The M&G Secured Property Income Fund

Annual Investment Report and Consolidated Financial Statements (audited) for the year ended 30 June 2022

Contents

Manager's report

The Manager of The M&G Secured Property Income Fund (the 'Fund') presents the Annual Investment Report and Consolidated Financial Statements (audited) for the Fund for the year ended 30 June 2022.

Administration

Manager

M&G (Guernsey) Limited
Ground Floor, Dorey Court, Admiral Park, St Peter Port, Guernsey GY1 2HT, Channel Islands

Licensed by the Guernsey Financial Services Commission under The Protection of Investors (Bailiwick of Guernsey) Law, 2020.

Board of Directors of the Manager

Peter Mills (Chairman)
Peter Baxter
Timothy Cumming
Karen Donald
Steffan Francis
Joanne Peacegood (appointed 23 November 2021)
James Gilligan (resigned 31 December 2021)

Administrator, Registrar and Listing Sponsor

JTC Fund Solutions (Guernsey) Limited
Ground Floor, Dorey Court, Admiral Park, St Peter Port, Guernsey GY1 2HT, Channel Islands

Telephone: +44 (0)1481 712918

Investment Advisor

M&G Investment Management Limited
10 Fenchurch Avenue, London EC3M 5AG

Telephone: +44 (0)20 7626 4588

(Authorised and regulated by the Financial Conduct Authority)

Trustee

Northern Trust (Guernsey) Limited
PO Box 71, Trafalgar Court, Les Banques, St Peter Port, Guernsey GY1 3DA, Channel Islands

Licensed by the Guernsey Financial Services Commission under The Protection of Investors (Bailiwick of Guernsey) Law, 2020.

Independent Valuer

CBRE Limited
St Martin's Court, 10 Paternoster Row, London, EC4M 7HP

Independent Auditor

Ernst & Young LLP
Royal Chambers, St. Julian's Avenue, St Peter Port, Guernsey GY1 4AF, Channel Islands

Real Estate Asset Manager

M&G Real Estate Limited
10 Fenchurch Avenue, London EC3M 5AG

Legal Adviser to the Fund

as to Guernsey law

Carey Olsen (Guernsey) LLP
Carey House, Les Banques, St Peter Port, Guernsey GY1 4BZ, Channel Islands

Neither the Manager nor the Trustee are authorised under the United Kingdom Financial Services and Markets Act 2000. The investor protection provided by the United Kingdom regulatory system does not apply to the Fund.

Manager's report

Statements made in this report are, where appropriate, based on advice received by the Manager regarding present law and administrative practice. Every care has been taken in preparing the statements contained herein which are believed to be correct at the time of going to press, but the Manager does not take any responsibility for the accuracy of such statements or for the effect on them of any future changes in the law or in administrative practice. Investors who are in any doubt of what action to take are recommended to consult their professional advisers.

The Fund

The Fund (with its subsidiaries, together the 'Group') is an open-ended unit trust constituted in Guernsey with unlimited duration by a Trust Instrument dated 2 May 2007 and amended and restated on 2 September 2020 (as further amended, restated, novated or supplemented from time to time), made between the Trustee and the Manager and governed by Guernsey law. The Fund is listed on The International Stock Exchange ('TISE'). The Fund has been authorised by the Guernsey Financial Services Commission ('GFSC') as an authorised Class B open-ended collective investment scheme under the Authorised Collective Investment Schemes (Class B) Rules and Guidance, 2021 (the 'Rules').

The GFSC has exercised the discretion permitted under the Rules to modify the requirement of the Rules for the disclosure of the value of individual properties held in the portfolio. The requirement is modified to show a portfolio statement specifying properties held in value bands at the end of the accounting period. This modification is consistent with industry practice.

Information Memorandum

The current Information Memorandum ('IM') of the Fund is dated 4 January 2022. There are no disclosures required to be made by the Manager to Unitholders in relation to any changes to the IM since 4 January 2022.

On 6 October 2020 the Manager and the Trustee declared a Market-Wide Non-Payment Event thereby allowing for the allocation of deferred or delayed income from prior periods (i.e. rental income not received in the quarter to which it relates) to the relevant Unitholders, until Normalisation is declared. The Market-Wide Non-Payment Event has been declared in light of lower collections of rental income as a result of COVID-19, for example in the leisure and hospitality sectors, for periods since Q2 2020. When received, such income is allocated to those Unitholders so entitled to it.

The Market-Wide Non-Payment Event will be kept under continual review by the Manager and Trustee, and Unitholders will be kept updated until a declaration of Normalisation is agreed.

Important information

The COVID-19 pandemic has been an unprecedented event and continues to bring uncertainties. The Manager and Investment Advisor continue to closely monitor the ongoing operational risks that are posed to the Fund and its service providers. The Manager and Investment Advisor have noted that generally rent cover metrics are improving and post-balance sheet date rent collection has returned to 100%. Where rent cover remains vulnerable due to the lingering effect of the Omicron variant the Manager and Investment Advisor are exploring alternative exit strategies.

On 24 February 2022 Russian armed forces invaded Ukraine, which had an immediate and negative impact on equity markets globally but most particularly in Russia and Ukraine. Subsequently, economic sanctions have been imposed on Russia, and both the conflict and the sanctions continue as at the date of these financial statements. The Fund does not have any investments in Russia or Ukraine and has not been directly impacted as a result of the conflict and the sanctions. The conflict may have created uncertainties on the trajectory of valuations within the UK real estate market which the Manager is keeping under close review.

Owing to recent UK Government bond yield volatility, there has been an unexpected increase in redemption requests for the 1 November 2022 Dealing Day. Redeeming investors are generally citing a need to raise liquidity or to rebalance their portfolios. In line with the Fund's Information Memorandum and Trust Instrument, the Manager has decided to defer redemption requests received for the 1 November 2022 Dealing Day for a period of up to six successive Dealing Days to allow for

Manager's report

appropriate asset sales to be completed in an orderly manner. This is intended to protect the interests of investors in the Fund as a whole, by enabling sufficient time for fair value to be realised.

Until further notice, any redemption requests received for a subsequent Dealing Day will be correspondingly deferred for a period of up to six successive Dealing Days. Deferral of redemptions will continue to be monitored by the Manager and the Investment Advisor on a monthly basis. Investors will be informed once redemption requests are no longer being deferred.

Manager's responsibilities

Statement of the Manager's responsibilities in respect of the Consolidated Financial Statements of the Fund

The Manager is responsible for preparing Consolidated Financial Statements for each financial year which give a true and fair view of the state of affairs of the Group and of the total return and cash flows of the Group for that period and are in accordance with the provisions of its Principal Documents and The Rules made under The Protection of Investors (Bailiwick of Guernsey) Law, 2020. In preparing those Consolidated Financial Statements the Manager is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable United Kingdom accounting standards have been followed subject to any material departures disclosed and explained in the Consolidated Financial Statements; and
- prepare the Consolidated Financial Statements on the going concern basis unless it is inappropriate to presume that the Fund and the Group will continue in operation.

The Manager confirms that it has complied with the above requirements in preparing the Consolidated Financial Statements.

The Manager is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Fund and the Group and to enable it to ensure that the Consolidated Financial Statements comply with the provisions of The Rules made under The Protection of Investors (Bailiwick of Guernsey) Law, 2020 and the Principal Documents.

The Manager is also responsible for taking reasonable steps for the prevention and detection of fraud and other irregularities.

So far as the Manager is aware, there is no relevant audit information of which the Fund's auditor is unaware, and the Manager has taken all the steps to ensure it is aware of any relevant audit information and to establish that the Fund's auditor is aware of that information.

Statement of the Directors of the Manager

This report is signed in accordance with the requirements of The Authorised Collective Investment Schemes (Class B) Rules and Guidance, 2021.

Peter Mills

Timothy Cumming
Directors of the Manager

25 October 2022

Investment objective

The Fund invests primarily in UK real estate, with the objective to deliver a secure long-term income stream with inflation-linked or fixed uplifts. Investment returns are optimised by combining systematic analysis of both tenant credit quality and real estate fundamentals.

As a consequence, this provides investors access to long-term liability matching cash flows through exposure to a diversified pool of inflation mitigated corporate revenue streams, backed by UK real estate assets.

Manager's report

Investment policy

The Fund aims to provide growing and secure income by investing in a diversified portfolio of UK real estate assets. The Fund seeks to add value through:

- strategic asset selection across the main sectors of the UK real estate market;
- analysis of each property's fundamentals and potential; and
- analysis of the credit quality of each tenant.

Security of investment returns will be achieved through maintaining an appropriate balance between tenant credit quality and the underlying real estate fundamentals (including vacant possession value), whilst income growth will be achieved by investing in assets with leases that incorporate regular rent reviews providing inflation-linked or fixed uplifts.

Compliance by the Fund with the Sustainable Finance Disclosure Regulations and the EU Taxonomy Regulations

Pursuant to EU Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector ('SFDR'), the Fund is classified as an Article 8 SFDR product which means that it promotes, among other characteristics, environmental or social characteristics or a combination thereof. The Fund complies with the Level 1 SFDR Requirements (including through the Environmental, Social and Governance ('ESG') content in this annual report), and the Manager is working to comply with the Level 2 requirements, which come into force in 2023.

Pursuant to EU Regulation (EU) 2020/852 (Taxonomy) on the establishment of a framework to facilitate sustainable investment (the 'Taxonomy Regulation'), the Fund is also required to provide disclosure on taking into account the EU criteria for environmentally sustainable economic activities. While the Fund promotes environmental characteristics within the meaning of Article 8 of the SFDR, it does not currently commit to investing in any "sustainable investment" within the meaning of the SFDR or the Taxonomy Regulation. Accordingly, it should be noted that the Fund does not take into account the EU criteria for environmentally sustainable economic activities within the meaning of the Taxonomy Regulation and its portfolio alignment with such Taxonomy Regulation is not calculated. Therefore, the "do no significant harm" principle does not apply to any of the investments of the Fund, albeit the Manager pays keen attention to the ESG credentials of investments.

Investment Advisor's report

For the year ended 30 June 2022

Investment highlights

- The non-GAAP Net Asset Value ('NAV') of the Fund was £5,208 million (an increase of £434 million over the year);
- The Fund delivered a total return of 11.01% for the 12-month period up to 30 June 2022 net of all costs and charges (8.90% for the 12-month period up to 30 June 2021);
- Rent collection improved to 99.6% (excluding amounts subsequently repaid) for the year ended 30 June 2022 (rent collection was 93.2% due to COVID-19 and the associated lockdown measures for the year ended 30 June 2021). Post-balance sheet date, the Fund's rent collection rate has returned to 100%;
- The annual net distribution yield of the Fund for the year ended 30 June 2022 (net income on an accrued basis as a percentage of the average NAV per Unit) was 3.49% (30 June 2021: 3.87%), or 3.81% (30 June 2021: 3.55%) on a cash distribution basis reflecting actual rent collection and ad hoc distributions of subsequently collected rent;
- Ad hoc distributions were made to relevant Unitholders on 19 August 2021 and 31 May 2022 for amounts repaid, with a final ad hoc distribution expected in Q4 2022;
- The weighted average lease expiry (WALE) of the Fund by income was 27.3 years (28.9 years as at

Manager's report

30 June 2021). If ground leases are capped at 50 years, the portfolio WALE stands at 22.1 years (23.1 years as at 30 June 2021);

- New investor capital commitments of £32 million were received over the 12-month period up to 30 June 2022, bringing the investor capital queue to £88 million as at 30 June 2022 (vs. £279 million as at 30 June 2021). Post-balance sheet date, the investor capital queue has been drawn in full and the Manager changed the Dealing Price to net cancellation mode. Redemptions for the 1 November 2022 Dealing Day have been deferred by the Manager for a period of up to six successive monthly Dealing Days to allow for appropriate asset sales to be completed in an orderly manner.

Fund performance

The Fund's total returns over the year to 30 June 2022 were 11.01% (net of all costs and charges) driven by a combination of inflation-linked rent reviews and yield compression, reflecting continued market demand for high quality, long lease property investments. However, capital valuation growth slowed across all sectors in the quarter ended 30 June 2022, as a result of rising bond yields and wider economic uncertainty.

UK inflation continues to rise, with CPI/RPI running at 9.9%/12.3% respectively as at 30 June 2022. Whilst the Fund benefits from inflation-linked rent reviews, the majority are subject to an annual cap (average inflation cap is 4.6% p.a.). Accordingly, the Fund's real returns have reduced in the short term (RPI -0.84%/+1.43% over one and three years respectively, net of all costs and charges). However, the Fund continues to exceed its medium to long term anticipated return of RPI +3% over 10 years, delivering RPI +4.33% (net of all costs and charges). Since inception in August 2007 the Fund's total returns (net of fees) have been 5.97% p.a., a premium of 2.34% p.a. versus the wider UK property market (as measured by the MSCI UK All Balanced Property Fund Index).

The annual net distribution yield of the Fund (total net distributions on an accrued basis as a percentage of the average NAV per Unit) for the year ended 30 June 2022 was 3.49%, (versus 3.87% for the previous year). The decrease was primarily due to strong capital value growth over the year, as well as rent free periods associated with a new asset purchase and a completed development funding. However, on a cash distribution basis, the annual net distribution yield was 3.81%, +26bps versus 30 June 2021, reflecting the actual rent collection rate and ad hoc distributions. We continue to report both measures, although they are expected to converge over time as deferred amounts are repaid and distributed.

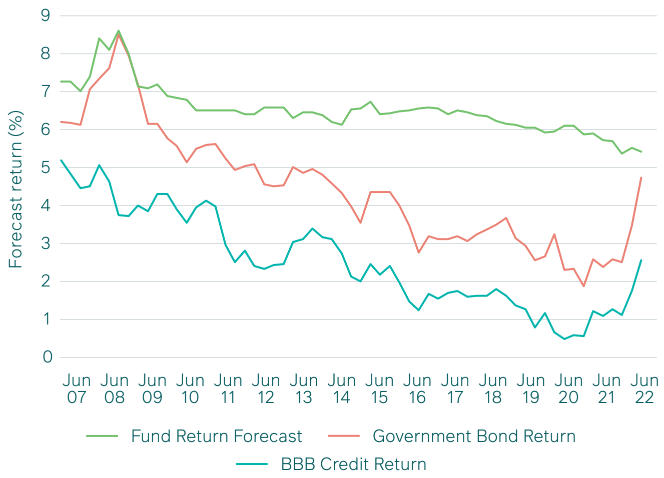
The average monthly distribution per Unit for the year was £0.363, versus £0.374 in the previous financial year (on an accrued basis). In addition, the Fund has made two special distributions of £0.1127 and £0.2988 per Unit on 19 August 2021 and 31 May 2022 respectively, reflecting deferred rent recovered to date. Over 80% of all deferred rent has now been distributed to Unitholders (we anticipate making a final ad hoc distribution in Q4 2022).

The Fund's rent collection rate was 99.6%. The increase in rent collection was driven by the lifting of lockdown restrictions in July 2021, resulting in a return to 'normal' operations for UK leisure and hospitality businesses. On 1 April 2022, the Fund completed on the disposal of the Shiva Hotel asset, the only non-paying tenant in the Fund; in addition, post-balance sheet date, the Fund completed on the sale of the vacant bingo club in Salisbury – together returning the Fund to 100% rent collection and 0% vacancy.

The Fund's 'illiquidity premium' has reduced significantly over similarly rated 'BBB' corporate credit, now standing at 0.70% as at 30 June 2022 (vs. 3.33% as at June 2021). This is a direct result of rising government bond yields and credit spreads widening over the course of the year. Whilst the Fund still offered an illiquidity premium to investors, long lease property valuations had not yet moved meaningfully in response to rising rates as at 30 June 2022. It should be noted that the Fund's illiquidity premium has in recent years been fairly exceptional (typically around 300bps) and therefore we would not expect valuations to necessarily move in lockstep with bond markets, such that an illiquidity premium of this level is restored, potentially helping to protect valuations to an extent. The Fund's illiquidity premium demonstrates the relative value offered by the Fund and is calculated by forecasting the Fund's cash

Manager's report

flows using a long-term market breakeven inflation rate (adjusted for collars) and assumes no tenant defaults, no further transactions and no capital value growth from current valuations. The Fund's illiquidity premium since inception to 30 June 2022 is shown below:



Source: M&G, Iboxx, as at 30 June 2022.

Economic overview

Economic optimism seen in H2 2021 following the UK government's decision to "learn to live with Covid", soon gave way to a cost of living crisis and talk of a potential recession. Given higher than anticipated levels of inflation and persistent global headwinds, UK growth is forecast to moderate further over the coming months and data is beginning to show that activity is moderating with consumers making cutbacks in the face of rising prices.

The UK labour market continues to remain robust with unemployment rates declining further and job vacancies remaining at high levels. Whilst the job market continues to provide some cushion for household incomes, there is potential risk that this could drive persistent inflation due to a labour shortage across various industries.

Inflation continues to be aided by global supply chain issues; lockdown restrictions remain in China due to its zero-Covid policy and the Russia-Ukraine war continues to fuel issues across Europe, mainly in the form of energy cost increases. In addition, weakness in GBP, or conversely the strength of the USD, has seen inflation (CPI/RPI) continue to rise to 9.9%/12.3% as at the latest available print (31 August 2022).

Post-balance sheet date, the Bank of England (BoE) increased the base rate for the seventh time since December 2021, to 2.25%, to help curb inflation, with further increases expected in coming months (next review 3 November 2022).

UK government bond (Gilt) yields have risen throughout 2022 in response to high inflation and corresponding monetary policy expectations. A change in Prime Minister and a 'mini-budget' in September 2022 resulted in GBP falling to a record low of $1.03 and long-dated UK government bond yields exceeding 5%, the highest level since 2008. UK pension schemes have been significantly impacted by the volatility, due to liquidity requirements to meet swap calls and rebalance their portfolios. The subsequent Bank of England intervention has helped to stabilise GBP and Gilts but the impact on valuations of other asset classes, including Property, are only now becoming visible, with the full extent expected to be felt in coming months.

UK real estate market overview

Amidst a backdrop of weakening economic growth and global headwinds, the UK real estate market remained relatively robust up to the balance sheet date. The MSCI Long Income Fund index saw total returns of c. 12% p.a. as at 30 June 2022. However, with inflation proving more persistent, rising government bond yields, and with further interest rate hikes expected, real estate valuations have started to decline in Q3 2022 and are set to decline further over coming months.

We expect transaction volumes to remain muted over the rest of the year, due to the weakening economic outlook, rising borrowing costs and UK pension schemes down-weighting their real estate exposure. This is already leading to yield expansion across the UK market, although there are likely to be differentials between both sectors and quality. Real estate assets with defensive characteristics, such as residential sectors, are likely to remain the focus of investor demand, especially where they offer potential inflation protection through strong rental growth or inflation-linked leases. However, these assets tend to be valued at lower yields and are therefore more sensitive to rising government bond yields and the increasing cost of debt.

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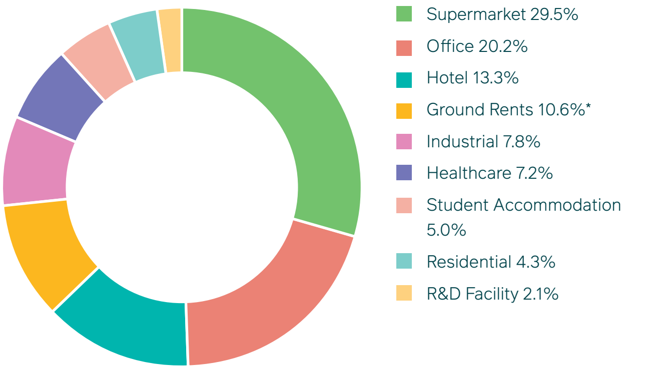
Similarly, the industrial sector, which has seen yields compressed to record lows, may see more of a reversal in pricing as investors look to restore risk premia. At the same time, we are likely to see significant differentials in terms of performance by quality, as rising risk aversion leads to a renewed focus on prime property, both in terms of asset and tenant characteristics. This time, however, this kind of polarisation by quality is likely to become more permanently entrenched, particularly for the office sector, driven by structural trends such as ESG and hybrid working. Prime property, although also likely to experience yield softening, looks likely to prove more resilient thereafter.

Portfolio summary

As at 30 June 2022, the Fund's NAV was £5,208 million (an increase of £434 million over the year) and comprised 201 individual assets across 49 holdings and 26 tenants. The Fund has high security of income with all investments backed by long term leases subject to inflation-linked (91.4% of income) or fixed percentage (8.6% of income, average 2.67% p.a.) rental increases, as well as ownership of the underlying real estate. As at year end, the Fund had an investment grade weighted average credit rating of 'BBB-' and the weighted average lease term by income of the portfolio was 27.3 years, with the nearest lease expiry being 9.5 years.

In terms of geographical allocation, the Fund's exposure by income stands at: 39.7% London, 17.8% South East and 42.5% rest of the UK.

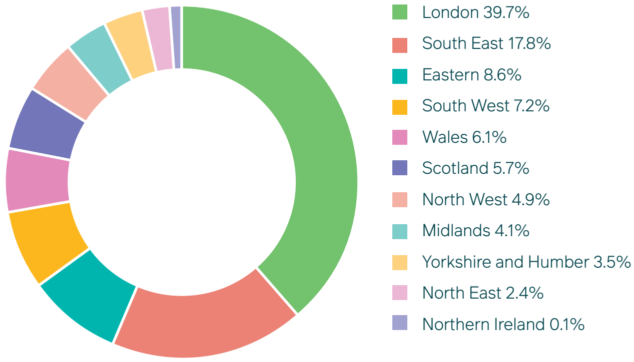
Rental income by sector



Source: M&G, as at 30 June 2022.

