ANNUAL REPORT

Royal London UK Real Estate Feeder Fund
Annual Report for the year ended 31 December 2019

ASSET MANAGEMENT

COMPANY INFORMATION

Contents

* The ACD Manager's report comprises of these items.
\+ The Investment Adviser's Report includes a note on the Value Assessment.

Company

Royal London UK Real Estate Feeder Fund

Registered office:
55 Gracechurch Street, London EC3V 0RL

Authorised Corporate Director (the "ACD")

The ACD is Royal London Unit Trust Managers Limited

Place of business and Registered office:
55 Gracechurch Street, London EC3V 0RL

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

Directors: A.S. Carter, R.A.D. Williams, A. Hunt, R. Kumar, S. Spiller, C.R. Read, J. Brett* (appointed 12 September 2019), N. O'Mahony* (appointed 13 November 2019)

* Non-executive Director

Investment Adviser

Royal London Asset Management Limited

Place of business and registered office:
55 Gracechurch Street, London EC3V 0RL

Authorised and regulated by the Financial Conduct Authority.

Depositary of the ACD

HSBC Bank plc
8 Canada Square, Canary Wharf, London E14 5HQ

Authorised and regulated by the Financial Conduct Authority.

Registrar and Transfer Agents

HSBC Bank plc
8 Canada Square, Canary Wharf, London E14 5HQ

Authorised and regulated by the Financial Conduct Authority.

The Administrator of the ACD

HSBC Bank plc
8 Canada Square, Canary Wharf, London E14 5HQ

Authorised and regulated by the Financial Conduct Authority.

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Atria One, 144 Morrison Street, Edinburgh EH3 8EX

REPORT OF THE AUTHORISED CORPORATE DIRECTOR

About the Company

The Royal London UK Real Estate Feeder Fund (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. It is governed by the OEIC Regulations, the Collective Investment Schemes sourcebook (COLL) and its Instrument of Incorporation. Registered in England with Company Number IC001092.

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. The Company was authorised by the Financial Conduct Authority (FCA) on 7 June 2017 and its Instrument of Incorporation was registered with the Registrar of Companies for England & Wales on 1 October 2017. 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.

The Company is a Qualified Investor Scheme (QIS) and a feeder fund dedicated to investment in units of the Royal London Real Estate Fund (the "Master Fund"), details of which are set out on Part 2 of Appendix 1 of the Prospectus. The Company qualifies as a PAIF for tax purposes.

The Financial Statements

We are pleased to present the annual report and financial statements for the year ending 31 December 2019. As required by the OEIC Regulations, information for Royal London Real Estate Feeder Fund (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

(Director)

(Director)

6 May 2020

INVESTMENT ADVISER'S REPORT

Objective

The investment objective of the Royal London UK Real Estate Feeder Fund (the "Company") is to achieve capital growth and income by investing solely in the Royal London UK Real Estate Fund (the "Master Fund").

The investment objective of the Company means that it may be appropriate for it to hold cash or near cash. This will only occur where the Investment Adviser reasonably regards it as necessary to enable the pursuit of the Company's objective, redemption of units, efficient management of the Company in accordance with its objective, or for the purpose ancillary to its objective.

As the Company's sole investment are units held in the Master Fund, the Company is subject to the same underlying risks and returns of the Master Fund, and as such, the commentary presented on pages 4 to 6 is consistent with those of the Master Fund.

It is intended that the Company will be the feeder fund for the Master Fund at all times.

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

Strategy

The main strategy of the Master Fund is to invest primarily in UK real estate across all major property sectors in a balanced portfolio. The portfolio will be significantly weighted toward London and the South East of England as a key driver to long-term returns, whilst also reducing the potential downside in a weak market. Diversification will also be provided by investing in key cities and locations across the UK to balance the risk profile of the portfolio and increase the running yield. Attention will be focused on securing prime properties in these strategic locations, to maintain exposure to assets with limited downside risk, plus strong asset management and development potential in a recovering market. The long-term investment philosophy of the Master Fund requires strategic planning and preparation of asset management opportunities through market cycles, thereby positioning them for exploitation as and when market conditions are favourable. New acquisitions will be sought where they add synergies to existing holdings.

As well as investing directly, the Master Fund's may invest in indirect UK property through collective investment schemes, REITs, other transferable securities and derivatives. The Master Fund may also invest in cash, money market instruments and collective investment schemes for cash management purposes and may also use derivatives for the purposes of Efficient Portfolio Management.

Performance

For the 12 months to 31 December 2019 the Company's performance mirrored that of the Master Fund which had a return of 2.23%, compared to the All Balanced Funds component of the AREF/MSCI UK Quarterly Property Fund Index, which showed a return for the same period of 1.59%.

The Master Fund's rate of capital growth over the 12 months period was negative, albeit more resilient than the benchmark. However, the Master Fund's property level income return on a like-for-like basis was actually lower than the benchmark.

This reflects to the Master Fund's prime nature, with London assets tending to be lower yielding than the national average. However, the Master Fund has a relatively higher exposure to assets undergoing developments, which were therefore not income producing during the year.

Following its launch in October 2017, the Master Fund has seen very strong investment performance, in both absolute terms and in comparison to its benchmark. Since inception, the Master Fund has outperformed its benchmark by 264 basis points (14.16% v. 11.52%).

Market review

As the Company enters a new decade, it is worth looking back over the last ten years in order to assess the current health of the UK commercial property market. In December 2010, average equivalent yields across all sectors, as measured by the MSCI UK Monthly Index stood at 7.4%. Today they are considerably lower at 6.0%, albeit up from 5.8% twelve months prior. Over the last ten years UK commercial property has on average delivered ungeared total returns of 9.5% per annum, comprised of income return providing 6.2%, along with capital growth of 3.2%. In isolation, these figures point towards a period of strong and sustained growth. The hunt for income has seen real estate become sought after as an asset class and the UK has benefitted from its safe haven status. This has led to strong demand for UK property from overseas investors. Since the EU referendum in 2016 though, debate around Brexit has dominated headlines. Market sentiment has been clouded by uncertainty and investment performance has moderated. In 2019, capital growth was negative, a combination of heightened political tension and also retail sector weakness.

Despite a cooling of momentum in 2019, industrial assets remained the best performing sector of the UK commercial property market. Industrial rental growth at the start of the year was running on average at +4.0% per annum, as reported by the MSCI UK Monthly Index. By November, this rate had fallen to +3.3%, its lowest level since February 2015. However, this rate of growth is still comfortably above the ten year industrial average of 2.0% and also is favourable when compared to the All Sector average which has been stubbornly flat all year, albeit skewed by falls in the retail sector.

