ANNUAL REPORT and NON-STATUTORY FINANCIAL STATEMENTS

for the financial year ended
30 September 2023

DPFC
Diversified Property Fund For Charities

ANNUAL REPORT and NON-STATUTORY FINANCIAL STATEMENTS

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FINANCIAL HIGHLIGHTS

DPFC
Diversified Property Fund For Charities

	Year ended 30 September 2023	Year ended 30 September 2022
Net rental income	£5.8m	£5.4m
Operating Profit	£4.4m	£4.1m
(Loss) / Earnings per unit - see note 12	(5.37p)	18.48p
Net assets per unit (FRS 102 basis) - see note 15	137.78p	150.83p
Net assets per unit (INREV basis) - see note 15	137.88p	150.99p
Distributions per unit paid during the year - see note 7	7.66p	7.58p

DPFC
Diversified Property Fund For Charities

CHAIRMAN’S REVIEW

Stuart Beevor

The Diversified Property Fund for Charities (‘DPFC’, ‘Fund’) delivered a Total Return of -3.5% for the financial year to 30 September 2023 (2022: 14.1%) comprising 5.3% (2022: 5.5%) distribution and -8.8% capital appreciation (2022: +8.6%).DPFC’s performance track record since inception in 2015 has been 9.9% pa.

The financial year to September 2023 covered a challenging period for investment markets. The ongoing war in Ukraine, global economic headwinds, particularly higher inflation and interest rates, led to investors being more cautious. This resulted in low real estate investment volumes and reduced asset values.

In this context, DPFC’s five-year Total Return of 8.6% pa demonstrates the resilient nature of the portfolio. Indeed, strong income has enabled the distribution to investors, to grow or be maintained in each financial year.

DPFC’s strategy is to build a diversified portfolio by sector, region, number of properties and tenants, all of which mitigate specific risks while seeking attractive returns. Two key elements of the Fund’s approach are to be overweight in industrial warehouse and trade park properties (and therefore be underweight in offices and retail properties) and to seek good quality properties with strong tenant demand. With an average lease length of 4.36 years (3.23 years to break options), the lease profile presents regular lease events which require active management. This plays to the strengths of the Eskmuir team, who have a proactive approach on the ground engaging with each occupier. This is particularly relevant now the vacancy rate in the Fund has ticked up to 6.3% at year end (MSCI: 10.6%). Current negotiations should lead to leases being signed and the vacancy rate reducing during the year.

We fully recognise planning and budgeting income is important to DPFC's investors, hence a consistent and growing distribution is prioritised. It is pleasing to report in this challenging environment the distribution increased by 1% in 2023.

Strong fund governance and an ambitious environmental conscience are fundamental characteristics of DPFC. The Fund and Asset Manager, the Investment Advisory Board, the Trustees, the Depositary and the authorised FCA Fund Manager, are all integrated to ensure clear roles and responsibilities in delivering DPFC's objectives. One of these is to pursue high environmental standards and we currently have a clear focus on achieving strong GRESB (Global Real Estate Sustainability Benchmark) and MEES (Minimum Energy Efficiency Standards) ratings. Good progress is being made.

The outlook remains mixed although increasingly positive. A number of political risks remain, and economic conditions are uncertain. However, there is growing confidence that inflation and interest rates have peaked which will provide a supportive environment for investors. The ongoing bifurcation between properties in short-supply with strong occupier demand and those with excess supply over demand, is set to continue. We therefore expect industrial warehouse and trade park assets along with retail warehouse properties, which together account for 84% of the DPFC portfolio, to continue delivering positive rental growth and a stronger investment market, as investors follow occupiers. DPFC is well positioned to benefit from this position.

Stuart Beevor, Chairman,
Investment Advisory Board

MANAGER'S REPORT

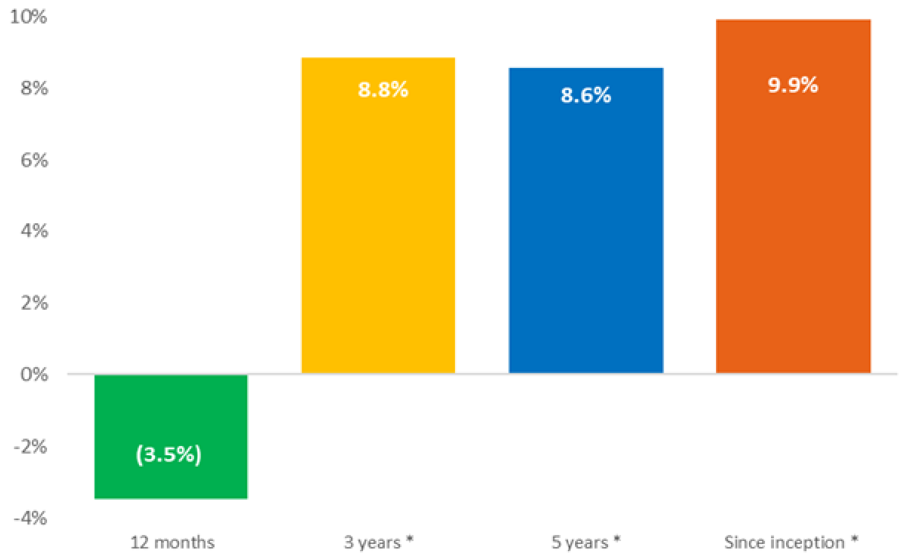
Overview

DPFC's 2023 financial year began in a period of increased economic (Truss/ Kwarteng) and geopolitical uncertainty. Investors' risk-free rates had softened and inflation was near its October 2022 peak of 11.1%. However, in this period of heightened uncertainty, DPFC's Total Return for the 2023 financial year was -3.5% (2022: 14.1%) which compares favourably to the AREF Benchmark of -14.1% (2022: 13.3%), over the same period. Weak investor sentiment has seen property yields soften and transaction volumes decline, although markets are now stabilising. DPFC has not been immune to these pressures, although the disciplined implementation of the clear investment strategy has seen turnover increase by 7.9% over the year. 100% of the 2023 rental income has been collected enabling 2023 to be the 7th successive year where DPFC's distribution has grown, or been maintained, with a 5.6% annualised distribution for 2023 (2022: 4.9%).

Aligning the DPFC portfolio with the prevailing long-term social, economic and occupier trends is key. Advances in technology have seen occupiers' real estate needs evolve. E-commerce, convenience and ESG are all notable trends which impact on the performance of the retail, industrial and office sectors in both positive and negative ways, which has seen the performance of these sectors polarise. This will be considered further in the real estate market overview later.

DPFC's performance has been supported through the portfolio being weighted 66% in the performing multi-let urban industrial sub-sector of the market, asset managing the properties in line with each bespoke five-year asset plan, having high rent collection rates from tenants with strong financial covenants occupying accommodation in strong locations and a high occupancy rate, relative to the AREF benchmark.

DPFC's Total Return of -3.5% for the financial year to 30 September 2023 (2022: 14.1%) comprised 5.3% (2022: 5.5%) distribution and -8.8% capital (2022: 8.6%). Since inception in 2015, the Total Return has averaged 9.9% pa. Over the medium / longer term it is pleasing to report DPFC has delivered total returns of 8.8% pa and 8.6% pa over 3 years and 5 years respectively, as shown in the chart below.



* annualised

Fund Objective

DPFC's objective is to deliver a target IRR of 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 8.7% and the distribution has been maintained or grown each year with 1.9% pa average distribution growth since launch. The distribution yield in the latest financial year was 5.1% of opening net asset value and was fully covered by income from either the current or prior periods. Since launch, DPFC's distribution has grown by 17.0% to 7.657p per unit for the 2023 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 income voids due to tenant break options and lease expiries. In practice, 82% of break options are not exercised and 31% of tenants renew their lease, thereby generating additional income, incurring less void costs and creating 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 is a less crowded strata of the market offering more yield, as assets 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. Diversity of occupier mitigates risk to distributions from any one tenant being unable to pay their rent. This clear investment strategy is implemented, whilst remaining agile to accommodate the prevailing dynamic social, economic and occupier trends.