* Includes two David Lloyd assets held on a sale and leaseback basis (1.1% of Fund by income).

Rental income by geography



Source: M&G, as at 30 June 2022.

Liquidity

In the 12 months to 30 June 2022, the Fund received total investor commitments of £32 million, total distribution reinvestments of £56 million and total investor redemptions of £183 million, resulting in a total net outflow of £95 million.

As at 30 June 2022, the Fund's capital queue was £88 million. Post the balance sheet date, the capital queue was drawn in full to fund investor redemptions, resulting in a nil capital queue. Redemptions for the 1 November 2022 Dealing Day have been deferred by the Manager for a period of up to six successive monthly Dealing Days to allow for appropriate asset sales to be completed in an orderly manner. Redemptions have been driven by a combination of: UK defined benefit pension scheme de-risking, the denominator effect (investors rebalancing property exposure as public market valuations fall) and investor liquidity needs due to rising interest rates.

The Manager and Investment Advisor have established a sales programme to raise capital to meet the Redemption Requests, with the additional aim of improving other key Fund metrics, such as weighted average credit rating and weighted average lease term.

Dealing Price change

Since the Fund's inception in 2007 the Dealing Price has been NAV plus a dilution adjustment (c. +4%), as the prevailing trend was net creation of new Units, with investors committing new capital to the Fund and the Fund investing in additional assets. The dilution

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adjustment of c. +4% represents the average cumulative acquisition costs of the Fund portfolio and ensures new investors share the historic acquisition costs when being issued with Units in the Fund, and compares favourably to the standard acquisition costs for property in the UK.

Post-balance sheet date, M&G (Guernsey) Limited decided to 'swing' the price of the Fund to reflect the prevailing trend of capital flows. The Dealing Price of the Fund changed from NAV per Unit + 4.03% (average cumulative acquisition costs for the portfolio, 1 July 2022) to NAV per Unit -1.21% (estimated average disposal costs of the portfolio, 1 August 2022).

The Fund will remain in net cancellation mode until such time as the prevailing trend of capital flows changes to there being, on a net basis, more capital inflows (investors joining the capital queue) than redemptions.

The Manager has elected to defer redemptions, in line with the Fund's Information Memorandum, for up to six successive monthly Dealing Days, with a minimum of 10% being met on each subsequent monthly Dealing Day. Deferral will allow for an orderly disposal of properties to meet redemption requests, whilst protecting the interests of all investors.

Revolving Credit Facility

Post the balance sheet date, the Fund renewed its revolving credit facility ('RCF') with RBSi ahead of expiry in October 2022, for a new four year term (expiring July 2026). Whilst the Fund is a structurally un-geared strategy, the RCF is available to bridge certain short term financial obligations such as VAT funding, completion on a transaction mid-month and development funding instalments. The core facility size was increased to £150 million (from £100 million) in line with the Fund NAV growth and average transaction size. As at 30 June 2022, the RCF was undrawn and even if fully drawn would only result in gearing of less than 3% of NAV. The RCF also includes three ESG Key Performance Indicators ('KPIs') for the first time, which align to the Fund's ESG policy and targets and will determine the applicable margin (165bps +/- 2.5bps depending on the number of KPIs met):

	Margin (bps)
0 KPIs and/or failure to produce an ESG Compliance Certificate	167.50
1 KPI met	165.00
2 KPIs met	163.75
3 KPIs met	162.50

The KPIs are defined as follows:

1. Global Real Estate Sustainability Benchmark ('GRESB') peer group score to be top 12.5% at all times

The Fund's GRESB peer group score is defined as "UK, Diversified, Core, Tenant Controlled". In 2022, the Fund placed 2nd out of 80 (top 3%) in its peer group (2021: 2nd of out of 79, top 3%).

2. Percent of Fund by value with green building certification (Building Research Establishment Environmental Assessment Method ('BREEAM') New Construction, BREEAM In-Use or similar):

	Minimum threshold
Year 1	60%
Year 2	75%
Year 3	80%
Year 4	85%

As at the time of writing 37.9% of the Fund by value had green building certification, with 28.3% pending certification.

3. Percent of Fund by value with an Energy performance Certificate ('EPC') of 'B' or better:

	Minimum threshold
Year 1	40%
Year 2	45%
Year 3	50%
Year 4	55%

As at the time of writing 35.4% of the Fund by value had an EPC of 'B' or better.

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Accordingly the Fund currently meets 1 KPI and would therefore be subject to a margin of 165bps if it were to utilise its RCF.

Transaction activity

The Fund made two acquisitions over the year to 30 June 2022:

- In September 2021, the Fund completed on the purchase of the freehold interest in an Asda supermarket in Hemel Hempstead, Hertfordshire for c. £13 million. The full repairing and insuring lease has an unexpired term of 19.5 years and is subject to five yearly rent reviews to RPI (cap of 2.5% p.a.). The transaction is highly reversionary, adding to the cash flow security of the Asda covenant – a new tenant for the Fund.
- In December 2021, the Fund completed on the purchase of the freehold interest in a 736k sqft distribution warehouse in Peterborough, Cambridgeshire, let to Amazon UK Services Ltd for c. £110 million. The full repairing and insuring lease has a term of 15 years and is subject to five yearly rent reviews to CPI (cap and collar of 1-3% p.a.). The asset is located near Junction 17 of the A1(M) and will service the East Midlands area. The purchase further diversifies the Fund by adding a new investment grade tenant.

The Fund completed a development forward funding in the year to 30 June 2022:

- In December 2021, the Fund reached practical completion on the 642-room hotel and aparthotel development funding let to Premier Inn and Staycity in Paddington (£209 million). The asset achieved a BREEAM New Construction rating of 'Excellent' and EPC ratings of 'A' for each hotel. The asset is let on a new 30 year lease with 60% of the income guaranteed by Whitbread Group plc and is subject to 5 yearly rent reviews in line with CPI (cap and collar of 0-4% p.a.).

The Fund made two disposals over the year to 30 June 2022:

- In November 2021, the Fund completed on the sale of the Buzz Bingo portfolio comprising 37 properties for £71.5 million. The Fund had been exploring exit options since the CVA in August 2020, which came about as a result of COVID-19 lockdown measures and prolonged closures of bingo clubs. The Fund's decision to exit is supported by our view that the bingo industry is unlikely to recover to pre-pandemic levels and the assets are expected to remain non-institutional by ESG standards. The final vacant bingo club in Salisbury was sold post-balance sheet date.
- On 1 April 2022, the Shiva Hotel asset near Heathrow airport was sold for a gross price of £27 million (vs. acquisition/book value of £21/£23 million), returning the Fund to 100% rent collection.

Post the balance sheet date, the Fund completed on the sale of a Tesco supermarket in Llanelli for c. £66 million (vs. acquisition/book value of £47/£65 million), with only c. 12 years remaining on the lease. The Fund is undertaking further targeted asset sales to help manage its liquidity position, with the additional aim of improving key metrics, such as weighted average credit rating and weighted average lease term.

Manager's report

Fund governance

The Fund continues to operate within all of its investment restrictions, none of which have been breached since the Fund's inception. This is reinforced by the strong governance framework within which the Fund operates, namely the level and range of experience on the Investment Advisor's Investment Committee (comprising senior staff members across M&G's Fixed Income, Private Credit and Real Estate divisions) and the Board of Directors of the Manager. Please see the below table for a summary of the Fund's position versus each of its investment restrictions as at 30 June 2022:

Investment restriction	Fund's position as at 30 June 2022
Borrowing maximum 30% (or if greater than 30% it must not last more than 3 months)	0.00% GAV
Any single counterparty (OTC Derivative), maximum 20% GAV	0.00% GAV
Any single body (Transferable Secs, Money Market), maximum 20% GAV	0.00% GAV
Any single body (Deposits), maximum 20% GAV	1.34% GAV
Leisure sector assets (excluding hotels), maximum 30% GAV	11.08% GAV
Under development or held vacant pending development, maximum 20% GAV	0.00% GAV
Any single group of tenants (excl. UK Govt), maximum 35% Gross Income	12.88% of Gross Income*
Any single Real Estate Asset, maximum 30% GAV	6.61% of GAV**
Minimum Credit Rating (Deposits, excl. Trustee), minimum A-/A3 (Split Low)	Confirmed

* Tesco Plc

** NatWest HQ, 250 Bishopsgate, London.

Each and every transaction (sale or purchase), as well as material asset management initiatives, are reviewed by the Investment Committee (IC) of the Investment Advisor and presented to the Board of the Manager, which retains ultimate control of the Fund.

M&G's Long Lease Property team has strength in depth and breadth and draws on the combined resources of M&G's industry-leading Public and Private Credit teams and Real Estate business. The investment process and strategy remain unchanged.

Lee McDowell and Holly Johnstone

M&G Investment Management Limited

25 October 2022

Lee McDowell and Holly Johnstone are employees of M&G FA Limited which is an associate company of M&G (Guernsey) Limited.

Manager's report

Environmental, Social and Governance ('ESG') strategy

Real estate investments can have wide-ranging social, environmental and economic impacts, both positive and negative. Environmental and social issues are already influencing real estate market fundamentals including obsolescence, rate of depreciation, voids, operational costs and liquidity. By being at the forefront of identifying and influencing the drivers of change, and shaping investment strategies accordingly, the Fund aims to deliver strong returns to Unitholders in the long term, while supporting the creation of positive environmental and social outcomes.

Through our ESG strategy we seek to deliver:

Environmental Excellence	Social benefit	Good Governance
Seek to meet net zero targets, drive environmental improvements, certify performance, future-proof our assets	**Our assets should seek to deliver positive social outcomes for our occupiers, local communities and wider society**	**Strong governance and accountability in relation to our ESG strategy through robust implementation and reporting of performance**

How*:

Environmental Excellence	Social benefit	Good Governance
• Seek to meet net zero by 2050 • Seek to ensure portfolio resilience to physical climate risk • Proactively engage our occupiers on their environmental impacts, and endeavour to support their environmental programmes and initiatives • 75% AUM certified using green building certification by end of 2023[a] and findings shared with occupiers. Maintain a minimum of 50% AUM certified at all times.	• Enhance occupier engagement strategy. Implement action plans to improve satisfaction rating (end 2022) • Promote adoption of asset-level health, wellbeing and community initiatives by our occupiers, where feasible (end 2022) • Exemplar safety and security is achieved through the application of our "Global Minimum Requirements", effective oversight of suppliers and continual examination of legislation	• SFDR Article 8 • GRESB – target at least 4 star rating; top 20% (vs. peer group) • 100% of assets to have complete sustainability due diligence checklist (end 2022) • 100% of assets to have a sustainability asset plan (end 2022) • Apply occupier exclusions (listed companies involved in controversial weapons, UNGC violators)

* Key sustainability targets are shown – a wider set of targets are in place to support the delivery of the targets

[a] This includes assets where certification is planned and underway. There will be an exception process where certification is deemed infeasible (eg an asset cannot be certified), not in the interest of investors (eg planned disposal).

The ESG strategy and targets set are considerate of existing commitments, regulatory requirements, investment strategy and aspirations of the Investment Advisor. These targets are set by the Investment Advisor in conjunction with the ESG team of the Real Estate Asset Manager, and reviewed and approved annually by the Manager. Progress against these targets is reviewed regularly at the Investment Committee of the Investment Advisor and presented quarterly to the Manager.

Manager's report

Responsible Property Investment objectives for the M&G Secured Property Income Fund

In 2021 the Manager established a set of targets for the Fund to drive implementation of the strategy: the targets were published in the 2021 Annual Investment Report and Consolidated Financial Statements. Progress against these targets has been monitored and benchmarked by the ESG team of the Real Estate Asset Manager. Quarterly meetings take place between the Real Estate Asset Manager and the Investment Advisor to provide regular review of progress and opportunity to discuss milestone actions. The table below provides a summary of performance in 2021, further discussion on each focus area is included in the following pages of the report.

Performance against 2021 Responsible Property Investment targets for M&G Secured Property Income Fund

	Long Term Objective	Short term targets (by end 2021 unless specified):	Performance Assessment (as at 31 December 2021)
Environmental excellence	Achieve net zero greenhouse gas emissions by 2050	• Net zero pathway for the Fund to be completed	**Achieved** Desk-based carbon pathway model completed to compare baseline performance against available CRREM decarbonisation trajectories. Steps taken to embed net zero thinking in investment processes. See TCFD aligned disclosure (page 15)
	Ensure portfolio climate resilience	• Undertake work to assess risk and identify mitigation measures for material climate risk across our portfolio	**Achieved** Commissioned review with insurers, Marsh, to assess exposure of portfolio to multi-peril climate related risks. See TCFD aligned disclosure (page 15)
	Proactively drive and evidence environmental improvements at assets	• Seek green building certification on new development fundings; implement BREEAM In-Use Certification at ten of the Fund's assets • Proactively engage our occupiers on their environmental impacts, and endeavour to support their environmental programmes and initiatives; implement smart energy data capture on key assets	**Achieved** Green building certification at 37.9% of Fund by value as at 30 September 2022, including nine assets certified under BREEAM In-Use and a further 28.3% of Fund by value pending certification. Fund has actively engaged with tenants on their environmental programmes. Information sharing has enabled actual energy data collection for 84% of portfolio (based on floor area) in 2022. See Environmental Excellence section (page 15)

Manager's report

	Long Term Objective	Short term targets (by end 2021 unless specified):	Performance Assessment (as at 31 December 2021)
Health, wellbeing and occupier experience	Promote and support wellbeing and inclusivity across the portfolio	• Seek opportunities to encourage adoption of health and wellbeing strategies by our occupiers	**Partially achieved** Sought to incorporate health & wellbeing into forward funded developments through application of green building certification and M&G Real Estate's Sustainable Development & Refurbishment Framework. See Health, wellbeing & occupier experience & contributing to communities (page 24)
	Ensure an exceptional standard of Health & Safety	• Implement our H&S processes to ensure an exceptional standard of safety and security in all the working environments we control	**Achieved** Continued 'Lessons Learned' reporting amongst all property managers to drive best practice. Embedded Global Minimum Requirements (GMRs) and global fire safety policy.
	Ensure highest levels of occupier experience and satisfaction	• Ensure ongoing improvements in our occupier engagement strategy (including an occupier satisfaction survey)	**Achieved** Implemented actions plans following completion of tenant satisfaction survey at end of 2020. Continued programme of regular one to one engagement with all tenants in Fund. See Health, wellbeing & occupier experience & contributing to communities (page 24)
Contributing to communities and society	Actively engage communities	• Seek opportunities to encourage adoption of community engagement programmes by our occupiers and during development activities	**Partially achieved** Sought to incorporate community impact considerations in forward funded developments, applying M&G Real Estate's Sustainable Development & Refurbishment Framework requirements in new deals at end of 2021. See Health, wellbeing & occupier experience & contributing to communities (page 24)

GRESB (Global Real Estate Sustainability Benchmark)

Overall Fund performance on environmental, social and governance issues is benchmarked through use of the annual GRESB Real Estate Assessment. The Fund has been a participant of GRESB since 2013. In the 2022 Real Estate Assessment the Fund maintained its overall GRESB score at 84 and achieved a 4-star rating, placing it within the top 40% of GRESB participants (each star represents a quintile).

The Fund is ranked 2nd out of 80 in its peer group ("United Kingdom | Diversified | Core | Tenant Controlled"). Overall, the Fund outperformed the benchmark in all 14 sections of the survey, comprising: Leadership, Policies, Reporting, Risk Management, Stakeholder Engagement, Risk Assessment, Targets, Tenants & Community, Energy, GHG, Water, Waste, Data Monitoring & Review and Building Certifications. The Real Estate Asset Manager's focus on environmental data coverage over the past few years has meant that it continues to score particularly well against its peers in the Energy, Water, Greenhouse Gas and Waste sections.

We are confident that activity being completed under the 2022 ESG objectives will support further enhancement to the GRESB score. A key example in the past year is the rollout of operational green building certification to a significant proportion of the portfolio which should directly contribute to an improvement in the 2023 GRESB Score.

Manager's report

GRESB
REAL ESTATE

2022 GRESB Standing Investments Benchmark Report

M&G Secured Property Income Fund | M&G Real Estate

GRESB Rating
★★★★☆

Participation & Score

2019	2020	2021	2022
68	70	84	84

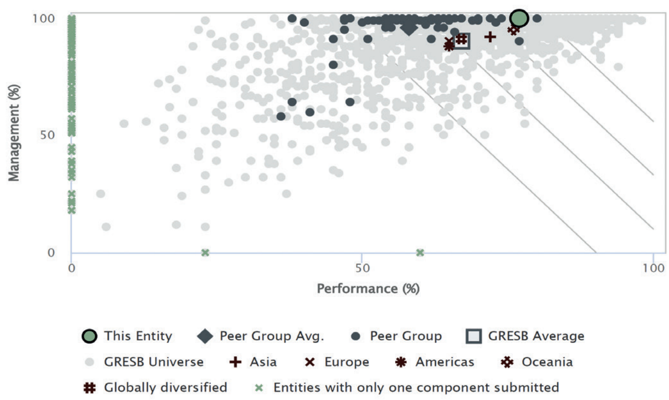
Peer Comparison

2nd — United Kingdom | Diversified | Core | Tenant Controlled
Out of 80

Rankings

31st	GRESB Score within Diversified / Europe	Out of 216
55th	GRESB Score within Diversified / Non-listed / Core	Out of 259
101st	GRESB Score within Europe / Non-listed / Core / Open end	Out of 398
1st	Management Score within Europe	Out of 901
1st	Management Score within Europe / Non-listed / Core	Out of 554
1st	Management Score within Europe / Non-listed / Core / Open end	Out of 404
32nd	Performance Score within Diversified / Europe	Out of 217
59th	Performance Score within Diversified / Non-listed / Core	Out of 260
110th	Performance Score within Europe / Non-listed / Core / Open end	Out of 399

GRESB Model



84 / 100 — GRESB Score — Green Star
GRESB Average 74 — Peer Average 70

30 / 30 — Management Score
GRESB Average 27 — Benchmark Average 28

54 / 70 — Performance Score
GRESB Average 47 — Benchmark Average 41

Manager's report

Environmental Excellence

Net zero and climate resilience

We believe that climate change is the most important environmental issue facing the world today. The risks posed by climate change are multi-faceted and far reaching, and the implications on our environment and society profound. To limit the global average temperature rise to below 2°C above pre-industrial levels, in line with the Paris Agreement, will require no further greenhouse gas (GHG) emissions, from 2050. Achieving this will only be possible with material changes in behaviour, as well as investment to transition to a low-carbon economy.

During the year, the Fund made good progress in moving to address climate related-risk through its two responsible property investment objectives: ensuring portfolio climate resilience, and achieving net zero carbon by 2050. Our approach incorporates the Task Force on Climate-Related Financial Disclosures (TCFD) recommendations, as is outlined in the following table. Note this product level TCFD disclosure should be read in conjunction with the M&G plc 2021/22 Sustainability Report.

M&G Secured Property Income Fund's approach to climate-related risk and opportunity

Governance	**Disclose the organisation's governance around climate-related risks and opportunities**
TCFD Recommendation	**Recommended Disclosure**
1 Describe the Board's oversight of climate-related risks and opportunities	The Manager, M&G (Guernsey) Limited, has ultimate responsibility for ESG matters relating to the Fund including climate-related risk. Responsibility for the delivery of the ESG strategy for the Fund rests with the Investment Advisor and Real Estate Asset Manager, M&G Investment Management Limited and M&G Real Estate Limited, who provide periodic reports to the Manager on the plans for, and outcomes from, the implementation of the Fund's ESG strategy which incorporates climate related-risk objectives. The Manager is updated regularly on the progress being made against the ESG strategy and policy, including climate targets.
2 Describe management's role in assessing and managing climate-related risks and opportunities	The Investment Advisor and Real Estate Asset Manager are responsible for assessing and managing climate-related risk and opportunities. They are also responsible for the setting and delivery of the ESG strategy and targets, including the climate specific objectives of net zero carbon by 2050 and ensuring portfolio climate resilience. The dedicated ESG team of the Real Estate Asset Manager supports the management of climate-related risk and opportunities in relation to the Fund.
Strategy	**Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning**
TCFD Recommendation	**Recommended Disclosure**
3 Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term	The following climate-related risks and opportunities have been identified in relation to the Fund by the Investment Advisor and Real Estate Asset Manager: • Short term to Medium term (1-10 years) Increasingly stringent Government regulation and market defined standards on building energy and carbon efficiency. This is expected to be reflected in asset valuations. This increases the potential for asset stranding risk. Changing occupier requirements on building carbon and energy performance, increasing the potential for asset stranding risk and rate of asset depreciation. Assets may be exposed to acute physical climate-related risks (e.g. flash flooding). This can impact on building operation and insurability, increasing the potential for financial risk. Unitholders climate-related risk requirements are rapidly evolving. There is significant opportunity to demonstrate a leading approach to addressing climate-related risk, but equally failure to meet these requirements increases the potential for reputational and financial risk. • Long Term (10+ years) Assets may suffer increased physical damage as a result of acute and chronic physical climate-related risks. Some may become uninsurable as a result of repeat damage events. This increases the potential for asset stranding risk and rate of asset depreciation. Assets may suffer premature obsolescence due to poor energy and carbon performance if they are unable to meet regulatory, market and occupier demands. This increases the potential for asset stranding risk and rate of asset depreciation.