Following a prolonged period of strong growth, rents in many parts of the country appear expensive by historical standards, and being cautious one could assume that they are approaching a ceiling. There are still grounds for optimism though.

The Greater London industrial market continues to experience a severe lack of supply. Significant volumes of stock have been removed from the capital due to demand for higher value land uses. Data by Montagu Evans estimates that London's industrial stock has reduced in size by approximately 10% in the last 10 years. Demand for last mile logistic locations continues, this coupled with a shortage of development activity could support further rental growth.

One area where development activity has seen a notable increase is in the larger logistics/distribution warehouse segment. Availability of space has risen, but take-up has been high which has prevented a surge in vacancy rates.

Looking at the retail sector, 2019 has been another difficult year for UK high street operators and recent headlines have done little to lift the mood. The British Retail Consortium (BRC) said total sales fell 0.1%, marking the first annual sales decline since 1995. Footfall dropped 2.5% in December, according to the latest figures from Springboard's footfall monitor and insights. The data provider notes though, that was in part due to Black Friday and Cyber Monday bringing Christmas trading forward. Nonetheless, positive trading reports and surprises on the upside have been in short supply of late. Some brands have done better than others, for example Greggs, Boohoo and Aldi have all reported very strong results.

UK consumers are now spending one in every £5 online and most analysts believe that the online share of the total will continue to grow. Further advances in technology will propel further change in consumer behaviour, particularly in attitudes and expectations. 2020 could be another challenging year. However, change in the retail sector is not a new phenomenon. It is a dynamic sector by its nature, one that requires business models to continually adapt.

The office occupational market exceeded expectations in 2019, driven by strong demand for new, high quality space and is proving resilient in the face of political uncertainty. Tenants are increasingly putting more emphasis on modern office accommodation with a high level of amenity space, the intensification of tech use, and on flexibility, all of which fuelled the continued growth of the serviced office providers.

The ways in which occupancy can be measured and the utilisation of space are changing at pace. Multi-purpose, reconfigurable spaces are in vogue. In a competitive labour market, employers recognise that workspace is becoming increasingly important in recruiting and retaining top talent. ESG factors feed into this and are being used to differentiate and promote brands. These issues will increasingly influence decision making.

INVESTMENT ADVISER'S REPORT (CONTINUED)

Portfolio review

As at 31 December 2019, the Company had a net asset value of £55.136m which accounted for the entire value of the Company's portfolio held in collective investment schemes in the Master Fund.

As at 31 December 2019, the Master Fund had a net asset value of £2.97bn. The Master Fund held 91 direct properties including developments which were valued at £2.81bn and accounted for 95.21% of the portfolio value. The Master Fund also held 5.16% of its assets in collective investment schemes made up of indirect property and cash fund investments.

The geographical focus of the Master Fund remains overwhelmingly biased towards properties in strategic locations in London and South East to maintain exposure to assets with limited downside risk. These include 85% of the Master Fund's standard retail located in prime Central London. The Master Fund also invests in Central London Offices and Industrials.

As at 31 December 2019, the Master Fund's top 10 tenants included well-known corporate names such as Marks & Spencer, Dixons Carphone Warehouse and J Sainsbury PLC.

Portfolio activity

Investments

There were no investment or divestment activities during the year in the Company.

There were three main property transactions during the year in the Master Fund. The Master Fund completed the acquisition of Sita House, Maidenhead for £12.75m, complementing an existing ownership. The Master Fund completed the sale of 410 Thames Valley Park, Reading to Reading Borough Council on 2 April for around £33.2m. The asset had been recently refurbished and was fully let to pharmaceutical company Sanofi on a 10 year lease. This represented an increase of about £4.9m above its December 2018 valuation. In addition, the Master Fund completed the acquisition of the part freehold interest of 1-3 Uxbridge Road, Hayes for a price of £2.15m. The Master Fund previously held the multi-let industrial estate part freehold and part long leasehold. This acquisition means the Master Fund will own an unencumbered freehold interest of the whole estate.

The Master Fund has also invested £92.70m into The Royal London Cash Plus Fund and The Royal London Short Term Money Market Fund for an enhanced near cash return.

Developments

During the year there have been numerous development activities looking to enhance value from our portfolio. The Master Fund commenced the internal demolition of Castlewood House in London, beginning with the £134m redevelopment of the prime office and retail/restaurant project. The property is now vacant and the strip out of all fixtures and fittings has been completed and demolition is under way. The completed development will provide approximately 140,000 sq. ft. of office accommodation and 20,000 sq. ft. of retail. The building is due to reach practical completion in Q2 2022.

The Master Fund also continued construction works at The Distillery in Bristol; 92,000 square feet of Grade A office accommodation. Discussions are ongoing with a number of potential occupiers, ranging from interest in single floors to the whole of buildings A & B. The Master Fund is confident of pre-letting space prior to practical completion which is currently scheduled for August 2020.

Construction works continue on the pre-let of a 200 bed hotel with the concrete frame completed and external façade works commenced. Practical completion is due in Q4 2020 as planned.

Asset management and lettings

One important element of the Master Fund's strategy during year was to concentrate on keeping the portfolio void rate low – this ended the year at 4.8%. Lettings at Jermyn Street, Chelmsford and Kingston-upon-Thames have contributed to this. On Jermyn Street the Master Fund completed the leases of 1st floor West and 1st floor South on new five-year leases. Pleasingly, the Master Fund have also agreed to buy the freehold which the Master Fund believes will have a positive impact on the long-term investment prospects for this holding and align with the long term strategy for this property. Chelmsford relates primarily to a distribution facility which should be complete in spring 2020, where the Master Fund have already agreed a 25-year lease with DPD, while other units on the same site have also been successfully let in the second half of 2019.

Investment outlook

Sentiment in the real estate sector is contingent on many factors, but the underlying health of the economy plays a fundamental role.

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on the 11th March 2020, has impacted global financial markets with travel restrictions implemented by many countries and commercial tenants have had to temporarily close operations. There are no comparable recent events which may provide guidance as to the effect of the spread of COVID-19 and a potential pandemic, and, as a result, the ultimate impact of the COVID-19 outbreak or a similar health epidemic is highly uncertain and subject to change. Faced with an unprecedented set of circumstances on which to base their judgments Cushman and Wakefield and CBRE have therefore reported the valuation of the property assets of the Master Fund as at 31 March 2020 on the basis of 'material valuation uncertainty' and recommended that the valuation of the Master Fund's property assets should be under frequent review.

Prior to this crisis, values of retail properties were already in decline, with the other main market sectors stable or rising, off the back of the December General Election result. However, across most sectors we now expect to see an increase in property yields and for asset valuations to fall, as a combination of investor uncertainty and near term occupier stress take hold.

