

# DPFC

Diversified Property  
Fund For Charities

## Report and Financial Statements

For the financial period ended 30 September 2015



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## Financial Highlights

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Period ended 30 September	2015
Turnover	£1.2m
Operating profit	£1.0m
Earnings per unit	5.06p
Net assets per unit (FRS 102 basis)	105.69p
Net assets per unit (INREV basis)	106.68p

### Trustees

Sanne Group Nominees 1 (UK) Ltd  
21 Palmer Street  
London  
SW1H 0AD

Sanne Group Nominees 2 (UK) Ltd  
21 Palmer Street  
London  
SW1H 0AD

### Fund Operator

Sanne Administration Services (UK) Ltd  
21 Palmer Street  
London  
SW1H 0AD

### Manager

Eskmuir FM Limited  
8 Queen Anne Street  
London  
W1G 9LD

### Asset Manager

Eskmuir Asset Management Limited  
8 Queen Anne Street  
London  
W1G 9LD

### Property Manager

Jones Lang LaSalle  
40 Bank Street  
Canary Wharf  
London  
E14 5EG

### Independent Auditor

Deloitte LLP  
2 New Street Square  
London  
EC4A 3BZ

### Bankers

The Royal Bank of Scotland PLC  
250 Bishopsgate  
London  
EC2M 4AA

### Lawyers

Brodies LLP  
2 Blythswood Square  
Glasgow  
G2 4AD

King & Wood Mallesons LLP  
10 Queen Street Place  
London  
EC4R 1BE

Osborne Clarke LLP  
One London Wall  
London  
EC2Y 5EB

### External Valuer

Jones Lang LaSalle  
40 Bank Street  
Canary Wharf  
London  
E14 5EG

## Chairman's Review

**12.9%**  
The annualised total return for the period

This is the inaugural report and financial statements from the Diversified Property Fund for Charities (Fund) and I am delighted to see the Fund deliver on the promises it has made to its investors. Since the launch in February 2015, an annualised distribution yield of 6.37% has been achieved. The annualised total return for the period was 12.9%, which is the return for investors who invested at the inception of the Fund.

Clear progress has been achieved on strategic goals. The seed investors' initial subscriptions have been invested in commercial property assets which are performing well. An additional commitment from one of the seed investors, seeing them double their initial investment, is a strong vote of confidence for the Fund.

The Investment Advisory Board meets quarterly with the Fund Manager to review operations providing a further layer of assurance to investors in addition to the rigours undertaken by the Asset and Fund Managers.

2015 has been an excellent year for the Diversified Property Fund for Charities and the prospects for the Fund going forward are very encouraging indeed.

Stuart Beevor, Chairman  
Investment Advisory Board

## Manager's Report

An income yield to investors of  
**6-7%**  
is being targeted.

The Diversified Property Fund for Charities was launched on 12 February 2015. This report covers the period to 30 September 2015.

### Fund Objective

The Fund has been established with the aim of delivering an IRR of circa 7-9% ungeared over a rolling 5 year period. It is anticipated the great part of this target will be delivered through sustainable income returns, with the capital appreciation at least in line with inflation. An income yield to investors of 6-7% is being targeted.

This objective is to be achieved through investing in a diverse portfolio of UK real estate, principally across the three commercial sectors of retail, industrial and office.

### Investment Strategy

The Fund's investment strategy is to primarily invest in multi-let properties with diverse income streams in strong locations offering the potential to be asset managed to "add value" through enhancing income and capital values. The Fund will seek to utilise the specialist real estate asset and fund management expertise of the Fund Manager and Asset Manager to source and actively asset manage properties which meet the Investment Operating Criteria of the Fund, whilst seeking to optimise returns to Unit holders through adopting 'best practise' principles of portfolio management.

### Economic & Real Estate Market Outlook

The UK economic prospects are positive, supported by a clear monetary policy. GDP growth for the trailing 12 months has been 2.3% which is close to the Bank of England's projections of 2.5%pa. We have seen inflation effectively at zero for the last 12 months, unemployment reducing to 5.3% and real wage growth at 3%pa. The Bank of England's Monetary Policy Committee has maintained the base rate at 0.5% since March 2009 and QE has been static this year at £375bn. The Bank of England has guided that when Base Rates do start to move they will be in small incremental steps as the impact on the economy is assessed. The Federal Reserve in the US increased rates in December. This first rate increase is a step into uncharted waters and we will all watch with interest to see the effect it has as the first step in withdrawing the medication needed to help the economy through the financial crisis.