Manager's report

Strategy (continued)	Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning
TCFD Recommendation	**Recommended Disclosure**
4 Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning	In line with the targets of M&G plc, the parent company of the Investment Advisor, the Manager and M&G Real Estate Limited, the Fund has committed to achieving net zero greenhouse gas emissions by 2050 and ensuring portfolio climate resilience. Further details of the M&G plc commitments and organisational approach can be found within the M&G plc Sustainability Reporting 2021/22. In the past year, significant steps have been taken to integrate the consideration of climate-related risk and opportunity into business strategy and financial planning: **Acquisition:** The Investment Advisor and Real Estate Asset Manager has strengthened the ESG due diligence requirements including greater consideration of physical and transition risks, specifically energy efficiency and flood risk. By integrating review of these issues at the point of investment, the financial cost of maintaining climate resilience can be better understood, underwritten and managed through the holding period. Challenges do exist in integrating these requirements, for example, there is not an agreed market definition of net zero carbon. **Development funding:** The Real Estate Asset Manager has worked with Arup Partners to create a Sustainable Development & Refurbishment Framework. The Framework prescribes minimum standards and aspirational targets for a range of ESG issues, including embodied and operational carbon performance, and physical climate related-risk resilience for development of new assets as well as refurbishment to existing assets. The Fund will apply the Framework in all funded development activity during 2022. This acts as a critical tool in financial planning, enabling the identification of investment opportunities which will act to improve the climate resilience of the asset once complete, as well as informing on-going asset management. **Portfolio management:** Due to the nature of the Fund's long lease investment strategy, all assets held are under the operational control of tenants under fully repairing and insuring leases. This means that ultimately the decision to act on improvement or mitigation measures is held by tenants. The strategy of the Investment Advisor and Real Estate Asset Manager is therefore to engage with the tenants to: • Ensure that they are made aware of the Fund's strategic priorities in relation to climate-related risk and opportunities. • Influence the tenant's decision-making process in relation to the asset, and in particular highlight any areas where ESG performance (for example, Energy Performance Certificates) may be below the expected level. • To identify opportunities by which the Fund and tenant organisations can collaborate on common ESG goals. As a minimum this is fulfilled through regular engagement meetings as well as a request for access to environmental performance data (energy, water and waste utility usage). In more advanced cases where tenants have set out their own climate-related risk and opportunities strategies, discussion has progressed to review asset level recommendations on improvements (for example, installation of alternative heating equipment and on-site renewable energy). The engagement programme has been supported through the use of both internal and external analysis on the portfolio. The Real Estate Asset Manager has conducted a review of Energy Performance Certificate ratings to identify assets which exhibit lower energy and carbon efficiency. The analysis has been used to guide discussions with tenants on making improvements to these assets, as well as to ensure full compliance with the UK Minimum Energy Efficiency Regulations which apply to all existing leases from 1 April 2023. The Investment Advisor has also sought to increase the proportion of assets which are covered by green building certification and has set a target for 75% of AUM to be certified by the end of 2023, using a combination of BREEAM New Construction and BREEAM In-Use schemes. The green building certification assessments provide an independent view of asset level energy efficiency as well as physical risk resilience (primarily relating to flooding). Upon completion an improvement plan is produced and shared with the tenant to further guide discussion on climate-related risks and opportunities.

Manager’s report

Strategy (continued)	Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation’s businesses, strategy, and financial planning
TCFD Recommendation	**Recommended Disclosure**
5 Describe the resilience of the organisation’s strategy, taking into consideration different future climate scenarios, including a 2°C or lower scenario	**Transition Climate Risk Scenario Analysis** In late 2020, the Real Estate Asset Manager undertook an operational net zero carbon ‘pathway model’ of the Fund to assess stranding risks within the portfolio, covering Scope 1, 2 and Scope 3 downstream leased assets emissions. This desk-based approach has mapped current operational carbon performance of underlying assets against the decarbonisation pathways provided by the Carbon Risk Real Estate Monitor (CRREM) tool. The use of the CRREM tool has incorporated both 1.5°C and 2°C climate future scenarios. The pathway is a critical first step in the Fund’s commitment to achieving net zero carbon by 2050, it has provided an understanding of the energy and carbon performance of the assets within the Fund, and provided a modelled estimation of the potential reductions which can be achieved through use of traditional asset level decarbonisation measures (e.g. energy efficient building technology, on-site generation of renewable energy) as well as an estimation of the capital expenditure associated with achieving CRREM alignment. The Real Estate Asset Manager has also undertaken a full scope 1, 2, 3 carbon footprint (see page 21) which has identified that a significant source of carbon emissions for the Fund is the embodied carbon associated with the Fund’s development activities. The Real Estate Asset Manager plans to manage this through the Sustainable Development & Refurbishment Framework described in section 4 above. **Physical Climate Risk Scenario Analysis** Following an initial pilot study in 2021 which sought to assess the physical climate-related flood risk exposure of our UK real estate assets, the scope of physical climate risk scenario analysis was extended to eight climate perils (river flood, surface water flood, coastal flood, wind storm, wildfire, freeze-thaw, heat-stress and soil movement). The analysis work was completed by the insurance and risk specialist, Marsh, and climate risk experts XDI. Both the reviews assessed the portfolio against two future climate change scenarios (Representative Concentration Pathway (‘RCP’) 2.6: ~1.5°C and RCP 8.5 ≥3°C) to identify at-risk assets. Those assets identified most at-risk underwent a more detailed modelling exercise to understand key climate peril drivers and to quantify the climate-related financial risks. This exercise will inform our short, medium and long-term climate strategy and risk management process when responding to climate-related risks. The modelling output provides both physical risk impacts and potential asset-level disruption. It is acknowledged that all models have limitations and as part of our commitment to iteratively improving our scenario analysis in future years, the Fund will continue to explore additional or alternative modelling approaches to best understand climate risk exposure. All assets from the portfolio were mapped spatially before being embedded within the climate model framework. Present-day physical climate-risk was initially assessed for each asset, before extending the modelling across two climate warming scenarios (RCP2.6 and RCP8.5) out to the years 2050 and 2100. For each scenario and time-step, the model provided asset level outputs on the likelihood of exposure to climate-related perils, as well as the expected severity of such events expressed in terms of financial impact (as a result of physical damage). These data points were used to categorise assets into high, medium or low risk categories for physical climate-related risk using pre-determined thresholds set by Marsh. Those assets which were identified to have the most significant financial impact in 2100 (under the RCP8.5 scenario) were taken forward for further in-depth climate analysis. The purpose of the detailed analysis was to identify which climate-related perils drive asset level risk, as well as providing greater understanding of how risk changes over time (using a decadal timescale). Subsequently, the Real Estate Asset Manager is assessing the high risk areas identified in the portfolio analysis. As part of this, an appraisal of our acquisition due diligence processes is being undertaken to understand whether there is need for enhancement to existing processes. The detailed analysis has shown that climate-related flooding is the most significant climate-related peril, existing due diligence processes already incorporate a degree of forward looking flood risk review. Whilst the scenario analysis has identified areas of higher risk exposure within the portfolio, it should be noted that the modelling approach accounts only for the current level of national defence mitigations. National defences (such as the Thames Barrier) may be upgraded in the future and, therefore, this approach contains some limitations. Over time, the Fund will seek to account for improvements in national defences and climate resilience programmes in the analysis. Portfolio Physical Climate Scenario Analysis screening results can be found on page 18.

Manager's report

Risk TCFD Recommendation		Disclose how the organisation identifies, assesses, and manages climate-related risks Recommended Disclosure
6	Describe the organisation's processes for identifying and assessing climate-related risks	Assets within the portfolio have undergone physical and transition risk scenario analysis, which has informed our understanding of current and potential future climate-related risk. We will continue to enhance our analysis to understand key drivers of risk to enable risk mitigation and resilience measures.
7	Describe the organisation's processes for managing climate-related risks	The Real Estate Asset Manager is now in the process of using the carbon pathway model and physical climate-related risk reviews to inform the creation of milestone targets, supporting progress towards the targets: net zero carbon by 2050 (aligned to a 1.5°C warming scenario) and ensuring portfolio climate resilience. It will seek to integrate findings into investment decision-making processes, enhancing the steps already taken (see Recommendation 4). Additionally, the Real Estate Asset Manager is introducing additional data management tools to support the tracking of operational carbon performance.
8	Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management	The identification, assessment and management of ESG risk is conducted in line with the M&G plc Risk Management Framework, with risk governance based on the "Three lines of Defence" (3LoD) model. Further information is provided in the M&G plc 2021/22 Sustainability Report.
Metrics and Targets TCFD Recommendation		**Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities Recommended Disclosure**
9	Disclose the metrics used by the organisation to assess climate-related risks and opportunities	For transition risk, we track the metrics identified in the Environmental Performance Data and accompanying GHG Disclosure section (page 21). For physical risk exposure, we track Climate Value at Risk – physical risk. This is a measure of potential average annualised loss due to the predicted increase in frequency and severity of weather events that impact real estate assets.
10	Disclose Scope 1, Scope 2, and if appropriate, Scope 3 greenhouse gas emissions, and the related risks	A full greenhouse gas footprint for the portfolio has been produced for the year 2021 (see page 24), this covers Scope 1 & 2, and all material Scope 3 emission activity. For full detail on the 'carbon boundary', refer to page 16-18 of the Investment Advisor's Our Journey to Net Zero report. Below we present the findings of the Physical Climate Risk Scenario Analysis. This provides a view of both current (2020) and future predicted Climate Value at Risk (VaR) – physical risk expressed as a proportion of total Assets Under Management (AUM), under each of the climate future scenarios RCP 2.6 and RCP 8.5. For each scenario and time-step, the model provided asset level outputs on the likelihood of exposure to climate-related perils, as well as the expected severity of such events expressed in terms of financial impact (as a result of physical damage). These data points were used to categorise assets into high, medium or low risk categories for physical climate-related risk using pre-determined thresholds set by Marsh. High risk properties are typically caused by substantial predicted exposure to severely damaging hazards such as flooding or coastal inundation, as opposed to soil contraction or forest fire, which may cause only minor damage or where probabilities of loss remain small. Low risk properties have lower predicted exposure to severely damaging hazards although minor damage risks may still be present. Current exposure to Climate Value at Risk (VaR) – Physical Risk is calculated to be less than 0.21% of total Fund value (RCP8.5 scenario, year 2020).

		Climate VaR – Physical risk as a proportion of total Fund AUM*		
Climate Scenario	**Hazard Category**	**2020**	**2050**	**2100**
~1.5°C (RCP 2.6)	High Risk	0.18%	0.53%	0.82%
	Medium Risk	0.01%	0.01%	0.01%
	Low Risk	0.01%	0.01%	0.01%
3°C (RCP 8.5)	High Risk	0.19%	0.89%	1.59%
	Medium Risk	0.01%	0.01%	0.01%
	Low Risk	0.01%	0.01%	0.01%

* As at 31 Dec 2021

Manager's report

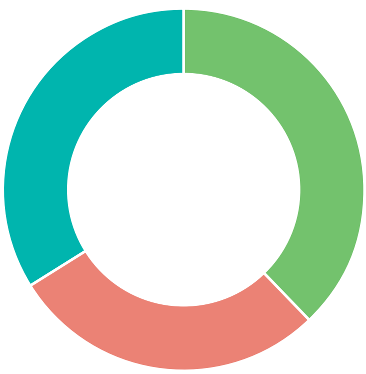
Strategy	Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning
TCFD Recommendation	**Recommended Disclosure**
11 Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	See 2021 and 2022 ESG Targets on Environmental Excellence (See page 12).

Proactively drive and evidence environmental improvements at assets

The Fund is committed to the independent measurement of asset environmental performance through the use of green building certifications schemes. Certification is a critical tool in influencing building design, construction and operation to achieve better sustainability outcomes. The Fund set a target to hold green building certification for 75% of assets under management (by value) by the end of 2023.

As at 30 September 2022, 37.9% of assets (by value) held green building certification, an increase from the 20% reported in June 2021. A further 28.3% of assets by value has certification underway. The Fund is committed to using BREEAM In-Use certification in the portfolio, upon completion of which an improvement plan is produced and shared with tenants to support ongoing engagement in regards to ESG strategy and asset specific considerations.

Green building certification (% AUM)*



* As at 30 September 2022

We have also long sought to include green building certification requirements in forward funded developments. Recent examples include the Fund's development of the Anglo American London HQ and Premier Inn/Staycity hotel development in Paddington both of which achieved BREEAM 'Excellent' ratings for new refurbishment and new construction respectively.

Furthermore, the Fund acquired an Office building on London's Southbank in 2018, that is currently undergoing extensive refurbishment and extension. It is unusual in that it is leased during the development period (25.5 years to WPP), however, this have given the Fund the opportunity to engage with the tenant, who is also the developer. The original proposed design targeted a BREEAM New Construction rating of 'Excellent', but through direct discussions between the Investment Advisor/Real Estate Asset Manager and the tenant's design team, this has since been uplifted to a targeted rating of 'Outstanding'.

Future adoption of certification in new assets is being supported through the implementation of our Sustainable Development and Refurbishment Framework which sets minimum and aspirational requirements on ESG matters.

Due to the nature of the Fund's long lease investment strategy, all assets held are under the operational control of tenants under fully repairing and insuring leases. This means that ultimately the decision to act on asset level ESG improvement measures is held by tenants. The Fund's strategy is therefore to engage with the tenants to:

- Ensure that they are made aware of the Fund's strategic priorities in relation to ESG

Manager's report

- Influence the tenant's decision-making process in relation to the asset, and in particular highlight any areas where ESG performance (for example Energy Performance Certificates) may be below the expected level
- To identify opportunities where the Fund and tenant organisations can collaborate on common ESG goals

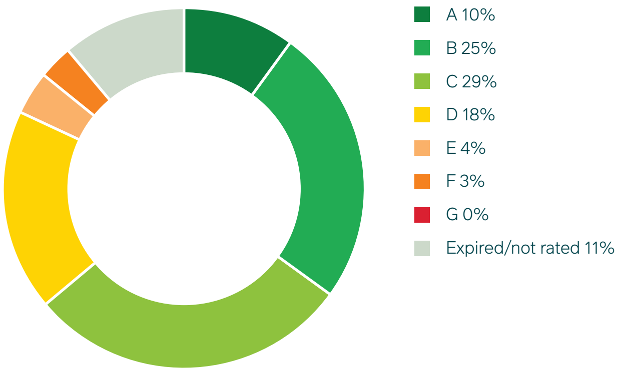
As a minimum this is fulfilled through regular engagement meetings as well as a request for access to environmental performance data (energy, water and waste utility usage). In more advanced cases where tenants have set out their own climate-related risk and opportunities strategies, discussion has progressed to review asset level recommendations on improvements (for example installation of alternative heating equipment, and on-site renewable energy). During the past year we have continued to engage with our occupiers to build a greater understanding of their corporate sustainability strategies to find opportunities to align with the Fund's own approach. We have also undertaken extensive data collection to measure the actual environmental (energy, greenhouse gas, water and waste) performance of assets. Further, we have received 'actual' energy performance data for 82% of the Fund's assets (based on floor area) and have incorporated this information into the GRESB Real Estate Assessment disclosure.

A significant area of ongoing environmental performance review has centred around compliance with the UK Minimum Energy Efficiency Standards ('MEES') legislation. The Real Estate Asset Manager monitors the Energy Performance Certificate ('EPC') ratings of all assets in the portfolio. Under MEES, the granting of a new lease or lease renewal of any building with an EPC rating below 'E' has not been permitted since April 2018 and will extend to apply to all existing leases as of April 2023.

The Real Estate Asset Manager is seeking to proactively manage any risk associated with the Fund's holdings in advance of April 2023. Discussions are ongoing with the Fund's tenants to ensure that ratings below the minimum standard ('E') are addressed as a priority, with a focus on ensuring that improvements made provide resilience against expected future changes to MEES.

Post-balance sheet date, using 30 September 2022 valuations, the Fund's breakdown of EPCs is as follows:

Energy Performance Certificate rating by % Value



Only 2.9% of the Fund by value currently has ratings of 'F' or 'G'. This comprises the following assets:

- Four Bannatyne health clubs – all of which are out of scope of MEES due to either being located in Scotland or having lease lengths >99 years.
- Five Holiday Inn Express hotels – all of which are out of scope of MEES due to either being located in Scotland or having lease lengths >99 years.
- One British Car Auctions site – discussions regarding required improvements are ongoing with the tenant, ahead of April 2023.

Accordingly it is anticipated that the Fund will be fully compliant with MEES as of April 2023.

Manager’s report

Environmental Performance Data

	Performance Metric		Absolute		Like-for-like		
			2020	2021	2020	2021	% change
Energy use	Electricity (MWh)	Tenant Procured	158,460	169,837	151,617	157,532	4%
		Electricity from off-site renewable source (%)	70%	68%	73%	74%	0%
		Electricity from on-site renewable source (%)	1%	1%	<1%	<1%	39%
	Fuels (MWh)	Tenant Procured	272,667	275,365	262,043	263,294	0%
		Fuels from off-site renewable source (%)	–	–	–	–	–
	Total (MWh)	Tenant Procured	431,127	445,202	413,660	420,826	2%
	Estimated Data (%)	Tenant Procured	0%	0%	0%	0%	
	Data Coverage (% of Total GIA)	Total Electricity	79%	82%	71%	71%	
		Total Fuels	86%	89%	79%	79%	
Water	Consumption (m^3)	Tenant Procured	10,092,272	1,620,529	1,086,195	1,468,850	35%
		Reused/Recycled (%)	0%	0%	0%	0%	–
	Estimated Data (%)	Tenant Procured	–	–	–	–	
	Data Coverage (% of Total GIA)	Total	69%	67%	56%	56%	
Waste	Waste Produced (Tonnes)	Tenant Controlled	6,930	5,046	3,147	3,165	1%
		Recycled (%)	52%	27%	39%	25%	-34%
		Diverted from Landfill (%)	95%	80%	91%	91%	1%
	Data Coverage (% of Total GIA)	Total	50%	52%	37%	37%	
	Estimated Data (%)	Tenant Procured	0%	0%	0%	0%	

Manager's report

Greenhouse Gas (GHG) Footprint Information

GHG Protocol Scope	Source	GHG Protocol Category	GHG Emissions 2021 (tCO_2e)
Scope 1	Landlord procured fuels	LL Fuels	0
Scope 2	Landlord procured electricity	LL Elec	0
Scope 3 – Upstream	Purchased goods and services	Cat 1	316
	Capital goods	Cat 2	65,736
	Fuel & energy related activities	Cat 3	0
	Waste generated in operations	Cat 5	0
	Water	Wat	0
Scope 3 – Downstream	Downstream leased assets	Cat 13	91,986
	Investments	Cat 15	N/A

	Emissions Data Source 2021		
GHG Protocol Scope	Data Source	% Actual	% Estimated
Scope 1 & 2	Landlord procured energy	N/A	N/A
Scope 3	Tenant procured energy	79%	21%

Manager's report

Environmental intensity metrics

	Intensity Metric	Sector	Floor Area Denominator	Like-For-Like		
				2020	2021	% Change
Energy	Sector (kWh/m^2/yr)	Office: Corporate: High-Rise Office	GIA	611	571	-7%
		Industrial: Other	GIA	107	104	-2%
		Lodging, Leisure & Recreation: Fitness Center	GIA	428	463	8%
		Technology/Science: Laboratory/Life Sciences	GIA	1,066	1,126	6%
		Residential: Student Housing	GIA	111	114	3%
		Retail: Retail Centers: Warehouse	GIA	442	372	-16%
		Hotel	GIA	175	189	8%
GHG	Sector (kgCO_2e/m^2/yr)	Office: Corporate: High-Rise Office	GIA	139	118	-15%
		Residential: Student Housing	GIA	26	24	-6%
		Industrial: Other	GIA	22	21	-8%
		Lodging, Leisure & Recreation: Fitness Center	GIA	82	87	6%
		Technology/Science: Laboratory/Life Sciences	GIA	226	225	-1%
		Retail: Retail Centers: Warehouse	GIA	93	75	-20%
		Hotel	GIA	38	39	1%
Water	Sector (l/m^2/yr)	Office: Corporate: High-Rise Office	GIA	447	582	30%
		Residential: Student Housing	GIA	1,220	1,743	43%
		Healthcare: Healthcare Center	GIA	1,444	1,788	24%
		Retail: Retail Centers: Warehouse	GIA	532	550	3%
		Hotel	GIA	1,466	2,661	82%

Data Commentary

Data reported reflects the consumption and Fund composition for the period 1 January 2020 – 31 December 2021 inclusive. The Fund has procured the services of a third party environmental data specialist, Evora Global Ltd, to undertake collection and checking of environmental data (energy, greenhouse gas, water, waste) from the assets as well as produce the reported data. All utility procurement within the Fund is the direct responsibility of the tenant, therefore all actual data is provided by the tenant and cannot be subject to validation.

Environmental Performance tables:

For environmental performance metrics, this report reflects the performance of all directly held assets where the Fund, acting as a landlord, is responsible for the procurement of energy and utilities. The proportion of estimated data is provided under each metric, and relates to estimation applied at the point of report composition. Appropriate estimation has been applied and is consistent with industry recognised methodologies. Intensities were calculated at the sector level where there was sufficient data for analysis.

All utility procurement and environmental operational control within the Fund is the direct responsibility of tenants.

Manager’s report

Greenhouse Gas Footprint tables:

All utility procurement and environmental operational control within the Fund is the direct responsibility of the tenant, the Fund therefore has no Scope 1 and 2 emissions to report. For the greenhouse gas footprint, the analysis is extended to incorporate relevant Scope 3 emissions sources, including those relating to tenant energy use (Scope 3 downstream leased assets), the Fund’s purchase of goods & services (primarily relating to property and facilities management) as well as capital goods (development & refurbishment). The scope 3 footprint is reliant on the use of appropriate estimation, including industry benchmark data (GRESB) as well as use of financial data as a proxy.