We are no longer proceeding with a number of investment transactions and expect others to take stock and pause, whilst the ramifications of this global crisis become clearer.

Investment volumes will therefore be suppressed. There are signs that some private equity funds are still active and seeking opportunities, particularly in the industrial sector. Recent deals saw transactions completed last week achieve, and even exceed, asking prices. This demonstrates the view that despite current uncertainty, key industrial locations could benefit from the growth in online and last mile logistics. However, we expect these types of deal to be in fairly short supply.

As social distancing intensifies following the government's soft lockdown approach, the effects are already beginning to appear in economic indicators. One recent example, particularly pertinent to the property sector, saw this week's statistics indicating that certain London retail destinations have seen a 90% decline in footfall year-on-year. This is inevitable under the circumstances, but the effects are only beginning to emerge.

We are seeing a significant number of requests for a quarter's rent concession from retail and leisure tenants. These range from requests to pay monthly rather than quarterly, to occupiers seeking a rent free period. This has now spilled out to other sectors, with industrial based tenants requesting similar concessions, particularly those supplying restaurants and high street stores. Hotel operators are another area of concern. Without doubt, some operators won't survive and we've received multiple requests for landlord concessions and assistance. This situation will separate those well-run companies with robust balance sheets from the rest, a matter requiring considerable oversight over the coming weeks/months. To date the financial impact of these rent holidays is £6.38m. As at the 27 March, 63% of rents for the quarter 25 March 2020 – 23 June 2020 had been collected.

Investment outlook – continued

We have been proactive in engaging with our tenants and are trying to take into account the individual circumstances of each occupier. We are keeping in close contact with our managing agents and other landlords to gauge the stance others are taking, and understand themes as they emerge. We expect things to evolve quickly unless the government agrees to step in and underpin rents for affected occupiers.

These risks to near term income alongside weak investor sentiment, will lead to a sudden re-pricing of UK real estate. It is difficult to judge how far values will fall off the back of limited investor demand, and occupier pressures, combined with record low market sentiment; but it could be dramatic, in both quantum and speed. We would hope that in the short term, rents recover and yield increases reverse, as confidence returns and people revisit shops and leisure destinations – potentially just as dramatically on the upside.

Drew Watkins
Fund Manager
7 April 2020
Royal London Asset Management

This report covers investment performance, activity and outlook. For a wider look at the Company, our Annual Value Assessment report will be completed to 31 March 2020 and published on https://www.royallondon.com/existing-customers/your-products/manage-your-isa-or-unit-trust/rlum-isa-overview/ from July 2020.

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

Source: RLAM, unless otherwise stated.

PORTFOLIO STATEMENT

AS AT 31 DECEMBER 2019

Holding	Investment	Market value (£'000)	Total net assets (%)
	Real Estate Authorised Contractual Scheme – 100.00% (31/12/18 – 100.00%)		
521,767	Royal London UK Real Estate Z Inc	55,136	100.00
Total value of investments		**55,136**	**100.00**
Net other assets		–	–
Total net assets		**55,136**	**100.00**

SUMMARY OF MATERIAL PORTFOLIO CHANGES

FOR THE YEAR ENDED 31 DECEMBER 2019

Significant Purchases

	Cost £'000
No purchases in the year	

Significant Sales

	Proceeds £'000
No sales in the year	

The purchases and sales detail the material changes in the portfolio during the year.

COMPARATIVE TABLE

Class J Gross Income

Change in net assets per share	31/12/2019 (£)	31/12/2018** (£)
Opening net asset value per share	107.00	100.00
Return before operating charges*	3.75	12.05
Operating charges	(1.38)	(1.54)
Return after operating charges*	2.37	10.51
Distributions on income shares	(3.70)	(3.51)
Closing net asset value per share	**105.67**	**107.00**
* after direct transaction costs of:	0.00	0.00
Performance		
Return after charges	2.21%	10.51%
Other information		
Closing net asset value (£'000)	55,136	55,830
Closing number of shares	521,767	521,767
Operating charges excluding property expenses	0.71%	0.70%
Property expenses	0.57%	0.75%
Operating charges	1.28%	1.45%
Direct transaction costs	0.00%	0.00%
Prices		
Highest share price	109.88	110.21
Lowest share price	104.09	101.87

** The first issue of shares was on 2 January 2018.

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.

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 gains 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 forseeable 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 the requirements of the Statement of Recommended Practice for Authorised Funds issued by the Investment Association in May 2014 and amended in June 2017 (the "2014 SORP");
- follow UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland;
- comply with the disclosure requirements of the prospectus and instrument of incorporation;
- follow generally accepted accounting principles and applicable accounting standards;
- keep proper accounting records which enable it to demonstrate that the financial statements, as prepared, comply with 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 accounts free from material misstatements or error.

STATEMENT OF DEPOSITARY'S RESPONSIBILITIES

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), 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 accounts in accordance with the Regulations;
- the sale, issue, repurchase, redemption and cancellation of shares are carried out in accordance with the Regulations;
- the values of shares of the Company are 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 Company is managed in accordance with the Scheme documents and the Regulations in relation to the investment and borrowing powers applicable to the Company.

REPORT OF THE DEPOSITARY TO THE SHAREHOLDERS OF THE ROYAL LONDON UK REAL ESTATE FEEDER 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 in accordance with the Regulations and Scheme documents of the Company.

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

HSBC Bank plc

6 May 2020

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF THE ROYAL LONDON UK REAL ESTATE FEEDER FUND ("THE COMPANY")

Report on the audit of the financial statements

Opinion

In our opinion, the financial statements of Royal London UK Real Estate Feeder Fund:

- give a true and fair view of the financial position of the Company and its sub-fund as at 31 December 2019 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 UK Real Estate Feeder 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 (the "Annual Report"), which comprise: the balance sheet as at 31 December 2019; the statement of total return; the statement of change in net assets attributable to shareholders; the statement of cash flows; the distribution table; 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

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

- the Authorised Corporate Director's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

- the Authorised Corporate Director has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's or the sub-fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

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.

Authorised Corporate Director's Report

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

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF THE ROYAL LONDON UK REAL ESTATE FEEDER FUND (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 set out on page 10, 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 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 intend to wind up or terminate the Company or individual sub-fund or to cease operations, or have 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.

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.