Fund Performance

DPFC's Total Return was -3.5% for the financial year to 30 September 2023 (2022: 14.1%) comprising 5.3% (2022: 5.5%) distribution and -8.8% capital appreciation (2022: 8.6%). Since inception in 2015, the Total Return has been 9.9%. Additionally, the Absolute Total Return to investors since launch has been 98%, which comprises of distributions totalling 60%, equivalent to 7.0p per unit pa and NAV growth of 38%, equivalent to 4.4p per unit pa.

100% of rent for the 2023 financial year has been collected (2022: 100%). This level of rent collection is due to a number of factors: industrial sector weighting, diverse tenant base, quality financial tenant covenants and a structured approach to rent collection which includes weekly meetings between Asset Managers and Credit Controllers.

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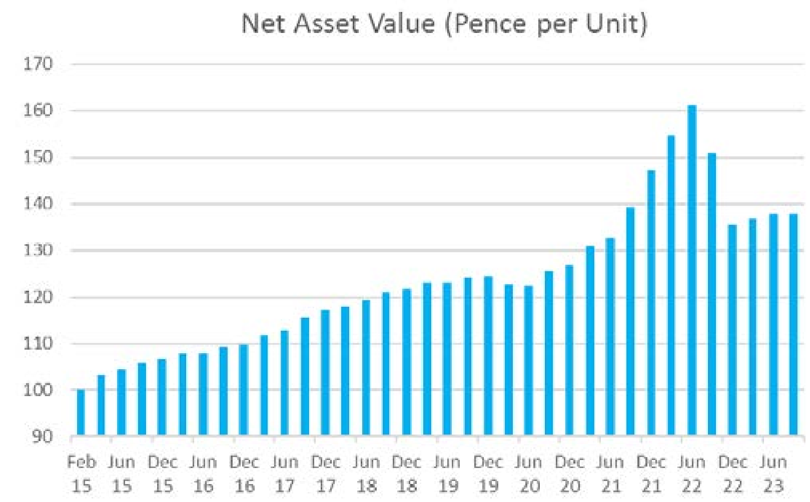
Fund Performance (continued)

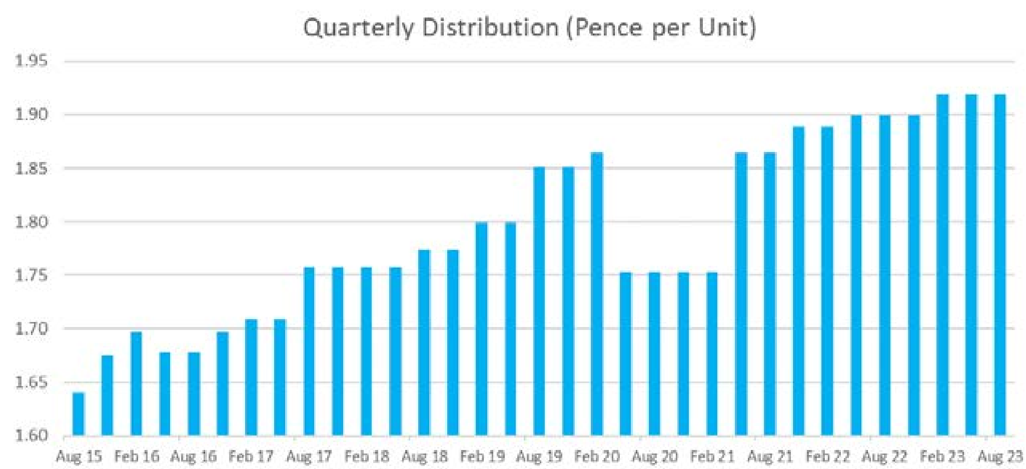
DPFC's NAV has decreased from 150.83p per unit to 137.78p per unit over the 2023 financial year, as softer property yields have impacted property values. The DPFC portfolio has reduced in value by 7.6% over the year (2022: +8.3%). The MSCI All Property Index has reduced by 18.2% (2022: +8.2%) over the same period. The portfolio is valued each quarter by the Fund's independent valuer Jones Lang LaSalle. The last three quarters of the financial year have seen DPFC's values stabilise with mildly positive valuation increases being reported by the valuers.

DPFC NAV growth:



Unitholders were paid 7.66p per unit in 2023 (2022: 7.58p), an increase of 1.1% on the prior year. Since inception, the distribution has grown or been maintained each year. The chart below details the distributions since launch. The distribution was reduced by 6% for four quarters during the Covid-19 pandemic, resulting in the distribution being maintained at the same level in 2020 and 2021.

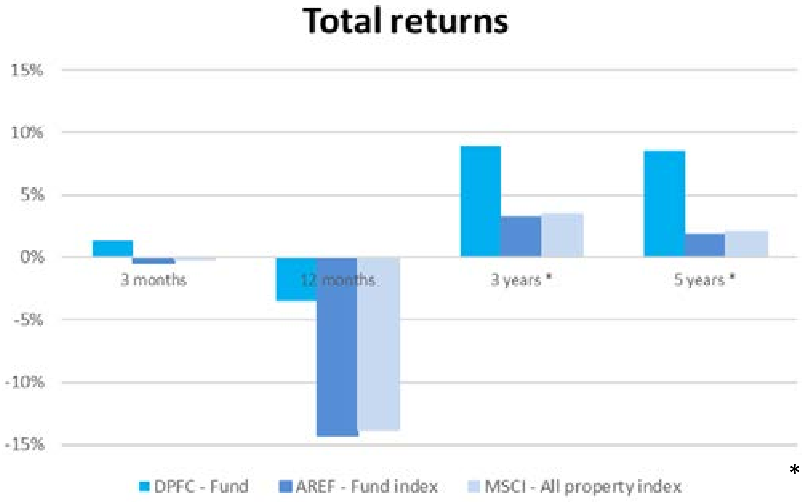
DPFC distributions:



DPFC's relative performance is measured at a property and fund level. At a property level, the MSCI All Property Index recorded a Total Return of -13.8% for the year to 30 September 2023 (2022: 13%). At a Fund level, the Association of Real Estate Funds (AREF) benchmark recorded a Total Return of -14.3% (2022: 13.3%). DPFC outperformed both benchmarks, recording -2.2% total property return (2022: 13.7%) and a -3.5% total fund level return (2022: 14.1%). The chart over the page shows DPFC's performance relative to both of these benchmarks over 1,3 and 5 years.

Fund Performance (continued)

DPFC Relative Performance - Total Returns relative to benchmarks to 30 September 2023



* annualised

Market Overview

Investment transaction volumes were subdued throughout the year to 30 September 2023 finishing the year broadly 50% below the corresponding 2022 figure. £2.8bn of transactions were completed in September 2023, 43% below the five-year monthly average of £4.9bn. Investor sentiment was impacted by stubbornly high inflation (6.7% in September 2023) and higher interest rates, as the Bank of England had increased the Base Rate 14 times to 5.25%. Inflation has since reduced to 4% at the time of writing and whilst the Base Rate has not yet been reduced, it is anticipated it will in the second half of 2024. Whilst market yields have generally softened over the 12 months to 30 September 2023, rental increases in the DPFC portfolio have partially mitigated the impact on values.

The retail sector continues to evolve as physical retailers seek to embrace online retailing with the multi-channel retailing model becoming common. Retailers' physical store portfolios have reduced creating an oversupply of accommodation on the high street impacting rental values and investor sentiment. The Retail warehouse sub-sector has been more resilient with strong occupier demand from value retailers being reflected in investor sentiment for this sub-sector. "All Retail" rents rose for the tenth month in a row in September, increasing by 0.3% year on year.

