

# BMO Real Estate Investments Limited

2019 Annual Report  
and Consolidated  
Financial Statements

Formerly F&C UK Real Estate  
Investments Limited



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This document is important and requires your immediate attention. If you are in any doubt as to the action you should take, you are recommended to seek your own independent financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 if you are in the United Kingdom or, if not, from another appropriately authorised financial adviser. If you have sold or otherwise transferred all your Ordinary Shares in BMO Real Estate Investments Limited, please forward this document together with the accompanying documents immediately to the purchaser or transferee, or to the stockbroker, bank or agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee. If you have sold or otherwise transferred only part of your holding of shares, you should retain these documents.

Front Cover Photo: Eastleigh, Southampton International Park

Legal Entity Identifier: 231801XRCB89W6XTR23

# Company Summary

## The Company

BMO Real Estate Investments Limited ('the Company') formerly known as F&C UK Real Estate Investments Limited is an authorised closed-ended Guernsey-registered investment company. Its shares have a premium listing on the Official List of the UK Listing Authority and are traded on the Main Market of the London Stock Exchange. Stock code: BREI

The Annual Report and Consolidated Financial Statements of the Company consolidate the results of its subsidiary undertakings, which collectively are referred to throughout this document as 'the Group', details of which are contained in notes 1(b) and 9 to the Consolidated Financial Statements.

The Group elected into the UK REIT regime from 1 January 2015.

At 30 June 2019 total assets less current liabilities were £349.6 million and shareholders' funds were £252.3 million.

## Objective

The investment objective of the Company is to provide ordinary shareholders with an attractive level of income together with the potential for capital and income growth from investing in a diversified UK commercial property portfolio.

## Investment Policy

The Company's investment policy is set out on page 10.

## Management

The Board has appointed BMO Investment Business Limited as the Company's investment manager and BMO REP Property Management Limited as the Company's property manager. Both of these companies are part of the BMO Asset Management (Holdings) plc ('BMO') group and, collectively, are referred to in this document as 'the Manager'. Further details of the management contract are provided in note 2 to the consolidated financial statements.

BMO is wholly owned by Bank of Montreal and is part of the BMO Global Asset Management group of companies.

## Capital Structure

The Company's equity capital structure consists of Ordinary Shares. Ordinary shareholders are entitled to all dividends declared by the Company and to all of the Company's assets greater than the value of the liabilities.

## Alternative Performance Measures ('APM')

The Company uses a number of alternative performance measures in the discussion of its business performance and financial position. Further information is provided on page 75.

## How to Invest

The Investment Manager operates a number of investment plans which facilitate investment in the shares of the Company. Details are contained on page 73. You may also invest through your usual stockbroker.

Visit our website at [www.bmorealestateinvestments.com](http://www.bmorealestateinvestments.com)



# Financial Headlines

## 2.9%\*

Portfolio ungeared total return of 2.9% for the year

## 1.3%\*

NAV total return of 1.3% for the year

## 6.3%\*

Dividend of 5.0 pence per share for the year, giving a yield of 6.3% on the year-end share price

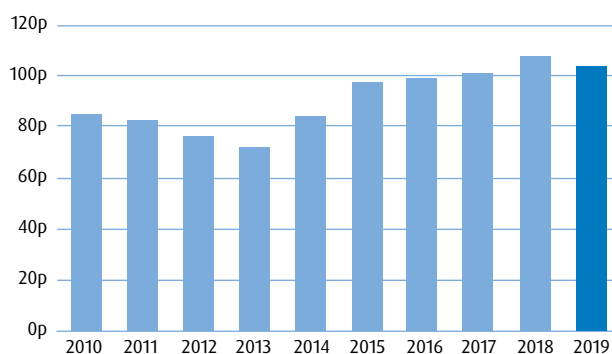
## 89.4%\*

Dividend cover decreased to 89.4% for the year from 95.7%

## Delivering long-term income and capital returns

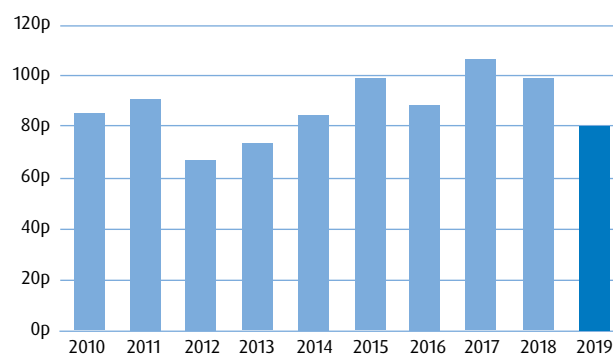
Since launch in 2004 BMO Real Estate Investments Limited has turned a £1,000 investment, with dividends reinvested, into £2,337\*.

