M&G Investments

The M&G Secured Property Income Fund

Annual Investment Report and Consolidated Financial Statements (audited) for the year ended 30 June 2024

Contents

Manager's report

The Manager of The M&G Secured Property Income Fund (the 'Fund') presents the Annual Investment Report[a] and Consolidated Financial Statements (audited) for the Fund for the year ended 30 June 2024.

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
Sally-Ann David
Karen Donald
Steffan Francis
Joanne Peacegood

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 8162 1845

(Authorised and regulated by the Financial Conduct Authority)

[a] The Annual Investment Report includes the Manager's report, Investment Advisor's report, Environment and Sustainability, Financial highlights, Trustee's responsibilities and report and Other regulatory disclosures (including Annex 1 and the Limited Assurance Report).

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.

External Valuer

CBRE Limited
Henrietta House, Henrietta Place
London W1G 0NB

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 May 2023 (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. 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 Information Memorandum of the Fund was last updated on 3 June 2024. There are no disclosures required to be made by the Manager to Unitholders in relation to any changes to the Information Memorandum since 3 June 2024.

Important information

In line with the Fund's Information Memorandum and Trust Instrument, and following the Manager's decision to defer redemption requests received for the 1 November 2022 Dealing Day, all redemption requests for subsequent Dealing Days continue to be deferred. Investors will be informed once redemption requests are no longer being deferred. All redemption requests are deferred for a period of up to eighteen successive Dealing Days under the terms of the Information Memorandum and Trust Instrument to allow for 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.

Following the introduction of deferral of redemption requests in November 2022, a number of trusts and assets have been sold and redemptions fully or partially paid. Deferral of redemptions continues to be monitored by the Manager and the Investment Advisor on a quarterly basis.

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 with access to long-term predictable cash flows through exposure to inflation-linked rental income streams from high quality tenants, backed by a diversified pool of 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 ('SFDR') and the EU Taxonomy Regulations

Information related to environmental and social characteristics promoted by the Fund required to be disclosed under SFDR is available on page 86 in Annex 1.

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 Private and Public Credit and Real Estate teams) 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 2024:

Investment restriction	Fund's position as at 30 June 2024
Borrowing maximum 30% (or if greater than 30% it must not last more than 3 months)	0.49% 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	1.86% GAV
Leisure sector assets (excluding hotels), maximum 30% GAV	15.03% 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	14.52% of Gross Income[a]
Any single Real Estate Asset, maximum 30% GAV	7.37% of GAV[b]
Minimum Credit Rating (Deposits, excl. Trustee), minimum A-/A3 (Split Low)	Confirmed
Speculative Abortive Costs, maximum £100,000, without Board approval	Not exceeded in year to 30 June 2024

[a] J Sainsbury's plc.

[b] Anglo American HQ, Charterhouse Street, London.

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

Manager's report

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 these 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 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 Statement of Authorised Funds', issued by the UK Investment Association, in May 2014 (the 'IA SORP') and amended in June 2017.

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

The Manager has performed an assessment of the Fund's ability to continue as a going concern; refer to note 2 for this assessment.

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 Independent 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 Independent 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.

Sally-Ann David

Joanne Peacegood
Directors of the Manager

23 October 2024

Investment Advisor's report

Investment highlights

- The non-GAAP Net Asset Value ('NAV') of the Fund was £3,016 million (a decrease of £646 million over the year). The decrease in NAV was predominantly a function of redemption settlements, as well as modest capital value declines of -1.8% in NAV per Unit based on dealing price 97.39 as at 30 June 2024 (30 June 2023: 99.01);
- The Fund delivered a total return of 3.18% for the 12-month period up to 30 June 2024 net of all costs and charges (30 June 2023: -18.59%);
- The annual net distribution yield (net income on an accrued basis as a percentage of the average NAV per Unit) increased to 4.97% (30 June 2023: 4.34%);
- Forecast returns are attractive as a result of the repricing since mid-2022, currently 7-9% pa over the medium to long term, based on conservative assumptions;
- The underlying portfolio continues to perform well with 100% occupancy and rent collection, no gearing and no development risk;
- The weighted average lease expiry (WALE) of the Fund by income stands at 28.9 years (30 June 2023: 27.6 years), increasing as a result of sales of assets with shorter lease terms.
- Redemption requests continue to be deferred to allow for an orderly sale of assets enabling fair value to be realised and the Fund continues to trade in 'net cancellation' mode (NAV – 1.07%);
- The Investment Advisor has implemented a successful sales programme over the last 24 months, focussing on upgrading the average portfolio quality (WALE, tenant credit rating and ESG metrics);
- Since the introduction of deferred redemptions in November 2022, the Fund has sold £1.2 billion of assets and returned £1,048m to investors (£596 million was returned in the year to 30 June 2024), whilst achieving attractive pricing for investors (average discount to peak value c. 17.6% vs. total market capital value decline of c. 22%). Post-balance sheet date, the Fund remains under offer on one further sale totalling c. £50 million;
- In June, the Fund funded £73 million of development capex for 1 Southwark Bridge Road – an office redevelopment let to WPP with c. 22 years term certain. Rent on the subject asset has stepped up from £5.7 million to £9.2 million. The capex was funded using proceeds from the Priory portfolio vendor loan (£105 million), which was repaid in June, six months ahead of maturity;
- The Fund has received c. £130 million of inflows via the secondary market from new and existing Local Government Pension Scheme ('LGPS') investors in the last 12 months, with a further £12 million of inflows post-balance sheet date and continues to receive further inbound interest as a result of: stabilising performance and capital position, attractive net distribution yield and a high quality portfolio of hard-to-replicate assets.

Fund performance

The Fund's total return over the year to 30 June 2024 was 3.18% (net of all costs and charges). A return to positive annual performance has been driven by stabilising capital values and an attractive net distribution yield of c. 5%. Following significant repricing in the year ending 30 June 2023, as a result of gilt yields widening, capital values have stabilised over the year to 30 June 2024 (-1.81%). We are confident valuations have adjusted sufficiently for the current rate environment, supported by transaction evidence and a positive 'illiquidity premium' over public fixed income (details below).

Given the Fund's average inflation cap on rental increases is 4.5%, current RPI/CPI levels imply that the Fund will be able to capture almost 100% of inflation. Inflation-linked income growth is expected to flow through to capital values in a stable yield environment and therefore has the potential to drive future performance.

Since inception (August 2007), the Fund continues to offer a return premium of 1.57% pa versus the wider UK property market (as measured by the MSCI UK All Balanced Property Fund Index), despite being a lower

Investment Advisor's report

risk strategy (higher quality tenants, longer WALE and contractual rental uplifts linked to inflation). Over one year, the Fund's return premium was 3.12%, largely a function of valuations stabilising more quickly than the wider UK property market, but also reflecting the high quality of the Fund's assets.

There has been some divergence in capital value movements by investment type – income strips and ground rents have seen the largest declines as they are more interest rate sensitive, however, this trend has started to reverse as gilt yields lowered in Q2 2024. Sector specific factors have also impacted valuations, for example, the office sector has become increasingly polarised by working from home patterns and strong ESG credentials becoming a requirement for occupiers and investors alike. In light of this, the Fund's office portfolio remains well positioned and valuations have held up well on a relative basis, whereas there is potential for further valuation corrections for weaker offices, in locations with excess supply and/or non-ESG compliant buildings.

Economic overview[a]

Over 2024 to date, the UK has rebounded from the technical recession witnessed in the second half of 2023. Quarterly GDP growth of 0.6% in Q2 2024 following an increase of 0.7% in Q1 2024 outperformed consensus forecasts, while further good news can be found in that the composite PMI index remained well in positive territory during Q2 2024, indicating that the economy continues to expand.

While economic growth has improved, there have been some signs of loosening in the labour market, with unemployment ticking up from 3.9% in January to 4.2% in June. Nonetheless, the decline in job vacancies has halted over the last three months at a level above pre-Covid averages, while wage growth remains high in an historic context, standing at 5.1% pa in July and continuing to outpace inflation by a significant margin.

The ongoing fall in headline inflation levels over recent months stands as a clear positive, with the CPI index falling to the Bank of England's 2% pa target in June. Although some concerns remain around the higher level of core and, in particular, services inflation, these measures are nonetheless also falling. Following the 25bps reduction in the base rate to 5.0% on 1 August, the market now expects one or two more rate cuts over the remainder of 2024. This supports prospects for further improvement in GDP growth moving into 2025.

As widely anticipated, the Labour Party secured a landslide election victory in July eliciting a muted but generally positive market reaction. We would expect to get a clearer picture on the direction of policy over the coming months ahead of the first budget on 30 October, with the foundations already laid for increasing taxation.

[a] Source: Office for national statistics, Bank of England.

UK real estate market overview

The UK commercial property performance has started showing signs of recovery over the 12-month period to June 2024 delivering a total return of -1.53% (up from -16.61% in the 12 months to June 2023). According to MSCI, Long Income Open Ended Funds recorded quarterly total returns of 0.8% in Q2, up from 0% in the previous quarter, -1.2% in Q4 2023 and -1.1% in Q3 2023.

Given the current confidence that rates have now peaked and with further cuts anticipated, it appears likely that real estate yields have broadly moved out far enough, with a sufficient risk premium re-established. As rental values have continued to hold up or see growth, UK real estate now appears to be at, or close to, the bottom of the market for the majority of sectors.

Investor demand is expected to be more selective going forward, with individual asset quality, ESG credentials and location increasingly important, even within favoured sectors. The income security offered by long lease, index-linked assets is likely to underpin renewed investor interest for properties of this type.

Investment Advisor's report

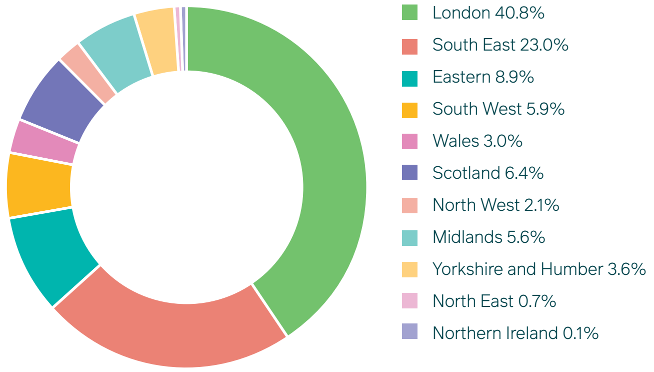
Long term fundamentals of the industrials sector remain robust, however rental growth is expected to be more modest as demand is falling back to pre-pandemic levels. Occupational demand for the residential sector, purpose-built student accommodation in particular, remains strong, and continues to attract investors as it offers rental growth supported by a supply/demand imbalance, although location is increasingly important given the financial headwinds faced by the University sector. On the other hand, demand for offices remains muted, but we are seeing a continued willingness from occupiers to pay a premium for grade A space, highlighting the bifurcation of 'the best versus the rest'.

Portfolio summary

As at 30 June 2024, the Fund's NAV was £3,016 million (30 June 2023: £3,662 million) and comprised 171 individual assets across 37 holdings and 23 tenants. Post year end, the Fund completed on a further sale reducing the number of assets, holdings and tenants to 170, 36 and 22 respectively. The Fund continues to have high security of income with all investments backed by long-term leases from high quality tenants, subject to contractual inflation-linked (90.8% of income) or fixed percentage (9.2% of income, average 2.5% pa) rental increases, as well as ownership of the underlying real estate. As at year end, the Fund improved its investment grade weighted average credit rating to 'BBB' (vs. 'BBB-' in June 2023) as a result of the disposal of weaker assets and strengthening performance of operational assets. The weighted average lease term by income of the portfolio was 28.9 years, with the shortest lease expiry within the portfolio at 7.5 years (strong renewal prospects and vacant possession value).

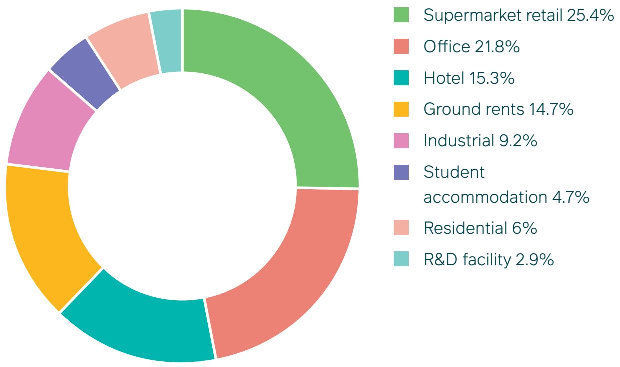
The Fund comprises hard-to-replicate, prime and business critical assets, diversified across a range of sectors and has a London and South East bias. The Fund's geographical exposure by income stands at: 40.8% London, 23.0% South East and 36.2% rest of the UK.

Rental income by geography



Source: M&G, as at 30 June 2024.

Rental income by sector



Source: M&G, as at 30 June 2024.

The Fund's only retail exposure is in the supermarkets sector (25.4% by income, down from 28.7% in 2023). Sainsbury's (rated 'BBB-') is the Fund's largest tenant (14.5% by income) and is backed by high quality stores with a London and South East focus, including: Wandsworth, Dulwich, Brentwood and Sevenoaks.

The Fund's office portfolio (21.8%) is high quality with all tenants being large listed corporates and the buildings comprising well-located (central London and Glasgow), modern Grade-A space with good ESG credentials, all let to investment-grade corporate tenants on long-dated leases, and generally under-rented. The Fund's WPP 1 Southwark Bridge office building, located on London's South Bank, is expected to be completed by the end of 2024 and we anticipate it will be awarded an 'Outstanding' BREEAM New Construction rating (the first in the Fund) and an EPC of 'A'.

Investment Advisor's report

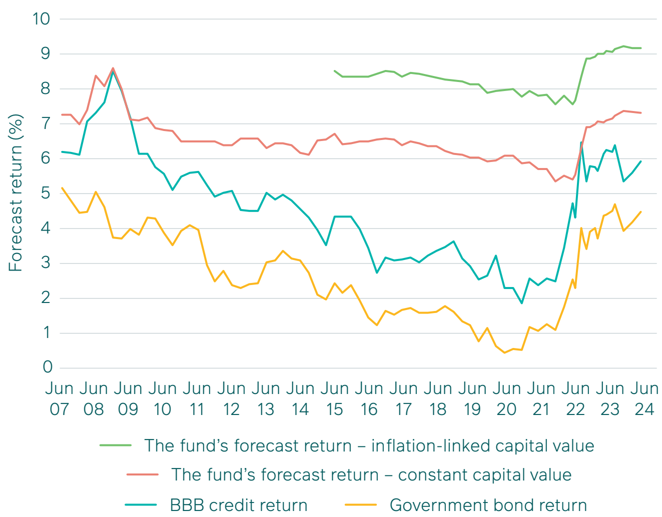
Illiquidity premium

The Fund has continued to demonstrate an improving 'illiquidity premium' over the year to 30 June 2024, despite volatility in UK government bond yields and corporate credit spreads. The Fund's illiquidity premium ended the year at +141bps (30 June 2023: +86bps). This assumes a highly conservative assumption of no capital growth over the remaining unexpired lease terms (c. 29 years), following a c. 20-25% decline in capital values, and is despite asset replacement costs having increased significantly in recent years due to build cost inflation. Assuming a slightly more optimistic scenario, whereby the property residual value grows with inflation ie a constant yield scenario, the Fund's illiquidity premium increases to +364bps (2023: +323bps). We therefore anticipate a likely outcome will be somewhere within the range of 100bps to 300bps, which aligns to our anticipated total returns of 7% to 9% over the medium to long term (net of fees), when assuming a BBB credit spread of c. 150-200bps.

Following rate corrections, fixed income markets offer good relative value but the positive illiquidity premium demonstrates the investment case for the Fund on a relative value basis, with added benefits of inflation-linked income and asset backing.

Please see below the chart detailing the Fund's 'illiquidity premium' since inception:

The Fund's Illiquidity Premium since inception



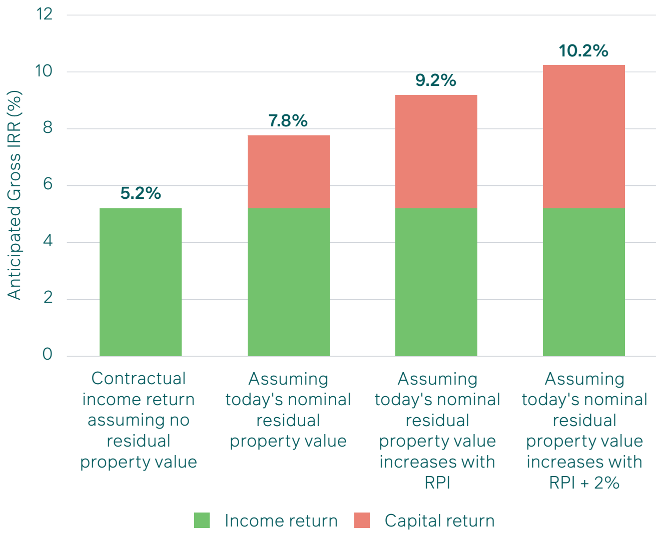
Source: M&G, Iboxx, as at 30 June 2024.

Performance outlook

The Fund's forecast total returns remain attractive, with current guidance at 7-9% pa (ungeared), conservatively assuming no capital growth or a constant yield scenario, ie where capital values increase proportionally with inflation-linked rents. It is therefore expected that the Fund will restore its premium over RPI in the medium to long term based on current market derived inflation expectations (c. 3.35% pa).

Please see the below chart detailing the Fund's anticipated forward-looking returns:

Comparison of anticipated returns to 2074[a]



Source: M&G, 30 June 2024. RPI assumption = 3.35%.

The value of investments will fluctuate, which will cause prices to fall as well as rise and investors may not get back the original amount they invested. There is no guarantee the objective will be achieved.

[a] Forecasts are not a reliable indicator of future performance. Modelled for 50 years (accounting for ground leases). Returns are calculated gross of fees. Historically the Fund's TER has been c. 60 bps, commission, fees and other charges are subject to change.

The scenarios presented are an estimate of future performance based on evidence from the past on how the value of this investment varies, and/or current market conditions and are not an exact indicator. What you will get will vary depending on how the market performs and how long you keep the investment/product. Future performance is subject to taxation which depends on the personal situation of each investor and may change in the future. Investment may lead to a financial loss if no guarantee on capital is in place.

Investment Advisor's report

Capital position

On a net basis the current redemption queue as at 23 October 2024 is c. £100 million (net of cash and sales under offer). £325 million of redemption requests were received in the year to 30 June 2024, all as a result of UK Defined Benefit pension schemes de-risking in preparation for buy-out. Encouragingly, the Fund is also receiving inbound interest from prospective investors (including: large UK Defined Benefit pension schemes targeting run-on, local government pension schemes, international investors and multi-managers), who recognise the relative value currently available from the strategy. The Fund received c. £130 million of inflows via the secondary market from new and existing Local Government Pension Scheme ('LGPS') investors in the last 12 months, bringing net outflows to £195 million. Post-year end, the Fund has received a further c. £12 million of inflows via the secondary market and no redemption requests.

The Fund remains in net cancellation mode with a current Dealing Price of NAV per Unit – 1.07% (reflecting actual average sales costs). Current pricing represents an attractive entry point for investors, representing a discount of almost 8% versus buying property directly (standard purchasers' costs are 6.8%).

Redemptions continue to be deferred to allow for an orderly sales programme of targeted assets to be disposed of, with a focus on weaker assets from a credit rating, WALE and ESG perspective. The Fund's sales programme has been successful to date – totalling over c. £1.2 billion, whilst improving key portfolio metrics – resulting in a very high quality portfolio that cannot be easily replicated in the market.