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
Edinburgh

6 May 2020

FINANCIAL STATEMENTS

Statement of Total Return

for the year ended 31 December 2019

	Note	£'000	31 December 2019 £'000	£'000	31 December 2018* £'000
Income					
Net capital (losses)/gains	4		(715)		803
Revenue**	5	2,888		2,923	
Expenses**	6	(960)		(1,094)	
Interest payable and similar charges**		21		27	
Net revenue before taxation		1,949		1,856	
Taxation	7	–		–	
Net revenue after taxation			1,949		1,856
Total return before distributions			1,234		2,659
Distributions	8		(1,928)		(1,829)
Change in net assets attributable to shareholders from investment activities			**(694)**		**830**

Statement of Change in Net Assets Attributable to Shareholders

for the year ended 31 December 2019

	£'000	31 December 2019 £'000	£'000	31 December 2018* £'000
Opening net assets attributable to shareholders		**55,830**		**–**
Amounts receivable on issue of shares	–		55,000	
Amounts payable on cancellation of shares	–		–	
		–		55,000
Change in net assets attributable to shareholders from investment activities		(694)		830
Closing net assets attributable to shareholders		**55,136**		**55,830**

* For the period 2 January 2018 to 31 December 2018.

** The period ended 2018 comparatives have been restated. Full details of the restatements and the impact on the financial statements is disclosed in note 18.

FINANCIAL STATEMENTS (CONTINUED)

Balance Sheet

as at 31 December 2019

	Note	31 December 2019 £'000	31 December 2018 £'000
ASSETS			
Fixed assets:			
Investments		**55,136**	**55,830**
Current assets:			
Debtors	9	463	515
Cash and bank balances	10	–	–
Total current assets		**463**	**515**
Total assets		**55,599**	**56,345**
LIABILITIES			
Creditors:			
Distribution payable		463	515
Total liabilities		463	515
Net assets attributable to shareholders		**55,136**	**55,830**

Statement of Cash Flows

for the year ended 31 December 2019

	Note	31 December 2019 £'000	31 December 2018* £'000
Net cash inflow from operating activities	11	**1,976**	**1,310**
Servicing of finance			
Distributions paid to shareholders		(1,980)	(1,314)
Interest received	5	4	4
Net cash outflow from servicing of finance		**(1,976)**	**(1,310)**
Cash flows from investing activities			
Payments to acquire investments		–	(55,000)
Receipts from sale of investments		–	–
Net cash outflow from investing activities		**–**	**(55,000)**
Net cash outflow before financing activities		**–**	**(55,000)**
Cash flows from financing activities			
Amounts received from creation of shares		–	55,000
Net cash inflow before financing activities		**–**	**55,000**
Net increase in cash during the year		**–**	**–**
Cash balance brought forward		–	–
Cash and bank balances at the end of the year		**–**	**–**

* The prior year comparatives of the Statement of Cash Flows of the Company have been restated due to the adoption of a new guidance on exemptions to prepare cash flow statements for investments that are deemed to contain highly illiquid assets.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

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 United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102"), the Statement of Recommended Practice (SORP) for Financial Statements of Authorised Funds issued by the Investment Association in May 2014 and amended in June 2017 (the "2014 SORP") and the Prospectus and 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.

The prior year comparatives of the Statement of Cash Flows of the Company have been restated following a review of the guidance on exemptions to prepare cash flow statements for investments that are deemed to contain highly illiquid assets. Since the Company's only investment is in the property funds, this would indicate that the assets are illiquid and therefore cash flow statement exemption is not applicable. Differences arising from the omission of the cash flow statement as a result of the adoption of the new guidance are disclosed in the Statement of Cash Flows and in Note 11 of the financial statements.

The prior year comparatives of the financial statements of the Company have been restated to incorporate changes in the presentation of finance lease amortisation within interest payable and similar charges in line with the SORP and FRS 102 and also due to an error in the presentation of recoverable service charges (see below). However, the opening balance of the Company for the year ended 31 December 2018 has not been restated since the cumulative effect of the initial error in the presentation of recoverable service charge has no impact on the opening balances of the financial statements for the comparative period. Full details of the restatements and the impact on the financial statements are disclosed in note 18.

Going concern

The financial statements have been prepared on a going concern basis in accordance with the historical cost convention, as modified by the revaluation of investment property, and in accordance with applicable United Kingdom accounting standards, applicable UK Law and the Instrument of Incorporation.

Following the outbreak and spread of the Coronavirus (COVID-19) and the UK Government regulations announced in March 2020, businesses have restricted employee travel for work and commercial tenants have had to temporarily close operations, a number of whom have subsequently requested a 3-month deferral on their rental payments to the Master Fund. The Prospectus allows the Depository to withhold any unpaid rent from the distribution which allows the ACD to distribute effectively on a cash received only basis. In addition cash can be borrowed from capital proceeds from the purchase of shares if necessary.

The ACD has examined significant areas of possible financial risk and has not identified any material uncertainties which would cast significant doubt on the Company's ability to continue as a going concern for a period of not less than twelve months from the date of the approval of the financial statements. The ACD has satisfied themselves that the Company has adequate resources to continue in operational existence for the foreseeable future.

Based on the above and after due consideration, the ACD believes it is still appropriate to continue to adopt the going concern basis in preparing the financial statements.

Tax transparency

Revenue, expenses, finance lease amortisation and taxation of Royal London UK Real Estate Fund (the "Master Fund"), are recognised on a look through basis proportionate to the Company's investment and are reflected within the financial statements on account of the Master Fund being a tax transparent fund.

Basis of valuation of investments

The Company invests all of its capital in Class Z gross income share class of the Royal London UK Real Estate Fund (the "Master Fund"). This is valued at fair value, which is deemed to be the net asset value per share reported in the comparative table in the Master Fund's Annual Report & Accounts at the end of the current accounting period.

Revenue recognition

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

Distributions received from the underlying investment in the Master Fund are recognised on an accrual basis. The distributions are into the Company in three streams (dividend, interest and property).

Revenue is accrued in line with the Master Fund and is recognised when the Master Fund is priced ex-dividend.

Treatment of expenses

All expenses (other than those relating to the purchase and sale of units in the Master Fund) are charged to, and paid for, by the Master Fund. These include the annual management charge and fund administration charge.

Taxation

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 up to 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 amount of all other income received.

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. Income received from investment in the Master Fund is taxed depending on the income stream.

Property Income is taxed at 20%, interest income being taxed at 20% and dividend income at 0%.

Deferred tax is provided on all timing differences that have originated but not reversed by the Balance Sheet date.

Deferred tax assets are recognised only to the extent that it is more likely than not that there will be taxable profits from which the future reversal of the underlying timing differences can be deducted.

2. Distribution policies

Basis of distribution

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

In order to conduct a controlled distribution flow to shareholders, interim distributions will be made at the ACD's discretion, up to a maximum of the distributable income available for the period. All remaining income is distributed, at share class level, to the shareholders in accordance with the Company's prospectus.

