flows from financing activities			
Amounts received from creation of units		–	179,612
Dilution adjustment		–	5,388
Net cash inflow from financing activities		**–**	**185,000**
Net (decrease)/increase in cash during the year		**(77,779)**	**24,554**
Cash balance brought forward		122,883	98,329
Cash and bank balances at the end of the year		**45,104**	**122,883**

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 years presented, unless otherwise stated.

Basis of preparation

The financial statements of the ACS, which is a single sub-fund, have been prepared in compliance with the FCA's Collective Investment Schemes Sourcebook ("COLL") and in accordance with the United Kingdom Generally Accepted Accounting Practice, 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") and the Prospectus and the Co-ownership and Supplemental Co-ownership Deed in respect of the ACS. 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 profit or loss.

Going concern

The ACS Manager has undertaken a detailed assessment, and continues to monitor the ACS'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 ACS continues to be open for trading and the ACS Manager is satisfied the ACS 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 ACS 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 period, 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 quarterly basis by either Cushman & Wakefield Debenham Tie Leung Limited or CBRE Limited on the basis of "Fair Value" as defined in the International Valuation Standards of the ('RICS') Valuation Global Standards 2017 (the "RICS Red Book") and 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 ACS's properties are subject to an on-going rolling programme of internal and external inspection by the standard independent valuers each year.

Fair value of property under construction

Property under construction owned by the ACS for such purposes which are classified under land and buildings are measured initially on acquisition at its cost, including transaction costs. The fair value of the property under construction for continuing use as investment property has been determined on the same basis as the investment property taking into consideration costs for construction and development as well as capital expenditure outlays using recognised valuation techniques.

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 ACS 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 ACS Manager.

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 year in which termination takes place.

Notes to the Financial Statements (continued)

For the year ended 31 December 2023

1. Significant accounting policies – continued

Basis of valuation of investments – continued

Provision for bad and doubtful debts

It is the policy of the ACS 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.

Units

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

Taxation

For both UK income tax and corporation tax purposes, the ACS will be treated as transparent with regards to income. Consequently, its income and expenses (i.e., net income) are treated for UK tax purposes as arising or accruing to each Unitholder in proportion to the value of the Units beneficially owned by that Unitholder as if the net income had arisen or accrued to that Unitholder directly.

Revenue recognition

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

All dividends (including distributions from collective investment schemes) on investments marked ex-dividend up to the accounting date are included in revenue inclusive of any tax deductions at source and net of attributable tax credits.

Distributions from collective investment schemes and dividends received from quoted equity and non-equity shares are credited to revenue when the security is quoted ex-dividend. Accumulation of revenue relating to accumulation units or shares held in underlying funds is recognised as revenue and included in the amount available for distribution.

Revenue received from investments in authorised collective investment schemes, which are purchased during the year, will include an element of equalisation which represents the average amount of revenue included in the price paid for shares or units. Equalisation received and accrued from distributions or accumulations on units or shares in underlying investments is treated as capital and deducted from the cost of investment.

Rental income

Rental income is accounted for on an accruals basis. Rental income received in advance are deferred and recognised in the year 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 over the life of the tenancy 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 ACS 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.

Expenses recognition

Expenses are charged against 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 the Statement of Total Return in the year in which they are incurred (on an accruals basis).

Fund manager's fee

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

Service charge expenses

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

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2023

1. Significant accounting policies – continued

Distribution to unitholders

Dividends and other distributions to ACS's unitholders are recognised as a liability in the financial statements in the year in which the dividends and other distributions are approved by the ACS's Depositary. These amounts are recognised in the Statement of Total Return.

Dilution levy

In certain circumstances the ACS Manager may charge a dilution levy on the sale or repurchase of units. The levy is intended to cover certain dealing charges not included in the value of the ACS used in calculating the unit price, which could have a dilutive effect. Normally the ACS 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 ACS Manager.

Related party transactions

The ACS 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 ACS Manager, separate disclosure is necessary to understand the effect of the transactions on the ACS'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.