Office investment transactions have reduced to almost 60% of the 2022 figure. Investor sentiment has been impacted by changes to occupier behaviour as flexible / hybrid working is commonplace and businesses seek to occupy the best quality space, as they endeavour to attract the best staff and encourage a return to office working. Companies are reviewing how they use office accommodation to support the needs of their business and how much space they actually need. The best quality accommodation in ESG terms is sought by large corporate occupiers to support their sustainability targets. Investors are also focussed on ESG, factoring into their pricing the cost of complying with the anticipated increase in the Minimum Energy Efficiency Standards (MEES). "All Office" rental growth was 1.9% year-on-year to September.

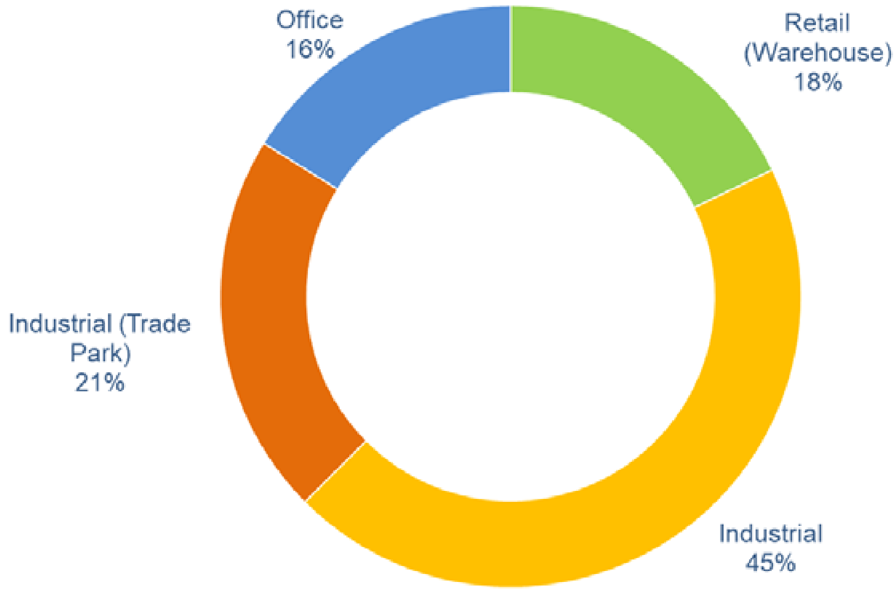
The industrial sector continues to perform and be the preferred sector of investors, although it has not been immune to the impact of the macroeconomic headwinds. Investment volumes in 2023 averaged £792m per month, down on their five-year monthly average of £1.1bn. Overall industrial transaction volumes were almost 50% down on the 2022 figure. Whilst occupier demand in the 100,000sqft+ strata of the market was c.50% down on the previous year, occupier demand for the smaller sub-20,000sqft units was more resilient. "All Industrial" rental growth was attractive at 6.9% year-on-year to September, although this was down on the 13.3% record the previous year.

Portfolio Overview

DPFC targets a sustainable and growing distribution and therefore invests in sub-sectors of the real estate market where the Manager believes the rental growth prospects have the potential to make this achievable. The portfolio sector weightings are:

Industrial & Industrial Trade Park 66% (2022: 63%), Office 16% (2022: 19%) and Retail Warehouses 18% (2022: 18%).

DPFC - Portfolio Sector Weightings



The multi-let urban industrial assets account for 66% of the DPFC portfolio (Trade Park 21% & Standard Industrial Warehousing 45%). Demand for sub-20,000sqft units has been robust due to: last mile logistics operators endeavouring to satisfy increasingly fast delivery timescales, demand from traditional industrial occupiers, trade counter operators and the move from "just in time" to "just in case" supply chains. Supply is not keeping pace with demand, as pressure for new homes in urban areas is dictating development sites go to higher value residential uses. At lease events where the rent is subject to review, a 22% increase above the passing rent has been achieved on the DPFC portfolio during the year ended 30 September 2023, which is 17% above the 30 September 2022 valuer's ERV. Property Market Analysis, an independent property market forecast, is forecasting 14% rental growth over the "UK Standard Industrial" sector over the next 5 years. Further acquisitions in this sub-sector will be considered.

The office sector weighting in the DPFC portfolio is just 16% and made up of three assets in Cambridge, Maidstone and Watford. All three properties are in the central business district of each town and are readily accessible by public transport. Watford and Cambridge are Energy Performance Certificate (EPC) B and EPC C. At Maidstone, the c.15,000sqft refurbishment will achieve an EPC B standard and valuers have appraised the market rental for the accommodation will increase from £15 per sqft to £21 per sqft.

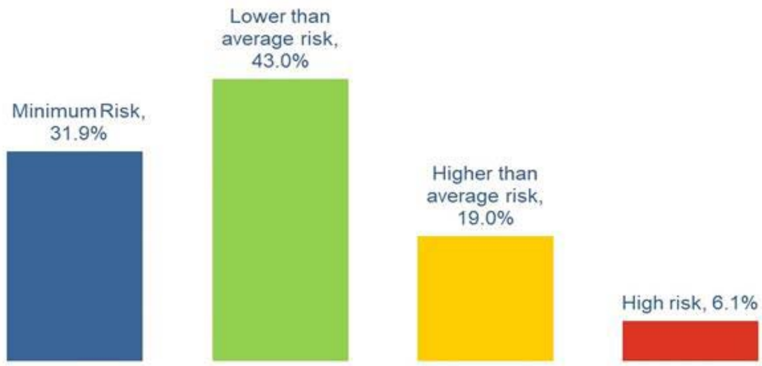
DPFC's retail weighting of 18% is all in retail warehouses. DPFC has not invested in high street shop units, preferring the more resilient nature of retail warehouses, where successful retailers have utilised units as part of their multi-channel retailing model

Portfolio Overview (continued)

for click and collect and logistics in addition to offering convenience for their customers. There are no vacant units in this element of the DPFC portfolio and the tenant base predominantly serves the value retail segment of the market.

The DPFC portfolio is formed of 12 properties with an average lot size of c.£6.9m (2022: 12 properties of average lot size £7.5m). Tenant specific risk is managed at a property level through the multi-let nature of the assets, which includes 83 tenants. A high proportion of the tenants have strong financial covenants, with 74.9% of tenants having a D&B risk rating of "minimal" or "lower than average" (2022: 73.6%) as shown in the chart below.

Tenant Covenant by D&B Risk Rating at 30 September 2023



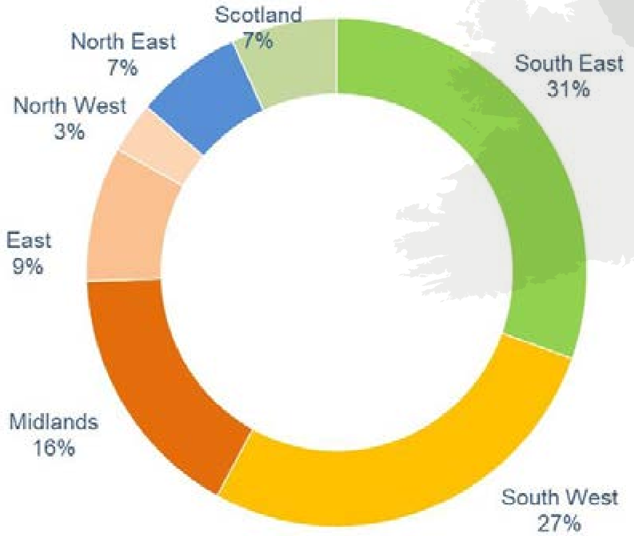
We look at rent collection as being a "real-time" measure of a tenant's financial strength and I am pleased to confirm 100% rent collection for the 2023 financial year (2022: 100%).