Today's low interest rate environment enables debt backed buyers to enjoy a healthy margin over debt costs which is good for asset prices, as is the enduring "safe haven" status of the UK making it attractive to overseas investors looking to protect their wealth. Investor demand has resulted in there being little room for valuation yields to compress further. There has been very little property development outside of Central London in recent years so we are observing a resurgence of rental growth in strong locations where there is healthy tenant demand. If this continues it will support valuations when yield compression ceases. The diverse tenancy profile of the portfolio ensures it will be well placed to benefit from rental growth, this will contribute to performance in a buoyant market and act as a defensive mechanism in a weak market.

#### Investor returns

Investors have enjoyed a total return of 8.2% since launch (12.9% on an annualised basis). The costs of acquisition have served to constrain returns in this period since launch where the entire portfolio has been acquired. The Independent Property Databank (IPD) benchmark, which ignores acquisitions and disposals, recorded total returns of 9.3% for the same period.

The Net Asset Value per unit has increased from 100p per unit at launch in February to 105.69p per unit at the September period end.

Through targeting multi-let properties, the Fund has a diverse tenant base that generates a sustainable income and in-turn distribution stream. Through asset planning each property, we are able to proactively manage lease events to mitigate void costs, enhance performance and deliver reoccurring income. The Distribution Yield to investors for the period was 6.37% on an annualised basis.

The Fund's property portfolio features a pipeline of asset management opportunities which are being initiated in order to enhance values and investor returns. This not only drives balance sheet performance but also enhances the profit and loss account, depending on the timing of transactions. As the Fund develops we will harvest the valuation increases, recycling the capital from successful initiatives into new real estate assets receptive to our asset management skill set.

#### Property portfolio & acquisitions

A seed portfolio of four properties (Swindon, Ipswich, Penrith and Glasgow) was acquired at launch utilising proceeds arising from the issue of units. A further two properties (Sunderland and Milton Keynes) were acquired during the period. The six properties were acquired for a total of £32.8m and are located across the UK, spanning the general industrial, trade park industrial and out of town retail sectors. Contracts were exchanged on the purchase of an office property in Cambridge shortly after the period end.

The Manager is seeking a suitable investment opportunity to utilise the c.£10m available which will see the Fund fully invested once again.

The vacancy rate in the portfolio stands at 5.79% at the period end which compares favourably to the IPD benchmark of 10.7%. During the period 99% of rent was collected within 21 days of the quarter day.

#### Unit issues and Investor Commitments

A total of 34.5m units were issued during the period to eight seed investors raising a total of £35.4m. At the period end all Investor Commitments had been fully drawn.

Subsequent to the period end a new investor has provided a commitment to invest £1.2m, these funds will be drawn once a suitable investment opportunity has been sourced.

#### Bank debt

The Trust Deed provides for the manager to utilise up to 20% of the Gross Asset Value of the Fund as working capital as it is needed. Discussions are therefore advanced to procure a £5m revolving credit facility. The income yield from property investments will deliver a healthy margin over the debt costs and will enable new investor's subscriptions to be placed immediately through the repayment of borrowings.

The Distribution Yield to  
investors was  
**6.37%**  
for the period

## Manager's Report (continued)

### Results and distributions

Total comprehensive income for the period was £1.75m comprising operating profit of £1.05m and unrealised revaluation surpluses on investment property of £0.70m. i.e. 12.9% annualised.

Distributions totalling £0.49m (2.4825p per unit) were paid during the period in respect of results to 30 June 2015, a further distribution totalling £0.46m (1.6754p per unit) was paid after the period end in respect of results to 30 September 2015. Distributions equated to an annualised 6.37% of opening Net Asset Value for each period.

### Strategy and outlook

The Diversified Property Fund for Charities aims to deliver a sustainable distribution yield to investors whilst maintaining and increasing capital values at least in line with inflation. This will be achieved through principally investing in UK multi-let properties with diversified income streams in strong locations offering the potential to be asset managed to "add value" through enhancing income and capital values.

As the Fund grows the strategy outline above remains appropriate. The manager will continue to seek additional investors to subscribe for units in the Diversified Property Fund for Charities and to acquire additional properties which comply with the Investment Operating Criteria. Investor's expectations have been met during the initial period of operations we are reporting on and the Fund is well placed to continue to perform in line with its clear strategy.