This has enabled the Fund to make three redemption settlement payments in the 12 months to 30 June 2024: totalling £596 million. In addition to £361 million settled in May 2023, redemption settlements total £957 million, since the introduction of redemption deferral, fully repaying redemption requests received between November 2022 and May 2023, and partially repaying redemption requests received between June 2023 and April 2024. On a weighted average basis, the Fund settled redemption requests within 11 months, which is 7 months earlier than is allowed under the Fund's deferral terms (18 months from date of acceptance).

Revolving Credit Facility

The Fund renewed its revolving credit facility ('RCF') with the Royal Bank of Scotland International Limited ('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 recoverable value added tax ('VAT') funding, completion on a transaction ahead of drawing investor capital and development funding instalments. The core facility size was increased to £150 million (from £100 million) in line with average transaction size.

As at 30 June 2024, the RCF was partially drawn for £15 million (<0.5% of GAV) to fund VAT on capex (£73 million) on 1 Southwark Bridge Road (which has fully been rentalised) and following the recovery of the VAT, it was repaid on 21 October 2024. Even if the RCF was fully drawn it would result in gearing of less than 5% of GAV.

Investment Advisor's report

The RCF also includes three ESG Key Performance Indicators ('KPIs'), 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	167.5
1 KPI met	165
2 KPIs met	163.75
3 KPIs met	162.5

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 2024, the Fund placed first out of 90 (top 1%) in its peer group.

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

	Minimum threshold	30 June 2024
Year 2	75%	59.4%

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

	Minimum threshold	30 June 2024
Year 2	45%	54.6%

Accordingly the Fund as at the signing date meets 2 KPIs and would therefore be subject to a margin of 163.75bps if it were to utilise its RCF, a saving of 1.25bps.

Further details on the Fund's ESG performance and strategy can be found in Annex 1: Sustainable Finance Disclosure Regulation to the Financial Statements on page 86.

Other activity

The Fund disposed of the Priory Portfolio in December 2022 for total proceeds of £233 million, reflecting only a 5% discount to peak value (June 2022). The sale to Medical Properties Trust was facilitated via a vendor loan at 45% LTV (£105 million), due to be repaid in December 2024. However, the loan was fully repaid in June 2024, six months ahead of maturity. Proceeds from the loan were used to fund capex on 1 Southwark Bridge Road (update below).

In June 2024, the Fund funded £73 million of development capex for 1 Southwark Bridge Road – an office redevelopment on London's South Bank, let to WPP with c. 22 years term certain, initially acquired in Q4 2018 for £119 million. The capex has been fully rentalised, with the rent stepping up from £5.7 million to £9.2 million, but the asset remains significantly under rented (c. £40psf vs market rent of c. £65-70psf), providing a reversionary profile. Once the office reaches full practical completion (Q4 2024), it is expected to have excellent ESG metrics (targeting EPC 'A' and BREEAM New Construction 'Outstanding').

Investment Advisor's report

Transaction activity

The Fund has now successfully sold over £1,189 million of assets (details in the table below) at a c. 3% premium to book value on average (at time of sale) and only a c. 17.6% discount to peak value (using 30 June 2022 valuations) versus market declines of 20-30%. Further sales totalling c. £50 million remain under offer with anticipated completion in Q4 2024.

Asset	Date sold	Sale price	Remaining lease term
Tesco, Llanelli	Sep-22	£50-£75m	12 years
Priory portfolio	Dec-22	>£200m	22 years
Premier Inn, Red Lion Street, London	Dec-22	£25-50m	21 years
Travelodge, Edinburgh	Feb-23	<£25m	23 years
Morrisons 4M Portfolio	Feb-23	£100-150m	17 years
Travelodge, Gatwick	Apr-23	£25-50m	26 years
BCA x4	Apr-23	<£25m	9 years
Tesco, Cardiff & Sainsbury's, Wigan	Jul-23	£75-100m	13/14 years
BCA, Derby	Aug-23	<£25m	9 years
NatWest, 250 Bishopsgate, London	Aug-23	>£200m	12 years
Bridewell and Dunaskin Street, Bristol and Glasgow	Nov-23	£75-100m	28 years
BCA Glasgow, Newcastle and Walsall	May-24	<£25m	8 years
Tesco portfolio (Swindon, Durham & Beckton)	May-24	£75-100m	15 years
Syngenta, Bracknell	Jul-24	£50-£75m	15 years
Dorland House, London	Oct-24	£50-£75m	11 years
Total		**£1,189m**	

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

23 October 2024

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

Environment and sustainability

Environmental, Social and Governance (ESG) strategy

Real estate assets can have wide-ranging environmental and social impacts, both positive and negative, which can influence real estate investment performance: rental income, capital valuation, and liquidity. The Fund implements an ESG strategy to manage exposure to environmental and social risks, as well as to act on opportunities which support the investment objective and deliver strong returns to the Unitholders in the long term.

The ESG strategy and targets are considerate of M&G wider corporate commitments, the Fund regulatory obligations, investment strategy and Unitholders feedback. Aspirational targets, in addition to those disclosed under the Sustainable Finance Disclosure regulations (SFDR), are set and reviewed annually by the Fund's Investment Advisor (M&G Investment Management Limited) in conjunction with the ESG team of the Fund's Real Estate Asset Manager (M&G Real Estate Limited). The approach to ESG governance and integration is outlined within the Fund's ESG Investment Policy. The policy is reviewed and approved annually by the Board of Directors of the Manager, M&G (Guernsey) Ltd, (the 'Board').

Aspirational targets set in relation to 2024 FYE (1 July 2023 to 30 June 2024) were to[a]:

Environmental excellence	Social benefit	Good governance
• Aim for all operational carbon to be Paris-aligned by 2030, all carbon to be net zero by 2050[b] • Develop a net zero operational carbon assessment strategy and target tracking by June 2025 • Develop an improvement plan for all assets with EPC 'D' or below by June 2025 and work with occupiers[c] to deliver energy efficiencies • Ensure at least 50% of AUM to be certified at all times[d] and best practice to be shared with occupiers • Ensure portfolio resilience through climate-related risk assessment and management	• Continue to advance occupier engagement strategy, implement action plans to improve satisfaction following feedback from occupiers • Contribute to occupier and community health and wellbeing through asset initiatives, where feasible • Achieve exemplar Safety and Security achieved by the consistent application of our 'Global Minimum Requirements' (GMRs)	• Aim for all new leases to include green clauses to drive data sharing and cooperation • Increase collection of tenant utility data and reduce the proportion of estimated data • Aim for all assets to have a sustainability asset plan • Apply occupier exclusions (controversial weapons, UN Global Norms, thermal coal) • Target a minimum GRESB 4-star rating

Key to delivering the Fund's ESG strategy is proactive occupier engagement and, where feasible, to support and align with their ESG initiatives

[a] Key sustainability objectives are shown – a wider set of targets are in place to support the delivery of the goals. Where year dates are listed the target deadline is considered to be the calendar year end unless otherwise stated.

[b] Operational Carbon emissions refers to Scope 1, 2 and 3 emissions (energy used by tenants) associated with the standing investment portfolio. Paris-aligned refers to reducing GHG emissions such that global warming is limited to 1.5°C by 2050; the 2030 target aims for net zero pathway alignment. 2050 target covers all Scope 1, 2 and material Scope 3 emissions (including embodied carbon), method for tracking to be finalised over the next 12 months and aligned to the Net Zero Asset Manager's Commitment.

[c] Acknowledging control remains with tenants under Full Repairing & Insuring (FRI) lease terms.

[d] Measurement includes assets where certification is planned and underway.

Progress against targets is reviewed by the Investment Committee of the Investment Advisor and the Board. Assessment of performance for the FYE 30 June 2024 is provided on the following pages. Each target has been assigned a rating of either:

- **On track/Achieved:** progressing according to plan/no additional action is required
- **Partially achieved:** progress made but additional action is required to complete
- **Not on track/Not achieved:** not progressing in line with plan, unlikely to be achieved

Environment and sustainability

Progress against the 2023 ESG targets

Environmental excellence

1. **Aim for all operational carbon to be Paris-aligned by 2030, all carbon to be net zero by 2050**
   See 2 below.

2. **Develop a net zero operational carbon assessment strategy and target tracking by June 2025**
   On track
   Completed desktop-based top-down net zero pathway modelling exercise to understand transitional risk of the portfolio (see TCFD aligned disclosure).

   Greenhouse gas footprint measured annually to track the source of material emissions and their impact on the portfolio (see TCFD aligned disclosure).

   Assessed net zero carbon (NZC) alignment of major tenants through the ongoing engagement and the review of their public commitments.

   Ongoing engagement with tenants to identify and collaborate on implementing asset decarbonisation initiatives where financially feasible.

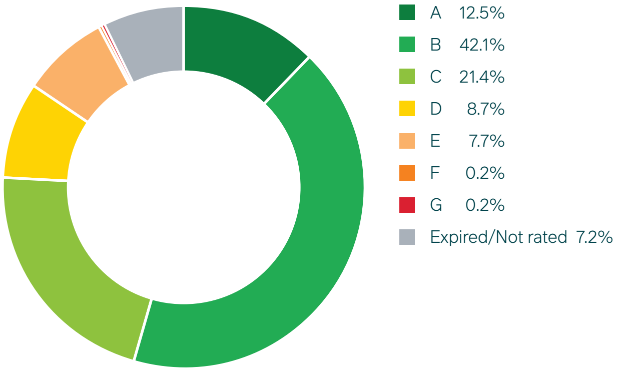
   Site-based net zero carbon audits to be commissioned to support costed top-down decarbonisation plan.

3. **Develop an improvement plan for all assets with EPC 'D' or below by June 2025 and work with occupiers to deliver energy efficiencies**
   On track
   As at 30 June 2024, 76% of the Fund's asset units have Energy Performance Certificate (EPC) ratings of A, B or C (by value), up from 66% 12 months ago.

   Ongoing recertification programme has led to a reduction in EPCs rated D and below, a result of the UK energy mix moving towards renewables, tenants' improvements, and ongoing disposal of more energy intensive weaker assets.

   Pending collaboration with an external third-party provider 'Arbnco' will support the delivery of EPC improvement plans for 'D' and 'E' rated assets.

EPC rating by value[1]



Source: M&G, 30 June 2024.

[1] Chart includes assets not in scope of MEES (no asset in scope is rated 'F' or 'G').

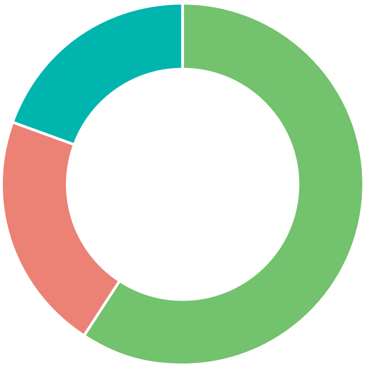
4. **Ensure at least 50% of AUM to be certified at all times and best practice to be shared with occupiers**
   Achieved
   As at 30 June 2024, 59.4% of the Fund's assets by value had green building certification ('GBC'), with a further 21.2% pending certification.

   Ongoing 'sampling' certification approach (eg a sample of assets within our large, homogenous portfolios such as David Lloyd clubs) is proving more cost and time effective to date, whilst retaining the same information benefits.

   We are currently exploring alternative types of certifications and a 'portfolio' certification approach to ensure best outcomes for investors.

Environment and sustainability

Green Building Certification by value



Source: M&G, 30 June 2024.

5. **Ensure portfolio resilience through climate-related risk assessment and management**
   On track
   The Fund was incorporated into the Real Estate Asset Manager's wider physical-climate related risk screening exercise in 2024 (see TCFD section).

Social benefit

1. **Continue to advance occupier engagement strategy, implement action plans to improve satisfaction following feedback from occupiers**
   On track
   Ongoing regular ESG engagement meetings with key occupiers leading to opportunities to facilitate improvements and/or co-invest with occupiers where financially feasible.

   Planned occupier collaboration online seminar to facilitate knowledge sharing, furthering engagement strategy and aligning ESG targets (eg data automation, delivery of asset's decarbonisation pathways, available solutions etc).

2. **Contribute to occupier and community health & wellbeing through asset initiatives, where feasible**
   Achieved
   Ongoing support of tenants' social initiatives in their local communities through the facilitation of application via the M&G plc's Community Fund.

   Over the 12 months to June 2024, the Fund facilitated five tenant applications to M&G plc's Community Fund securing just under £11,000 of the funding.

   This brings total funding to date to £23,000 across eight social initiatives, supporting four of the Fund's tenants. Several further applications are underway.

3. **Exemplar safety and security is achieved through the application of our 'Global Minimum Requirements', effective oversight of suppliers and continual examination of legislation**
   On track
   Implementation of Global Minimum Requirements policy which incorporates leading requirements on building and fire safety.

Environment and sustainability

Occupier and community health & wellbeing social initiatives supported by the M&G plc's Community Fund

Tenant	Charity	Date	Initiative	Benefits
YHA	Helping Kids Achieve ('HKA')	October 2022	• Residential stay and outdoor activities (night walks, climbing and canoeing) for 25 young people at YHA Ilam Hall in the Peak District	• A safe and structured environment to help build confidence and to reflect on effect of anti-social behaviour
Dalata Hotels	Food Cardiff	March 2023	• Long term solutions for tackling food poverty including: foodbanks, pantries and food co-ops	• Works to promote healthy, environmentally sustainable and ethical food across Cardiff, serves more than 2,000 households
Poplar HARCA	Women's Environmental Network ('WEN') & Burdett Foundation	March 2023 & June 2024	• 20% of the annual running cost of 'The Food Store' • Increase household stability by offering low-cost food, whilst offering wellbeing and debt support	• Assisted more than 200 families since 2020 • Helped to clear c. £24,000 worth of members' debts
YHA	No Child Left Behind	December 2023	• Three-day residential trip for 30 young people	• Residential experience for those that would not normally have the means or opportunity to benefit
YHA	Bolton Lads & Girls Club	Febuary 2024	• Residential stay for 17 young carers	• Boost confidence, increase physical activity, improve mental health, make new connections
Poplar HARCA	Aberfeldy Project	June 2024	• Football sessions, play sessions, half term community events and other activities	• 150 youngsters to access health and well-being activities at the Old Aberfeldy Centre
Campus Living Villages	Sexual Trauma and Recovery Services (STARS Dorset)	June 2024	• A project to engage students in the co-production of a guide to help provide information, guidance and advice on consent, sexual health and respect • Aiming to assist 18,000 students	• Free one to one support for anyone in Dorset that has experienced sexual violence • Relieve trauma and advance public education

Environment and sustainability

Good governance

1. **Aim for all new leases to include green clauses to drive data sharing and cooperation**

   On track

   Under the UK Asset Management Optimisation Programme, a standard M&G UK commercial green lease is being developed. The lease will align with the newly updated 2024 BBP Green lease toolkit and apply to all new tenants.

   The green clauses will aim to encourage occupiers to share environmental data, efficiently manage their energy consumption, reduce waste, and make greener choices, and consider carbon emissions when fitting out and operating the assets.

2. **Increase collection of tenant utility data and reduce the proportion of estimated data**

   On track

   Environmental data collection remains high at all standing investment sharing data with the Fund.

   The manual (via strong tenant engagement) annual data collection takes place in Q2 each year and is aligned with GRESB submission in June. In GRESB 2024 real estate assessment, the Fund reported energy data collection for 96% of gross internal area.

   Planned automation of collected energy and where possible water consumption data. The Fund, via its ESG consultants EVORA Global, will explore the use of PERSE across the multi-let assets in 2025. PERSE enables remote automatic collection of tenant energy usage data on a periodic basis where it is supplied by the UK national grid. This could significantly enhance the efficiency and accuracy of data collection for the portfolio.

3. **Aim for all assets to have a sustainability asset plan**

   On track

   ESG-related initiatives are being tracked at an occupier level and maintained by the Fund's Real Estate Asset Manager.

   The asset level equivalent with sophistication of initiatives planned will be introduced over the next two years and improved over time once supporting assessments, including decarbonisation pathways are completed.

4. **Apply occupier exclusions (Controversial weapons, UN Global Norms, Thermal Coal)**

   Achieved

   Monitored under the SFDR Level 2 regulation (see SFDR Annex for details).

   Exposure to Principal Adverse Impacts (PAIs) monitored on a regular basis from June 2023.

5. **Target minimum GRESB 4-star rating**

   Achieved

   The 2024 GRESB score increased by 2 points to 88 and was awarded a 5-star rating (4-star rating 2023).

   The Fund was ranked first within its peer group of 90 (previously first of 100) – United Kingdom | Diversified | Core | Tenant Controlled (see GRESB update section).

Environment and sustainability

Global Real Estate Sustainability Benchmark (GRESB)

The Fund's ESG performance has been benchmarked against the annual GRESB since 2013.

In the 2024 Real Estate Assessment the Fund was awarded a 5-star rating. Despite the impact of methodological changes introduced by GRESB related to the Green Building Certification (GBC) reporting the Fund secured a 2-point increase in GRESB score (from 86 to 88), placing the Fund first out of 90 in its peer group (previously first of 100) - 'United Kingdom | Diversified | Core | Tenant Controlled'.

The Fund outperformed the benchmark in 13 out of 14 sections of the survey, and largely matched the benchmark on tenant & community measure. High scores can be attributed to the focus on continuously improving real environmental data coverage (total data coverage: energy 96%/water 89%/waste 82% by floor area) as well as the rollout of operational GBC across a significant proportion of the portfolio.

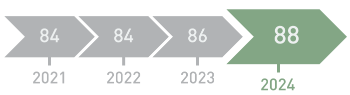
GRESB introduced additional benchmarking in 2024. In order to better align the GRESB predefined benchmark with the Fund, we have excluded smaller and listed Funds (see the customised benchmark below on the right hand side). Based on the adjusted peer group, the Fund was ranked 1st out of 30.

GRESB
REAL ESTATE

2024 GRESB Standing Investments Benchmark Report

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

Participation & Score



GRESB Rating

★★★★★

Status:	Strategy:	Location:	Property Type:
Non-listed	Core	United Kingdom of Great Britain and Northern Ireland	Diversified

Peer Group Ranking

Predefined Peer Group Ranking

1st

90 Entities

Location
United Kingdom of Great Britain and Northern Ireland

Property Type
Diversified

Strategy
Core

Tenant Controlled
Yes

Customized Peer Group Ranking

1st

30 Entities

Location
United Kingdom of Great Britain and Northern Ireland

Property Type
Diversified

Strategy
Non-Listed

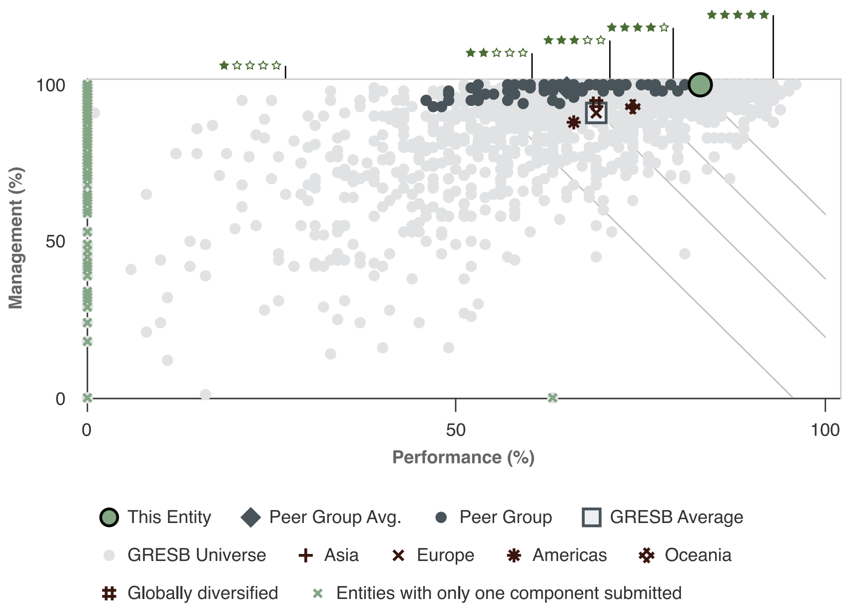
Tenant Controlled
Yes

Size in GAV
500 - 5000

Asset Count
40 - 400

Environment and sustainability

GRESB Model



88 / 100

GRESB Score — **Green Star**

GRESB Average 76 | Peer Average 75

30 / 30

Management Score

GRESB Average 27 | Benchmark Average 28

58 / 70

Performance Score

GRESB Average 49 | Benchmark Average 46

Rankings

27th — **GRESB Score within Diversified / Europe**
Out of 263

35th — **GRESB Score within Diversified / Non-listed / Core**
Out of 306

93rd — **GRESB Score within Europe / Non-listed / Core / Open end**
Out of 452

1st — **Management Score within Europe**
Out of 1061

1st — **Management Score within Europe / Non-listed / Core**
Out of 653

1st — **Management Score within Europe / Non-listed / Core / Open end**
Out of 458

31st — **Performance Score within Diversified / Europe**
Out of 263

40th — **Performance Score within Diversified / Non-listed / Core**
Out of 306

105th — **Performance Score within Europe / Non-listed / Core / Open end**
Out of 452

Environment and sustainability

Task Force on Climate-Related Financial Disclosures (TCFD) recommendations

Net zero and climate resilience

The Fund aims to manage climate-related risks and opportunities through its aspirational ESG investment objectives under the Environmental Excellence pillar. A Task Force on Climate-Related Financial Disclosures (TCFD) aligned report is provided in the table below, this has been introduced to provide greater transparency on the approach taken and outcomes achieved. For information in relation to the Investment Advisor and Real Estate Asset Manager's own climate-related risk strategy, please refer to the M&G plc 2023 Sustainability Report available online or on request.