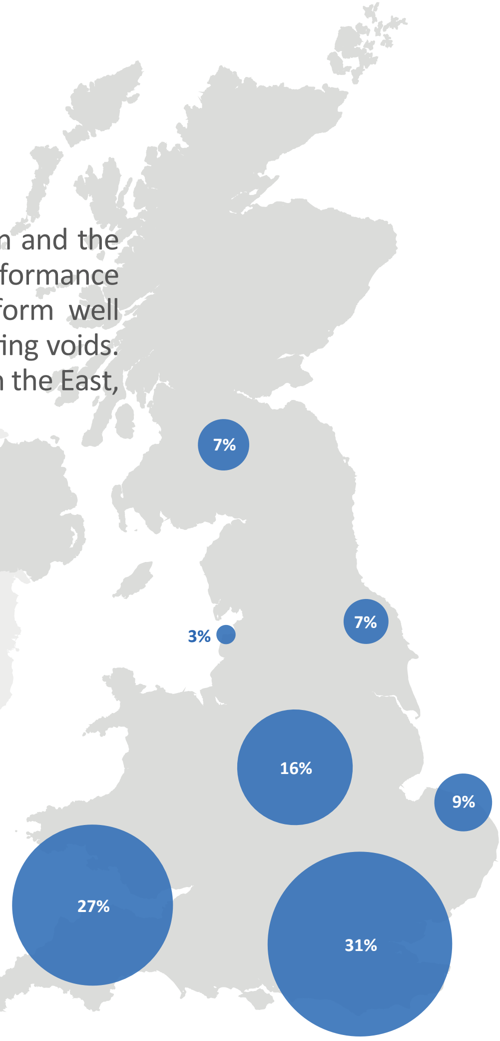
DPFC has had a low vacancy rate since launch, averaging 2.6%. At 30 September 2023 the vacancy rate was 6.3% (2022: 5.1%) which is elevated from historic levels, the office refurbishment at Maidstone accounts for 3.3% of the vacancy rate. Through having a bespoke five-year asset plan for each of the DPFC properties, it has been possible to actively manage the lease events to optimise rental income whilst minimising the vacancy rate. Assets with shorter leases in strong locations where tenants need and want to be feature in the portfolio, as these property fundamentals enable the vacancy rate to be kept lower than the AREF Benchmark vacancy rate, which was 10.6% at 30 September 2023 (2022: 9.5%). The WAULT to lease expiries at 30 September 2023 was 4.4 years (2022: 4.2 years) and 3.2 years to break options (2022: 3.6 years).

Portfolio Overview (continued)

The DPFC portfolio is diversified by geographical region and the regions targeted are those with stronger economic performance as the businesses in those regions are likely to perform well enhancing occupier demand, rental growth and mitigating voids. The chart below shows 67% of the portfolio is located in the East, South East and South West regions.

DPFC - Portfolio Weighting by Geographical Location:





Asset Management

Performance across the portfolio has been driven by active asset management with 12 lease event transactions on 14% of the portfolio completing during the year, in addition to wider asset management initiatives. Rents achieved were 22% ahead of the previous passing rent and 14% over the open market value as assessed by the Fund's independent valuer, Jones Lang LaSalle. Lease events are opportunities to work with occupiers to explore enhancing their terms of occupation to mutual benefit. For example, in Northampton, a tenant extended their lease and settled the rent review whilst the Fund is providing financial assistance to enable them to environmentally improve their accommodation from an EPC E standard to an EPC B standard. This is the right thing to do environmentally but also good business sense. It supports the Fund's financial and environmental performance, whilst making the unit more energy efficient for the occupier. The rental increased by 50% over the previous passing rent.

The market rental value of the portfolio, as assessed by Jones Lang LaSalle, exceeds the passing rent by 7% which is expected to be crystallised at lease events (rent reviews, lease renewals and lettings), grow the rental income and enhance capital values.

The portfolio remains weighted in favour of the multi-let urban industrial warehouse / trade sectors and is therefore well placed to benefit from the favourable supply and demand imbalance, ensuring low voids and void costs whilst crystallising attractive levels of rental growth.

Preparing a bespoke five-year asset plan for each property enables opportunities to enhance income and value to be spotted and planned for. At Kiln Farm Industrial Estate in Milton Keynes, a unit was refurbished to an EPC B standard and then let at £9.50 psf, 28% ahead of the average rental on the estate.

Asset Management (continued)

Working with office occupiers to ensure the accommodation matches their evolving needs is key. We have worked with occupiers in Maidstone and Watford; being flexible has retained their occupation and prevented voids.

At Medway Bridge House, Maidstone a tenant who occupied four floors reduced their occupation to one floor whilst settling their dilapidations liability. The remaining three floors are being refurbished to at least an EPC B standard and there is advanced occupier interest in two of the floors. This vacant office accommodation accounts for 3.3% of the 6.3% vacancy rate in the portfolio.

At Clarendon Road, Watford the flexibility of the office floor plates allows them to be adapted to meet with local occupier requirements. Amalgamating two adjacent refurbished office suites on the 2nd floor has enabled a letting to a single occupier at a rental 11% higher than the independent valuer's market rent. The reception area and common parts of this property are being refurbished in 2024, to maintain the building's attractiveness and premium status.

The retail portfolio comprises three urban retail warehouse parks / units which are fully let to national occupiers on affordable rents, reflecting the quality of the underlying assets and their strong locations. There are no imminent lease expiries. DPFC has not invested in high street retail units or shopping centres, as these sub-sectors continue to undergo structural change.

Governance and Oversight

DPFC's governance and oversight comprises five tiers:

- The Trustees (Apex Group Nominees 1 (UK) Ltd and Apex Group Nominees 2 (UK) Ltd) meeting quarterly to review, approve and instruct the Manager;
- Having outgrown the small registered AIFM status, Eskmuir FM Ltd concluded the appointments during the year of:
  - The FCA approved appointment of a full scope FCA authorised Manager (Boston and Alexander LLP) with Eskmuir FM Ltd continuing as its Appointed Representative to manage all of DPFC's affairs; and
  - The Depositary (Apex Depositary (UK) Ltd) acting as safekeeper of all Trust assets and ongoing monitor of all bank accounts;
- The Investment Advisory Board meet quarterly to review the Fund's activities including distributions, acquisitions and disposals, performance and portfolio activity before appropriate recommendations are made to the Trustees; and
- The Investor Committee, formed of the five largest investors meets twice annually to review the Fund's activities in addition to considering and approving key matters.

Manager's Provenance and Track Record

Both Eskmuir FM Ltd and Eskmuir Asset Management Ltd are part of the Eskmuir Properties Ltd ("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 32 successive years of dividend growth for its shareholders, who have received an annualised return of 10.56%. Since 2015, EPL has transacted on £419.4m of real estate, comprising £144.7m of acquisitions and £274.7m of proceeds from disposals crystallising £109m of profit.

DPFC
Diversified Property
Fund For Charities

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 observes this criteria at all times and should a deviation 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 is DPFC's independent external valuer and completed the 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 was valued at £83.2m as at 30 September 2023 (2022: £90m). The portfolio decreased in value by 7.6% as valuation yields softened (2022: +8.3%). This compared to the MSCI All Property Index which decreased in value by 18.2% (2022: +8.2%) over the same period.

The industrial assets in the portfolio decreased in value by 4.1% (2022: +14.3%), the office assets decreased by 20.0% (2022: -4.7%) and the retail assets decreased in value by 7.1% (2022: +5.3%).