### Going concern

The Fund's business activities, together with the factors likely to affect its future development, performance and position are set out in the Manager's Report. The financial position of the Fund is set out in Balance Sheet and the accompanying notes to the financial statements.

The Manager is confident in the portfolio's future performance given a first year operating profit of £1.05m and healthy balance sheet of net current assets of £2.9m, cash reserves of £3.7m and net assets of £36.5m.

The Manager believes that having a balanced portfolio of investment properties, the knowledge and experience of the asset management team and absence of long term creditor commitments will help mitigate business risks in the coming year. The Manager, after making reasonable enquiries, is of the opinion that the Fund has adequate resources to continue its operations for the foreseeable future. Accordingly, a going concern basis is adopted when preparing the financial statements.

Paul Hodgson, Managing Director  
Eskmuir FM Ltd  
21 March 2016



## Statement of The Manager's And Trustees' Responsibilities

The Trust Deed requires the Manager to prepare accounts for each accounting period in accordance with FRS 102, which give a true and fair view of the financial affairs of the Fund at the end of that period and of its income and expenditure for the financial year.

In preparing the accounts the Manager is required to:

- Select suitable accounting policies and apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether FRS 102 has been complied with, subject to any material departures being disclosed and explained in the accounts;
- Prepare the accounts on the going concern basis unless it is inappropriate to presume that the Fund will continue in operation.

The Manager is also responsible for:

- Keeping adequate accounting records that are sufficient to show and explain the Fund's transactions and disclose with reasonable accuracy at any time, the financial position of the fund.
- Safeguard assets of the Fund and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities
- Appointing auditors of the Fund; and
- Ensuring maintenance and integrity of the corporate and financial information included in the Fund's website.

The Manager shall also, whenever requested to do so and in accordance with the Trust Deed, furnish to the Trustee all such information and explanations as the Trustee may require in relation to such transactions or dealings or the conduct of the affairs of the Fund (in so far as such conduct is in the hands of the Manager) and shall produce to the Trustee from time to time on demand all documents in the possession or power of the Manager relating to the matters aforesaid.

The Trustee may accept and shall not be bound to verify information and documents so given or produced by the Manager (including any valuation made or obtained by it for the purposes of the Trust Deed) unless the Trustee has actual notice of any irregularity.

# Independent Auditor's Report To The Unitholders of The Diversified Properties Fund for Charities

We have audited the non-statutory financial statements of the Diversified Property Fund for Charities ("DPFC" "Trust") for the period ended 30 September 2015 which comprise The Statement of Comprehensive Income, Statement of Change in Net Funds Attributable to Unit Holders, Balance Sheet, Statement of Cash Flows and the related notes 1 to 16. The financial reporting framework that has been applied in their preparation is United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the DPFC trustees in accordance with our engagement letter dated 10 December 2015 and solely for the purpose of ensuring the DPFC trustees can meet the requirements of the DPFC Trust Deed. Our audit work has been undertaken so that we might state to the trustees those matters we are required to state to them in an independent auditors' 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 trust, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of the Fund Manager and auditor

As explained more fully in the Manager's and Trustees' Responsibilities Statement, the Manager is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of; whether the accounting policies are appropriate to the fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the manager; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

## Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Trust's affairs as at 30 September and of its Total Comprehensive Income for the period then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;

## Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Trust Deed requires us to report to you if, in our opinion:

- adequate accounting records have not been kept; and
- that the balance sheet and income statement are not in agreement with the books of account; and
- we have not received all the information and explanations we require for our audit.

Deloitte LLP  
Chartered Accountants  
London, United Kingdom  
21 March 2016

## Statement of Comprehensive Income

Period ended 30 September	Note	2015 £000
Turnover	<b>3</b>	1,244
Other operating income		<u>2</u>
<b>TOTAL INCOME</b>		1,246
Administrative expenses	<b>4</b>	<u>(200)</u>
<b>OPERATING PROFIT</b>		1,046
Other comprehensive income	<b>2</b>	<u>701</u>
<b>TOTAL COMPREHENSIVE INCOME</b>		<u>1,747</u>
Basic and diluted earnings per unit		<u>5.06p</u>

## Statement of Change in Net Funds Attributable to Unitholders

Period ended 30 September	Note	2015 £000
Operating profit for the period		1,046
Distributions paid during the year	<b>6</b>	(487)
Other comprehensive income	<b>2</b>	701
Unit issues	<b>10</b>	35,214
Opening unitholders' funds		<u>-</u>
<b>Closing unitholders' funds</b>		<u>36,474</u>