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

The policy of the Company is to make distribution to shareholders on a quarterly basis each year.

Gains and losses on investments, whether realised or unrealised, are taken to capital and not available for distribution.

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.

Equalisation

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

3. Risk management policies

The sole investment in the Company is units in the Master Fund and is subject to the same underlying risks of the Master Fund. The Company has a concentrated portfolio (it invests 100% of its assets in the "Master Fund") and if this investment declines in value or is otherwise adversely affected, it will have a direct effect on the Company's value.

With the exception of the above, the risk factors applicable to the "Master Fund" also apply to the Company as follows:

Market price risk and valuation of collective investment scheme

The Company invests solely in the Master Fund which is a collective investment scheme. The value of this collective investment scheme is not fixed and may go down as well as up. This may be the result of a specific factor affecting the value of an individual property or investment within the Master Fund or be caused by general market factors (such as government policy or the health of the underlying economy) which can affect the entire portfolio. The Investment Adviser of the Master Fund seeks to minimise these risks by holding a diversified portfolio of direct property and other investments spread across all market sectors in line with the Master Fund's objectives. In addition, the management of the Master Fund complies with the Financial Conduct Authority COLL sourcebook, which includes rules limiting the size of investment in any particular holding. As a Feeder Fund invested in a single, qualifying authorised contractual scheme, the aforementioned limit is not applicable to the Company's own investment in the Master Fund.

While it is possible to identify the real estate sectors most exposed over the short term to the outbreak of the COVID-19 pandemic, there is no clear way to identify how significant the downside risks will be and therefore what the ultimate impact on real estate valuations will be.

Sensitivity analysis

The only investment within the Company is in the Master Fund and is dependent on the same sensitivities. The value of the investment properties are driven by their expected yield. At the year end, the Company's portfolio had an effective yield of 5.03% (31/12/18: 5.00%). If the yield of every property within the portfolio increased by 0.50% (31/12/18: 0.50%) it is estimated that the net asset would fall by 10.12% (31/12/18: 9.88%). If the yield decreased by 0.50% (31/12/18: 0.50%) it is estimated that the net asset value would rise by 10.46% (31/12/18: 10.92%). The 0.50% benchmark has been used to measure sensitivity analysis as it is widely used in the fund management industry.

These estimates are subject to the prevailing conditions at the year end.

Liquidity risk

Since the Company invests solely in the Master Fund that comprise 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. If an asset cannot be liquidated in a timely manner then it may be harder to attain a reasonable price.

In normal circumstances, redemption requests will be processed under valid instructions to redeem units received before a redemption cut-off point by the ACD which will be processed at the redemption price for the relevant unit class calculated at the applicable valuation point. In order for a redemption request to be dealt with at the above valuation point on any dealing day, the instruction must have been received at least 6 months prior to the relevant dealing day.

In exceptional circumstances, such as market uncertainty, the ACD may defer redemptions where the ACD considers it to be in the best interests of the unitholders. The deferral period for any redemption request is a maximum of 12 months from the original dealing day when the request for redemption would otherwise have been processed. When deemed appropriate by the ACD, acting in the best interests of the unitholders, redemption will be deferred in whole or in part by the ACD within this timeline. The ACD must give unitholders notice of the deferral no later than two calendar months prior to the original dealing day. The price at which such units will be redeemed will be the redemption price on the dealing day on which the units are actually redeemed. The ACD may cancel the deferral (wholly or in part) by giving notice to shareholders no later than one calendar month prior to the next dealing day. Where a deferral is cancelled the redemption will be settled on the dealing day immediately following the date of the notice of cancellation. Any deferred redemption will be processed on a first come, first served basis. Those redeeming unitholders at the front of the queue will be processed first. Requests for redemption that have been accepted at an earlier dealing day will be dealt with pro-rata prior to any requests for redemption that are accepted at a later dealing day. Requests for redemption may be deferred in whole or in part several times save that any such deferred request may only be deferred to a dealing day which is no more than 12 months after the original dealing day.

Neither the ACD nor Investment Adviser is aware of any redemption requests pending or any indication that any of the shareholders intend to redeem shares in the Company in the near future.

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

3. Risk management policies – continued

Liquidity risk – continued

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

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

	Within three months	Over three months but not more than one year	Over one year
2019	**£000**	**£000**	**£000**
Cash at bank	–	–	–
	%	**%**	**%**
% of unitholding that can be redeemed	–	–	100.00
% of Portfolio capable of being liquidated	–	100.00	–
2018	**£000**	**£000**	**£000**
Cash at bank	–	–	–
	%	**%**	**%**
% of unitholding that can be redeemed	–	–	100.00
% of Portfolio capable of being liquidated	–	100.00	–

Credit and counterparty risk

The Company is exposed to credit risk in the event of default by an occupational tenant in the Master Fund. The Master Fund would suffer a rental shortfall and incur additional costs, including legal expenses, in maintaining, insuring and re-letting the property.

In managing credit risk, rental income from any one tenant or tenants within the Master Fund 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 manager of the Master Fund. Rent is collected from tenants in advance, usually quarterly. The cash of the Master Fund is placed on deposit with reputable financial institutions and is subject to limits as disclosed in the Prospectus.

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. The ACD may pass cash or other assets to its counterparties as margin or collateral to an unlimited extent. Subject to the Regulations, at any one time, the Company may be exposed to the creditworthiness of its counterparties in respect of all or part of such margin or collateral. 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 and Investment Adviser have assessed the recoverability of the Company's assets, including trade and other receivables, recorded as at 31 December 2019 at the date of issue of the financial statements and concluded no material adjustments were required.

Currency risk

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

Interest receivable on bank deposits or payable on bank overdrafts held by the Master Fund will be affected by fluctuations in interest rates and hence the distribution receivable by the Company from the Master Fund. The ACD continuously reviews interest rates and the assessment of this may result in a change in investment strategy.

The interest rate risk is insignificant for the Company and therefore no sensitivity analysis has been performed.

Inflation risk

Inflation may, over time, reduce the value of your investments in real terms.

The inflation risk is insignificant for the Company and therefore no sensitivity analysis has been performed.

Leverage risk

The Master Fund 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 Master Fund) or through leverage obtained by nature of the derivative products in which the Company invests.

Economic and political risk

The performance of the Company may be adversely affected by the impact of general economic conditions, by conditions in the property market, changes in occupancy practices or by the particular financial condition of parties doing business with the Company.

