ANNUAL REPORT and FINANCIAL STATEMENTS

for the financial year ended
30 September 2022

DPFC
Diversified Property Fund For Charities

ANNUAL REPORT and FINANCIAL STATEMENTS

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FINANCIAL HIGHLIGHTS

DPFC
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	Year ended 30 September 2022	Year ended 30 September 2021
Net rental income	**£5.4m**	**£5.0m**
Operating Profit	**£4.1m**	**£4.1m**
Earnings per unit - see Note 12	**18.48p**	**20.84p**
Net assets per unit (FRS 102 basis) - see Note 15	**150.83p**	**139.23p**
Net assets per unit (INREV basis) - see Note 15	**150.99p**	**139.41p**
Distributions per unit paid during the year - see Note 7	**7.58p**	**7.236p**

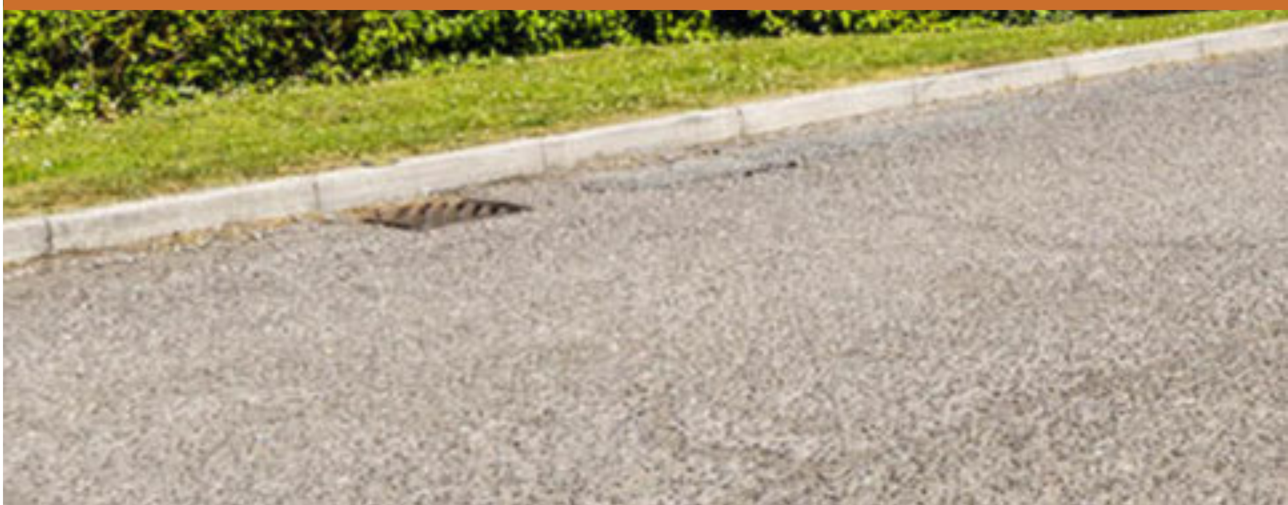
DPFC
Diversified Property
Fund For Charities

CHAIRMAN'S REVIEW

The Diversified Property Fund for Charities ('DPFC', 'Fund') delivered a Total Return of 14.1% for the financial year to 30 September 2022 (2021: 17.1%) comprising 5.5% (2021: 6.4%) distribution and 8.6% capital appreciation (2021: 10.7%). This extends DPFC's performance track record to 11.8% pa since inception in 2015.

This is a pleasing result especially in view of the macroeconomic and geopolitical environment. The optimism at the beginning of the year generated by the easing of Covid-19 restrictions was abruptly overtaken by the tragic events in Ukraine and rising inflation and interest rates. The political turmoil in the UK, with the short-lived Truss premiership, unsettled investment markets. Industrial unrest and the cost of living crisis, with no immediate solution likely between Russia and Ukraine have resulted in an aversion to risk assets by investors. In the property investment market, rising asset values at the beginning of the financial year, especially for industrial warehousing assets, started to reverse last Summer with valuations softening.

Within the property market, retail ware-housing has outperformed in-town retailing as convenience and configuration of accom-modation has seen a bifurcation of demand. In offices, the hybrid working model is resulting in demand for best quality space with strong ESG credentials. Industrial warehouse occupier demand continues to be strong and, with a shortage of accommodation, rental growth continues.



The properties in the DPFC portfolio increased in value by 8.3% over the year on a like for like basis (2021: 9.8%) marginally above the 8.2% reported by MSCI / IPD All Property Index. Reflecting the broader market conditions, capital growth was 14.9% in the period October 2021 to June 2022 (Q1 – Q3) with values reducing by 6.6% in Q4. Overall, the increase in property values and above investor subscriptions resulted in the Net Asset Value (NAV) increasing from £73.6m to £84.8m.

The sustainability of income is a key element of DPFC's objective and distributions paid to Unitholders were 7.58p per unit in financial year 2022 (2021: 7.24p) reflecting an increase of 4.7% on the prior year. This extends the track record of the distribution having been maintained or grown each successive year, increasing by an average of 2.1% pa since inception.

The Investment Advisory Board meets quar-terly to review DPFC's strategy, performance and management with a keen focus on risk management to optimise investor returns. Energy efficiency is a prime focus with the ultimate objective of zero carbon and properties are being upgraded on an ongoing basis. The granular attention to detail exercised by the Manager in executing asset management plans and building strong relationships with tenants continues to deliver low voids and strong income receipts.

DPFC's strategy, targeting well located multi-let properties in the £3m-£12m size range which are receptive to the Manager's asset management skills remain especially relevant and appropriate in this challenging economic environment. The Investment Advisory Board considers the portfolio's weighting of 63% industrial, 18% retail warehouse and 19% offices comprising properties with attractive occupier characteristics is well positioned to continue to delivering attractive risk adjusted returns to investors in the medium to long-term.

Stuart Beevor, Chairman,
Investment Advisory Board

MANAGER'S REPORT

Paul Hodgson

Overview

In 2022 DPFC has delivered a Total Return of 14.1% (2021: 17.1%) to investors which compares favourably to the MSCI/IPD All Property Index and AREF benchmarks which recorded 13.0% and 13.3% Total Return respectively. Capital appreciation was strong during the first three quarters of the year with income being the driver of performance in the last quarter. The economic recovery from the Covid-19 pandemic continued through the first half of the year with challenging economic headwinds taking over in the second half. Global and domestic inflationary pressures grew resulting in UK inflation (CPI) increasing to 11.1% for October 2022, the highest recorded since the start of the dataset in 1989. RPI was 14.2% at the same point, the highest since 1981. Central banks across the globe have acted by increasing interest rates in an attempt to reduce inflation. In the UK the Bank of England increased the Base Rate to 4.00%, at the time of writing, the highest level it has been since 2008.

The real estate market is constantly evolving as it reacts to the dynamic nature of social, economic and occupier trends. The pandemic has served to accelerate a number of these trends and we have sought to align the portfolio with the trends which will add positively to performance (in a risk managed way). Online retailing continues to evolve, with online sales growing from 20.8% of all sales in Q4 2019, peaking at 35.5% in Q1 2021 and standing at 26.0% in Q3 2022. This overall rising trend has seen reduced sales from physical stores and retailers seeking to reduce their store networks. The cost of living crisis is compounding this as consumers have less to spend. Demand for retail premises, particularly in town shop units, has reduced resulting in higher vacancy rates and reducing rents as landlords compete to secure tenants. DPFC has actively avoided investing in town centre retail assets due to the structural change this sector is undergoing. The out of town retail market is showing greater resilience where the units are well suited to retailers' multi-channel retailing models and offer convenience to shoppers.

Technological advances have enabled many of us to work remotely. The Covid-19 pandemic forced those of us who could, to work remotely. This has resulted in the hybrid office/remote working model being commonplace. It is likely this trend will result in occupiers seeking reduced office space with reduced occupancy levels. We are already seeing large corporate occupier requirements being focussed on smaller offices in prime locations with good ESG credentials. Secondary and tertiary office properties are likely to attract alternative uses.

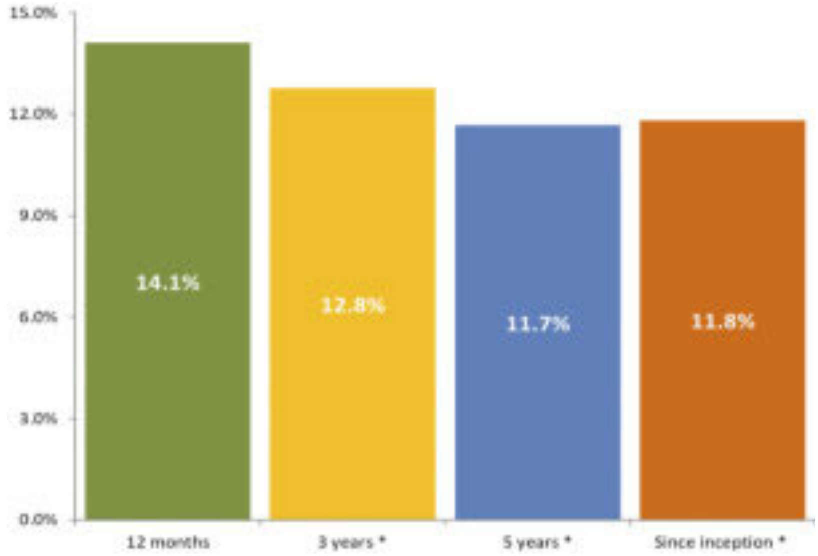
Consumers are becoming increasingly demanding on the timescales they expect for deliveries, increasing demand from logistic companies in the industrial warehouse sector. Whilst the demand for larger distribution units of 100,000sqft plus has tempered, the demand for urban industrial warehouse units (last mile logistics units) has remained strong creating competition for units from traditional industrial and warehouse occupiers. In urban areas we have seen industrial sites sold for higher value alternative use development reducing the overall stock available. The reduced supply and additional demand has resulted in low vacancy rates and continued rental growth.