Estimation of fair value of investment property

Investment property is measured at fair value which represents a significant proportion of the ACS's net assets at 87.12% (31/12/22: 89.38%). Therefore, the estimates and assumptions made to determine their carrying value during valuation are critical to the ACS'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 ACS's portfolio had an equivalent yield of 5.12% (31/12/22: 4.94%). If the yield of every property within the portfolio increased by 0.25% (31/12/22: 0.25%) it is estimated that the net asset would fall by 4.23% (31/12/22: 4.44%). If the yield decreased by 0.25% (31/12/22: 0.25%) it is estimated that the net asset value would rise by 4.72% (31/12/22: 4.96%). The 0.25% benchmark has been used to measure sensitivity analysis as the ACS Manager 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	4.95%	0.25%	53,718,000	1.69%	(48,334,000)	(1.53)%
Offices	5.48%	0.25%	44,823,000	1.41%	(40,434,000)	(1.28)%
Retail	4.93%	0.25%	43,461,000	1.37%	(38,674,000)	(1.22)%
Others	5.15%	0.25%	7,466,000	0.24%	(6,768,000)	(0.21)%

Estimation of fair value of property under construction

Valuations of property under construction have been based on the assumption that all works of construction have been satisfactorily carried out in accordance with the building contract and specifications, current British Standards and any relevant codes of practice. The assumption has also been made that a duty of care and all appropriate warranties are available from the professional team and contractors, which will be assignable to third parties.

Critical judgements in applying the ACS's accounting policies

The ACS makes assessments on whether it requires any critical judgements in applying accounting policies. There were no critical judgements applied to any of the ACS'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

Revenue is generated by the ACS's investments during each accounting period. The amount available for distribution in any accounting period is calculated by taking the aggregate of the income received or receivable of the relevant unit class and deducting the charges and expenses paid or payable out of income in respect of that accounting period. The ACS Manager then makes such other adjustments as it considers appropriate in relation to Taxation, income unlikely to be received, income which should not be accounted for on an accruals basis because of lack of information as to how it accrues, transfers between the income and capital account and other matters.

In order to conduct a controlled distribution flow to unitholders, interim distributions will be made at the ACS Manager's discretion, up to a maximum of the distributable income available for the period. All remaining income is distributed, at unit class level, to the unitholders in accordance with the ACS's Prospectus.

All unit classes of the ACS are priced and distributed on a quarterly basis therefore there are no group 2 units at the end of each distribution period and therefore no equalisation is applied to unit class prices.

Apportionment to unit classes

The allocation of revenue and expenses to each unit class is based on the proportion of the ACS's assets attributable to each unit 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 ACS.

4. Risk management policies

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

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

The risks set out below do not purport to be exhaustive and the ACS 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 ACS's investments including, but not limited to, adverse property valuation movements.

Since the fair value of investment property represents a significant proportion of the ACS's net assets at 87.12% (31/12/22: 89.38%), property values are exposed to a number of risk factors which may affect the total return of the ACS. These may be attributable to changes to global or local economic and geo-political 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; real estate tax 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 risk is minimised through holding a geographically diversified portfolio that invests across various property sectors.

The ACS Manager may make use of Efficient Portfolio Management techniques to reduce risk and/or costs in the ACS and to produce additional capital or income in the ACS in a manner which is economically appropriate and with an acceptable level of risk. Techniques used by the ACS Manager may include using derivatives for hedging against price or currency fluctuations, engaging in securities lending and reverse repurchase transactions.

The ACS adheres to the investment guidelines and investment and borrowing powers established in the Prospectus, Co-ownership and Supplemental Co-ownership Deed in respect of the ACS and in the rules governing the operation of open ended investment companies.

Notes to the Financial Statements (continued)

For the year ended 31 December 2023

4. Risk management policies – continued

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 ACS 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.

Included in the ACS Manager's responsibilities for managing and monitoring the liquidity risk of the ACS is to maintain liquidity risk management policies and procedures. The liquidity risk management policies and procedures include the management, implementation and maintaining of appropriate liquidity limits for the ACS and monitoring and assessing the policies and procedures of the Investment Adviser for the ACS in managing the ACS's liquidity limits. In determining its risk management policies, the ACS Manager has taken into account the nature, scale and complexity of its activities including those of the delegated Investment Adviser, and has liquidity risk profiles that are consistent with those required for a well-functioning and robust system including the requirement to meet redemption requests from unitholders on each dealing day.

In exceptional circumstances, such as market uncertainty, the ACS Manager may defer redemptions where the ACS Manager considers it to be in the best interests of the unitholders. The deferral period for any redemption request is a maximum of 12 months from the original dealing day when the request for redemption would otherwise have been processed. When deemed appropriate by the ACS Manager, acting in the best interests of the unitholders, redemption will be deferred in whole or in part by the ACS Manager within this timeline.

Also during periods of uncertainty or volatile markets, the Investment Adviser may choose to hold a substantial proportion of the property of the ACS in money-market instruments and/or cash deposits, provided that the ACS satisfies all the rules in the COLL on the types of permitted investments.

