2021

ANNUAL REPORT and FINANCIAL STATEMENTS

DPFC
Diversified Property Fund For Charities

2021

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FINANCIAL HIGHLIGHTS

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	Year ended 30 September 2021	Year ended 30 September 2020
Net rental income	£5.0m	£4.8m
Operating Profit	£4.1m	£3.9m
Earnings per unit	20.84p	8.69p
Net assets per unit (FRS 102 basis) - see note 15	139.23p	125.67p
Net assets per unit (INREV basis) - see note 15	139.41p	125.83p
Distributions per unit paid during the year	7.2360p	7.2220p

DPFC
Diversified Property Fund For Charities

CHAIRMAN'S REVIEW

The Diversified Property Fund for Charities ('DPFC', 'Fund') delivered a total return of 16.5% for the financial year to 30 September 2021 (2020: 7.0%) comprising 5.8% (2020: 5.8%) distribution and 10.8% capital appreciation (2020: 1.2%). This extends DPFC's strong performance track record since launch in 2015, averaging 12.7% pa since inception.

The properties in the portfolio increased in value by 9.8% over the year (2020: 1.4%) comparing favourably to the MSCI/IPD All Property Index which increased by 7.9% (2020: -2.7%). Rising property values and investor subscriptions resulted in the Net Asset Value (NAV) increasing from £64.5m to £73.6m.

The economy has been buffeted by the changing impact of the Covid pandemic, but as we write the economy has recovered positively to pre-pandemic levels. Inflationary pressures are now creating pressure for higher interest rates and so the economic challenges continue. The property market's fortunes have continued to vary depending on sector, with warehousing and logistics along with residential being clear leaders, as strong demand and supply shortages push up prices. Meanwhile, the fortunes of the retail sub-sectors have varied with supermarkets and retail warehousing performing considerably better than shopping centres and high street shops. The Covid pandemic has clearly accelerated trends which were already in place pre 2020, and there is every expectation these trends will continue. Investor demand has been strong, in large part reflecting the search for attractive income, resulting in significant capital value appreciation in favoured sub-sectors.

DPFC seeks to deliver an attractive growing dividend to investors combined with capital values which grow at least in line with inflation. It achieves this by focusing on good quality multi-let properties, in good locations with strong occupational demand.

Risk is mitigated by the diversified profile of the portfolio as reflected in the number and locations of properties, the multi-let nature of the majority of properties and therefore the number of tenancies. It is pleasing to report that this strategy, combined with the focus and expertise of the Manager, has maintained a low vacancy rate and strong rent collection of 100% for the year, (2020: 98%). The Fund has a 58% weighting to industrial warehousing properties, 23% in offices and 19% in retail warehousing, with no exposure to high street retail and leisure properties.

The distribution to unitholders of 7.24p per unit for the year, is a modest increase on the 7.22p from the prior year and was fully covered by net income. Year on year the distribution has grown 2.2% pa since launch.

The Investment Committee meets quarterly to review strategy, performance and approves the distribution. Major transactions are considered as and when they arise. Mitigation of risk and optimising income are areas of specific focus and we have increasingly spent time on ESG matters where good progress is being made. Ultimately our primary objective is to ensure investing Unitholders interests are fully aligned with the management of the Fund. We are pleased to meet the Investor Committee and the Trustee on an annual basis.

The Investment Advisory Board is confident DPFC's portfolio is well positioned to continue to offer investors attractive risk adjusted returns. The Fund is currently open to new investors, who are attracted by the strategic objectives and income distribution, and share our existing investors long-term view on property investment.

Stuart Beevor, Chairman, Investment Advisory Board

MANAGER'S REPORT

I am pleased to report **DPFC** has delivered strong capital value growth and resilient income, outperforming benchmarks and peers during a period dominated by the challenges of the Covid-19 pandemic. The rapid and effective vaccine rollout has allowed the Government to relax lockdown restrictions and reduce economic support enabling the economy to recover.

DPFC's tenants' cash flows have also improved resulting in 100% (2020: 98%) of the rental income being collected during the financial year.

The Covid-19 pandemic has accelerated a number of existing social trends which affect the real estate market. The performance of some property sectors has continued to polarise which is most notably in the retail and industrial sectors. Online retail sales have grown rapidly from 20.8% of all sales in Q4 2019 to a peak of 35.5% in Q1 2021. With Covid enforced movement restrictions eased, at the end of September 2021 online sales accounted for 28.1% of all retail sales. The impact on town centres of retailers rationalising their physical store portfolios has increased vacancies and led to falling rents and weak investor sentiment. A key element of DPFC's strategy continues to avoid high street retail units. Supermarkets and retail warehousing serving the multichannel retailing model and being suited to socially distanced shopping have performed considerably better.

DPFC has a modest retail warehousing weighting of 19% of portfolio value. The growing online economy has increased demand from logistics operations for warehouse accommodation and this has seen a surge in demand for the urban industrial units which, amounting to 58% of the DPFC portfolio, have benefited from strong rental growth and yield compression.

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Historic Total Returns - To 30 September 2021

The office sector has seen an acceleration of the remote working trend with occupier's employees asked to work remotely where possible. Whilst it is expected occupiers will reduce the space they need, hybrid home and office working is likely to become more common, with the office remaining a vital hub to business where the better quality offices will be the strongest performers.

DPFC's clear investment strategy has ensured the portfolio comprises quality assets which are attractive to occupiers in the right sectors which have proved resilient to these challenging times. The implementation of each asset's five year asset plan has seen a consistently high level of occupancy (97.5%) delivering a total return of 16.5% comprising a 5.8% distribution paid to investors and 10.8% Net Asset Value (NAV) capital growth. I am pleased the resilient nature of DPFC's rental income has enabled the level of distribution paid in 2021 to be a modest increase on that paid in 2020. In the initial stages of the pandemic the distribution was reduced to 94% of it pre-pandemic level. As the resilience of the portfolio has been demonstrated the distribution has now increased above the pre-pandemic level.

DPFC is building a strong performance track record, demonstrating consistent levels of returns year on year. Since launch total return to investors has been 84.0%, equivalent to 12.7% annualised. This comprises of distributions totalling 44.8%, equivalent to 6.75p per unit pa and NAV growth of 39.2%, equivalent to 5.91p per unit pa. The distribution has increased each year since launch, except for 2020 when the distribution remained the same as 2019 as a modest reduction mentioned above was reversed following positive rent collection during the initial stages of the Covid pandemic.

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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 target distribution yield to investors of 6-7%pa. The IRR achieved over the last five years amounts to 11.3%. Due to strong growth in property capital values the almost 40% increase in NAV since launch has not yet been matched by rental growth. The level of distribution in the latest Financial Year was 5.8% fully covered by income. We are fully cognisant of the importance of consistent distributions to charity investors and will continue to focus on maintaining and growing the cash amount of the distribution. However, strong capital appreciation reflecting lower valuation yields has resulted in the distribution reducing to 5.8% expressed on the NAV at the start of year. 2016 was the first full financial year for DPFC and a distribution of 6.73p per unit was paid. This has grown by 1.5% to 7.24p per unit for the 2021 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 optimise their business activities.
- **Asset Size** – Properties in the £3m-£12m range which are often a little too small for institutional investors and little too large for most high-net-worth investors.
- **Asset Management Potential** – each property has a five year asset plan 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 the investment operating criteria set for the Fund seeks to diversify: location, sector, asset size, occupier and leasing profile. The diversity of occupier ensures, should any one tenant be unable to pay their rent, the impact on the Fund's ability to maintain a sustainable distribution to unit holders is mitigated.