DPFC's Performance is achieved through implementing a clear investment strategy whilst aligning the portfolio with prevailing social economic and occupier trends. The assets in the portfolio are in locations where occupiers need and want to be which when combined with a bespoke five year asset plan for each property has shown resilience with high occupancy levels. Occupancy since inception has averaged 97.8%, and the vacancy rate was 5.1% in September 2022, AREF 9.5% (2021: DPFC 2.5%, AREF 9.6%). High occupancy levels reduce void costs and have enabled the distribution from the Fund to be maintained or grown year on year since inception. A more detailed review of Fund performance is detailed later in this report.

DPFC's Total Return of 14.1% for the financial year to 30 September 2022 (2021: 17.1%) comprising 5.5% (2021: 6.4%) distribution and 8.6% capital appreciation (2021: 10.7%). Since inception in 2015, the Total Return has averaged 11.8%. Over the longer term it is pleasing to report DPFC has delivered Total Returns of 12.8% and 11.7% over 3 years and 5 years respectively, as shown in the chart over the page.

DPFC
Diversified Property
Fund For Charities

Historic Total Returns - To 30 September 2022



* annualised

Fund Objective

DPFC's objective is to deliver a target IRR of circa 7-9% pa, ungeared over a rolling five year period and a sustainable and growing distribution. The IRR achieved over the last five years amounts to 11.5% and the distribution has been maintained or grown each year with the average distribution growth since launch of 2.1% pa. The level of distribution in the latest Financial Year was 5.5% fully covered by income from either the current or prior periods. We are very aware of the importance of consistent distributions to charity investors and are focused on maintaining and growing the cash amount of the distribution. 2016 was DPFC's first full financial year and a distribution of 6.73p per unit was paid. This has grown by 12.6% to 7.58p per unit for the 2022 financial year.

Investment Strategy

DPFC has a clear investment strategy which seeks to mitigate risk at a portfolio and property level by investing in:

- **Multi-let Properties** - principally multi-let properties whose valuations tend to reflect the contractual lease position accounting for loss of income due to tenant break options and lease expiries. In practice 80% of break options are not exercised and 34% of tenants renew their lease, thereby generating additional value.

- **Strong Locations** – where tenants need, and want, to be to best serve their business activities.

- **Asset Size** – Properties in the £3m-£12m range are targeted which are often a little too small for institutional investors and a little too large for most high-net-worth investors.

- **Asset Management Potential** – prior to purchase, a bespoke five year asset plan is developed for each property which identifies potential to enhance rental income and in turn capital value. A hands on approach building good working relationships with occupiers is a critical part of delivering asset management initiatives.

At a portfolio level risk is diversified through implementing the Investment Operating Criteria detailed in the Fund's Trust Deed which targets diversifying: location, sector, asset size, occupier and leasing profile. The diversity of occupier mitigates any risk to distributions from any one tenant being unable to pay their rent.

Fund Performance

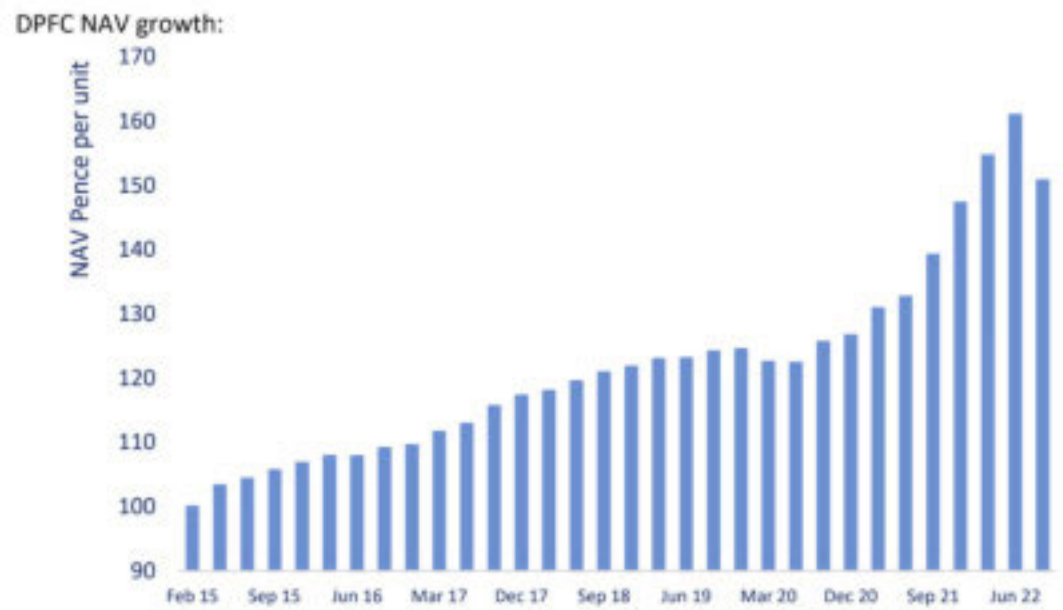
DPFC's Total Return was 14.1% for the financial year to 30 September 2022 (2021: 17.1%) comprising 5.5% (2021: 6.4%) distribution and 8.6% capital appreciation (2021: 10.7%). Since inception in 2015, the Total Return has been 11.8% pa. Additionally, the Absolute Total Return to investors since launch has been 103.2% which comprises of distributions totalling 52.4%, equivalent to 6.86p per unit pa and NAV growth of 50.8%, equivalent to 6.7p per unit pa.

Rent collection has normalised as the business disruption of the Covid-19 pandemic to DPFC's tenants cashflows has passed.

The rent collection for the 2022 Financial Year was 100% (2021: 100%). This level of rent collection is due to a number of factors: Diverse tenant base, the industrial sector weighting, quality financial tenant covenants and a structured approach to rent collection which includes weekly meetings between Asset Managers and Credit Controllers to ensure the occupiers who can pay do.

Fund Performance (continued)

The asset management of the portfolio has contributed to the DPFC portfolio steadily increasing in value each year. This together with the retained profits have seen the FRS 102 NAV per unit at 30 September 2022 increase by 15% to 150.83p per unit (2021: 139.2p per unit). The portfolio is valued by Independent Valuers Jones Lang LaSalle quarterly. The first three quarters of 2022 saw strong valuation growth with yields softening in the last quarter of the year, as shown in the quarterly data detailed in the chart below.



Unitholders were paid 7.58p per unit in 2022 (2021: 7.24p), an increase of 4.7% on the prior year. Since inception the distribution has been maintained or grown each successive year. The chart below details the quarterly distributions and the increasing trend, save for the Covid-19 pandemic period which straddled two financial years. Overall the level of distribution was maintained from financial year to year.

Performance relative to industry benchmarks is considered at a Fund and Property level. At a Property level the MSCI All Property Index returned 13.0% (2021: 13.6%) for the year to September 2022. At a Fund level the Association of Real Estate Funds (AREF) benchmark delivered a return over the same period of 13.3% (2021: 11.5%). DPFC outperformed both benchmarks with a Total Property Return of 13.7% (2021: 17.1%) and a Total Fund Level Return of 14.1% (2021: 17.1%). The chart over the page details DPFC's performance relative to the Benchmarks over 1, 3 and 5 years.

Fund Performance (continued)

Relative Performance - DPFC Total Returns Relative to Benchmarks to 30 September 2022

* annualised

Market Overview

Investment transaction activity slowed across all sectors over Summer 2022 after a strong first half of the year. In August £1.5bn of investment transactions were completed which was the weakest monthly volume since May 2020 when the UK was first in Covid-19 lockdown. However due to the strong start to the year volumes were slightly up on their 5 year average for the stage in the year.

The retail sector's ongoing structural change - as a result of consumers moving online and retailers reducing the size of their physical portfolios - continues to feed into investor sentiment due to limited occupier demand, higher void costs and rents being rebased. Retail Warehouse and supermarkets are the sub-sectors of the retail market which have seen strongest occupier and investor interest.

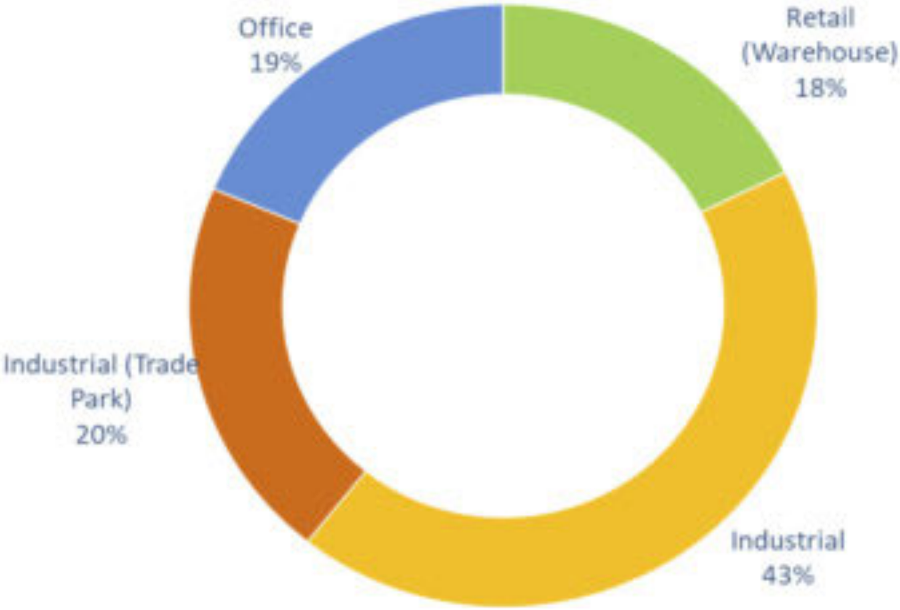
Office investment transaction volumes reduced over the Summer with August 2022 being one of the weakest months on record. Reduced transaction volumes have continued through to the end of the calendar year. The change in working habits facilitated by technology and accelerated by the pandemic are being monitored carefully by real estate investors. How office occupiers utilise their office accommodation is evolving, with physical offices becoming the hub for interaction between team members. The use of hot-desking is likely to reduce the amount of space occupiers require at lease events with a need for owners to improve the quality of office accommodation to make it the location of choice for employees. ESG quality specifications and prime locations are key for larger corporate occupiers, and it is likely secondary and tertiary office buildings, where the level of voids are higher, will go to alternative uses.