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

	Within three months	Over three months but not more than one year	Over one year
31 December 2023	**£'000**	**£'000**	**£'000**
Cash at bank	45,104	–	–
	%	%	%
Unitholding that can be redeemed	–	100.00	–
Portfolio capable of being liquidated	9.54	88.25	2.21
31 December 2022	**£'000**	**£'000**	**£'000**
Cash at bank	122,883	–	–
	%	%	%
Unitholding that can be redeemed	–	100.00	–
Portfolio capable of being liquidated	8.33	81.65	10.02

The following table provides a maturity analysis of the ACS'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
31 December 2023	**£'000**	**£'000**	**£'000**
Distribution payable	31,969	–	–
Finance lease payable	98	392	7,629
Other creditors	37,078	–	–
	69,145	**392**	**7,629**
31 December 2022	**£'000**	**£'000**	**£'000**
Distribution payable	24,360	–	–
Finance lease payable	98	394	7,725
Other creditors	44,266	–	–
	68,724	**394**	**7,725**

Notes to the Financial Statements (continued)

For the year ended 31 December 2023

4. Risk management policies – continued

Credit and counterparty risk

Credit risk is the risk that counterparty will default on its contractual obligations resulting in financial loss to the ACS. The ACS 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 regions of the counterparty. The ACS 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 regions within the ACS is monitored so that it does not exceed a certain threshold of the aggregate revenue in relation to the property investments in any accounting year as determined from time to time by the ACS Manager. 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 ACS might not be able to recover cash or assets of equivalent value in full. The ACS has been closely monitoring the ability to tenants to pay their rent and adjusting bad debt provision accordingly. The ACS 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 regions. The credit ratings of the investments are monitored frequently for credit deterioration. By diversifying the portfolio, where this is appropriate and consistent with the ACS's objectives, the risk that a significant change in the credit risk or quality of certain individual tenants, particular sector, specific industry and or regions will have a material impact on the Net Asset Value of the ACS is minimised. The investment concentrations within the portfolio are disclosed in the portfolio statement by investment type.

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

The ACS's cash and short term deposits at 31 December 2023 amounted to £45.10m (31/12/22: £122.88m). Deposits and interest rate deposits were placed with financial institutions with BBB+ or better credit ratings.

At 31 December 2023, taking into consideration any offset arrangements, the largest combines credit exposure to a single counterparty arising from money market deposits, liquid investments and derivatives was £45.10m (31/12/22: £122.88m). This represents 1.42% (31/12/22: 3.75%) of gross assets of the ACS.

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 ACS.

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

Interest rate risk

Interest receivable on bank deposits or payable on bank overdrafts held by the ACS will be affected by fluctuations in interest rates. In times of low nominal interest rate, there may be no negative or low interest paid on these holdings. In such circumstances, the ACS could be subject to losses especially after charges are deducted. The ACS continuously reviews interest rates and the assessment of this may result in a change in investment strategy. The ACS held £45.10m (31/12/22: £122.88m) cash at the year end and has minimal exposure to interest rate risk since it has no gearing.

The ACS assesses the interest rate risk as being 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 ACS's ability to raise rents in markets with low vacancy rates, thus outpacing rising inflation and potentially increasing income distribution to unitholders/shareholders. The ACS 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 ACS 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.

Notes to the Financial Statements (continued)

For the year ended 31 December 2023

4. Risk management policies – continued

Inflation risk – continued

The ACS Manager 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 ACS Manager and the Investment Adviser 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.

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 ACS, the ACS Manager may from time to time use leverage of up to 20% of the net asset value, 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 ACS).

Currently the ACS has no borrowings of cash or securities and as such no disclosure is required under the AIFM Directive.

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 ACS 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 ACS'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 ACS's goals.

Economic and geopolitical risk

The performance of the ACS may be adversely affected by the impact of geopolitical and general economic conditions under which the ACS 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 ACS 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 ACS, 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

5. Net capital losses

	31 Dec 2023 £'000	31 Dec 2022 £'000
The net capital losses during the year comprise:		
Non derivative securities realised gains	859	–
Non derivative securities unrealised gains/(losses)	8,841	(16,851)
Investment property realised gains/(losses)	4,879	(427)
Investment property unrealised losses	(120,701)	(260,833)
Net capital losses	**(106,122)**	**(278,111)**

6. Revenue

	31 Dec 2023 £'000	31 Dec 2022 £'000
Property rental income	109,141	114,370
Service charge income	14,950	12,372
Interest income from authorised funds	9,646	912
Bank interest	3,524	1,865
Overseas income*	2,496	2,156
Property insurance commission	–	320
Total revenue	**139,757**	**131,995**

* There is no (2022: none) FX impact to overseas income as the income received is wholly due to the ACS's investment in the Industrial Property Investment Fund. This is a Jersey based entity and income is paid in pounds sterling.