As this is the Fund’s first publishing of a full Scope 1, 2 and 3 GHG assessment, it is not able to make comparison to the previous year, however this will be included in future reports.

The GHG Footprint is stated in accordance with the GHG Protocol Corporate Accounting Standard, the emission boundary is established using the principle of operational control and is consistent with standard industry practice (GRESB).

Health, wellbeing & occupier experience & contributing to communities

Creating positive outcomes by developing high quality places where people want to be is a key focus area under the ESG Strategy. Our aim is to promote wellbeing, inclusivity and community engagement across the portfolio through collaboration with our tenants.

The Real Estate Asset Manager’s Sustainable Development and Refurbishment Framework, launched in late 2021, sets new minimum build and practice standards for all our developments and refurbishments including funded developments. We have embedded the governance framework into the Fund’s investment process this year. The framework includes a number of minimum requirements to ensure health, wellbeing and community contribution is incorporated into projects. There are also a number of aspirational requirements where market context allows for these to be included to facilitate the delivery of class leading assets.

Within our discussions with our occupiers we are seeking to identify opportunities to collaborate and support mutual social initiatives through either community funding for specific projects with charities and identified beneficiaries or collaboration with M&G partner charities for instance The Talent Foundry who assist young people from underserved communities.

The Investment Advisor and Real Estate Asset Manager are committed to creating a strong relationship with all of our occupiers based on integrity, team spirit and customer focus. By developing proactive relationships with our occupiers via our dedicated asset managers, we can better understand their business needs and property requirements, helping to enhance returns. The Real Estate Asset Manager conducted the inaugural tenant experience survey in 2020 which will be repeated next year and have continued to support all the Fund’s tenants throughout the COVID pandemic and beyond.

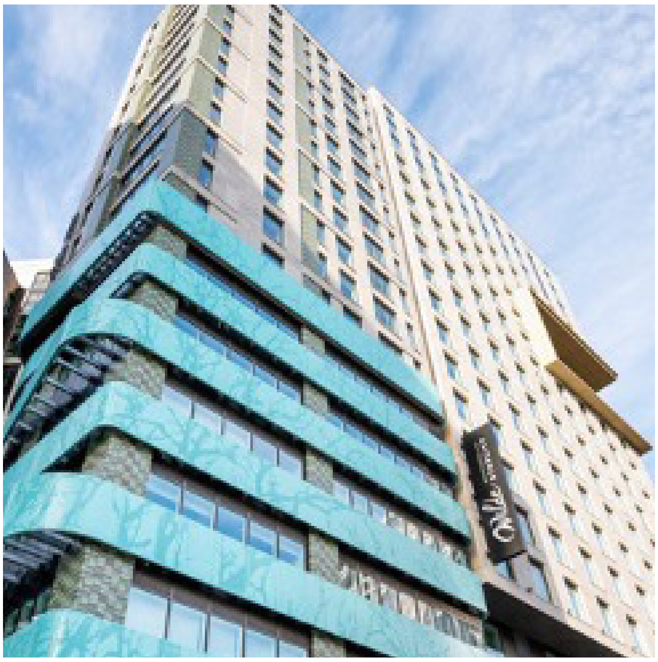
Manager's report

Case study: North Wharf Gardens, Paddington, London

North Wharf Gardens is a new, prime central London hotel and aparthotel, located in the Paddington Basin. The area has recently benefited from the opening of Crossrail (the Elizabeth line), with Paddington now one stop from Bond Street and four stops from Liverpool Street, with journey times of 3/10 minutes respectively.

The Fund funded the development of the £208 million asset, which completed in Q4 2021, and comprises 642 rooms and a c. 30,000 sqft education facility. It is let to Premier Inn and Staycity on 30-year lease terms, with 5 yearly CPI 0-4% rent reviews. 60% of income is guaranteed by Whitbread Group plc (an investment grade, FTSE-100 company) and 40% of income is derived from Staycity at an attractive rent. Trading has exceeded expectations since opening in early 2022.

Environmental and social considerations were central to the planning and execution of this development. The asset incorporates a newly built sixth form campus for Marylebone Boys School, in close proximity to the existing school, let at a peppercorn rent. Marylebone Boys School sixth form has capacity for 120 students per year (240 total) and is state-funded, co-educational with no faith admissions criteria. The mixed-use development also gained an 'Excellent' BREEAM New Construction rating, and strong EPC ratings of 'A' for the hotel/aparthotel and 'B' for the school.



Manager's report

Strong foundations:

There are ten strong foundations we believe must be in place to deliver our ESG objectives, alongside the 2022 objectives for the Fund.

Strong foundations		
1	Investor reporting & engagement	Unitholders are provided with both quarterly and annual updates on the ESG performance of the Fund. The Fund participates annually in the Global Real Estate Sustainability Benchmark. M&G Real Estate also undertakes extensive engagement with industry working groups on ESG to support the development of best practice and standardisation on key issues such as net zero. In this report, we have worked to improve disclosure on climate-related risk in accordance with TCFD recommendations.
2	Risk management & regulatory compliance	The Fund seeks to minimise long-term exposure to material ESG risk by embedding consideration of these into investment decision-making. For example, the Fund monitors the EPC ratings of all units in the portfolio. This not only provides a measure of the energy performance of the portfolio, it also enables us to manage any risk posed to the Fund by changes to the Minimum Energy Efficiency Standards legislation in England and Wales.
3	Acquisitions	Material ESG issues are integrated into acquisition due diligence processes, which ensures risks and opportunities have been appraised and priced accordingly. The Fund has enhanced and continues to focus on the integration of ESG factors in due diligence processes.
4	Asset planning & prioritisation	Annual asset plans incorporate actions to manage and/or improve ESG performance through targeted tenant engagement, based on the risk, opportunities and initiatives planned for the asset. Asset plans are produced for all assets held.
5	Leasing	M&G Real Estate Limited has been engaging with tenants on opportunities to improve the environmental, health and wellbeing performance of new development assets. We are also seeking to introduce green lease clauses into lease agreements where possible to facilitate greater collaboration and information sharing on ESG initiatives.
6	Monitoring & guidance	Management systems and processes provide clear guidance on how to implement the ESG approach. An external party, Evora Global, is engaged to support monitoring of environmental performance data using the SIERA data management system. Property managers input environmental performance data into Evora's online platform. Data quality and analysis by Evora and the platform ensures the highest levels of data coverage and accuracy. M&G Real Estate maintains an environmental management system which is independently certified to ISO 14001: 2015, the objective is to maintain certification in 2022.
7	Property management	Third party property managers have sustainability requirements integrated into their contracts and Service Level Agreements. Annual KPIs are set and are monitored regularly to ensure that property managers and their supply chain are ensuring the delivery of ESG initiatives and targets where they are responsible for these.
8	Development & refurbishment	All developments in the Fund have strong sustainability credentials. Minimum requirements and aspiration targets are set out in the Sustainable Development and Refurbishment framework which is a key tool for the Fund's engagement with development partners.
9	Supply chain management	ESG standards and requirements are provided to suppliers as appropriate to their services. Monitoring is in place to ensure that contractual requirements are adhered to.
10	Employee engagement	All employees understand their role in the delivery of M&G's ESG Strategy through training and briefings, and receive regular updates on the ESG performance of portfolios and assets they work on. All investment colleagues across the M&G Investments business are set a personal objective in relation to ESG.

Financial highlights

Investments

Portfolio statement

Property by Market Sector and Value Band as at 30 June Portfolio of investments	Location	2022 %	2021 %
Retail		**23.06**	**23.19**
Properties with value over £90 million up to £150 million		**7.86**	**4.27**
Sainsbury's, 45&33 Garratt Lane	London		
Sainsbury's, Otford Road	Sevenoaks		
Sainsbury's, Dog Kennel Hill[a]	Dulwich		
Sainsbury's, William Hunter Way[b]	Brentwood		
Properties with value over £50 million up to £90 million		**11.32**	**13.84**
Morrisons Supermarket, Coventry Road	Sheldon		
Sainsbury's, Treyew Road	Truro		
Tesco Supermarket, Hythe Road	Ashford		
Sainsbury's, Southgate	Huddersfield		
Tesco Supermarket, Culverhouse Cross	Cardiff		
Tesco Supermarket, Riverview Drive	Bedford		
Tesco Supermarket, Parc Troste[c]	Llanelli		
Tesco Supermarket, Old Road	Royston		
Tesco Supermarket, Springlands Way[d]	Sudbury		
Properties with value over £20 million up to £50 million		**3.88**	**5.08**
Sainsbury's, Worthington Way	Wigan		
Morrisons Supermarket, Edgeley Road	Stockport		
Morrisons Supermarket, Plumpton Park	Harrogate		
Morrisons Supermarket, West Bailey	Killingworth		
Morrisons Supermarket, Limebrook Way	Maldon		
Office		**21.41**	**22.02**
Properties with value over £260 million		**12.11**	**12.60**
250 Bishopsgate	London		
17 Charterhouse Street, Farringdon	London		
Properties with value over £150 million up to £260 million		**2.95**	**0.00**
St Vincent Street[e]	Glasgow		

Financial highlights

Property by Market Sector and Value Band as at 30 June Portfolio of investments	Location	2022 %	2021 %
Properties with value over £90 million up to £150 million		**6.35**	**7.70**
Rose Court	London		
Southwark Bridge Road	London		
Dorland House, Westbourne Terrace[f]	London		
Properties with value over £50 million up to £90 million		**0.00**	**1.72**
Leisure (including hotels)		**26.00**	**26.96**
Properties with value over £260 million		**3.98**	**3.44**
North Wharf Gardens, Paddington	London		
Properties with value over £90 million up to £150 million		**4.13**	**4.25**
Premier Inn, Arrivals Road	Gatwick		
Premier Inn, Tothill Street	London		
Properties with value over £20 million up to £50 million[g]		**5.62**	**5.26**
Tennis Clubs Portfolio[h]	Various		
Travelodge Hotel, Povey Cross Road	Gatwick		
Premier Inn, 29-37 Red Lion Street	London		
Travelodge Hotel, 3 Harewood Row	London		
David Lloyd, Royal Berkshire	Bracknell		
Clayton Hotel, St. Mary's Street	Cardiff		
Properties with value up to £20 million[i]		**12.27**	**14.01**
Tennis Clubs Portfolio[h]	Various		
Health Clubs Portfolio[j]	Various		
14-18 Noel Street	London		
Travelodge Hotel, 3 Waterloo Place	Edinburgh		
104-108 Bolsover Street	London		
David Lloyd, United Way[k]	Colchester		
Asda, Hemel Hempstead	Hemel Hempstead		
Salisbury – Gala Bingo – Heritage[l]	Salisbury		
Other		**16.65**	**15.01**
Properties with value over £150 million up to £260 million		**3.36**	**3.54**
Stratford, Halo	London		
Properties with value over £90 million up to £150 million		**3.89**	**–**
Syngenta's International R&D Centre, Jealott's Hill[m]	Berkshire		
Peterborough 736 - Amazon, Kingston Park	Peterborough		

Financial highlights

Property by Market Sector and Value Band as at 30 June Portfolio of investments	Location	2022 %	2021 %
Properties with value over £50 million up to £90 million		**2.87**	**4.78**
Aberfeldy New Village	London		
Priory Group, Priory Lane	Roehampton		
Properties with value over £20 million up to £50 million		**5.90**	**6.37**
Priory Group, Stump Lane	Chelmsford		
Priory Group, The Bourne	North London		
Dunaskin Street	Glasgow		
Bridewell Street	Bristol		
Unite House, Frogmore Street	Bristol		
Priory Group, Health House Lane	Bristol		
Priory Group, Rappax Road	Altrincham		
Priory Group, Chobham Road	Woking		
Properties with value up to £20 million		**0.63**	**0.32**
Okeford House	Bournemouth		
Chesil House	Bournemouth		
Lyme Regis House[n]	Bournemouth		
Other investments		**10.87**	**11.23**
99.95% holding in The Swansea Unit Trust (unconsolidated)			
40% holding in The Tesco Jade Unit Trust (unconsolidated)			
40% holding in Jade (GP) Limited (unconsolidated)			
50% holding in The Car Auctions Unit Trust (unconsolidated)			
50% holding in The Hotel 42 Unit Trust (unconsolidated)			
Total portfolio valuation		**97.99**	**98.41**
Net other assets		**2.01**	**1.59**
Net assets attributable to Unitholders and non-controlling interests ('NCI')		**100.00**	**100.00**

[a] Sainsbury's, Dog Kennel Hill, Dulwich moved bands.

[b] Sainsbury's, William Hunter Way, Brentwood moved bands.

[c] Tesco Supermarket, Parc Troste, Llanelli was disposed of post the balance sheet date.

[d] Tesco Supermarket, Springlands Way, Sudbury moved bands.

[e] St Vincent Street, Glasgow moved bands.

[f] Dorland House, Westbourne Terrace, London moved bands.

[g] Hilton Hotel, Terminal 5, Heathrow was disposed of during the year.

[h] 46 (2021: 45) properties located in the United Kingdom ranging in value from £3,960,000 to £34,860,000.

[i] Bingo Halls Portfolio was disposed of during the year.

[j] 39 (2021: 39) properties located in the United Kingdom ranging in value from £1,120,000 to £8,400,000.

[k] David Lloyd, United Way, Colchester moved bands.

[l] Salisbury – Gala Bingo – Heritage was disposed of post the balance sheet date.

[m] Syngenta's International R&D Centre, Jealott's Hill, Berkshire moved bands.

[n] Lyme Regis House, Bournemouth moved bands.

Financial highlights

Portfolio transactions

Acquisitions Property Name	Location	£'000
Acquisitions		
Asda, Hemel Hempstead	Hemel Hempstead	
Peterborough 736 – Amazon, Kingston Park	Peterborough	
Total cost of acquisitions for the year		**130,616**
Total cost of acquisitions for the year as a percentage of NAV		**2.48%**
Development and refurbishment		
Development and refurbishment		
North Wharf Gardens, Paddington	London	
Total development and refurbishment costs for the year		**42,782**
Total development and refurbishment costs for the year as a percentage of NAV		**0.81%**

Disposals

Property Name	Location	£'000
Hilton Hotel, Terminal 5	Heathrow	
Bingo Halls Portfolio	Various	
Total for the year		**180,634**

Financial highlights

Fund performance

Long-term performance

	Year ended 30.06.22		3 years (p.a.)		Since inception (p.a.)	
	Capital	Total Return[a]	Capital	Total Return[a]	Capital[b]	Total Return[a,b]
	%	%	%	%	%	%
Institutional 'A' Units	7.20	11.01	3.03	6.92	1.69	5.97

[a] Returns are calculated based on the net asset value per unit and accrued income.

[b] Since launch on 1 August 2007.

Operating charges and transaction costs

We explain below the payments made to meet the ongoing costs of investing and managing the Fund, comprised of operating charges and portfolio transaction costs.

Operating charges

Operating charges include payments made to the Manager, its associates and independent service providers as follows:

- Manager's fee: Fee paid to M&G (Guernsey) Limited in its capacity as Manager of the Fund.
- Investment Advisory fee: Fee paid to M&G Investment Management Limited for investment advisory services.
- Administration fee: Fee paid to JTC Fund Solutions (Guernsey) Limited in its capacity as Administrator of the Fund.
- Trustee fee: Fee paid to Northern Trust (Guernsey) Limited in its capacity as Trustee of the Fund.
- Real Estate Asset Management fee: Fee paid to M&G Real Estate Limited in its capacity as Real Estate Asset Manager of the Fund.
- Other property expenses: Other costs associated with the management and operation of the property portfolio itself.

Financial highlights

Transaction costs

Portfolio transaction costs include the costs of acquiring or disposing, as the case may be, of all of the assets forming the Scheme Property, being agents' commissions, legal, fiscal and financial advisory fees and additionally in the case of acquisitions, surveyors' fees and taxes, including Stamp Duty Land Tax ('SDLT').

To protect existing investors, portfolio transaction costs incurred as a result of investors buying and selling Units in the Fund are recovered from those investors through a 'dilution adjustment' to the price they pay or receive. The following table shows direct portfolio transaction costs paid by the Fund before and after that part of the dilution adjustment relating to direct portfolio transaction costs.

Direct transaction costs

	2022[a] %	2021 %	2020 %
SDLT	1.59	0.00	4.36
Legal and survey fees	0.39	0.07	0.28
Agents' fees	0.31	0.00	0.03
Investment Advisor acquisition fee	0.18	0.00	0.28
Other	(0.08)	(0.02)	0.22
Direct transaction costs before dilution adjustment	2.39	0.05	5.17
Dilution adjustment in respect of direct transaction costs	(4.21)	(4.13)	(4.29)
Direct transaction costs	**(1.82)**	**(4.08)**	**0.88**

[a] Current year direct transaction costs based on absolute values.

The preceding table includes transaction costs incurred by subsidiaries and associates, as a percentage of the total purchase cost.

The impact of transaction costs related to the selling of property-related assets will be reduced by the dilution adjustment charged to redeeming investors where applicable.

Specific Unit class performance

The following table shows the performance of the Institutional 'A' Unit class based on the reported NAV. Page 35 shows a reconciliation to reported NAV, Fund NAV and the consolidated GAAP NAV.

Institutional 'A' Unit performance

The Unit class was launched on 1 August 2007.

Year ended 30 June Change in NAV per Unit	2022 £	2021 £	2020 £
Opening NAV per Unit	119.78	114.31	117.41
Return before operating charges and after direct transaction costs	9.43	6.30	(2.21)
Operating charges	(0.80)	(0.83)	(0.89)
Return after all charges and costs	8.63	5.47	(3.10)
Closing NAV per Unit	128.41	119.78	114.31
Direct transaction costs	**£**	**£**	**£**
Direct transaction costs per Unit	0.24	0.00	0.36
Performance and charges	**%**	**%**	**%**
Direct transaction costs	0.18	0.00	0.30
Operating charges	0.64	0.72	0.76
Return after all charges and costs	7.20	4.78	(2.64)
Distribution yield[a]	3.62	3.62	3.61

[a] In relation to Dealing NAV (NAV after taking into account any dilution adjustments).

Other information			
Closing reported NAV of the Fund (£'000)	5,208,327	4,773,538	4,427,392
Number of Units in issue	40,560,465	39,852,415	38,730,086
Highest dealing price per Unit (£)	133.890	124.727	123.918
Lowest dealing price per Unit (£)	125.575	118.826	119.218

Financial highlights

On 1 July 2022 and 2021, the Dealing Days immediately following the accounting reference dates, the Dealing Prices were as follows:

Dealing Price

	2022 £	2021 £
Institutional 'A' Units	133.584	124.727

Dealing Price history

	Calendar year	High £	Low £
Institutional 'A' Units	2019	123.368	121.263
	2020	123.918	118.826
	2021	130.223	120.947
	2022[a]	133.890	130.680

[a] To 30 June 2022.

Consolidated Financial Statements

Consolidated statement of total return

for the year ended 30 June	Note	2022 £'000	2022 £'000	2021 £'000	2021 £'000
Income					
Net capital gains on investments	5		361,242		193,321
Revenue	6	217,617		213,066	
Expenses	7	(31,621)		(31,806)	
Finance costs: Interest	9	(771)		(693)	
Net revenue			185,225		180,567
Total return before distributions			**546,467**		**373,888**
Finance costs: Distributions	9	(181,374)		(180,676)	
Change in net assets attributable to Unitholders and non-controlling interests from investment activities			**365,093**		**193,212**
Non-controlling interests		(24,774)		(719)	
Change in net assets attributable to Unitholders from investment activities			**340,319**		**193,931**

All items in the Consolidated statement of total return derive from continuing operations.