The industrial investment market saw investor sentiment temper due principally to the increasing cost of debt. The monthly transaction volumes in the summer reached a low of 50% of their five year average. The industrial sector has seen especially strong yield compression over recent times, and it is not surprising yields are now softening. Whilst the occupier market for 100,000sqft plus units has seen reduced demand, the urban industrial warehouse (last mile) market has been resilient with demand not only from the traditional industrial and warehouse occupiers but also from logistic operators as online retailers seek to meet the demanding delivery expectations of consumers. With the reduced supply in the sector due to properties being redeveloped for higher value alternative uses, rental growth has been strong and is forecast to continue, albeit at tempered rates due to the challenging economic headwinds.

Portfolio Overview

DPFC targets a resilient, sustainable income stream and the portfolio is structured with exposure to the sectors with attractive rental growth prospects. The portfolio sector weightings are: Industrial & Industrial Trade Parks 63% (2021: 58%), Offices 19% (2021: 23%) and Retail warehouses 18% (2021: 19%). The diversity of the portfolio by sector is detailed in the pie chart below:

Tenant Covenant by D&B Risk Rating



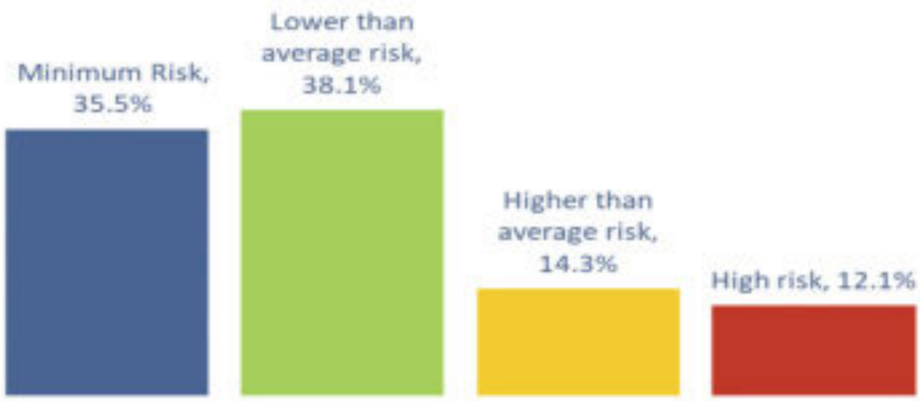
The total industrial sector weighting of 63% (comprising 43% industrial warehousing and 20% trade parks) has materially contributed to DPFC's capital and rental income growth. The multi-let industrial assets in urban locations offer the potential to be asset managed to drive rental income and in turn capital value due to the strength of occupier demand. Property Market Analysis, an independent property market forecaster, is forecasting 12% rental growth in the "Rest of UK Industrial" sector over the next 5 years. The purchase of Woodside Business Park, a multi-let industrial asset in Swindon during the year has added to the asset management pipeline in this sector and is already demonstrating significant reversionary value in the rental income. Further acquisitions in this sector will be considered.

The office sector weighting of 19% comprises three assets located in Cambridge, Maidstone and Watford. These properties are in prime office locations which were not over supplied before the Covid-19 pandemic which suggests the market will absorb the surplus space resulting from the popular hybrid/ remote flexible working model. Where opportunity presents we are seeking to enhance and improve the ESG credentials of these assets to meet the needs of occupiers and DPFC ESG targets. Further acquisitions of quality properties, in terms of location and ESG credentials, would be considered.

DPFC has actively avoided investing in town centre retail units opting instead to invest in the retail warehouse sub-sector where the units satisfy the demands of retailers' multi-channel retailing model. Only 18% of the portfolio is invested in retail warehouses and the units are 100% occupied at affordable rental levels which have generally been rebased. Value and food retailing are subsectors of the retail market which are more robust and could suit DPFC's clear investment strategy.

The DPFC portfolio contains 12 properties with an average lot size of circa £7.5m (2021: 11 properties of average lot size of £7.2m). The multi-let nature of most properties provides a diverse occupier base of 85 tenants. Importantly, the financial covenant strength of tenants is strong with D&B risk rating of "minimum" or "lower than average risk" accounting for 73.6% (2021: 70.4%) of the rental income, as shown in the chart below.

Tenant Covenant by D&B Risk Rating at 30 September 2022



Whilst the quality of the tenants' financial covenants can be monitored through the D&B ratings, we look to the tenants' ability to pay their rent as the best measure of their financial health. The 100% collection of rental income for the 2022 Financial Year (2021: 100%) demonstrates the positive financial strength of the tenants.

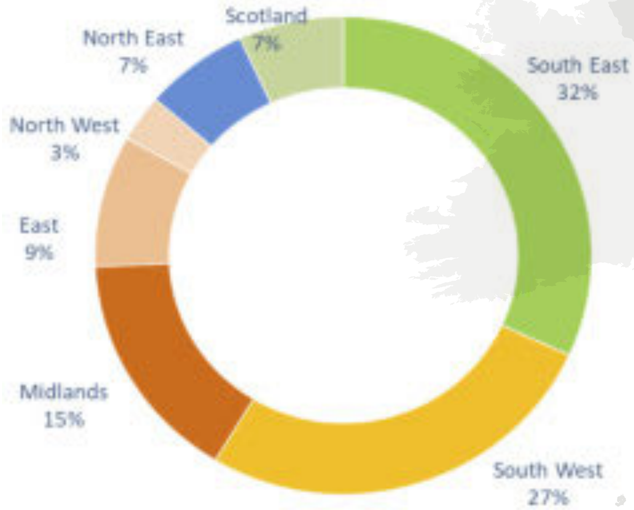
The DPFC portfolio has had a consistently low vacancy rate since inception. The void rate was 5.1% at the year end (2021: 2.5%) compared to the AREF Benchmark vacancy for September 2022 of 9.5% (2021: 9.6%). A vacancy rate materially below the benchmark has been maintained through acquiring assets in locations attractive to tenants and actively asset managing the portfolio, refurbishing units to a high standard and working with occupiers to meet their occupational needs which also enhances the portfolio value. A low vacancy rate optimises the income from the portfolio through minimising the vacant property costs. Whilst there will be short-term fluctuations in the level of voids in the portfolio the long-term trend is a low level of voids.

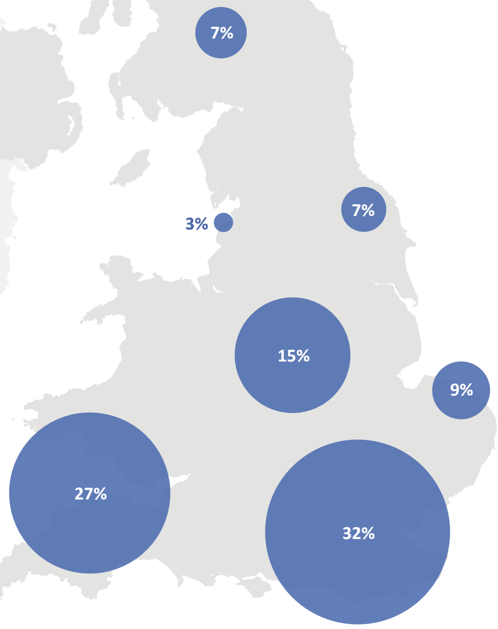
It has been possible to acquire properties with shorter Weighted Average Unexpired Lease Terms (WAULT) at higher income yields which reflect the potential void risk of shorter lease expiries. Through selecting well located properties, appropriately sized and specified for their markets and diligently implementing their five year asset plans a high level of occupation, as discussed above, has been achieved enabling the Fund to deliver a sustainable rental income and higher returns. The WAULT to lease expiries was 4.2 years and 3.6 years to break options, at 30 September 2022.

Portfolio Overview (continued)

At a portfolio level the diversification of geographical location is considered and returns enhanced by targeting regions which outperform economically. The DPFC portfolio is diversified through seven regions of the UK as shown below. Importantly 68% of the portfolio is in the South East, South West and East regions which are currently demonstrating the most attractive supply and demand characteristics.

Portfolio weighting by geographic location:





Asset Management Activity

Active asset management continues to drive performance across the portfolio with lease event transactions on 30% of the portfolio completing during the year. 23 lease events, in addition to wider asset management initiatives, were completed during the financial year at rents 17% ahead of the previous passing rent and 14% over the open market value as assessed by the Fund’s independent valuer, Jones Lang LaSalle. Further focus was applied to extending the certainty of income flows by negotiating the removal of tenant break options and bringing forward rental reversions through securing lease surrenders in markets with an attractive balance of supply and demand.

The market rental value of the portfolio, as assessed by Jones Lang LaSalle, exceeds the passing rent by 11% which will be crystallised at lease events (rent reviews, lease renewals and lettings) growing the rental income and enhancing capital values.