7. Expenses

	31 Dec 2023 £'000	31 Dec 2022 £'000
Payable to the ACS Manager or associates of the ACS Manager and their agents:		
Manager's fee	404	465
Payable to the Depositary, associates of the Depositary and their agents:		
Depositary's fee	264	286
Safe custody fee	1	2
	265	288
Other expenses		
Recoverable service charges	14,940	12,315
Irrecoverable service charges	4,812	7,335
Void council tax	3,212	3,310
Surveyor's fee	2,515	2,003
Legal and lettings fees	2,038	1,568
Other	1,139	2,180
Bad and doubtful debts	924	623
Insurance expense	478	459
Property repairs and maintenance	374	144
Valuation fee	281	282
Head rent	143	132
Administration fee	80	80
Audit fee*	94	90
Registration fee	9	10
	31,039	30,531
Total expenses	**31,708**	**31,284**

* Audit fee £85,728 (31/12/22: £81,646) net of VAT. The Audit fee includes £8,328 (31/12/22: £7,931) paid on behalf of the UK Real Estate Feeder Fund.

Notes to the Financial Statements (continued)

For the year ended 31 December 2023

8. Interest payable and similar charges

	31 Dec 2023 £'000	31 Dec 2022 £'000
The interest payable and similar charges comprise:		
Finance charge on leased asset	(1)	(1)
Interest payable	–	–
Total interest payable and similar charges	**(1)**	**(1)**

9. Taxation

	31 Dec 2023 £'000	31 Dec 2022 £'000
Overseas tax	–	–
Total taxation	**–**	**–**

As the ACS is a stand alone ACS, the ACS is not subject to UK tax on income or capital profits.

10. Distributions

	31 Dec 2023 £'000	31 Dec 2022 £'000
Interim distribution	76,206	76,637
Final distribution	31,969	24,360
Net distributions for the year	**108,175**	**100,997**

The difference between the net revenue after taxation and the distribution paid is as follows:		
Net revenue after taxation	108,050	100,712
Expenses charged to capital	126	286
Non distributable finance lease amortisation	(1)	(1)
Net distributions for the year	**108,175**	**100,997**

Details of the distribution per unit are set out on page 39.

11. Debtors

	31 Dec 2023 £'000	31 Dec 2022 £'000
Rent free debtor	23,252	22,721
Managing agent	19,421	15,510
Rental income receivable*	11,343	16,088
Service charges receivable	7,960	8,497
Lease incentive	7,079	4,993
Sundry debtors**	1,895	3,982
Accrued income	615	438
Accrued interest	25	33
Total debtors	**71,590**	**72,262**

* Rental income receivable is shown after deducting a provision for bad and doubtful debts of £611,314 (31/12/22: £1,997,896) 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 £924,000 expense (31/12/22: £623,000 expense).

** Sundry debtors includes £1,518,000 (31/12/22: £3,350,000) insurance income receivable, £228,000 (31/12/22: £489,000) amounts receivable from Managing Agent and £149,000 (31/12/22: £143,000) from other debtors.

12. Cash and bank balances

	31 Dec 2023 £'000	31 Dec 2022 £'000
Cash and bank balances	45,104	122,883
Total cash and bank balances	**45,104**	**122,883**

13. Other creditors

	31 Dec 2023 £'000	31 Dec 2022 £'000
Deferred rent	21,276	22,408
Service charges payable	7,960	8,497
Development costs payable	3,760	6,571
VAT payable	2,650	1,594
Accrued expenses	903	845
Sundry creditors	529	4,351
Total other creditors	**37,078**	**44,266**

Notes to the Financial Statements (continued)

For the year ended 31 December 2023

14. Finance lease payable

The following properties have finance lease commitments:

London W1 – 22 Old Bond Street

Leeds – Phase 1 and 2 Manston Industrial Estate

London W1 – 470/482 Oxford Street and Granville Place

	31 Dec 2023 £'000	31 Dec 2022 £'000
Commitments in relation to finance leases are payable as follows:		
Not later than one year	98	98
Later than one year and not later than five years	392	394
Later than five years	7,629	7,725
Minimum lease payments	8,119	8,217
Future finance charges	(6,964)	(7,061)
Total lease liabilities	**1,155**	**1,156**
The present value of finance lease liabilities are as follows:		
Not later than one year	93	93
Later than one year and not later than five years	302	303
Later than five years	760	760
Present value of minimum lease payments	**1,155**	**1,156**
Finance lease amortisation		
Brought forward at 1 January	1,156	1,157
Release of finance lease commitment	–	–
Carried forward at 31 December	(1,155)	(1,156)
Finance lease amortisation	**1**	**1**