### Net asset value per share at 30 June (pence)



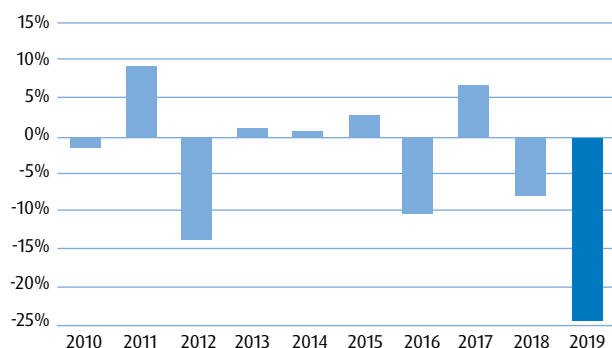
Source: BMO

### Share price per share at 30 June (pence)



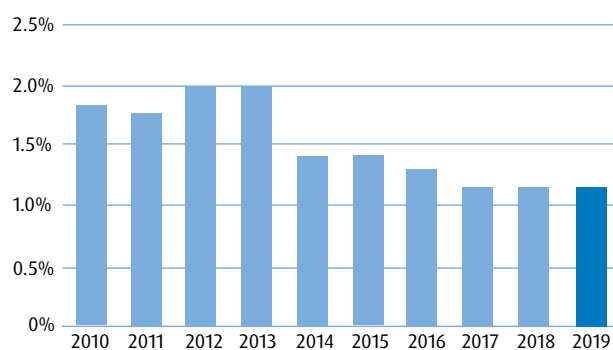
Source: BMO

### Share price (discount)/premium to net asset value at 30 June (%\*)



Source: BMO

### Ongoing charges at 30 June (%\*)



Source: BMO

Potential investors are reminded that the value of investments and the income from them may go down as well as up and investors may not receive back the full amount invested. Tax benefits may vary as a result of statutory changes and their value will depend on individual circumstances.

\* See Alternative Performance Measures on page 75.

# Performance Summary

	Year ended 30 June 2019	Year ended 30 June 2018	Cumulative since launch on 1 June 2004
<b>Total Return<sup>(*)</sup></b>			
Net asset value per share	+1.3%	+13.6%	+185.9%
Ordinary share price	-15.2%	-1.9%	+133.7%
Portfolio ungeared return	+2.9%	+11.7%	+202.4%
MSCI UK Quarterly Property Universe	+3.3%	+9.4%	+171.0%
FTSE All-Share Index	+1.0%	+9.0%	+216.0%

	Year ended 30 June 2019	Year ended 30 June 2018	% Change
<b>Capital Values</b>			
Total assets less current liabilities (£000's)	349,573	363,706	-3.9%
Net asset value per share	104.8p	108.5p	-3.4%
Ordinary share price	80.0p	99.8p	-19.8%
MSCI UK Quarterly Property Universe	124.3	125.7	-1.1%
FTSE All-Share Index	4,056.9	4,202.3	-3.5%
Ordinary share price (discount)/premium to net asset value per share*	-23.7%	-8.0%	
Net gearing*	26.7%	26.2%	

	Year ended 30 June 2019	Year ended 30 June 2018	
<b>Earnings and Dividends</b>			
Earnings per ordinary share	1.3p	13.4p	
Dividends paid per ordinary share	5.0p	5.0p	
Dividend yield*	6.3%	5.0%	

	Year ended 30 June 2019	Year ended 30 June 2018	
<b>Ongoing Charges</b>			
As a percentage of average net assets*	1.6%	1.5%	
As a percentage of average net assets (excluding direct property expenses)*	1.2%	1.2%	

<sup>(\*)</sup> See Alternative Performance Measures on page 75.

Sources: BMO Investment Business, MSCI Investment Property Databank ('IPD') and Thomson Reuters Eikon.

There remains considerable uncertainty surrounding the UK property market. The effect of this uncertainty is mitigated to a degree by the Company's balanced and well let portfolio.