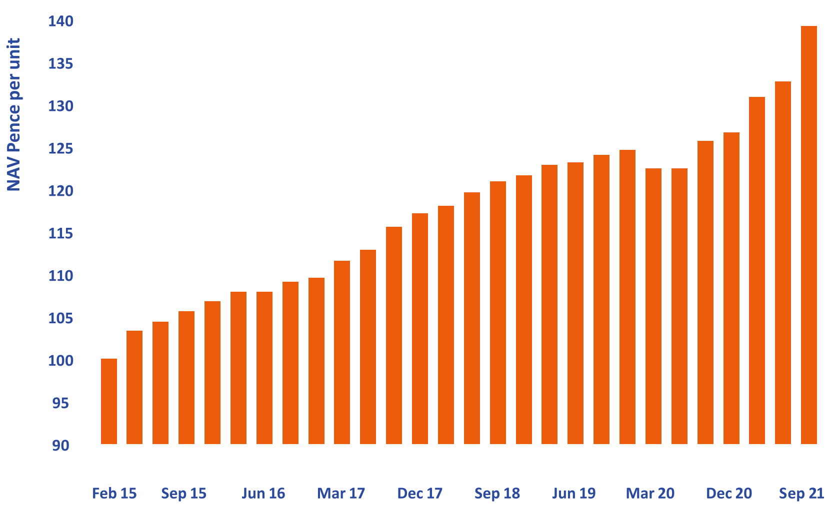
At a property level properties are acquired in strong locations to mitigate voids, and therefore void costs, resulting in a consistently low vacancy rate in the portfolio ie September 2021; DPFC 2.5%, AREF 9.6% (September 2020; DPFC 1.6%, AREF 9.3%). The combination of strong locations and implementing each property's bespoke asset plan enables multi-let properties with shorter average weighted unexpired lease terms (AWULT) to be acquired where a higher income yield can be achieved.

Fund Performance

Achieving 100% collection for the December 2020 and March 2021 rent demands facilitated the reinstatement of the May 2021 distribution to its pre-covid level. Accordingly, DPFC paid an aggregate distribution of 7.24p per unit during the 2021 Financial Year (2020: 7.22p per unit). The distribution has been fully covered by income received each quarter. Further, the estimates of market rental values assessed by the Fund's, valuers Jones Lang LaSalle, indicates there is scope for further increases in income as the passing rents from the properties are 2.1% below the market rents. It is anticipated the passing rents will increase to the market rents at lease events e.g. rent reviews and lease renewals.

Through the steady increase in portfolio value and the ability to retain profits, we have seen the FRS102 NAV per unit at 30 September 2021 increased by 10.8% to 139.23p per unit (2020: 125.67p per unit), as shown in the chart below.

DPFC NAV growth:



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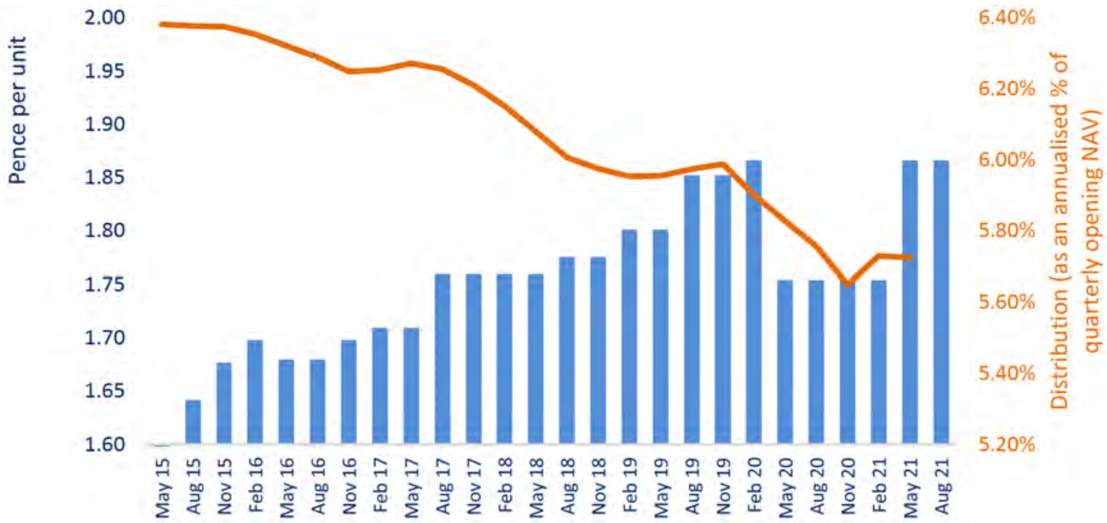
MANAGER'S REPORT CONTINUED

Fund Performance (continued)

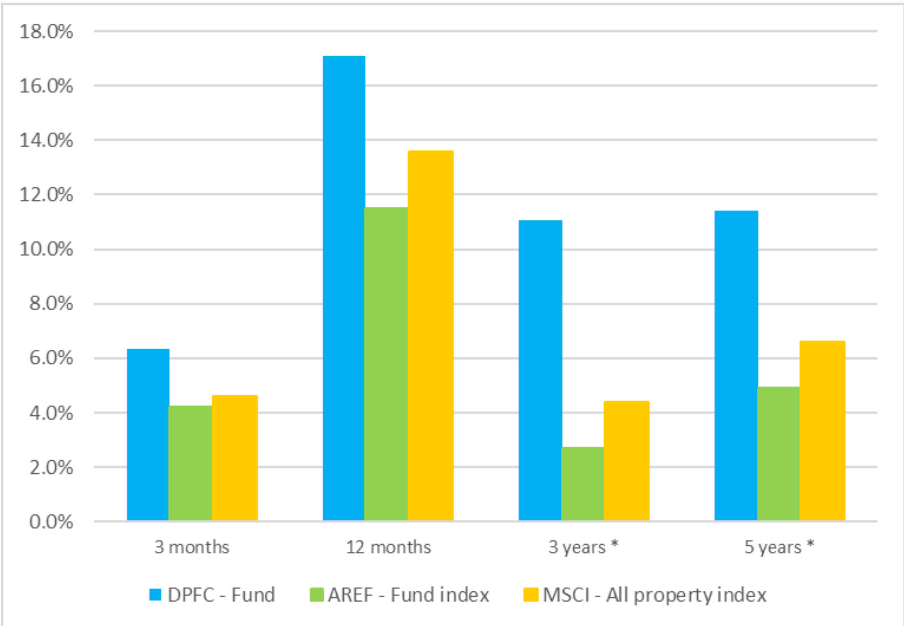
The chart below shows the distributions since inception. Distributions have grown by 2.2% pa on average since inception, DPFC distributions have been the same or increased in each year since launch. This includes the small reduction in distributions during the peak of the pandemic. The increase in property values has been stronger than the increase in rental values, as property value increases are the product of both rental value growth and yield compression, therefore the Distribution Yield, expressed as percentage, reduced slightly over the period as shown by the orange line in the chart below.

DPFC distributions:



Performance relative to industry benchmarks is considered at a Fund and property level. At a property level the MSCI All Property Index returned 13.6% (2020: -2.7%) for the year to September 2021. At a Fund level the Association of Real Estate Funds (AREF) benchmark delivered a return over the same period of 11.5% (2020: -2.8%). DPFC outperformed both benchmarks with a total property return of 17.1% (2020: 8.2%) and total return at the Fund level of 16.5% for the year (2020: 7.0%). The bar chart below details DPFC's consistent outperformance relative to the benchmarks over relevant time periods.

Relative Performance - DPFC Total Returns Relative to Benchmarks



* Annualised

At the end of the financial year DPFC fully joined AREF and will feature in their quarterly performance data publications with effect from September 2021. We believe the AREF benchmark is most suitable as it measures net property fund returns and tracks the performance of 44 UK pooled property funds, with a total NAV of £54.9 billion, as at December 2021.

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Property Portfolio and Market Overview

Property investment volumes for the first three quarters of 2021 were £41bn, up on both 2020 (£30bn) and 2019 (£36bn) and in line with the five-year average demonstrating the level of equity looking to be invested in commercial property. The polarised performance of the retail and industrial sectors is reflected in investors' appetite.

There has been a very limited number of investors seeking to acquire retail shop units or shopping centres due to the oversupply relative to the reduced occupier demand as retailers reduce their physical store portfolios. Investors are however acquiring supermarkets and retail warehouses which has resulted in yield compression increasing values. The steady occupier demand in these retail sub-sectors is primarily from retailers who have successfully embraced the multichannel retailing model as these properties support distribution and click and collect.