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
Not later than one year	96,339	98,266
Later than one year and not later than five years	258,959	259,687
Later than five years	1,094,506	1,140,731
Total	**1,449,804**	**1,498,684**

16. Reconciliation of total return/(deficit) before distributions to net cash flow from operating activities

	31 Dec 2023 £'000	31 Dec 2022 £'000
Total return/(deficit) before distributions	1,928	(177,399)
Add: Net capital losses	106,122	278,111
Less: Interest received	(3,524)	(1,865)
Less: Finance lease payments	(1)	(1)
Net income from operating activities	104,525	98,846
Decrease in debtors	672	8,474
Decrease in creditors	(7,188)	(9,036)
Net cash inflow from operating activities	**98,009**	**98,284**

17. Reconciliation of number of units

	Class W Gross Income	Class V Gross Income
Opening units 01/01/23	27,558,517	1,392,603
Units issued	–	–
Units cancelled	–	–
Closing units at 31/12/23	**27,558,517**	**1,392,603**

	Class Z Gross Income
Opening units 01/01/23	521,767
Units issued	–
Units cancelled	–
Closing units at 31/12/23	**521,767**

Notes to the Financial Statements (continued)

For the year ended 31 December 2023

18. Contingent liabilities and outstanding commitments

Commitments

At the Balance Sheet date the ACS had entered into forward funding and capital expenditure commitments on various assets in the property portfolio. These undertakings are variable, dependent on a number of outcomes and independent valuations.

Property	31 Dec 2023 £'000	31 Dec 2022 £'000
Bristol – 1-3 & 5-9 Broad Plain	–	760
Chelmsford – 5 Springfield Business Park Phase 1 and 2	–	1,430
Chelmsford – Land at Springfield Business Park	156	–
London W1 – 103/103a Oxford Street	48	–
London EC1 – 14-21 Holborn Viaduct	941	2,438
London WC1 – The Earnshaw, New Oxford Street, London*	5,990	27,048
Total commitments	**7,135**	**31,676**

* This property was previously called Castlewood House. That building has now been demolished, The Earnshaw, New Oxford Street, London is the new name for the development.

Contingent liabilities

There were no contingent liabilities at the current balance sheet date (31/12/22: £nil).

19. Related party transactions

The ACS's Authorised Contractual Scheme Manager and Royal London Unit Trust Managers Limited are related parties to the ACS as defined by Financial Reporting Standard 102 section 33 'Related Party Disclosures'.

Manager fees charged by Royal London Unit Trust Managers Limited are shown in note 7 and details of units issued and cancelled by Royal London Unit Trust Managers Limited are shown in the Statement of change in unitholders' net assets. At the year end the balance due to Royal London Unit Trust Managers Limited in respect of these transactions was £101,099 (31/12/22: £117,406).

RLGPS Trustee Limited, as a material unitholder, is a related party holding units comprising 2% (31/12/22: 2%) of the total net assets of the ACS as at 31 December 2023.

The Royal London UK Real Estate Feeder Fund, which invests solely into the Royal London UK Real Estate Fund, is part of the same group as the ACS Manager of the Royal London UK Real Estate Fund. During the year to 31 December 2023, the Royal London UK Real Estate Feeder Fund was paid gross distributions totalling £1,518,000 (31/12/22: £1,355,000).

Royal London UK Real Estate Feeder Fund as a feeder fund for the ACS holds units comprising 2% (31/12/22: 2%) of the total net assets of the ACS.

20. Financial instruments

The policies applied to the management of the financial instruments are set out in note 4. The fair values of the ACS's assets and liabilities are represented by the values shown in the Balance Sheet on page 23. 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 ACS's financial assets comprise cash, on which interest is receivable. However, no interest is receivable or payable on the ACS'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

Analysis of total purchase costs	Value £'000	Commissions and legal fees £'000	%	Taxes £'000	%	Total £'000
Royal London Short Term Money Market Fund	150,062	–	–	–	–	150,062
Royal London Short Term Fixed Income E Fund	102,275	–	–	–	–	102,275
Royal London Short Term Fixed Income Fund	2,309	–	–	–	–	2,309
Total	**254,646**	**–**		**–**		**254,646**