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

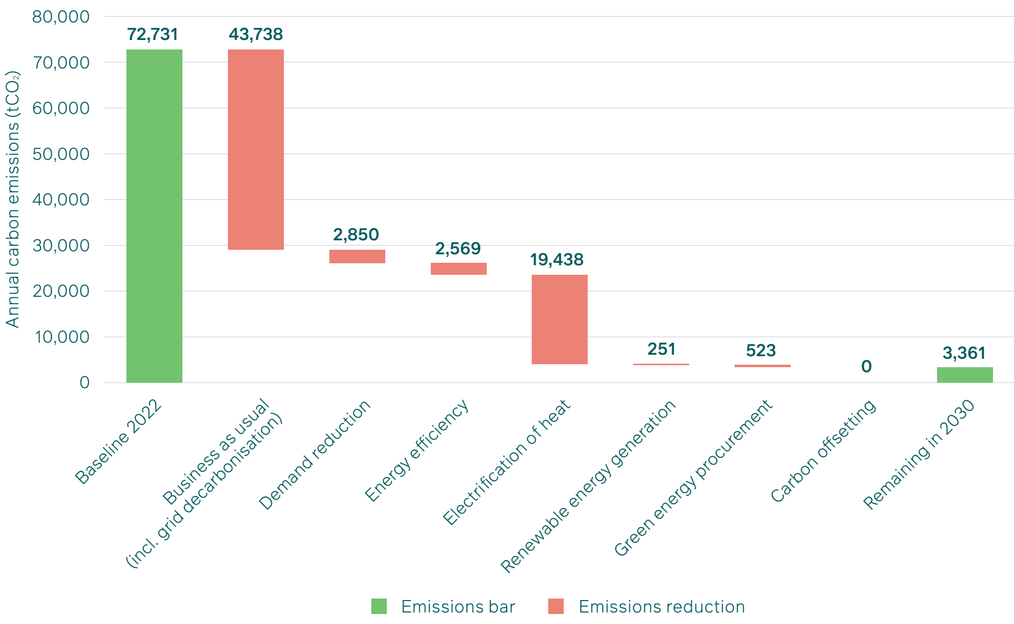
Governance		**Disclose the organisation's governance around climate-related risks and opportunities**
TCFD recommendations		**Recommended disclosure**
1	Describe the Board's oversight of climate-related risks and opportunities	The Board is responsible for the Fund's ESG matters including climate-related risk. Responsibility for delivering the Fund's ESG strategy 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 Board on targets and progress of the Fund's ESG strategy.
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 delivery of the ESG strategy and targets, including the climate specific objective of achieving net zero carbon by 2050 and ensuring portfolio climate resilience. The Real Estate Asset Manager's ESG team works closely with the Fund team involved to support the delivery of the ESG Policy including its objectives and targets.
Strategy		**Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning**
TCFD recommendations		**Recommended disclosure**
3	Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term	The Fund has identified the following climate-related risks and opportunities: **Short-term to medium-term (1-10 years)** • Increasingly stringent Government regulation and market defined standards on building energy and carbon efficiency to be reflected in asset valuations increasing the potential for asset stranding risk • Changing occupier requirements on building carbon and energy performance increases the potential for asset stranding risk and higher rate of asset depreciation • Assets may be exposed to acute physical climate-related risks (eg, flash flooding) impacting 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 and become uninsurable as a result of repeat damage events. This increases the potential for asset stranding risk and higher 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 higher rate of asset depreciation

Environment and sustainability

Strategy (continued) TCFD recommendations	Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation’s businesses, strategy, and financial planning Recommended disclosure
4 Describe the impact of climate-related risks and opportunities on the organisation’s businesses, strategy and financial planning	The Fund and M&G Real Estate have 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 Annual Report and Sustainability Report. Significant steps have been taken to integrate the consideration of climate-related risk and opportunity into business strategy and financial planning: **Acquisition:** ESG due diligence requirements include consideration of physical (primarily flooding risk), and transition risks (primarily energy and carbon efficiency). By evaluating these issues at the point of investment, the financial cost of maintaining climate resilience and achieving net zero carbon can be better understood, underwritten and managed. Challenges exist in integrating these requirements, for example, there is not yet a widely accepted market definition of net zero carbon, although the new UK Net Zero Carbon Building Standard will assist with the design and construction of new buildings. **Development funding:** The Fund has worked with Arup Partners to create a Sustainable Development Standard. The Framework prescribes minimum standards and aspirational targets for a range of ESG issues, including operational carbon, embodied carbon performance and physical resilience in the development of new assets as well as for refurbishment to existing assets. The Fund will apply the Framework in all funded development activity. **Portfolio management:** Due to the nature of the Fund’s long lease investment strategy, all assets held are under the operational control of tenants via Full Repairing and Insuring (FRI) leases where the decision to act on improvement or mitigation measures is held by tenants. The strategy of the Fund is therefore to engage with the tenants to: • Ensure that tenants are aware of the Fund’s strategic climate-related priorities • Identify opportunities for collaboration on common ESG goals • Influence the tenant’s decision-making process where ESG performance of an asset (for example, Energy Performance Certificates) may be below the expected level 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 of the portfolio. The Real Estate Asset Manager has been conducting a review of Energy Performance Certificate ratings to identify assets which exhibit lower energy and carbon efficiency to aid occupier strategy, as well as a phased re-certification programme. A certification target has been set and is reviewed periodically, to ensure at least 50% of AUM remain certified (GBC) at all times and improvement plans produced by assessors aid asset business plans. The green building certification assessments provide an independent view of asset level energy efficiency as well as physical risk resilience (primarily flooding).

Environment and sustainability

Strategy (continued)	Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning
TCFD recommendations	**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 2024, the Fund commissioned a third-party specialist to simulate a net zero carbon pathway for the Fund using the Carbon Risk Real Estate Monitor (CRREM) tool. This estimated capex required to align the Fund with CRREM by 2050. **Modelling assumptions and outputs:** The pathway quantifies the 'operational' carbon emissions associated with the portfolio (Scope 1, 2 and Scope 3 downstream leased assets – the latter being the core source of the emissions), and maps these to the country and sector specific decarbonisation targets provided by the CRREM tool. The target trajectories are consistent with the 2050 net zero target established under the Paris Agreement. The modelling includes projections of energy consumption and carbon emissions for each asset for the period 2019 to 2050. In addition, the impact on energy, carbon emissions and costs are considered for each scenario. Where an asset is identified as not aligned with the targets, the analysis incorporates modelled appropriate mitigation measures to quantify their impact (emissions avoided) and the capital expenditure required. The assessment establishes baseline data covering all assets in the portfolio utilising, where possible, actual data collected from tenants, and proxy estimates where data is missing. It outlines how the Fund is positioned against the adopted net zero pathway and the resources required to align with, or exceed, interim (2030 and 2040) and 2050 (or sooner) net zero science-based targets. Targets have been developed for energy intensity (kWh/m^2) and carbon intensity (kgCO_2/m^2) considering the guidance and best practice provided by CRREM, Science Based Targets initiative (SBTi) and the Net Zero Asset Owners Alliance. **Modelled sources of carbon emission reductions*** Carbon emission transition to 2030



Source: M&G, Evora as at Q2 2024.

* This information has been obtained from a third party source. While such sources are believed to be reliable, M&G does not assume any responsibility for the accuracy or completeness of such information.

Environment and sustainability

Strategy (continued)	Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning
TCFD recommendations	**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 (continued)	**Findings:** • Based on EVORA's* assessment of similar UK funds, the Fund transition risk is considered to be relatively low in comparison with peers. • The capex required to decarbonise the portfolio by 2050 is estimated at ~£120 million (£13.9psf/c. 4.2% of the Fund's June 2024 NAV) (total cost to be paid between tenants and the Fund) • Key net zero initiatives expected to increase portfolio's resilience include use of traditional energy efficiency measures (eg LED lighting), alternative technologies (electrification of heat via heat pumps), and renewable energy (both on-site generation and procured off-site). • Given the full repairing and insuring ('FRI') nature of the leases, the majority of capex is expected to be borne by the tenants or rentalised if funded by the Fund • The model also identifies that significant, indirect emissions reductions may be achieved through the decarbonisation of local energy grids even in a 'business as usual' scenario where no interventions are made. Following on from this assessment, further site-based investigations to quantify the technical and financial feasibility of the prescribed measures will be undertaken over the next few years. The Fund selected a sample of assets for NZC audits. The Fund also undertook a review of the tenant net zero commitments, either publicly disclosed or sourced via tenant engagement, to better understand their alignment and opportunities to work together in delivery of the net zero commitment by 2050. Over 80% by value of tenants have developed their Net Zero commitment and pathways across their Scope 1 & 2 emissions (which feed through into the Fund's Scope 3 emissions). Net Zero commitments across the full value chain have been publicly announced by 12 tenants such as David Lloyd, Sainsbury's, Tesco etc (65% of the Fund's property value). The Fund is tracking a full scope 1, 2, 3 carbon footprint on an annual basis via Greenhouse Gas (GHG) reporting delivered by EVORA. Furthermore, under the UK Asset Management Optimisation Programme completed in the first half of 2024, the Sustainable Development Standard (SDS) tool and the Sustainable Acquisition Standard (SAS) have been updated ensuring a set of net zero carbon crucial targets is met when acquiring or developing assets across all funds managed by the Real Estate Asset Manager. **Physical Climate Risk Scenario Analysis** The Fund has assessed the exposure of the assets within the portfolio to physical risk posed by eight climate-related perils (river flood, surface water flood, coastal flood, wind storm, wildfire, freeze-thaw, heat-stress and soil movement). The analysis was completed by the insurance and risk specialist, Marsh, and climate scenario modelers XDI. It assessed the portfolio against two future climate change warming scenarios: an Orderly scenario (RCP 2.6: ~1.5°C) and Hothouse scenario (RCP 8.5 ≥3°C). The scenario analysis identified climate-related riverine flooding as the principal physical climate-related risk which may impact the portfolio in the longer term. The Fund intends to undertake further analysis to evaluate the results and put in place any mitigation measures deemed necessary to build resilience. It is acknowledged that models have limitations and as part of our commitment to iteratively improve our analysis, the Investment Advisor and Real Estate Asset Manager will continue to explore alternative models to better understand climate-related risks, and to account for resilience measures omitted within the current datasets. It should also be noted that the scenario modelling undertaken relates to direct impacts only and has not yet reached a level of sophistication to enable quantification of indirect risks, such as those that may impact the operation of third parties (for example tenants) or asset obsolescence (eg damage to local infrastructure). Any country level mitigation (national defences) or adaptation measures which may reduce the likelihood and or severity of physical impacts are also excluded.

Environment and sustainability

Risk		Disclose how the organisation identifies, assesses, and manages climate-related risks
TCFD recommendations		**Recommended disclosure**
6	Describe the organisation's processes for identifying and assessing climate-related risks	Assets within the portfolio have undergone a physical and transition risk scenario analysis, which has informed the Fund of current and emerging 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 Investment Advisor and the Real Estate Asset Manager is 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 ESG Risk Management approach is defined under the Investment Advisor and Real Estate Asset Manager's Risk Management Framework and the 'Three Lines of Defence' (3LoD) model. Refer to the M&G plc 2023 Sustainability Report and TCFD disclosure.
Metrics and Targets		**Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities**
TCFD recommendations		**Recommended disclosure**
9	Disclose the metrics used by the organisation to assess climate-related risks and opportunities	For transition climate-related risk, we track the Green House Gas emissions and additional Environmental Performance Data (Energy Use, Water consumption, Waste and Energy). For physical climate-related risk exposure, we track 'total modelled cost of damage.' This is a measure of potential average annualised loss which is calculated on the basis of modelled exposure to direct physical impacts and estimated cost of repair.

Environment and sustainability

Metrics and Targets (continued)	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities
TCFD recommendations	**Recommended disclosure**
10 Disclose Scope 1, Scope 2, and if appropriate, Scope 3 greenhouse gas emissions, and the related risks	**Green House Gas (GHG) monitoring**

The greenhouse gas footprint of the portfolio covers Scope 1, 2, and all material Scope 3 emission activity such as tenants Scope 1 & 2 emissions reported under Cat.13 Downstream Leased Assets, embodied carbon from completed developments, as well as emission generated through purchase of capital and revenue goods & services.

The Fund's total emissions decreased by 37% over the year to 31 December 2023 due to disposals and very limited emission generating activity compared to the previous year when a hotel development in Paddington (North Wharf Gardens) and Rose Court reached completion. Emissions from Scope 3 Downstream Leased Assets (tenant energy usage) dropped by 10% due to disposal of carbon intensive assets as well as reduction in energy consumption across supermarkets, car auctions and select offices. Furthermore, the Fund was able to collect 98% of actual energy consumption data from the occupiers, with only a few assets delivering partial information.

GHG Protocol Scope	Source	Category	2022 (tCO_2e)	2023 (tCO_2e)	Variance %
Total			**110,145**	**69,485**	**-37%**
Scope 1			**0**	**0**	
	Landlord-procured fuels	LL Fuels	0	0	
	Landlord-procured refrigerants	LL Ref	0	0	
Scope 2			**0**	**0**	
	Landlord-procured energy	LL Energy	0	0	
Scope 3			**110,145**	**69,485**	**-37%**
Upstream	Purchased goods and services	Cat.1	77	10	
	Capital goods	Cat.2	0	0	
	Embodied carbon	Cat.2	32,889	0	
	Fuel and energy related activities	Cat.3	0	0	
	Waste generated in operations	Cat.5	0	0	
	Water supply and waste water	Wat.1	0	0	
Downstream	Downstream leased assets	Cat.13	77,179	69,474	-10%
	Indirect investments	Cat.15	0	0	

GHG Protocol Scope	Source	% Actual	% Estimated
Scope 1&2	Landlord procured energy	0	0
Scope 3	Tenant procured energy	98%	2%

Source: EVORA Global, based on 2023 calendar year end equity adjusted building emissions.

Environment and sustainability

Metrics and Targets (continued) TCFD recommendations	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities Recommended disclosure
10 Physical risk screening	**Physical risk screening** The 'total modelled cost of damage' is less than 0.25% of total Fund capital value at 30 June 2024. Only nine assets within the Fund are exposed to physical climate-related risk before 2050. This is due to projected exposure to medium risk of riverine flooding and coastal inundation predominantly in parts of London, around the Thames Valley. The data below should be read in context of the modelling limitations identified in TCFD Recommendation 5. It should be noted that all real estate assets may exhibit some exposure to climate-related risks irrespective of the modelled output.

Climate Scenarios	Hazard Category	Climate VaR – physical risk, % of total Fund AUM*, pa 2020	2050	2100
~1.5°C (Orderly)	High risk	0.23%	0.78%	1.15%
	Medium risk	0.01%	0.01%	0.02%
	Low risk	0.01%	0.01%	0.01%
~3.0°C (Hothouse)	High risk	0.25%	1.33%	2.22%
	Medium risk	0.01%	0.01%	0.01%
	Low risk	0.01%	0.01%	0.01%

Source: Marsh, *Portfolio composition and valuations at 30 June 2024. Sample includes 171 assets valued at ~£2.9bn. 2050 – High risk – 9 assets/medium risk – 10 assets.

11 Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	See 2023 ESG Targets on Environmental Excellence section for reference.

Environment and sustainability

Environmental performance

We have seen limited change in the environmental performance across assets held by the Fund over the year to 31 December 2023. The like-for-like statistics point to a very marginal increase (+0.8% y-o-y) in the energy procured by the occupiers, reflecting ongoing stability in business operations in the two years after Covid-19. That said, there were noticeable nuances with supermarket assets reducing their energy consumption, on the back of stringent carbon commitments balanced out by increases in gas use across hotels, operating at higher capacity. Hotels were also accountable for an uptick in water consumption.

Overall, the Fund's total portfolio energy consumption reduced by one fifth over the past 12 months due to disposals. The energy and gas intensity readings of the sold assets were on average higher compared to their respective benchmarks supporting the investment rationale for asset sales.

	Performance Metrics		Absolute		Like-for-like		
			2022	2023	2022	2023	% change
Energy use	Electricity (MWh)	Tenant procured	210,570	168,155	153,126	150,067	-0.2%
		Electricity from off-site renewable source (%)	78%	81%	81%	81%	
		Electricity from on-site renewable source (%)	1%	1%	2%	2%	
	Fuels (MWh)	Tenant procured	296,903	288,182	269,398	275,673	2.3%
		Fuels from off-site renewable source (%)	0%	0%	0%	0%	
	Total (MWh)	Tenant procured	507,473	456,337	422,524	425,741	0.8%
	Estimated data (%)	Tenant procured	0%	0%	0%	0%	
	Data coverage (% of Total GIA)	Total electricity	100%	100%	78%	82%	
		Total fuels	100%	100%	76%	79%	
Water	Consumption (m^3)	Tenant procured	2,147,411	2,306,354	1,755,281	1,934,179	10.2%
		Reused/recycled (%)	0%	0%	0%	0%	
	Estimated data (%)	Tenant procured	–	–	–	–	
	Data coverage (% of Total GIA)	Total	100%	100%	63%	66%	
Waste	Waste produced (Tonnes)	Tenant controlled	16,307	19,760	11,586	8,994	-22.4%
		Recycled (%)	38%	32%	29%	40%	
		Diverted from landfill (%)	85%	92%	79%	84%	
	Data coverage (% of Total GIA)	Total	84%	86%	66%	66%	
	Estimated data (%)	Tenant procured	0%	0%	0%	0%	

Source: EVORA Global, based on 2023 calendar year data for whole buildings. Like-for-like analysis exclude assets purchased, sold, refurbished, had significant data gaps or subject to a significant change in the scope of reported data during the two-year reporting period.

Environment and sustainability

Strong foundations

There are ten strong foundations we believe must be in place to deliver our ESG objectives, alongside the 2024 objectives for the Fund.