The portfolio remains weighted in favour of the urban industrial warehouse/trade sectors and is well positioned to benefit from continued tenant demand and forecast rental growth. Unlocking the potential of the industrial estates within the portfolio to maximise the upside of the current occupier demand/supply imbalance is a constant focus. At Westerngate Industrial Estate in Swindon, the surrender of a lease of a 23,000sqft unit was negotiated with the outgoing tenant including the settlement of their rent, service charge and dilapidations liabilities. Within 6 months, the unit was refurbished and re-let at a rent 62% in excess of the previous passing rent and 28% in excess of the valuer’s estimate of market rental value.

Preparing a bespoke five year asset plan for each property to identify and rationalise opportunities to enhance income and value whilst mitigating risk is coupled with maintaining an active dialogue and building trust with occupiers to deliver favourable asset management outcomes. At Grafton Trade Park, Northampton an occupier wished to exit their lease and a new tenant was identified and secured under an agreement for lease before the lease to the current occupier was surrendered and refurbished. The new lease completed within 4 months of the previous occupier’s exit at a new rent 24% ahead of the previous rent. The Energy Performance Certificate (EPC) for the property was improved from an EPC E to an EPC B as part of the refurbishment. Enhancing EPC ratings when refurbishing properties and completing lettings with green lease clauses helps future proof the portfolio.

Asset Management Activity (continued)

At Kiln Farm Industrial Estate, Milton Keynes, eight lease events encompassing c. 40% of the Estate completed during the year at rents 36% ahead of the previous passing rent and 24% above the valuer's assessment of the market rent.

During the year the Fund acquired the freehold interest in Woodside Business Park, Swindon for £4.85m (6.7% Initial Yield / 7.1% Reversionary Yield). The Park provides c. 45,000sqft of industrial warehouse accommodation with rents averaging £7.75 psf. The unit sizes cater for a separate occupier base to those on offer at the Fund's existing holding in Swindon (Westerngate Industrial Estate). Within two months of acquisition the only vacant unit on the Park was let at a rent 42% in excess of the average rent per sqft for the Estate.

Adaptability of offices and matching them to occupier trends continues to be at the forefront of asset planning. During the Financial Year c. 40% of the portfolio was the subject of lease events delivering, on average, rents 22% ahead of the previous passing rent and exceeding the assessed market value by 16%.

At Clarendon Road, Watford c. 45% of the office building was subject to lease events. The flexibility of the office floor plates allows them to be adapted to meet with local occupier requirements. The letting of a sub-divided suite on the second floor achieved a rent 31% ahead of the pro-rata previous rent passing.

Tenant engagement has secured the removal or deferral of break options on 33% of the office accommodation at Medway/Riverside Houses, Maidstone with a further 13% of accommodation being subject to the removal of a break option/lease extension shortly after the year end.

The retail portfolio comprises three urban retail warehouse parks/units all of which remain fully let to national occupiers on re-based rents reflecting the quality of the underlying assets. There are no imminent lease expiries. DPFC has avoided investing in intown retail whilst the sector goes through structural change.

Governance and Oversight

DPFC's governance and oversight comprises three tiers which are:

- The Trustees (Apex Group Nominees 1 (UK) Limited and Apex Group Nominees 2 (UK) Limited) meeting quarterly to review, approve and instruct the Manager;
- The Investment Advisory Board meeting quarterly to review the Fund's activities including distributions, acquisitions and disposals, performance and portfolio activity before appropriate recommendations are made to the Trustee; and
- The Investor Committee, formed of the five largest investors meets twice annually to review the Fund's activities.

The value of the DPFC portfolio grew during the year and it now exceeds €100m. An FCA requirement is that Funds of this size appoint an AIFM with higher level authorisations from the FCA. Therefore an application was made to the FCA for Boston and Alexander LLP to take over as AIFM (Manager) in place of Eskmuir FM Limited as they hold the necessary FCA authorisations. After the year end the FCA approved the appointment of Boston and Alexander LLP as FCA authorised Fund Manager with Eskmuir FM Limited as its Appointed Representative. Eskmuir Asset Management Limited's role as the Asset Manager to DPFC remains unchanged.

Manager's Provenance and Track Record

Both Eskmuir FM Limited and Eskmuir Asset Management Limited are part of the Eskmuir Properties Limited ("EPL" & "Eskmuir") group. The Laing Family Trusts and their charitable foundations established EPL in 1990 and in 2015 it was their philanthropic wish that DPFC be formed to enable other charity investors to benefit from the returns that the Eskmuir management team have delivered. EPL has achieved 31 successive years of dividend growth to its shareholders who have received an annualised return of 11.2%. Since 2015 EPL has transacted on £377m of real estate comprising £136m of acquisitions and £241m of proceeds from disposals crystallising £64m of profit.

Over the nearly 20 years since its inception, Boston and Alexander LLP has established a reputation as one of London's most able Alternative Investment Fund Managers carrying full scope permissions from the FCA.

Investment Operating Criteria

The Investment Operating Criteria seeks to structurally mitigate risk at both a portfolio and property level. Detailed below is the Investment Operating Criteria as contained in the Trust Deed. The Manager seeks to observe this criteria at all times and should a deviation from this criteria be considered appropriate it would be considered by the Investor Committee. The Investment Operating Criteria seeks that:

- No single asset is to be more than 15% of the portfolio by value at purchase;
- No single tenant is to account for more than 20% of the rental income; and
- The maximum exposure to any single UK region, except London and the South East, is not to exceed 35%

DPFC is fully compliant with the Investment Operating Criteria.

Valuations

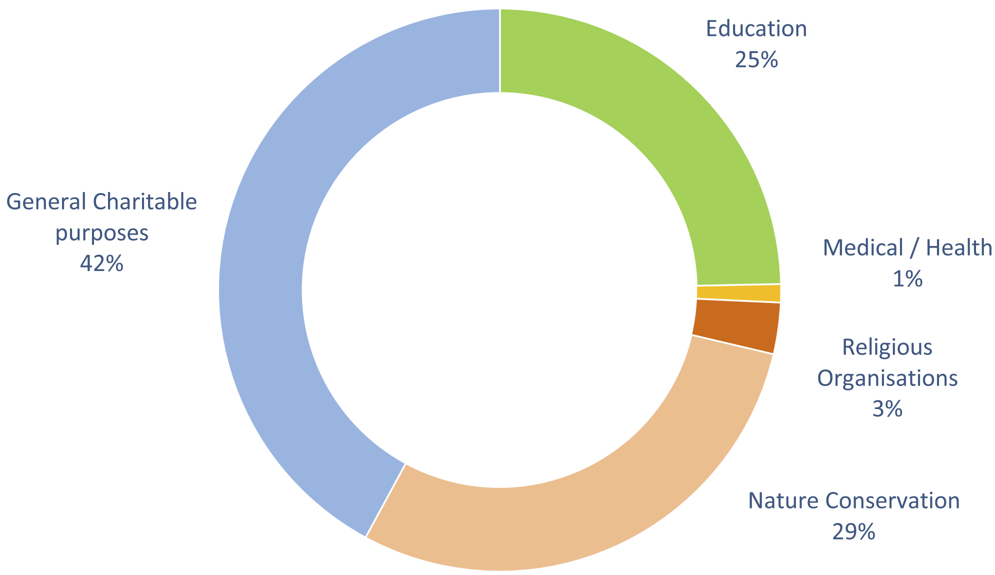
Jones Lang LaSalle are DPFC's independent external valuers and completed quarterly and annual valuations of the portfolio during the year in accordance with the Practice Statements contained within the RICS Valuation – Professional Standards 2014 UK Edition (the Red Book).

The portfolio including purchases during the year is valued at £90m (2021: £78.7m). Standing Investments held for the full year increased in value by 8.3%. The industrial assets increased in value by 14.3%, office values reduced by 4.7% and retail values increased by 5.3%.

Unit Issues and Investor Commitments

A total of 3.38m units were issued during the year (2021: £1.55m) raising a total of £5.32m (2021: £2.04m). Further investor subscriptions totalling £3.36m will be drawn upon sourcing a suitable investment acquisition. At the year end DPFC had 25 investors (2021: 18). Whilst investors have wide ranging charitable purposes, an important unifying characteristic of all investors is they, along with the Manager, see real estate as a medium to long-term investment. The Manager continues to target further expansion of the investor base and welcomes discussion with new potential investors.

Investor Purpose



Working Capital Bank Debt

The DPFC investment model does not rely on leverage to drive returns. DPFC is not a geared Fund. However, to assist in the efficient timing of investor subscriptions and property acquisitions, DPFC has a £6.5m revolving working capital bank facility with RBSI (refinanced 30 September 2022). At the September 2022 year end £5.17m was drawn under the facility (2021: £4.97m). The Property portfolio is valued at £90m. The principal objectives are to draw from the facility for short periods of time to acquire new investments in anticipation of new investor subscriptions.

Financial Results, Distributions and TER

The Total Comprehensive Income for the year was £9.95m (2021: £10.79m) comprising operating profit net of interest payable of £3.96m (2021: £4m) and unrealised revaluation surpluses on investment property of £5.99m (2021: £6.79m).

Distributions totalling £4.04m, 7.58p per unit, were paid in the year to 30 September 2022 (2021: £3.72m, 7.24p per unit).

Distributions are paid in the quarter following the period in which profits are earned. Any surplus or shortfall in quarterly profits, after payment of the distribution, are added to or deducted from retained earnings in the Balance Sheet. Retained earnings are a distributable reserve, available to assist the funding of future distributions if required. The distributable reserves currently amount to £2.19m.