Analysis of total sales cost	Value £'000	Commissions and legal fees £'000	%	Taxes £'000	%	Total £'000
Royal London Short Term Money Market Fund	125,000	–	–	–	–	125,000
London – Trafalgar Buildings 1-6 Northumberland Avenue/ Whitehall WC2N 5BW	47,500	68	0.14	–	–	47,568
Preston – Capitol Retail Park, London Road, Walton le Dale PR5 4AW	27,949	164	0.59	–	–	28,113
Preston – Capitol Leisure Park, London Road, Walton le Dale PR5 4AW	23,551	266	1.13	–	–	23,817
Guildford – Woodbridge Road GU1 1EF	17,250	18	0.10	–	–	17,268
Egham – Runnymede Centre, The Avenue TW20 2AB	13,500	20	0.15	–	–	13,520
Total	**254,750**	**536**		**–**		**255,286**

Commissions, taxes and fees as % of average net assets

Commissions and legal fees	0.0166%
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
Royal London Short Term Money Market Fund	100,491	–	–	–	–	100,491
Royal London Short Term Fixed Income Fund	50,422	–	–	–	–	50,422
Southall – International Trading Estate	5,000	38	0.76	240	4.80	5,278
Total	**155,913**	**38**		**240**		**156,191**

Analysis of total sales cost	Value £'000	Commissions and legal fees £'000	%	Taxes £'000	%	Total £'000
London SW6 – Hurlingham Retail Park	59,350	453	0.76	–	–	59,803
Newcastle – Central Exchange Buildings	12,680	170	1.34	–	–	12,850
Chester – 22/24 Eastgate Street and 30 Eastgate Row	2,419	37	1.53	–	–	2,456
Total	**74,449**	**660**		**–**		**75,109**

Commissions, taxes and fees as % of average net assets

Commissions and legal fees	0.0191%
Taxes	0.0066%

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

At the Balance Sheet date the portfolio dealing spread was 0.00% (31/12/22: 0.00%).

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 ACS at 31 December 2023 were property related investments, cash, short term assets and liabilities to be settled in cash. The ACS 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 1. The fair values of the ACS's assets and liabilities are represented by the values shown in the Balance Sheet on page 23. 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	–	285,139	76,637	361,776
Total		**285,139**	**76,637**	**361,776**

For the year ended 31 December 2022

Category	1 £'000	2 £'000	3 £'000	Total £'000
Investments				
Collective Investment Schemes	–	151,816	70,614	222,430
Total	**–**	**151,816**	**70,614**	**222,430**

At the current and prior year end, the level 3 asset held was the Industrial Property Investment Fund (IPIF). This asset has been classified as level 3 due to redemptions being capped at 10% for the year.

Reconciliation to Market Value

	31 Dec 2023 £'000	31 Dec 2022 £'000
Reconciliation to Fair Value – Land and Buildings		
Cost		
At 1 January	2,645,398	2,645,117
Additions – acquisitions	–	5,000
Additions – subsequent expenditure	77,613	72,650
Disposals	(193,388)	(77,369)
At 31 December	**2,529,623**	**2,645,398**
Revaluation Surplus		
At 1 January	282,463	540,533
Revaluations in the year	(55,826)	(257,643)
Transferred to realised	4,879	(427)
At 31 December	**231,516**	**282,463**
At 31 December	**2,761,139**	**2,927,861**
Reconciliation to Market Valuation		
Fair value at 31 December	2,761,139	2,927,861
Rent free debtor fair value adjustment	23,252	22,722
Capital lease incentive fair value adjustment	7,079	4,993
Finance lease fair value adjustment	(1,155)	(1,156)
Market value reported by valuers	**2,790,315**	**2,954,420**

Notes to the Financial Statements (continued)

For the year ended 31 December 2023

23. Events after the end of reporting year

The final distribution for the year ended 31 December 2023 was paid on 15 January 2024.

The impact of the volatility on the ACS's NAV between the end of the reporting period 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 (£)	Price 31 Mar 2024 (£)	Movement (%)
Royal London UK Real Estate Fund, Class W Gross Income	107.54	108.69	1.07
Royal London UK Real Estate Fund, Class V Gross Income	107.54	108.69	1.07
Royal London UK Real Estate Fund, Class Z Gross Income	107.54	108.69	1.07

On 18 January 2024, the ACS completed the sale of Kingston-upon-Thames – 6/8a Church Street for £2.545m.

In Janaury 2024, there was a £10m redemption on the Class Z Gross Income Units due to a redemption in the UK Real Estate Feeder Fund.

In April 2024, the ACS has exchanged on the sale of Southall International trading Estate for £315m, with the expectation of completion by end of April 2024.