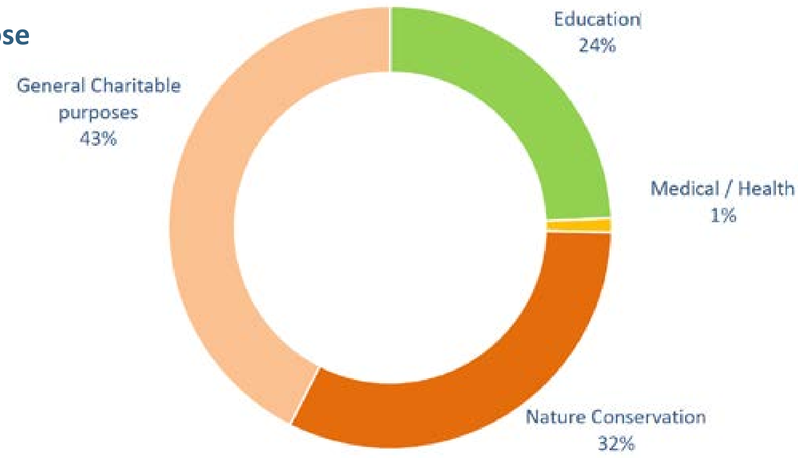
Jones Lang LaSalle has been the Fund's independent external valuer since launch. It is best practice to rotate the independent external valuer. Following competitive tendering by suitably qualified valuers, Knight Frank have been appointed post year end to be DPFC's independent external valuer and the December 2023 valuation is the first portfolio valuation they will undertake. I should like to take this opportunity to welcome Knight Frank to their new role and also thank Jones Lang LaSalle for their help and support in valuing the DPFC portfolio since the Fund's inception. The change in valuer was considered and approved by the Investment Committee.

Unit Issues and Investor Commitments

A total of 0.83m units were issued during the year (2022: 3.38m) raising a total of £1.13m (2022: £5.32m).

At the year end, DPFC had 24 investors (2022: 25). Whilst investors have wide ranging charitable purposes, they are united in their view, which the Manager shares, that real estate is 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

DPFC does not utilise a geared fund model and does not rely on leverage to drive 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 2023 year end, £4m was drawn under the facility (2022: £5.17m). The property portfolio is valued at £83.2m. 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 loss for the year was £3.04m (2022: income £9.95m) comprising operating profit net of interest payable of £4.07m (2022: £3.96m) and unrealised revaluation deficits on investment property of £7.11m (2022: surpluses of £5.99m).

Distributions totalling £4.29m, 7.66p per unit, were paid in the year to 30 September 2023 (2022: £4.04m, 7.58p 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 £1.96m.

A further quarterly distribution totalling £1.10m (1.9190p per unit) was paid after the year end in respect of the quarter to 30 September 2023. Retained earnings following that distribution were £0.87m (2022: £1.14m).

Distributions paid during the year equated to an average 5.3% pa (2022: 5.7% 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 0.82% (2022: 0.86%). It is expected the TER will decrease as the Fund size continues to increase.

Strategy and Outlook

DPFC's clear investment strategy has demonstrated its resilience through challenging economic and geopolitical environments, enabling attractive sustainable returns in line with the Fund's objectives, to be achieved. The investment strategy is effective and remains appropriate.

The sub-sectors of the real estate market DPFC's portfolio is weighted towards see it aligned to the trends which the Manager believes will support ongoing performance. The real estate market's dynamic nature is under constant review and should tactical adjustments be required, they will be swiftly implemented. The portfolio has a robust rental income stream, which is demonstrating attractive levels of growth, supportive of the sustainable and growing distribution policy.

Strategy and Outlook (continued)

The economic outlook is starting to look more positive although there are material geopolitical challenges to navigate. Lower inflation and the anticipated reduction in interest rates bode well for commercial real estate and DPFC is invested in the type of assets likely to perform well, as investor sentiment and transaction volumes improve.

The Manager, and the investment strategy are rigorously interrogated and challenged by the Investment Advisory Board and Trustees. The Manager, supported by the Investment Advisory Board and Trustees, believes DPFC's 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 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 non-statutory financial statements.

The Manager is confident in the portfolio's future performance as a going concern given the operating profit of £4.41m and healthy balance sheet with cash reserves of £0.10m, undrawn bank facility of £2.5m (and significant headroom over financial bank loan covenants) and net assets of £78.60m as at the end of September 2023. 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 DPFC 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 non-statutory financial statements.

Paul Hodgson, Managing Director
Eskmuir FM Limited

18 March 2024

ENVIRONMENTAL SOCIAL GOVERNANCE (ESG) AND RESPONSIBLE PROPERTY INVESTMENT

DPFC and Eskmuir are fully committed to the protection of the environment, 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.

Social Responsibility is at DPFC's heart in providing sustainable income streams for charities. Alongside responsible business and property management and a commitment to the highest level of governance, the Fund aims to ensure continuous ESG performance improvements and the integration of ESG objectives into the business strategy and policies, whilst considering the wider stakeholder interests and requirements. The Fund requires its third-party contractors and consultants to similarly support our approach in their practices.

The approach taken seeks to combine the three main themes of sustainability being environmental, social and governance in a practical and viable way, embracing new behaviours and technologies as they become available. A key ESG objective for the Fund is to annually report to GRESB (Global Real Estate Sustainability Benchmark). The Fund's full participation in GRESB commenced from 2022 and in 2023, the Fund received a score of 43 out of 100. Through GRESB, the Fund is evaluating its environmental, social and governance impact and identifying ESG opportunities and areas of improvement.

The Fund scored 77% for Management, 67% for Social and 29% for the Performance element. The Performance score was impacted by data collection of energy consumption from tenants, which is being addressed by digital data capture going forward. This will materially improve this aspect of the Fund's GRESB submission in the future. The annual results from the GRESB submission assist the Fund to identify further sustainability opportunities to action in 2024 and to contribute towards our strategic aim of net zero carbon by 2040. This is an important commitment for Eskmuir and the Fund, and GRESB will enable measuring our ESG performance and progress towards our targets. To continue on the trajectory to achieve the target GRESB score of 60 in 2024's results and wider objectives, we have appointed the ESG consultancy EVORA, to work with us on achieving our ESG objectives.

The key components of our strategy and objectives are:

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

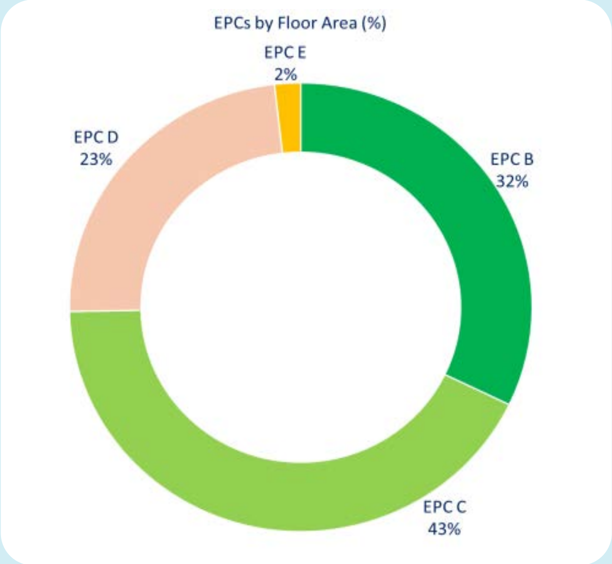
Current activity includes:

- **Net Zero Carbon** – The Fund, and Eskmuir as Asset Manager have set a target of net zero carbon by 2040, with the Net Zero Carbon Pathway progressed during the financial year and to be finalised in the financial year end 2024.
- **Data Collection** - Accurate data collection and transparent reporting are key to reaching our goal of reducing carbon emissions across the Fund and reaching the Net Zero Carbon commitment by 2040. We have made progress in 2023 to implement a data collection and analysis program for all assets, and for Scope 1, 2 and 3 emissions data. This data collection program will endeavour to significantly increase the proportion of data coverage across the Fund, and the consumption data will be collated and analysed by the real estate industry recognised SIERA+ ESG data platform. This will enable the Fund to measure energy consumption and access live data, which we can analyse and then use to shape our building operation decisions. With ongoing access to the transparent and up-to-date consumption dataset, we can take control of the Fund's associated carbon emissions with integrity and strategically use this insight to direct and impact the future Fund strategy.