Strong foundations		
1	Investor reporting and engagement	Unitholders are provided with quarterly and annual updates on the ESG credentials, performance and tenant engagement programme of the portfolio. The Fund participates annually in the Global Real Estate Sustainability Benchmark (GRESB). 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. The disclosure on climate-related risk follows the TCFD recommendations.
2	Risk management and regulatory compliance	The Fund seeks to minimise long-term exposure to material ESG risk by embedding consideration of these into investment decision-making. The Fund monitors the EPC ratings of all assets in the portfolio which provides a measure of the energy performance of the portfolio and enables any risk posed by changes to the Minimum Energy Efficiency Standards legislation in England and Wales to be managed.
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 and 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 and 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, maintained in 2023.
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 and refurbishment	All developments in the Fund have strong sustainability credentials. Minimum requirements and aspirational targets are set out in the Sustainable Development Standard which is a key tool for the Fund's engagement with development partners on ESG matters.
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. Diversity & inclusion (D&I) related engagement is set at M&G group level, further information on the business D&I strategy can be found in the M&G plc 2023 Sustainability Report.

Financial highlights

Investments

Portfolio statement

Portfolio of investments Property by market sector and value band as at 30 June	Location	2024 %	2023 %
Retail		**20.94**	**22.27**
Properties with value over £90 million up to £150 million		**3.01**	**2.67**
Sainsbury's, 45&33 Garratt Lane	London		
Properties with value over £50 million up to £90 million[a]		**10.66**	**14.57**
Sainsbury's, Otford Road	Sevenoaks		
Sainsbury's, Dog Kennel Hill	Dulwich		
Sainsbury's, William Hunter Way	Brentwood		
Tesco Supermarket, Riverview Drive	Bedford		
Tesco Supermarket, Old Road	Royston		
Properties with value over £20 million up to £50 million[b]		**7.27**	**5.03**
Morrisons Supermarket, Coventry Road	Sheldon		
Sainsbury's, Treyew Road	Truro		
Tesco Supermarket, Springlands Way	Sudbury		
Tesco Supermarket, Hythe Road[c]	Ashford		
Sainsbury's, Southgate[d]	Huddersfield		
Asda, Hemel Hempstead	Hemel Hempstead		
Office		**21.23**	**23.49**
Properties with value over £150 million up to £260 million[e]		**12.64**	**12.52**
Southwark Bridge Road[f]	London		
17 Charterhouse Street, Farringdon	London		
Properties with value over £90 million up to £150 million		**6.69**	**9.07**
St Vincent Street	Glasgow		
Rose Court	London		
Properties with value over £50 million up to £90 million		**1.90**	**1.90**
Dorland House, Westbourne Terrace	London		

Financial highlights

Portfolio of investments Property by market sector and value band as at 30 June	Location	2024 %	2023 %
Leisure (including hotels)		**32.57**	**28.10**
Properties with value £150 million up to £260 million		**5.14**	**4.58**
North Wharf Gardens, Paddington	London		
Properties with value over £90 million up to £150 million		**5.90**	**5.42**
Premier Inn, Arrivals Road	Gatwick		
Premier Inn, Tothill Street	London		
Properties with value over £20 million up to £50 million		**3.88**	**3.36**
Tennis Clubs Portfolio[g]	Various		
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		**17.65**	**14.74**
Tennis Clubs Portfolio[g]	Various		
Health Clubs Portfolio[h]	Various		
14-18 Noel Street	London		
104-108 Bolsover Street	London		
David Lloyd, United Way	Colchester		
Other		**12.86**	**13.47**
Properties with value over £90 million up to £150 million		**4.52**	**3.86**
Stratford, Halo	London		
Properties with value over £50 million up to £90 million		**6.18**	**5.53**
Peterborough 736- Amazon, Kingston Park	Peterborough		
Syngenta's International R&D Centre, Jealotts's Hill[i]	Berkshire		
Aberfeldy New Village	London		
Properties with value over £20 million up to £50 million[j]		**1.28**	**3.22**
Unite House, Frogmore Street	Bristol		
Properties with value up to £20 million		**0.88**	**0.86**
Okeford House	Bournemouth		
Chesil House	Bournemouth		
Lyme Regis House	Bournemouth		

Financial highlights

Portfolio of investments Property by market sector and value band as at 30 June	Location	2024 %	2023 %
Other investments[k]		**9.50**	**11.30**
99.95% holding in The Swansea Unit Trust (unconsolidated subsidiary)			
50% holding in The Car Auctions Unit Trust (unconsolidated investment in associate)			
50% holding in The Hotel 42 Unit Trust (unconsolidated investment in joint venture)			
Total portfolio valuation		**97.20**	**98.63**
Net other assets		**2.80**	**1.37**
Net assets attributable to Unitholders and non-controlling interest ('NCI')		**100.00**	**100.00**

[a] Tesco Supermarket, Culverhouse Cross, Cardiff was disposed of during the year.

[b] Sainsbury's, Worthington Way, Wigan was disposed of during the year.

[c] Tesco Supermarket, Hythe Road, Ashford moved bands.

[d] Sainsbury's, Southgate, Huddersfield moved bands.

[e] 250 Bishopsgate, London was disposed of during the year.

[f] Southwark Bridge Road, London moved bands.

[g] 45 (2023: 45) properties located in the United Kingdom ranging in value from £3,370,000 to £28,540,000.

[h] 39 (2023: 39) properties located in the United Kingdom ranging in value from £216,000 to £6,626,000.

[i] Syngenta's International R&D Centre, Jealotts's Hill was disposed of post the balance sheet date.

[j] Dunaskin Street, Glasgow and Bridewell Street, Bristol were disposed of during the year.

[k] The 40% holdings in The Tesco Jade Unit Trust and Tesco Jade (GP) Limited (unconsolidated investments in associates) were disposed of during the year.

Financial highlights

Portfolio transactions

Acquisitions and additions Property name	Location	£'000
Acquisitions		–
Additions		
Southwark Bridge Road	London	
Total cost of acquisitions and additions for the year		**73,277**
Total cost of acquisitions and additions for the year as a percentage of NAV		**2.34%**
Development and refurbishment		
Total development and refurbishment costs for the year		**–**
Total development and refurbishment costs for the year as a percentage of NAV		**0.00%**

Disposals Property name	Location	£'000
250 Bishopsgate	London	
Bridewell Street	Bristol	
Dunaskin Street	Glasgow	
Sainsbury's, Worthington Way	Wigan	
Tesco Supermarket, Culverhouse Cross	Cardiff	
40% holding in The Tesco Jade Unit Trust (unconsolidated investment in associate)		
40% holding in Tesco Jade (GP) Limited (unconsolidated investment in associate)		
Total for the year		**489,831**

Financial highlights

Fund performance

Long-term performance

	Year ended 30.06.24		3 years (pa)		Since inception (pa)	
	Capital %	Total Return[a] %	Capital %	Total Return[a] %	Capital[b] %	Total Return[a,b] %
Institutional 'A' Units	(1.81)	3.18	(6.39)	(2.30)	(0.10)	4.16

[a] Returns are calculated based on the NAV 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.

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.

See note 16 for details of transaction costs paid by the Fund in relation to purchases and sales before and after dilution adjustments relating to direct portfolio transaction costs.

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.

Refer to the 'Capital Position' section in the Investment Advisor's Report with respect to the dilution adjustment applied by the Manager on a NAV per Unit basis. This dilution adjustment applied to the NAV is at the discretion of the Manager, per the Information Memorandum, whose priority it is to treat current and prospective investors fairly.

The dilution adjustment will continue to be monitored by the Investment Advisor and the Manager.

Specific Unit class performance

The following table shows the performance of the Institutional 'A' Unit class based on the reported NAV. Page 36 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	2024 £	2023 £	2022 £
Opening NAV per Unit	100.08	128.41	119.78
Return before operating charges and after direct transaction costs	(1.16)	(27.64)	9.43
Operating charges	(0.65)	(0.69)	(0.80)
Return after all charges and costs	(1.81)	(28.33)	8.63
Closing NAV per Unit	98.27	100.08	128.41
Direct transaction costs	**£**	**£**	**£**
Direct transaction costs per Unit	0.07	0.10	0.24
Performance and charges	**%**	**%**	**%**
Direct transaction costs	0.07	0.09	0.18
Operating charges	0.65	0.64	0.64
Return after all charges and costs	(1.81)	(22.06)	7.20
Distribution yield[a]	4.97	4.43	3.62

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

Financial highlights

Other information	2024	2023	2022
Closing reported NAV of the Fund (£'000)	3,016,130	3,661,658	5,208,327
Number of Units in issue	30,692,937	36,587,068	40,560,465
Highest dealing price per Unit (£)	99.081	124.737	133.890
Lowest dealing price per Unit (£)	97.032	99.015	125.575

On 1 July 2024 and 2023, the Dealing Days immediately following the accounting reference dates, the Dealing Prices were as follows:

Dealing Price

	2024 £	2023 £
Institutional 'A' Units	97.221	99.015

Dealing Price history

	Calendar year	High £	Low £
Institutional 'A' Units	2021	130.223	120.947
	2022	133.890	101.892
	2023	101.652	97.862
	2024[a]	97.694	97.032

[a] 1 January 2024 to 30 June 2024.

Consolidated Financial Statements

Consolidated statement of total return

for the year ended 30 June	Note	2024 £'000	2024 £'000	2023 £'000	2023 £'000
Income					
Net capital losses on investments	6		(49,621)		(1,098,838)
Revenue	7	192,875		222,115	
Expenses	8	(20,365)		(26,415)	
Finance costs: Interest	10	(1,010)		(817)	
Net revenue			171,500		194,883
Total return before distributions			**121,879**		**(903,955)**
Finance costs: Distributions	10		(168,577)		(190,971)
Change in net assets attributable to Unitholders and non-controlling interests from investment activities			**(46,698)**		**(1,094,926)**
Non-controlling interests			(10,027)		41,217
Change in net assets attributable to Unitholders from investment activities			**(56,725)**		**(1,053,709)**

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	2024 £'000	2024 £'000	2023 £'000	2023 £'000
Opening net assets attributable to Unitholders		**3,605,466**		**5,070,098**
Amounts received on issue of Units	16,541		123,913	
Amounts paid on cancellation of Units	(602,605)		(540,627)	
		(586,064)		(416,714)
Dilution adjustment		6,224		4,418
Retained distributions on accumulation of units		382		1,373
Change in net assets attributable to Unitholders from investment activities (see above)		(56,725)		(1,053,709)
Closing net assets attributable to Unitholders[a]		**2,969,283**		**3,605,466**

[a] See page 36 for the reconciliation of the Consolidated closing net assets attributable to Unitholders to the net assets attributable to Unitholders as per the Fund balance sheet.

Consolidated Financial Statements

Consolidated balance sheet

as at 30 June	Note	2024 £'000	2023 £'000
Fixed assets			
Investment property	13	2,732,638	3,141,155
Other investments	14	297,149	407,559
Net investment in finance leases	15	7,205	7,440
Loan receivable	17	–	105,031
Lease inducement asset		4,838	5,105
		3,041,830	**3,666,290**
Current assets			
Lease inducement asset		268	268
Debtors	18	38,472	18,353
Cash and cash equivalents		149,211	167,515
		187,951	186,136
Total assets		**3,229,781**	**3,852,426**
Liabilities			
Creditors	20	46,338	51,790
Loan payable	19	15,035	–
Distributions payable	10	40,806	46,911
Total liabilities		**102,179**	**98,701**
Net assets attributable to Unitholders		**2,969,283**	**3,605,466**
Non-controlling interests	22	158,319	148,259
Net assets attributable to Unitholders and non-controlling interests		**3,127,602**	**3,753,725**

Reconciliation to Fund balance sheet			
Net assets attributable to Unitholders excluding non-controlling interests as per Fund balance sheet		3,016,100	3,661,026
Adjustment for estimated SDLT savings	2(e), 1(f)	(45,406)	(57,380)
Adjustment for capital expenses		30	31
Adjustment for fair value movement in finance lease		(1,441)	1,789
Net assets attributable to Unitholders excluding non-controlling interests in accordance with FRS 102		**2,969,283**	**3,605,466**

The Financial Statements on pages 35 to 75 were signed on behalf of the Board of Directors of M&G (Guernsey) Limited on 23 October 2024 by:

Sally-Ann David

Joanne Peacegood
Directors of the Manager

Consolidated Financial Statements

Fund balance sheet

as at 30 June	Note	2024 £'000	2023 £'000
Assets			
Fixed assets			
Investments in subsidiaries	21	2,564,718	2,970,214
Other investments	14	297,149	407,559
Loan receivable	17	–	105,031
Investment property	13	111,620	114,140
		2,973,487	**3,596,944**
Current assets			
Debtors	18	39,511	45,860
Cash and cash equivalents		64,406	71,305
		103,917	117,165
Total assets		**3,077,404**	**3,714,109**
Liabilities			
Creditors	20	7,089	7,691
Loan payable	19	15,035	–
Distributions payable		39,180	45,392
Total liabilities		**61,304**	**53,083**
Net assets attributable to Unitholders		**3,016,100**	**3,661,026**
Reconciliation to reported NAV (non-GAAP)			
Net assets attributable to Unitholders based on reported NAV		3,016,130	3,661,658
Adjustment for capital expenses		(30)	(31)
Adjustment for loan carried at amortised cost		–	(601)
Net assets attributable to Unitholders		**3,016,100**	**3,661,026**

The Financial Statements on pages 35 to 75 were signed on behalf of the Board of Directors of M&G (Guernsey) Limited on 23 October 2024 by:

Sally-Ann David

Joanne Peacegood
Directors of the Manager

Consolidated Financial Statements

Consolidated cash flow statement

for the year ended 30 June	Note	2024 £'000	2023 £'000
Net cash inflow from operating activities	**11**	**110,329**	**160,801**
Cash flows from Investing activities			
Distributions received		22,749	24,187
Interest received		15,297	10,206
Finance lease receipts		454	454
Purchase of and additions to investment property		(73,141)	(3,871)
Investments in associates		–	(34)
Capital distributions from investment in joint venture		943	931
Disposal of investments in associates		91,223	–
Capital distributions received from investments in associates		12,398	15,812
Disposal of investment in subsidiary		185,884	148,541
Disposal of investment property		249,017	239,772
Capital distributions from unconsolidated subsidiaries		926	907
Amounts received on loan repaid		105,767	–
Net cash inflow from investing activities		**611,517**	**436,905**
Cash flows from Financing activities			
Amounts received on issue of Units		16,365	122,451
Amounts paid on cancellation of Units		(596,205)	(534,747)
Amounts received from banking facility	19	15,000	–
Finance costs: Distributions paid		(167,879)	(188,702)
Finance costs: Distributions paid to NCI		(6,421)	(6,077)
Finance costs: Interest paid		(1,010)	(817)
Net cash outflow from financing activities		**(740,150)**	**(607,892)**
Net decrease in cash		**(18,304)**	**(10,186)**
Opening cash		**167,515**	**177,701**
Closing cash at bank and on deposit		**149,211**	**167,515**

Notes to the Consolidated Financial Statements

1 General information

The M&G Secured Property Income Fund (the 'Fund') 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 May 2023 (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 managed by M&G (Guernsey) Limited, a company registered in Guernsey under the Companies (Guernsey) Law, 2008 and is licensed under the Protection of Investors (Bailiwick of Guernsey) Law, 2020 and having its registered office at Ground Floor, Dorey Court, Admiral Park, St Peter Port, Guernsey GY1 2HT, Channel Islands (the 'Manager'). The Fund is listed on The International Stock Exchange. The Fund has been authorised by the Guernsey Financial Services Commission as an authorised Class B open ended collective investment scheme under the Authorised Collective Investment Schemes (Class B) Rules and Guidance, 2021.

The objective of the Fund is to invest 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 predictable cash flows through exposure to inflation-linked rental income streams from high quality tenants, backed by a diversified pool of UK real estate assets.

The Fund's financial year runs from 1 July to 30 June each year. The report year presented in these Consolidated Financial Statements is from 1 July 2023 to 30 June 2024.

These Consolidated Financial Statements have been authorised for issue by the Board of Directors of the Manager on 23 October 2024.

2 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 properties and other investments.

The Fund balance sheet is an additional voluntary disclosure. It is provided to give further details of the movement in the Fund.

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 2025. This assessment considers the Fund's significant areas of possible financial risk including liquidity, the potential non-collection of rent, market and economic conditions, climate-related risks, investors' 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.

As at 30 September 2024 the Fund had sufficient liquid assets to meet its current obligations, with current liabilities of £59.58m and current assets of £186.57m. Ongoing operating expenses represent 10.56% of annual contracted income.

The findings from the climate risk assessment do not indicate any short-term physical climate risk requiring expenditure. Whilst capex may be required to decarbonise the portfolio by 2050, given the full repaying and insuring nature of the leases, the majority of capex is expected to be borne by the tenants or rentalised if funded by the Fund. No commitments in respect of climate-related risks have been made in the period under consideration.

Notes to the Consolidated Financial Statements

At the date of issue of these Consolidated 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 base margin of 1.65% which meets the terms of the Environment, Social and Governance ('ESG') Key Performance Indicators ('KPIs') in the revolving credit facility 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 a covenant that requires the Net Asset Value ('NAV') to be more than £2.5bn but no interest cover covenants.

The Fund has a commitment to pay £8m in respect of key deliverables as detailed in note 25 Capital commitments.

As at 23 October 2024 the undrawn investor queue was nil. The Fund has paid redemptions for the year ended 30 June 2024 totalling £596m and, subsequent to the year end, a further £91m. In line with the Fund's Information Memorandum and Trust Instrument, all redemption requests are deferred for a period of up to eighteen successive Dealing Days beginning on the Relevant Dealing Day to allow for appropriate asset sales to be completed in an orderly manner. Notwithstanding these provisions, the Manager, subject to maintaining sufficient liquidity in the Fund at all times, will endeavour to make settlement on a timely basis and before expiry of the deferral period. The Manager has decided to exercise the right to adjust the basis for subsequent redemptions that have a 3 month notice period attached making the total period to pay redemptions 21 months for all redemptions. The Manager and Investment Advisor continue with a sales programme to raise capital to meet the deferred redemption requests.

Whilst it is not possible to determine future investor redemption requests with a high degree of certainty, deferral of redemptions will continue to be monitored by the Manager and the Investment Advisor on a quarterly 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 cash flows 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 Consolidated Financial Statements.

b) Functional and presentation currency

The Consolidated Financial Statements are presented in Pounds Sterling (£), which is the Fund's functional and presentation 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 2024. 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.

Notes to the Consolidated Financial Statements

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

In accordance with FRS 102, the Fund's Investment in subsidiaries in the Fund Balance Sheet are held at fair value, which is based on the NAV of the relevant subsidiary as at the period end date, with changes in fair value recognised in profit or loss.

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 Stamp Duty Land Tax ('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 venture

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

Property assets consist of investment properties. 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 External Valuer at fair value in accordance with the version of the RICS Valuation – Global Standards (incorporating the International Valuation Standards) and the UK national supplement ('the Red Book') current as at 30 June 2024.

In preparing the Fund's Consolidated Financial Statements, the Manager has considered the impact of climate change risk and has concluded that it does not have a material impact on the fair valuation of the Fund's investment properties.

g) Investment in finance leases

Where a lease transfers 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 carrying value of the asset is de-recognised and a finance lease receivable is recognised at the fair value of the asset plus any initial direct leasing 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 the Consolidated statement of total return 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.

Notes to the Consolidated Financial Statements

Finance leases are reviewed for impairment at the end of each reporting period. For more information in relation to the finance lease impairment assessment please refer to note 5.

If the assessment of the recoverability of the cash flows of a tenant improves, a reversal or partial reversal of impairment is possible. Impairment reversals are reflected in the Consolidated statement of total return in the period in which the reversal takes place.

A reversal of impairment cannot exceed amounts had the impairment not taken place. A reversal is necessary even if the cash flows are eventually recovered over a longer period than originally anticipated.