On 1 April 2024, the ACS launched the X Gross Income share class.

Distribution Tables

For the year ended 31 December 2023

Class W Gross Income

Distribution in pence per unit

Distribution period	Distribution per unit	Equalisation	Total distribution per unit 2023	Total distribution per unit 2022
March				
Group 1	85.6731		85.6731	98.2051
Group 2	85.6731	–	85.6731	98.2051
June				
Group 1	94.6408		94.6408	94.9339
Group 2	94.6408	–	94.6408	94.9339
September				
Group 1	79.2762		79.2762	72.7047
Group 2	79.2762	–	79.2762	72.7047
December				
Group 1	108.8134		108.8134	83.0517
Group 2	108.8134	–	108.8134	83.0517

Class V Gross Income

Distribution in pence per unit

Distribution period	Distribution per unit	Equalisation	Total distribution per unit 2023	Total distribution per unit 2022
March				
Group 1	85.6731		85.6731	–
Group 2	85.6731	–	85.6731	–
June				
Group 1	94.6408		94.6408	94.9339
Group 2	94.6408	–	94.6408	94.9339
September				
Group 1	79.2762		79.2762	72.7047
Group 2	79.2762	–	79.2762	72.7047
December				
Group 1	108.8134		108.8134	83.0517
Group 2	108.8134	–	108.8134	83.0517

Class Z Gross Income

Distribution in pence per unit

Distribution period	Distribution per unit	Equalisation	Total distribution per unit 2023	Total distribution per unit 2022
March				
Group 1	66.4898		66.4898	77.4963
Group 2	66.4898	–	66.4898	77.4963
June				
Group 1	75.2980		75.2980	72.4250
Group 2	75.2980	–	75.2980	72.4250
September				
Group 1	59.7646		59.7646	49.3064
Group 2	59.7646	–	59.7646	49.3064
December				
Group 1	89.4371		89.4371	60.5501
Group 2	89.4371	–	89.4371	60.5501

All unit classes of the ACS are priced and distribute on a quarterly basis therefore there are no group 2 units at the end of each distribution period and therefore no equalisation is applied to unit class prices.

Fact File

Royal London UK Real Estate Fund

Launch date	Class W – Gross Income Units	1 October 2017
	Class V – Gross Income Units	31 March 2022
	Class Z – Gross Income Units	2 January 2018
Accounting end dates	31 December (Final)	
	30 June (Interim)	
Distribution dates	15 January (Final)	
	15 April	
	15 July	
	15 October	
Minimum investment	£50m	
Management charges	Preliminary charge	
	Class W – Gross Income Units	1.25%
	Class V – Gross Income Units	1.25%
	Class Z – Gross Income Units	0.00%
	Annual management charge	
	Class W – Gross Income Units	0.00%
	Class V – Gross Income Units	0.00%
	Class Z – Gross Income Units	0.70%

Remuneration Policy (unaudited)

The Authorised Contractual Scheme Manager ("ACS Manager") of the Royal London UK Real Estate 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 ACS.

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 ACS Manager and the interests of the Royal London UK Real Estate 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 ACS Manager whose professional activities have a material impact on the risk profile of the ACS Manager or the ACS 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 ACS. 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 ACS Manager, 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 ACS 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 ACS Manager 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 Units may be purchased from or redeemed by the ACS Manager, the ACS Manager will carry out a valuation of the Fund's Property at 23:59 UK time each Dealing Day (the "valuation point") on the last Business Day (a day on which the London Stock Exchange Limited is open for business) of each calendar quarter, unless otherwise agreed by the Depositary. However, the ACS Manager may, at its discretion, value the Fund at any other time. The valuation shall exclude any income in respect of the interim accounting period ending on that Dealing Day.

Dealing in Units are conducted on a quarterly basis; on the last calendar day of each calendar quarter (i.e. the 31 March, 30 June, 30 September and 31 December) (a Dealing Day), between 9:00 and 17:00 UK time.

Subscription of units

In order for an application to be dealt with at the above Valuation Point on any Dealing Day, an investor should complete an application form available from the ACS Manager and returned by 17:00 UK time on the last Business Day that is at least three months prior to the Dealing Day. Instructions received after this point will be dealt with on the next Dealing Day. In respect of the initial offer of Units only, the ACS Manager may, at its discretion, accept certain applications for Units which are received after the Subscription Cut-off Point. On acceptance of the application, Units will be sold at the relevant sale price, and a contract note confirming the sale price and the number of units sold together with, in appropriate cases, a notice of the applicant's right to cancel, will be issued. An order for the purchase of Units will only be deemed to have been accepted by the ACS Manager once it is in receipt of cleared funds for the application.