Lister Road, Basingstoke

	Highs 2019	Lows 2019
Year's Highs/Lows		
Net asset value per share	108.5p	104.9p
Ordinary share price	101.0p	80.0p
Premium/(discount)*	-6.9%	-24.5%

\* See Alternative Performance Measures on page 75.



# Chairman's Statement



"The portfolio continues to deliver an above market income yield, with the void rate reducing to 0.1 per cent at year end following the successful completion of leasing initiatives"

**Vikram Lall, Chairman**

The Group's net asset value ('NAV') total return for the year was 1.3 per cent. The NAV per share as at 30 June 2019 was 104.8 pence, down from 108.5 pence per share at the prior year-end after dividends of 5.0 pence per share.

The share price total return for the year was -15.2 per cent with the shares trading at 80.0 pence per share at the year-end, a discount of 23.7 per cent to the NAV. It is disappointing that the share price has fallen, which is largely attributable to a lack of demand for the Company's shares in a market which has been impacted by the political and economic uncertainties surrounding Brexit as well as sector specific concerns linked to challenges faced by the retail market in particular. The Company's shares traded at a discount to NAV for most of the year with some noticeable weakness over the latter half of the year resulting in a widening of the discount by the year end and significant volatility in the share price over the period.

## Property Market

The UK commercial property market delivered a total return of 3.3 per cent as measured by the MSCI UK Quarterly Property Universe ('MSCI') for all assets in the year to 30 June 2019. Total return performance was positive throughout the year, but the pace slowed when compared with the previous year. The annual all-property income return was 4.4 per cent and capital values fell by 1.1 per cent in the year, hit by weakness in the retail segment.

Performance was again driven by Industrial and Distribution property with south east industrials out-performing within that sector. Although the all-property return was depressed by the negative performance from retail, all sectors recorded a slowing in total returns compared with the previous year. In the year to 30 June 2019, open market rental value growth at the all-property level was -0.1 per cent, with falls in the retail sector offsetting a positive performance elsewhere in the market. Investment activity was lower, and that trend intensified in the latter part of the year, moving beyond retail to affect all sectors. Initial yields

edged slightly higher over the year as higher retail yields were counterbalanced by yield compression in parts of the office and industrial markets.

## Portfolio

The Group's property portfolio produced an ungeared total return of 2.9 per cent over the year to June 2019, a significant slowdown from 2018 when the portfolio delivered 11.7 per cent and below MSCI which recorded 3.3 per cent over the same period.

In an environment of valuation falls, both at the market and portfolio level, performance was income driven. Capital falls for the portfolio of 2.2 per cent were offset by a 5.3 per cent income return. The portfolio continues to deliver an above market income yield, with the void rate reducing to 0.1 per cent at year end following the successful completion of leasing initiatives. Average unexpired lease length has remained steady over the period at approximately 6 years.

The Company's portfolio has outperformed MSCI over three years and the Investment Manager has been paid a performance fee of £182,000, as this outperformance was in excess of the 115 per cent total return hurdle which is required before such a fee begins to accrue. Further details of the fee arrangements can be found in note 2 to the consolidated financial statements.

The portfolio's Industrial and Distribution assets were the key contributors to Company performance over the year delivering a 10.3 per cent total return. The portfolio's exposure to this segment of the market is approximately 40 per cent of assets by value.

Positive contributions were made by the Group's Rest of UK Offices, led by asset management initiatives at Lochside Way, Edinburgh and Standard Hill, Nottingham, let to HSBC and The College of Law respectively. There were also positive returns from West End Offices, where vacant floors at the Company's largest asset at 14 Berkeley Street, London W1 were let.

The Company's Retail assets underperformed the wider market. Despite being fully let, capital falls were greater for the portfolio than for the Index peers. The Company was impacted by the Company Voluntary Arrangement ('CVA') of Homebase who are tenants at three properties in the portfolio. The management of these is covered in detail in the Manager's Review and the widespread use of CVA's continues to impact on the marketplace. The Company did, however, benefit from having no exposure to Shopping Centres which was the poorest performing retail sector during the year.

The Company's Retail portfolio remains under continual review given the structural challenges currently faced by this segment of the market, with further sales undertaken over the year at Gateshead and Swindon. The Company has disposed of seven retail assets over the past three years in order to reposition the portfolio.

Given competition for quality property and more cautious near-term forecasts for the property market in general, the Company has maintained a measured approach to deployment of capital despite a favourable cash position and no assets were purchased over the 12 months.

