For professional clients only, not suitable for retail investors.

Royal London Property Fund

Annual Report

For the year ended 31 December 2022

ROYAL LONDON
ASSET MANAGEMENT

Contents

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

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

Company Information

Company

Royal London Property Fund
Registered in England with Company Number IC000822

Registered office:
80 Fenchurch Street, London EC3M 4BY

Authorised Corporate Director (the "ACD")

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

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

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

T: 020 3272 5000

F: 020 7506 6501

Directors of the ACD

H.I. Georgeson

J.M. Jackson (Non-executive Director, appointed 1 April 2022)

R.A.D. Williams

A.L. Hunt

R. Kumar

S. Spiller

J.M. Brett (Non-executive Director)

Investment Adviser

Royal London Asset Management Limited

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

Authorised and regulated by the Financial Conduct Authority.

Depositary of the ACD

NatWest Trustee and Depositary Services Limited

1 Princes Street, London EC2R 8BP

Authorised and regulated by the Financial Conduct Authority.

Registrar

SS&C Financial Services Europe Limited

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

Authorised and regulated by the Financial Conduct Authority.

Administrator to the ACD

HSBC Bank plc

8 Canada Square, Canary Wharf, London E14 5HQ

Authorised and regulated by the Financial Conduct Authority.

Independent Valuers

Cushman & Wakefield Debenham Tie Leung Limited

43/45 Portman Square, London W1A 3BG

Property Manager

Jones Long LaSalle Limited (JLL)

30 Warwick Street, London W1B 5NH

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

7 More London Riverside, London SE1 2RT

Report of the Authorised Corporate Director

We are pleased to present the Annual Report and Financial Statements for the Royal London Property Fund (the “Company”), covering the year from 1 January 2022 to 31 December 2022.

About the Company

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

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

Authorised status

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

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

The financial statements

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

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

For and behalf of Royal London Unit Trust Managers Limited

Authorised Corporate Director

R. Kumar (Director)

S.Spiller (Director)

25 April 2023

Statement of Authorised Corporate Director's Responsibilities

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

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

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

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

Investment Adviser's Report

Objective

The investment objective of the Company is to carry on Property Investment Business, and to manage cash raised from investors for investment in the Property Investment Business, with the intention of maintaining an overall balance between capital growth and income in the Company.

The Company aims to achieve upper quartile performance against its designated benchmark, the Other Balanced Funds component of the AREF/MSCI UK Quarterly Property Fund Index.

Strategy

The Company invests predominantly in UK commercial properties. The Company aims to maximise returns from an appropriately diversified portfolio consisting of Retail, Industrial Office and Alternative properties. The strategy of the Investment Advisor is to acquire properties of suitable quality for the Company at times in market cycles when relative values are low, and to manage the properties actively and effectively until selected sales can be made to take advantage of buoyant conditions. It is intended that in most cases properties acquired for the Company will be fully let and income producing to tenants of sound financial strength.

Performance

For the year ended 31 December 2022, the Company generated a return of -8.32% (2021: +17.70%), compared to its benchmark, the Other Balanced Funds component of the AREF/MSCI UK Quarterly Property Fund Index which showed a return for the year of -8.72% (2021: +18.00%).

The difference in performance between the Company and its benchmark is the result of higher than average income returns over the year. The Company has also benefitted from holding a higher cash weighting than the benchmark in the second half of the year.

The portfolio's overweight position to West-End & Mid Town offices was beneficial in 2022, with this segment of the market outperforming the All Sector average. Furthermore, the office portfolio outperformed the office average, with total returns of -1.87% compared to -9.07%.

Market review

At the start of 2022, we were relatively optimistic about the outlook for the global economy which appeared well placed to regain the lost ground from two years of disruption caused by the pandemic. At the time, we identified three risks from geopolitical risk, inflation, and elevated asset prices. Nonetheless we had hoped that positive economic momentum would continue and provide a spur to the growth prospects of UK commercial property.

As the year progressed, economic conditions gradually deteriorated, and discussions on the economic outlook are centred around the length and scale of a recession. The war in Ukraine has produced a rapid and sustained rise in inflation and central banks have responded by aggressively tightening monetary policy. Increased volatility has returned to financial markets and prices across many asset classes have seen significant movements over the past twelve months.

At the start of the year, 10-year UK government bond yields were at 1.0%. By October, at the height of the chaos surrounding Liz Truss' brief premiership, they had risen to a high of 4.5%. By the end of the year, they had recovered to 3.7% and at the time of writing were back down to 3.3%. Nonetheless, this represents a profound and sudden shift with ramifications across many areas, including corporate debt and mortgage markets, hitting both business and consumer confidence.

UK commercial property has not been immune to these impacts, with the last 12 months witnessing a clear turnaround in market sentiment. In December 2021, the MSCI UK Monthly Index, which monitors the performance of ungeared real estate investment, saw its highest ever monthly rate as total returns peaked at +3.9%, month-on-month. Strong investor demand was the main driver of this with many sectors – especially industrial and logistics – seeing yields driven to record lows. Momentum inevitably cooled in the first half of 2022 but returns stayed positive. Set against the backdrop of rapidly rising borrowing costs, though, those yields levels proved unsustainable, and since June, investor sentiment has reversed quickly, with allocators reappraising the asset class. Coupled with a more uncertain economic outlook, this has seen the pool of active buyers reduce substantially and those that remain adopting a far more cautious approach.

The latest data from RCA shows that UK investment volumes were £8.8bn in Q4 2022, representing a 64% fall when compared with Q4 2021. All sector yields, as measured by MSCI, have moved out by 108 basis points over the last three months, and have risen by 140 basis points in aggregate, since their lows in Q2. Compared with previous downturns the pace of the correction has been much faster although we might have started to see this slowing as capital values fell by -3.7% in December, marking an improvement from November (-6.0%) and October (-6.8%).

The low levels of recent investment volumes suggest that pricing might fall further the first few months. If forecasters are correct about the UK entering a recession during 2023, then investor sentiment will be dampened by weaker occupational demand as job losses start coming through. The first sign of weaker occupational demand has already emerged, which could lead to rental falls, although we expect prime assets to be much more resilience.

Investment Adviser's Report (continued)

Market review – continued

Encouragingly, the latest economic indicators have been more positive than anticipated. Stock markets have had a positive start to the year as signs of an easing in inflationary pressures spurred hopes that we're close to the peak in interest rates and of a soft landing. UK GDP rose unexpectedly in November, up 0.1% month-on-month, after a 0.5% rise in October. Several UK retailers have reported good Christmas sales data. That reduces the chance that the UK is already in a technical recession.

Nevertheless, the UK economy still faces several challenges: household incomes are forecast to fall as earnings fail to keep pace with prices. Against the backdrop of a weaker economic outlook, consumer confidence remains very weak. Recent large increases in mortgage rates are compounding cost of living pressures and reducing activity in the housing market. Fiscal policy will be tightening over coming years, as well as ongoing challenges around Brexit.

Portfolio review and activity

At a property portfolio level, capital growth during the year, was behind the benchmark at an all sector level (-12.41% vs -12.05%). This was offset by a higher than average income return. Overall, across all sectors, the Company's income return was ahead of the benchmark by 66 basis points (4.56% vs 3.90%).