The office market has seen the volume of transactions almost back to their pre-pandemic levels as overseas buyers have acquired large Central London assets. The occupier markets have seen an increase in vacancy rates although there has also been good take up of the premium and high-quality space as occupiers seek to make their offices an attractive destination for their employees.

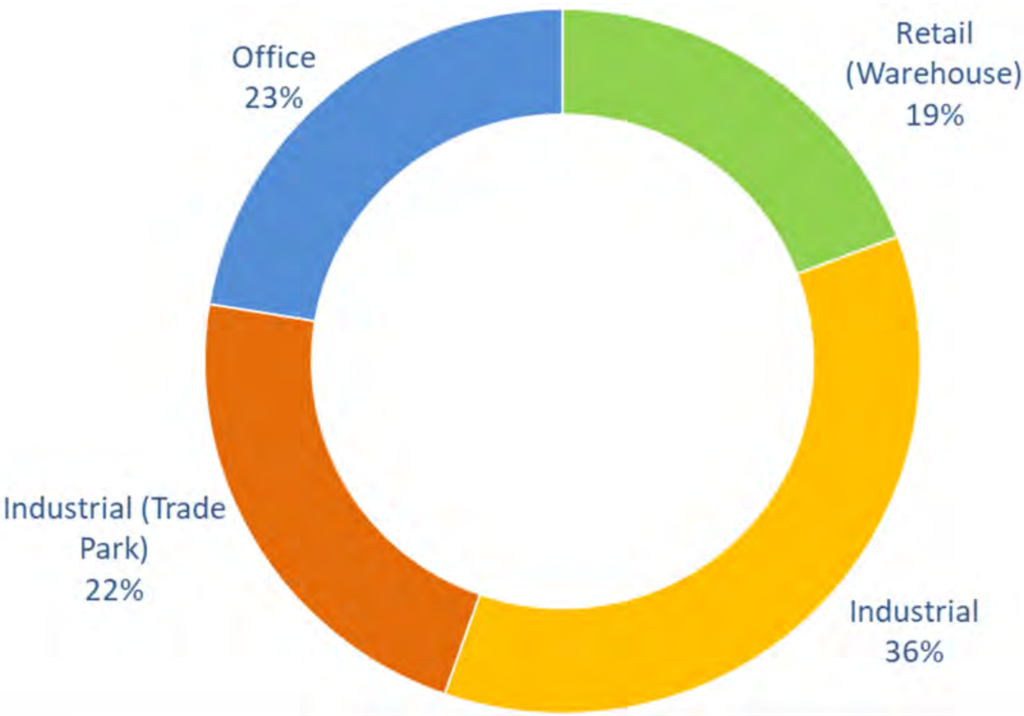
Rents have generally resisted downward pressure through the pandemic. The hybrid office base and remote home working model is a popular approach amongst employers which is likely to see reduced space requirements. This will benefit quality well located office buildings with good ESG credentials, whereas poorer grade properties are likely to see higher vacancy levels and higher level of obsolescence.

The strength of demand for industrial assets has driven yield compression contributing to the 7.9% capital growth seen in the sector by the MSCI All Property Index for 12 months to 30th September 2021. The increased demand from logistics operators coupled with the constrained supply has seen strong rental growth. Industrial rents in the DPFC portfolio have increased by 6% over the financial year. The potential for rental growth has encouraged investors to pay higher prices for assets as they anticipate increasing income returns at lease events.

The assets in the DPFC portfolio are well placed to continue benefiting from the occupier, investor and social trends we are observing.

The portfolio sector weightings are: Industrial & Industrial Trade Parks 58% (2020: 59%), Offices 23% (2020: 28%) and Retail warehouses 19% (2020: 13%).

The diversity of the portfolio by sector is detailed in the pie chart below:



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Property Portfolio and Market Overview (continued)

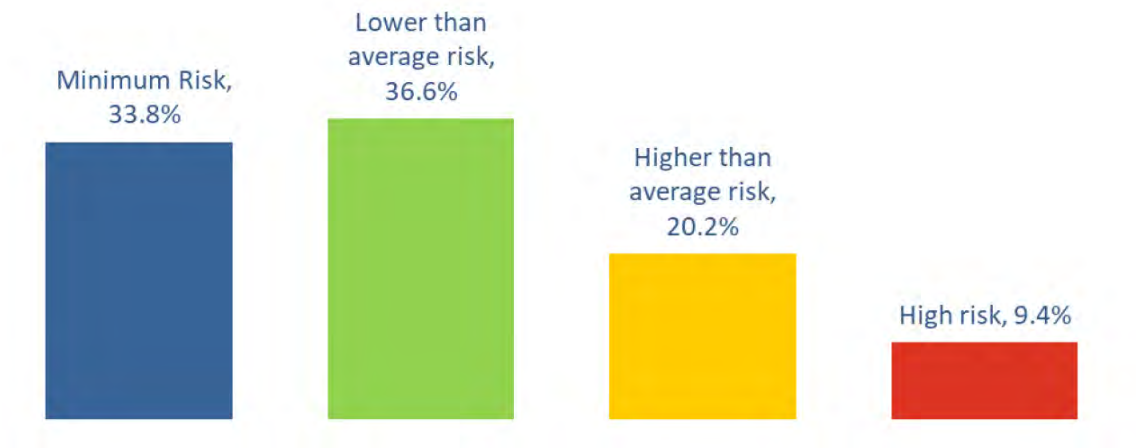
The total industrial sector weighting of 58% (comprising 36% industrial warehousing and 22% trade parks) has been a significant contributor to DPFC's capital and rental income growth. The portfolio only contains urban industrial assets where there is strong occupier demand and limited supply. Further acquisitions in this sector will be considered.

The office sector weighting of 23% comprises three assets located in Cambridge, Maidstone and Watford. These properties are in prime office locations which all saw good levels of rental growth before the pandemic suggesting any office space vacated through agile / remote working will be readily absorbed. Further acquisitions of quality properties, in terms of location and ESG credentials, would be cautiously considered.

The only retail assets contained in the DPFC portfolio are retail warehouse units, which as a sub-sector of the retail market has performed well during the year. Only 19% of the portfolio is invested in retail warehouses and the units are fully occupied by tenants at what are considered by the Manager to be affordable rents.

Overall, the portfolio contains 11 properties with an average lot size of circa £7.2m (2020: 10 properties of average lot size of £6.5m). The multi-let nature of most properties provides a diverse occupier base of 75 tenants. The financial covenant strength of tenants is shown in the chart below, with D&B risk rating of "minimum" or "lower than average risk" accounting for 70.4% (2020: 75.5%) of the rental income.

Tenant Covenant by D&B Risk Rating



100% of the rent charged during the financial year has been collected (2020: 98% rising to 99% with payment plans). The quality of the financial covenant strength of the occupiers is an important aspect supporting the strong rent collection during the pandemic. The sector weightings in the portfolio with 81% invested in the industrial and office sectors, the sectors affected to a lesser degree by the pandemic, has also been a factor in the resilient rent collection. However, the speed of the rent collection has steadily improved which is largely a result of the Manager and the Credit Controllers weekly meetings where a review is undertaken as to which tenants may need support with a payment plan and which tenants are able to pay and should be encouraged to do so.

Rental income growth results not only from investing in sectors and locations where we spot good occupier demand and a constrained supply of accommodation, but also how these opportunities are asset managed. The rental growth is crystalised where the new rent agreed at a lease event is higher than the previous passing rent. There were a total of 23 lease events during the financial year where the new rents agreed were 1% higher than the previous passing rent and 5% higher than the market rent in the independent valuation by Jones Lang LaSalle. The figures are more modest than the previous year as they are skewed by re-based rents agreed with two retail tenants at lease renewal (excluding these two events, rents achieved were 8% higher than previous passing rent and 8% higher than ERV). The 58% industrial weighting in the portfolio has generated most rental growth.