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 on hand 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) Loans receivable

Loans are initially recognised at cost, being the fair value of the consideration received, including any transaction costs.

Interest earned on loans is recognised in the Consolidated statement of total return. The business model for the loan is to hold until maturity.

As the loan is not held for trading, the loan will subsequently be measured at amortised cost using the effective interest method. The effective interest method allocates interest and transaction costs at a constant rate over the length of the loan based on the carrying value at the end of each period.

The Fund derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Fund neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial asset.

k) 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.

l) 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'.

Notes to the Consolidated Financial Statements

m) Net capital gains and losses

Realised and unrealised gains or losses on disposal and revaluations of 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.

n) Recognition of income

All income is accounted for on an accrual basis net of value added tax ('VAT').

Rental income is recognised over the lease term on a straight-line basis. Contingent rents, being those that are not fixed at the inception of the lease, are recorded as income in the period in which they are earned. Changes arising from rent reviews are reflected as income, once they have been agreed by all parties, when it is reasonable to assume they will be received.

Property operating expenses recharged to tenants are recognised as service charge income on an accruals basis in the year to which the expense can be contractually recovered. The Fund acts as the principal in these transactions.

Interest receivable is accounted for on an effective interest basis.

Income distributions receivable from investments are recognised on an accrual 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. For more information in relation to the assessment of recoverability of revenue receivables please refer to note 5.

o) Expenses

For accounting purposes, all expenses (other than those relating to the purchase and sale of investments and SDLT) are charged to the Consolidated statement of total return for the period on an accrual 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.

p) Loan facility fees

The direct issue costs of raising finance are amortised over the life of the loan facility in the Consolidated statement of total return.

q) Finance costs: Distributions

Distributions treated as finance costs are calculated in accordance with note 3 and recognised gross of any applicable withholding tax within the period to which they relate.

r) Provisions, contingent liabilities and commitments

A provision is recognised when there is a present legal or constructive obligation because of past events where it is probable that there will be a transfer of economic benefits to settle the obligation which can be estimated reliably. A contingent liability is either a possible but uncertain obligation or a present obligation that is not recognised because a transfer of economic benefits is not probable, or the amount cannot be estimated reliably. A contingent liability is only disclosed within the financial statements. A 'capital commitment' is the projected capital expenditure the Fund commits to spend on non-current assets over a period, this is provided in the Consolidated Financial Statements in the determination of fair value for Investment Properties under construction using the residual method.

Notes to the Consolidated Financial Statements

3 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 2024 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. The final ad hoc distribution of £3,179,817 to Unitholders was made on 29 November 2022 and the remaining income of £382,000 (2023: £1,373,093) was converted into trust capital. The Manager and the Trustee declared Normalisation on 30 November 2022.

Notes to the Consolidated Financial Statements

4 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 Fund has not entered into any derivative transactions during the year under review.

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 all redemptions requests are subject to a three-month notice period and, the Manager reserves the right to defer accepted redemption requests for a period of up to eighteen successive Dealing Days as defined in the Information Memorandum.

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 Limited ('RBSI'), as described in note 19.

The Group has commitments to the developers under agreements and in relation to the Fund's investment in subsidiaries, as detailed in note 25. Meeting these requirements are managed in accordance with the capital structure.

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, if available. 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, finance leases held directly or indirectly in unconsolidated subsidiaries, associates and joint venture are determined by the External Valuer, CBRE, and is therefore subjective. The External Valuer has acquired significant experience in the real estate sectors targeted by the Fund.

Significant estimates are applied in determining the valuation and as such 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 5.

c) Credit risk
Credit risk is the risk that an issuer or counterparty in respect of rental income receivable, finance lease receivables, distributions receivable, 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 practical 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 Gross 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 Manager has policies in place to ensure that contracts are entered into only with lessees, developers and counterparties with an appropriate credit history and/or 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.

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. Limits on the level of credit risk by category and territory are approved by the Manager. 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 Bank plc and Lloyds Banking Group plc, with a Moody's rating of A1 and A3 respectively (2023: A1 and A3 respectively).

Notes to the Consolidated Financial Statements

£nil (2023: £50,703,000) of the £149,211,000 (2023: £167,515,000) cash and cash equivalent balance at year end, is held in a Northern Trust Asset Management Global Liquidity Fund money market account. The Northern Trust Company has a Moody's rating of Aa2 (2023: Aa2).

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, loans receivable, 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 (2023: same).

5 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 asset or the liability reflected in future years.

In the process of applying the Fund's accounting policies, management has made the following significant judgements, estimates and assumptions.

a) Judgements

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. Rent collection has improved in comparison to previous years and in the year up to June 2024 is reporting 100% rent collection. 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.

Notes to the Consolidated Financial Statements

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.

The Manager has concluded that there is no objective evidence of impairment for any of the tenants or issuers and therefore no provision for impairment has been recognised in the Consolidated statement of total return.

Lease Impairment Risk Assessment

A lease impairment risk assessment has been adopted by the Manager and Investment Advisor to decide if an impairment for a finance lease has emerged on an ongoing basis and if so apply the accounting requirements within the Fund. Finance leases are financial instruments measured at amortised cost. The impairment requirements apply to derecognition and impairment of receivables recognised by a lessor. The Manager and Investment Advisor assess the financial assets individually for impairment on the basis of credit risk characteristics.

The impairment risk assessment is based on a set of criteria ranging variously from payment default, material arrears or winding up petition, Company Voluntary Arrangement, credit-rating change, dilution of rent coverage, material decrease in the external valuation discounted cash flow ('DCF'), and other information sourced either internally or from relevant sources.

If a tenant shows objective evidence of impairment resulting from the change in credit risk/cash flow assumptions an impairment loss is recognised. An impairment loss will be accounted for as a reduction in the net investment in the finance lease and calculated as the difference between the carrying amount and the present value of the estimated impaired cash flows discounted at the original effective interest rate. The impairment loss reduces the total return in the Consolidated statement of total return.

If the calculation of the impaired net investment in the finance lease results in an amount which is lower than the vacant possession value of the asset, then the amount will be impaired only to the extent of the vacant possession value. If the vacant possession value then falls below the value of the impaired net investment in finance lease, the value of the impaired net investment in finance lease shall be the amount recognised in the Consolidated balance sheet.

Notes to the Consolidated Financial Statements

In a subsequent period, if the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the tenants' credit rating), the entity shall reverse the previously recognised impairment loss in the Consolidated statement of total return and increase the net investment in finance leases in the Consolidated balance sheet.

The reversal of impairment shall not result in a carrying value for the net investment in finance lease that exceeds what the amount would have been if the impairment was not previously recognised.

The Manager and Investment Advisor have concluded that there is no objective evidence of impairment for any of the tenants and therefore no impairment loss has been recognised in the Consolidated Financial Statements.

b) Estimates and assumptions

Fair value of investment properties and finance leases

Investment properties (note 13) are stated at fair value. For directly held finance leases (note 15), 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 an input into the Fund's impairment assessment.

All fair values have been determined based on valuations performed by CBRE in their capacity as accredited External Valuer, as at 30 June 2024. CBRE has acquired significant expertise in valuing these types of investment properties and finance leases. Property assets are subsequently measured at fair value and are valued by an External Valuer at fair value in accordance with the version of the RICS Valuation – Global Standards (incorporating the International Valuation Standards) and the UK national supplement ('the Red Book') current as at 30 June 2024. The assets were valued in their entirety by the External Valuer as at 30 June 2024.

In preparing the Fund's Consolidated Financial Statements, the Manager has considered the impact of climate change risk and has concluded that it does not have a material impact on the fair valuation of the Fund's investment properties.

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 DCF analysis, is then used to support and confirm the conclusions drawn from the sales comparison approach. The External Valuer has regard for not only the vacant possession value of the sites but also the trading performance of the operational assets. 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 is most sensitive to the estimated yield.

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.

c) 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 and Net Present Value.

As with all other components of DCF analysis, the discount rate should also reflect market data, ie, 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.

The valuations of investment properties 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.

Notes to the Consolidated Financial Statements

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

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 venture 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. Finance leases held in unconsolidated subsidiaries are uplifted to fair value through a NAV adjustment of the investment (note 14).

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.

6 Net capital (losses)/gains on investments

	2024 £'000	2023 £'000
Realised gains on sale of investment property	33,926	5,821
Realised gains/(losses) on sale of subsidiaries	9,386	(37,414)
Realised loss on disposal of investment in associate	(4,952)	–
Unrealised losses on investment properties	(88,492)	(912,069)
Unrealised losses on investments in associates	(5,790)	(88,378)
Unrealised gains/(losses) on investments in unconsolidated subsidiaries	4,288	(23,871)
Unrealised gains/(losses) on investment in joint venture	2,013	(42,927)
Net capital losses	**(49,621)**	**(1,098,838)**

7 Revenue

	2024 £'000	2023 £'000
Distributions from associates and unconsolidated subsidiaries	22,181	24,824
Interest on finance lease	221	227
Interest income[a]	15,297	11,598
Service charge income	–	577
Rental income	155,443	185,156
Amortisation of lease inducement asset	(267)	(267)
Total revenue	**192,875**	**222,115**

[a] Included in interest income is £5,137,000 (2023:£3,099,000) interest earned on the loan (now repaid) issued as part of the financing arrangement of the Priory group sale. Refer to note 17 for further details.

Notes to the Consolidated Financial Statements

8 Expenses

	2024 £'000	2023 £'000
Payable to the Manager or related parties of the Manager		
Manager's fee	422	515
Investment Advisory fee	16,368	21,386
Real Estate Asset Management fee	241	281
	17,031	**22,182**
Payable to the Trustee or related parties of the Trustee		
Trustee fee	204	259
Other expenses		
Administration fee	853	979
Auditor's fee	293	337
External Valuer fee	278	359
Legal and professional fees	926	643
Listing fees	86	78
Loan facility set up costs	181	202
Service charges and other expenses	472	1,332
Taxation exemption fees (see note 9)	41	44
	3,130	3,974
Total expenses	**20,365**	**26,415**

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% per annum of the NAV of the Fund, after deduction of the value of the Fund's investments in sub-trusts for which the Manager is also the manager.

In addition, the Manager receives a fee of 0.01% per annum of the NAV of any sub-trust for which it acts as manager, which is charged directly to the respective sub-trust.

b) Investment Advisory fee

The Investment Advisor receives a fee of 0.5% of the 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 £nil (2023: £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, on the following scale subject to a minimum fee of £10,000 per annum (2023: £10,000) and £5,000 per sub-trust (2023: £5,000):

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 £nil (2023: £nil) paid to the Trustee.

The Trustee is also entitled to a setup fee of £3,500 (2023: £1,500) for each new sub-trust and a fixed fee of £6,500 (2023: £2,500) per transaction.

e) Administration fee

The Administrator receives a fee, calculated and paid quarterly in arrears, at the following rates:

Band	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

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 fixed fee of £6,000 (2023: £nil) for AIFMD related services, a setup fee of £7,000 (2023: £7,000) for each new sub-trust, an additional administration fee of £9,750 per annum (2023: £9,750) and secretarial fee of £268 (2023: £nil) per annum per sub-trust.

The Administrator is also entitled to a fixed fee of £5,000 (2023: £5,000) when a sub-trust is sold or wound up.

As per the amended and restated administration agreement dated 12 April 2024, the Administrator will provide VAT related services as set out below:

Smaller sub-trusts: £450 per return

Larger sub-trusts: £550 per return

Partially exempt sub-trusts and any annual adjustment per sub-trust: £750 per return, and

Annual charge to submit the VAT returns via the commercial bridging software: £150.

The total fee payable by the Group, is subject to a minimum fee of £150,000 (2023: £150,000) per annum.

Notes to the Consolidated Financial Statements

9 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 Consolidated Financial Statements. With effect from 1 January 2024 the fee increased from £1,200 to £1,600, pro-rated to £1,400 for the year (2023: £1,200).

The Manager has made an 'exemption election' for the Fund under the UK Non-Resident Capital Gains Tax 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.

10 Finance costs: Distributions and other finance costs

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

	2024 £'000	2023 £'000
Quarterly distributions		
Quarter ended 30 September	45,037	46,964
Quarter ended 31 December	41,060	48,110
Quarter ended 31 March	41,674	49,306
Quarter ended 30 June[a]	40,806	46,591
Total quarterly distributions	**168,577**	**190,971**
Finance costs: distributions	**168,577**	**190,971**
Interest on secured borrowing	35	–
Non-utilisation fee	975	817
Finance costs: Interest	**1,010**	**817**
Total finance costs	**169,587**	**191,788**
Net revenue per Consolidated statement of total return	171,500	194,883
Capital expenses excluded from net income for income distribution purposes	181	202
Lease smoothing excluded from net income for income distribution purposes[b]	(3,104)	(4,121)
Other expenses excluded from net income for income distribution purposes	–	7
Finance costs: distributions	**168,577**	**190,971**
Comprising:		
Distributions to Unitholders	162,159	184,898
Distributions to non-controlling interests	6,418	6,073

[a] Total distributions payable by the Group at year end amounted to £40,806,297 (2023: £46,910,914) which included the distributions pertaining to the quarter ended 30 June 2024 and non-controlling interest (2023: distributions pertaining to the quarter end 30 June 2023 and non-controlling interest).

[b] This is income that is earned but has not been received for the year ended 30 June 2024.

Notes to the Consolidated Financial Statements

11 Cash flow

	2024 £'000	2023 £'000
Reconciliation of total return before distributions to net cash flow from operating activities		
Net capital losses on investments	49,621	1,098,838
Total return before distributions	121,879	(903,955)
Distributions from associates and unconsolidated subsidiaries	(22,181)	(24,824)
Interest income	(15,297)	(11,598)
Interest on finance lease	(221)	(227)
Amortisation of lease inducement asset	267	267
Finance costs: Interest	1,010	817
Movement in debtors	(19,295)	10,752
Movement in creditors	(5,454)	(9,269)
Net cash inflow from operating activities	**110,329**	**160,801**

Reconciliation of net debt	At 1 July 2023 £'000	Cash inflows £'000	Cash outflows £'000	Other non cash charges £'000	At 30 June 2024 £'000
Net debt	**(3,633,121)**	**826,353**	**(844,657)**	**632,228**	**(3,019,197)**

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

Other non-cash charges represents the movement on revaluation of investments, distributions payable at year end and the retained distributions on accumulation of units.

Notes to the Consolidated Financial Statements

12 Units in issue

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

Unit class:	Opening 1 July 2023	Units Issued	Units Cancelled	Closing 30 June 2024
Institutional 'A' Units	**36,587,068**	**167,176**	**(6,061,307)**	**30,692,937**

The following table shows the movement in Units in issue during the prior year:

Unit class:	Opening 1 July 2022	Units Issued	Units Cancelled	Closing 30 June 2023
Institutional 'A' Units	**40,560,465**	**1,009,689**	**(4,983,086)**	**36,587,068**

As per the Information Memorandum, only one class of Unit (Institutional 'A') is available.

There were no Unit subscriptions during the year ended 30 June 2024 (2023: £772,368,118).

During the year ended 30 June 2024, 167,176 (2023: 331,277) Units were issued by reinvestment of distributions, totalling £16,365,013 (2023: £38,228,312).

Unit redemptions during the year ended 30 June 2024 were £596,205,169 (2023: £958,264,699).

Each Unit is entitled to one vote at meetings of Unitholders.

The commitment by a prospective Unitholder to subscribe for Units are made and Units are subsequently issued pursuant to the terms of the Application Form, the Trust Instrument and the Information Memorandum.

The minimum initial investment in the Fund is £10,000,000 and minimum additional investments is £1,000,000. The Manager has the right to waive the investment minima at its discretion. Subject to the aforementioned, there is no minimum or maximum holding of the Units in the Fund, but such limits may be imposed at the discretion of the Manager.

Certificates are not issued in respect of any Units. Title to Units is evidenced by reference to entries in the register of Unitholders maintained by the Registrar.

The Manager also reserves the right to accept or decline an application for Units in whole or in part for any reason, acting in its sole discretion.

Units are issued to Unitholders in tranches on a 'fully paid' basis at the Dealing Price prevailing on the Dealing Day following the issue of the relevant Drawdown Notice, by reference to the amount of the Unitholder's Capital Commitment that is called by the Manager.

Notes to the Consolidated Financial Statements

13 Investment property

	2024 £'000	2023 £'000
Carrying value as at 1 July	3,141,155	4,574,562
Additions by way of direct acquisitions of investment property and cost adjustments	73,277	3,347
Disposal of investment properties	(216,546)	(337,340)
Disposal of investment properties on sale of subsidiary	(176,631)	(187,257)
Adjustment to cost	(125)	(88)
Movement in unrealised loss on revaluation	(88,492)	(912,069)
Carrying value as at 30 June	2,732,638	3,141,155
Fair value as at 30 June	**2,732,638**	**3,141,155**

The Group's investment property assets were valued by the External Valuer, being a member of the Royal Institution of Chartered Surveyors, on 30 June 2024, at £2,621,018,000 (2023: £3,027,015,000). This excludes the directly held properties disclosed below. The valuation has been prepared in accordance with the version of the RICS Valuation – Global Standards (incorporating the International Valuation Standards) and the UK national supplement ('the Red Book') current as at 30 June 2024.

Included in investment property are properties held directly by the Fund with a Fair Value as at 30 June 2024 of £111,620,000 (2023: £114,140,000). These properties were valued by the External Valuer, as of 30 June 2024.

Investment property also includes the values of the properties held by each sub-trust, as detailed in note 21.

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.

Significant increases or decreases in the yield (in isolation) would result in a significant lower or higher fair value of the Group's property investments.

The valuation technique used to measure the fair values of Group's property investments is the sales comparison approach. The range in the input used is shown in the table below:

	2024 %	2023 %
Retail	5.24 to 7.90	4.99 to 7.03
Office	4.53 to 6.98	4.40 to 6.50
Leisure (including hotels)	3.42 to 7.78	3.42 to 6.64
Other	4.56 to 12.48	4.44 to 8.14

Notes to the Consolidated Financial Statements

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 2024 £'000	Decrease 2024 £'000
Retail	(25,400)	27,560
Office	(33,905)	37,445
Leisure (including hotels)	(52,350)	58,660
Other	(16,120)	17,860

Impact on valuation of 0.25% change in yield	Increase 2023 £'000	Decrease 2023 £'000
Retail	(33,720)	36,850
Office	(43,985)	48,685
Leisure (including hotels)	(53,810)	60,350
Other	(20,525)	22,835

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

	2024 £'000	2023 £'000
Not later than one year	151,132	163,978
Later than one year and not later than five years	611,119	661,198
Later than five years	4,590,759	4,824,019
Total	**5,353,010**	**5,649,195**

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.

14 Other investments

	Investments in associates £'000	Investment in joint venture £'000	Investments in unconsolidated subsidiaries £'000	Total £'000
Carrying value as at 1 July 2023	263,799	85,445	58,315	407,559
Disposals of investments	(96,654)	–	–	(96,654)
Capital distributions	(12,398)	(943)	(926)	(14,267)
Movement in unrealised loss/(gain) on revaluation during the period	(5,790)	2,013	4,288	511
Carrying value as at 30 June 2024	148,957	86,515	61,677	297,149
Fair value as at 30 June 2024	**148,957**	**86,515**	**61,677**	**297,149**

Notes to the Consolidated Financial Statements

	Investments in associates £'000	Investment in joint venture £'000	Investments in unconsolidated subsidiaries £'000	Total £'000
Carrying value as at 1 July 2022	367,955	129,303	83,093	580,351
Additions to investments	34	–	–	34
Capital distributions	(15,812)	(931)	(907)	(17,650)
Movement in unrealised loss on revaluation during the period	(88,378)	(42,927)	(23,871)	(155,176)
Carrying value as at 30 June 2023	263,799	85,445	58,315	407,559
Fair value as at 30 June 2023	**263,799**	**85,445**	**58,315**	**407,559**

The cost and unrealised gain/(loss) on revaluation split of the other investments, excluding development loans, is as follows:

	2024 Cost £'000	Unrealised gains/(losses) on revaluation £'000	2024 Total £'000
The Car Auctions Unit Trust	109,252	39,705	148,957
The Hotel 42 Unit Trust	122,491	(35,976)	86,515
The Swansea Unit Trust	27,046	34,631	61,677
	258,789	**38,360**	**297,149**

	2023 Cost £'000	Unrealised gains/(losses) on revaluation £'000	2023 Total £'000
The Car Auctions Unit Trust	121,651	41,715	163,366
The Hotel 42 Unit Trust	123,434	(37,989)	85,445
The Swansea Unit Trust	27,972	30,343	58,315
The Tesco Jade Unit Trust	96,622	3,738	100,360
Tesco Jade (GP) Limited	32	41	73
	369,711	**37,848**	**407,559**

The investments in associates relate to a 50% holding in The Car Auctions Unit Trust. The 40% holding in The Tesco Jade Unit Trust and Tesco Jade (GP) Limited were disposed of during the year ended 30 June 2024.