Portfolio level total returns for the year were -8.38% (2021: 20.25%) compared to the benchmark level at -8.58% (2021: 19.80%. Vacancy rate in the Company as at year-end was 4.3% (2021: 6.2%) and is below the benchmark at 10.1% (2021: 9.9%).

Industrial assets saw the largest declines in value over the 12 months, following the wider trends seen across the market. Industrial values fell by -17.41% across the portfolio, which was behind the rate seen in the benchmark at -13.73%. Some of this shortfall in performance was offset by having a higher income return, but in aggregation industrial total returns lagged the benchmark by 320 basis points (-14.07% vs -10.87%).

The office sector delivered total returns ahead of the benchmark average over the course of the year. The office portfolio delivered a total return of -1.87%, which compares favourably against the sector average of -9.07%% for the benchmark. Income return was marginally higher, but capital values were supported by letting success at Rathbone Place, London and some yield compression at 44-45 Great Marlborough Street.

The retail sector underperformed by 54 basis points (-5.88% vs -5.34%). Retail warehouses outperformed with returns of -1.09% but returns in the supermarket segment were lower and our holding at Waitrose, Raynes Park saw its value decline by -19.42% which dragged the sector average down.

Rent collection

The Company has a collection rate to date of 98.06% (2021: 97.19%) of the rent demanded for the year. The remainder is subject to either ongoing discussions with tenants, agreements that have been reached or potential legal action to pursue recovery.

Balance Sheet management

As at the 31 December 2022, the Company held £26.66m (2021: £35.48m) in cash equating to 6.94% (2021: 7.57%) of the Company's net asset value.

The Company currently has no gearing.

Acquisition

In February, the Company acquired 231 additional units in the Industrial Property Investment Fund for £0.45m.

In September, the Company acquired indirect holdings in the Medic Health Fund II for a total of £0.45m.

Disposals

The Company has continued to disinvest in retail with the sale in February of Waterloo Square in South Shields for £4.10m, which has further increased the underweight position in this sector. The high street retail sector is challenged at present and maintaining an underweight position to this is considered advisable.

Asset management and lettings

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

Industrial

Lodge Farm Trade Park, Northampton: Lodge Farm Trade Park is a well located, light industrial asset, located in close proximity to Junction 16 of the M1. It comprises of 9 units, totalling 173,243 sq ft.

In Q2 2022, an Agreement for Lease was exchanged with the tenant of unit 18, A Bell & Co Ltd, on a new 5-year lease at a rent of £41,531 per annum (£8.50 psf). As part of the lease renewal, the Company will undertake works to replace the existing asbestos sheeted roof with a new metal sheeted one. The new roof will have superior insulation in comparison to the existing one so it is anticipated that the EPC rating will improve following the completion of the works. The proposed works can be undertaken sectionally so the tenant can remain in occupation and will continue to pay rent. The rent on the new lease is 80.6% ahead of the previous passing rent and provides very strong rental evidence to assist with future lease events.

As at Q3 2022, this property has generated a 12-month total return of 24.2% compared to the MSCI monthly index All Property and Industrial sector returns of 13.5% and 19.9% respectively.

Investment Adviser's Report (continued)

Portfolio review and activity – continued

Asset management and lettings – continued

Industrial – continued

St Georges Industrial Estate, Eastleigh: The Company had a great opportunity with Unit 1, whereby the tenant previously exercised their break, further down the line their strategy changed and intended to remain on the estate. The Company saw this as a great opportunity, minimum spend and securing the relationship with an existing occupier. The occupier could remain on the basis that the February 2023 was settled before 31 December 2022, the risk in settling the review early was that the market could have increased in Q4 2022, however this was quite the opposite and we had agreed a higher psf in a falling market. Successfully the Company documented the rent review at £12.25 psf / £96,714 pax - resulting in a 11.4% uplift against ERV and a massive 53.5% uplift from the current rental at £63,000 pax.

Offices

44 Great Marlborough Street, London: The property comprises a Squire and Partners designed mid-terrace office and retail building constructed in the early 2000s and provides 14,968 sq ft of office accommodation over part ground to sixth floors, together with 4,327 sq ft of retail/restaurant accommodation over lower ground and ground floors.

The Company purchased the property in April 2021, with 1st, 4th and 5th floors vacant. Since that time, the Company has designed and delivered three floors of the best Category A Plus fit-out in the central London market, and have refurbished reception to a new high quality contemporary style, together with refurbishing and repositioning the amenities at Lower ground floor level.

All three floors were under offer within two weeks of the launch and at rents between £7.50 and £12.50 per sq ft ahead of the ERVs that were set in the business plan, which demonstrates occupiers focus on the flight to quality and that design is a key driver of value. The three new tenants have since taken possession of their suites and the team are working closely with them through the onboarding process. There was a very high level of demand for the suites, and there may be the opportunity to carry out a back-to-back surrender and new letting on one of the other floors via carrying another Landlord CAT A plus, to secure further accretive value going forward.

This strategic acquisition of a prime office building offering positive asset management opportunities occurred at the height of a Covid-impacted market. This asset has generated a 12-month total return of 21.8% outperforming the MSCI monthly index All Property and Office return of 17.0% and 12.8% respectively.

41 Eastcheap, London: The property is a high quality office building of c.20,000 sq ft located in the City of London's insurance district EC3. The offices are arranged over basement, lower ground and six upper floors. The lower ground and 5th floor became vacant in 2020. A high quality CAT A+ refurbishment was undertaken on both floors, which enabled the space to be let in the challenging market. The LG was let to Business Critical Solutions in August 2021 at £39 psf, the 5th floor let to Euclid Transactional Ltd in February 2022 at a rent of £65 psf which is a strong rent for the location. Euclid are a leading underwriter of transactional insurance products used by strategic and financial investors and wanted to be located in a high quality office in EC3.

The 2nd floor became vacant in Q3 2021 and we recently completed another CAT A+ refurbishment. The fit-out has been designed to reflect occupier requirements post Covid which provide a greater amount of collaboration space. We will formally launch the floor to the market in early May, with the aim of exceeding the rental level agreed on the 5th floor. Improved amenities in the basement, including upgraded showers and additional provision of bike racks, will positively support the marketing campaign. Demand is strong for quality CAT A+ space in the City as occupiers for sub 5,000 sq ft do not want to invest significant capex upfront. The next lease event is on the 6th floor, where Accenture (UK) Ltd have an expiry in February 2023. We are establishing if they wish to extend through regular tenant engagement.

Responsible Property Investment (RPI)

In 2022, the Company's focus has been on implementing our Responsible Property Investment strategy (RPI) and Net Zero Carbon pathway which were both launched in 2021. Throughout the year, we have undertaken a significant number of projects, enabling us to embed these strategies.