The vacancy rate in the DPFC portfolio has been consistently low and was 2.5% at the year end (2020: 1.6%) compared to the AREF Benchmark vacancy for September 2021 of 9.6% (2020: 9.3%). The target is to maintain a low vacancy rate, materially lower than the benchmark. This has been achieved through acquiring assets in locations attractive to tenants where the active asset management of the portfolio, refurbishing units to a high standard and working with occupiers to solve their occupational needs adds value. A low vacancy rate optimises the income from the portfolio and minimises vacant property costs. The consistently low vacancy rate in the DPFC portfolio evidences a higher income yield is achievable through holding assets with shorter weighted average unexpired lease terms which are managed well.

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MANAGER'S REPORT CONTINUED

Manager's Provenance and Track Record

Eskmuir FM Ltd is DPFC's Fund Manager ("Manager") and Eskmuir Asset Management Ltd is the Asset Manager. Both are part of the Eskmuir Properties Ltd ("EPL") group. The Laing Family Trusts and their charitable foundations established EPL in 1990 and it was their philanthropic wish that led to DPFC being formed in 2015 to enable other charity investors to benefit from the opportunities delivered by the Eskmuir Team. EPL has achieved 30 successive years of dividend growth to its shareholders who have received an annualised return of 12.2%.

Governance and Oversight

DPFC's governance and oversight comprises three tiers and have been an integral part of how the Covid-19 pandemic has been navigated. In this challenging environment having good governance with the oversight to steer, guide and challenge the management is welcomed. The three tiers are:

- The Trustees (Sanne Nominees 1 (UK) Ltd and Sanne Nominees 2 (UK) Ltd) 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 which is formed of the five largest investors meets twice annually to review the Fund's activities.

Investment Operating Criteria

The diverse nature of the DPFC portfolio is a result of the clear investment strategy which enables the mitigation of structural and specific risks at a portfolio and property level. Detailed below is the Investment Operating Criteria 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%

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 increased in value from £64.8m to £78.7m including purchases. Excluding acquisitions on a like for like basis this was an increase of 9.8%. The industrial assets saw valuation growth of 20.3%, office values reduced by 1.7% and retail values reduced by 2.6%.

Unit Issues and Investor Commitments

A total of 1.55m units were issued during the year (2020: 0.38m) raising a total of £2.04m (2020: £0.47m). All investor commitments have been fully drawn. At the year end DPFC had 18 investors (2020: 18) with 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.

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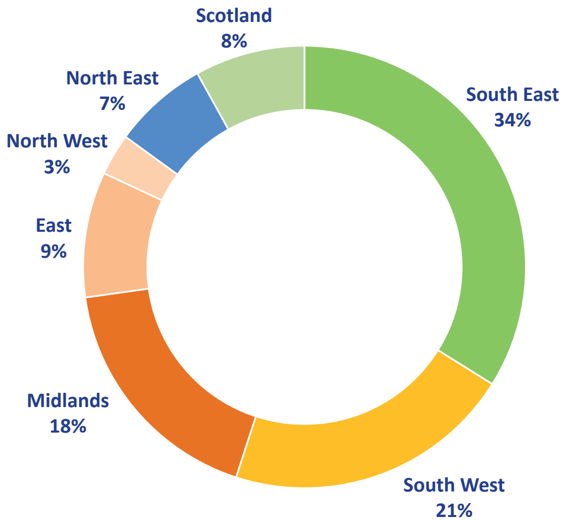
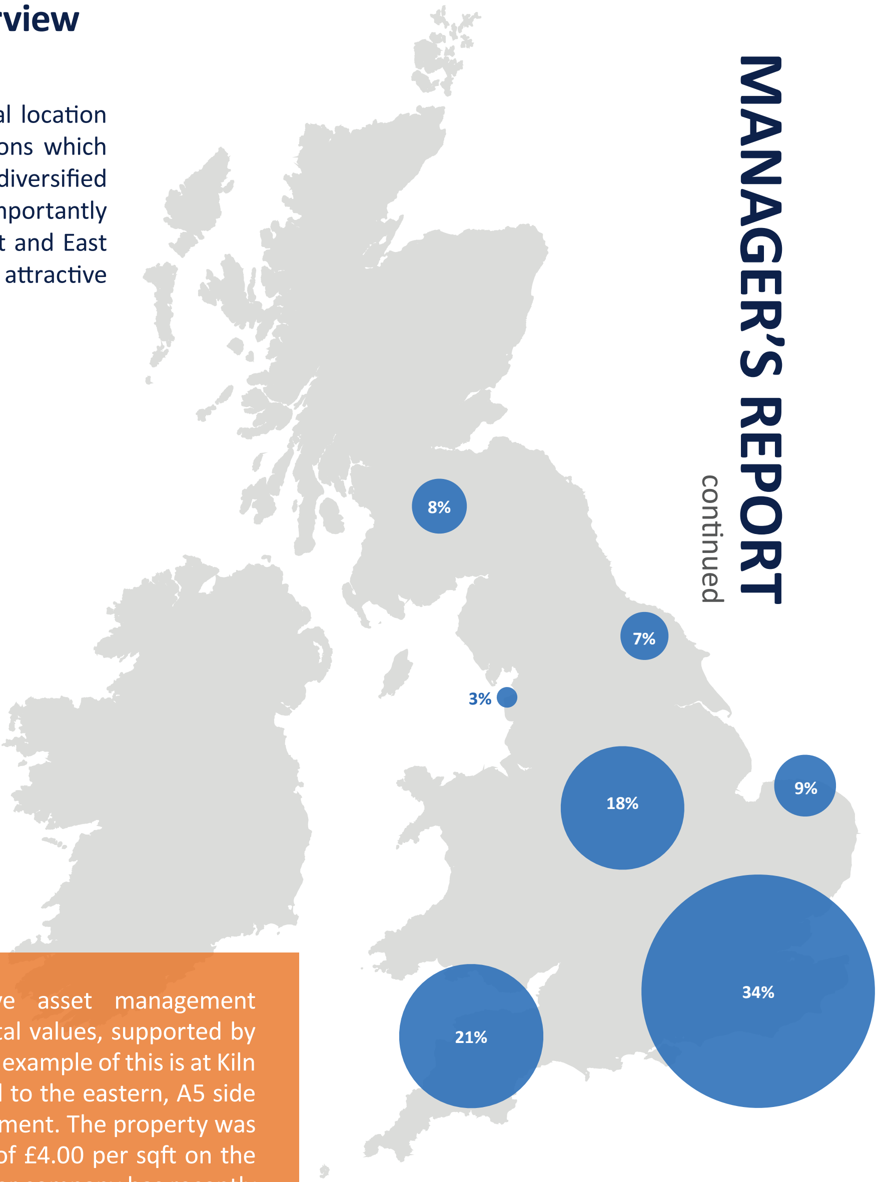
Property Portfolio and Market Overview
CONTINUED

At a portfolio level the diversification of geographical location is managed and returns enhanced by targeting regions which outperform economically. The DPFC portfolio is diversified through seven regions of the UK as shown below. Importantly 64% 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:





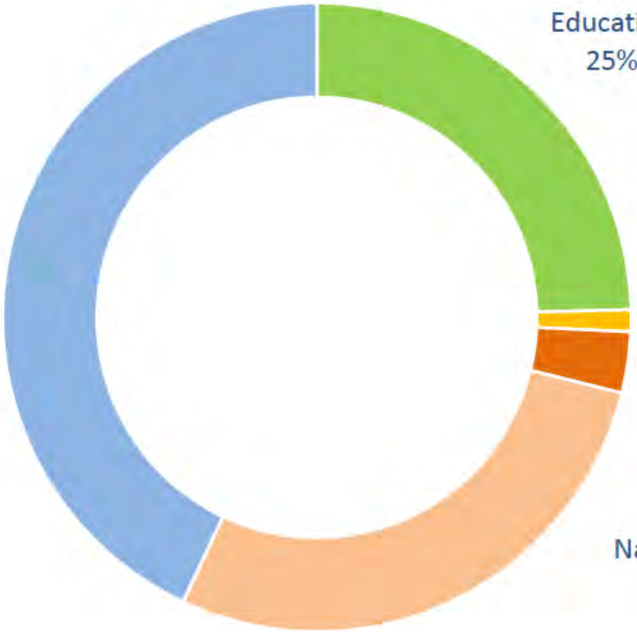
DPFC's urban industrial assets are offering attractive asset management opportunities to enhance rental incomes, and in turn capital values, supported by the strength of occupier demand and limited supply. A good example of this is at Kiln Farm Industrial Estate, Milton Keynes. The estate is located to the eastern, A5 side of the town where there is significant new housing development. The property was acquired in 2015 with rental guarantees from the vendor of £4.00 per sqft on the vacant units. A new letting of a unit on the estate to a courier company has recently been completed at £8.25 per sqft reflecting annualised rental growth of 15% pa since acquisition. Previously the best rent achieved on the estate was £7.50 per sqft for a refurbished unit where we saw the Energy Performance Certificate (EPC) rating increase from an EPC C to an EPC B. Additionally, at Westerngate Industrial Park, Swindon a tenant vacated their unit in February 2021 paying the rent up to the end of their tenancy in June 2021. An agreement for lease was signed with a new occupier to take occupation once the unit was refurbished. The works were completed, and the new tenant took occupation in April 2021 at a rental 26% higher than the previous tenancy. At Ransomes Europark, Ipswich a reversionary lease has been agreed with City Plumbing Supplies for a further five years from 2025 with a tenant break option in 2025. The tenant received a five-month rental incentive which is to be repaid if the break option is exercised.