Redemption of units

To redeem units, an investor should provide a written instruction by 17:00 UK time on the last Business Day that is at least six months prior to the relevant Dealing Day to the ACS Manager at its administration centre with instructions to redeem the relevant number (if known) or value of units. Instructions received after this point will be dealt with on the next applicable Dealing Day. The units 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.

Settlements time

Subscription settlement is by 17:00 UK time at the Business Day, two full Business Days prior to the relevant Dealing Day. Redemption settlement is by 17:00 UK time at the Business Day, three full Business Days prior to the relevant Dealing Day.

Distribution dates

Distribution of income is on the 15th calendar day following the end of the relevant accounting period.

UK taxation

The ACS is transparent and is not a taxable entity for UK tax purposes. As such, it is not subject to tax in the UK on income or gains arising on underlying investments. Distributions to Unitholders in the Gross Class will not be subject to UK withholding tax, but distributions to any investors in the Net Class will be made with a tax credit for the basic rate income tax withheld from the distributions.

The following applies to Unitholders which are resident in the UK. It does not apply to Unitholders holding Units as trading assets, or subject to particular tax regimes.

Income tax: For both UK income tax and corporation tax purposes, the ACS will be treated as transparent with regard to income. Consequently, its income and expenses (i.e. net income) are treated for UK tax purposes as arising or, as the case may be, accruing to each Unitholder in proportion to the value of the Units beneficially owned by that Unitholder as if the net income had arisen or, as the case may be, accrued to that Unitholder directly.

Unitholders who are exempt from tax on income will be treated as receiving their proportionate share of the net income of the ACS in which they invest, regardless of whether the net income is distributed to them. As the income will retain its original character in the hands of Unitholders, Unitholders exempt from tax on income should be able to benefit from their proportionate share of any tax credits for UK tax withheld at source and to reclaim such amounts from HMRC.

Any Unitholders liable to tax on income will be liable on their proportionate share of the net income of the ACS, regardless of whether the net income is distributed to them. Such income will retain its original character in the hands of Unitholders, and its nature will determine whether any tax credits are available for Unitholders generally and whether Unitholders that are subject to corporation tax can benefit from the dividend exemption. The ACS Manager intends to ensure that an appropriate share of the capital allowances are available to taxpaying Unitholders. In the case of Unitholders in the Net Class, UK taxpaying Unitholders should be able to offset the tax withheld against their UK tax liability on the income.

General Information (continued)

UK taxation – continued

Unitholders will require detailed information about the income they receive from the ACS, and the ACS Manager intends to supply the necessary information to them in an appropriate form and a timely manner.

Chargeable gains: For the purposes of UK tax on chargeable gains only, the Units in the ACS will be deemed to be chargeable securities and the underlying assets not to be chargeable assets with the result that Unitholders will not be liable to tax on chargeable gains realised by the ACS. Any Unitholders liable to tax on chargeable gains will be liable on their proportionate share of such gains arising from the redemption of Units depending on their own UK tax position.

Stamp taxes: No UK SDLT, stamp duty reserve tax (SDRT) or stamp duty will be due on initial subscriptions for Units. Surrenders (i.e. the redemption or Switching) of Units are not subject to UK SDLT, SDRT or stamp duty provided the surrender does not form part of arrangements of which the main purpose, or one of the main purposes, is the avoidance of stamp tax.

SDLT or SDRT will be payable on the purchase in the market by the ACS of property in England and Northern Ireland or UK equities respectively. This will be accounted for from the ACS on behalf of Unitholders. In the event that the ACS acquires and holds property in Scotland then Scottish Land and Buildings Transaction Tax (LBTT) will be due on the purchase of units (whether by subscription or transfer). LBTT will be due on a proportionate part of market value (at the time of unit purchase) of the Scottish Property held by the ACS.

For the first contribution of property to the ACS there was a 100% 'seeding relief' from SDLT. However should any seeding investor reduce its interest in the ACS below the value for which relief was obtained at any time during a three year period following completion of the initial property contribution into the ACS, then the ACS will be subject to a proportionate withdrawal of the seeding relief. In this event the seeding investor will be required to compensate the ACS for this cost.

LBTT will also be payable on the purchase by the ACS of any Scottish property.

Similarly, Welsh Land Transaction Tax (LTT) will be payable on the purchase by the ACS of any Welsh property.

Authorisation

The ACS was authorised by the Financial Conduct Authority on 3 February 2017.

ACS Manager 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.

Contact Us

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