The investment in joint venture 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.

Significant increases or decreases in the yield (in isolation) would result in a significant lower or higher fair value of the properties and finance leases held by the investment in associates, investments in joint venture and the unconsolidated subsidiaries ('Other investments').

Notes to the Consolidated Financial Statements

The valuation technique used to measure the fair values of all the underlying properties and finance leases held as Other investments is the sales comparison approach. The range in the unobservable input (yield) used is shown in the table below:

	2024 %	2023 %
Investments in associates[a]	5.29 to 9.25	5.25 to 19.78
Investment in joint venture	4.11 to 4.45	3.96 to 4.30
Investment in unconsolidated subsidiaries	4.81 to 4.82	4.80 to 4.81

A quantitative sensitivity analysis illustrate the impact of changes in a key unobservable input (in isolation) on the value of the Other investments held by the Fund:

Impact on valuation of 0.25% change in yield	Increase 2024 £'000	Decrease 2024 £'000
Investments in associates[a]	(4,965)	5,325
Investment in joint venture	(4,795)	5,260
Investment in unconsolidated subsidiaries	(3,027)	3,357

Impact on valuation of 0.25% change in yield	Increase 2023 £'000	Decrease 2023 £'000
Investments in associates[a]	(5,388)	5,783
Investment in joint venture	(4,690)	5,315
Investment in unconsolidated subsidiaries	(2,862)	3,182

[a] The 40% holding in The Tesco Jade Unit Trust and Tesco Jade (GP) Limited is excluded from these disclosures as this was sold during the year ended 30 June 2024.

15 Net investment in finance leases

As at 30 June	2024 £'000	2023 £'000
Amounts receivable under finance leases:		
Within one year	454	454
In the second to fifth year inclusive	1,816	1,816
After five years	7,472	7,926
	9,742	**10,196**
Less: Unearned finance income	(2,591)	(2,812)
Present value of minimum lease payments receivable	**7,151**	**7,384**
Interest received in advance	54	56
Net investment in finance leases	**7,205**	**7,440**

Notes to the Consolidated Financial Statements

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 first 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 (2023: £nil) due to the £1 buy back option given to the tenant as per the head lease agreement.

The interest rate inherent in the lease is fixed at the contract date for all of the lease term and determined at the beginning of the lease. The effective interest rate contracted approximates 3.01% (2023: 3.01%) per annum.

16 Portfolio transaction costs

The following tables show portfolio transactions and their associated transaction costs for the Fund, its subsidiaries and associates. 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 SDLT. Total direct portfolio transaction costs are stated before dilution adjustments.

	2024 £'000	% of transaction	2023 £'000	% of transaction
a) Acquisitions and additions				
Acquisitions and additions gross of transaction costs	73,277		3,335	
Legal fees	–	–	9	0.27
Other costs[a]	(125)	(0.17)	(88)	(2.64)
Survey fees	–	–	3	0.09
Total transaction costs	(125)		(76)	
Total acquisitions including transaction costs	**73,152**		**3,259**	
b) Disposals				
Disposals gross of transaction costs	492,376		528,519	
Agents' fees	(589)	0.12	(1,510)	0.29
Legal fees	(1,796)	0.37	(2,383)	0.45
Trustee fee	(14)	–	–	–
Other costs[a]	(146)	0.03	(29)	0.01
Total transaction costs	(2,545)		(3,922)	
Total disposals net of transaction costs	**489,831**		**524,597**	

[a] Relates to cost accrual adjustments.

Notes to the Consolidated Financial Statements

	2024 £'000	% of average NAV	2023 £'000	% of average NAV
c) Direct portfolio transaction costs				
Agents' fees	589	0.01	1,510	0.04
Legal fees	1,796	0.05	2,392	0.05
Other costs[a]	21	(0.00)	(59)	(0.00)
Survey fees	–	–	3	–
Trustee fee	14	–	–	–
Transaction costs before dilution adjustments	2,420	0.06	3,846	0.09
Dilution adjustments	(6,224)	(0.19)	(4,418)	(0.11)
Total direct portfolio transaction costs	**(3,804)**	**(0.13)**	**(572)**	**(0.02)**

[a] Relates to cost accrual adjustments.

In line with the requirements of the 2014 Statement of Recommended Practice for authorised funds, direct transaction costs are stated after the proportion of the amounts collected from dilution adjustments in relation to direct transaction costs. These costs on a percentage basis, might appear positive or negative depending on the timing of investment activity within the Fund. The current negative percentage reflects the fact that the Fund has collected a dilution adjustment but has not yet incurred all costs for making investments or divesting the portfolio.

The Fund's dealing price is currently calculated as NAV -1.07% (the dilution adjustment) which represents the estimated selling costs of selling the real estate assets in the Fund. This dilution adjustment is being applied whilst the Fund sells properties in order to meet redemption requests currently deferred. This dilution adjustment applied to the NAV is at the discretion of the Manager, per the Information Memorandum, whose priority it is to treat current and redeeming investors fairly. The dilution adjustment will continue to be monitored by the Investment Advisor and the Manager.

17 Loans receivable

On 12 December 2022, the Fund sold the six properties held as part of the Priory Group (from within The P6 Unit Trust) located at various locations for £233,000,000.

Of this amount, £105,031,000 (includes transaction costs) was not received in cash, but offered to the buyer as a financing arrangement with the terms listed below:

- the facility agreement that governs the loan is dated 9 December 2022, with a 2-year period until maturity,
- the loan accrues interest at a fixed rate of 5.25% which is payable by the buyer at each quarter end date, and
- at maturity, the final payment includes an element of interest.

The loan was recognised at amortised cost and the effective interest rate was calculated at 5.14%. The loan and interest receivable was repaid in full on 7 June 2024.

During the year ended 30 June 2024, £5,137,000 (2023: £3,099,000) interest was earned (see note 7) of which £nil (2023: £1,391,000) remains receivable at year end.

Notes to the Consolidated Financial Statements

18 Debtors

Group As at 30 June	2024 £'000	2023 £'000
Accrued rental income	11,892	8,920
Distributions receivable	4,322	4,890
Interest receivable[a]	–	1,392
Rent receivable	6,749	2,337
VAT receivable	14,772	–
Other debtors and prepayments	737	814
Total	**38,472**	**18,353**

Fund As at 30 June	2024 £'000	2023 £'000
Distributions receivable	38,394	43,166
Interest receivable[a]	–	1,392
Other debtors and prepayments	1,117	1,302
Total	**39,511**	**45,860**

[a] Included in interest receivable is £nil (2023: £1,391,000) interest receivable on the loan issued as part of the financing arrangement of the Priory group sale. Refer to note 17 for further details.

19 Bank loans

On 28 July 2022 the Fund renewed and extended its revolving credit facility with RBSI to £150,000,000, as per the amended and restated agreement dated 4 July 2023. £15,000,000 was drawn down on 18 June 2024 (2023: £nil), and as at 30 June 2024, £15,000,000 (2023: £nil) of the facility was outstanding and subsequently repaid on 21 October 2024. Interest is charged on the daily balance at SONIA, plus 1.65% (base margin) per annum for the portion that is used during the year (2023: up to 27 July 2022: SONIA, plus 1.60% and from 28 July 2022 onwards: SONIA, plus 1.65% (base margin)) and 0.65% (2023: 0.65%) per annum on the remaining unused portion of the facility. As at 30 June 2024, £35,000 (2023: £nil) interest was payable. This loan is repayable on expiry of the facility, being 28 July 2026.

At the balance sheet date the Fund met the three ESG KPIs, which align to the Fund's ESG policy and targets (2023: same). The three KPI's are defined as below:

1. Global Real Estate Sustainability Benchmark peer group score to be top 12.5% at all times.
2. Percentage of Fund by value with green building certification (Building Research Establishment Environmental Assessment Method ((‘BREEAM’) New Construction, BREEAM In-Use or similar).
3. Percentage of Fund by value with an Energy performance Certificate of ‘B’ or better.

The number of KPI's met will determine the applicable margin (165bps +/- 2.5bps depending on the number of KPIs met).

At the date of issue of these Consolidated Financial Statements the Fund will be compliant with 2 KPI's as the required threshold for green building certificates increased year on year and some of the Fund's certificates expired. The Fund has a re-certification process in place and will assess the cost/benefit analysis of compliance with this KPI going forwards.

Notes to the Consolidated Financial Statements

20 Creditors

Group As at 30 June	2024 £'000	2023 £'000
Deferred rental income	34,229	39,223
Investment Advisory fee	3,912	4,761
Manager's fee	102	118
Trustee fee	14	40
VAT payable	6,136	5,894
Other creditors and accruals	1,945	1,754
Total	**46,338**	**51,790**

Fund As at 30 June	2024 £'000	2023 £'000
Deferred rental income	2,073	1,773
Investment Advisory fee	3,937	4,790
Manager's fee	37	41
Trustee fee	2	12
Other creditors and accruals	1,040	1,075
Total	**7,089**	**7,691**

Notes to the Consolidated Financial Statements

21 Investments in consolidated subsidiaries

The Fund held the following investments in subsidiaries:

	2024 Total £'000	2023 Total £'000
The 250 Bishopsgate Unit Trust	340	239,863
The Aberfeldy Unit Trust	66,307	66,082
The Ashford Unit Trust	50,628	58,863
The Bedford Unit Trust	57,093	66,017
The Bournemouth Unit Trust	27,576	31,079
The Brentwood Unit Trust	77,732	78,265
The Bridewell Unit Trust	–	38,997
The Cardiff Unit Trust	–	60,774
The Charterhouse Unit Trust	223,437	227,455
The Crown Unit Trust	206,331	120,031
The Dorland House Unit Trust	58,755	67,737
The Dulwich Unit Trust	71,033	71,033
The Dunaskin Unit Trust	–	37,386
The Gatwick Unit Trust	95,610	98,427
The Glasgow Unit Trust	123,727	128,502
The Health Clubs Unit Trust	100,117	98,982
The Huddersfield Unit Trust	49,589	54,652
The Jealott's Hill Unit Trust	69,860	74,570
The North Wharf Gardens Unit Trust	166,712	171,116
The Peterborough Unit Trust	71,134	71,134
The Rose Unit Trust	96,109	96,109
The Royston Unit Trust	54,952	61,775
The Sevenoaks Unit Trust	80,867	84,658
The Sheldon Unit Trust	40,698	46,555
The Stratford Unit Trust	144,825	142,603
The Student Accommodation Unit Trust	39,719	39,719
The Sudbury Unit Trust	35,023	40,718
The Tennis Unit Trust	319,022	307,978
The Truro Unit Trust	43,377	48,104
The Wandsworth Unit Trust	96,872	98,810
The Westminster Unit Trust	97,273	105,451
The Wigan Unit Trust	–	36,769
Total	**2,564,718**	**2,970,214**

Notes to the Consolidated Financial Statements

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

	2024 Cost £'000	Unrealised gain/(loss) on revaluation £'000	2024 Total £'000
The 250 Bishopsgate Unit Trust	35	305	340
The Aberfeldy Unit Trust	43,569	22,738	66,307
The Ashford Unit Trust	44,839	5,789	50,628
The Bedford Unit Trust	62,407	(5,314)	57,093
The Bournemouth Unit Trust	40,500	(12,924)	27,576
The Brentwood Unit Trust	81,415	(3,683)	77,732
The Charterhouse Unit Trust	266,139	(42,702)	223,437
The Crown Unit Trust	213,794	(7,463)	206,331
The Dorland House Unit Trust	58,868	(113)	58,755
The Dulwich Unit Trust	71,389	(356)	71,033
The Gatwick Unit Trust	82,647	12,963	95,610
The Glasgow Unit Trust	104,616	19,111	123,727
The Health Clubs Unit Trust	98,098	2,019	100,117
The Huddersfield Unit Trust	54,204	(4,615)	49,589
The Jealott's Hill Unit Trust	78,310	(8,450)	69,860
The North Wharf Gardens Unit Trust	212,397	(45,685)	166,712
The Peterborough Unit Trust	116,820	(45,686)	71,134
The Rose Unit Trust	101,501	(5,392)	96,109
The Royston Unit Trust	58,784	(3,832)	54,952
The Sevenoaks Unit Trust	76,403	4,464	80,867
The Sheldon Unit Trust	52,399	(11,701)	40,698
The Stratford Unit Trust	114,207	30,618	144,825
The Student Accommodation Unit Trust	22,463	17,256	39,719
The Sudbury Unit Trust	32,299	2,724	35,023
The Tennis Unit Trust	265,516	53,506	319,022
The Truro Unit Trust	51,790	(8,413)	43,377
The Wandsworth Unit Trust	82,778	14,094	96,872
The Westminster Unit Trust	108,521	(11,248)	97,273
Total	**2,596,708**	**(31,990)**	**2,564,718**

Notes to the Consolidated Financial Statements

The Financial Statements of the Group consolidate the results, assets and liabilities of the subsidiary undertakings listed below:

	Country of incorporation	Class of shares	% of Class held	Principal activity
The 250 Bishopsgate 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[a]	Guernsey	Units	–	Property investment
The Cardiff Unit Trust[a]	Guernsey	Units	–	Property investment
The Charterhouse Unit Trust	Guernsey	Units	99.99%	Property investment
The Crown Unit Trust	Guernsey	Units	99.99%	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[a]	Guernsey	Units	–	Property investment
The Gatwick Unit Trust	Guernsey	Units	99.96%	Property investment
The Glasgow Unit Trust	Guernsey	Units	99.97%	Property investment
The Health Clubs Unit Trust	Guernsey	Units	99.98%	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 North Wharf Gardens 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 Accommodation 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[a]	Guernsey	Units	–	Property investment

[a] Unit trusts sold during the year.

22 Non-controlling interests

	Year ended 30 June 2024 £'000	Year ended 30 June 2023 £'000
Balance at the beginning of the year	**148,259**	**189,750**
Allocation of profit/(loss) to non-controlling interests before distributions	16,445	(35,144)
Distributions to non-controlling interests	(6,418)	(6,073)
Allocation of profit/(loss) to non-controlling interests	**10,027**	**(41,217)**
Other adjustments	33	(274)
Balance at the end of the year	**158,319**	**148,259**

As at 30 June 2024, the balance of £158,319 (2023: £148,259) represents 33.33% of The Tennis Unit Trust and interests of less than 0.13% in the remaining subsidiary undertakings as listed in note 21.

23 Financial instruments and fair value of investment properties

The policies applied in the management of financial instruments are set out in note 4.

Currency exposure

There was no significant currency exposure within the Group at the balance sheet date (2023: 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 25 for investor and capital commitments.

Notes to the Consolidated Financial Statements

The maturity analysis of financial assets/liabilities at 30 June 2024 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	149,211	–	–	149,211
Other debtors	19,347	–	–	19,347
Distributions receivable	4,322	–	–	4,322
Investments in unconsolidated entities	–	–	297,149	297,149
Finance lease receivables	454	1,816	7,472	9,742
Liabilities				
Other creditors	5,973	–	–	5,973
Loan payable	–	15,035	–	15,035
Distributions payable	40,806	–	–	40,806
Net assets attributable to Unitholders[a]	3,016,130	–	–	3,016,130
Non-controlling interests	158,319	–	–	158,319

The maturity analysis of financial assets/liabilities at 30 June 2023 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	167,515	–	–	167,515
Other debtors	13,420	–	–	13,420
Loan receivable	–	105,031	–	105,031
Distributions receivable	4,890	–	–	4,890
Investments in unconsolidated entities	–	–	407,559	407,559
Finance lease receivables	454	1,816	7,926	10,196
Liabilities				
Other creditors	6,673	–	–	6,673
Distributions payable	46,911	–	–	46,911
Net assets attributable to Unitholders[a]	3,661,658	–	–	3,661,658
Non-controlling interests	148,259	–	–	148,259

[a] Based on reported NAV.

Notes to the Consolidated Financial Statements

Interest rate profile

The significant interest-bearing financial instruments of the Group are bank loans on which interest is calculated at a variable rate. Apart from the loan receivable as disclosed in note 17, the majority of the Group's assets comprise properties which neither pay interest nor have a maturity date.

The interest rate profile of the Fund and Group at 30 June 2024 was:

Financial assets

Group	Amount £'000	Weighted average interest rate %	Maturity
Cash and cash equivalents	149,211	4.25	Current

Financial liabilities

Group	Amount £'000	Weighted average interest rate %	Maturity
Bank loans	15,035	SONIA + 1.65	28.07.26

Financial assets

Fund	Amount £'000	Weighted average interest rate %	Maturity
Cash and cash equivalents	64,406	1.80	Current

Financial liabilities

Fund	Amount £'000	Weighted average interest rate %	Maturity
Bank loans	15,035	SONIA + 1.65	28.07.26

The interest rate profile of the Fund and Group at 30 June 2023 was:

Financial assets

Group	Amount £'000	Effective interest rate %	Maturity
Loan receivable	105,031	5.14	8.12.24
Cash and cash equivalents	167,515	1.95	Current

Notes to the Consolidated Financial Statements

Financial liabilities

Group	Amount £'000	Weighted average interest rate %	Maturity
Bank loans	–	SONIA + 1.65[a]	28.07.26

Financial assets

Fund	Amount £'000	Effective interest rate %	Maturity
Loan receivable	105,031	5.14	8.12.24
Cash and cash equivalents	71,305	1.37	Current

Financial liabilities

Fund	Amount £'000	Weighted average interest rate %	Maturity
Bank loans	–	SONIA + 1.65[a]	28.07.26

[a] For the period 1 July 2022 to 27 July 2022, SONIA + 1.60% (see note 19).

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 Manager. The Manager 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 at 30 June 2024:

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investment property	–	–	2,732,638	2,732,638

Fair value analysed by level at 30 June 2023:

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investment property	–	–	3,141,155	3,141,155

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 2024:

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investments in associates and joint venture	–	–	235,472	235,472
Investments in unconsolidated subsidiaries	–	–	61,677	61,677
Net assets attributable to Unitholders	–	(2,969,283)	–	(2,969,283)

Fair value analysed by level at 30 June 2023:

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investments in associates and joint venture	–	–	349,244	349,244
Investments in unconsolidated subsidiaries	–	–	58,315	58,315
Net assets attributable to Unitholders	–	(3,605,466)	–	(3,605,466)

There is no material difference between the carrying values and fair values of the financial instruments disclosed in the Consolidated balance sheet (2023: 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:

	2024 £'000	2023 £'000
Trade receivables, net of provision for impairment where applicable		
Other debtors	19,347	13,420
Distributions receivable	4,322	4,890
Total debtors, net of impairment	**23,669**	**18,310**
Finance lease receivables	9,742	10,196
Loan receivable	–	105,031
Cash and cash equivalents	149,211	167,515

24 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. The Fund has no ultimate controlling party.