Within the office assets in the portfolio the 24,000 sqft office building on Clarendon Road, Watford has seen most activity with lease renewals and relocations. Two existing tenants have relocated within the building to smaller suites as they manage their overhead costs during the pandemic. Through working with these occupiers, we have been able to secure their commitment to the building at premium rents and mitigate vacancy risk.

There are three retail warehouse assets in the portfolio and the strength of their locations is evidenced by the lease renewal activity at the Trimdon Retail Park, Sunderland. Currys and Halfords have both renewed their leases on the park, albeit at slightly reduced rents when there were other vacant units in the town they could potentially have relocated to. In June 2021 DPFC completed the purchase of a retail warehouse unit in Hall Green, Birmingham let to Wickes. The property occupies a prominent location fronting onto the A34 and offers great future asset management flexibility whether that be extending the lease with the current occupier, varying the planning consent to include food retail or subdividing the unit.

MANAGER'S REPORT CONTINUED

Investor Purpose



Investor testimonial

The Rufford Foundation is a founder investor in DPFC. Terry Kenny, on behalf of the charity, said:

"As one of the seed investors in DPFC, The Rufford Foundation has been delighted with the resilient returns delivered. The investment arena has been through a particularly challenging period, but it is testament to the clear investment strategy adopted by DPFC and the quality of the Fund and Asset Management that the returns generated have outperformed their benchmarks year on year on year."

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Working Capital Bank Debt

DPFC is not a geared Fund and does not rely on leverage to deliver returns.

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. At the September 2021 year end £4.97m was drawn under the facility (2020: £0.13m). The Property portfolio is valued at £78.7m. The principal objectives are to draw from the facility for short periods of time to acquire new investments in anticipation of new investor subscriptions. Post year end, with new investor subscriptions, the level of drawing reduced to £3.65m.

Financial Results, Distributions and TER

The Total Comprehensive Income for the year was £10.79m (2020: £4.45m) comprising operating profit net of interest payable of £4.00m (2020: £3.85m) and unrealised revaluation surpluses on investment property of £6.79m (2020: £0.60m).

Distributions totalling £3.72m, 7.24p per unit, were paid in the year to 30 September 2021 (2020: £3.69m, 7.22p per unit).

The distribution was fully covered by profit excluding gains arising on revaluation of investment properties.

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.

A further quarterly distribution totalling £1.00m (1.8883p per unit) was paid after the year end in respect of results to 30 September 2021. Retained earnings following that distribution were £1.27m (2020: £1.08m).

Distributions paid during the year equated to an average 5.7% pa (2020 5.8% pa) of quarterly NAV.

The Total Expense Ratio (TER) is the ratio of fund administration costs incurred in the year to to average NAV. TER for the year was 0.86% (2020: 0.83%). It is expected the TER will decrease as the Fund size increases.

Strategy and Outlook

DPFC's investment strategy was agreed at launch and has proven to be resilient in the challenging external environment, delivering attractive returns to investors. No changes are proposed.

The sectors and sub-sectors of the real estate market DPFC is interested in are weighted towards those aligned to current occupier, investor and social trends which bodes well for ongoing performance. Not all the trends we have seen accelerated during the pandemic will be with us permanently, but the DPFC portfolio is well placed to perform in such a dynamic environment as the economy, occupier and investment markets move into the post Covid pandemic period.

Nurturing a positive landlord and tenant relationship is an integral element of the five year asset plans for each property. Through working with the occupier to help solve their real estate requirements we are able to enhance income streams and in turn capital values. This approach serves to mitigate the effects of challenging markets and optimise returns in better times.

The Manager, supported by the Investment Advisory Board, believes the investment strategy and portfolio are well positioned for DPFC to continue to deliver attractive risk adjusted returns to 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. Additionally, with the onset of the Covid-19 crisis in the prior year a series of additional mitigating actions were formulated that 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 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 £4.09m and healthy balance sheet with cash reserves of £0.76m, undrawn bank facility of £1.5m (and significant headroom over financial bank loan covenants) and net assets of £73.57m as at the end of September 2021. 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 RBSI facility expires in October 2022, more than one year after the Balance Sheet date but within 12 months of the accounts signing date. The Manager is confident the facility will be refinanced ahead of expiry with the same or another lender on fundamentally not dissimilar terms.

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

20 April 2022

ENVIRONMENTAL SOCIAL GOVERNANCE (ESG) AND RESPONSIBLE PROPERTY INVESTMENT

Eskmuir is fully committed to the protection of the environment, prevention of pollution and proactive compliance with current and evolving environmental legislation. Our aim is to demonstrate continuous improvement in our environmental performance through responsible business and property management practices, whilst considering the various Stakeholder interests and requirements.

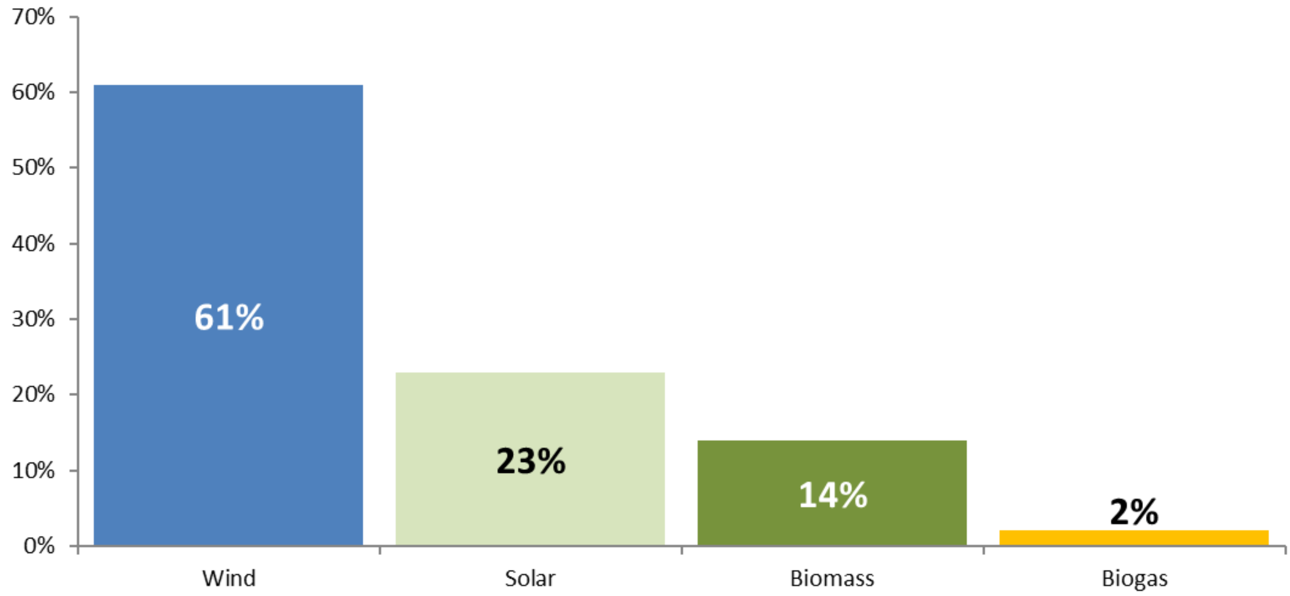
The key components of our policy are as follows:

- Good environmental management is an integral part of our business culture, processes and practices.
- Report and audit our environmental performance to demonstrate accountability and improvements. GRESB benchmark membership and reporting now established.
- The objectives of our Environmental policy include: promoting alternative renewable energy sources to minimise climate change and GHG emissions and initiatives to:
- Reduce energy consumption and improve energy efficiency
- Reduce water usage and incorporate recycling opportunities
- Minimise the amount of waste generated and improve recycling
- Prevent pollution and contamination whilst encouraging biodiversity through proactive land management of amenity areas
- Mitigate the risk or loss of established habitats through new development, building works or operational practices
- Integrate environmental management and general social and economic sustainability into staff training.
- Meet or exceed all relevant UK, European and International legislative and regulatory requirements and agreements.
- Utilise sustainable and resilient specifications for building projects which consider materials, products and techniques
- Encourage our agents, suppliers and contractors to improve their own environmental performance through inclusion of commitments within contractual obligations.
- Ensure that good environmental management is an integral part of our business culture.

The DPFC business and the management team are committed to meeting these objectives and this is demonstrated by the systems, processes and practices adopted.

– **Our approach to sustainability seeks to future-proof DPFC**, ensuring it is resilient and responsive as our global communities understanding and knowledge of sustainability grows and embraces new behaviours and technologies as they become common place. This approach combines the three main themes of Sustainability; Environmental, Social and Governance in a practical way, examples of which are discussed below:

DPFC'S CENTRALLY PROCURED ENERGY SOURCES

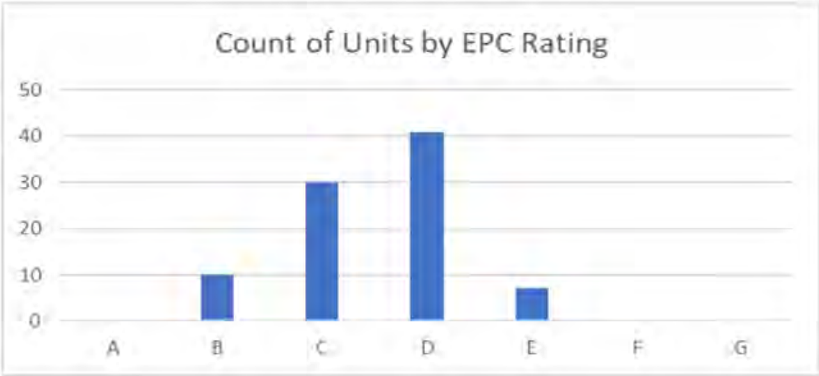


ENVIRONMENTAL – Minimising the impact on the environment whilst we transition to a low carbon society

- **Renewable Energy** – All 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** – Global Real Estate Sustainability Benchmark (GRESB) is the environmental, social and governance benchmark for real estate assets. It assesses the sustainability performance of real estate portfolios across the globe and provides a means of measuring the Fund's ESG performance against a global benchmark. DPFC's full participation in the GRESB benchmark has been initiated and a target of net carbon zero by 2040 has been set.
- **Acquisitions** – At the acquisition of an asset, detailed due diligence investigates ground conditions, building components and occupiers' covenant and use. A five-year asset plan is prepared which identifies improvements that can be made and encourages transparent tenant communication. The common parts of properties under direct management are an integral part where energy use, waste management and proactive approach to repairs and maintenance identify how improvements can be made. We work with tenants to ensure they proactively consider a similar approach to their demised area.
- **Refurbishments** – When the Fund refurbishes office suites or industrial units, design-led enhancements are made to improve energy performance, including the replacement of inefficient halogen or fluorescent lighting with modern LED systems and the replacement of large hot water tanks with efficient point-of-use systems.

DPFC
Diversified Property
Fund For Charities

ENVIRONMENTAL SOCIAL GOVERNANCE (ESG) AND RESPONSIBLE PROPERTY INVESTMENT CONTINUED



When properties are refurbished we seek to future-proof them in line to meet and exceed the MEES requirements.

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

- **Minimum Energy Efficiency Standards (MEES)** – We monitor the risk of non-compliance in the Energy Performance Certificates (EPCs) within the MEES, which is part of the Energy Act 2011. Under MEES, it became unlawful from 1st April 2018 to let commercial properties to new tenants where they had a poor energy rating, currently considered to be F or G. The risk of non-compliance was 3.7% of the portfolio by ERV in 2020 (2019: 4.2%) however by working with tenants and completing targeted energy efficiency works, there are now no units potentially breaching compliance in the portfolio. All units have an EPC E or above. However, it is expected the minimum EPC level required to let premises under MEES will increase therefore in order to future proof the portfolio when we undertake refurbishments, we enhance the EPC in excess of the current minimum requirements. At Kiln Farm Industrial Estate, Milton Keynes we have completed the refurbishment of industrial units, which had respective EPC ratings of C & D up to EPC B.
- **Electric Vehicle Charging Points** – Where practicable endeavouring to install electric vehicle charging points
- **Biodiversity** – Enhancing the biodiversity of the environment has seen: bird boxes, trees and wild flower planters added to initiatives.

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

Eskmuir is fully committed to maximising social value across the DPFC portfolio. We look to achieve these commitments through continual review and improvement to our policies and processes, include requiring our third-party contractors and consultants to similarly support our approach in their practices.

Our aim is to demonstrate continuous improvement in our social performance through responsible business and property management practices, taking into account the various Stakeholder interests and requirements.

The key commitments of our policy are as follows:

- **Health and Safety:** These measures extend to the tenants that occupy our buildings, our contractors and the communities surrounding us. We are committed to maintaining a healthy and safe working environment and accept no compromise on health and safety issues. Under Health and Safety law we will take reasonable care for the health and safety of those affected by certain acts or omissions. All of our employees are also required to co-operate with DPFC's health and safety arrangements.
- **Occupiers** – DPFC will only invest in assets which are consistent with the reputation of our charity unitholders and Eskmuir. Accordingly, DPFC would not acquire properties where the occupier's business is in tobacco, arms, pornography and animal testing.

- **Inclusion and Diversity:** We promote equality of opportunity and will take action to ensure that no individual suffers unlawful discrimination, directly or indirectly. This policy pursues and builds on the statutory requirements to ensure effective policies and practice of promoting equality.
- **Health and Wellbeing:** Eskmuir advocates a proactive approach to managing health and wellbeing at work, with everyone working together: landlord, occupiers, suppliers, building and facilities managers, to address causes of workplace ill health and promote healthier lifestyles to improve the general health of our workforce.
- **Child Labour and Forced or Compulsory Labour:** We ensure no children and only individuals offering themselves voluntarily undertake work in connection with DPFC.
- **Employee Engagement:** We engage with employees to understand their involvement, commitment and satisfaction with us as an entity.
- **Charity Support:** The Manager is part of the Eskmuir Group which supports local charities through allocating staff time and financial support on employees' recommendations. The purpose of DPFC is to generate returns for charities to enable them to pursue their charitable purposes.
- **Technology Infrastructure Investment:** The Manager has invested in technical infrastructure to enable staff to be more productive better connected and have a lower environmental impact through agile working during the Covid-19 pandemic.

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

Eskmuir is 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 (IAB), The Trustees and The Investor Committee. The IAB and Trustees meet quarterly and the Investor Committee meets twice a year.

Our aim is to demonstrate continuous improvement through responsible business and property management practices, taking into account the various Stakeholder interests and requirements.

There are a number of commitments in our policy including:

- Compliance: We ensure we work within the legal requirements applicable to the business and industry. Eskmuir is required to comply with regulatory compliance including the Bribery Act 2010, the Money Laundering Regulations, and all other industry rules or legislative requirements.
- Fraud: We are determined to prevent, deter and detect all forms of fraud committed against and within DPFC, whether by internal or external parties and are committed to promoting honesty and integrity in all of our activities. Any breach of the policy and related procedures would result in disciplinary action.
- Security: Eskmuir will take measures to minimise the risk of fraud by protecting the security of both employee personal and DPFC's financial details.
- Information Security: The company's 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.