- Initiated Net Zero Carbon audits across four of the Company's multi-let offices that need to be Net Zero Carbon by 2030. These audits analyse the performance of the buildings in comparison to the 1.5-degree pathway set out by the Carbon Risk Real Estate Monitor (CRREM). This identifies the interventions required to meet likely decarbonisation targets and energy reduction targets out to 2035.
- Commenced a solar photovoltaic (PV) feasibility study across the Company's retail parks and industrial assets to determine where we can maximise onsite renewable energy generation. This is key to fulfilling our aim of generating 9.5 GWh of onsite renewable energy by 2040.
- Continued expansion of our smart logger programme to collect utility and water consumption data cross our single-let units, along with the deployment of Automatic Meter Readers (AMRs) across all developments and refurbishments.
- Began our programme of undertaking Energy Performance Certificate (EPC) Improvement Cost Assessments across all units with an EPC rating of C, D or E. This is in response to potential legislation requiring all commercial buildings to achieve an EPC B rating by 2030.

Investment Adviser's Report (continued)

Responsible Property Investment (RPI) – continued

- Developed our new Sustainable Acquisition Checklist to ensure that potential investments meet the Investment Advisor's commitments to RPI. This more stringent process helps to mitigate Environmental, Social & Governance (ESG) risks and maximise opportunities for adding value, whilst enhancing sustainability performance.

In 2022, the Company received excellent results across a range of ESG benchmarks and certifications.

- Maintained our rating of three stars within the annual GRESB assessment. GRESB is the leading ESG global benchmark for real estate and infrastructure investments. The Company achieved a score of 73 out of 100, ranking 28th out of 80 peers.
- Achieved a five star rating in the real estate module of the United Nations Principles of Responsible Investment (UNPRI) assessment, scoring 98%, against a median score of 69%.
- Maintained compliance with the ISO 14001 Standard across eight of the Company's largest commercial properties within the Environmental Management System (EMS).

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

Economic overview

Business surveys suggest that Q4 2022 was another period of weak global economic activity. Growth in developed economies was constrained by high inflation and central bank tightening, while China's economy continued to be disrupted by Covid outbreaks. However, by the end of the year, surveys reported improving business optimism, likely helped by lower inflation and natural gas prices, improving supply chain problems and the abandonment of China's zero-Covid tolerance policies.

Against this backdrop December's global composite PMI business survey improved to 48.2, but remained at relatively weak levels and still among the weakest readings seen for 15 years (excluding the pandemic). Taken at face value, that signals very subdued global GDP growth in Q4 overall.

Inflation remained at extremely high levels across many developed economies throughout Q4 but showed increasing signs of peaking, especially in the US where headline CPI inflation fell every month in 2022 from June onwards. However, compared with headline inflation, core inflation and services inflation in the G7, which remains a major concern of central banks, showed fewer convincing signs of peaking.

Central banks continued to hike rates. Q4 saw 125bps of interest rate hikes in the US, with more signalled for 2023. The ECB raised rates 125bps over the same period and signalled further "significant" rate increases to come. The Bank of England also hiked rates another 125bps over Q4.

After falling in Q3, real UK GDP rebounded in October and rose unexpectedly in November which might have kept the UK out of recession in Q4 2022. However, the UK economic performance on average over the second half of 2022 was relatively poor. Business surveys pointed to a modest decline in private sector output in December; the UK PMI composite headline measure ended the year at 49.0. However, that was off the lows reached in October during the aftermath of the mini-Budget.

UK consumer price inflation peaked in Q4 in October after a large rise in household energy bills. Energy inflation fell in November and December, as did 'core' goods inflation (likely helped by lower commodity prices and easing supply chain problems). Business surveys pointed to lower input and output price inflation. However, by December, core inflation was only slightly weaker than it was in October and services inflation had risen. Headline regular pay growth recorded 6.4% 3M/Y in November, extraordinarily strong by post-financial crisis standards. All that leaves domestically driven inflation still looking strong at the end of 2022 and is a key reason UK economists expect more rate hikes in 2023 from the Bank of England. We forecast that the base rate will peak at 4.5% although it may peak lower should earnings growth moderate faster than anticipated.

Unemployment rates remained at exceptionally low levels in the US, UK and Euro area and businesses continued to report difficulties in recruitment. However, there were more signs of marginally less tightness. In the UK, for example, job vacancies continued to fall (albeit from still extremely high levels).

UK recession remains a concern in the face of multiple challenges heading into 2023. Cost of living pressures remain intense. The government (under a new Chancellor and Prime Minister) increased the amount of fiscal policy tightening planned for coming years in November's Autumn Statement. Mortgage rates may be off their mini-Budget highs, but by the end of 2022 remained elevated by the standards of recent years. The housing market appeared to slow over Q4. Consumer confidence remained very weak at the turn of the year. Strikes become more disruptive for the economy in Q4, and a poorly performing health service may be dragging on potential growth, alongside Brexit challenges. Against this backdrop, we expect the UK economy will contract by 0.8% in 2023, returning to growth in 2024 with 2.6% penciled in.

Investment Adviser's Report (continued)

Our outlook

As we look ahead into 2023, our expectation is that investment sentiment toward property will remain weak. We are continuing to see relatively low levels of investment volumes, which suggests to us that pricing has further to fall. Compounding this negative investor sentiment will be weaker occupational demand as a domestic and global recession fully takes hold and job losses start coming through. We are already seeing some early signs of weaker occupational demand which will lead to rental falls although we expect prime assets to show more resilience.

To borrow a football analogy, we see 2023 as a year of two halves. The first half should see a continuation of those sentiment-based trends experienced over the last few months, as investors draw back further. However, we expect to see some form of stabilisation in values as we move towards the latter part of the year or the early part of 2024.

There are several themes within property markets that will help lead this recovery phase, where we expect to see increased demand for new, high quality space, against a backdrop of limited supply of such space. For example, the demand for good quality office space will continue to gather momentum. Post-pandemic, employers have sought to encourage their workforce back to the office by improving the office environment in a process that has been described as 'magnetising the workplace'. This has involved giving employees a higher quality space to work in, making space more flexible and adaptable, enhancing wellness features such as light, air and opportunities for activity, and improving internal connectivity within a building. These outcomes are best delivered through a new or refurbished building.

The growing importance of ESG and commitment to net zero carbon targets are translating through to the demand for higher quality and efficient space. For office occupiers, their choice of building is closely aligned with their ESG strategy and is a crucial consideration when seeking to recruit and retain staff. Occupiers now expect buildings to be able to satisfy their firm's corporate responsibility strategies and demonstrate their sustainability and environmental credentials from an operational perspective. This theme is playing out across all sectors and is best satisfied through high quality prime buildings. Investors are similarly focused on investing responsibly with investment decisions guided by ESG global benchmarks such as GRESB. This is partially being reflected in premium pricing as investors look to 'future-proof' new investments. This is only likely to become more critical as we move through the current cycle.

Urbanisation remains another core theme. We believe that major UK cities, including Manchester, Birmingham and Bristol, as well as London, will continue to see their economies outperform relative to the rest of the UK. Agglomeration effects – whereby clusters of business activity and people thrive due to proximity to one another – are one of the main drivers of productivity and economic growth. The competitive advantages of these knowledge hubs will persist and serve as one of the key drivers of outperformance of larges cities over the rest of the UK.

Stephanie Hacking
Portfolio Fund Manager
Royal London Asset Management Limited
25 April 2023

This report covers investment performance, activity and outlook. For a wider look at the Company, our Annual Value Assessment report is available on www.rlam.com. Portfolio holdings are subject to change, for information only and are not investment recommendations.