Consolidated statement of change in net assets attributable to Unitholders

for the year ended 30 June	2022 £'000	2022 £'000	2021 £'000	2021 £'000
Opening net assets attributable to Unitholders		**4,638,705**		**4,307,794**
Amounts received on issue of Units	263,612		273,864	
Amounts paid on cancellation of Units	(183,209)		(148,487)	
		80,403		125,377
Dilution adjustment		10,671		11,603
Change in net assets attributable to Unitholders from investment activities (see above)		340,319		193,931
Closing net assets attributable to Unitholders		**5,070,098**		**4,638,705**

Consolidated Financial Statements

Consolidated balance sheet

as at 30 June	Note	2022 £'000	2021 £'000
Fixed assets			
Investment property under construction	12	–	165,178
Investment property	12	4,574,562	4,014,959
Other investments	13	580,351	539,422
Net investment in finance leases	14	7,669	7,891
Lease inducement asset		5,373	5,641
		5,167,955	**4,733,091**
Current assets			
Lease inducement asset		268	268
Debtors	16	27,076	40,965
Cash and cash equivalents		177,701	146,356
		205,045	187,589
Total assets		**5,373,000**	**4,920,680**
Liabilities			
Creditors	18	61,060	50,272
Distributions payable	9	52,092	66,703
Total liabilities		**113,152**	**116,975**
Net assets attributable to Unitholders		**5,070,098**	**4,638,705**
Non-controlling interests		189,750	165,000
Net assets attributable to Unitholders and non-controlling interests		**5,259,848**	**4,803,705**
Reconciliation to Fund Balance Sheet			
Net assets attributable to Unitholders excluding non-controlling interests as per Fund Balance Sheet		5,208,296	4,773,530
Adjustment for estimated SDLT savings	1(d), 1(e)	(136,491)	(133,772)
Adjustment for capital expenses		31	8
Adjustment for fair value movement in finance lease		(1,738)	(1,061)
Net assets attributable to Unitholders excluding non-controlling interests in accordance with FRS 102		**5,070,098**	**4,638,705**

The Financial Statements on pages 34 to 70 were signed on behalf of the Board of Directors of M&G (Guernsey) Limited on 25 October 2022 by:

Peter Mills

Timothy Cumming
Directors of the Manager

Consolidated Financial Statements

Fund balance sheet

as at 30 June	Note	2022 £'000	2021 £'000
Assets			
Fixed assets			
Investments in subsidiaries	19	4,367,773	4,028,211
Other investments	13	580,351	539,422
Investment property	12	191,000	166,609
		5,139,124	**4,734,242**
Current assets			
Debtors	16	53,013	65,645
Cash and cash equivalents		75,144	43,848
		128,157	109,493
Total assets		**5,267,281**	**4,843,735**
Liabilities			
Creditors	18	9,818	8,495
Distributions payable		49,167	61,710
Total liabilities		**58,985**	**70,205**
Net assets attributable to Unitholders		**5,208,296**	**4,773,530**
Reconciliation to reported NAV			
Net assets attributable to Unitholders based on reported NAV		5,208,327	4,773,538
Adjustment for capital expenses		(31)	(8)
Net assets attributable to Unitholders		**5,208,296**	**4,773,530**

The Financial Statements on pages 34 to 70 were signed on behalf of the Board of Directors of M&G (Guernsey) Limited on 25 October 2022 by:

Peter Mills

Timothy Cumming
Directors of the Manager

Consolidated Financial Statements

Consolidated cash flow statement

for the year ended 30 June	Note	2022 £'000	2021 £'000
Net cash inflow from operating activities	10	183,474	141,072
Investing activities			
Distributions received		23,028	22,125
Interest received		4,206	5,444
Finance lease receipts		454	454
Purchase of investment property and investment property under construction		(173,398)	(136,824)
Investments in associates		(26)	(26)
Disposal of investments in joint ventures		911	892
Disposal of investment in subsidiary		70,752	–
Disposal of investment property		26,744	5,414
Disposal of unconsolidated subsidiaries		882	858
Net cash outflow from investing activities		**(46,447)**	**(101,663)**
Financing activities			
Amounts received on issue of Units		274,283	285,467
Amounts paid on cancellation of Units		(183,209)	(148,487)
Amounts received from banking facility		100,000	50,000
Amounts repaid on banking facility		(100,000)	(50,000)
Finance costs: Distributions paid		(190,266)	(153,148)
Finance costs: Distributions paid to NCI		(5,719)	(2,320)
Finance costs: Interest paid		(771)	(693)
Net cash outflow from financing activities		**(105,682)**	**(19,181)**
Net increase in cash		**31,345**	**20,228**
Opening cash		**146,356**	**126,128**
Closing cash at bank and on deposit		**177,701**	**146,356**

Notes to the Consolidated Financial Statements

1 Accounting policies

a) Basis of accounting and going concern

These Consolidated Financial Statements have been prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland, including all subsequent amendments and in accordance with the Statement of Recommended Practice 'Financial Statements of Authorised Funds', issued by the Investment Association, in May, 2014 (the 'IA SORP') and amended in June 2017.

These Consolidated Financial Statements have been prepared under the historical cost convention, as modified for the revaluation of investment property, investment property under construction, other investments and derivatives.

The Manager has made an assessment of the Fund's ability to continue as a going concern and is satisfied that the Fund has sufficient resources to continue its operation until at least 31 December 2023. This assessment considers the Fund's significant areas of possible financial risk including liquidity, the potential of non-collection of rent as a result of the associated variants of COVID-19, present market trends, rising inflation rate, investor intentions including known and estimated redemptions, ongoing operating expenses, funding commitments and key service providers' operational resilience. In arriving at its conclusion the Manager has specifically considered the areas as outlined below.

Ongoing operating expenses represent only 14.40% of annual contracted income. The Manager and Investment Advisor continue to closely monitor the impact of COVID-19 and its associated variants on the Fund's rental collection and the credit worthiness and operational earnings of all tenants. Post the balance sheet date rent collections have returned to 100%. The Investment Advisor also remains in regular discussions with the tenants to ensure rent recoverability and for the year ended June 2022 only some historic rent arrears remain from one tenant representing 0.54% of annual contracted income which is expected to be fully recovered by October 2022. Where there have been concerns around recovery these are considered for bad debt provisioning. The bad debt expense recognised for the year ended 2022 amounts to £1.2m (2021: £4.4m). The uncollectable amounts written off are in relation to part of the unpaid rent by the tenant of the Shiva Hotel near Heathrow airport. The Heathrow asset has been sold for a gross price of £27 million during the financial year.

On 24 February 2022 Russian armed forces invaded Ukraine, which had an immediate and negative impact on equity markets globally but most particularly in Russia and Ukraine. Subsequently, economic sanctions have been imposed on Russia, and both the conflict and the sanctions continue as at the date of these financial statements. The Fund does not have any investments in Russia or the Ukraine and has not been impacted as a result of the conflict and the sanctions.

As disclosed in note 22, the Fund has contractual development funding obligations totalling £81.4m, with completion expected in April 2024. The Fund currently has and will maintain sufficient liquid assets to meet these obligations.

At the date of issue of these Financial Statements the Fund has access to an undrawn revolving credit facility of £150m which expires in July 2026 and provides an efficient and flexible source of funding due to the margin of 1.65% and its ability to be drawn and repaid as often as required. The bank loan has relatively few covenants due to the low gearing nature of the facility; there is an LTV restriction of 30% but no interest cover covenants.

As at 30 September 2022 the undrawn investor queue was nil. The Fund has paid redemptions for the year ended 30 June 2022 totalling £183m and, post year end, a further £173.7m. Owing to recent UK Government bond yield volatility, there has been an unexpected increase in redemption requests for the 1 November 2022 Dealing Day. Redeeming investors are generally citing a need to raise liquidity or to rebalance their portfolios. The Manager has exercised its power to defer Redemption Requests received for the 1 November 2022 Dealing Day under the Fund's amended and restated trust instrument dated 2 September 2020. The deferral provisions allow the Manager to defer redemptions by up to six successive monthly Dealing Days with a minimum of 10% being met on each subsequent monthly Dealing Day to allow the Fund time to dispose of appropriate assets. The Manager and Investment Advisor have established a sales programme to raise capital to meet the Redemption Requests.

Whilst it is not possible to determine future investor redemptions with a high degree of certainty, the Manager has informed investors that any redemption requests received for a subsequent Dealing Day will be correspondingly deferred for a period of up to six successive Dealing Days. Deferral of redemptions will continue to be monitored by the Manager and the Investment Advisor on a monthly basis.

Despite recent redemption requests, the Fund remains well positioned to meet its investment objective with a high quality portfolio of assets and tenants, it continues to benefit from long-term, inflation-linked cashflows and there is no gearing, vacancy or development exposure.

As a result, the Manager has concluded that the use of the going concern basis is appropriate in preparing these Financial Statements.

b) Functional and presentational currency

The Consolidated Financial Statements are presented in Pounds Sterling (£), which is the Fund's functional and presentational currency.

c) Basis of consolidation

The Consolidated Financial Statements of the Group incorporate the financial statements of the Fund and its consolidated subsidiaries drawn up to 30 June 2022. Under FRS 102, Section 9 Consolidated and Separate Financial Statements, control is presumed when a parent owns more than half of the voting power of an entity.

Where subsidiaries hold investment property the IA SORP states that the Fund is required to consolidate such entities. Where a subsidiary holds investments that do not meet the definition of investment property, the entity is not consolidated and is held at fair value as it is held as a part of an investment portfolio.

The results of investment property holding subsidiaries acquired are consolidated from the date on which control passes. Acquisitions are accounted for under the acquisition method.

The results of investment property holding subsidiaries sold during the year are deconsolidated from the date on which control passes.

Non-controlling interests in the net assets of the consolidated subsidiaries are distinguished from the Group's net assets attributable to Unitholders therein and are classified as liabilities. Non-controlling interests consist of the amounts of those interests at the date of the original acquisition and the non-controlling interest's share of changes in net assets since the date of acquisition.

All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

d) Investments in unconsolidated subsidiaries

Investments in unconsolidated subsidiaries are initially recognised at cost.

Investments in unconsolidated subsidiaries are held as part of an investment portfolio and are subsequently measured at fair value, which is based on the net asset value of the relevant unconsolidated subsidiary as at the period end date. As unconsolidated subsidiaries are SDLT exempt entities, the valuation of the investment may include an uplift element which reflects the SDLT saving that would be achieved by disposing of the subsidiary rather than the property. These are included within 'other investments'.

e) Investments in associates and joint ventures

Investments in associates and joint ventures are initially recognised at cost. Investments in associates and joint ventures are held as part of an investment portfolio and are measured at fair value through the profit or loss. This is on

Notes to the Consolidated Financial Statements

the basis that their value to the Fund is through their marketable value, rather than as a medium through which the Fund carries out its business. Distributions are recognised on an accruals basis in the period to which they relate. Where the associate or joint venture is a SDLT exempt entity, the valuation of the investment may include an uplift element which reflects a SDLT saving that would be achieved by disposing of the Fund's interest in the associate or joint venture rather than the property. These are included within 'other investments'.

f) Investment properties and investment properties under construction

Property assets consist of investment property and, in the case of sites in the course of development, investment property under construction. Initially property assets are recognised at cost, including SDLT and other transaction costs, and reduced for amounts received from the vendor, associated with the purchase of the property asset. Acquisitions and disposals are accounted for on exchange of contracts or thereafter when all conditions have been met.

Property assets are subsequently measured at fair value and are valued by an independent valuer at fair value as defined in the Appraisal and Valuation Standards manual issued by the Royal Institution of Chartered Surveyors of the United Kingdom.

g) Investment in finance leases

Where leases transfer the significant risks and rewards of owning the asset to the tenant, the lease is accounted for as a finance lease in accordance with Section 20 of FRS 102. At lease commencement the fair value of the asset is de-recognised from asset under construction and a finance lease receivable recognised, at the fair value of the asset plus any initial direct costs.

Finance lease income is recognised over the period of the lease at a constant rate of return, using known amounts to be received at lease inception. The difference between the gross receivable and the present value of the receivable is recognised as finance income within Income over the lease term. Additional amounts received in future years which are not known at lease inception, such as those arising from inflation-linked rent reviews, are treated as additional income in the period which it relates to.

The finance leases are reviewed for impairment at the end of each reporting period. An assessment is made against the fair value of the asset and it is established whether any difference arising between the net investment in finance leases and fair value is a temporary or permanent difference. Differences that are deemed to be permanent in nature are recognised as impairment losses in the Statement of total return.

h) Lease incentives

The Fund may agree to pay incentive fees to the lessee in connection with the lease contracts for the properties held by the Fund. These fees are capitalised and amortised over the lease term. Lease incentives are recognised as a reduction of rental income on a straight-line basis over the lease term.

i) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and demand deposits with an original maturity of three months or less and other short term, highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

j) Bank loans and interest

Bank loans are recognised initially at fair value, net of transaction costs incurred and subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Consolidated statement of total return over the period of the loan using the effective interest method. Interest expense is recognised within 'Finance costs: Interest' in the Consolidated statement of total return using the effective interest method.

Notes to the Consolidated Financial Statements

k) Unitholders' funds

In accordance with Section 22 of FRS 102 and the IA SORP 2014 paragraph 2.80, Fund Units are classified as equity instruments only when they meet all three of the following conditions: 1) The Fund is a stand-alone fund or is the sub-fund of an umbrella; 2) the Fund has only a single class of Units; and 3) the Fund is not obliged to distribute by way of cash (where, for example, only accumulation Units are in issue) any part of the total return to Unitholders. Since the third condition is not met, the Fund Units are classified as financial liabilities. Distributions on these Units are recognised in the Consolidated statement of total return as 'Finance costs: Distributions'.

l) Net capital gains and losses

Realised and unrealised gains or losses on disposal and revaluations of property assets and other investments are treated as movements on capital account and classified as 'Net capital gains or losses on investments' in the Consolidated statement of total return.

m) Recognition of income

All income is accounted for on an accruals basis net of VAT.

Rental income and contingent rents, being those that are not fixed at the inception of the lease, are recorded as income in the period in which earned. Changes arising from rent reviews are reflected as income, based on estimates, when it is reasonable to assume they will be received.

Where a lease has known periodic fixed future rental uplifts, this additional rental income is recognised over the life of the lease and is shown as accrued rental income at the period end.

Interest receivable is accounted for on an effective interest rate basis.

Distributions receivable from investments are recognised on an accruals basis and accounted for in the Consolidated statement of total return.

If it is expected that revenue receivable at the balance sheet date will not be received, a provision is recognised for the amount that is considered irrecoverable.

In doing so, each tenant is assessed individually with the aim of forming a conclusion on their financial profile and ability to meet obligations. This is done by considering the most recent available information such as verbal conversations, media reports and any other readily available financial data.

n) Expenses

For accounting purposes, all expenses (other than those relating to the purchase and sale of investments and SDLT) are charged against income for the period on an accruals basis.

Transaction costs associated with failed investment property acquisitions and disposals are charged as expenses to the Consolidated statement of total return in the period the transaction is aborted.

o) Loan facility fees

The direct issue costs of raising finance are amortised over the life of the loan facility.

p) Finance costs: Distributions

Distributions treated as finance costs are calculated in accordance with note 2 and recognised gross of any applicable withholding tax within the period to which they relate.

Notes to the Consolidated Financial Statements

2 Distribution policy

Income (which is defined as the income and other receipts and accruals of the Fund of an income nature) attributable to Unitholders belongs beneficially to the Unitholders and does not form part of the Scheme Property, in accordance with the Fund's status as a Baker Trust. Any Income distributed to Unitholders shall be after the deduction of Revenue Expenses (defined as permitted expenses pursuant to the accounting policies of the Fund) and any withholdings to be made by the Manager, Trustee, or any of their agents. It is the Fund's policy therefore to distribute all net income. Undistributed income includes the accrued rental income on the long term tenant leases as at 30 June 2022 which is not currently due in cash from the tenants. This is carried as accrued rental income at the balance sheet date.

Income is not included in the calculation of the subscription and redemption prices of Units.

Income attributable to Unitholders, becomes available for distribution on the accounting reference date being the last day of each calendar quarter, and is allocated to those Investors who held Units at any time during that calendar quarter. This entitlement to a share of the net income of the Fund is calculated by reference to the Investor's holding of Units and its tenure in the Fund for the period, and is paid within 30 business days following the end of the relevant calendar quarter.

The amount available for distribution is calculated in accordance with the policy as set out above.

Any net proceeds received as a result of returns of capital, such as through disposals of investment property or finance lease receipts, can be distributed at the discretion of the Manager. Capital distributions become available for distribution when declared and are allocated to Investors who hold Units at that time. The total amount paid for capital distributions in a period shows as a movement through the Consolidated statement of total return.

The Manager is not obliged to make distributions if it would render the Fund insolvent, or if the distribution may leave the Fund unable to meet any future obligations and liabilities.

Under the terms of the Information Memorandum, upon the occurrence of a Market Wide Non-Payment Event (defined as an event agreed by the Manager and the Trustee as having given rise to market conditions which cause a significant proportion of the Income accruing in respect of the Scheme Property to not be received in a timely manner, due to extraordinary circumstances affecting the markets in which the Fund invests) and until the subsequent Normalisation Date (the date at which the Manager and the Trustee agree that the Market-Wide Non-Payment Event has ceased to have a material impact on the timely receipt of Income), any Income received in a Distribution Period, which accrued in an earlier Distribution Period, but was not received in such earlier period due to the Market-Wide Non-Payment Event, shall on its receipt by the Trustee be distributed to the Unitholders appearing in the Register at the time that it was accrued. The Manager and the Trustee declared a Market-Wide Non-Payment Event on 6 October 2020 due to the impact of COVID-19 on rental income receipts. On 19 August 2021 and 31 May 2022 the Fund made ad hoc distributions to Unitholders representing rental income originally withheld but subsequently recovered from the Fund's tenants. The distributions totalled £4,332,553 and £11,615,465 respectively, and were allocated to Unitholders as per the period the income arose under the terms of the Market Wide Non-Payment Event (included in the distribution for the Quarters ended 30 September 2021 and 30 June 2022 in note 9 respectively).

Notes to the Consolidated Financial Statements

3 Risk management policies

The Fund's overall investment objective is to deliver a secure long-term income stream with inflation-linked or fixed uplifts through investment primarily in UK real estate. The Group's activities expose it to various types of risk, particularly those associated with the property market. In addition, the Group holds cash and liquid resources as well as having debtors and creditors that arise directly from its operations.

The main risks arising from the Group's portfolio of financial instruments and investment property are liquidity risk, market price risk, credit risk, interest rate risk and development risk.

The Manager and Investment Advisor monitor and seek to manage these risks by using appropriate reporting mechanisms which identify risk activities and allow the Group to control or avoid risks identified.

The Manager operates a risk management framework containing five key steps:

1. Risk Identification: new risks are identified and escalated to the Manager's Risk Director and included in the quarterly reporting cycle to the Board of Directors of the Manager. Significant new risks may be escalated immediately by the Manager's Risk Director to the Board in exceptional circumstances.
2. Risk Assessment: risks are assessed against a Group-wide risk assessment scale and ratings are reviewed on a quarterly basis. Themed stress testing is carried out and the results are reported by the Manager's Risk Director to the Board of Directors of the Manager.
3. Risk Mitigation: a risk mitigation strategy for a new risk or a new mitigation for an existing risk is approved by the Board of Directors of the Manager following a recommendation from the Manager's Risk Director. Such mitigation strategy could be the addition of a new control, the amendment of an existing control, the avoidance of the risk by the cessation of the activity or the transfer of the risk by insuring or outsourcing the activity.
4. Risk Monitoring: all risks are reviewed by the Manager's Risk Director on a quarterly or more frequent basis, as required.
5. Risk Reporting: all risks are formally reviewed by the Board of Directors of the Manager on a quarterly basis.

a) Liquidity risk and capital management

Liquidity risk is the risk that the Fund may encounter in attempting to realise assets or otherwise raise funds to meet financial commitments as and when they fall due.

The Fund's liquidity can be affected by unexpected or high levels of Unit redemptions. In addition to investor commitments, the Manager reserves the right to defer accepted redemption requests for a period of up to six successive Dealing Days as defined in the Information Memorandum. At the end of this period, a minimum of 10% of the Units comprising each accepted redemption request will be redeemed on each successive Dealing Day until settlement has been made in full.

The Manager may borrow for the account of the Fund including for the purpose of meeting redemption requests and to meet timing differences in connection with the acquisition and disposal of investments. Cash is held to meet the Fund's short term liabilities. The Fund has a revolving credit facility with The Royal Bank of Scotland International Ltd, as described in note 17.

The Group has long-term commitments to the developers under agreements and in relation to the Fund's investment in subsidiaries, as detailed in note 22. Meeting these requirements are managed in accordance with the capital structure.

Notes to the Consolidated Financial Statements

The Manager considers that the Fund's capital consists of its net assets attributable to Unitholders together with the Fund's borrowing facilities and its capital queue. The Manager manages the Fund's capital to enable the Fund to continue as a going concern and meet its liabilities as they fall due and to minimise the cost of borrowing within the constraint of meeting liabilities as they fall due. When funding new developments or acquiring new assets the Manager assesses whether it is in the best interests of Unitholders as a whole to utilise existing borrowing facilities, negotiate new facilities or draw down from the capital queue. The Manager also considers whether it is in the best interests of Unitholders to use existing liquid assets or different sources of capital to meet redemption requests or to defer such redemptions.

The Fund is not subject to any regulatory capital requirements.

b) Market price risk

Market price risk is primarily the risk that the Fund is exposed directly, and indirectly through investments in subsidiaries, to adverse real estate valuation movements. Real estate values of the Fund can be affected by a number of factors that are beyond the control of the Manager. These include, but are not limited to, changes to global or local economic conditions, local market conditions, the financial conditions of tenants, changes in interest rates, real estate tax rates and other operational expenses, environmental laws and regulations, planning laws and other governmental legislation, energy prices and the relative attractiveness of real estate types or locations. In addition, real estate is subject to long-term cyclical trends that give rise to significant volatility in values.

The risk is mitigated through strategic asset allocation, stock selection and asset management.

The value of investment properties, investment properties under construction and finance leases held directly or indirectly in unconsolidated subsidiaries, associates and joint ventures are determined by the Independent Valuer, CBRE, and is therefore subjective. The Independent Valuer has acquired significant experience in the real estate sectors targeted by the Fund.

No assurance can be given that any given real estate asset could be sold at a price equal to the fair value ascribed to it. Valuation methodologies applied are outlined in note 4.

c) Credit risk

Credit risk is the risk that an issuer or counterparty in respect of rental income receivable, finance lease receivables, distributions receivable, development loans receivable and cash balances, will be unable or unwilling to meet a commitment that it has entered into with the Group. During the development phase, the credit risk exposure comes from the developer but on completion will shift to the tenant. In respect of the property portfolio, in the event of default by an occupational tenant, the Group will suffer an income shortfall and incur additional cost including legal expenses, maintaining, insuring and re-letting the property. This risk is reduced by investing in a diversified portfolio of properties. Additionally, the income from any one tenant or tenants within the same group must not exceed 35% of the aggregate income in relation to the property investments in any accounting period unless that tenant is the UK Government or guaranteed by the UK Government.