The management team is committed to meeting these objectives and this 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.
- Safeguard 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 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 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 2021 and of its profit for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "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 balance sheet;
- the statement of changes in net funds attributable to unitholders;
- the statement of cash flows;
- the related notes 1 to 20.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including 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 these non-statutoryv financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of these non-stautory 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 company'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

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.

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 respect of these matters.

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.

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)

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 financial statements.

A further description of our responsibilities for the audit of the non-statutory financial statements is located on the Financial Reporting Council'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 DPFC Trust's industry and its control environment, and reviewed the DPFC 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.

We considered the nature of the DPFC Trust's industry and its control environment, and reviewed the DPFC 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.

We obtained an understanding of the legal and regulatory framework that the DPFC 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. These included AIFM Regulations and,
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the DPFC Trust's ability to operate or to avoid a material penalty

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the non-statutory financial statements.

As a result of performing the above, we identified the greatest potential for fraud or non-compliance with laws and regulations in the following area, and our specific procedures performed to address it is 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 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 non-statutory 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 external 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; and
- 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: 20 April 2022

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 September 2021

	NOTE	Year Ended 30 September 2021 £'000's	Year Ended 30 September 2020 £'000's
Turnover	3	**5,082**	4,878
Rents payable		**(77)**	(64)
		5,005	4,814
Other operating income		**1**	1
TOTAL INCOME		**5,006**	4,815
Administrative Expenses	4	**(918)**	(891)
OPERATING PROFIT		**4,088**	3,924
Gains arising on revaluation of investment properties	8	**6,791**	592
Interest payable and similar charges	6	**(86)**	(70)
TOTAL PROFIT		**10,793**	4,446
Basic and diluted earnings per unit	12	**20.84p**	8.69p

STATEMENT OF CHANGES IN NET FUNDS ATTRIBUTABLE TO UNITHOLDERS

	NOTE	Year Ended 30 September 2021 £'000's	Year Ended 30 September 2020 £'000's
Opening unitholders' funds		**64,464**	63,232
Total comprehensive income		**10,793**	4,446
Distributions paid during the year	7	**(3,718)**	(3,687)
Unit issues	12	**2,035**	473
CLOSING UNITHOLDERS' FUNDS		**73,574**	64,464

BALANCE SHEET
As at 30 September 2021

	NOTE	As at 30 September 2021 £'000's	£'000's	As at 30 September 2020 £'000's	£'000's
FIXED ASSETS					
Investment properties	8		**78,751**		64,852
CURRENT ASSETS					
Debtors	9	**1,407**		1,417	
Cash at bank and in hand		**756**		772	
TOTAL CURRENT ASSETS		**2,163**		2,189	
CREDITORS: amounts falling due within one year	10	**(2,295)**		(2,387)	
NET CURRENT LIABILITIES			**(132)**		(198)
TOTAL ASSETS LESS CURRENT LIABILITIES			**78,619**		64,654
CREDITORS: amounts falling due after more than one year	11		**(5,045)**		(190)
NET ASSETS			**73,574**		64,464

TRUST CAPITAL AND RESERVES					
Trust capital	12		**56,317**		54,282
Profit and loss reserve:					
Revaluation reserve	13		**14,992**		8,201
Retained earnings	14		**2,265**		1,981
UNITHOLDERS' FUNDS			**73,574**		64,464
UNITS IN ISSUE (000's)	12		**52,845**		51,296
NET ASSETS PER UNIT - FRS 102 BASIS (pence)	15		**139.23**		125.67
NET ASSETS PER UNIT - INREV BASIS (pence)	15		**139.41**		125.83

These financial statements were approved by the Manager on 20 April 2022 and signed on its behalf by Paul Hodgson.

P A Hodgson
Eskmuir FM Limited

STATEMENT OF CASH FLOWS

For the year ended 30 September 2021

	NOTE	**Year Ended 30 September 2021 £'000's**	**£'000's**	Year Ended 30 September 2020 £'000's	£'000's
NET CASH FLOWS FROM OPERATING ACTIVITIES	19		**3,834**		3,956
CASH FLOWS USED IN INVESTING ACTIVITIES					
Purchase of investment property		**(6,943)**		-	
Capital expenditure on investment properties		**(13)**		(131)	
(Stated net of dilapidations receipts)					
NET CASH FLOWS USED IN INVESTING ACTIVITIES			**(6,956)**		(131)
CASH FLOWS FROM FINANCING ACTIVITIES					
Units issued		**2,035**		473	
Repayment of bank loan		**(970)**		(900)	
Advances under bank loan		**5,805**		1,030	
Interest paid		**(46)**		(49)	
Loan arrangement fees		**-**		(62)	
Distributions paid		**(3,718)**		(3,687)	
NET CASH FLOWS USED IN FINANCING ACTIVITIES			**3,106**		(3,195)
(DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS DURING THE YEAR			**(16)**		630
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR			**772**		142
CASH AND CASH EQUIVALENTS AT END OF YEAR			**756**		772

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2021

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 Sanne Group Nominees 1 (UK) Limited and Sanne Group Nominees 2 (UK) Limited, both registered in England (at addresses shown on page 44).

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 2021

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 Company'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.

Financial assets

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

Financial liabilities

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

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 year 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.

Going concern

The financial statements have been prepared using the going concern basis of accounting. See page 19 for more information.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 September 2021

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 (2020: none).

Key sources of estimation uncertainty

Investment properties were revalued to fair value as at 30 September 2021 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 2021

3 - TURNOVER

	Year Ended 30 September 2021 £'000's	Year Ended 30 September 2020 £'000's
Rental income	**5,076**	4,878
Lease surrender premiums	**6**	-
	5,082	4,878

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

4 - ADMINISTRATIVE EXPENSES

	Year Ended 30 September 2021 £'000's	Year Ended 30 September 2020 £'000's
Asset management fees	**286**	255
Fund management fees	**143**	127
Fund administration fees	**15**	15
Trustee fees	**30**	31
Operator fees	**20**	20
Valuation fees	**19**	16
Audit fees	**21**	21
Property costs	**359**	300
Bad debts	**(17)**	68
Other	**42**	38
TOTAL ADMINISTRATIVE EXPENSES	**918**	891

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	**3**	3
TOTAL AUDIT AND NON-AUDIT FEES	**24**	24

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 September 2021

5 - STAFF COSTS

The Fund has no employees (2020: none).

6 - INTEREST PAYABLE AND SIMILAR CHARGES

	Year Ended 30 September 2021 £'000's	Year Ended 30 September 2020 £'000's
Interest on bank loans and overdrafts	**66**	50
Amortisation of bank facility fee	**20**	20
	86	70

DPFC's £6.5m revolving bank facility with RBSI is secured against two of DPFC's investment properties and is due for repayment on 3 October 2022. 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.

7 - DISTRIBUTIONS

	Year Ended 30 September 2021		Year Ended 30 September 2020	
	Pence per unit	**£'000's**	Pence per unit	£'000's
Quarter ended 30 September (paid November)	**1.753**	**899**	1.851	942
Quarter ended 31 December (paid February)	**1.753**	**899**	1.865	950
Quarter ended 31 March (paid May)	**1.865**	**957**	1.753)	896
Quarter ended 30 June (paid August)	**1.865**	**963**	1.753	899
Distributions paid during year to 30 September	**7.236**	**3,718**	7.222	3,687
Add: Distributions proposed at year end	**1.888**	**998**	1.753	899
Less: Distributions proposed at prior year end	**(1.753)**	**(899)**	(1.851)	(942)
TOTAL DISTRIBUTIONS PAID / PROPOSED IN RESPECT OF THE YEAR	7.371	3,817	7.124	3,644

DPFC
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 September 2021

8 - INVESTMENT PROPERTIES	Freehold £'000's	Long Leasehold £'000's	Total £'000's
At valuation at 1 October 2020	53,400	11,350	64,750
Property acquisitions	6,943	-	6,943
Additions (Stated net of dilapidations receipts)	12	1	13
Movement in lease incentives	99	54	153
Revaluation (deficit) / surplus	5,096	1,695	6,791
At valuation at 30 September 2021	**65,550**	**13,100**	**78,650**
Head leases treated as finance leases on investment properties (See note 16)	**-**	**101**	**101**
	65,550	**13,201**	**78,751**
At cost			
As at 30 September 2021	**53,608**	**9,224**	**62,832**
As at 30 September 2020	46,654	9,223	55,877

Investment properties were revalued to fair value as at 30 September 2021 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 £19,000,000 (2020: £15,975,000).