The views expressed are the author's own and do not constitute investment advice and are not an indication of future Company's performance. Portfolio holdings are subject to change, for information only and are not investment recommendations.

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

Portfolio Statement

As at 31 December 2022

Investments	Holding	Tenure	Sector	31 December 2022 Market value (£'000)	Total net assets (%)
Direct Properties					
Direct Properties Market Values up to £10m – 23.97% (31/12/21 – 17.80%)					
Loughborough – Southfield Road		Leasehold	Alternatives		
Eastleigh – St Georges Industrial Estate		Freehold	Industrial		
Manchester – Fabrica, Great Ancoats Retail Park		Freehold	Alternatives		
Northampton – Swan Street		Leasehold	Alternatives		
Newbury – Newbury Trade Park		Freehold	Industrial		
Cambridge – 24/26 Hills Street		Freehold	Offices		
Leeds – Spring Ram Retail Park		Freehold	Retail Warehouse		
Tamworth – Unit 2 Alpha Park		Freehold	Industrial		
Colchester – Axial Way		Freehold	Alternatives		
Hove – 154 Old Shoreham Road		Freehold	Retail Warehouse		
Bracknell – 1 The Braccens		Freehold	Offices		
Aberdeen – Badentoy Avenue		Freehold	Industrial		
Winchester – 18/20 High Street		Freehold	Retail		
Guildford – 59 High Street		Freehold	Retail		
Total Direct Properties Market Values up to £10m				**92,050**	**23.97**
Direct Properties Market Values between £10m and £20m – 36.12% (31/12/21 – 29.82%)					
London EC3M – 41 Eastcheap		Freehold	Offices		
London W1 – 28-32 Lexington Street		Freehold	Offices		
Chessington – Compass Business Park		Freehold	Industrial		
Ellesmere Port – Junction 8 Business Park		Leasehold	Industrial		
Ascot – Kings Ride Park		Freehold	Industrial		
Northampton – Lodge Farm Trade Park		Freehold	Industrial		
Raynes Park – Coombe Lane		Leasehold	Retail		
Birmingham – Midpoint 105		Freehold	Industrial		
Aylesford – Bellington Way		Freehold	Industrial		
Total Direct Properties Market Values between £10m and £20m				**138,699**	**36.12**
Direct Properties Market Values over £20m – 31.02% (31/12/21 – 42.74%)					
London W1 – 44-45 Great Marlborough Street		Freehold	Offices		
London W1 – 15-18 Rathbone Place		Freehold	Offices		
Hoddesdon – Trident Industrial Estate		Freehold	Industrial		
Milton Keynes – Cairngorm Retail Park		Freehold	Retail Warehouse		
Total Direct Properties Market Values over £20m				**119,100**	**31.02**
Collective Investment Schemes – 2.16% (31/12/21 – 2.10%)					
Industrial Property Investment Fund	5,278		Collective	7,790	2.03
Octopus Healthcare Fund	354		Collective	446	0.13
Total Collective Investment Schemes				**8,236**	**2.16**
Portfolio of investments				**358,085**	**93.27**
Fair value adjustments*				**(3,246)**	**(0.85)**
Net other assets				**29,090**	**7.58**
Total net assets				**383,929**	**100.00**

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

Summary of Material Portfolio Changes

For the year ended 31 December 2022

Significant Purchases

	Cost £'000
Industrial Property Investment Fund	453
Octopus Healthcare Fund	445
Total purchases for the year	**898**

Significant Sales

	Net proceeds £'000
South Shields – Waterloo Square	4,100
Total proceeds from sales for the year	**4,100**

Significant Capital Expenditure

	Cost £'000
London W1 – 44-45 Great Malborough Street	1,011
London EC3M – 41 Eastcheap	573
Northampton – Lodge Farm Trade Park	436
Ellesmere Port – Junction 8 Business Park	167
Newbury – Newbury Trade Park	93
Subtotal	**2,280**
Total capital expenditure for the year	**2,434**

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

Significant Valuation Movements

	Valuation Changes £'000
Hoddesdon – Trident Industrial Estate	(5,700)
Ascot – Kings Ride Park	(3,600)
Chessington – Compass Business Park	(3,600)
Raynes Park – Coombe Lane	(3,350)
Ellesmere Port – Junction 8 Business Park	(3,300)
Subtotal	**(19,550)**

Comparative Tables

Class A Accumulation

Change in net assets per share	**31/12/22 (p)**	**31/12/21 (p)**	**31/12/20 (p)**
Opening net asset value per share	834.78	714.13	738.92
Return before operating charges*	(56.72)	134.34	(8.87)
Operating charges	(17.75)	(13.69)	(15.92)
Return after operating charges*	(74.47)	120.65	(24.79)
Closing net asset value per share	760.31	834.78	714.13
Retained distribution on accumulation shares	23.49	20.87	22.08
* after direct transaction costs of:	0.60	3.48	0.59
Performance			
Return after charges	(8.92)%	16.89%	(3.36)%
Other information			
Closing net asset value (£'000)	368,877	404,353	345,198
Closing number of shares	48,516,569	48,438,047	48,338,516
Operating charges excluding property expenses	0.87%	0.70%	0.70%
Property expenses	0.25%	0.19%	0.76%
Operating charges	1.12%	0.88%	1.46%
Direct transaction costs	0.07%	0.47%	0.08%
Prices			
Highest share price	888.90	823.37	730.86
Lowest share price	749.69	706.05	689.88

Class B Income

Change in net assets per share	**31/12/22 (p)**	**31/12/21 (p)**	**31/12/20 (p)**
Opening net asset value per share	321.53	282.72	301.15
Return before operating charges*	(25.52)	50.21	(4.43)
Operating charges	(2.46)	(3.27)	(5.15)
Return after operating charges*	(27.98)	46.94	(9.58)
Distributions on income shares	(8.92)	(8.13)	(8.85)
Closing net asset value per share	284.63	321.53	282.72
* after direct transaction costs of:	0.11	1.12	0.23
Performance			
Return after charges	(8.70)%	16.60%	(3.18)%
Other information			
Closing net asset value (£'000)	15,052	38,531	44,134
Closing number of shares	5,288,315	11,983,720	15,610,292
Operating charges excluding property expenses	0.87%	0.70%	0.70%
Property expenses	0.25%	0.19%	0.76%
Operating charges	1.12%	0.88%	1.46%
Direct transaction costs	0.07%	0.47%	0.08%
Prices			
Highest share price	336.47	316.32	295.81
Lowest share price	280.59	277.59	275.82

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

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

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

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

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

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

The Depositary must ensure that:

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

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

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

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

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

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

NatWest Trustee and Depositary Services Limited

25 April 2023

Standing Independent Valuer's Report

Cushman & Wakefield Debenham Tie Leung Limited, acting in its capacity as appointed standing External Valuer to Royal London Property Fund (the "Company"), has valued the immoveables held by the Company as at 31 December 2022 in accordance with the RICS Valuation – Global Standards which incorporate the international Valuation Standards ("IVS") and the RICS UK Valuation Standards (the "RICS Red Book") edition current at the Valuation Date. It follows that the valuations are compliant with "IVS" and are in accordance with 8.4.13R of the Collective Investment Schemes sourcebook.