## Balance Sheet

As at 30 September	Note	2015 £000	2015 £000
<b>FIXED ASSETS</b>			
Investment properties	<b>7</b>		33,580
<b>CURRENT ASSETS</b>			
Debtors	<b>8</b>	280	
Cash at bank and in hand		3,744	
		<u>4,024</u>	
<b>CREDITORS: amounts falling due within one year</b>	<b>9</b>	<u>(1,130)</u>	
<b>NET CURRENT ASSETS</b>			<u>2,894</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>36,474</u>
<b>NET ASSETS</b>			<u>36,474</u>
<b>TRUST CAPITAL AND RESERVES</b>			
Trust capital	<b>10</b>		35,214
Revaluation reserve	<b>11</b>		701
Profit and loss reserve	<b>12</b>		<u>559</u>
<b>UNITHOLDER FUNDS</b>			<u>36,474</u>
<b>UNITS IN ISSUE (000's)</b>	<b>10</b>		<u>34,509</u>
<b>NET ASSETS PER UNIT - FRS 102 BASIS (pence)</b>	<b>13</b>		<u>105.69</u>
<b>NET ASSETS PER UNIT - INREV BASIS (pence)</b>	<b>13</b>		<u>106.68</u>

These financial statements were approved by the Manager on 21 March 2016 and signed on its behalf by Paul Hodgson.

P A Hodgson  
Eskmuir FM Ltd

## Statement of Cash Flows

Period ended 30 September	Note	2015 £000	2015 £000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>1</b>		1,803
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of investment property		(32,550)	
Capital expenditure on investment properties		<u>(236)</u>	
			(32,786)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Units issued		35,214	
Distributions paid		<u>(487)</u>	
			<u>34,727</u>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>2</b>		<u><u>3,744</u></u>

## Notes to The Statement of Cash Flows

### 1. Reconciliation of net income to net cash flows from operating activities

Period ended 30 September	2015 £000
Operating profit	1,046
Increase in debtors	(278)
Increase in creditors	1,128
Lease incentive amortisation	(93)
Net cash flow from operating activities	<u>1,803</u>

### 2. Analysis of changes in net debt

	On inception £000	Cash flow £000	Non-cash changes £000	30 September £000
Cash at bank and in hand	<u>-</u>	<u>3,744</u>	<u>-</u>	<u>3,744</u>

## Notes to The Financial Statements (for the period ended 30 September 2015)

### 1. ACCOUNTING POLICIES

Although non-statutory, these financial statements have been prepared in accordance with applicable United Kingdom accounting standards FRS 102, as directed by the Trust Deed. The particular accounting policies adopted and applied consistently in the current year are described below. As this is the first period of operation, there are no comparatives.

The financial statements have been prepared under the historical cost convention as modified by the revaluation of investment properties and to include the amortised cost and fair valuation of certain financial instruments to the extent required or permitted under accounting standards and as set out in the relevant accounting policies below. They are stated in thousands of pounds Sterling, (£'000), the currency of the country in which DPFC operates. The Manager's statement on going concern is made in the Manager's Report.

#### Investment properties

In accordance with FRS 102, fully completed properties held for their long-term investment potential are held at market value and revalued annually. Any surplus or deficit arising from revaluation is transferred to a revaluation reserve except that permanent diminutions in value are included in the Statement of Comprehensive Income. No depreciation is provided in respect of investment properties.

Acquisitions and disposals of investment properties are accounted for in the period in which contracts become unconditional.

Disposals of properties are recognised where contracts have been unconditionally exchanged during the accounting year and the significant risks and rewards of ownership of the property have been transferred to the purchaser.

Property investment transaction costs are capitalised and reported as part of the net gain or loss on investments in the Statement of Comprehensive Income.

#### Turnover

Turnover represents rental income receivable for the year from investment properties exclusive of VAT. Surrender premiums received during the year are included in net investment income. Rental income billed in advance is recorded as deferred income and included as part of creditors due within one year.

Rental income is recognised on a straight-line basis over the term of the lease even if payments are not made as such. Lease incentives are spread on a straight-line basis from the lease start date until the end of the lease.

Capital contributions paid to tenants are shown as a debtor and amortised in line with the provisions of FRS 102. The valuation of the investment properties is reduced by all amortised lease incentives in accordance with the Trust Deed.