The returns that are likely to be achieved on an investment in the Master Fund, which invests in assets predominantly based in the UK, are likely to be materially affected by the political and economic climate in the UK. In particular, changes in rates of inflation may affect the Company's income and capital value or the value of an investment. Changes in landlord and tenant, planning, trust or other law in the UK could also materially affect the investment returns.

Assessment of the risk relating to the UK exiting the European Union (Brexit)

The United Kingdom formally left the European Union on 31 January 2020. There is now a transition period which will last until 31 December 2020 while the UK and EU negotiate additional arrangements. During this period, the UK remains in the EU single market and customs union. However, the future trading relationship and implications of Brexit remain uncertain.

It is possible investments in the UK may be more difficult to value, to assess for suitability or risk, harder to buy or sell or subject to greater or more frequent rises and falls in value. In the event that the ACD is unable to accurately value the assets of the Company, or in the event of high levels of redemption, the ACD may use certain liquidity management tools permitted by the FCA Handbook, including deferred redemptions, the implementation of fair value pricing or suspension of dealing in units of the Company. In the longer term, there is likely to be a period of uncertainty as the UK seeks to negotiate its exit from the European Union. The UK's laws and regulations concerning funds may in future diverge from those of the European Union. This may lead to changes in the operation of the Company or the rights of investors or the territories in which the units of the Company may be promoted and sold.

Meanwhile, the ACD continues to prepare for a scenario where there is no deal or no financial service equivalence or recognition. This approach ensures that the ACD and its ACD are well placed for any political eventuality. The ACD identified all supplier relationships where services are provided from the EEA and have received confirmation from all suppliers that services will be unaffected in a no deal scenario. The Company is intended for distribution to professional investors in the EEA so we are evaluating the local requirements on a country by country basis where the existing passport falls away.

4. Net capital (losses)/gains

	31 December 2019 £'000	31 December 2018* £'000
The net capital (losses)/gains during the year comprise:		
Non derivative securities unrealised (losses)/gains	(715)	803
Net capital (losses)/gains	**(715)**	**803**

5. Revenue

	31 December 2019 £'000	31 December 2018* £'000
Overseas income	57	45
Property rental income	2,585	2,585
Service charge income**	242	289
Bank interest	4	4
Total revenue**	**2,888**	**2,923**

** The period ended 2018 comparatives have been restated.

Revenue from the Master Fund is recognised on a look through basis proportionate to the Company's investment.

6. Expenses

	31 December 2019 £'000	31 December 2018* £'000
Payable to the Authorised Corporate Director associates of the Authorised Corporate Director and their agents:		
Authorised Corporate Director's fee	390	380
Payable to the Depositary, associates of the Depositary and their agents:		
Depositary's fee	5	5
Other expenses		
Administration fee	1	1
Audit fee**	1	1
Insurance expense/(reclaim)	3	(2)
Legal and lettings fees	5	4
Surveyor's fee	78	100
Valuation fee	6	5
Property repairs and maintenance	30	111
Recoverable service charges***	242	289
Head rent	14	9
Void council tax	82	107
Irrecoverable service charges	79	53
Other	24	31
	565	709
Total expenses***	**960**	**1,094**

* For the period 2 January 2018 to 31 December 2018.
** The Audit fee for the Company is paid by the Master Fund. The Audit fee for the year is £5,959 (31/12/18: £4,815).
*** The period ended 2018 comparatives have been restated.

Expenses paid by the Master Fund are recognised on a look through basis proportionate to the Company's investment.

7. 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 corporation 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.

Under the PAIF regulations, the Company makes distributions net of basic rate of income tax for the relevant income streams.

a) Analysis of charge for the year

	31 December 2019 £'000	31 December 2018* £'000
Corporation tax	–	–
Total taxation	**–**	**–**

Corporation tax has been provided at a rate of 20%.

b) Factors affecting the current tax charge for the year
The tax assessed for the year is lower than the standard rate of corporation tax in the UK for a Open Ended Investment Companies (20%).

The differences are explained below:

Net revenue before taxation	1,949	1,856
Corporation tax @ 20%	390	371
Effects of:		
Revenue not subject to taxation	(390)	(371)
Total tax charge for the year (note 7a)	**–**	**–**

c) Deferred tax
There was no provision required for deferred tax at the Balance Sheet date (31/12/18: £nil).

8. Distributions

	31 December 2019 £'000	31 December 2018* £'000
Interim distribution	1,465	1,314
Final distribution	463	515
Total distributions for the year	**1,928**	**1,829**

The difference between the net revenue after taxation and the distribution paid is as follows:

Net revenue after taxation**	1,949	1,856
Non distributable finance lease amortisation**	(21)	(27)
Total distributions for the year	**1,928**	**1,829**

Details of the distribution per share are set out on page 25.

* For the period 2 January 2018 to 31 December 2018.
** The period ended 2018 comparatives have been restated.

9. Debtors

	31 December 2019 £'000	31 December 2018 £'000
Property income receivable	405	379
Interest income receivable	3	4
Dividend income receivable	55	132
Total debtors	**463**	**515**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

10. Cash and bank balances

	31 December 2019 £'000	31 December 2018 £'000
Cash and bank balances	–	–
Total cash and bank balances	**–**	**–**

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

	31 December 2019 £'000	31 December 2018 £'000
Total return before distributions	1,234	2,659
Add: Net capital (losses)/gains	715	(803)
Less: Accumulation dividend from non-allowable expenses	(21)	(27)
Less: Interest received	(4)	(4)
Net income from operating activities	**1,924**	**1,825**
Decrease/(increase) in debtors	52	(515)
Net cash inflow from operating activities	**1,976**	**1,310**

12. Reconciliation of number of shares

	Class J Gross Income
Opening shares 01/01/19	521,767
Shares issued	–
Shares cancelled	–
Closing shares at 31/12/19	**521,767**

13. Contingent liabilities and outstanding commitments

There were no contingent liabilities or outstanding commitments at the current Balance Sheet date (31/12/18: £nil).

14. Related party transactions

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

The Company holds units in the Royal London Real Estate Fund ("the Master Fund") managed by Royal London Unit Trust Managers Limited, the details of which are shown in the Portfolio Statement.

Revenue from the Royal London Real Estate Fund ("the Master Fund") is recognised on a look through basis proportionate to the Company's investment, the details of which are disclosed in note 5.

All the fees and expenses are paid by the Royal London Real Estate Fund ("the Master Fund"). The look through proportion of such fees and expenses borne by the Company are disclosed in note 6.

The distributions received from the Royal London Real Estate Fund ("the Master Fund") reflect those that are paid out by the Master Fund, the details of which are shown in note 8.