The immoveables have been valued on the basis of Fair Value as defined in the RICS Valuation – Professional Standards subject to existing leases. Royal London Unit Trust Manager, as the Authorised Corporate Director ("ACD"), has been provided with a full valuation certificate dated 31 December 2022.

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

In our opinion the aggregate value of the market values of the immoveables owned by the Company as at 31 December 2022 is £349,850,000. This figure represents the aggregate of the individual values attributable to the individual immoveables and should not be regarded as a valuation of the portfolio as a whole in the context of a sale as a single lot. This report should be read in conjunction with the full valuation certificate dated 31 December 2022 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 2022

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

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the financial position of the Company and its sub-fund as at 31 December 2022 and of the net revenue and the net capital losses on the scheme property of the Company and its sub-fund for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law), the Statement of Recommended Practice for UK Authorised Funds, the Collective Investment Schemes sourcebook and the Instrument of Incorporation.

Royal London Property Fund is an Open Ended Investment Company ('OEIC') with a single sub-fund. The financial statements of the Company comprise the financial statements of its sub-fund. We have audited the financial statements, included within the Annual Report, which comprise: the Balance Sheet as at 31 December 2022; the Statement of Total Return, the Statement of Change in Net Assets Attributable to Shareholders and the Statement of Cash Flows for the year then ended; the Distribution Tables; and the Notes to the Financial Statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

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

Reporting on other information

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

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

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

Authorised Corporate Director's Report

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

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

Report on the audit of the financial statements – continued

Responsibilities for the financial statements and the audit

Responsibilities of the Authorised Corporate Director for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

- Discussions with the Authorised Corporate Director, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Reviewing relevant meeting minutes, including those of the Authorised Corporate Director's board of directors;
- Identifying and testing journal entries, specifically any journals 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 Shareholders of Royal London Property Fund (continued)

Report on the audit of the financial statements – continued

Use of this report

This report, including the opinions, has been prepared for and only for the Company's shareholders as a body in accordance with paragraph 4.5.12 of the Collective Investment Schemes sourcebook as required by paragraph 67(2) of the Open-Ended Investment Companies Regulations 2001 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Opinion on matter required by the Collective Investment Schemes sourcebook

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

Collective Investment Schemes sourcebook exception reporting

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

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

We have no exceptions to report arising from this responsibility.

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

25 April 2023

Financial Statements

Statement of Total Return

For the year ended 31 December 2022

	Note	31 Dec 2022 £'000	31 Dec 2022 £'000	31 Dec 2021 £'000	31 Dec 2021 £'000
Income					
Net capital (losses)/gains	6		(51,183)		53,170
Revenue	7	21,747		19,047	
Expenses	8	(6,878)		(5,381)	
Net revenue before taxation		14,869		13,666	
Taxation	9	–		–	
Net revenue after taxation			14,869		13,666
Total (deficit)/return before distributions			(36,314)		66,836
Distributions	10		(14,881)		(13,663)
Change in net assets attributable to shareholders from investment activities			**(51,195)**		**53,173**

Statement of Change in Net Assets Attributable to Shareholders

For the year ended 31 December 2022

	31 Dec 2022 £'000	31 Dec 2022 £'000	31 Dec 2021 £'000	31 Dec 2021 £'000
Opening net assets attributable to shareholders		**442,884**		**389,332**
Amounts receivable on creation of shares	770		98,488	
Amounts payable on cancellation of shares	(20,265)		(116,260)	
		(19,495)		(17,772)
Change in net assets attributable to shareholders from investment activities		(51,195)		53,173
Dilution adjustment		349		8,048
Retained distributions on accumulation shares		11,386		10,103
Closing net assets attributable to shareholders		**383,929**		**442,884**

Balance Sheet

As at 31 December 2022

	Note	31 Dec 2022 £'000	31 Dec 2021 £'000
Assets			
Fixed assets:			
Land and buildings	22	346,603	397,145
Investments		8,236	9,321
Total fixed assets		354,839	406,466
Current assets:			
Debtors	11	10,571	9,723
Cash and bank balances	12	26,661	35,476
Total current assets		37,232	45,199
Total assets		392,071	451,665
Liabilities			
Creditors:			
Other creditors	13	7,311	7,904
Finance lease payable	14	783	783
Distribution payable		48	94
Total liabilities		8,142	8,781
Net assets attributable to shareholders		**383,929**	**442,884**

The notes on pages 21 to 35 are an integral part of these financial statements.

Financial Statements (continued)

Statement of Cash Flows

For the year ended 31 December 2022

	Note	31 Dec 2022 £'000	31 Dec 2021 £'000
Net cash inflow from operating activities	16	**13,344**	**14,011**
Distributions to shareholders		(3,541)	(3,614)
Interest received	7	84	4
Net cash generated from operating activities		**9,887**	**10,401**
Cash flows from investing activities			
Payments to acquire investments		(3,332)	(41,546)
Receipts from sale of investments		3,776	12,166
Net cash inflow/(outflow) from investing activities		**444**	**(29,380)**
Net cash inflow/(outflow) before financing activities		**10,331**	**(18,979)**
Cash flows from financing activities			
Amounts received from creation of shares		770	98,488
Amounts paid on cancellation of shares		(20,265)	(116,260)
Dilution adjustment		349	8,048
Net cash outflow from financing activities		**(19,146)**	**(9,724)**
Net decrease in cash during the year		**(8,815)**	**(28,703)**
Cash and bank balances brought forward		35,476	64,179
Cash and bank balances at the end of the year		**26,661**	**35,476**

Notes to the Financial Statements

For the year ended 31 December 2022

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

Going concern

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

Basis of valuation of investments

Fair value of investment property

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

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

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

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

Fair value of collective investment schemes

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

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

Finance leased assets

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

Lessor operating leases

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

Lease incentives

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2022

1. Significant accounting policies – continued

Provision for bad and doubtful debts

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

Cash and bank balances

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

Financial liabilities

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

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

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

Shares

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

Taxation

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

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

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

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

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

Revenue recognition

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

Rental income

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

Service charge income

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

Interest income

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

Expenses recognition

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2022

1. Significant accounting policies – continued

Expenses recognition – continued

Fund manager's fee

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

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

Service charge expenses

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

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

Distribution to Shareholders

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

Dilution levy

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

Related party transactions

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

2. Estimates and judgements

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

Key accounting estimates and assumptions

Estimation of fair value of investment property

Investment property is measured at fair value which represents a significant proportion of the Company's net assets at 90.28% (31/12/21: 89.67%). Therefore the estimates and assumptions made to determine their carrying value during valuation are critical to the Company's financial position and performance.

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

Sensitivity analysis

The values of investment properties are driven by their rental yield. At the year end, the Company's portfolio had an equivalent yield of 5.35% (31/12/21: 4.58%). If the yield of every property within the portfolio increased by 0.25% (31/12/21: 0.50%) it is estimated that the net asset would fall by 4.16% (31/12/21: 9.17%). If the yield decreased by 0.25% (31/12/21: 0.50%) it is estimated that the net asset value would rise by 4.59% (31/12/21: 11.60%). The 0.25% benchmark has been used to measure sensitivity analysis as the ACD believes that it is a good indicator of materiality in yield movements. These estimates are subject to the prevailing conditions at the year end.