### Cash Resources

The Group had £9.9 million of cash available and an undrawn facility of £13 million at 30 June 2019 and acquisition opportunities are constantly under review. There is no undue pressure to invest with the near-term focus being to concentrate available capital on worthwhile, cost effective asset management initiatives within the standing portfolio. Opportunistic sales may also be considered where appropriate.

### Borrowings

The Group currently has in place a secured £90 million non-amortising term loan facility with Canada Life Investments, repayable in November 2026. The Company also has an additional £20 million 5-year revolving credit facility agreement with Barclays Bank plc, £7 million of which was drawn down at the year-end, down from £13 million one year earlier. This facility is available until November 2020.

The Group's gearing level, net of cash, represented 26.7 per cent of investment properties at 30 June 2019. The weighted average interest rate (including amortisation of refinancing costs) on the Group's total current borrowings was 3.2 per cent. The Company continues to maintain a prudent attitude to gearing.

### Dividends and Dividend Cover

Three interim dividends of 1.25 pence per share were paid during the year with a fourth interim dividend of 1.25 pence per share to be paid on 30 September 2019. This gives a total dividend for the year ended 30 June 2019 of 5.0 pence per share, a yield of 6.3 per cent on the year-end share price. In the absence of unforeseen circumstances, it is the intention of the Group to continue to pay quarterly dividends at the existing rate.

Standard Hill, Nottingham



The level of dividend cover for the year was 89.4 per cent, compared to 95.7 per cent for the previous year. This fall is primarily as a result of a decrease in rental income, following the property sales over the last 18 months and the loss of income following the CVA at Homebase. There are also a number of asset management initiatives ongoing, which has resulted in a short-term reduction in the level of rents at those properties, and upon successful completion, these should begin to deliver improvement in the rental income in the future.

While the Board is conscious of the reduced dividend cover in the year the sustainability of the dividend and the generation of total returns within the portfolio are of greater importance. The Board will, therefore, continue to explore opportunities that improve medium to longer term value within the portfolio, even if this has an adverse near-term impact on dividend cover.

### Responsible Property Investment

I am particularly pleased with the progress that has been made with our Responsible Property Investment (RPI) strategy and the positive engagement we have had with a number of our key shareholders in this area.

The publication of the inaugural RPI Report for the Group for 2018 was a significant milestone in our pledge to drive greater transparency into our performance on material Environmental, Social & related Governance (ESG) factors and we have had some excellent feedback on it from shareholders. We continue to place considerable emphasis on our RPI commitments and are pleased to provide a further summary of progress in the Annual Report, complemented by our RPI Report 2019 which will be available on the Company's website and gives greater detail and insight on our performance against relevant metrics.



## Board Composition

Having served 15 years on the Board, Andrew Gulliford has indicated his intention to retire by the 2020 AGM. The Board have therefore commenced the search for a suitable non-executive director with the relevant property expertise and experience to replace Mr Gulliford following his retirement. As part of this process, consideration will also be given to the requirement to seek, where appropriate, additional diversity within the Board. A further announcement will be made in due course.

## Outlook

The outlook continues to be dominated by the stresses in the retail sector and the Brexit process, with its political and economic ramifications. A slowdown in global growth offers additional challenges, with a period of muted rental growth now likely to be the outcome and meaningful differences in the prospect for the underlying property sectors. However, with fiscal policy potentially easing and the market expecting interest rates to remain at low levels by past standards, property market performance may receive some support once there is greater clarity on political sentiment.

Property continues to deliver an attractive income return. Prime property in established locations and emerging hubs is expected to outperform. The Industrial and Distribution market should continue to be a major driver of performance, benefiting from the continued growth of online sales but perhaps to a lesser degree as supply increases. The retail sector is facing structural issues which will take time to resolve and this will continue to impact sentiment for much of the sector. Repurposing and repricing of property is underway and the market is predicted to re-balance in due course albeit with significant casualties at the secondary end of the market and at lower rents for a majority. Alternatives are expected to continue to grow in importance as investors seek long-term contracted income. A period of positive single-digit total returns is in prospect, underpinned by the income return.

There remains considerable uncertainty surrounding the UK property market. The effect of this uncertainty is mitigated to a degree by the Company's balanced and well let portfolio. At the current time, the more appropriate and attractive use of company resources lies in asset management opportunities which exist within the portfolio.