The Fund has policies in place to ensure that contracts are entered into only with lessees and developers with an appropriate credit history and that an appropriate balance exists between tenant credit quality and the underlying real estate fundamentals where appropriate, whilst achieving income growth by investing in assets with leases or other contracts that incorporate regular rent reviews providing inflation-linked or fixed uplifts.

The COVID-19 pandemic has been an unprecedented event and continues to bring uncertainties. The Manager and Investment Advisor continue to closely monitor the ongoing operational risks that are posed to the Fund and its service providers. The Manager and Investment Advisor have noted that generally rent cover metrics are improving and rent collection has returned to 100% over the period. Where rent cover remains vulnerable due to the lingering effect of the Covid variants the Manager and Investment Advisor are exploring alternative exit strategies.

Notes to the Consolidated Financial Statements

Credit risk arises from cash and cash equivalents held at banks. The Manager structures the levels of credit risk acceptable to the Fund by placing limits on exposure to a single counterparty, or groups of counterparties, and to geographical and industry segments. Such risks are subject to frequent reviews. Cash is placed on deposit with reputable financial institutions. The Manager has policies that limit the amount of credit exposure to any financial institution. The Group holds cash and cash equivalents for operational use with HSBC UK Bank plc and RBS International, each with Moody's ratings of A1 and Baa1 respectively (2021: A1 and Baa1 respectively).

Limits on the level of credit risk by category and territory are approved by the Manager. The utilisation of credit limits is regularly monitored.

d) Interest rate risk

The Fund is subject to interest rate risk in respect of cash deposits, as well as any interest paid on overdrafts and bank loans held. Interest is earned and accrued based on bank base rates. Since the objective of the Fund is to deliver returns over the long term, transactions with the sole objective of realising short term returns are generally not undertaken. Finance leases, earning a fixed rate of interest, expose the Fund to market risk from adverse movements in rates.

e) Development risks

The development or redevelopment of properties carries a number of risks. During the development phase the risk partly lies with the developer not being able to deliver the property as agreed. Other risks associated with development or redevelopment include the risk that delays in the construction timetable result in real estate not reaching a stage where it is reasonably fit for occupancy and the risk of bad craftsmanship by contractors. Furthermore, should the project costs exceed budgeted costs, the Fund would incur additional monitoring and progress costs. Similarly, there may be planning risks arising from difficulties in obtaining planning consents and licences which delay the construction timetable. Development risks are substantially mitigated by provisions including lease pre-commitments, fixed price development contracts, guarantees from appropriate capitalised parties and contracted sunset dates.

These risk management policies have been consistently applied since the beginning of the financial year.

4 Critical accounting estimates and judgements

The preparation of consolidated financial statements in conformity with FRS 102 and the IA SORP requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, revenues and expenses. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or the liabilities reflected in future periods.

In the process of applying the Fund's accounting policies, management has made various judgements. These judgements are considered to be in line with standard market practice and where relevant have been disclosed in the associated accounting policies. The key estimates concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Notes to the Consolidated Financial Statements

Trade receivables
Trade receivables are recognised at fair value and subsequently held at amortised cost, less any provision for impairment in respect of trade receivables.

Rents and service charges are often billed quarterly in advance, which results, initially, in deferred income being recognised in the balance sheet. In the prior year, significant uncertainty over the collectability of trade receivables persisted as a result of the pandemic restrictions. Rent collection improved drastically during the year ended 30 June 2022, easing the pressure on the collectability of trade receivables. While this is the case, the Manager considers that it is more appropriate to only recognise deferred income to the extent it estimates that it is likely to materialise. This also applies to the corresponding trade receivables.

At the end of each reporting period, the Manager assesses whether there is objective evidence following a loss event that revenue receivable at the financial reporting date will not be received. If objective evidence is present then a provision is made for the relevant amount in the Consolidated statement of total return.

Objective evidence includes observable data that has come to the attention of the Manager about the following loss event:

a) significant financial difficulty of the issuer or tenant;

b) a breach of contract, such as a default or delinquency in interest or principal payments;

c) the Manager, for economic or legal reasons relating to the debtor's financial difficulty, granting to the debtor a concession that the Fund would not otherwise consider;

d) it has become probable that the debtor will enter bankruptcy or other financial reorganisation; and

e) observable data indicating that there has been a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, even though the decrease cannot yet be identified with the individual financial assets in the group, such as adverse national or local economic conditions or adverse changes in industry conditions.

Other factors to be considered include significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the tenant operates.

For rent deferrals and non-payment, each tenant has been assessed individually with the aim of forming a conclusion on their financial profile and ability to meet obligations. This is done by considering the most recent available information such as verbal conversations, media reports and any other readily available financial data.

It must be noted that an exercise of this nature is highly judgemental in arriving at a decision on whether or not to provide for receivables. Of the total bad debts expense of £1,237,000 (2021: £4,428,000) charged to the Consolidated statement of total return, £1,237,000 (2021: £995,000) relates to unpaid rent by the tenant of the Shiva Hotel near Heathrow airport for the year ended 30 June 2022. The Heathrow asset has been disposed of for a gross price of £27 million during the financial year.

Fair value of investment properties, investment properties under construction and finance leases
Investment properties and investment properties under construction (note 12) are stated at fair value. Finance leases held in unconsolidated subsidiaries are uplifted to fair value through a NAV adjustment of the investment (note 13). For directly held finance leases (note 14), at lease commencement a finance lease receivable is recognised at the fair value of the asset. Finance leases are stated at amortised cost and the fair value of the Real Estate asset is used as key input into the Fund's impairment assessment.

Notes to the Consolidated Financial Statements

All fair values have been determined based on valuations performed by CBRE in their capacity as accredited independent valuers, as at 30 June 2022. CBRE has acquired significant expertise in valuing these types of investment properties, investment properties under construction and finance leases. The Independent Valuer derives the fair value by applying the methodology and valuation guidelines as set out in the practice statements of the current Royal Institution of Chartered Surveyors' 'Appraisal and Valuation Manual' and the requirements of 'FRS 102'. The assets were valued in their entirety by the Independent Valuer as at 30 June 2022.

Fair value is estimated through application of valuation methods and procedures that reflect the nature of the property and the circumstances under which the given property would most likely trade in the market. The most common method used to estimate fair value of investment properties is the sales comparison approach. The income capitalisation approach, including discounted cash flow (DCF) analysis, is then used to support and confirm the conclusions drawn from the sales comparison approach. The Independent Valuer has regard for not only the vacant possession value of the sites but also the trading performance of the operational assets. The most common method used to estimate the fair value of investment properties under construction is the residual value method. For finance leases, as there is no residual value a greater reliance is placed on the cash flows.

The determined fair value of the investment properties and investment properties under construction is most sensitive to the estimated yield as well as the long term vacancy rate.

a) Sales/Direct Comparison Approach

The comparative approach considers the sales of similar or substitute properties and related market data, and establishes a value estimate by processes involving comparison. In general, a property being valued (a subject property) is compared with sales of similar properties that have been transacted in the market. Listings and offerings may also be considered.

This approach establishes limits on the fair value for real property by examining the prices commonly paid for properties that compete with the subject property for buyers. Sales are investigated to ensure that the parties to the transaction were typically motivated.

b) Income Capitalisation Approach

The income capitalisation approach considers income and expense data relating to the property being valued and estimates value through a capitalisation process. Capitalisation relates income (usually a net income figure) and a defined value type by converting an income amount into a value estimate. This process may consider direct relationships (known as capitalisation rates), yield or discount rates (reflecting measures of return on investment), or both.

The income capitalisation approach is particularly important for properties that are purchased and sold on the basis of their earnings capabilities and characteristics and in situations where there is market evidence to support the various elements incorporated into the analysis. The income capitalisation approach is based on the same principles that apply to other valuation approaches. In particular, it perceives value as created by the expectation of future benefits (income streams). Income capitalisation employs processes that consider the present value of anticipated future income benefits.

Notes to the Consolidated Financial Statements

c) Discounted Cash Flow (DCF) Analysis

DCF analysis is a financial modelling technique based on explicit assumptions regarding the prospective cash flow to a property or business. As an accepted methodology within the income approach to valuation, DCF analysis involves the projection of a series of periodic cash flows either to an operating property, a development property, or a business. To this projected cash flow series, an appropriate, market-derived discount rate is applied to establish an indication of the present value of the income stream associated with the property or business. In the case of operating real properties, periodic cash flow is typically estimated as gross income less vacancy and collection losses and less operating expenses/outgoings.

The series of periodic net operating incomes, along with an estimate of the reversion/terminal value, anticipated at the end of the projection period, is then discounted. The most widely used applications of DCF analysis are the Internal Rate of Return (IRR) and Net Present Value (NPV).

As with all other components of DCF analysis, the discount rate should also reflect market data, i.e., other market derived discount rates. Discount rates should be selected from comparable properties or businesses in the market. In order for these properties to be comparable, the revenue, expenses, risk, inflation, real rates of return, and income projections for the properties must be similar to those of the subject property. Present value calculations of cash flows are most often calculated using appropriate discount rates for each class of cash flows. A reversion/terminal value is capitalised at a terminal capitalisation rate, or reversion yield, and discounted to present value at an appropriate discount rate. In many instances, a single discount rate is used for all cash flows.

d) Residual value method

For the investment properties under construction, fair value has been determined using the residual value method. As part of this process the valuation specialist initially assesses the gross development value of the respective property based on the Estimated Rental Value ('ERV') that they assume for each asset upon completion and an equivalent yield that would be appropriate for the subject property. Various costs such as the estimates of capital outlay, construction costs and developer's profit then have to be deducted in order to arrive at the value of the property which is accurately reflecting its current construction status. In determining such costs the contractual commitments are taken into account.

The valuations of investment properties, investment properties under construction and finance leases are based upon estimates and subjective judgements that may vary from the actual values and sales prices that may be realised by the Group upon disposal.

Fair value of investments in unconsolidated subsidiaries, associates and joint ventures

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

For investments in unconsolidated subsidiaries, associates and joint ventures where there is no active market, fair value is determined based on the latest available net asset value of the unquoted investment as reported by the Administrator or Manager of the relevant investment.

As subsidiaries and associates are SDLT exempt entities, the valuation of the investment may include an uplift element which reflects the SDLT saving that would be achieved by disposing of the subsidiary or associate rather than the property. The uplift applied follows the Manager's policy on SDLT adjustments.

Notes to the Consolidated Financial Statements

5 Net capital gains on investments

	2022 £'000	2021 £'000
Realised gain / (loss) on sale of investment property	4,449	(5,682)
Realised loss on investment property on sale of subsidiary	(87,564)	–
Unrealised gains on investment properties	398,242	156,944
Unrealised gain on investment property under construction	3,419	6,485
Unrealised gain on investments in associates	36,296	32,205
Unrealised (losses) / gains on unconsolidated subsidiaries	(3,090)	1,570
Unrealised gain on investments in joint ventures	9,490	1,799
Net capital gains on investments	**361,242**	**193,321**

6 Revenue

	2022 £'000	2021 £'000
Distributions from associates and unconsolidated subsidiaries	22,604	22,373
Interest on finance lease	234	240
Interest income	4,206	5,444
Other income	634	584
Rental income	190,206	184,692
Amortisation of lease inducement asset	(267)	(267)
Total revenue	**217,617**	**213,066**

Notes to the Consolidated Financial Statements

7 Expenses

	2022 £'000	2021 £'000
Payable to the Manager or Associates of the Manager		
Manager's fee	579	534
Investment Advisory fee	25,201	22,660
Real Estate Asset Management fee	286	357
	26,066	**23,551**
Payable to the Trustee or Associates of the Trustee		
Trustee fee	256	249
Other expenses		
Administration fee	1,088	906
Auditor's fee	278	371
Bad debts expense	1,237	4,428
Independent Valuer fee	432	371
Legal and professional fees	200	425
Listing fees	69	66
Loan facility set up costs	117	116
Service charges and other expenses	1,832	1,277
Taxation exemption fees (see note 8)	46	46
	5,299	8,006
Total expenses	**31,621**	**31,806**

a) Manager's fee

The Manager receives a fee of £125,000 per annum, which accrues daily and is payable quarterly in arrears, and a fee of 0.01% of the Net Asset Value of the underlying subsidiaries.

b) Investment Advisory fee

The Investment Advisor receives a fee of 0.5% of Net Asset Value (NAV) per annum accrued monthly and payable quarterly. NAV is defined as the aggregate value of the assets of the Fund, excluding any and all net income whether accrued or received, but including any liabilities, calculated in accordance with the trust instrument.

The Investment Advisor also receives an acquisition fee of 0.25% of the acquisition price of the real estate asset payable from the capital of the Fund, provided that the aggregate of the acquisition fee and any sourcing fees payable to agents does not exceed 1% of the acquisition price of the asset. This acquisition fee amounted to £700,500 (2021: £nil).

c) Real Estate Asset Management fee

The Real Estate Asset Manager receives an annual fee of £1,500 per material tenancy, calculated and paid quarterly in arrears. The fee is subject to indexation.

Notes to the Consolidated Financial Statements

d) Trustee fee

The Trustee receives a fee, calculated and paid quarterly in arrears, at the following rates (subject to a minimum fee of £10,000 per annum) and £5,000 per sub-trust:

Band	Fee
On the first £250 million of the NAV	0.015% pa
On the NAV of between £250 million and £500 million	0.0125% pa
On the NAV of between £500 million and £1 billion	0.01% pa
On the NAV over £1 billion	0.0075% pa

This variable fee is not applicable to the Fund's assets where the Trustee already acts as trustee to the underlying asset. Included in the acquisition costs of the properties is an amount of £4,000 (2021: £nil) paid to the Trustee.

The Trustee is also entitled to a setup fee of £1,500 for each new sub-trust and a fixed fee of £2,500 per transaction.

e) Administration fee

The Administrator receives a fee, calculated and paid quarterly in arrears, at the following rates (subject to a minimum fee of £150,000 per annum):

Band Effective 1 April 2021	Fee
On the first £250 million of the NAV	0.0325% pa
On the NAV of between £250 million and £500 million	0.025% pa
On the NAV of between £500 million and £750 million	0.015% pa
On the NAV of between £750 million and £1 billion	0.013% pa
On the NAV of between £1 billion and £2 billion	0.011% pa
On the NAV over £2 billion	0.01% pa

Band to 31 March 2021	Fee
On the first £250 million of the NAV	0.0325% pa
On the NAV of between £250 million and £500 million	0.025% pa
On the NAV of between £500 million and £750 million	0.015% pa
On the NAV of between £750 million and £1 billion	0.013% pa
On the NAV of between £1 billion and £2 billion	0.011% pa
On the NAV of between £2 billion and £3 billion	0.0075% pa
On the NAV over £3 billion	0.007% pa

This variable fee is not applicable to the Group's assets where the Administrator already acts as the administrator to the underlying assets.

The Administrator also receives a setup fee of £5,000 for each new sub-trust, and an additional administration fee of £9,750 p.a. effective 1 April 2021 (to 31 March 2021: £8,000) per sub-trust.

Notes to the Consolidated Financial Statements

f) Legal and professional fees

Out of the £200,000 (2021: £425,000), £nil (2021: £161,690) of the legal and professional fees relates to the change in trustee in the current year.

g) Bad debts*

Tenant	Unit Trust	Bad Debt Expense %	Bad Debt Expense Amount
For the year ended 30 June 2022			
Shiva[a]	Heathrow Unit Trust	100%	1,237,061
For the year ended 30 June 2021			
Shiva[a]	Heathrow Unit Trust	90%	995,343

* The above table is for COVID-19 related bad debts, and the remaining bad debts balance are the bad debts incurred in the normal course of the business.

a This tenant has not paid rent since the moratorium on eviction was actioned in April 2020 by H M Government. The tenant has made no attempt to negotiate a repayment plan or re-open the hotel leading us to assume a low probability of recovery and potentially an asset work-out scenario as the tenant has significant debt finance. As a result, on 1 April 2022, the Shiva Hotel asset near Heathrow airport was sold for a gross price of £27 million and all the outstanding rent was written off as bad debts.

8 Taxation

The Fund principally invests in subsidiary unit trusts established under the laws of Guernsey ('sub-trusts'). The Fund and its sub-trusts are exempt from Guernsey taxation under The Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989. The Fund and its sub-trusts have applied for exempt status for the periods covered by these Financial Statements and will each be liable for a fixed fee of £1,200 (2021: £1,200) per annum.

The Manager has made an 'exemption election' for the Fund under the NRCGT legislation. This means that, provided certain conditions are continuously met, the Fund shall not be subject to UK tax on gains derived from sales of property (or other such chargeable events). Tax is instead levied on Unitholders in the Fund depending on their own tax status and linked to liquidity events at the Unitholder level.

Notes to the Consolidated Financial Statements

9 Finance costs: Distributions and other finance costs

The following distributions were made or became payable during the year:

	2022 £'000	2021 £'000
Quarterly distributions		
Quarter ended 30 September	45,805	45,226
Quarter ended 31 December	47,156	44,927
Quarter ended 31 March	42,590	44,873
Quarter ended 30 June[a]	45,823	45,650
Total quarterly distributions	**181,374**	**180,676**
Finance costs: Distributions	**181,374**	**180,676**
Interest on secured borrowing	189	71
Non-utilisation fee	582	622
Finance costs: Interest	**771**	**693**
Total finance costs	**182,145**	**181,369**
Net revenue per statement of total return	185,225	180,567
Capital (income)/expenses excluded from net income for income distribution purposes	(42)	109
Lease smoothing excluded from net income for income distribution purposes	(4,477)	–
Other expenses excluded from net income for income distribution purposes	668	–
Finance costs: Distributions	**181,374**	**180,676**
Comprising:		
Distributions to Unitholders	175,662	175,174
Distributions to non-controlling interests	5,712	5,502

[a] Distribution paid on 3 August 2022. Total distributions payable at year end amounts to £52,092,001 (2021: £66,703,342). On 19 August 2021 and 31 May 2022 the Fund made ad hoc distributions to Unitholders as disclosed in note 2.

Notes to the Consolidated Financial Statements

10 Cash flow

	2022 £'000	2021 £'000
Reconciliation of total return before distributions to net cash flow from operating activities		
Total return before distributions	546,467	373,888
Distribution income	(22,604)	(22,373)
Interest income	(4,206)	(5,444)
Interest on finance lease	(234)	(240)
Net capital gains on investments	(361,242)	(193,321)
Amortisation of Lease inducement asset	267	267
Finance costs: Interest	771	693
Movement in debtors	13,466	(13,468)
Movement in creditors	10,789	1,070
Net cash inflow from operating activities	**183,474**	**141,072**

Reconciliation of net debt	At 1 July 2021 £'000	Cash flows £'000	Other non cash charges £'000	At 30 June 2022 £'000
Net debt	(4,724,052)	136,256	(546,443)	(5,134,239)

Net debt comprises of cash, distributions payable and net assets attributable to Unitholders and NCI.

11 Units in issue

The following table shows the movement in Units in issue during the year.

Unit class:	Opening 1 July 2021	Movement Issued	Movement Cancelled	Closing 30 June 2022
Institutional 'A' Units	39,852,415	2,110,579	(1,402,529)	40,560,465

Notes to the Consolidated Financial Statements

12 Investment property and investment property under construction

	Investment property £'000	Investment property under construction £'000	Total £'000
Carrying amount as at 30 June 2021	4,014,959	165,178	4,180,137
Purchases of investment property and cost adjustments	131,054	–	131,054
Development costs	–	42,788	42,788
Disposal of investment property	(22,370)	–	(22,370)
Disposal of investment on sale of subsidiary	(158,264)	–	(158,264)
Adjustment to cost	(438)	(6)	(444)
Movement in unrealised gain on revaluation during the period	398,242	3,419	401,661
Reclassification for completed investment property during the period	211,379	(211,379)	–
Carrying amount at 30 June 2022	4,574,562	–	4,574,562
Fair value as at 30 June 2022	**4,574,562**	**–**	**4,574,562**

	Investment property £'000	Investment property under construction £'000	Total £'000
Carrying amount as at 30 June 2020	3,616,383	274,597	3,890,980
Purchases of investment property and cost adjustments	–	–	–
Development costs	–	136,972	136,972
Disposal of investment property	(11,096)	–	(11,096)
Adjustment to cost	(148)	–	(148)
Movement in unrealised gain on revaluation during the period	156,944	6,485	163,429
Reclassification for completed investment property during the period	252,876	(252,876)	–
Carrying amount at 30 June 2021	4,014,959	165,178	4,180,137
Fair value as at 30 June 2021	**4,014,959**	**165,178**	**4,180,137**

The Group's investment property assets were valued by the Independent Valuer, being a member of the Royal Institution of Chartered Surveyors, on 30 June 2022, at £4,383,562,000 (2021: £3,848,349,000). This excludes the directly held properties disclosed below. The valuations have been prepared in accordance with the RICS Valuation – Global Standards 2020 and the UK national supplement 2018 ('the Red Book').

Included in investment property are properties held directly by the Fund with a Fair Value as at 30 June 2022, of £191,000,000 (2021: £166,610,000). These properties were valued by the Independent Valuer, as of 30 June 2022.

Investment property also includes the values of the properties held by each sub-trust, as detailed in Note 19.

The Group's investment property under construction assets were valued by the Independent Valuer, as of 30 June 2022, at £nil (2021: £165,178,000).

Notes to the Consolidated Financial Statements

The valuation has been primarily derived using comparable recent market transactions on arm's length terms. The valuation was also determined using cash flow projections based on estimates of current and future cash flows, supported by the terms of any existing lease and other contracts and by external evidence such as current market rents for similar properties in the same location and condition, and using capitalisation rates that reflect current market conditions.