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

Sector	Weighted average equivalent Yield	Yield shift by Sector	Change in value if decrease in yield	NAV impact	Change in value if increase in yield	NAV impact
Industrial	5.60%	0.25%	6,794,000	1.77%	(6,191,000)	(1.61)%
Offices	4.70%	0.25%	6,986,000	1.82%	(6,260,000)	(1.63)%
Retail	5.87%	0.25%	2,344,000	0.61%	(2,146,000)	(0.56)%
Others	5.88%	0.25%	1,506,000	0.39%	(1,382,000)	(0.36)%

Critical judgements in applying the Company's accounting policies

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2022

3. Distribution policies

Basis of distribution

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

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

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

Apportionment to share classes

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

Expenses

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

4. Performance fee

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

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

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

Benchmark index

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

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

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

Performance fee calculation

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

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

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

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2022

5. Risk management policies

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

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

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

Market price risk and valuation of property

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

Since the fair value of investment property represents a significant proportion of the Company's net assets at 90.28% (31/12/21: 89.67%), property values are exposed to a number of risk factors which may affect the total return of the Company. These may be attributable to changes to global or local economic conditions; local market conditions such as the price volatility of the UK commercial property markets or performance of individual properties; the financial conditions of tenants; changes in interest rates or exchange rates and other operational expenses; environmental laws and regulations; planning laws and other governmental legislation; energy prices and the relative attractiveness of real estate types or locations. In addition, real estate is subject to long-term cyclical trends that give rise to significant volatility in values.

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

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

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

Liquidity risk

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

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

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

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2022

5. Risk management policies – continued

Liquidity risk – continued

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

	Within three months	Over three months but not more than one year	Over one year
As at 31 December 2022	**£'000**	**£'000**	**£'000**
Cash at bank	26,661	–	–
	%	**%**	**%**
Shareholding that can be redeemed	100	–	–
Portfolio capable of being liquidated	–	100	–
As at 31 December 2021	**£'000**	**£'000**	**£'000**
Cash at bank	35,476	–	–
	%	**%**	**%**
Shareholding that can be redeemed	100	–	–
Portfolio capable of being liquidated	–	100	–

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

	Within one year	Over one year but not more than five years	Over five years
As at 31 December 2022	**£'000**	**£'000**	**£'000**
Distribution payable	48	–	–
Finance lease payable	50	202	11,353
Other creditors	7,311	–	–
	7,409	**202**	**11,353**
As at 31 December 2021	**£'000**	**£'000**	**£'000**
Distribution payable	94	–	–
Finance lease payable	50	202	11,403
Other creditors	7,904	–	–
	8,048	**202**	**11,403**

Credit and counterparty risk

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

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

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

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

There are no significant concentrations of credit risk, whether through exposure to certain individual tenants, specific industry sectors and or 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 Company'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 Company is minimised. The investment concentrations within the portfolio are disclosed in the portfolio statement by investment type.

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2022

5. Risk management policies – continued

Credit and counterparty risk - continued

The Company's cash and short term deposits at 31 December 2022 amounted to £26.66m (31/12/21: £35.48m). Deposits and interest rate deposits were placed with financial institutions with BBB+ or better credit ratings.

At 31 December 2022, the fair value of all interest rate derivative assets held by the Company was £nil (31/12/21: £nil).

At 31 December 2022, 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 £26.66m (31/12/21: £35.48m). This represents 6.80% (31/12/21: 7.85%) of gross assets of the Company.

The deposit exposures are with UK banks.

Currency risk

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

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

Interest rate risk

The Company may at certain times invest cash on deposit. The Company held £26.66m (31/12/21: £35.48m) cash at the end of the year and has minimal exposure to interest rate risk. In times of low nominal interest rate, there may be no, negative or low interest paid on these holdings. In such circumstances, the Company could be subject to losses especially after charges are deducted.

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

Inflation risk

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

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

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

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

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

Leverage risk

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

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2022

5. Risk management policies – continued

Climate risk

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

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

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

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

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

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

Economic and geopolitical risk

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

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

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

Russia's invasion of Ukraine continues to carry huge risks for a world economy that's yet to fully recover from the pandemic shock. The Company has no exposure to Russian companies as commercial tenants or investment. The UK has few direct economic links to Russia since trade between the two is small relative to the size of either economy. Moreover, Russia is not closely integrated in the global financial system.

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 war on Western economies including the UK with higher inflation, volatile financial markets and adverse economic environment will depend on the extent to which the conflict, and therefore the severity of sanctions and economic disruption, escalates and how long it lasts.

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2022

6. Net capital (losses)/gains

	31 Dec 2022 £'000	31 Dec 2021 £'000
The net capital (losses)/gains during the year comprise:		
Non derivative securities unrealised (losses)/gains	(1,983)	2,205
Investment property realised gains	154	66
Investment property unrealised (losses)/gains	(49,354)	50,899
Net capital (losses)/gains	**(51,183)**	**53,170**

7. Revenue

	31 Dec 2022 £'000	31 Dec 2021 £'000
Property rental income	19,180	16,937
Service charge income	2,080	1,877
Overseas income*	403	229
Bank interest	84	4
Total revenue	**21,747**	**19,047**

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

8. Expenses

	31 Dec 2022 £'000	31 Dec 2021 £'000
Payable to the Authorised Corporate Director or associates of the Authorised Corporate Director and their agents:		
Authorised Corporate Director's fee	3,398	2,986
Performance fee	226	(296)
	3,624	2,690
Payable to the Depositary, associates of the Depositary and their agents:		
Depositary's fee	91	80
Other expenses		
Recoverable service charges	2,080	1,877
Other property expenses*	430	711
Surveyor's fee	341	467
Irrecoverable service charges	188	258
Valuation fee	111	108
Head rent	90	57
Audit fee**	76	74
Managing agent fees	67	120
Repairs and maintenance***	66	(500)
Legal fees	37	44
Bad and doubtful debts****	(323)	(605)
	3,163	2,611
Total expenses	**6,878**	**5,381**

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

** Audit fee £68,058 (31/12/21: £61,667) excluding VAT. This includes £7,931 (31/12/21: £7,263) paid on behalf of the Royal London Property Trust and an additional £nil (31/12/21: £5,000) in relation to prior year overruns.

*** Prior year repairs and maintenance reflects the correction of items in 2020 incorrectly classified as repair and maintenance.

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2022

9. Taxation

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

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

i. Property income distributions, representing income from the Company's Property Investment Business;
ii. PAIF dividend distributions representing any dividends received by the Company and certain other income; and
iii. PAIF interest distributions representing the net amount of all other income received by the Company.

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

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

a) Analysis of charge for the year

	31 Dec 2022 £'000	31 Dec 2021 £'000
Corporation tax	–	–
Current tax charge	**–**	**–**

b) Factors affecting total tax charge for the year

The tax assessed for the year is lower (31/12/21: lower) than the standard rate of corporation tax in the UK for Open Ended Investment Companies (20%). (31/12/21: 20%).