A further quarterly distribution totalling £1.04m (1.9000p per unit) was paid after the year end in respect of results to 30 September 2022. Retained earnings following that distribution were £1.14m (2021: £1.27m).

Distributions paid during the year equated to an average 5.7% pa (2021: 5.8% pa) of quarterly NAV.

The Total Expense Ratio (TER) is the ratio of fund administration costs incurred in the year to average NAV. TER for the year was 0.86% (2021: 0.86%). It is expected the TER will decrease as the Fund size continues to increase.

Strategy and Outlook

DPFC's investment strategy was devised at launch in 2015 and has proven to be resilient during times of extreme external challenges enabling investors to benefit from attractive sustainable returns. The Investment strategy remains appropriate and effective and no changes are proposed.

The sectors and sub-sectors of the real estate market DPFC focusses on are weighted towards those aligned to current occupier, investor and social trends which supports ongoing performance. The real estate market is a dynamic environment and is mindful that tactical changes to the investment strategy and the approach to the assets will be needed from time to time. We are currently operating in a high inflation and higher interest rate environment with consumers experiencing a cost of living crisis. The DPFC portfolio is considered by the Manager to be well suited to delivering attractive returns to investors in this environment.

The portfolio is managed through each asset having a five year asset plan detailing how the rental income and in-turn capital value of the property may be enhanced. Working with DPFC's tenants to ensure their occupational needs are met in the portfolio is integral to portfolio and Fund performance. This approach serves to mitigate the impact of challenging markets and optimise returns in better times.

The Manager, supported by the Investment Advisory Board and Trustee, believes the investment strategy and portfolio are well suited to continue to deliver attractive risk adjusted returns to DPFC's investors.

Going Concern

The Manager believes the diverse portfolio of investment properties, the asset management experience of the Eskmuir team and the low level of vacant accommodation in the portfolio will help mitigate business risks in the coming year particularly those coming from the cost of living and energy crisis. Additionally, the mitigating actions originally formulated during the Covid-19 pandemic continued this year, these actions assist in minimising the financial impact to DPFC. Actions, now mostly delivered, included: tight credit control of outstanding tenant arrears, providing assistance mainly in the form of payment plans to those tenants needing help and continuing to focus on the letting of vacant space.

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

The Manager is confident in the portfolio's future performance given the operating profit of £4.11m and healthy balance sheet with cash reserves of £1.10m, undrawn bank facility of £1.3m (and significant headroom over financial bank loan covenants) and net assets of £84.80m as at the end of September 2022. The number of tenants, their relative strength as evidenced by D&B ratings, relatively low average rent per tenant, mix of industries they operate in and strong rent recovery rates also add to the level of confidence. The Manager notes that the entity had net current liabilities at the balance sheet date but does not consider this an issue from a going concern perspective due to the headroom on the banking facility noted above due in more than one year. Accordingly the Net Current Liabilities position is considered to be of no consequence from a going concern perspective.

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 Limited

14 March 2023

ENVIRONMENTAL SOCIAL GOVERNANCE (ESG) AND RESPONSIBLE PROPERTY INVESTMENT

DPFC and Eskmuir are fully committed to the protection of the environment, prevention of pollution and proactive compliance with current and evolving environmental legislation alongside maximising/improving social performance across the portfolio and ensuring the highest level of governance across the business.

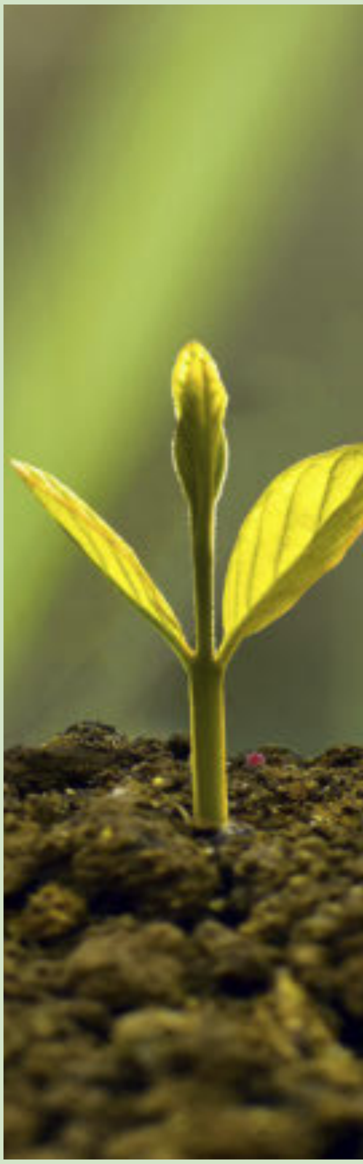
Our aim is to integrate ESG objectives into the business strategy and policies to ensure continuous improvement in our ESG performance through responsible business and property management practices, whilst considering the various Stakeholder interests and requirements.

The DPFC Fund and the Manager are committed to meeting these objectives and this is demonstrated by the systems processes and practices adopted and embracing new behaviours and technologies as they become commonplace. The approach taken seeks to future-proof DPFC combining the three main themes of Sustainability being Environmental, Social and Governance in a practical and viable way, as demonstrated below.

Environmental – Minimising the impact on the environment whilst we transition to a low carbon society

Current activity includes:

- **Renewable Energy** – 100% of the Fund's centrally procured energy is derived from renewable sources: 61% is from wind; 23% from solar, 14% from biomass and 2% from biogas.
- **GRESB** – DPFC's full participation in the Global Real Estate Sustainability Benchmark (GRESB) commenced from 2022, attaining an initial Rating of 41. Through GRESB the Fund is evaluating its environmental, social and governance impact and identifying ESG opportunities and areas of improvement. From this, DPFC has set itself a clear journey setting an ambitious target of a GRESB Rating of 60+ by 2024.
- **Net Carbon Zero** – Alongside GRESB Reporting, Eskmuir has set a target of net carbon zero by 2040. The Net Carbon Zero Pathway is to be progressed during the current Financial Year.
- **Acquisitions** – At the acquisition of an asset, the due diligence process includes a review of ground conditions, building components, sustainability and occupiers' covenant and use. A five-year asset plan, updated annually, is prepared which identifies improvements that can be made, opportunities, and risk factors. Opportunities for improvement, that have been identified, are progressed internally and when applicable, working with occupiers. An example of this is the HVAC replacement at the Clarendon Road, Watford office investment to a VRV system using electricity, resulting in the building no longer using gas. Not only does the new system increase fresh air circulation, having health benefits for the occupiers but it also enhances energy efficiency and reduces greenhouse gas emissions.
- **Refurbishments** – Design-led enhancements to improve the energy performance, Energy Performance Certificate (EPC) Rating and energy efficiency of a property are made when refurbishing assets. These include installation of LED lighting in place of halogen or fluorescent lighting, PIR Sensors, the installation of point-of-use water heaters to reduce water consumption and installation of air source heat pumps in place of gas heating.
- **Green Leases** – A green lease clause has been implemented into the standard lease for the Fund, the terms of which include the protection of existing energy efficiency levels of the premises, providing data for collection and the ability for the Fund to undertake works to improve environmental performance.
- **Contractor Appointment** – where practicable, and appropriate we use local contractors for projects, and encourage contractors to adhere to our policies to reuse materials and items, recycling when working on the Fund's behalf.

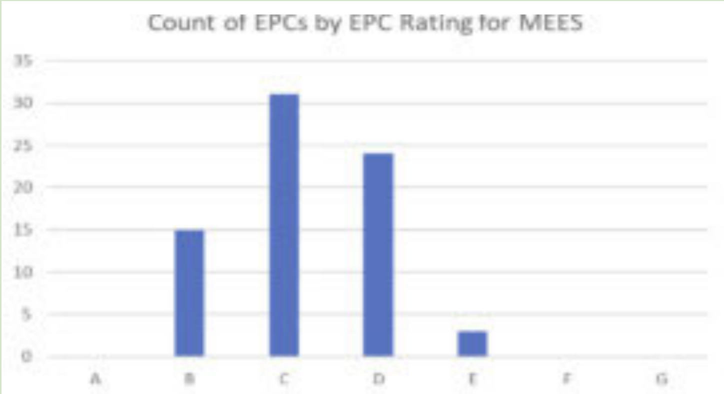


DPFC
Diversified Property
Fund For Charities

ENVIRONMENTAL SOCIAL GOVERNANCE (ESG) AND RESPONSIBLE PROPERTY INVESTMENT (CONTINUED)

Environmental – Minimising the impact on the environment whilst we transition to a low carbon society (continued)

- **Minimum Energy Efficiency Standards (MEES)** - The Energy Performance Certificates (EPCs) for all properties are monitored to ensure compliance within the MEES, under the Energy Act 2011. Under MEES, it became unlawful from 1 April 2018 to let commercial properties to new tenants where the property had a poor energy rating, currently considered to be F or G. All of DPFCs units that fall within the regulations have an EPC Rating of E or above giving 100% compliance against the current legislation, and also the 1 April 2023 MEES Requirement (of all commercial leases needing a minimum EPC rating of E). In light of the anticipated future increases in EPC Rating Requirements under MEES, a proactive approach is being taken when undertaking refurbishments, or works, the EPC Rating is being enhanced in excess of the current minimum requirements future-proofing the portfolio and mitigating risk by meeting MEES requirements as early as possible. This initiative has been rolled out at the Fund's investment at Milton Keynes, Northampton, Swindon and Watford with the largest improvement being from an EPC E to EPC B. It is anticipated that the MEES Requirement will be a minimum EPC B in 2030.



- **Electric Vehicle Charging Points** – A review of the portfolio, and where practicable endeavouring to install electric vehicle charging points.
- **Biodiversity** – initiatives to enhance biodiversity have included bird boxes, beehives, trees and wild flower planters. Working with managing agents we are constantly reviewing initiatives possible on site.