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)



- **Environmental Regulation** - Manage the portfolio so it is compliant with all levels of environmental regulation. All the assets within the scope of the Minimum Energy Efficiency Standards (MEES) are compliant with the regulation. A proactive approach is taken when refurbishing assets using it as an opportunity to future-proof them by enhancing the EPC rating above the minimum legal Minimum Energy Efficiency Standards (MEES). The current analysis of MEES ratings across the portfolio is reproduced on the right:
  Where feasible, targeting EPC B ratings in line with the MEES level is anticipated in 2030. In accordance with this objective, refurbishment works undertaken at Grafton Trade Park, Northampton following a lease expiry, have improved the EPC rating from an E to a B, through sustainable refurbishment works.
- **Refurbishments** - Design-led enhancements to improve the EPC rating and energy efficiency of a property are considered when agreeing the scope for refurbishment works of assets, working alongside specialised consultants to optimise outcomes. Asset specific enhancements have included the installation of LED lighting in place of halogen or fluorescent lighting, PIR Sensors, point-of-use water heaters to reduce water consumption and installation of air source heat pumps in place of gas heating, which have been carried out at Grafton Trade Park, Northampton during the financial year in addition to work recently completed at Westerngate, Swindon and Burners Lane, Milton Keynes. Refurbishments of the office suites at Clarendon Road, Watford included installing LED Lighting after previously enhancing the EPC rating to B.
- **Acquisitions** - The due diligence process for the Fund includes a review of Environmental Audits, Energy Performance, biodiversity, building components, sustainability and occupiers' covenant and use and climate change and environmental risks.
- **Green Leases** – A green lease clause has been implemented into the precedent 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. The use of this clause has been incorporated into all new leases granted by the Fund over the financial year.
- **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. For example the refurbishment of an office suite at Clarendon Road, Watford included the re-use of a carpet removed from another suite in the building. Additionally, we encourage our agents, suppliers and contractors to improve their own environmental performance through inclusion of commitments within contractual obligations.
- **Renewable Energy** - Continuing to ensure 100% of the centrally procured energy derives from renewables. During 2023, an initial review of the portfolio has been undertaken to consider feasibility of assets within the portfolio for onsite solar PV where there are landlord managed supplies. Phase 2, investigating the feasibility of on-site renewables for the wider portfolio is being undertaken by consultants during the financial year end 2024.

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Diversified Property Fund For Charities

- **Tenant Engagement** – Ongoing engagement to reduce energy consumption and improve energy efficiency, reduce water usage and minimise waste generated. At a lease renewal on Grafton Trade Park, Northampton, through engaging with the tenant it was agreed works would be undertaken by the Fund to improve the energy efficiency of the unit, in addition to improving the EPC rating to a B. The works included the installation of air source heat pumps, alongside electric heaters in place of the gas central heating.

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

- **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 engaged 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.
- **Inclusion and Diversity** - Action will be taken to ensure that no individual suffers unlawful discrimination, directly or indirectly, with continual review of policies to ensure they promote and encourage equality and diversity. At Eskmuir, there is a commitment to ensuring inclusivity and diversity in the workplace and business practices, and during the 2022 - 2023 financial year, we undertook an Inclusion & Diversity Survey of employees, with an equal split of male and female workers.
- **Health and Wellbeing** - Eskmuir, as Fund Manager advocates a proactive approach to managing health and wellbeing at work. As part of this commitment, a Staff Engagement Survey was undertaken, with employees confirming they consider Eskmuir promotes employee wellbeing, and promotes a positive work/life balance. Additionally, all employees who responded stated they would recommend Eskmuir as a good place to work. Through collaboration with tenants, managing agents and contractors it is ensured this is followed through to all properties in the portfolio.
- **Acquisitions** - The acquisition process includes a review of social impact of an asset including relevant comments on health, safety and wellbeing of occupiers and users of an asset, travel, crime and social inclusion as part of the due diligence surveys. As part of the investment strategy, DPFC will only invest in assets which are consistent with the reputation of our stakeholders. Accordingly, DPFC would not acquire properties, or subsequently let units to occupiers where there is an immoral use e.g. tobacco, arms, pornography, animal testing.
- **Child Labour and Forced or Compulsory Labour** - The Fund has Anti-Slavery and No Child-Labour policies through which 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.
- **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.
- **Contractors** - Where possible, and best-value considering the wider objectives, the Fund uses local contractors for projects, providing financial and social benefits to the local economy. The contractor for the refurbishment at Grafton Trade Park, Northampton is based c.16 miles away from the asset. Recent refurbishments at Milton Keynes have been carried out by a contractor based in Newport Pagnell, c.5 miles away. When the tenders were issued, they were issued to contractors within a 40 mile radius of site.

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

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

- **Governance Tiers** - There are five tiers of Governance in the DPFC structure to ensure high standards of corporate governance are observed and demonstrated. These are: Investment Advisory Board, The Trustees, The Depositary, the full scope FCA authorised Fund Manager (Boston and Alexander LLP) and its Appointed Representative (Eskmuir FM Ltd) all of whom meet quarterly and the Investor Committee, meeting twice a year.
- **Reporting** - ESG is embedded within the reporting strategy with a section of the quarterly Investment Advisory Board meeting dedicated to sustainability updates. This provides the opportunity to report and challenge our environmental and social performance to demonstrate accountability and improvements. The above governance structure is clear and facilitates the reporting of ESG and to assist with reporting, an ESG Lead was appointed in October 2022.
- **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.
- **Policies** - A review and improvement to the Fund's policies and processes is undertaken periodically to reflect updated market practice. The Information Security policy was extended to cover ongoing IT Security awareness during the financial year.
- **Investment & Asset Strategies** - The standard due diligence process includes the consideration of sustainability criteria (including, environmental, social, human and financial matters) having regard to the Royal Institution of Chartered Surveyors' "Property Lifecycle" approach as part of the Building Surveys and recommendations of measures to put in place to improve the sustainability of the asset, and the wider financial implications. During the acquisition process, all assets have a five-year asset plan prepared which identifies improvements that can be made, opportunities, and risk factors. These asset plans are reviewed and updated annually and include sustainability sections and opportunities identified are progressed internally and when applicable, working with occupiers.
- **Business Strategy** - ESG is embedded within the business strategy. The Fund and Eskmuir and the management team are committed to meeting these objectives and this is demonstrated by the systems, processes and practices adopted.

STATEMENT OF MANAGER'S RESPONSIBILITIES

The Manager is responsible for preparing the non-statutory financial statements in accordance with the Trust Deed.

The Trust Deed requires the Manager to prepare non-statutory financial statements for each financial year. Under the Trust Deed, the Manager has elected to prepare the non-statutory financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". The non-statutory financial statements are required by law to be prepared in accordance with the Trust Deed.

In preparing these non-statutory 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 applicable UK Accounting Standards have been followed; and
- Prepare the non-statutory financial statements on the going concern basis unless it is inappropriate to presume that the Fund will continue in operation.

The Manager is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Fund and enable them to ensure that the non-statutory financial statements comply with the Trust Deed. They are also responsible for safeguarding the assets of the Fund and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DPFC
Diversified Property
Fund For Charities

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 2023 and of its loss for the year then ended;
- have been properly prepared in accordance with 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 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 non-statutory financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the non-statutory 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 non-statutory 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.

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 and the trustees 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 non-statutory financial statements. This included tax legislation; and
- do not have a direct effect on the non-statutory financial statements but compliance with which may be fundamental to the Trust's ability to operate or to avoid a material penalty.