## Vikram Lall

Chairman

19 September 2019

## Forward-looking statements

This document may contain forward-looking statements with respect to the financial condition, results of operations and business of the Group. Such statements involve risk and uncertainty because they relate to future events and circumstances that could cause actual results to differ materially from those expressed or implied by forward-looking statements. The forward-looking statements are based on the Directors' current view and on information known to them at the date of this document. Nothing should be construed as a profit forecast.



“Successful delivery  
of property level  
initiatives has ensured  
gross income growth of  
4.4 per cent for the year  
versus 2.2 per cent for  
the Index”





14 Berkeley Street, London

Overview

Strategic Report

Governance Report

Auditor's Report

Financial Report

Notice of Meeting

Other Information



# Business Model and Strategy

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The Company carries on business as a closed-ended property investment company. Its shares are traded on the Main Market of the London Stock Exchange. The Group elected into the UK REIT regime from 1 January 2015.

## Board

The Board of Directors is responsible for the overall stewardship of the Group, including investment and dividend policies, gearing, corporate strategy, corporate governance procedures and risk management. As set out in the Directors' Responsibilities on page 40 the Board is also responsible for the preparation of the Annual Report and Consolidated Financial Statements for each financial period. Biographical details of the Directors, all of whom are independent non-executive Directors, can be found on page 30. The Company has no executive Directors or employees.

The Board has contractually delegated the management of the investment portfolio and other services to the Manager. A summary of the terms of the management agreement is contained in note 2 to the consolidated financial statements.

## Investment Strategy

### Objective

The Group's investment objective is to provide ordinary shareholders with an attractive level of income together with the potential for income and capital growth from investing in a diversified UK commercial property portfolio.

### Investment Policy

The Group holds a diversified portfolio of freehold and predominantly long leasehold (over 60 years remaining at the time of acquisition) UK commercial properties. It invests principally in three commercial property sectors: office, retail (including retail warehouses) and industrial.

The Group invests in income producing investments. Investment decisions are based on analysis of, amongst other things, prospects for future income and capital growth, sector and geographic prospects, tenant covenant strength, lease length, initial and equivalent yields and the potential for development or redevelopment of the property. The Group will not invest in other investment companies or funds.

Investment risks are spread through investing in a range of geographical areas and sectors, and through letting properties, where possible, to low risk tenants. The Group has not set any maximum geographic exposures, but the maximum weightings in the principal property sectors (stated as a percentage of total assets) are: office: 60 per cent; retail: 60 per cent; and industrial: 50 per cent. No single property may exceed 15 per cent of total assets\* and the five largest properties may not exceed 45 per cent of total assets. \* Income receivable from any one tenant, or tenants

within the same group, in any one financial year shall not exceed 20 per cent of the total rental income of the Group in that financial year. At least 90 per cent by value of properties held shall be in the form of freehold, feuhold or long leasehold (over 60 years remaining at the time of acquisition) properties or the equivalent.

The Group uses gearing to enhance returns over the long term. Gearing, represented by borrowings as a percentage of investment properties, may not exceed 60 per cent. However, it is the Board's present intention that borrowings will be limited to a maximum of 40 per cent of total assets at the time of borrowing. The Board receives recommendations on gearing levels from the Manager and is responsible for setting the gearing range within which the Manager may operate. The Group's borrowings are represented by two loans totalling £97 million drawn down as at 30 June 2019 and are described in more detail in note 12 to the consolidated financial statements. The gearing level, net of cash, as at 30 June 2019 was 26.7 per cent of investment properties.

### Investment of Assets

At each quarterly Board meeting, the Board receives a detailed presentation from the Manager together with a comprehensive analysis of the performance of the Group and compliance with investment restrictions during the reporting period. An analysis of how the portfolio was invested as at 30 June 2019 is contained within the Manager's Review on pages 16 to 22 and a full portfolio listing is provided on page 28.

### Responsible Property Investment Strategy

The importance of environmental and social factors, together with the management of those factors through corporate governance and property management, continues to strengthen within the UK commercial property market. The Company, supported by its Property Manager, has continued to make significant progress in developing our approach to ESG factors, as has been evidenced in the publication of our inaugural Responsible Property Investment (RPI) Report last year.

Attendance to ESG matters continues to be an important determinant of the confidence which existing and prospective shareholders place in the Company as an attractive and appropriate vehicle for risk-adjusted returns, and through which their maturing corporate governance and responsible investment requirements and objectives can be satisfied. The positive feedback of shareholders to our

\* applicable only on acquisition or disposal of a property. Does not apply to lettings to the Government of the United Kingdom.

enhanced approach to ESG matters has been a notable feature of our engagement with them this year.