Social – Incorporating the interests of stakeholders into business decisions which are open to scrutiny

Social responsibility is at the core of DPFC, providing charities with sustainable income streams. Additionally, with the ethical stakes of public health at an all-time high following the effects of the pandemic, an increased focus has been placed on health and wellbeing and addressing wider social inequality.

The Fund's aim is to demonstrate continuous improvement in social performance through responsible business and property management practices, taking into account the various Stakeholder interests and requirements, including requiring our third-party contractors and consultants to similarly support our approach in their practices. Through the continual review and improvement of these policies and processes we look to achieve the key commitments of our policy which are as follows:

- **Health and Safety** – there is a strong commitment to maintaining a healthy and safe working environment with a no-compromise approach to health and safety issues. All of the Eskmuir employees used in the Asset Management of the DPFC portfolio are also required to promote DPFC's health and safety objectives. These measures extend to the assets, our contractors and the communities surrounding the Fund's properties.
- **Occupiers** – As part of the investment strategy, DPFC will invest in assets which are consistent with the reputation of our stakeholders. Accordingly, DPFC would not acquire properties, or let units to, occupier's whose business is tobacco, arms, pornography or animal testing.
- **Inclusion and Diversity** – Action will be taken to ensure that no individual suffers unlawful discrimination, directly or indirectly. The equality of opportunity will be promoted and as a result an Inclusivity & Diversity Monitoring Survey was completed in Q1 2023, building an accurate picture of the make-up of the workforce and to assist in ensuring effective policies and practices to encourage equality and diversity.
- **Health and Wellbeing** – Eskmuir advocates a proactive approach to managing health and wellbeing at work, especially with the return to workplace following the pandemic, with all stakeholders (landlord, occupiers, managing agents, contractors) working together to promote healthier lifestyles and healthier workplaces.

DPFC
Diversified Property Fund For Charities

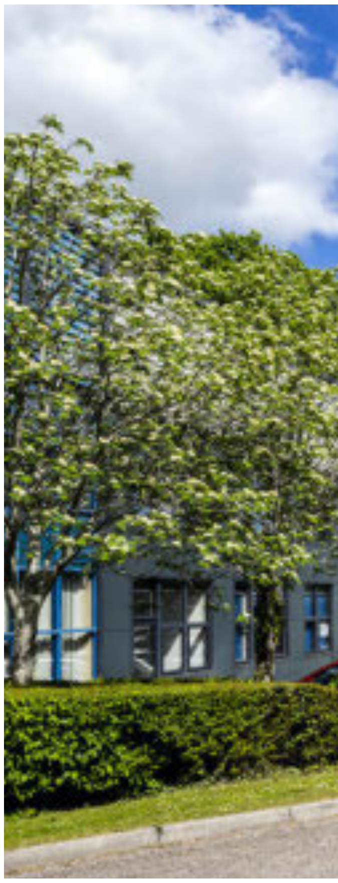
- **Child Labour and Forced or Compulsory Labour** – It is ensured no children and only individuals offering themselves voluntarily undertake work in connection with DPFC. This includes working with managing agents, consultants and contractors to ensure they have anti-slavery and no-child labour policies.
- **Employee Engagement** – The Eskmuir employees, some of whom are involved in the management of DPFC, are engaged with on a regular basis including annual appraisals to understand their involvement, commitment and satisfaction with the entity. This has been reinforced with a staff engagement survey undertaken in Q1 of 2023.
- **Charity Support** – The purpose of DPFC is to generate returns for charities to enable them to pursue their charitable purposes. The Manager is part of the Eskmuir Group which itself supports local charities and organisations through financial support and staff time, including those charities being supported by tenants.
- **Technology Infrastructure Investment** – The Manager has invested in technical infrastructure to enable agile working during the Covid-19 pandemic and beyond, creating a lower environmental impact whilst keeping staff connected, productive and conscious of their mental wellbeing.

Governance – Structured to demonstrate commitment to high standards of corporate governance as a progressive and transparent business

DPFC and the Manager are fully committed to the highest level of governance, and we look to achieve these commitments through continual review and improvement to our policies and processes, including the aim of requiring our third party contractors and consultants to similarly support our approach in their practices.

Governance Tiers – There are three tiers of Governance in the DPFC structure to ensure high standards of corporate governance are observed and demonstrated. They are: Investment Advisory Board, The Trustees, both who meet quarterly and the Investor Committee, meeting twice a year.

Internal practices and policies are an integral part of corporate decision making and legal compliance. ESG is embedded within DPFC and Eskmuir's corporate strategy with a section of the quarterly Investment Advisory Board meeting dedicated to sustainability updates, performance tracking and ensuring a clear governance structure for the reporting of ESG, including an ESG Lead person. There are a number of commitments in our policy including:



- **Compliance** – DPFC and Eskmuir are required to comply with regulatory compliance including the Bribery Act 2010, the Money Laundering Regulations, and all other industry rules or legislative requirements, and we ensure that we work within the legal requirements applicable to the business and industry and appropriate staff training is undertaken.
- **Fraud & Security** – Measures are taken to minimise the risk of fraud by protecting the security of both employee personal and DPFC's financial details. This includes preventing, deterring and detecting fraud committed against and within DPFC, whether by internal or external parties. A key to this is being committed to promoting honesty and integrity in all of our activities. Any breach of the policy and related procedures would result in disciplinary action.
- **Information Security** – The Information Security Policy sets out how to establish, implement, maintain and continuously improve its information security management system.
- **Whistleblowing** – This policy makes it clear that anyone can raise any concerns without fear of victimisation, subsequent discrimination, or disadvantage.

Our aim is to demonstrate continuous improvement through responsible business and property management practices, taking into account the various Stakeholder interests and requirements. The Manager is committed to meeting these objectives and this aim is demonstrated by the systems, processes and practices adopted within DPFC.

STATEMENT OF THE MANAGER'S AND TRUSTEES' RESPONSIBILITIES

The Trust Deed requires the Manager to prepare financial statements 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 year and of its profit for the financial year.

In preparing the financial statements, the Manager is required to:

• Select suitable accounting policies and apply them consistently;

• Make judgements and accounting estimates that are reasonable and prudent;

• State whether FRS 102 has been complied with, subject to any material departures disclosed and explained in the financial statements; and

• Prepare the financial statements 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.

• Safeguarding the assets of the Fund and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities;

• Appointing the auditor of the Fund; and

• Ensuring the maintenance and integrity of the corporate and financial information included on 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 PROPERTY FUND FOR CHARITIES

REPORT ON THE AUDIT OF THE NON-STATUTORY FINANCIAL STATEMENTS

Opinion

In our opinion the non-statutory financial statements of The Diversified Property Fund for Charities ("DPFC", "The Trust"):

- give a true and fair view of the state of the Trust's affairs as at 30 September 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

We have audited the non-statutory financial statements which comprise:

- the statement of comprehensive income;
- the statement of changes in net funds attributable to unitholders;
- the balance sheet;
- the statement of cash flows; and
- the related notes 1 to 20.

The financial reporting framework that has been applied in their preparation is Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

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 non-statutory financial statements section of our report.

We are independent of the Trust in accordance with the ethical requirements that are relevant to our audit of the non-statutory financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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 Trust's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Other information

The other information comprises the information included in the annual report, other than the non-statutory financial statements and our auditor's report thereon. The Trustees are responsible for the other information contained within the annual report. Our opinion on the non-statutory financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF THE DIVERSIFIED PROPERTY FUND FOR CHARITIES (continued)

REPORT ON THE AUDIT OF THE NON-STATUTORY FINANCIAL STATEMENTS (continued)

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the non-statutory 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 this gives rise to a material misstatement in the non-statutory financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Trustees

As explained more fully in the Trustees' responsibilities statement, the Trustees are responsible for the preparation of the non-statutory financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustees determine is necessary to enable the preparation of non-statutory financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the non-statutory financial statements, the Trustees are responsible for assessing the Trust'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 Trustees either intend to liquidate the Trust or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the non-statutory financial statements

Our objectives are to obtain reasonable assurance about whether the non-statutory 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 non-statutory financial statements.

A further description of our responsibilities for the audit of the non-statutory financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which 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 material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the Trust's industry and its control environment, and reviewed the Trust's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities, including those that are specific to the Trust's business sector.

We obtained an understanding of the legal and regulatory frameworks that the Trust operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. This included tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the Trust's ability to operate or to avoid a material penalty. We discussed among the audit engagement team, including tax and real estate valuation specialists, regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following area, and our procedures performed to address it are described below:

- management's incentive to manipulate assumptions used by the external valuer in their estimation of the fair value of the investment properties: We have engaged internal property management experts to challenge these assumptions against industry data to benchmark key yield and ERV assumptions used in the valuation.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

Report on other legal and regulatory requirements

Matters on which we are required to report by exception

Under the DPFC Trust Deed we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely for the exclusive use of the unitholders of DPFC and is solely for the purpose of ensuring the DPFC's Trustees can meet the requirements of the DPFC Trust Deed. Our report is not to be used for any other purpose, recited or referred to in any document, copied or made available (in whole or in part) to any other person without prior written express consent. We accept no duty, responsibility or liability to any other party in connection with the report or this engagement.