The differences are explained below:

	31 Dec 2022 £'000	31 Dec 2021 £'000
Net revenue before taxation	14,869	13,666
Corporation tax at 20%	2,974	2,733
Effects of:		
Revenue not subject to taxation	(2,974)	(2,733)
Current tax charge for the year	**–**	**–**

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

c) Deferred tax

There was no provision required for deferred tax at the balance sheet date (31/12/21: same).

10. Distributions

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

	31 Dec 2022 £'000	31 Dec 2021 £'000
Accumulation shares		
Interim	10,211	9,120
Final	1,175	983
	11,386	**10,103**
Income shares		
Interim	953	1,075
Final	48	94
	1,001	**1,169**
Add: Income tax withheld on Property Income Distributions	2,494	2,391
Net distributions for the year	**14,881**	**13,663**

Details of the distribution per share are set out on pages 36 and 37.

Notes to the Financial Statements (continued)

For the year ended 31 December 2022

11. Debtors

	31 Dec 2022 £'000	31 Dec 2021 £'000
Rent free debtor	3,500	3,194
Managing agent	2,974	1,050
Rental income receivable*	2,171	3,580
Service charge receivable	987	962
Lease incentive	529	589
Other debtors	410	348
Total debtors	**10,571**	**9,723**

* Rental income receivable is shown after deducting a provision for bad and doubtful debts of £95,329 (31/12/21: £490,521). 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 £323,363 income (31/12/21: £605,312 income).

12. Cash and bank balances

	31 Dec 2022 £'000	31 Dec 2021 £'000
Cash and bank balances	26,661	35,476
Total cash and bank balances	**26,661**	**35,476**

13. Other creditors

	31 Dec 2022 £'000	31 Dec 2021 £'000
Deferred rent	3,947	3,978
Service charge payable	987	962
VAT payable	901	1,233
Other creditors	737	670
Tax payable	515	429
Accrued expenses	224	632
Total other creditors	**7,311**	**7,904**

14. Finance lease payable

The following property has finance lease commitments:

Ellesmere Port – Junction 8 Business Park

	31 Dec 2022 £'000	31 Dec 2021 £'000
Commitments in relation to finance leases are payable as follows:		
No later than one year	50	50
Later than one year and not later than five years	202	202
Later than five years	11,353	11,403
Minimum lease payments	11,605	11,655
Future finance charges	(10,822)	(10,872)
Total lease liabilities	**783**	**783**
The present value of finance lease liabilities is as follows:		
No later than one year	48	48
Later than one year and not later than five years	166	166
Later than five years	569	569
Minimum lease payments	**783**	**783**

15. Operating leases

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

	31 Dec 2022 £'000	31 Dec 2021 £'000
No later than one year	15,812	17,107
Later than one year and no later than five years	36,690	38,704
Later than five years	42,349	24,321
Total	**94,851**	**80,132**

Notes to the Financial Statements (continued)

For the year ended 31 December 2022

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

	31 Dec 2022 £'000	31 Dec 2021 £'000
Total (deficit)/return before distributions	(36,314)	66,836
Less: Net capital losses/(gains)	51,183	(53,170)
Less: Interest received	(84)	(4)
Net income from operating activities	**14,785**	**13,662**
(Increase)/decrease in debtors	(848)	1,684
Decrease in creditors	(593)	(1,335)
Net cash inflow from operating activities	**13,344**	**14,011**

17. Reconciliation of number of shares

	Class A Accumulation	Class B Income
Opening shares issued at 01/01/22	48,438,047	11,983,719
Shares issued	88,812	6,500
Shares cancelled	(10,289)	(6,701,904)
Closing shares at 31/12/22	**48,516,570**	**5,288,315**

18. Contingent liabilities and outstanding commitments

There were no contingent liabilities or outstanding commitments at the Balance Sheet date (31/12/21: same).

19. Related party transactions

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

Authorised Corporate Director fees charged by Royal London Unit Trust Managers Limited are shown in note 8 and details of shares created and cancelled by Royal London Unit Trust Managers Limited are shown in the Statement of Changes in Net Assets Attributable to Shareholders. At the year end the balance due to Royal London Unit Trust Managers Limited in respect of these transactions was £266,000 (31/12/21: £271,000).

RLGPS Trustee Limited as a material shareholder, is a related party holding shares comprising 25.93% (31/12/21: 29.41%) of the total net assets of the Company as at 31 December 2022.

The Royal London Property Trust as a feeder vehicle for the Company holds shares comprising 66.18% (31/12/21: 63.01%) of the total net assets of the Company.

20. Financial instruments

The policies applied to the management of the financial instruments are set out in note 2. The fair values of the Company's assets and liabilities are represented by the values shown in the Balance Sheet on page 19. There is no material difference between the value of the financial assets and liabilities, as shown in the Balance Sheet, and their fair value.

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2022

21. Portfolio transaction costs

For the year ended 31 December 2022

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

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

Commissions, taxes and fees as % of average net assets

Commissions and legal fees	0.0007%
Taxes	0.0000%

For the year ended 31 December 2021

Analysis of total purchase costs	Value £'000	Commissions and legal fees £'000	%	Taxes £'000	%	Total £'000
IPIF Feeder Unit Trust	7,112	4	0.06	–	–	7,116
44/45 Great Marlborough Street, London	30,350	205	0.68	1,507	4.97	32,062
Total	**37,462**	**209**		**1,507**		**39,178**

Analysis of total sales costs	Value £'000	Commissions and legal fees £'000	%	Taxes £'000	%	Total £'000
37/37a George Street, Edinburgh	2,100	26	1.23	–	–	2,126
Regents Square House, The Parade, Leamington Spa	6,600	70	1.06	–	–	6,670
16-19 East Street & 6A 6B & 6D Bartholomews, Brighton	2,800	35	1.25			2,835
37 Broad Street, Reading	750	–	–	–	–	750
Total	**12,250**	**131**		**–**		**12,381**

Commissions, taxes and fees as % of average net assets

Commissions and legal fees	0.0008%
Taxes	0.0037%

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

As at balance sheet date the portfolio dealing spread of the Company was 7.35% (31/12/21: 7.35%).

Notes to the Financial Statements (continued)

For the year ended 31 December 2022

22. Fair value of investments

The primary financial instruments held by the Company at 31 December 2022 were property related investments, cash, short term assets and liabilities to be settled in cash. The Company did not hold, and was not a counterparty to, any derivative instruments either during the year or at the year end.

The policies applied to the management of the financial instruments are set out in note 2. The fair values of the Company's assets and liabilities are represented by the values shown in the Balance Sheet on page 19. 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 2022

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

For the year ended 31 December 2021

Category	1 £'000	2 £'000	3 £'000	Total £'000
Investments				
Collective Investment Schemes	–	–	9,321	9,321
Total	**–**	**–**	**9,321**	**9,321**

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

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

Reconciliation to Market Value

	31 Dec 2022 £'000	31 Dec 2021 £'000
Reconciliation to Fair Value – Land and Buildings		
Cost		
At 1 January	313,774	299,137
Additions – acquisitions	–	30,350
Additions – subsequent expenditure	2,434	4,079
Disposals	(12,175)	(19,792)
At 31 December	**304,033**	**313,774**
Revaluation Surplus		
At 1 January	83,371	24,779
Revaluations in the year	(40,955)	58,526
Transferred to realised	154	66
At 31 December	**42,570**	**83,371**
At 31 December	**346,603**	**397,145**
Reconciliation to Market Valuation		
Book value at 31 December	346,603	397,145
Rent free debtor adjustment	3,500	3,194
Capital lease incentive adjustment	529	589
Finance lease adjustment	(783)	(783)
Market value reported by valuers	**349,849**	**400,145**

Notes to the Financial Statements (continued)

For the year ended 31 December 2022

23. Events after the end of the reporting year

The final distribution for the year ended 31 December 2022 was paid on 13 January 2023.