Furthermore, certain environmental and social attributes of the assets held by the Group continue to be material to financial performance across the diversified portfolio. This applies in terms of optimising net operating income today and supporting income and capital growth in the long-term. In particular:

- ensuring that properties perform efficiently, support flexible and productive occupancy, and contribute positively to the health and wellbeing of the people that work, shop or live in them is an increasingly important attribute which influences their appeal to the occupier market and thus their ability to retain occupiers and support rental growth.
- ensuring that properties are fit-for-purpose in the context of climate change, a dynamic regulatory environment, and the rapid advancement of technology, helps mitigate their rate of depreciation and reduces their exposure to various forms of risk.
- ensuring that properties make a positive contribution to the local communities in which they are situated, can help to improve patronage, support wider economic performance and enhance the skills and employment prospects of local people, in turn making the local market a more attractive investment location.

### Shareholder Value

The Board and the Manager recognise the importance of both marketing and share buy backs in increasing demand for the Company's shares. Share buy backs can help reduce the volatility of any discount of the share price to the net asset value per share and enhance the net asset value per share for continuing shareholders. Any buy backs will be at the absolute discretion of the Board. Purchases of Ordinary Shares will only be made through the market for cash at prices below the prevailing net asset value of the Ordinary Shares (as last calculated) where the Directors believe such purchases will enhance shareholder long-term value. Other factors to be considered include alternative property investment opportunities, which may be standing at greater levels of discount to underlying value than the Company's own shares; the impact on net asset value accretion and improvement in dividend cover from share buy backs; and the levels of liquidity, gearing and loan to value ratio within the Company.

In terms of marketing, the Manager offers a range of private investor savings schemes, details of which can be found on page 79. In addition, meetings are held regularly with current and prospective shareholders and stockbroking analysts covering the investment company sector. Communication of quarterly portfolio information is made through the Company's website.





# Key Performance Indicators

The Board assesses its performance in meeting the Company's objective against the following key measures. Commentary can be found in the Chairman's Statement and Manager's Review.

Total return* performance					
	1 Year %	3 Years %	5 Years %	10 years %	
BMO Real Estate Investments ordinary share price	(15.2)	5.5	23.2	181.8	This measures the Company's share price and NAV total return, which assumes dividends paid by the Company have been reinvested, relative to the market benchmark.
BMO Real Estate Investments net asset value (NAV)	1.3	22.1	61.2	181.8	
BMO Real Estate Investments portfolio ungeared return	2.9	22.5	53.1	153.0	
MSCI UK Quarterly Property Universe	3.3	19.4	50.8	163.6	
FTSE All-Share Index	1.0	29.5	35.8	167.1	

Income return (Compound annual growth rate)					
	1 Year %	3 Years %	5 Years %	10 years %	
BMO Real Estate Investments portfolio income return*	5.3	5.5	5.6	6.3	The income derived from a property during the period as a percentage of the property value, taking account of direct property expenditure.
MSCI UK Quarterly Property Universe	4.4	4.6	4.7	5.3	

Share price (discount)/premium to NAV per share						
As at:	30 June 2019 %	30 June 2018 %	30 June 2017 %	30 June 2016 %	30 June 2015 %	
(Discount)/premium*	(23.7)	(8.0)	6.7	(10.8)	2.6	This is the difference between the share price and the NAV per share. It can be an indicator of the need for shares to be bought back or, in the event of a premium to NAV per share, issued.

Expenses						
Year to:	30 June 2019 %	30 June 2018 %	30 June 2017 %	30 June 2016 %	30 June 2015 %	
Ongoing charges as a percentage of average net assets*	1.5	1.5	1.7	1.7	1.9	This data shows whether the Company is being run efficiently. It measures the running costs as a percentage of the average net assets.
Ongoing charges as a percentage of average net assets (excluding direct property expenses)*	1.2	1.2	1.2	1.3	1.4	This data shows whether the Company is being run efficiently. It measures the running costs (excluding direct property expenses) as a percentage of the average net assets.

\* See Alternative Performance Measures on page 75.  
Sources: BMO Investment Business, MSCI Inc and Thomson Reuters Eikon.



# Principal Risks and Future Prospects




Each year the Board carries out a comprehensive, robust assessment of the principal risks and uncertainties that could threaten the Group's success. The consequences for its business model, liquidity, future prospects and viability form an integral part of this assessment.