Extent to which the audit was considered capable of detecting irregularities, including fraud (continued)

We discussed among the audit engagement team and relevant internal specialists such as tax and real estate specialists, 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 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 non-statutory 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; 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

18 March 2024

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 September 2023

	NOTE	Year Ended 30 September 2023 £'000's	Year Ended 30 September 2022 £'000's
Turnover	3	**5,849**	5,421
Rents payable		**(66)**	(66)
		5,783	5,355
Other operating income		**5**	-
TOTAL INCOME		**5,788**	5,355
Administrative Expenses	4	**(1,375)**	(1,243)
OPERATING PROFIT		**4,413**	4,112
(Losses) / gains arising on revaluation of investment properties	8	**(7,107)**	5,986
Finance costs	6	**(344)**	(151)
TOTAL (LOSS) / PROFIT		**(3,038)**	9,947
Basic and diluted (loss) / earnings per unit	12	**(5.37p)**	18.48p

STATEMENT OF CHANGES IN NET FUNDS ATTRIBUTABLE TO UNITHOLDERS

	NOTE	Trust Capital	Profit and loss reserve		Total
			Revaluation reserve	Retained earnings	
		£'000's	£'000's	£'000's	£'000's
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**
Total comprehensive expense		**-**	(7,107)	4,069	**(3,038)**
Distributions paid during the year	7	**-**	-	(4,293)	**(4,293)**
Unit issues	12	1,132	-	-	**1,132**
At 30 September 2023		**62,769**	**13,871**	**1,963**	**78,603**

BALANCE SHEET

As at 30 September 2023

	NOTE	As at 30 September 2023 £'000's	As at 30 September 2023 £'000's	As at 30 September 2022 £'000's	As at 30 September 2022 £'000's
FIXED ASSETS					
Investment properties	8		**83,257**		90,130
CURRENT ASSETS					
Debtors	9	**2,194**		1,768	
Cash at bank and in hand		**103**		1,102	
TOTAL CURRENT ASSETS		**2,297**		2,870	
CREDITORS: amounts falling due within one year	10	**(2,904)**		(3,001)	
NET CURRENT LIABILITIES			**(607)**		(131)
TOTAL ASSETS LESS CURRENT LIABILITIES			**82,650**		89,999
CREDITORS: amounts falling due after more than one year	11		**(4,047)**		(5,197)
NET ASSETS			**78,603**		84,802

TRUST CAPITAL AND RESERVES					
Trust capital	12		**62,769**		61,637
Profit and loss reserve:					
Revaluation reserve	13		**13,871**		20,978
Retained earnings	14		**1,963**		2,187
UNITHOLDERS' FUNDS			**78,603**		84,802
UNITS IN ISSUE (000's)	12		**57,049**		56,224
NET ASSETS PER UNIT - FRS 102 BASIS (pence)	15		**137.78**		150.83
NET ASSETS PER UNIT - INREV BASIS (pence)	15		**137.88**		150.99

These non-statutory financial statements were approved on 18 March 2024 and signed on its behalf by Paul Hodgson.

P A Hodgson
Eskmuir FM Limited

STATEMENT OF CASH FLOWS

For the year ended 30 September 2023

	NOTE	Year Ended 30 September 2023 £'000's	£'000's	Year Ended 30 September 2022 £'000's	£'000's
NET CASH FLOWS FROM OPERATING ACTIVITIES	19		**3,738**		4,243
CASH FLOWS USED IN INVESTING ACTIVITIES					
Purchase of investment property		**-**		(4,841)	
Capital expenditure on investment properties		**(168)**		(413)	
(Stated net of dilapidations receipts)					
NET CASH FLOWS USED IN INVESTING ACTIVITIES			**(168)**		(5,254)
CASH FLOWS FROM FINANCING ACTIVITIES					
Units issued	12	**1,132**		5,320	
Repayment of bank loan		**(5,815)**		(4,850)	
Advances under bank loan		**4,650**		5,050	
Interest paid		**(243)**		(124)	
Distributions paid	14	**(4,293)**		(4,039)	
NET CASH FLOWS (USED IN) / FROM FINANCING ACTIVITES			**(4,569)**		1,357
(DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS DURING THE YEAR			**(999)**		346
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR			**1,102**		756
CASH AND CASH EQUIVALENTS AT END OF YEAR			**103**		1,102

DPFC
Diversified Property Fund For Charities

NOTES TO THE NON-STATUTORY FINANCIAL STATEMENTS

For the year ended 30 September 2023

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 42).

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 non-statutory 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 non-statutory financial statements are stated in thousands of pounds Sterling (£'000's), the currency of the country in which DPFC operates.

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 Statement of Comprehensive Income. No depreciation is provided in respect of investment properties.

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

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

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

Turnover

Turnover represents rental income receivable for the year from investment properties exclusive of VAT. Surrender premiums received during the year are included in 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 NON-STATUTORY FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 September 2023

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.

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.

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.

For the year ended 30 September 2023

1 - ACCOUNTING POLICIES (continued)

Going concern (continued)

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 non-statutory financial statements.

The Manager is confident in the portfolio's future performance as a going concern, given the operating profit of £4.41m and healthy balance sheet with cash reserves of £0.10m, undrawn bank facility of £2.5m (and significant headroom over financial bank loan covenants) and net assets of £78.60m as at the end of September 2023. 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 DPFC 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 non-statutory financial statements.

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 (2022: none).

Key sources of estimation uncertainty

Investment properties were revalued to fair value as at 30 September 2023, 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.

For the year ended 30 September 2023

3 - TURNOVER

	Year Ended 30 September 2023 £'000's	Year Ended 30 September 2022 £'000's
Rental income	**5,846**	5,419
Lease surrender premiums	**3**	2
TURNOVER	**5,849**	5,421

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

4 - ADMINISTRATIVE EXPENSES

	Year Ended 30 September 2023 £'000's	Year Ended 30 September 2022 £'000's
Asset management fees	**330**	350
Fund management fees	**165**	175
Fund administration fees	**15**	15
Trustees fees	**33**	39
Operator fees	**(5)**	23
Valuation fees	**20**	18
Audit fees	**30**	21
Property costs	**701**	549
Bad debts	**24**	-
Other	**62**	53
TOTAL ADMINISTRATIVE EXPENSES	**1,375**	1,243

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	**30**	21
Non-audit fees - Taxation compliance services	**3**	4
TOTAL AUDIT AND NON-AUDIT FEES	**33**	25

NOTES TO THE NON-STATUTORY FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 September 2023

5 - STAFF COSTS

The Fund has no employees (2022: none).

6 - FINANCE COSTS

	Year Ended 30 September 2023 £'000's	Year Ended 30 September 2022 £'000's
Interest on bank loans and overdrafts	**319**	130
Amortisation of bank facility fee	**25**	21
	344	151

DPFC's £6.5m revolving bank facility with RBSI is secured against two of DPFC's investment properties and 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 charged at SONIA plus 2.2% pa.

7 - DISTRIBUTIONS

	Year Ended 30 September 2023		Year Ended 30 September 2022	
	Pence per unit	£'000's	Pence per unit	£'000's
Quarter ended 30 September (paid November)	**1.900**	**1,043**	1.888	998
Quarter ended 31 December (paid February)	**1.919**	**1,079**	1.888	1,002
Quarter ended 31 March (paid May)	**1.919**	**1,079**	1.900	1,019
Quarter ended 30 June (paid August)	**1.919**	**1,092**	1.900	1,020
Distributions paid during year to 30 September	**7.657**	**4,293**	7.576	4,039
Add: Distributions proposed at year end	**1.919**	**1,095**	1.900	1,043
Less: Distributions proposed at prior year end	**(1.900)**	**(1,043)**	(1.888)	(998)
TOTAL DISTRIBUTIONS PROPOSED IN RESPECT OF THE YEAR	**7.676**	**4,345**	7.588	4,084

DPFC
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For the year ended 30 September 2023

8 - INVESTMENT PROPERTIES	Freehold £'000's	Long Leasehold £'000's	Total £'000's
At valuation at 1 October 2022	76,750	13,275	90,025
Additions (Stated net of dilapidations receipts)	19	149	168
Movement in lease incentives	85	(11)	74
Revaluation loss	(6,694)	(413)	(7,107)
At valuation at 30 September 2023	**70,160**	**13,000**	**83,160**
Head leases treated as finance leases on investment properties (See note 16)	**-**	**97**	**97**
	70,160	**13,097**	**83,257**
At cost			
As at 30 September 2023	**58,826**	**9,427**	**68,253**
As at 30 September 2022	**58,807**	**9,278**	**68,085**

Investment properties were revalued to fair value as at 30 September 2023 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 £20,650,000 (2022: £22,100,000).