Northern Trust (Guernsey) Limited (the 'Trustee'), a company incorporated in Guernsey, is a wholly-owned subsidiary of Northern Trust Corporation, headquartered in Chicago, Illinois.

Refer to note 8 for further information on related party transactions in the year, note 20 for amounts payable at year end and note 14 for investments in associates, investment in joint venture and unconsolidated subsidiaries.

As at the date of this report, two (2023: two) Directors of the Manager held Units in the Fund, Mr Francis held 4,654.220 (2023: 4,654.220) and Mr Baxter held 2,541.186 (2023: 2,420.168) Units at 30 June 2024.

Distributions to related parties are as follows:

	Directors £'000	The Prudential Assurance Company Limited (subsidiary of M&G plc) £'000
Distributions paid for 2024 period	35[a]	4
Distribution payable at 30 June 2024	9	1
Distributions paid for 2023 period	33[a]	3
Distribution payable at 30 June 2023	8	1

[a] £12,060 (2023: £11,001) of these distributions were reinvested and not paid out in cash.

Notes to the Consolidated Financial Statements

25 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 2024	Outstanding commitments	Original commitments
The Crown Unit Trust	£8,141,927	£81,419,263
Total	**£8,141,927**	**£81,419,263**

As at 30 June 2023	Outstanding commitments	Original commitments
The Crown Unit Trust[a]	£81,419,263	£81,419,263
Total	**£81,419,263**	**£81,419,263**

[a] Subject to planning approval.

The maturity analysis of the capital commitments at 30 June 2024 is as follows:

As at 30 June 2024	On demand and less than 1 year	From 1 to 5 years	Later than 5 years	Total
The Crown Unit Trust	£8,141,927	–	–	£8,141,927
Total	**£8,141,927**	**–**	**–**	**£8,141,927**

The maturity analysis of the capital commitments at 30 June 2023 is as follows:

As at 30 June 2023	On demand and less than 1 year	From 1 to 5 years	Later than 5 years	Total
The Crown Unit Trust[a]	£81,419,263	–	–	£81,419,263
Total	**£81,419,263**	**–**	**–**	**£81,419,263**

[a] Subject to planning approval.

While the Manager continues to defer redemption requests, it has access to the RBSI debt facility to enable the Fund to meet upcoming commitments, which is sufficient to cover the full cost of all amounts contracted for and falling due within twelve months of 30 June 2024 amounting to c.£8m (2023: £81m).

Notes to the Consolidated Financial Statements

26 Events after the end of the reporting period

There were no subscriptions on the Dealing Days between 1 July 2024 to 23 October 2024.

Reinvestment of distributions on the Dealing Days between 1 July 2024 and 23 October 2024 were as follows:

	Reinvestment of distributions £
1 August 2024	3,773,691

Redemptions on Dealing Days between 1 July 2024 and 23 October 2024 were as follows:

	Redemptions £
1 October 2024	90,792,177

On 18 July 2024 the sale of Syngenta's International R&D Centre, Jealotts's Hill completed with proceeds of £70,000,000.

On 17 October 2024 the sale of The Dorland House Unit Trust completed with proceeds of £63,411,927.

The Manager and the Trustee have agreed Heads of Terms for the sale of the subsidiary, The Huddersfield Unit Trust, which is expected to be sold during Q4 2024.

On 21 October 2024 the Fund repaid the £15,000,000 drawn balance of the RBSI revolving credit facility.

27 Distribution table

Accounting reference date	Payment dates	Net income 2024 £ per unit	Distribution paid/payable[a] 2024 £ per unit
Institutional 'A' Units			
30 September	30.10.2023	1.333	1.125
31 December	31.01.2024	1.209	1.253
31 March	30.04.2024	1.224	1.225
30 June	31.07.2024	1.277	1.223

Accounting reference date	Payment dates	Net income 2023 £ per unit	Distribution paid/payable[a] 2023 £ per unit
Institutional 'A' Units			
30 September	01.11.2022	1.127	1.125
31 December	01.02.2023	1.163	1.164
31 March	02.05.2023	1.190	1.190
30 June	01.08.2023	1.232	1.196

[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 3 and note 9 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 2024

We hereby state that in our opinion the Manager has managed the Fund for the year ended 30 June 2024 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
23 October 2024

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 2024 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 27, 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 2024 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 Group 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 Consolidated Financial Statements, we have concluded that M&G (Guernsey) Limited's (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 including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

Independent Auditor’s report

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 2025.

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.

Overview of our audit approach

Key audit matters	• Fair value of investment properties
	• 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 £29.7 million which represents 1% of the Group’s Net assets attributable to Unitholders (“NAV”) as at 30 June 2024.

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 21 to the Consolidated Financial Statements.

Climate change

There has been increasing interest from stakeholders as to how climate change will impact the Group. The Group has determined that the most significant future impacts from climate change on its operations will be from 2050. These are explained on pages 19 to 25 in the required Task Force for Climate related Financial Disclosures, which form part of the “Other information,” rather than the audited consolidated financial statements. Our procedures on these unaudited disclosures therefore consisted solely of considering whether they are materially inconsistent with the consolidated financial statements, or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated, in line with our responsibilities on “Other information.”

As explained on page 12, 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.

Based on our work we have not identified the impact of climate change on the financial statements to be a key audit matter or to impact a key audit matter.

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 for 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 and Risk Committee
Fair value of investment properties, may be misstated due to application of inappropriate methodologies or inputs to the valuations and/or inappropriate judgements. (£2.73bn, 2023: £3.14bn) *Refer to accounting policies, Note 5 and Note 13 of the Consolidated Financial Statement* The fair value of investment properties 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 valuation of investment properties by performing our walkthrough procedures and evaluating the implementation and design effectiveness of controls; • We engaged the EY real estate valuation team to assess the methodology used and market-related inputs applied by management's External 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 External 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 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 lease expiry dates and collar and cap agreements 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 the EY real estate valuation team 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; • We obtained the fair values determined by management's External Valuer and agreed the total to the portfolio value reported as investment property in the consolidated financial statements. • For those properties that were disposed in the year we agreed the sales price to the fair value per CBRE in the month preceding the sale to confirm that the fair value estimation is appropriate and in line with the realisable value of the properties.	Based on our procedures performed over the risk of misstatement in the fair value of investment properties and the related financial statement disclosures, we identified no matters that we wanted to bring to the attention of the Audit and Risk Committee.

Independent Auditor's report

Risk	Our response to the risk	Key observations communicated to the Audit and Risk Committee
Other Investments, being those in unconsolidated subsidiaries, associates and joint ventures, are not fairly valued (£297.1m, 2023: £407.6m) *Refer to accounting policies, Note 5 and Note 14 of the Consolidated Financial Statements* The valuation of the Other Investments, comprising investments in associates, joint ventures and unconsolidated subsidiaries at fair valuation requires significant judgements and estimates by management involved in concluding that NAV of the underlying unit trust approximates fair valuation. Due to the significant judgements and estimates involved management could manipulate the inputs used in the valuations in order to improve the Groups performance.	We performed the following procedures: • 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" • Where sales occurred during the year and post balance sheet date, we reviewed the realised value against the carrying value inclusive of the SDLT (Stamp Duty Land Tax) uplift, to assess whether management's judgements were supported. We challenged the assumptions and judgments applied by management with particular attention to the uplift element which reflects the SDLT saving that could be achieved by disposing of an SDLT exempt entity. Our procedures included, 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 and Risk Committee.
Revenue recognition (rental income and distribution income). **(Rental income £155.4m, 2023: £185.2m), Distribution income £22.2m, 2023: £24.8m)** *Refer to accounting policies and Note 7 of the Consolidated Financial Statements* The 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 distribution income as it is a significant metric and indicator of performance, giving rise to a higher risk of misstatement. Rental income earned on the investment properties may be incorrectly recognised and materially misstated. Distribution income received from the underlying unit trusts is significant and 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 judgemental sample of leases, we obtained the lease agreements, along with any subsequent rent reviews and we agreed rental amounts to the lease accounting records; • We 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 and we identified no matters that we wanted to bring to the attention of the Audit and Risk Committee.

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 £29.7 million (2023: £36.1 million) which is 1% (2023: 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 materiality calculations based on NAV as at 30 June 2024.

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 Group's overall control environment, our judgement was that performance materiality was 50% (2023: 50%) of our planning materiality, namely £14.8 million (2023: £18 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 £1.5 million (2023: £1.8 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 on pages 35 to 75 and pages 77 to 83, respectively. The Manager is responsible for the other information. The other information comprises the Manager's report, Investment Advisor's report, Environment and Sustainability, Financial highlights, Trustee's responsibilities and report and Other regulatory disclosures (including Annex 1: Sustainable Finance Disclosure Regulation).

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

Independent Auditor's report

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.

Responsibilities of the Manager

As explained more fully in the Manager's responsibilities statement set out on page 4, 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:
    - United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland";
    - The Authorised Collective Investment Schemes (Class B) Rules 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:

Independent Auditor's report

    - 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 Manager'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 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 the Manager's 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 Paragraph 4.2(4) of the Authorised Collective Investment Schemes (Class B) Rules, 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

23 October 2024

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 2024 is as follows:

Gross method: 99.08%
Commitment method: 99.08%

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 2023 to 31 December 2023.

	Fixed remuneration £'000	Variable remuneration £'000	Total £'000
Senior Management	323	–	323
Other Identified Staff	592	838	1,430

Annex 1: Sustainable Finance Disclosure Regulation

Periodic disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852

Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Product Name: The M&G Secured Property Income Fund
Legal Entity Identifier: 549300LSD2DVF20P2E74

Environmental and/or social characteristics

Did this financial product have a sustainable investment objective?

☐ Yes	☒ No
☐ It made **sustainable investments with an environmental objective**:	☒ It **promoted Environmental/Social (E/S) characteristics** and while it did not have as its objective a sustainable investment, it had a proportion of 27.1% of sustainable investments
☐ in economic activities that qualify as environmentally sustainable under the EU Taxonomy	☐ with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy
☐ in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy	☒ with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
	☐ with a social objective
☐ It made **sustainable investments with a social objective**:	☐ It promoted E/S characteristics, but **did not make any sustainable investments**

To what extent were the environmental and/or social characteristics promoted by this financial product met?

As per the SFDR Level 2 Pre-Contractual Disclosure commitment, the Fund aims to invest in buildings which either have high environmental standards or M&G Investment Management Limited (MAGIM) and the Real Estate Asset Manager (the Managers) seek to improve the environmental footprint of the buildings. Continuous improvement in environmental and social performance of the assets is driven through the Fund's ESG targets.

The Fund will not invest in activities that are considered to be harmful to the society or the environment. It will not invest in real estate assets that have significant tenants that are listed companies assessed to be in breach of the United Nations Global Compact principles on human rights, labour, environment protection and anti-corruption, or any tenants that are listed companies involved in the controversial weapons. Those exclusions are applied at the time of investment and upon new lettings where the Manager or its delegate has control. Significant tenants are defined as tenants whose rent constitutes 20% or more of overall rental income of the real estate asset.

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics.

Review of sustainability indicators demonstrates that within the reference period the environmental and/or social characteristics promoted by this financial product have been met. Please refer to the sustainability indicator data table which is included as the answer to the question “How did the sustainability indicators perform”. Based on the sustainability indicators the following attainment outcomes have been determined.

In regards to the promotion of environmental and social characteristics which relate to the investments in buildings which either have high environmental standards or which the Managers seek to improve the environmental footprint of the buildings, this has been met and is demonstrated through:

- Indicator 1 demonstrates that 80.6% of direct real estate assets (>50% of assets) at the end of the reference period had Green Building Certification or plan to achieve it within three years. This confirms that the binding elements of the investment strategy used to attain the environmental characteristic being promoted by the Fund has been met.
- Indicator 2 shows that 37.3% of direct real estate assets held at the end of the reference period had a Green Building Certification level of BREEAM Very Good or equivalent which reflects good to best practice in the market and therefore positively contributed to environmental characteristics promoted by the Fund. The proportion of assets that have achieved this level are considered to be appropriate to the investment strategy, Green Building Certification data is benchmarked annually via the GRESB Real Estate Assessment.
- In case of one asset covered by the Code for Sustainable Homes (CSH) scheme, Phase 1 Block A&C Aberfeldy New Village, a final certificate was not available due to the retirement of the scheme in 2015. However, the Managers' have evidenced that certification was 'achieved' to a level of BREEAM Very Good or equivalent using information obtained during investment technical due diligence.

In regards to promotion of environmental and social characteristics through the Managers' evaluation of each potential investment against the relevant ESG criteria, as well as annual ESG targets the Fund has set for its assets that it is measured against and progress driven through asset plans, this has been met and is demonstrated through:

- Indicator 3 demonstrates 100% of the Fund's ESG targets set out in the 2023 ESG Investment Policy were on track or achieved at the end of the reference period. Targets which were achieved included green building certification, ensuring portfolio resilience, maintaining tenant satisfaction and good governance. Targets considered to be on track included the Fund's net zero carbon commitment, energy efficiency and certification strategy, as well as enhancements to tenant engagement.

Further detail on progress against targets is incorporated into the ESG section of the Annual Investment Report and Consolidated Financial Statements for the year ended 30 June 2024.

In regards to promotion of environmental and social characteristics which relates to the Managers' exclusion of harmful activities, this has been met and is demonstrated through:

- Indicator 4 demonstrates that at the end of the reference period all tenants were compliant with the Fund's exclusion principles. One tenant, Syngenta, remains on the Managers' UNGC violator exclusion list. However, the lease was signed prior to introduction of the SFDR-related tenant exclusion commitment. The restriction will apply to any future lease negotiation with the tenant.

Sustainability indicators measure how the environmental or social characteristics promoted by the financial product are attained.

- **How did the sustainability indicators perform?**

Sustainability indicators as at the end of the reference period (30 June 2024). Direct assets measured on basis of capital value.

Sustainability indicator	Measured performance
As at - 30 June 2024	
1. % of investments with Green Building Certification achieved or planned and underway	80.6% of direct real estate assets (77.3% on gross asset value basis)
2. % of investments with Green Building Certification BREEAM Very Good or above (or equivalent)	37.3% of direct real estate assets (35.8% on gross asset value basis)
3. % of all ESG targets (as set out in the Fund's ESG Investment Policy) achieved or on track	100% of ESG targets (as set out in the Fund's ESG Investment Policy) achieved or on track
4. % of Estimated Rental Value with tenants compliant with fund exclusion principles	100% Estimated Rental Value was compliant with the exclusion principles

Sustainability indicator	Measured performance
As at - 30 June 2023	
1. % of investments with Green Building Certification achieved or planned and underway	73.5% of direct real estate assets (68.6% on gross asset value basis)
2. % of investments with Green Building Certification BREEAM Very Good or above (or equivalent)	41.5% of direct real estate assets (38.7% on gross asset value basis)
3. % of all ESG targets (as set out in the Fund's ESG Investment Policy) achieved or on track	85% of all ESG targets (as set out in the Fund's ESG Investment Policy) achieved or on track
4. % of Estimated Rental Value with tenants compliant with fund exclusion principles	100% Estimated Rental Value was compliant with the exclusion principles

- **...and compared to previous periods?**
  Please see table above.

- **What were the objectives of the sustainable investments that the financial product partially made and how did the sustainable investment contribute to such objectives?**

The objective was to invest in economic activities that are environmentally sustainable. Sustainable investments that the Fund makes is comprised of real estate assets which meet high environmental standards and thus contribute to the environmental objective. Assets that are considered to be sustainable investments must also pass the relevant Do No Significant Harm test defined by the Managers, these are detailed further in the latter section of this disclosure.

The Managers have defined that high environmental standards are evidenced by attainment of Green Building Certification which has met a minimum rating/level. The minimum rating threshold has been set as Green Building Certification which is equivalent to a BREEAM 'Very Good' rating or above.

Green Building Certification assessments use recognised measures of performance, which are set against established benchmarks, to evaluate a building's specification, design, construction and use. The measures used tend to represent a broad range of categories and criteria. Each category will often focus on the most influential factors, which might include reduced carbon emissions, low impact design, adaptation to climate change, ecological value and biodiversity protection for example.

Accepted Green Building Certification schemes, and the BREEAM 'Very Good' or equivalent rating threshold, has been determined and documented by the Managers' ESG team. The assessment has drawn on the use of internal and external data sources to define the Managers' methodology. The rating threshold reflects good to best practice for environmentally sustainable real estate investment. The 'or equivalent' test enables application in regional markets where BREEAM may not be the preferred Green Building Certification scheme.

As at 30 June 2024, 37.3% of direct real estate assets (35.8% of Gross Asset Value, GAV), achieved the required level.

In case of one asset covered by the Code for Sustainable Homes (CSH) scheme, Phase 1 Block A&C Aberfeldy New Village, a final certificate was not available due to the retirement of the scheme in 2015. However, the Managers' have evidenced that certification was 'achieved' to a level of BREEAM Very Good or equivalent using information obtained during investment technical due diligence.

A portion of these assets did not pass the Do No Significant Harm test for sustainable investment defined by the Managers due to exposure to energy-inefficiency or lack of available data to make the assessment. Therefore, the actual portion of sustainable investments at the end of the reference period was 27.1% of GAV. This is above the Fund's minimum commitment to maintain 10% sustainable investments.

Principal adverse impacts are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

- **How did the sustainable investments that the financial product partially made not cause significant harm to any environmental or social sustainable investment objective?**

Before investment and over the life of the asset, Principal Adverse Impact (PAI) indicators are assessed and monitored for each sustainable investment to ascertain that it does not cause significant harm. Four PAI indicators described below applicable to real estate assets, as defined in the Annex I of EU Commission Delegated Regulation 2022/1288, are considered as part of the Managers' Do No Significant Harm test for sustainable investment.

As at 30 June 2024, 53.1% of direct real estate assets (51.0% of Gross Asset Value, GAV), achieved the Do No Significant Harm test for sustainable investment defined by the Managers. Therefore, actual % sustainable investments was 27.1% of GAV. This is above the Fund's minimum commitment of 10% sustainable investments.

The Manager's definition of Do No Significant Harm covered the following:

Adverse sustainability indicator 17: Exposure to fossil fuels through real estate assets

The Managers have conducted ongoing monitoring to identify buildings that are dedicated to certain activities involving fossil fuels. Real estate assets which include petrol/refueling stations are identified to be the most relevant and likely exposure in the portfolio. Where such activities were identified, the associated proportion of capital value has been removed from the eligible pool of direct real estate assets which could be measured as sustainable investment.

The assessment method did not include assets where small quantities of fossil fuels might need to be stored or transported, e.g. for ensuring the functioning of the on-site energy production facilities, but where the building is dedicated to a completely different use (for example, residential building).

In cases where the PAI criterion was met by part of an asset (for example, a petrol station that is part of a larger real estate asset that does not meet the PAI criterion), the proportion of the capital value associated with fossil fuel activity was excluded from the eligible pool of direct assets which are measured as sustainable investment. Where a separate capital valuation was not available for sub-parts within an asset, the proportion of capital value was determined by using estimated rental value as a proxy.

At the end of the reference period the Fund had 2.0% of direct real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels. This related to petrol stations in retail assets.

Adverse sustainability indicator 18: Exposure to energy-inefficient real estate assets
The Managers have conducted ongoing monitoring of Energy Performance Certificate (EPC) and Nearly Zero Energy Building (NZEB) information for the portfolio where data availability has supported assessment against the PAI criterion.

Where direct assets were identified as energy-inefficient as per the PAI criterion the associated proportion of capital value has been removed from the eligible pool of direct assets which could be measured as sustainable investment. Where no data was available to make the assessment, the assets are also assumed to be energy-inefficient per the PAI criterion and treated in the same way.