#### Distributions

It is the policy of the Fund to distribute all income net of expenses to the unit holders quarterly. Income can be retained in the Fund at the discretion of the Manager.

#### Taxation

As an exempt unauthorised unit trust whose investors are all charities, the Fund qualifies for exemption from corporation tax, tax on capital gains and stamp duty.

#### Investor returns

Investor returns are calculated by dividing the total return per unit in the period by the opening NAV per unit. Total return comprises the distributions paid per unit in the period and movement in NAV per unit. Preliminary and redemption charges are not taken into account in the calculation. As this period is for less than one year the results are grossed up to produce an annualised return.

## Notes to The Financial Statements (for the period ended 30 September 2015)

### Financial assets

The Company's financial assets comprise cash at bank and in hand and debtors.

Cash at bank and in hand includes deposits at call with banks, other short-term highly liquid investments and bank overdrafts. Cash at bank is measured at its nominal value which is a fair approximation of its fair value.

Cash and cash equivalents comprise cash in hand and is subject to insignificant risk of changes in value.

All debtors are short-term trade receivables which have a maturity of three months or less and are non-interest bearing. Consequently, no disclosure of fair value is required as the nominal value is a reasonable approximation of fair value.

### Financial liabilities

Trade receivables and payables - trade receivables and payables are measured at fair value.

### Interest income

Interest income is income received on monies held on deposit with banks.

Interest income and expense is recognised in the profit and loss account for all interest-bearing financial instruments held at amortised cost, using the effective interest rate method.

The effective interest rate is the rate that exactly discounts the expected future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the instrument. The application of the method has the effect of recognising income (and expense) receivable (or payable) on the instrument evenly in proportion to the amount outstanding over the period to maturity or repayment.

In calculating effective interest, the Company estimates cash flows considering all contractual terms of the financial instrument. Fees and costs are included in the calculation to the extent that they can be measured and are considered to be an integral part of the effective interest rate.

## 2. OTHER COMPREHENSIVE INCOME

Period ended 30 September	2015 £000
Net unrealised gains on investment property	<u>701</u>

## 3. TURNOVER

Period ended 30 September	2015 £000
Rental income	1,268
Rents payable	<u>(24)</u>
	<u>1,244</u>

Turnover, profit and net assets derive solely from the Fund's single principal activity carried out wholly within the United Kingdom.



## 4. ADMINISTRATIVE EXPENSES

Period ended 30 September	2015 £000
Asset management fees	71
Fund management fees	35
Fund administration fees	10
Trustee fees	15
Operator fees	14
Valuation fees	6
Audit fees	8
Property costs	21
Other	20
	<hr/>
Total administrative expenses	200
	<hr/> <hr/>

## 5. STAFF COSTS

The Fund has no employees.

## 6. DISTRIBUTIONS

Period ended 30 September	2015 £000
Period ended 31 March 2015	158
Quarter ended 30 June 2015	329
	<hr/>
Distributions paid during period to 30 September 2015	487
Distributions proposed: Quarter ended 30 September 2015	457
	<hr/>
Total distributions paid and proposed	944
	<hr/> <hr/>

## Notes to The Financial Statements (for the period ended 30 September 2015)

### 7. INVESTMENT PROPERTIES

	Freehold £000	Leasehold £000	Total £000
Property acquisitions	28,850	3,700	32,550
Additions	221	15	236
Movement in lease incentives	61	32	93
Revaluation Surplus	548	153	701
As at 30 September 2015	<u>29,680</u>	<u>3,900</u>	<u>33,580</u>

Investment properties were externally valued as at 30 September 2015 by Jones Lang LaSalle, Chartered Surveyors, in accordance with the RICS Appraisal and Valuation Standards of the Royal Institution of Chartered Surveyors. The valuer is a qualified independent valuer who holds a recognised and relevant professional qualification and has recent experience in the relevant locations and the category of properties being valued. The Valuation basis is open market value and was arrived at by reference to market evidence of the transaction prices paid for similar properties.

### 8. DEBTORS

As at 30 September	2015 £000
Rents receivable	90
Prepayments and accrued income	17
Other debtors - funds held by agents	<u>173</u>
	<u>280</u>

Other debtors relate to amounts collected from tenants by property agents but not yet paid over to the Fund. The agents hold these monies in designated client accounts and pay the balances over to the Fund on a periodic basis.