Authorised Corporate Director fees are paid by the Royal London Real Estate Fund ("the Master Fund") and details of shares created and cancelled by the Company are shown in the Statement of Change in Net Assets Attributable to Shareholders. At the year end, the balance due to the Authorised Corporate Director in respect of these transactions was £97,955 (31/12/18: £5,244,000).

Safe custody fees and activity fees charged by HSBC Bank plc and their associates are paid by the Royal London Real Estate Fund ("the Master Fund"). At the year end, the balance due to HSBC Bank plc and their associates in respect of these transactions was £nil (31/12/18: £nil).

RLGPS Trustee Limited, as a material shareholder, is a related party holding shares comprising 100% (31/12/18: 100%) of the total net assets of the Company as at 31 December 2019.

15. Financial instruments

The policies applied to the management of the financial instruments are set out in note 3. The fair values of the Companys' assets and liabilities are represented by the values shown in the Balance Sheet on page 15. 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 Authorised Corporate Director's other assets (debtors) or liabilities (creditors). As at the year ended 31 December 2019, there was £nil (31/12/18: £nil) cash held by the Company.

16. Portfolio transaction costs

For the year ended 31 December 2019

	31 December 2019 £'000
There were no transaction costs for the year ended 31 December 2019	
Total purchases	–
Total sales	–

For the period ended 31 December 2018

	31 December 2018 £'000
There were no transaction costs for the period 2 January 2018 to 31 December 2018	
Total purchases	55,000
Total sales	–

At the Balance Sheet date the portfolio dealing spread was 4.37% (31/12/18: 4.37%).

17. Fair value of investments

The primary financial instruments held by the Company at 31 December 2019 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 15. 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 only holds Level 2 Assets.

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 2019

Category	**1**	**2**	**3**	**Total**
Investments	**£'000**	**£'000**	**£'000**	**£'000**
Authorised Contractual Schemes	–	55,136	–	55,136
		55,136	**–**	**55,136**

For the period ended 31 December 2018

Category	**1**	**2**	**3**	**Total**
Investments	**£'000**	**£'000**	**£'000**	**£'000**
Authorised Contractual Schemes	–	55,830	–	55,830
	–	**55,830**	**–**	**55,830**

18. Restatement

The financial statements for the year ended 31 December 2018 have been restated due to an error in the presentation of recoverable service charges. Service charge income and recoverable service charge expenses which were previously aggregated are now grossed up and presented individually in the Statement of Total Return under income and expenses. However, the opening balance of the ACS for the year ended 31 December 2018 has not been restated since the cumulative effect of the initial error in the presentation of recoverable service charge has no impact on the opening balances of the Statement of Changes in Net Assets Attributable to Shareholders for the comparative period.

Also, the financial statements for the year ended 31 December 2018 have been restated to incorporate changes in the presentation finance lease amortisation within interest payable and similar charges in line with the SORP and FRS 102.

Recoverable service charges

For the period ended 31 December 2018 service charge income and service charge expenses of £289,000 are now shown separately in the financial statements. As the amounts have an equal and opposite effect this adjustment has had no impact on the net asset value of the Company.

Finance Lease Amortisation

For the period ended 31 December 2018 the interest payable and similar charges are now restated to include finance lease amortisation of £27,000. This restatement has no impact to the balance in Net Assets attributable to Shareholders for the comparative period.

Effects of restatement

The impact of the restatement for the year ended 31 December 2018 is laid out below:

Statement of Total Return Extract

	Restated 31 December 2018 £'000	31 December 2018 £'000
Revenue	2,923	2,634
Expenses	(1,094)	(805)
Interest payable and similar charges	27	–
Finance lease amortisation	–	27

19. Events after the end of the reporting period

The final distribution for the year ended 31 December 2019 was paid on 15 January 2020.

On March 11, 2020, the World Health Organisation declared the outbreak of the Novel Coronavirus (COVID-19) as a "Global Pandemic". There are no comparable recent events which may provide guidance as to the effect of the spread of COVID-19. The ultimate impact of the COVID-19 pandemic is highly uncertain and the full extent of the economic impacts on the financial performance of the Company, its operations or the global economy as a whole is as yet unknown.

Given the outbreak and spread of COVID-19 occurred in 2020, it is not considered relevant to conditions that existed at the balance sheet date. Consequently COVID-19 is considered to be a non-adjusting post balance sheet event. The measurement of assets and liabilities in the accounts has not been adjusted for its potential impact. The impact of COVID-19 is uncertain and may be material and the ACD together with the Investment Adviser will continue to monitor the situation.

Based on the property valuation of the Master Fund at the year ended 31 December 2019, a decrease of between 5% and 10% in the value of the property assets in the Master Fund would have resulted in a decrease in net assets attributable to the Company's shareholders of between £2,756,800 and £5,513,600. This information is provided solely to illustrate the impact on the net asset value of a change in the underlying assets of the Master Fund and is not an estimate or a forecast of the impact of COVID-19.

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 period and the date of which the financial statements are authorised for issue is shown below:

	Price 31 December 2019 £	Price 31 March 2020 £	Movement %
Royal London UK Real Estate Feeder Fund, Class J Gross Income	105.67	103.80	(1.77)

	31 December 2019 £'000	31 March 2020 £'000	Movement %
Royal London UK Real Estate Feeder Fund, Class J Gross Income	55,136	54,161	(1.77)

DISTRIBUTION TABLE
FOR THE YEAR ENDED 31 DECEMBER 2019

Distribution in pence per share

Class J Gross Income

Distribution period	Distributions per share	Equalisation	Total distributions per share 2019	Total distributions per share 2018
March				
Group 1	106.0571		106.0571	77.3358
Group 2	106.0571	–	106.0571	77.3358
June				
Group 1	95.6530		95.6530	95.8199
Group 2	95.6530	–	95.6530	95.8199
September				
Group 1	79.0038		79.0038	78.6376
Group 2	79.0038	–	79.0038	78.6376
December				
Group 1	88.7953		88.7953	98.7803
Group 2	88.7953	–	88.7953	98.7803

All share classes of the Company are priced and distribute on a quarterly 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.

FACT FILE

Royal London UK Real Estate Feeder Fund

Launch date	Class J – Gross Income Shares	1 October 2017
Accounting end dates	31 December (Final)	
	30 June (Interim)	
Distribution dates	20 January (Final)	
	20 April	
	20 July	
	20 October	
Minimum investment	£50m	
Management charges	Preliminary charge	1.25%
	Annual management charge	0.00%

REMUNERATION POLICY (UNAUDITED)

The Authorised Contractual Scheme Manager (the "ACS Manager") of the Royal London UK Real Estate Feeder Fund (the "Company"). Royal London Unit Trust Managers Limited ("RLUTM") is authorised and regulated by the Financial Conduct Authority as an Alternative Investment Fund Manager ("AIFM") in accordance with the Alternative Investment Fund Managers Directive ("AIFMD"). 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, together "the Group". The Group maintains a "Group Remuneration Policy" that RLUTM has adopted which is consistent with and promotes sound and effective risk management. The Remuneration Policy adopts performance related pay, with salaries determined by reference to both individual performance and the external market. Compensation comprises of a mix of fixed remuneration (including base salary), and variable remuneration in the form of cash and non-cash 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 defines code staff and risk takers. 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 implications of remuneration policies across the Group, including for RLUTM and its funds.