Where assets were built after 2020 but did include records to prove NZEB compliance, Energy Performance Certificates (threshold 'C' and below) were used to determine energy-inefficiency. The lack of NZEB data is a common issue where building permits for construction predate the introduction of NZEB requirements. The Managers will seek to improve the availability of EPC and NZEB data, as well as develop its methodology for assessing exposure to energy-inefficient real estate in preparation for future disclosure.

Climate And Other Environment-Related Indicators 18: Greenhouse gas emissions
High environmental standards with regards to greenhouse gas emissions in sustainable investments are demonstrated by attaining a Green Building Certification under a scheme of appropriate quality. The Green Building Certification schemes required for sustainable investments have been reviewed by the Managers and are known to incorporate minimum and aspirational requirements in regards to greenhouse gas emission reduction for real estate assets as core components of assessment and scoring. Therefore, where direct real estate assets did not achieve Green Building Certification under a valid scheme, the associated proportion of capital value would have been removed from the eligible pool of direct real estate assets which could be measured as sustainable investment.

Climate And Other Environment-Related Indicators 19: Energy consumption intensity
High environmental standards with regards to energy consumption intensity in sustainable investments are demonstrated by attaining a Green Building Certification under a scheme of appropriate quality. The Green Building Certification schemes required for sustainable investments have been reviewed by the Managers and are known to incorporate minimum and aspirational requirements in regards to energy efficiency (including energy consumption intensity) for real estate assets as core components of the assessment and scoring process. Therefore, where direct real estate assets did not achieve Green Building Certification under a valid scheme, the associated proportion of capital value would have been removed from the eligible pool of direct real estate assets which could be measured as sustainable investment. All assets identified as sustainable investments are deemed to have passed this test.

- **How were the indicators for adverse impacts on sustainability factors taken into account?**
Thresholds are established for Do No Significant Harm under the Principal Adverse Indicators for fossil fuel exposure and energy-inefficient real estate (as per Annex I of EU Commission Delegated Regulation 2022/1288). PAI indicators related to greenhouse gas emissions and energy consumption intensity have been considered through the use of Green Building Certification.

All sustainable investments have been evaluated against these PAIs from 1st January 2023 and on a quarterly basis. Assets that breach established PAI thresholds or do not hold appropriate Green Building Certification have not been recorded as sustainable investments.

- **Were sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:**
  All real estate assets qualified as sustainable investments have been screened for significant tenants against a list of listed companies that were assessed to be in breach of the United Nations Global Compact principles on human rights, labour, environment protection and anti-corruption. Investments were not qualified as sustainable if they were assessed to include tenants in breach of the UN Guiding Principles on Business and Human Rights or OECD Guidelines for Multinational Enterprises. No such breaches were recorded in the portfolio during the reference period and therefore no investments have needed to be excluded from sustainable investments on this basis.

  Note the SFDR Level 2 Pre-Contractual Disclosure commitments on exclusions came into effect on 1st January 2023 in alignment with the SFDR Level 2 regulatory deadline. The exclusions do not apply retrospectively as per the Pre-Contractual Disclosure wording. At launch, the Fund applied exclusions in relation to cluster munitions and anti-personnel mines only. From 1st January 2023, the policy was expanded to cover significant tenants that are listed companies assessed to be in breach of the United Nations Global Compact principles on human rights, labour, environment protection and anti-corruption, as well as any tenants that are listed companies involved in controversial weapon activities.

  One tenant, Syngenta, remains on the Managers' UNGC violator exclusion list. However, the lease was signed prior to introduction of the SFDR-related tenant exclusion commitment. The restriction will apply to any future lease negotiation with the tenant.

The EU Taxonomy sets out a "do no significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.

The "do no significant harm" principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

Any other sustainable investments must also not significantly harm any environmental or social objectives.

How did this financial product consider principal adverse impacts on sustainability factors?

At the product level, the Fund considered Principal Adverse Impacts (PAIs) through retrospectively assessing and monitoring the four PAIs indicators applicable to the Fund. The following has been identified through the ongoing monitoring:

Adverse sustainability indicator 17: Exposure to fossil fuels through real estate assets
Review of the portfolio has identified twelve assets which had exposure to fossil fuel activities in direct real estate assets. This relates to petrol stations in supermarkets and represents 2.0% of the direct real estate value. The Managers consider these to be an incidental activity in the context of the wider purpose of the assets. The Fund does consider fossil fuel exposure as part of the due diligence process when acquiring new investment, this has been implemented to manage potential changes in the level of exposure.

Adverse sustainability indicator 18: Exposure to energy-inefficient real estate assets
The Managers have conducted ongoing monitoring of Energy Performance Certificate (EPC) and Nearly Zero Energy Building (NZEB) information for the portfolio where data allowed it to be assessed against the energy-inefficient definition (as per Annex I of EU Commission Delegated Regulation 2022/1288).

Review of the portfolio has identified that 45.4% of direct real estate assets may be considered to be energy-inefficient according to the definition. The pool of energy-inefficient direct assets includes those assets where it is not yet possible to determine whether the required EPC level or NZEB level has been met, either due to lack of data (e.g. where there is no legal requirement to have an EPC) or because the local rating system does not allow comparison against the regulatory definition (e.g. no letter rating on the EPC).

The Managers will seek to improve the availability of this data, as well as to enhance its methodology for assessing exposure to energy-inefficient real estate in preparation for future disclosure. Through the Fund's ESG strategy it is also seeking to improve the environmental footprint of existing buildings, particularly where EPC and NZEB ratings are known to be below the defined thresholds.

Climate And Other Environment-Related Indicators 18 & 19: Greenhouse gas emissions and energy consumption Intensity
The Fund has engaged with a third-party specialist consultant to support in the monitoring and reporting of the Fund's greenhouse gas emissions and energy consumption intensity. The programme includes annual gathering of asset level greenhouse gas activity and energy usage data from the occupying tenants. Information on the portfolio's greenhouse gas emissions and energy consumption intensity is published in the front end section of the Fund's Annual Investment Report & Consolidated Financial Statements.

The Managers undertake annual review of environmental performance to help inform the development of the Fund's ESG strategy. Through the Fund's ESG strategy it is seeking to improve the environmental footprint of buildings which have high levels of greenhouse gas emissions as well as energy intensity, acknowledging that ultimate control remains with tenants under Full Repairing & Insuring (FRI) lease terms.

What were the top investments of this financial product?

The list includes the investments constituting **the greatest proportion of investments** of the financial product during the reference period which is: 01/07/2023 to 30/06/2024

Largest investments	Sector	% Assets	Country
THE CHARTERHOUSE, London	Office	7.00%	United Kingdom
1 SOUTHWARK BRIDGE, London	Office	6.20%	United Kingdom
PADDINGTON, London	Hotel	5.40%	United Kingdom
OPAL COURT & RUBY COURT, London	Residential	4.70%	United Kingdom
SCOTTISH POWER, Glasgow	Office	3.90%	United Kingdom
SAINSBURY'S SUPERSTORE, London	Retail	3.10%	United Kingdom
ROSE COURT, London	Office	3.10%	United Kingdom
PREMIER INN, Gatwick	Hotel	3.10%	United Kingdom
HUB BY PREMIER INN, London	Hotel	3.00%	United Kingdom
SAINSBURY'S SUPERSTORE, Sevenoaks	Retail	2.60%	United Kingdom
SAINSBURY'S, Brentwood	Retail	2.50%	United Kingdom
INTERNATIONAL RESEARCH CENTRE, Bracknell	Other	2.30%	United Kingdom
SAINSBURY'S, Dulwich	Retail	2.30%	United Kingdom
KINGSTON PARK, Peterborough	Industrial	2.30%	United Kingdom
ABERFELDY NEW VILLAGE, London	Other	2.10%	United Kingdom

Note the list of 'top investments' is based on net asset valuation as at 30 June 2024, this is to ensure alignment with information presented in the financial product's 2024 Annual Investment Report & Consolidated Financial Statements.

What was the proportion of sustainability-related investments?

In the SFDR Level 2 Pre-Contractual Disclosure (annex to the Fund Information Memorandum) the Fund has committed to a minimum of 70% of the Fund's assets to be aligned to the environmental or social characteristics promoted. This includes a minimum 10% of the assets that are qualified as sustainable investments with an environmental objective. A minimum of 0% of the Fund's assets are other investments not aligned to the environmental or social characteristics.

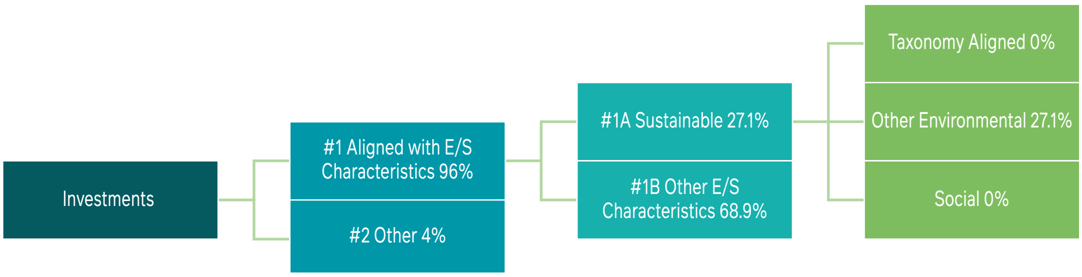
Asset allocations below are expressed as a percentage of Gross Asset Value (GAV). The Actual proportion of investments that were aligned to the environmental or social characteristic promoted was 96.0% of GAV as at 30 June 2024, this is above the 70% minimum commitment.

This was composed of 27.1% of GAV relating to sustainable investments which was above the 10% minimum threshold, and the remaining 68.9% of GAV related to investments with other environmental and/or social characteristics. None of the sustainable investments were expected to be aligned to EU Taxonomy because the Fund does not currently take into account the EU criteria for environmentally sustainable economic activities as defined in the Taxonomy regulation. Therefore, they are reported as other environmentally sustainable investments.

Asset allocation describes the share of investments in specific assets.

What was the asset allocation?

The graphic below provides an overview of the asset allocation. Note figures may not sum due to rounding.



#1 Aligned with E/S characteristics includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

#2 Other includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category **#1 Aligned with E/S characteristics** covers:

- The sub-category **#1A Sustainable** covers sustainable investments with environmental or social objectives.
- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

In which economic sectors were the investments made?

The investment breakdown is expressed as a % of Gross Asset Value (GAV) as at 30 June 2024

Economic sector	% Assets
Direct Real Estate Assets	96.00%
Cash	4.00%

To what extent were sustainable investments with an environmental objective aligned with the EU Taxonomy?

The Fund did not take into account the EU criteria for environmentally sustainable economic activities as defined in the Taxonomy Regulation. The Fund did not target investment in taxonomy-aligned assets as part of its investment policy and therefore recorded that 0% of the Fund's investments were aligned with the environmental objectives under the Taxonomy Regulation during the reference period.

The Fund intends to develop its approach to the EU Taxonomy Regulation, any amendments to strategy will be disclosed by way of update to the SFDR Level 2 Pre-Contractual Disclosure.

Enabling activities directly enable other activities to make a substantial contribution to an environmental objective.

Transitional activities are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

Did the financial product invest in fossil gas and/or nuclear energy related activities complying with the EU Taxonomy[1]?

☐ Yes:

☐ In fossil gas ☐ In nuclear energy

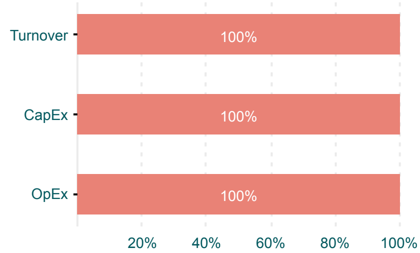
☒ No

[1] Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objectives. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

Taxonomy-aligned activities are expressed as a share of:
- **turnover** reflects the "greenness" of investee companies today.
- **capital expenditure** (CapEx) shows the green investments made by investee companies, relevant for a transition to a green economy.
- **operational expenditure** (OpEx) reflects the green operational activities of investee companies.

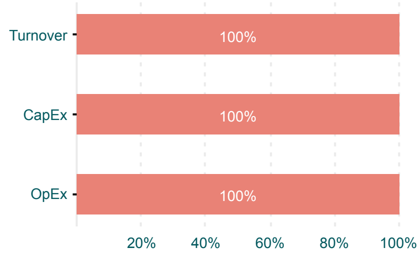
The graphs below show the percentage of investments that were aligned with the EU Taxonomy. As there is no appropriate methodology to determine the taxonomy-alignment of sovereign bonds*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.

1. Taxonomy-alignment of investments **including sovereign bonds***



- Taxonomy aligned: Fossil gas
- Taxonomy aligned: Nuclear
- Taxonomy aligned: (No Fossil gas & Nuclear)
- Non Taxonomy aligned

2. Taxonomy-alignment of investments **excluding sovereign bonds***



- Taxonomy aligned: Fossil gas
- Taxonomy aligned: Nuclear
- Taxonomy aligned: (No Fossil gas & Nuclear)
- Non Taxonomy aligned

This graph represents 100% of the total investments.

**For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures*

What was the share of investments made in transitional and enabling activities?

The Fund did not set a minimum share of investments in transitional and enabling activities and therefore has not recorded any such activities in the reference period. Therefore 0% of the Fund's investments were in transitional and enabling activities.

- **How did the percentage of investments that were aligned with the EU Taxonomy compare with previous reference periods?**

  During the previous reference period, the Fund did not target investment in taxonomy-aligned assets as part of its investment policy and therefore recorded that 0% of the Fund's investments were aligned with the environmental objectives under the Taxonomy Regulation during the reference period. Therefore no change has been measured between the two reference periods.

are sustainable investments with an environmental objective that **do not take into account** the criteria for environmentally sustainable economic activities under Regulation (EU) 2020/852.

What was the share of sustainable investments with an environmental objective that were not aligned with the EU Taxonomy?

27.1% of Gross Asset Value (GAV) as at 30 June 2024. This is above the minimum commitment of 10% of sustainable investments with an environmental objective not aligned with the EU Taxonomy. None of those assets were expected to be aligned to EU Taxonomy because the Fund does not currently take into account the EU criteria for environmentally sustainable economic activities as defined in the Taxonomy.

What was the share of socially sustainable investments?

The Fund did not make sustainable investments with a social objective.

What investments were included under "other", what was their purpose and were there any minimum environmental or social safeguards?

Investments included in "#2 Other" consisted of cash and cash equivalents, investments held for hedging purposes, investments for diversification purposes, and direct real estate assets which did not align to the promoted environmental and/or social characteristics including those for which there is insufficient data.

For non-aligned investments including those for which there was insufficient data and investments for diversification purposes, minimum safeguards include exclusion of any real estate assets that have significant tenants that are listed companies assessed to be in breach of the United Nations Global Compact principles on human rights, labour, environment protection and anti-corruption.

For the other ancillary assets, including cash, cash equivalents and hedging instruments, no minimum environmental or social safeguards have been put in place.

What actions have been taken to meet the environmental and/or social characteristics during the reference period?

The Fund applied its ESG Investment Policy to support the delivery of environmental and/or social characteristics during the reference period. Further detail on progress against targets is reported under the ESG section of the Annual Investment Report and Consolidated Financial Statements for the year ended 30 June 2024.

How did this financial product perform compared to the reference benchmark?

No reference benchmark was designated to determine whether this fund is aligned with the environmental and social characteristics that it promotes.

Reference benchmarks are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

- **How did the reference benchmark differ from a broad market index?**

  No reference benchmark was designated to determine whether this fund is aligned with the environmental and social characteristics that it promotes.

- **How did this financial product perform with regard to the sustainability indicators to determine the alignment of the reference benchmark with the environmental or social characteristics promoted?**

  No reference benchmark was designated to determine whether this fund is aligned with the environmental and social characteristics that it promotes.

- **How did this financial product perform compared with the reference benchmark?**
  No reference benchmark was designated to determine whether this fund is aligned with the environmental and social characteristics that it promotes.

- **How did this financial product perform compared with the broad market index?**
  No reference benchmark was designated to determine whether this fund is aligned with the environmental and social characteristics that it promotes.

Independent practitioner's assurance report

To the Board of Directors of M&G (Guernsey) Limited as Manager of the M&G Secured Property Income Fund

Scope

We have been engaged by the Board of Directors of M&G (Guernsey) Limited as Manager of the M&G Secured Property Income Fund ("the Board of Directors") to perform a 'limited assurance engagement,' as defined by International Standards on Assurance Engagements ("ISAE 3000"), here after referred to as the engagement, to report on the SFDR Periodic Report of the M&G Secured Property Income Fund ("the Fund") as of 30 June 2024 (the "Subject Matter") prepared in accordance with the provisions of the Regulatory Technical Standards ("RTS") criteria of the Sustainable Finance Disclosure Regulation ("SFDR"), Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector, specifically with Annex IV – Template periodic disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852.

Other than as described in the preceding paragraph, which sets out the scope of our engagement, we did not perform assurance procedures on the remaining information included in the Report, and accordingly, we do not express a conclusion on this information.

Criteria applied by the Board of Directors

In preparing the SFDR disclosures of the Fund's SFDR Periodic Report as of 30 June 2024, the Board of Directors of M&G (Guernsey) Limited as Manager of the M&G Secured Property Income Fund applied the Regulatory Technical Standards criteria of the Sustainable Finance Disclosure Regulation, Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector, specifically with Annex IV – Template periodic disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852 (the "Criteria"). As a result, the subject matter information may not be suitable for another purpose.

Board of Directors' responsibilities

The Board of Directors is responsible for selecting the Criteria, and for presenting the SFDR Periodic Report of the Fund as of 30 June 2024 in accordance with that Criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the subject matter, such that it is free from material misstatement, whether due to fraud or error.

EY's responsibilities

Our responsibility is to express a conclusion on the presentation of the Subject Matter based on the evidence we have obtained.

We conducted our engagement in accordance with the *International Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* ('ISAE 3000 (Revised)'), and the terms of reference for this engagement as agreed with the Board of Directors on 23 October 2024. Those standards require that we plan and perform our engagement to express a conclusion on whether we are aware of any material modifications that need to be made to the Subject Matter in order for it to be in accordance with the Criteria, and to issue a report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusions.

Our independence and quality management

We have maintained our independence and confirm that we have met the requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, and have the required competencies and experience to conduct this assurance engagement.

Independent practitioner's assurance report

EY also applies International Standard on Quality Management 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services engagements*, which requires that we design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Description of procedures performed

Procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

Although we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

A limited assurance engagement consists of making enquiries, primarily of persons responsible for preparing the Subject Matter and related information, and applying analytical and other appropriate procedures.

Our procedures included:

- Assessment of the consistent application of the Criteria;
- Interviews with relevant staff to gain an understanding of the sustainable investment strategy and policies in place, as well as the implementation of the latter;
- Interviews with the relevant staff to gain an understanding of the processes in place to monitor, manage and report the required information;
- Interviews with relevant staff responsible for data capture and preparation of SFDR-related information for the Subject Matter;
- Review of the processes for gathering and consolidating SFDR-related information in the Subject Matter;
- Review of the SFDR-related information of the Subject Matter against the Criteria;
- Review of material qualitative statements in the Subject Matter with regard to consistency and plausibility;

We also performed such other procedures as we considered necessary in the circumstances.

Conclusion

Based on our procedures and the evidence obtained, we are not aware of any material modifications that should be made to the SFDR-related information disclosed in the Periodic Report of the Fund as of 30 June 2024, in order for it to be in accordance with the Criteria.

Restricted use

This report is intended solely for the information and use of the Board of Directors of M&G (Guernsey) Limited as Manager of the M&G Secured Property Income Fund for providing limited assurance over SFDR-related information disclosed in the Periodic Report of the M&G Secured Property Income Fund as of 30 June 2024, as per the scope described above, and is not intended to be and should not be used by anyone other than those specified parties.

Ernst & Young LLP
Guernsey, Channel Islands

23 October 2024