9 - DEBTORS	2021 £'000's	2020 £'000's
Rents receivable	**588**	765
Prepayments and accrued income	**57**	30
Other balances recoverable from tenants	**271**	137
Other debtors - funds held by agents	**491**	486
	1,407	1,418

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.

For the year ended 30 September 2021

10 - CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2021 £'000's	2020 £'000's
Deferred rental income	**1,187**	1,255
Trade creditors	**101**	36
VAT	**348**	543
Sundry creditors	**389**	345
Accrued expenses	**270**	208
	2,295	2,387

11 - CREDITORS: AMOUNTS FALLING DUE IN MORE THAN ONE YEAR	2021 £'000's	2020 £'000's
Bank loan	**4,944**	88
Finance lease liabilities (Note 16)	**101**	102
	5,045	190

The bank loan is for a maximum sum of £6.5m and is due for repayment on 3 October 2022. 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.

12 - TRUST CAPITAL	Number of units issued £'000's	Net proceeds from issue of units £'000's
Units issued 4 June 2021	**1,549**	**2,035**
	1,549	**2,035**
As at 1 October 2020	51,296	54,282
As at 30 September 2021	**52,845**	**56,317**

Units in the Fund are redeemable with six months written notice, subject to the terms of the Trust Deeds.	2021	2020
Basic and diluted earnings per unit	**20.84 p**	8.69 p
Basic and diluted earnings per unit have been calculated upon the following figures:		
Weighted average units in issue during the year (number)	**51,801,046**	51,157,794
Total profit for the year (£'000's)	**10,793**	4,446

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 September 2021

13 - REVALUATION RESERVE	2021 £'000's	2020 £'000's
At beginning of year	**8,201**	7,609
Revaluation surplus for the year	**6,791**	592
At end of year	**14,992**	8,201

14 - RETAINED EARNINGS	2021 £'000's	2020 £'000's
At beginning of year	**1,981**	1,815
Profit for the year excluding revaluation surplus	**4,002**	3,853
Distributions paid (Note 7)	**(3,718)**	(3,687)
At end of year	**2,265**	1,981

For the year ended 30 September 2021

15 - INREV RECONCILIATION

	As at 30 September 2021 Pence per unit	As at 30 September 2021 £'000's	As at 30 September 2020 Pence per unit	As at 30 September 2020 £'000's
NAV as at 30 September on FRS 102 basis	**139.23**	**73,574**	125.67	64,464
Setup costs*	**-**	**-**	-	-
Property acquisition costs*	**0.19**	**99**	0.16	83
NAV as at 30 September on INREV basis	**139.41**	**73,673**	125.83	64,547

	As at 30 September 2021 Pence per unit	As at 30 September 2021 £'000's	As at 30 September 2020 Pence per unit	As at 30 September 2020 £'000's
Operating profit for the year on FRS 102 basis	**7.89**	**4,088**	7.67	3,924
Interest payable and similar charges	**(0.17)**	**(86)**	(0.14)	(70)
	7.72	**4,002**	7.53	3,854
Amortisation of setup costs*	**-**	**-**	-	-
Operating profit for the year on INREV basis	**7.72**	**4,002**	7.53	3,854
Revaluation surplus for the year on FRS 102 basis	**13.11**	**6,791**	1.16	592
Add back and amortisation of property acquisition costs*	**0.03**	**16**	(0.04)	(19)
Revaluation surplus for the year on INREV basis	**13.14**	**6,807**	1.12	573
Net movement in comprehensive income for the year on FRS 102 basis	**20.83**	**10,793**	8.69	4,446
Amortisation of setup costs*	**-**	**-**	-	-
Add back and amortisation of property acquisition costs*	**0.03**	**16**	(0.04)	(19)
Net movement in funds for the year on INREV basis	**20.86**	**10,809**	8.65	4,427

* 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 2021

16 - FINANCIAL COMMITMENTS	**2021 £'000's**	2020 £'000's
Capital Commitments contracted but not provided for are as follows:	–	–

At 30 September 2021, 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	**706**	712
	737	743
Less future finance charges	**(636)**	(641)
Net present value of finance leases recognised as liabilities	**101**	102

The minimum lease payments noted above relate to head rent payable on leasehold properties over the remaining 117 years (2020: 118 years) weighted average unexpired lease term.

	Land and Buildings	
Total minimum future lease receipts under non cancellable operating leases:	**2021 £'000's**	2020 £'000's
In less than one year	**4,921**	4,104
Between two and five years	**12,280**	8,367
In more than five years	**2,866**	2,274
	20,067	14,745

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 2021 amounts payable to the Manager, Eskmuir FM Limited, and Asset Manager, Eskmuir Asset Management Limited, were £143,163 and £286,325 respectively for management services provided (2020: £127,418 and £254,835 respectively). Balances outstanding at the balance sheet date were £39,325 and £78,650 respectively (2020: £32,375 and £64,750 respectively) all were repayable in the normal course of business after the year end.

During the year to 30 September 2021, amounts payable to the Trustees (Sanne Group Nominees 1 (UK) Limited and Sanne Group Nominees 2 (UK) Limited) and Operator (Sanne Fiduciary Services (UK) Limited) were £45,362 and £20,000 respectively (2020: £46,161 and £20,000 respectively). Amounts outstanding at the balance sheet date were £8,750 and £5,000 respectively (2020: £11,907 and £5,000 respectively).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 September 2021

18 - 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 joint control over decision making of the Fund.

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

	Year Ended 30 September 2021 £'000's	Year Ended 30 September 2020 £'000's
Operating profit	**4,088**	3,924
Decrease / (increase) in debtors	**10**	(58)
(Decrease) / increase in creditors	**(111)**	272
Lease incentive amortisation	**(153)**	(182)
Net cash flow from operating activities	**3,834**	3,956

20 - ANALYSIS OF CHANGES IN NET DEBT

	2020 £'000's	**Cash flow £'000's**	**Non-cash changes £'000's**	**2021 £'000's**
Cash at bank and in hand	772	**(16)**	-	756
	772	**(16)**	-	756
Debt due after one year	(88)	**(4,835)**	(21)	(4,944)
	684	**(4,851)**	(21)	(4,188)

DPFC
Diversified Property Fund For Charities

FUND ADVISORS

Trustees
Sanne Group Nominees 1 (UK) Limited
125 London Wall
London
EC2Y 5AS

Sanne Group Nominees 2 (UK) Limited
125 London Wall
London
EC2Y 5AS

Fund Operator
Sanne Fiduciary Services (UK) Limited
125 London Wall
London
EC2Y 5AS

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 Managers
Knight Frank LLP
55 Baker Street
London
W1U 8AN

Watson Day
2 The Oaks
Revenge Road
Lordswood
Chatham
Kent
ME5 8LF

Bankers
The Royal Bank of Scotland International PLC
7th Floor
1 Princes Street
London
EC2R 8BP

Lawyers
Brodies LLP
2 Blythswood Square
Glasgow
G2 4AD

Osborne Clarke LLP
One London Wall
London
EC2Y 5EB

BDB Pitmans LLP
50/60 Station Road
Cambridge
CB1 2JH

CMS
Cannon Place
78 Cannon Street
London
EC4N 6AF

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

Independent Auditor
Deloitte LLP
Hill House,
1 Little New St
London
EC4A 3TR

Eskmuir FM Limited
8 Queen Anne Street
London, W1G 9LD
www.dpfc-eskmuir.co.uk
T: 020 7436 2330
F: 020 7436 2307