## 9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

As at 30 September	2015 £000
Deferred rental income	672
Trade creditors and accrued expenses	218
VAT	151
Sundry creditors (rent deposits)	87
Other creditors	2
	<u>1,130</u>

There are no creditors falling due after more than one year.

## 10. TRUST CAPITAL

Period ended 30 September	Number of Units issued 000's	Net Proceeds from issue of units £000
Units issued 12 February 2015	18,815	19,050
Units issued 16 June 2015	7,905	8,200
Units issued 14 July 2015	59	61
Units issued 11 August 2015	115	119
Units issued 24 September 2015	3,721	3,870
Units issued 25 September 2015	3,894	4,050
Issue costs deducted from capital	-	(136)
As at 30 September 2015	<u>34,509</u>	<u>35,214</u>

## 11. REVALUATION RESERVE

Period ended 30 September	2015 £000
Revaluation surplus for the period	<u>701</u>
As at 30 September 2015	<u>701</u>

## Notes to The Financial Statements (for the period ended 30 September 2015)

### 12. PROFIT AND LOSS RESERVE

Period ended 30 September	2015 £000
Operating profit for the period	1,046
Distributions paid	(487)
As at 30 September 2015	<u>559</u>

### 13. INREV RECONCILIATION

Period ended 30 September	2015 per unit (pence)	2015 £000
NAV as at 30 September 2015 on FRS102 basis	105.69	36,474
Setup costs*	0.34	119
Property acquisition costs*	<u>0.65</u>	<u>226</u>
NAV as at 30 September 2015 on INREV basis	<u>106.68</u>	<u>36,819</u>
Operating profit for the period on FRS102 basis	3.03	1,046
Amortisation of setup costs*	<u>(0.05)</u>	<u>(17)</u>
Operating profit for the period on INREV basis	<u>2.98</u>	<u>1,029</u>
Revaluation surplus for the period on FRS102 basis	2.03	701
Add back and amortisation of property acquisition costs*	<u>0.65</u>	<u>226</u>
Revaluation surplus for the period on INREV basis	<u>2.68</u>	<u>927</u>
Net movement in comprehensive income for the period on FRS102 basis	5.06	1,747
Amortisation of setup costs*	<u>(0.05)</u>	<u>(17)</u>
Add back and amortisation of property acquisition costs*	<u>0.65</u>	<u>226</u>
Net movement in funds for the period on INREV basis	<u>5.66</u>	<u>1,956</u>

\* INREV Guidelines 2014:

(l) Under FRS102, vehicle set-up costs are charged immediately to income after the inception of a vehicle. Such costs should be capitalised and amortised over the first five years of the term of the vehicle.

(m) Property acquisition expenses should be capitalised and amortised over the first five years after acquisition of the property.

#### 14. RELATED PARTY TRANSACTIONS

During the period to 30 September 2015, the Fund entered into a fund and asset management agreement with Eskmuir FM Ltd and Eskmuir Asset Management Ltd, wholly owned subsidiaries of Eskmuir Properties Ltd group of companies. Once the Fund was established, the Eskmuir Properties Ltd group of companies, specifically Eskmuir Securities Ltd, sold a portfolio of four assets to the Fund at their independent external valuation of £18.3m.

For the period ended 30 September 2015, amounts payable to the Fund Manager, Eskmuir FM Ltd, and Asset Manager, Eskmuir Asset Management Ltd, were £35,362 and £70,724 respectively for services provided. Sums outstanding at balance sheet date were £16,790 and £33,580 respectively. At the balance sheet date, amounts of £32,635 were payable to Eskmuir Securities, a wholly owned subsidiary of the ultimate parent of the Fund Manager and Asset Manager.

During the period to 30 September 2015, amounts payable to the Trustees Sanne Group Nominees 1 (UK) Limited and Sanne Group Nominees 2 (UK) Limited and Operator, Sanne Group Administration Services (UK) Limited were £46,423 and £13,836 respectively. Amounts outstanding at balance sheet date were £11,089 and £6,000 respectively.

#### 15. POST BALANCE SHEET EVENTS

Subsequent to the balance sheet date of 30 September 2015, the Fund purchased a property at Hills Road, Cambridge for £2.25m.

#### 16. CONTROLLING PARTIES

Sanne Group Nominees 1 (UK) Limited and Sanne Group Nominees 2 (UK) Limited are Trustees of the Diversified Property Fund For Charities and exert control over decision making of the Fund.





# DPFC

Diversified Property  
Fund For Charities

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