Deloitte LLP
London, United Kingdom
Date: 14 March 2023

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 September 2022

	NOTE	Year Ended 30 September 2022 £'000's	Year Ended 30 September 2021 £'000's
Turnover	3	**5,421**	5,082
Rents payable		**(66)**	(77)
		5,355	5,005
Other operating income		**-**	1
TOTAL INCOME		**5,355**	5,006
Administrative Expenses	4	**(1,243)**	(918)
OPERATING PROFIT		**4,112**	4,088
Gains arising on revaluation of investment properties	8	**5,986**	6,791
Interest payable and similar charges	6	**(151)**	(86)
TOTAL PROFIT		**9,947**	10,793
Basic and diluted earnings per unit	12	**18.48p**	20.84p

STATEMENT OF CHANGES IN NET FUNDS ATTRIBUTABLE TO UNITHOLDERS

	NOTE	Trust Capital	Profit and loss reserve		Total
		£'000's	Revaluation reserve £'000's	Retained earnings £'000's	£'000's
At 30 September 2020		**54,282**	**8,201**	**1,981**	**64,464**
Total comprehensive income		-	6,791	4,002	**10,793**
Distributions paid during the year	7	-	-	(3,718)	**(3,718)**
Unit issues	12	2,035	-	-	**2,035**
At 30 September 2021		**56,317**	**14,992**	**2,265**	**73,574**
Total comprehensive income		**-**	5,986	3,961	**9,947**
Distributions paid during the year	7	**-**	-	(4,039)	**(4,039)**
Unit issues	12	5,320	-	-	**5,320**
At 30 September 2022		**61,637**	**20,978**	**2,187**	**84,802**

BALANCE SHEET

As at 30 September 2022

	NOTE	As at 30 September 2022 £'000's	£'000's	As at 30 September 2021 £'000's	£'000's
FIXED ASSETS					
Investment properties	8		**90,130**		78,751
CURRENT ASSETS					
Debtors	9	**1,768**		1,407	
Cash at bank and in hand		**1,102**		756	
TOTAL CURRENT ASSETS		**2,870**		2,163	
CREDITORS: amounts falling due within one year	10	**(3,001)**		(2,295)	
NET CURRENT LIABILITIES			**(131)**		(132)
TOTAL ASSETS LESS CURRENT LIABILITIES			**89,999**		78,619
CREDITORS: amounts falling due after more than one year	11		**(5,197)**		(5,045)
NET ASSETS			**84,802**		73,574
TRUST CAPITAL AND RESERVES					
Trust capital	12		**61,637**		56,317
Profit and loss reserve:					
Revaluation reserve	13		**20,978**		14,992
Retained earnings	14		**2,187**		2,265
UNITHOLDERS' FUNDS			**84,802**		73,574
UNITS IN ISSUE (000's)	12		**56,224**		52,845
NET ASSETS PER UNIT - FRS 102 BASIS (pence)	15		**150.83**		139.23
NET ASSETS PER UNIT - INREV BASIS (pence)	15		**150.99**		139.41

These financial statements were approved on 14 March 2023 and signed on its behalf by Paul Hodgson.

P A Hodgson
Eskmuir FM Limited

STATEMENT OF CASH FLOWS
For the year ended 30 September 2022

	NOTE	Year Ended 30 September 2022 £'000's	£'000's	Year Ended 30 September 2021 £'000's	£'000's
NET CASH FLOWS FROM OPERATING ACTIVITIES	19		**4,243**		3,834
CASH FLOWS USED IN INVESTING ACTIVITIES					
Purchase of investment property		**(4,841)**		(6,943)	
Capital expenditure on investment properties		**(413)**		(13)	
(Stated net of dilapidations receipts)					
NET CASH FLOWS USED IN INVESTING ACTIVITIES			**(5,254)**		(6,956)
CASH FLOWS FROM FINANCING ACTIVITIES					
Units issued		**5,320**		2,035	
Repayment of bank loan		**(4,850)**		(970)	
Advances under bank loan		**5,050**		5,805	
Interest paid		**(124)**		(46)	
Distributions paid		**(4,039)**		(3,718)	
NET CASH FLOWS USED IN FINANCING ACTIVITIES			**1,357**		3,106
INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE YEAR			**346**		(16)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR			**756**		772
CASH AND CASH EQUIVALENTS AT END OF YEAR			**1,102**		756

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2022

1 - ACCOUNTING POLICIES

General information and basis of accounting

The Diversified Property Fund for Charities (DPFC) is an unauthorised exempt Unit Trust. DPFC's Trustees are Apex Group Nominees 1 (UK) Limited and Apex Group Nominees 2 (UK) Limited, both registered in England (at addresses shown on page 40).

These non-statutory financial statements have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102, as directed by the Trust Deed. The particular accounting policies adopted and applied consistently in the current year are described below.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council (FRC).

The financial statements 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

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 taken through the Income Statement. 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 rental 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 capitalised and amortised in line with the provisions of FRS 102.

Administrative expenses

Included in Administrative expenses are Property Costs. This cost heading includes: legal, marketing and other professional costs associated with letting space and completing rent reviews; Service charges and rates arising on vacant space; Property managing agents fees;

Irrecoverable VAT; and property repair costs.

Distributions

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 September 2022

1 - ACCOUNTING POLICIES (continued)

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 year by the opening NAV per unit. Total return comprises the distributions paid per unit in the year and movement in NAV per unit. Preliminary and redemption charges are not taken into account in the calculation.

Total Expense Ratio (TER) is calculated by dividing the total fund level (non property specific costs) by the weighted average quarterly Net Asset Value for the year.

Financial assets

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

Cash at bank and in hand includes deposits with banks and other short-term highly liquid investments. 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.

Trade receivables are measured at transaction price (including transaction costs).

Financial liabilities

Trade payables are measured at transaction price (including transaction costs).

Interest income and expense

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 year to maturity or repayment.

In calculating effective interest, the Fund 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.

Going concern

The financial statements have been prepared using the going concern basis of accounting. See page 18 for more information.

For the year ended 30 September 2022

2 - CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Fund's accounting policies, which are described in Note 1, the Manager is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

There were no significant accounting judgements exercised during the current year (2021: none).

Key sources of estimation uncertainty

Investment properties were revalued to fair value as at 30 September 2022 based on a valuation by Jones Lang LaSalle, Chartered Surveyors, an independent professionally qualified valuer with recent experience in the location and class of the investment property being valued. The valuation basis is market value and was arrived at by reference to market evidence of the transaction prices paid for similar properties in accordance with the RICS Appraisal and Valuation Standards of the Royal Institution of Chartered Surveyors.

The key assumptions used in determining the fair value of investment properties were property yields and estimated rental values.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 September 2022

3 - TURNOVER

	Year Ended 30 September 2022 £'000's	Year Ended 30 September 2021 £'000's
Rental income	**5,419**	5,076
Lease surrender premiums	**2**	6
TURNOVER	**5,421**	5,082

Turnover derives solely from the Fund's single principal activity carried out wholly within the United Kingdom.

4 - ADMINISTRATIVE EXPENSES

	Year Ended 30 September 2022 £'000's	Year Ended 30 September 2021 £'000's
Asset management fees	**350**	**286**
Fund management fees	**175**	**143**
Fund administration fees	**15**	**15**
Trustee fees	**39**	**30**
Operator fees	**23**	**20**
Valuation fees	**18**	**19**
Audit fees	**21**	**21**
Property costs	**549**	**359**
Bad debts	**-**	**(17)**
Other	**53**	**42**
TOTAL ADMINISTRATIVE EXPENSES	**1,243**	**918**

For the current and prior year rent payable, as included in Note 3, was the only charge to the Statement of Comprehensive Income in respect of operating leases.

The analysis of the auditor's remuneration is as follows:

Audit fees	**21**	**21**
Non-audit fees - Taxation compliance services	**4**	**3**
TOTAL AUDIT AND NON-AUDIT FEES	**25**	**24**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 September 2022

5 - STAFF COSTS

The Fund has no employees (2021: none).

6 - INTEREST PAYABLE AND SIMILAR CHARGES

	Year Ended 30 September 2022 £'000's	Year Ended 30 September 2021 £'000's
Interest on bank loans and overdrafts	**130**	66
Amortisation of bank facility fee	**21**	20
INTEREST PAYABLE AND SIMILAR CHARGES	**151**	86

DPFC's £6.5m revolving bank facility with RBSI is secured against two of DPFC's investment properties and following refinance on 30 September 2022 is due for repayment on 4 October 2025. Until 22 November 2021 interest was charged at LIBOR plus 1.85% pa, on that date the reference rate was amended to SONIA in readiness of the cessation of LIBOR. Following refinance on 30 September 2022 interest is to be charged at SONIA plus 2.2% pa.

7 - DISTRIBUTIONS

	Year Ended 30 September 2022		Year Ended 30 September 2021	
	Pence per unit	**£'000's**	Pence per unit	£'000's
Quarter ended 30 September (paid November)	**1.888**	**998**	1.753	899
Quarter ended 31 December (paid February)	**1.888**	**1,002**	1.753	899
Quarter ended 31 March (paid May)	**1.900**	**1,019**	1.865	957
Quarter ended 30 June (paid August)	**1.900**	**1,020**	1.865	963
Distributions paid during year to 30 September	**7.576**	**4,039**	7.236	3,718
Add: Distributions proposed at year end	**1.900**	**1,043**	1.888	998
Less: Distributions proposed at prior year end	**(1.888)**	**(998)**	(1.753)	(899)
TOTAL DISTRIBUTIONS PAID / PROPOSED IN RESPECT OF THE YEAR	**7.588**	**4,084**	7.371	3,817

DPFC
Diversified Property Fund For Charities

For the year ended 30 September 2022

8 - INVESTMENT PROPERTIES	Freehold £'000's	Long Leasehold £'000's	Total £'000's
At valuation at 1 October 2021	65,550	13,100	78,650
Property acquisitions	4,841	-	4,841
Additions (Stated net of dilapidations receipts)	359	54	413
Movement in lease incentives	143	(8)	135
Revaluation (deficit) / surplus	5,857	129	5,986
At valuation at 30 September 2022	**76,750**	**13,275**	**90,025**
Head leases treated as finance leases on investment properties (See Note 16)	**-**	**105**	**105**
	76,750	**13,380**	**90,130**
At cost			
As at 30 September 2022	**58,807**	**9,278**	**68,085**
As at 30 September 2021	**53,608**	**9,224**	**62,832**

Investment properties were revalued to fair value as at 30 September 2022 based on a valuation by Jones Lang LaSalle, Chartered Surveyors, an independent professionally qualified valuer with recent experience in the location and class of the investment 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 in accordance with the RICS Appraisal and Valuation Standards of the Royal Institution of Chartered Surveyors.