RLUTM is also subject to the FCA's AIFM Remuneration Code. RLUTM complies with the AIFMD remuneration principles in a way and to the extent that is appropriate to its size, internal organisation and the nature, scope and complexity of its activities. As part of this, RLUTM ensures that its remuneration process;

- is in line with the business strategy, objectives, values and interests of RLUTM;
- does not encourage excessive risk taking as compared to the investment policy of the Funds; and
- enables RLUTM to align the interests of the Company and their investors with those of the "identified staff ", as defined in "ESMA's Guidelines on Sound Remuneration Policy under AIFMD, ESMA 2013/232" (the "ESMA Guidelines"), that manage the Company, and to achieve and maintain a sound financial situation.

RLUTM must identify its code staff, whose professional activities have a material impact on the risk profiles of RLUTM and the Company. Code 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 Directors of RLUTM have considered appointing a remuneration committee but due to the size, internal organisation and the nature, scope and complexity of its activities, the Directors do not consider it proportionate to apply the requirement to establish a remuneration committee.

RLUTM has a board of directors (the "Directors"). The Directors have waived their entitlement to receive a director's fee from RLUTM. RLUTM has no employees and therefore there are no other controlled functions, or senior management employed and paid by RLUTM. In addition, the ACS does not make any payments directly to any staff of the delegates. However, for the financial year ending 31 December 2019, total remuneration of £8,618,779 was paid to 15 individuals whose actions may have a material impact on the risk profile of RLUTM, of which £7,625,904 related to senior management. The fixed element of the total remuneration mentioned above is £3,498,447 and the variable element is £5,120,332.

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 Company's Property at 23:59 UK time each Dealing Day (the "valuation point") on the last Business Day (a day on which the London Stock Exchange Limited is open for business) of each calendar quarter, unless otherwise agreed by the Depositary. However, the ACD may, at its discretion, value the Company at any other time.

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

Subscription of Shares

In order for an application to be dealt with at the above Valuation Point on any Dealing Day, an investor should complete an application form available from the ACD and returned by 12:00 midday U.K. time on the last Business Day that is at least three months prior to the Dealing Day. Instructions received after this point will be dealt with on the next Dealing Day. 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.

Redemption of Shares

To redeem Shares, an investor should provide a written instruction by 12:00 midday U.K. time on the last Business Day that is at least six months prior to the relevant Dealing Day to the ACD at its administration centre with instructions to redeem the relevant number (if known) or value of Shares. Instructions received after this point will be dealt with on the next applicable Dealing Day. 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.

Settlements time

Subscription settlement is by 17:00 U.K. time at the Business Day, four full Business Days prior to the relevant Dealing Day. Redemption settlement is by 17:00 U.K. time at the Business Day, five full Business Days prior to the relevant Dealing Day.

Distribution dates

Distribution of income is on the 20th calendar day following the end of the relevant accounting period.

UK Taxation

The tax consequences for each Shareholder of acquiring, holding, redeeming or disposing of Shares in the Company depend upon the relevant laws of any jurisdiction to which the Shareholder is subject and may be subject to change in the future. Prospective Shareholders should seek their own professional advice as to this, as well as to any relevant exchange control or other relevant laws and regulations if they are in any doubt as to their tax position.

The Company is an authorised scheme and so is not liable to tax on capital gains on the disposal of any of its property.

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 up to 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 certain income; and

3. PAIF interest distributions representing the net amount of all other income received.

Tax-exempt United Kingdom Shareholders: United Kingdom Shareholders who are exempt from tax on income will be able to reclaim from HMRC the basic rate income tax withheld on the payment of property income distributions.

Corporate United Kingdom Shareholders: Property income distributions are generally paid to United Kingdom corporation tax payers without the deduction of tax at source and are taxed as profits of a property business. PAIF interest distributions are also paid gross to United Kingdom 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.

Non-United Kingdom Shareholders: Non-United Kingdom resident Shareholders may be entitled to reclaim part or all of the tax credit on an income distribution or accumulation from HMRC, depending on their personal circumstances and the terms of any double taxation agreement between their country of residence and the United Kingdom.

For all income allocations: A tax voucher showing the amount of the income distributor or deemed to be distributed for United Kingdom tax purposes to the Shareholder and any tax deducted will be sent to Shareholders at the time.

Capital gains: The sale of Shares by a Shareholder will constitute a disposal for the purposes of United Kingdom tax on capital gains. The extent of any liability to United Kingdom tax will depend upon the particular circumstances of the Shareholder. 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 in the United Kingdom will generally be liable to tax on their capital gains. Non-United Kingdom resident Shareholders may also be liable to United Kingdom capital gains tax (or corporation tax) in respect of post-April 2019 gains realised on the disposal of their Shares, depending on their personal circumstances and the terms of any double tax agreement between their country of residence and the United Kingdom.

GENERAL INFORMATION (CONTINUED)

UK Taxation – continued

SDRT: There is no stamp duty or stamp duty reserve tax (SDRT) payable on issues or redemptions of Shares in the Company or on the subscription for or redemption of units in the Master Fund. SDRT may be payable in certain circumstances when a Shareholder transfers ownership of Shares directly to another person.

International and UK tax reporting: In order to comply with the legislation implementing the United Kingdom's obligations under various intergovernmental agreements relating to the automatic exchange of information to improve international tax compliance (including the United States provisions commonly known as 'FATCA' and the international Common Reporting Standard ('CRS')), the ACD (or its agent) will collect and report information about Shareholders for this purpose, including information to verify their identity and tax status. When requested to do so by the ACD or its agent, Shareholders must provide information to be passed on to HMRC, and, by them, to any relevant overseas tax authorities.

Shareholders who do not supply the requisite information when they apply for Shares will not be issued with any Shares and any Shareholders subsequently refusing to provide the requisite information to the ACD may be reported to HMRC, and, by them, to certain overseas tax authorities including those of the United States. If a prospective investor is concerned about this, he should take appropriate advice.

Authorisation

The Company was authorised by the Financial Conduct Authority on 7 June 2017.

ACD 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.

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