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

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

The impact of the volatility on the Company's NAV between the end of the reporting year and the date of which the financial statements were authorised for issue are shown below:

	Price 31 Dec 2022 (p)	Price 31 Mar 2023 (p)	Movement (%)
Royal London Property Fund, Class A Accumulation	749.69	746.64	(0.41)
Royal London Property Fund, Class B Income	280.60	277.42	(1.13)

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

For further details please refer to the updated Prospectus available on our website.

Distribution Tables

For the year ended 31 December 2022

Class A Accumulation

Distribution in pence per share

Distribution period	Property income distribution per share	Interest income distribution per share	Dividend income distribution per share	Equalisation	Total Distribution per share 2022	Total Distribution per share 2021
January						
Group 1	1.7263	0.0005	0.1043	–	1.8311	1.0089
Group 2	1.7263	0.0005	0.1043	–	1.8311	1.0089
February						
Group 1	1.6251	0.0005	0.1099	–	1.7355	2.2866
Group 2	1.6251	0.0005	0.1099	–	1.7355	2.2866
March						
Group 1	1.9536	0.0005	0.1089	–	2.0630	1.1448
Group 2	1.9536	0.0005	0.1089	–	2.0630	1.1448
April						
Group 1	2.6410	0.0005	0.1088	–	2.7503	3.4235
Group 2	2.6410	0.0005	0.1088	–	2.7503	3.4235
May						
Group 1	0.9254	0.0001	1.2882	–	2.2137	0.8766
Group 2	0.9254	0.0001	1.2882	–	2.2137	0.8766
June						
Group 1	1.4857	0.0139	0.1093	–	1.6089	1.9934
Group 2	1.4857	0.0139	0.1093	–	1.6089	1.9934
July						
Group 1	1.3946	0.0069	0.1076	–	1.5091	1.8963
Group 2	1.3946	0.0069	0.1076	–	1.5091	1.8963
August						
Group 1	1.4453	0.0037	0.1081	–	1.5571	1.1684
Group 2	1.4453	0.0037	0.1081	–	1.5571	1.1684
September						
Group 1	1.7911	0.0127	0.1089	–	1.9127	1.6271
Group 2	1.7911	0.0127	0.1089	–	1.9127	1.6271
October						
Group 1	1.9504	0.0224	0.1092	–	2.0820	1.6535
Group 2	1.9504	0.0224	0.1092	–	2.0820	1.6535
November						
Group 1	1.6754	0.0176	0.1088	–	1.8018	1.7630
Group 2	1.6754	0.0176	0.1088	–	1.8018	1.7630
December						
Group 1	0.2203	0.0584	2.1426	–	2.4213	2.0295
Group 2	0.2203	0.0584	2.1426	–	2.4213	2.0295

Distribution Tables (continued)

For the year ended 31 December 2022

Class B Income

Distribution in pence per share

Distribution period	Property income distribution per share	Interest income distribution per share	Dividend income distribution per share	Equalisation	Total Distribution per share 2022	Total Distribution per share 2021
January						
Group 1	0.6632	0.0002	0.0401	–	0.7035	0.3980
Group 2	0.6632	0.0002	0.0401	–	0.7035	0.3980
February						
Group 1	0.6231	0.0002	0.0421	–	0.6654	0.9008
Group 2	0.6231	0.0002	0.0421	–	0.6654	0.9008
March						
Group 1	0.7475	0.0002	0.0417	–	0.7894	0.4496
Group 2	0.7475	0.0002	0.0417	–	0.7894	0.4496
April						
Group 1	1.0084	0.0002	0.0415	–	1.0501	1.3425
Group 2	1.0084	0.0002	0.0415	–	1.0501	1.3425
May						
Group 1	0.3523	–	0.4904	–	0.8427	0.3422
Group 2	0.3523	–	0.4904	–	0.8427	0.3422
June						
Group 1	0.5642	0.0053	0.0415	–	0.6110	0.7773
Group 2	0.5642	0.0053	0.0415	–	0.6110	0.7773
July						
Group 1	0.5288	0.0026	0.0408	–	0.5722	0.7375
Group 2	0.5288	0.0026	0.0408	–	0.5722	0.7375
August						
Group 1	0.5471	0.0014	0.0409	–	0.5894	0.4533
Group 2	0.5471	0.0014	0.0409	–	0.5894	0.4533
September						
Group 1	0.6769	0.0048	0.0411	–	0.7228	0.6304
Group 2	0.6769	0.0048	0.0411	–	0.7228	0.6304
October						
Group 1	0.7355	0.0084	0.0412	–	0.7851	0.6393
Group 2	0.7355	0.0084	0.0412	–	0.7851	0.6393
November						
Group 1	0.6304	0.0066	0.0409	–	0.6779	0.6803
Group 2	0.6304	0.0066	0.0409	–	0.6779	0.6803
December						
Group 1	0.0828	0.0219	0.8043	–	0.9090	0.7815
Group 2	0.0828	0.0219	0.8043	–	0.9090	0.7815

Fact File

Royal London Property Fund

Launch date	Class A – Accumulation shares	28 May 2010
	Class B – Income shares	28 May 2010
Accounting end dates	31 December (Final)	
	30 June (Interim)	
Distribution dates	31 January (Final)	
	Last business day of every month (Interim)	
Minimum investment	£100,000	
Management charges	Preliminary charge	0.00%
	ACD’s periodic management charge	0.75%
	Performance fee	-0.10% to +0.30%

Remuneration Policy (unaudited)

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

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

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

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

RLUTM has a board of directors (the "Directors"). The Directors of the Company who are also employees of the Group do not receive any remuneration in respect of their services as directors of RLUTM. The other Non-Executive Directors receive fixed remuneration in respect of their services which is set at a level determined by the Group and is not performance related. None of the Directors are currently in receipt of variable remuneration in respect of their services as Directors of RLUTM. RLUTM has no employees and therefore there are no other controlled functions, or senior management employed and paid by RLUTM. However, for the financial year ending 31 December 2022, total remuneration of £27,513,761 was paid to 50 individuals whose actions may have a material impact on the risk profile of RLUTM, of which £6,685,030 related to senior management. The fixed element of the total remuneration mentioned above is £10,370,339 and the variable element is £17,143,422. In addition, the Company does not make any payments directly to any staff of the delegates.

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

General Information

Pricing and dealing

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

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

Buying shares

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

Selling shares

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

Cancellation rights

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

UK taxation

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

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

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

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

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

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

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

General Information (continued)

UK taxation – continued

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

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

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

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

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

Fund reports and Prospectus

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

Contact Us

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