The Trust's bank loan is secured on investment properties with a total value of £22,100,000 (2021: £19,000,000).

As set out in Note 3, property rents receivable during the year was £5.4m (2021: £5.1m). No contingent rents have been recognised as rent income in the current year.

No interest has been capitalised on the Balance Sheet (2021: £nil).

9 - DEBTORS	2022 £'000's	2021 £'000's
Rents receivable	**322**	588
Prepayments and accrued income	**73**	57
Other balances recoverable from tenants	**351**	271
Other debtors - funds held by agents	**1,022**	491
	1,768	1,407

Other debtors above 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 September 2022

10 - CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2022 £'000's	2021 £'000's
Deferred rental income	**1,231**	1,187
Trade creditors	**539**	101
VAT	**301**	348
Sundry creditors	**586**	389
Accrued expenses	**344**	270
	3,001	2,295

11 - CREDITORS: AMOUNTS FALLING DUE IN MORE THAN ONE YEAR	2022 £'000's	2021 £'000's
Bank loan	**5,092**	4,944
Finance lease liabilities (Note 16)	**105**	101
	5,197	5,045

DPFC's £6.5m revolving bank facility with RBSI is secured against two of DPFC's investment properties and following refinance on 30 September 2022 is due for repayment on 4 October 2025. Until 22 November 2021 interest was charged at LIBOR plus 1.85% pa, on that date the reference rate was amended to SONIA in readiness of the cessation of LIBOR. Following refinance on 30 September 2022 interest is to be charged at SONIA plus 2.2% pa.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 September 2022

12 - TRUST CAPITAL	Number of units issued '000's	Net proceeds from issue of units £'000's
Units issued 10 November 2021	**358**	**500**
Units issued 13 January 2022	**507**	**750**
Units issued 16 August 2022	**943**	**1,526**
Units issued 18 August 2022	**1,571**	**2,544**
	3,379	**5,320**
As at 1 October 2021	52,845	56,317
As at 30 September 2022	**56,224**	**61,637**

Units in the Fund are redeemable with six months written notice, subject to the terms of the Trust Deeds.	2022	2021
Basic and diluted earnings per unit	**18.48 p**	20.84 p
Basic and diluted earnings per unit have been calculated upon the following figures:		
Weighted average units in issue during the year (number)	**53,834,093**	51,801,046
Total profit for the year (£'000's)	**9,947**	10,793

13 - REVALUATION RESERVE	2022 £'000's	2021 £'000's
At beginning of year	**14,992**	8,201
Revaluation surplus for the year	**5,986**	6,791
At end of year	**20,978**	14,992

14 - RETAINED EARNINGS	2022 £'000's	2021 £'000's
At beginning of year	**2,265**	1,981
Profit for the year excluding revaluation surplus	**3,961**	4,002
Distributions paid (Note 7)	**(4,039)**	(3,718)
At end of year	**2,187**	2,265

For the year ended 30 September 2022

15 - INREV RECONCILIATION	Year Ended 30 September 2022 Pence per unit	£'000's	Year Ended 30 September 2021 Pence per unit	£'000's
NAV as at 30 September on FRS 102 basis	**150.83**	**84,802**	139.23	73,574
Setup costs*	**-**	**-**	-	-
Property acquisition costs*	**0.16**	**91**	0.19	99
NAV as at 30 September on INREV basis	**150.99**	**84,893**	139.41	73,673

	Year Ended 30 September 2022 Pence per unit	£'000's	Year Ended 30 September 2021 Pence per unit	£'000's
Operating profit for the year on FRS 102 basis	**7.64**	**4,112**	7.89	4,088
Interest payable and similar charges	**(0.28)**	**(151)**	(0.17)	(86)
	7.36	**3,961**	7.72	4,002
Amortisation of setup costs*	**-**	**-**	-	-
Operating profit for the year on INREV basis	**7.36**	**3,961**	7.72	4,002
Revaluation surplus for the year on FRS 102 basis	**11.12**	**5,986**	13.11	6,791
Add back and amortisation of property acquisition costs*	**(0.02)**	**(8)**	0.03	16
Revaluation surplus for the year on INREV basis	**11.10**	**5,978**	13.14	6,807
Net movement in comprehensive income for the year on FRS 102 basis	**18.48**	**9,947**	20.83	10,793
Amortisation of setup costs*	**-**	**-**	-	-
Add back amortisation of property acquisition costs*	**(0.02)**	**(8)**	0.03	16
Net movement in funds for the year on INREV basis	**18.46**	**9,939**	20.86	10,809

* INREV Guidelines:

(i) Under FRS 102, vehicle set-up costs are charged immediately to the income statement after the inception of a vehicle. Per INREV, such costs should be capitalised and amortised over the first five years of the term of the vehicle.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 September 2022

16 - FINANCIAL COMMITMENTS	2022 £'000's	2021 £'000's
Capital Commitments contracted but not provided for are as follows:	–	–

At 30 September 2022, DPFC was committed to making the following minimum future payments in respect of finance leases:

In less than one year	**6**	6
Between two and five years	**25**	25
In more than five years	**699**	706
	730	737
Less future finance charges	**(625)**	(636)
Net present value of finance leases recognised as liabilities	**105**	101

The minimum lease payments noted above relate to head rent payable on leasehold properties over the remaining 116 years (2021: 117 years) weighted average unexpired lease term.

	Land and Buildings	
Total minimum future lease receipts under non-cancellable operating leases:	**2022 £'000's**	2021 £'000's
In less than one year	**5,509**	4,921
Between two and five years	**13,745**	12,280
In more than five years	**1,463**	2,866
	20,717	20,067

17 - RELATED PARTY TRANSACTIONS

Eskmuir FM Limited and Eskmuir Asset Management Limited are considered to be related parties of The Diversified Property Fund for Charities given their respective roles as Manager and Asset Manager. During the year ended 30 September 2022 amounts payable to the Manager, Eskmuir FM Limited, and Asset Manager, Eskmuir Asset Management Limited, were £175,241 and £350,480 respectively for management services provided (2021: £143,163 and £286,325 respectively). Balances outstanding at the balance sheet date were £45,013 and £95,141 respectively (2021: £39,325 and £78,650 respectively). All were repayable in the normal course of business after the year end.

During the year to 30 September 2022, amounts payable to the Trustees (Apex Group Nominees 1 (UK) Limited and Apex Group Nominees 2 (UK) Limited) and Operator (Apex Group Fiduciary Services (UK) Limited) were £53,539 and £22,500 respectively (2021: £45,362 and £20,000 respectively). Amounts outstanding at the balance sheet date were £8,895 and £5,000 respectively (2021: £8,750 and £5,000 respectively).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 September 2022

18 - CONTROLLING PARTIES

Apex Group Nominees 1 (UK) Limited and Apex Group Nominees 2 (UK) Limited are Trustees of The Diversified Property Fund for Charities and exert joint control over decision making of the Fund.

19 - RECONCILIATION OF NET INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES

	Year Ended 30 September 2022 £'000's	**Year Ended** 30 September 2021 **£'000's**
Operating profit	**4,112**	4,088
(Increase) / decrease in debtors	**(361)**	10
Increase / (decrease) in creditors	**627**	(111)
Lease incentive amortisation	**(135)**	(153)
Net cash flow from operating activities	**4,243**	3,834

20 - ANALYSIS OF CHANGES IN NET DEBT

	2021 £'000's	**Cash flow £'000's**	**Non-cash changes £'000's**	**2022 £'000's**
Cash at bank and in hand	756	**346**	-	1,102
	756	**346**	-	1,102
Debt due after one year	(4,944)	**(200)**	52	(5,092)
	(4,188)	**146**	52	(3,990)

DPFC
Diversified Property Fund For Charities

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DPFC
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The Investment Advisory Board (IAB) meets on a quarterly basis to discuss performance and strategy with the Asset Manager. The members of the Investment Advisory Board are: Stuart Beevor (Chairman); Paul Warren; Paul Hodgson; Jim Harding; and John Sullivan.

GLOSSARY

Absolute Total Return

The period closing FRS 102 NAV per share less the period opening FRS 102 NAV per share plus dividends per share paid during the intervening period, all divided by period opening FRS 102 NAV per share.

Total Return

Distributions are paid in the quarter following the period in which they are earned. Total Return is calculated quarterly by adjusting Absolute Total Return for distributions proposed for each quarter. Opening and closing FRS 102 NAV and distributions are adjusted for distributions earned for the quarter. The Total Return for any given period is the Product of all quarterly amounts.

The change has been made so as to accord with the MSCI/AREF index methodology for calculation and enables direct comparison to peers.

In previous Annual Reports, total return was calculated on a straight FRS 102 basis (Absolute Total Return). Any returns for prior years quoted in this Annual Report have been recalculated using the new Total Return methodology.

Vacancy Rate

Estimated rental value (ERV) of vacant units divided by the sum of passing rent of let units and the ERV of vacant units.

DPFC
Diversified Property
Fund For Charities

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