The future rental rates were estimated depending on the actual location, type and quality of the property, and by taking into account market data and projections at the valuation date. In addition to the condition and repair of buildings and sites, certain assumptions were also made as to the tenure, letting, and local town planning in order to derive the valuation.

The below sensitivities illustrate the impact of changes in a key unobservable input (in isolation) on the fair value of the Group's property investments, analysed by sector in accordance with the Portfolio Statement:

Impact on valuation of 0.25% change in yield	Increase 2022 £'000	Decrease 2022 £'000
Retail	(65,915)	74,015
Office	(71,650)	82,400
Leisure (including hotels)	(107,285)	103,355
Other	(45,085)	51,325

Impact on valuation of 0.25% change in yield	Increase 2021 £'000	Decrease 2021 £'000
Retail	(56,720)	63,210
Office	(71,590)	81,980
Leisure (including hotels)	(86,728)	96,122
Other	(35,165)	39,785

Future minimum rentals receivable under non-cancellable operating leases within investment property are as follows:

	2022 £'000	2021 £'000
Not later than one year	193,739	185,702
Later than one year and not later than five years	782,625	747,658
Later than five years	5,221,684	5,329,915
Total	**6,198,048**	**6,263,275**

Given the nature of the Fund, there are various leases in place that have a variety of contractual terms, including those that permit contingent rent, renewal/purchase options and escalation clauses and the option of sub-letting.

Notes to the Consolidated Financial Statements

13 Other investments

	Investments in associates £'000	Investments in joint ventures £'000	Investments in unconsolidated subsidiaries £'000	Total £'000
Valuation as at 30 June 2021	331,633	120,724	87,065	539,422
Purchases of investments	26	–	–	26
Disposal of investments	–	(911)	(882)	(1,793)
Movement in unrealised gain on revaluation during the period	36,296	9,490	(3,090)	42,696
Valuation at 30 June 2022	367,955	129,303	83,093	580,351
Fair value as at 30 June 2022	**367,955**	**129,303**	**83,093**	**580,351**

	Investments in associates £'000	Investments in joint ventures £'000	Investments in unconsolidated subsidiaries £'000	Total £'000
Valuation as at 30 June 2020	299,402	119,817	86,353	505,572
Purchases of investments	26	–	–	26
Disposal of investments	–	(892)	(858)	(1,750)
Movement in unrealised gain on revaluation during the period	32,205	1,799	1,570	35,574
Valuation at 30 June 2021	331,633	120,724	87,065	539,422
Fair value as at 30 June 2021	**331,633**	**120,724**	**87,065**	**539,422**

The cost and unrealised gain on revaluation split of the other investments is as follows:

	2022 Cost £'000	Unrealised gains on revaluation £'000	2022 Total £'000
The Car Auctions Unit Trust	137,461	109,234	246,695
The Hotel 42 Unit Trust	124,365	4,938	129,303
The Swansea Unit Trust	28,879	54,214	83,093
The Tesco Jade Unit Trust	96,590	24,597	121,187
Tesco Jade (GP) Limited	32	41	73
	387,327	**193,024**	**580,351**

Notes to the Consolidated Financial Statements

	2021 Cost £'000	Unrealised gains/(losses) on revaluation £'000	2021 Total £'000
The Car Auctions Unit Trust	137,461	80,096	217,557
The Hotel 42 Unit Trust	125,276	(4,552)	120,724
The Swansea Unit Trust	29,761	57,304	87,065
The Tesco Jade Unit Trust	96,564	17,447	114,011
Tesco Jade (GP) Limited	32	33	65
	389,094	**150,328**	**539,422**

The investments in associates relate to a 40% holding in The Tesco Jade Unit Trust and Tesco Jade (GP) Limited, and a 50% holding in The Car Auctions Unit Trust.

The investment in joint ventures relates to a 50% holding in The Hotel 42 Unit Trust.

Investments in unconsolidated subsidiaries relate to a 99.91% holding in The Swansea Unit Trust. This subsidiary holds finance lease assets which do not meet the criteria of investment property and so are not consolidated.

14 Net investment in finance leases

As at 30 June	2022 £'000	2021 £'000
Amounts receivable under finance leases:		
Within one year	454	514
In the second to fifth year inclusive	1,816	1,816
After five years	8,380	8,834
	10,650	11,164
Less: unearned finance: Income	(3,039)	(3,273)
Present value of minimum lease payments receivable	7,611	7,891
Interest received in advance	58	–
Net investment in finance lease	7,669	7,891

The Aberfeldy Unit Trust entered into a lease in the 2016 financial year for the completed property with a third party tenant. The term of the finance lease is from 11 March 2016 (with the rent commencement date on 31 March 2016), and expires on 31 December 2045. The initial annual rent was £453,932. The principal rent is paid quarterly in advance and is increased from each rent review date in accordance with the lease agreement (using a formula for an RPI adjustment). The 1st rent review date was on 1 September 2016 with each rent review being on each anniversary of that date thereafter.

The fair value of the finance lease receivable at 31 March 2016, being inception of the lease, was £9,000,000.

The term of finance lease entered into is 30 years.

Unguaranteed residual values of assets held under finance leases at the balance sheet date are estimated at £nil (2021: £nil) due to the £1 buy back option given to the tenant as per the head lease agreement.

The interest rate inherent in the leases is fixed at the contract date for all of the lease term. The implied interest rate contracted approximates 3.01% (2021: 3.01%) per annum. Contingent rents are recognised within income.

Notes to the Consolidated Financial Statements

15 Portfolio transaction costs

	2022 £'000	2021 £'000
a) Acquisitions and Capital Additions		
Acquisitions excluding transaction costs	165,703	136,761
Agents' fees	999	–
Investment Advisory acquisition fee	701	–
Legal fees	141	124
Other costs	(317)	(26)
Stamp Duty Land Tax	6,190	–
Survey fees	(12)	(35)
Trustee's fees	(7)	–
Total transaction costs	7,695	63
Total acquisitions including transaction costs	**173,398**	**136,824**
b) Disposals		
Disposals excluding transaction costs	182,213	11,210
Agents' fees	200	76
Legal fees	1,379	38
Total transaction costs	1,579	114
Total disposals net of transaction costs	**180,634**	**11,096**

16 Debtors

Group As at 30 June	2022 £'000	2021 £'000
Distributions receivable	4,253	4,677
VAT receivable	–	8,920
Other debtors and prepayments	22,823	27,368
Total	**27,076**	**40,965**

Fund As at 30 June	2022 £'000	2021 £'000
Distributions receivable	50,915	62,491
Other debtors and prepayments	2,098	3,154
Total	**53,013**	**65,645**

Notes to the Consolidated Financial Statements

17 Bank loans

During the financial year the Fund had a £100,000,000 (2021: £100,000,000) revolving credit facility with The Royal Bank of Scotland International Limited, as per the amended and restated agreement dated 18 October 2018. £100,000,000 (2021: £50,000,000) was drawn down on 20 December 2021 (2021: 7 May 2021) and subsequently repaid on 7 January 2022 and 7 February 2022 (2021: 7 June 2021). As at 30 June 2022, £nil (2021: £nil) of the facility was outstanding. Up to 15 October 2021, for the portion that is used during the year, interest is charged on the daily balance at LIBOR, plus 1.60% (2021: 1.60%), per annum. From 15 October 2021 onwards, interest is charged on the daily balance at SONIA, plus 1.60% per annum. On the remaining unused portion of the facility, interest is charged at 0.65% (2021: 0.65%) per annum. Subsequent to the financial year end on 28 July 2022 the Fund renewed and extended its Debt Facility to £150,000,000. Refer to note 23 for events occurring after the balance sheet date. This loan is repayable on expiry of the facility, being 28 July 2026.

18 Creditors

Group **As at 30 June**	**2022** **£'000**	**2021** **£'000**
Deferred rental income	45,052	40,969
Investment Advisor fees	6,610	5,928
VAT payable	6,530	–
Other creditors and accruals	2,868	3,375
Total	**61,060**	**50,272**

Fund **As at 30 June**	**2022** **£'000**	**2021** **£'000**
Investment Advisor fees	6,529	5,836
Other creditors and accruals	3,289	2,659
Total	**9,818**	**8,495**

Notes to the Consolidated Financial Statements

19 Investments in consolidated subsidiaries

The Fund held the following investments in subsidiaries:

	2022 Total £'000	2021 Total £'000
The 250 Bishopsgate Unit Trust	344,419	316,459
The 4M Supermarket Unit Trust	159,064	155,735
The Aberfeldy Unit Trust	79,321	80,202
The Ashford Unit Trust	69,415	62,200
The Bedford Unit Trust	77,786	73,665
The Bingo Unit Trust	–	76,270
The Bournemouth Unit Trust	32,938	35,167
The Brentwood Unit Trust	97,541	89,184
The Bridewell Unit Trust	47,117	41,675
The Cardiff Unit Trust	72,489	71,701
The Charterhouse Unit Trust	329,818	339,916
The Crown Unit Trust	140,975	134,036
The Dorland House Unit Trust	98,790	85,709
The Dulwich Unit Trust	95,967	84,933
The Dunaskin Unit Trust	44,826	40,251
The Gatwick Unit Trust	110,195	106,601
The Gatwick 2 Unit Trust	37,103	35,584
The Glasgow Unit Trust	165,953	149,680
The Health Clubs Unit Trust	142,578	127,962
The Heathrow Unit Trust	697	23,552
The Huddersfield Unit Trust	64,801	58,594
The Jealott's Hill Unit Trust	99,821	85,742
The Llanelli Unit Trust	64,391	59,304
The North Wharf Gardens Unit Trust	225,357	173,691
The P6 Unit Trust	251,299	247,742
The Peterborough Unit Trust	117,617	–
The Rose Unit Trust	116,719	114,924
The Royston Unit Trust	74,139	68,686
The Sevenoaks Unit Trust	106,339	95,066
The Sheldon Unit Trust	63,355	61,256
The Stratford Unit Trust	185,714	178,413
The Student Accommodation Unit Trust	49,336	38,490

Notes to the Consolidated Financial Statements

	2022 Total £'000	2021 Total £'000
The Sudbury Unit Trust	49,949	44,754
The Tennis Unit Trust	392,266	341,757
The Truro Unit Trust	57,759	53,281
The Wandsworth Unit Trust	134,620	121,106
The Westminster Unit Trust	121,466	110,859
The Wigan Unit Trust	45,833	44,064
Total	**4,367,773**	**4,028,211**

The cost and unrealised gain/(loss) on revaluation of the investments in subsidiaries is as follows:

	2022 Cost £'000	Unrealised gain/(loss) on revaluation £'000	2022 Total £'000
The 250 Bishopsgate Unit Trust	248,529	95,890	344,419
The 4M Supermarket Unit Trust	149,732	9,332	159,064
The Aberfeldy Unit Trust	44,029	35,292	79,321
The Ashford Unit Trust	44,839	24,576	69,415
The Bedford Unit Trust	62,407	15,379	77,786
The Bournemouth Unit Trust	40,500	(7,562)	32,938
The Brentwood Unit Trust	81,415	16,126	97,541
The Bridewell Unit Trust	33,680	13,437	47,117
The Cardiff Unit Trust	69,111	3,378	72,489
The Charterhouse Unit Trust	266,139	63,679	329,818
The Crown Unit Trust	126,172	14,803	140,975
The Dorland House Unit Trust	58,868	39,922	98,790
The Dulwich Unit Trust	71,389	24,578	95,967
The Dunaskin Unit Trust	32,811	12,015	44,826
The Gatwick Unit Trust	82,647	27,548	110,195
The Gatwick 2 Unit Trust	36,646	457	37,103
The Glasgow Unit Trust	104,615	61,338	165,953
The Health Clubs Unit Trust	97,650	44,928	142,578
The Heathrow Unit Trust	–	697	697
The Huddersfield Unit Trust	54,204	10,597	64,801
The Jealott's Hill Unit Trust	78,311	21,510	99,821
The Llanelli Unit Trust	49,149	15,242	64,391
The North Wharf Gardens Unit Trust	212,398	12,959	225,357

Notes to the Consolidated Financial Statements

	2022 Cost £'000	Unrealised gain/(loss) on revaluation £'000	2022 Total £'000
The P6 Unit Trust	233,018	18,281	251,299
The Peterborough Unit Trust	116,820	797	117,617
The Rose Unit Trust	101,725	14,994	116,719
The Royston Unit Trust	58,783	15,356	74,139
The Sevenoaks Unit Trust	76,403	29,936	106,339
The Sheldon Unit Trust	52,399	10,956	63,355
The Stratford Unit Trust	114,207	71,507	185,714
The Student Accommodation Unit Trust	22,463	26,873	49,336
The Sudbury Unit Trust	32,299	17,650	49,949
The Tennis Unit Trust	265,516	126,750	392,266
The Truro Unit Trust	51,791	5,968	57,759
The Wandsworth Unit Trust	82,778	51,842	134,620
The Westminster Unit Trust	108,522	12,944	121,466
The Wigan Unit Trust	41,030	4,803	45,833
Total	**3,402,995**	**964,778**	**4,367,773**

The financial statements of the Group consolidate the results, assets and liabilities of the subsidiary undertakings listed below:

	Country of establishment	Class of shares	% of Class held	Principal activity
The 250 Bishopsgate Unit Trust	Guernsey	Units	99.99%	Property investment
The 4M Supermarket Unit Trust	Guernsey	Units	99.99%	Property investment
The Aberfeldy Unit Trust	Guernsey	Units	99.96%	Property investment
The Ashford Unit Trust	Guernsey	Units	99.93%	Property investment
The Bedford Unit Trust	Guernsey	Units	99.95%	Property investment
The Bournemouth Unit Trust	Guernsey	Units	99.95%	Property investment
The Brentwood Unit Trust	Guernsey	Units	99.98%	Property investment
The Bridewell Unit Trust	Guernsey	Units	99.94%	Property investment
The Cardiff Unit Trust	Guernsey	Units	99.96%	Property investment
The Charterhouse Unit Trust	Guernsey	Units	99.98%	Property investment
The Crown Unit Trust	Guernsey	Units	99.98%	Property investment
The Dorland House Unit Trust	Guernsey	Units	99.91%	Property investment
The Dulwich House Unit Trust	Guernsey	Units	99.97%	Property investment
The Dunaskin Unit Trust	Guernsey	Units	99.94%	Property investment

Notes to the Consolidated Financial Statements

	Country of establishment	Class of shares	% of Class held	Principal activity
The Gatwick Unit Trust	Guernsey	Units	99.96%	Property investment
The Gatwick 2 Unit Trust	Guernsey	Units	99.92%	Property investment
The Glasgow Unit Trust	Guernsey	Units	99.97%	Property investment
The Health Clubs Unit Trust	Guernsey	Units	99.98%	Property investment
The Heathrow Unit Trust	Guernsey	Units	99.87%	Property investment
The Huddersfield Unit Trust	Guernsey	Units	99.94%	Property investment
The Jealott's Hill Unit Trust	Guernsey	Units	99.97%	Property investment
The Llanelli Unit Trust	Guernsey	Units	99.94%	Property investment
The North Wharf Gardens Unit Trust	Guernsey	Units	99.99%	Property investment
The P6 Unit Trust	Guernsey	Units	99.99%	Property investment
The Peterborough Unit Trust	Guernsey	Units	99.98%	Property investment
The Rose Unit Trust	Guernsey	Units	99.98%	Property investment
The Royston Unit Trust	Guernsey	Units	99.95%	Property investment
The Sevenoaks Unit Trust	Guernsey	Units	99.96%	Property investment
The Sheldon Unit Trust	Guernsey	Units	99.94%	Property investment
The Stratford Unit Trust	Guernsey	Units	99.98%	Property investment
The Student Accommodation Unit Trust	Guernsey	Units	99.87%	Property investment
The Sudbury Unit Trust	Guernsey	Units	99.91%	Property investment
The Tennis Unit Trust	Guernsey	Units	66.67%	Property investment
The Truro Unit Trust	Guernsey	Units	99.94%	Property investment
The Wandsworth Unit Trust	Guernsey	Units	99.96%	Property investment
The Westminster Unit Trust	Guernsey	Units	99.98%	Property investment
The Wigan Unit Trust	Guernsey	Units	99.93%	Property investment

20 Financial instruments and fair value of investment properties

The policies applied in the management of financial instruments are set out in note 3.

Currency exposure

There was no significant currency exposure within the Group at the balance sheet date (2021: same).

Liquidity

The Fund's liquidity position is monitored by the Manager and the Investment Advisor.

A summary table with maturity of financial assets and liabilities presented below is used by the Manager to manage liquidity risks and is derived from managerial reports at individual Trust level. The amounts disclosed in the below tables are the contractual undiscounted cash flows. Undiscounted cash flows in respect of balances due within 12 months generally equal their carrying amounts in the Consolidated balance sheet as the impact of discounting is not significant.

Refer to note 22 for investor and capital commitments.

Notes to the Consolidated Financial Statements

The maturity analysis of financial assets/liabilities at 30 June 2022 is as follows:

	On demand and less than 1 year £'000	From 1 to 5 years £'000	Later than 5 years £'000	Total £'000
Assets				
Cash and cash equivalents	177,701	–	–	177,701
Other debtors	22,765	–	–	22,765
Distributions receivable	4,253	–	–	4,253
Investments in unconsolidated entities	–	–	580,351	580,351
Finance lease receivables	454	1,816	8,380	10,650
Liabilities				
Other creditors	9,478	–	–	9,478
Distributions payable	52,092	–	–	52,092
Net assets attributable to Unitholders*	5,208,327	–	–	5,208,327
Non-controlling interests	189,750	–	–	189,750

The maturity analysis of financial assets/liabilities at 30 June 2021 is as follows:

	On demand and less than 1 year £'000	From 1 to 5 years £'000	Later than 5 years £'000	Total £'000
Assets				
Cash and cash equivalents	146,356	–	–	146,356
Other debtors	27,312	–	–	27,312
Distributions receivable	4,677	–	–	4,677
Investments in unconsolidated entities	–	–	539,422	539,422
Finance lease receivables	514	1,816	8,834	11,164
Liabilities				
Other creditors	9,303	–	–	9,303
Distributions payable	66,703	–	–	66,703
Net assets attributable to Unitholders*	4,773,538	–	–	4,773,538
Non-controlling interests	165,000	–	–	165,000

* Based on reported NAV.

Interest rate profile

The significant interest-bearing financial instruments of the Group are bank loans (nil balance but available facility as per note 17), on which interest is calculated at a variable rate. The majority of the Group's assets comprise properties which neither pay interest nor have a maturity date.

Notes to the Consolidated Financial Statements

The interest rate profile of the Group and Fund at 30 June 2022 was:

Group	Amount £'000	Weighted average interest rate %	Maturity
Bank loans	–	SONIA + 1.60%*	18.10.22**

Fund	Amount £'000	Weighted average interest rate %	Maturity
Bank loans	–	SONIA + 1.60%*	18.10.22**

* For the period 1 July 2021 to 14 October 2021, LIBOR + 1.60% (see note 17).

** Subsequent to the financial year end on 28 July 2022 the Fund renewed and extended its Debt Facility with an expiry date of 28 July 2026 (see note 23).

The interest rate profile of the Group and Fund's, assets and liabilities at 30 June 2021 was:

Group	Amount £'000	Weighted average interest rate %	Maturity
Bank loans	–	LIBOR + 1.60%	18.10.22

Fund	Amount £'000	Weighted average interest rate %	Maturity
Bank loans	–	LIBOR + 1.60%	18.10.22

Fair values

Financial instruments and investment properties carried at fair value are classified using the following hierarchy that reflects the significance of the inputs used in measuring their fair value:

Level 1: Fair value based on an unadjusted quoted price in an active market for identical instruments and will generally include equities, some highly liquid bonds and exchange traded derivatives.

Level 2: Fair value based on a valuation technique using observable market data and will generally include evaluated pricing techniques using inputs such as quoted prices for similar instruments, interest rates, yield curves or credit spreads.

Level 3: Fair value based on a valuation technique that relies significantly on non-observable market data and will include values not primarily derived from observable market data.

The determination of what constitutes 'observable' requires significant judgement by the Group. The Group considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

Notes to the Consolidated Financial Statements

The following table provides fair value analysed by the level of the defined fair value hierarchy for investment property and investment property under construction as at 30 June 2022:

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investment property	–	–	4,574,562	4,574,562
Investment property under construction	–	–	–	–

Fair value analysed by level at 30 June 2021:

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investment property	–	–	4,014,959	4,014,959
Investment property under construction	–	–	165,178	165,178

The following table provides fair value analysed by the level of the defined fair value hierarchy for financial instruments carried at fair value at 30 June 2022:

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investments in associates and joint venture	–	–	497,258	497,258
Investments in unconsolidated subsidiaries	–	–	83,093	83,093
Net assets attributable to Unitholders	–	(5,070,098)	–	(5,070,098)

Fair value analysed by level at 30 June 2021:

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investments in associates and joint venture	–	–	452,357	452,357
Investments in unconsolidated subsidiaries	–	–	87,065	87,065
Net assets attributable to Unitholders	–	(4,638,705)	–	(4,638,705)

There is no material difference between the carrying values and fair values of the financial instruments disclosed in the balance sheet (2021: same) and no transfers were made within the fair value hierarchy during the year.