As set out in note 3, property rents receivable during the year was £5.8m (2022: £5.4m). No contingent rents have been recognised as rent income in the current year.

No interest has been capitalised into the balance sheet (2022: £nil).

9 - DEBTORS	2023 £'000's	2022 £'000's
Rents receivable	**378**	322
Prepayments and accrued income	**57**	73
Other balances recoverable from tenants	**256**	351
Other debtors - funds held by agents	**1,503**	1,022
	2,194	1,768

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 NON-STATUTORY FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 September 2023

10 - CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2023 £'000's	2022 £'000's
Deferred rental income	**1,242**	1,231
Trade creditors	**146**	539
VAT	**488**	301
Sundry creditors	**789**	586
Accrued expenses	**239**	344
	2,904	3,001

11 - CREDITORS: AMOUNTS FALLING DUE IN MORE THAN ONE YEAR	2023 £'000's	2022 £'000's
Bank loan	**3,950**	5,092
Finance lease liabilities (note 16)	**97**	105
	4,047	5,197

DPFC's £6.5m revolving bank facility with RBSI is secured against two of DPFC's investment properties and 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 charged at SONIA plus 2.2% pa.

NOTES TO THE NON-STATUTORY FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 September 2023

12 - TRUST CAPITAL	Number of units issued 000's	Net proceeds from issue of units £'000's
Units issued 18 April 2023	825	1,132
As at 1 October 2022	56,224	61,637
As at 30 September 2023	**57,049**	**62,769**

Units in the Fund are redeemable with six months written notice, subject to the terms of the Trust Deeds.	**2023**	2022
Basic and diluted (loss) / earnings per unit	**(5.37p)**	18.48p
Basic and diluted earnings per unit have been calculated upon the following figures:		
Weighted average units in issue during the year (number)	**56,598,556**	53,834,093
Total (loss) / profit for the year (£'000's)	**(3,038)**	9,947

13 - REVALUATION RESERVE	**2023 £'000's**	2022 £'000's
At beginning of year	**20,978**	14,992
Revaluation (loss) / gain for the year	**(7,107)**	5,986
At end of year	**13,871**	20,978

14 - RETAINED EARNINGS	**2023 £'000's**	2022 £'000's
At beginning of year	**2,187**	2,265
Profit for the year excluding revaluation (loss) / gain	**4,069**	3,961
Distributions paid (note 7)	**(4,293)**	(4,039)
At end of year	**1,963**	2,187

NOTES TO THE NON-STATUTORY FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 September 2023

15 - INREV RECONCILIATION	**Year Ended** 30 September 2023		Year Ended 30 September 2022	
	Pence per unit	**£'000's**	Pence per unit	£'000's
NAV as at 30 September on FRS 102 basis	**137.78**	**78,603**	150.83	84,802
Setup costs*	**-**	**-**	-	-
Property acquisition costs*	**0.10**	**57**	0.16	91
NAV as at 30 September on INREV basis	**137.88**	**78,660**	150.99	84,893

	Year Ended 30 September 2023		Year Ended 30 September 2022	
	Pence per unit	**£'000's**	Pence per unit	£'000's
Operating profit for the year on FRS 102 basis	**7.79**	**4,413**	7.64	4,112
Finance costs	**(0.61)**	**(344)**	(0.28)	(151)
	7.18	**4,069**	7.36	3,961
Amortisation of setup costs*	**-**	**-**	-	-
Operating profit for the year on INREV basis	**7.18**	**4,069**	7.36	3,961
Revaluation (loss) / gain for the year on FRS 102 basis	**(12.56)**	**(7,107)**	11.12	5,986
Add back and amortisation of property acquisition costs*	**(0.06)**	**(33)**	(0.02)	(8)
Revaluation surplus for the year on INREV basis	**(12.62)**	**(7,140)**	11.10	5,978
Net movement in comprehensive income for the year on FRS 102 basis	**(5.38)**	**(3,038)**	18.48	9,947
Amortisation of setup costs*	**-**	**-**	-	-
Add back amortisation of property acquisition costs*	**(0.06)**	**(33)**	(0.02)	(8)
Net movement in funds for the year on INREV basis	**(5.44)**	**(3,071)**	18.46	9,939

* INREV Guidelines:

(i) Under FRS 102, vehicle set-up costs are charged immediately to the Statement of Comprehensive Income 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 NON-STATUTORY FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 September 2023

16 - FINANCIAL COMMITMENTS	2023 £'000's	2022 £'000's
Capital Commitments contracted but not provided for are as follows:	–	–

At 30 September 2023, DPFC was committed to making the following minimum future payments in respect of finance leases:

	2023 £'000's	2022 £'000's
In less than one year	**6**	6
Between two and five years	**25**	25
In more than five years	**693**	699
	724	730
Less future finance charges	**(627)**	(625)
Net present value of finance leases recognised as liabilities	**97**	105

The minimum lease payments noted above relate to head rent payable on leasehold properties over the remaining 115 years (2022: 116 years) weighted average unexpired lease term.

	Land and Buildings	
Total minimum future lease receipts under non-cancellable operating leases:	**2023 £'000's**	2022 £'000's
In less than one year	**5,687**	5,509
Between two and five years	**12,767**	13,745
In more than five years	**815**	1,463
	19,269	20,717

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 2023, amounts payable to the Manager, Eskmuir FM Limited, and Asset Manager, Eskmuir Asset Management Limited, were £165,055 and £330,110 respectively for management services provided (2022: £175,241 and £350,480 respectively). Balances outstanding at the balance sheet date were £41,580 and £83,160 respectively (2022: £45,013 and £95,141 respectively) all were repayable in the normal course of business after the year end.

During the year to 30 September 2023, the Trustees rebranded from Sanne to Apex. 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 £48,280 and (£5,000) respectively (2022: £53,539 and £22,500 respectively). Amounts outstanding at the balance sheet date were £10,595 and £Nil respectively (2022: £8,895 and £5,000 respectively).

For the year ended 30 September 2023

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 2023 £'000's	**Year Ended** 30 September 2022 **£'000's**
Operating profit	**4,413**	4,112
(Increase) in debtors	**(426)**	(361)
(Decrease) / increase in creditors	**(175)**	627
Lease incentive amortisation	**(74)**	(135)
Net cash flow from operating activities	**3,738**	4,243

20 - ANALYSIS OF CHANGES IN NET DEBT

	2022 £'000's	**Cash flow £'000's**	**Non-cash changes £'000's**	**2023 £'000's**
Cash at bank and in hand	1,102	(999)	-	103
	1,102	(999)	-	103
Debt due after one year	(5,092)	1,165	(23)	(3,950)
	(3,990)	**166**	**(23)**	**(3,847)**

DPFC
Diversified Property
Fund For Charities

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Apex Group Nominees 2 (UK) Limited
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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 FRS102 NAV per share less the period opening FRS102 NAV per share plus dividends per share paid during the intervening period, all divided by period opening FRS102 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 FRS102 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.

Trust Deed

The Trust Deed dated 21 January 2015 that established the Fund and all subsequent amendments and restatements.

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.

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