Notes to the Consolidated Financial Statements

Credit risk

The Group's maximum exposure to credit risk by class of financial asset is as follows:

	2022 £'000	2021 £'000
Trade receivables, net of provision for impairment where applicable		
Other debtors	22,765	27,312
Distributions receivable	4,253	4,677
Total debtors, net of impairment	27,076	40,965
Cash and cash equivalents	177,701	146,356

21 Related parties

The ultimate parent company of the Manager, a company incorporated in Guernsey, is M&G plc, which is incorporated in England and Wales and listed on the London Stock Exchange.

Northern Trust (Guernsey) Limited (the 'Trustee'), a company incorporated in Guernsey, is a wholly-owned subsidiary of Northern Trust Corporation, headquartered in Chicago, Illinois. The Fund has no ultimate controlling party. Refer to note 7 for further information on related party transactions in the year, note 18 for amounts payable at year end and note 13 for investments in associates and unconsolidated subsidiaries.

As at the date of this report, two (2021: one) Directors of the Manager held Units in the Fund, Mr Francis held 4,654.220 (2021: 4,654.220) and Mr Baxter held 2,321.206 (2021: nil) Units at 30 June 2022.

Total fees paid to the Manager for the year ended 30 June 2022 were £579,000 (2021: £534,000) of which £148,000 (2021: £136,000) remains payable at year end.

Distributions to related parties are as follows:

	Prudential Assurance Company Limited (subsidiary of M&G plc) £'000
Distributions paid for 2022 period	3
Distribution payable at 30 June 2022	1
Distributions paid for 2021 period	3
Distribution payable at 30 June 2021	1

Notes to the Consolidated Financial Statements

22 Capital commitments

The Fund has entered into a number of subscription agreements with its subsidiaries to fund future capital commitments incurred through development funding or forward commitment agreements as detailed below, which are authorised and contracted for, but for which no provision has been made in the Fund's Consolidated Financial Statements.

As at 30 June 2022	Outstanding commitments	Original commitments
The Crown Unit Trust*	£81,419,263	£81,419,263
Total	**£81,419,263**	**£81,419,263**

* Subject to planning approval.

As at 30 June 2021	Outstanding commitments	Original commitments
The North Wharf Gardens Unit Trust	£46,641,404	£126,824,206
The Crown Unit Trust*	£81,419,263	£81,419,263
Total	**£128,060,667**	**£208,243,469**

* Subject to planning approval.

The Fund's holding of cash together with commitments from investors is sufficient to cover the full cost of all amounts contracted for and falling due within twelve months of 30 June 2022 amounting to c. £nil (2021: c. £128m).

The maturity analysis of the capital commitments at 30 June 2022 is as follows:

Outstanding commitments, falling due:

As at 30 June 2022	On demand and less than 1 year	From 1 to 5 years	More than 5 years	Total
The Crown Unit Trust*	–	£81,419,263	–	£81,419,263
Total	**–**	**£81,419,263**	**–**	**£81,419,263**

* Subject to planning approval.

As at 30 June 2021	On demand and less than 1 year	From 1 to 5 years	More than 5 years	Total
The North Wharf Gardens Unit Trust	£46,641,404	–	–	£46,641,404
The Crown Unit Trust*	–	£81,419,263	–	£81,419,263
Total	**£46,641,404**	**£81,419,263**	**–**	**£128,060,667**

* Subject to planning approval.

Notes to the Consolidated Financial Statements

23 Events occurring after the balance sheet date

The Fund has issued Units to the value of £87,945,000 and redeemed Units to the value of £173,764,592 since the year end bringing the investor capital queue to nil.

There were redemption payments to Unitholders of £27,446,712 on 12 July 2022, £76,282,285 on 10 August 2022, £29,906,235 on 12 September 2022 and £40,129,360 on 12 October 2022.

The Fund has subscribed for additional Units to the values listed below in the following sub-trust.

Unit trust	Value of Units issued
The Health Clubs Unit Trust	£477,855

On 28 July 2022 the Fund renewed and extended its Debt Facility. The facility limit was increased to £150m with a margin of 1.65% above SONIA and an undrawn commitment fee of 0.65%. The loan has a number of ESG KPI's and qualifies for 'Green Loan' status.

On 1 August 2022 the Manager elected to change the dilution adjustment from NAV per Unit +0.403% to NAV per Unit -1.21% to reflect the change from net creation of Units to net cancellation.

On 2 August 2022 the sale of the former Buzz bingo club in Salisbury completed with proceeds of £1,175,000.

On 13 September 2022 the sale of the Tesco Store located in Llanelli completed with proceeds of £66,790,000.

On 19 October 2022 the Manager notified investors of its decision to defer redemption requests for the 1 November Dealing Day under the Fund's amended and restated trust instrument dated 2 September 2020 for a period of up to six successive monthly Dealing Days.

24 Distribution table

Accounting reference date	Payment dates	Distribution paid /payable[a] 2022 £
Institutional 'A' Units		
30 September	01.11.21	1.148
31 December	01.02.22	1.180
31 March	03.05.22	1.041
30 June	03.08.22	1.130

Accounting reference date	Payment dates	Distribution paid /payable[a] 2021 £
Institutional 'A' Units		
30 September	02.11.20	1.164
31 December	01.02.21	1.155
31 March	04.05.21	1.148
30 June	02.08.21	1.145

[a] As the Fund is a Baker Trust, there is no income tax, tax credit or equalisation applicable to the distributions. Refer to Distribution Policy note 2 and note 8 on Taxation.

Trustee's responsibilities and report

Trustee's responsibilities

Statement of the Trustee's responsibilities in respect of the Consolidated Financial Statements of the Fund

It is the duty of the Trustee to enquire into the conduct of the Manager in the management of the Fund in each accounting period and report thereon to the Unitholders.

The Trustee is also responsible for safeguarding the assets of the Fund.

Trustee's report

Report of the Trustee to the Unitholders of The M&G Secured Property Income Fund for the financial year ended 30 June 2022

We hereby state that in our opinion the Manager has managed the Fund for the year ended 30 June 2022 in accordance with the provisions of (i) the Scheme's Principal Documents (ii) Information Memorandum and (iii) The Authorised Collective Investment Schemes (Class B) Rules and Guidance, 2021 made under The Protection of Investors (Bailiwick of Guernsey) Law, 2020.

Northern Trust (Guernsey) Limited
25 October 2022

Independent Auditor's report

Independent Auditor's report to the Unitholders of The M&G Secured Property Income Fund

Opinion

We have audited the Consolidated Financial Statements of The M&G Secured Property Income Fund (the "Fund"), together with its subsidiaries ("the Group") (the "Consolidated Financial Statements") for the year ended 30 June 2022 which comprise the Consolidated statement of total return, Consolidated statement of change in net assets attributable to Unitholders, Consolidated balance sheet, Fund balance sheet, Consolidated cash flow statement, and the related notes 1 to 24, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

In our opinion the Consolidated Financial Statements:

- give a true and fair view of the state of the Group's affairs as at 30 June 2022 and of its total return for the year then ended; and
- have been properly prepared in accordance with United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements, including the UK FRC's Ethical Standard as applied to listed entities and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Manager's use of the going concern basis of accounting in the preparation of the Consolidated Financial Statements is appropriate. Our evaluation of the Manager's assessment of the Group's ability to continue to adopt the going concern basis of accounting included:

- Making enquiries of the Trustee and Manager to determine the appropriateness of the going concern basis of accounting;
- Obtaining an understanding of and evaluating the appropriateness of the Manager's assessment of the Fund's ability to continue as a going concern;
- Obtaining the cash flow forecasts prepared by the Manager and testing the arithmetical accuracy of the models;
- Challenging the appropriateness of management's forecasts by assessing historical forecasting accuracy, verifying key inputs and challenging management's consideration of the most likely 'base case' and alternative 'worse case' scenarios; and
- Evaluating the disclosures made in the Consolidated Financial Statements regarding going concern to ascertain that they are in accordance with United Kingdom Accounting Standards.

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 Group's ability to continue as a going concern for a period up to 31 December 2023.

Our responsibilities and the responsibilities of the Manager with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Independent Auditor's report

Overview of our audit approach

Key audit matters	• Fair value of investment properties including those in the course of development
	• Fair value of other investments including investments in unconsolidated subsidiaries, associates and joint ventures
	• Revenue recognition (rental income and distribution income)
Materiality	Overall materiality of £52.6 million which represents 1% of the Fund's Net assets attributable to Unitholders ("NAV") as at 30 June 2022.

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Group. This enables us to form an opinion on the Consolidated Financial Statements. We take into account size, risk profile, the organisation of the Group and effectiveness of controls, including controls and changes in the business environment when assessing the level of work to be performed. The Group consists of the consolidated entities as explained in note 19 to the Consolidated Financial Statements.

Climate change

There has been increasing interest from stakeholders as to how climate change will impact the Fund. The Fund has determined that the most significant future impacts from climate change on its operations will be from 2050. These are explained on pages 11 to 26 in the required Task Force for Climate related Financial Disclosures, which form part of the "Other information," rather than the audited financial statements. Our procedures on these disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated.

As explained on page 11, governmental and societal responses to climate change risks are still developing, and are interdependent upon each other, and consequently financial statements cannot capture all possible future outcomes as these are not yet known. The degree of certainty of these changes may also mean that they cannot be taken into account when determining asset and liability valuations and the timing of future cash flows under the requirements of FRS 102.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Consolidated Financial Statements of the current year and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the Consolidated Financial Statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's report

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Fair value of investment properties, including those in the course of development, may be misstated due to application of inappropriate methodologies or inputs to the valuations and/or inappropriate judgements. (£4.57bn, 2021: £4.18bn) *Refer to accounting policies, Note 4 and Note 12 of the Consolidated Financial Statements.* The fair value may be materially misstated due to incorrect or inappropriate methodologies or inputs, judgements and assumptions being used to derive them. There is also a risk that management could override controls to manipulate estimates and present higher valuations.	We performed the following procedures: • Obtained an understanding of the process and controls surrounding property valuation by performing our walkthrough procedures and evaluating the implementation and design effectiveness of controls; • We engaged EY real estate valuation specialists to assess the methodology used and market-related inputs applied by management's Independent Valuer in determining the property values by corroborating to external sources and available market data on a sample basis; • We assessed the qualifications, experience, independence and scope of work performed by management's Independent Valuer by: checking both their professional membership credentials and Recognised Valuer status; ensuring that appropriate confirmations were included in their valuation report in respect of their independence; and reviewing the scope of work confirmed in their valuation report to ensure the valuation basis is appropriate for financial reporting purposes; • We performed analytical procedures over the movements in the valuation of investment properties, including those in the course of development, across the portfolio, focusing on correlations with movements in market data for similar assets and investigated any significant deviations; • With respect to key objective inputs to the valuation, comprising rental income and lease expiry dates, we agreed the inputs to lease agreements or rent review schedules on a sample basis; • We selected a representative sample of investment properties and engaged EY real estate valuation specialists to assess the subjective assumptions used by corroborating to available market data, including comparable asset disposals, where applicable, and whether the reported value fell within a range of reasonable outcomes; and • We obtained the fair values determined by management's Independent Valuer and agreed the total to the portfolio value reported as investment property or investment property under construction in the consolidated financial statements.	Based on our procedures performed over the risk of misstatement in the fair value of investment properties, including those in the course of development, and the related financial statement disclosures, we identified no matters that we wanted to bring to the attention of the Audit Committee.

Independent Auditor’s report

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Investments in unconsolidated subsidiaries, associates and joint ventures are not fairly valued (£580m, 2021: £539m) *Refer to accounting policies, Note 4 and Note 13 of the Consolidated Financial Statements.* The valuation of the other investments, comprising investments in unconsolidated subsidiaries, joint ventures and associates are based on their adjusted reported net asset values which depend primarily on the fair values of the underlying properties held and may be materially misstated.	With respect to other investments, which are held at fair value in accordance with United Kingdom accounting standards, including FRS 102, we performed the following procedures as part of our substantive audit approach: • We developed an understanding of the judgements and estimates involved in the valuation of other investments process, by performing walkthrough procedures and evaluating the implementation and design effectiveness of controls; • In relation to the valuation of the underlying properties held by the unconsolidated subsidiaries, associates and joint ventures we performed the same procedures as described above in “Fair value of investment properties including those in the course of development”; and • We challenged the assumptions and judgements applied by management with particular attention to the uplift element which reflects the SDLT (Stamp Duty Land Tax) saving that could be achieved by disposing of an SDLT exempt entity. Our procedures included evaluating the tax status of the underlying entity by obtaining tax exempt letters, understanding the basis of the likely exit mechanisms available to management and obtaining corroborating evidence that the assumptions are supported by comparable market data from external sources.	Based on our procedures performed over the risk of misstatement in the fair value of other investments, including related financial statements disclosures, we identified no matters that we wanted to bring to the attention of the Audit Committee.
Revenue recognition (rental income and distribution income). **(Rental income £190m, 2021: £184m, Distribution income £23m, 2021: £22m)** *Refer to accounting policies, Note 6 of the Consolidated Financial Statements.* The M&G Secured Property Income Fund receives income from underlying unit trusts and distributes the full amount to unit holders on a quarterly basis. Management may seek to overstate revenue generated from rental and other income as it is a significant metric and indicator of performance, giving rise to a higher risk of misstatement. Rental Income earned from the investment properties may be materially misstated. Distributions received from other investments may be materially misstated.	With respect to revenue recognition, we performed the following substantive procedures: • We developed an understanding of the rental and distribution income processes, by performing walkthroughs of the processes and controls in place; • We performed analytical procedures by setting expectations in respect of rental income based on rent reviews in the period and comparing quarterly rents to those expectations; • We obtained explanations and supporting evidence for variances above our testing thresholds; • For a sample of leases, we obtained the lease agreements, along with any subsequent rent reviews and we agreed rental amounts to the lease accounting records; and • We have tested the distribution income received by the Fund by agreeing the amounts received to the distributions paid by the underlying unit trusts.	Based on our procedures performed over the risk of overstatement or inaccuracy of rental and distribution income recognition, we concluded that revenue is fairly stated. We concluded that the disclosures in the Consolidated Financial Statements relating to revenue are appropriate.

Independent Auditor's report

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

Materiality is the magnitude of omissions or misstatements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the Consolidated Financial Statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be £52.6 million (2021: £47.7 million) which is 1% (2021: 1%) of NAV. We believe that NAV provides us with an appropriate basis for audit materiality as this is a key published performance measure and is a key metric used by management in assessing and reporting on the overall performance of the Group.

During the course of our audit, we reassessed initial materiality and considered there to be no change from the basis determined at the audit planning stage. We have updated the value based on NAV as at 30 June 2022.

Performance materiality

Performance materiality is the application of materiality at the individual account or balance level. It is set at an amount that reduces to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Fund's overall control environment, our judgement was that performance materiality was 50% (2021: 50%) of our planning materiality, namely £26.3 million (2021: £23.9 million). We have set performance materiality at this percentage so that it is equivalent to the pricing error guidance in Guernsey regulations.

Reporting threshold

The reporting threshold is an amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £2.6 million (2021: £2.4 million), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual investment report other than the Consolidated Financial Statements and our auditor's report thereon. The Manager is responsible for the other information.

Our opinion on the Consolidated Financial Statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Consolidated Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Consolidated Financial Statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the Consolidated 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

Independent Auditor's report

Responsibilities of the Manager

As explained more fully in the Manager's responsibilities statement set out on page 3, the Manager is responsible for the preparation of the Consolidated Financial Statements and for being satisfied that they give a true and fair view, and for such internal control as the Manager determines is necessary to enable the preparation of Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Consolidated Financial Statements, the Manager is responsible for assessing the Group'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 Manager either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the Consolidated Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 Consolidated Financial Statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. 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. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the Group and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant are:
  - UK Financial Reporting Standard 102 (FRS 102);
  - The Authorised Collective Investment Schemes (Class B) Rules and Guidance 2021; and
  - The Statement of Recommended Practice for Authorised Funds issued by the Investment Association in May 2014 (2014 SORP) and updated in June 2017.
- We understood how the Trustee and Manager are complying with those frameworks by making enquiries of the Trustee and Manager and those responsible for compliance matters of the Group and corroborated this by reviewing minutes of meetings of the Manager. We gained an understanding of the approach to governance from our review of the minutes of the meetings of the Manager.
- We assessed the susceptibility of the Group's Consolidated Financial Statements to material misstatement, including how fraud might occur by:
  - obtaining an understanding of entity-level controls and considering the influence of the control environment;
  - obtaining the Manager's assessment of fraud risks including an understanding of the nature, extent and frequency of such assessment documented in the Board's risk matrix;
  - making enquiries of those charged with governance as to how they exercise oversight of the Investment Manager and the Administrator's processes for identifying and responding to fraud risks and the controls

Independent Auditor’s report

established by management to mitigate specifically those risks the entity has identified, or that otherwise help to prevent, deter and detect fraud;

- making enquiries of the Manager, Trustee and those charged with governance regarding how they identify related parties including circumstances related to the existence of a related party with dominant influence; and
- making enquiries of the Investment Manager, administrator and those charged with governance regarding their knowledge of any actual or suspected fraud or allegations of fraudulent financial reporting affecting the Group.

- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations identified above. Our procedures involved a review of Board minutes and inquiries of the Investment Manager, Trustee and Administrator and those charged with governance including:
  - Through discussion, gaining an understanding of how those charged with governance, the Investment Manager, Trustee and Administrator identify instances of non-compliance by the Group with relevant laws and regulations;
  - Inspecting the relevant policies, processes and procedures to further our understanding;
  - Inspecting correspondence with the Guernsey Financial Services Commission; and
  - Obtaining relevant written representations from the Manager.

A further description of our responsibilities for the audit of the Consolidated Financial Statements is located on the Financial Reporting Council’s website at frc.org.uk/auditorsresponsibilities This description forms part of our auditor’s report.

Use of our report

This report is made solely to the Fund’s Unitholders, as a body, in accordance with Paragraph 4.2(4) of the Authorised Collective Investment Schemes (Class B) Rules and Guidance, 2021. Our audit work has been undertaken so that we might state to the Fund’s Unitholders those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund and the Fund’s Unitholders as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP
Guernsey, Channel Islands

25 October 2022

Other regulatory disclosures

Alternative Investment Fund Manager's Directive (AIFMD)

The Directive, which was implemented by EU Member States in 2013, covers the management, administration and marketing of alternative investment funds ('AIFs'). Its focus is on regulating alternative investment fund managers ('AIFMs') established in the EU and prohibits such managers from managing any AIFs or marketing shares in such funds to investors in the EU unless an AIFMD authorisation is granted to the AIFM. The Fund is a non-EU AIF and the Manager is a non-EU AIFM for the purpose of the Alternative Investment Fund Managers Directive 2011/61/EU ('AIFMD').

As a non-EU AIFM, the Manager distributes the Units of the Fund within the EEA under the AIFMD National Private Placement Regime and will not be required to seek authorisation under the AIFMD. To comply with the private placement regime in an EU state it is generally necessary to register the non-EU AIF with, or obtain marketing authorisation for, the non-EU AIF from the regulator in that country. The Manager has retained responsibility for the collective portfolio management and risk management in relation to the Fund.

In accordance with the AIFMD we are required to report to investors on the 'leverage' of the fund and any 'special arrangements' that exist in relation to the Fund's assets.

Leverage and borrowing

Under AIFMD, leverage is defined as any method by which the Fund increases its exposure through borrowing or the use of derivatives. This exposure must be calculated in two ways, the 'gross method' and the 'commitment method'. The Fund must not exceed maximum exposures under both methods.

'Gross method' is calculated as the sum of all positions of the Fund (both positive and negative), that is, all eligible assets, liabilities and derivatives, including derivatives held for risk reduction purposes.

'Commitment method' exposure is also calculated as the sum of all positions of the Fund (both positive and negative), but after netting off derivative and security positions.

The total amount of leverage calculated as at 30 June 2022 is as follows:

Gross method: 98.67%
Commitment method: 98.67%

Remuneration

In line with the requirements of the Alternative Investment Fund Managers Directive ('AIFMD'), M&G (Guernsey) Limited (the 'AIFM') is subject to a remuneration policy which is consistent with the principles outlined in the European Securities and Markets Authority guidelines on sound remuneration policies under the AIFMD.

The remuneration policy is designed to ensure that any relevant conflicts of interest can be managed appropriately at all times and that the remuneration of employees is in line with the risk policies and objectives of the alternative investment funds managed by the AIFM. Further details of the remuneration policy can be found here: mandgplc.com/our-business/mandg-investments/mandg-investments-business-policies. The remuneration policy and its implementation is reviewed on an annual basis, or more frequently where required, and is approved by the M&G plc Board Remuneration Committee.

The AIFM is required under the AIFMD to make quantitative disclosures of remuneration. These disclosures are made in line with M&G's interpretation of currently available guidance on quantitative remuneration disclosures. As market or regulatory guidance evolves, M&G may consider it appropriate to make changes to the way in which quantitative disclosures are calculated.

Other regulatory disclosures

The 'Identified Staff' of M&G (Guernsey) Limited are those who could have a material impact on the risk profile of M&G (Guernsey) Limited or the AIFs it manages (including The M&G Secured Property Income Fund) and generally includes senior management, risk takers and control functions. 'Identified Staff' typically provide both AIFMD and non-AIFMD related services and have a number of areas of responsibility. Therefore, only the portion of remuneration for those individuals' services which may be attributable to the AIFM is included in the remuneration figures disclosed. Accordingly the figures are not representative of any individual's actual remuneration.

The amounts shown below reflect payments made in respect of the financial year 1 January 2021 to 31 December 2021.

	Fixed remuneration £'000	Variable remuneration £'000	Total £'000
Senior Management	322	0	322
Other Identified Staff	243	485	728