As stated within the Report of the Audit and Risk Committee on pages 36 and 37, the Board applies the principles detailed in the internal control guidance issued by the Financial Reporting Council, and has established an ongoing process designed to meet the particular needs of the Group in managing the risks and uncertainties to which it is exposed.

Principal risks and uncertainties faced by the Group are described below.

- Market – the Group's assets comprise of direct investments in UK commercial property and it is therefore exposed to movements and changes in that market. This includes political and economic factors such as Brexit.
- Investment and strategic – poor investment processes and incorrect strategy, including sector and geographic allocations and use of gearing, could lead to poor returns for shareholders.
- Regulatory – breach of regulatory rules could lead to suspension of the Company's Stock Exchange listing, financial penalties or a qualified audit report.
- Tax structuring and compliance – changes to the management and control of the Group or changes in legislation could result in the Group no longer being a tax efficient investment vehicle for shareholders.
- Financial – inadequate controls by the Manager or third party service providers could lead to misappropriation of assets. Inappropriate accounting policies or failure to comply with accounting standards could lead to a qualified audit report, misreporting or breaches of regulations. Breaching Guernsey solvency test requirements or loan covenants could lead to a loss of shareholders' confidence and financial loss for shareholders (see note 12 for details of the principal loan covenants).
- Reporting – valuations of the investment property portfolio require significant judgement by valuers which could lead to a material impact on the net asset value. Incomplete or inaccurate income recognition could have an adverse effect on the Group's net asset value, earnings per share and dividend cover.

The principal areas of particular focus encountered during the year, how they are mitigated and actions taken to address these are set out in the table below.

Principal Risks	Mitigation
<p>Valuers have difficulty in valuing the property assets due to lack of market evidence or market uncertainty. Error in the calculation/application of the Group Net Asset Value ('NAV') leads to a material misstatement.</p> <p> <b>Unchanged throughout the year under review</b></p>	<p>Professional external valuers are appointed to value the portfolio on a quarterly basis. There is regular liaison with the valuers regarding all elements of the portfolio. There is attendance by one or more Directors at the valuation meetings and the Auditor attends the year end valuation meeting.</p>
<p>Unfavourable markets, poor stock selection, inappropriate asset allocation and under-performance against benchmark and/or peer group. This risk may be exacerbated by gearing levels.</p> <p> <b>Increased in the year under review</b></p>	<p>The underlying investment strategy, performance, gearing and income forecasts are reviewed with the Investment Manager at each Board Meeting. The Group's portfolio is well diversified. Gearing is kept at modest levels and is monitored by the Board.</p>
<p>The retail market has witnessed a number of company voluntary arrangements, profit warning announcements and administrations in the last year. There is an increased risk of tenant defaults in this sector which could put the level of dividend cover at risk.</p> <p> <b>Increased in the year under review</b></p>	<p>The Manager provides regular information on the expected level of rental income that will be generated from the underlying properties. The Portfolio is well diversified by geography and sector and the exposure to individual tenants is monitored and managed.</p>



- Credit – an issuer or counterparty could be unable or unwilling to meet a commitment that it has entered into with the Group. This may cause the Group's access to cash to be delayed or limited.
- Operational – failure of the Manager's accounting systems or disruption to its business or that of other third party service providers through error, fraud, cyber attack or business continuity failure could lead to an inability to provide accurate reporting and monitoring, leading to a loss of shareholders' confidence.
- Environmental – inadequate attendance to environmental factors by the Manager, including those of a regulatory and market nature and particularly those relating to energy performance, health and safety, flood risk and environmental liabilities, leading to the reputational damage of the Group, reduced liquidity in the portfolio, and/or negative asset value impacts.

The Board seeks to mitigate and manage these risks through continual review, policy-setting and enforcement of contractual obligations. It also regularly monitors the investment environment and the management of the Group's property portfolio.

The Manager seeks to mitigate these risks through active asset management initiatives and carrying out due diligence work on potential tenants before entering into any new lease agreements. All of the properties in the portfolio are insured.

### Actions taken in the year

Valuing properties was challenging in the aftermath of the Brexit vote in June 2016. There has been more transactional based market evidence this year which the valuers have used to assist them in producing the quarterly valuations. There was attendance by one or more Directors at the valuation meetings throughout the year.

The Board review the Manager's performance at quarterly Board Meetings against key performance indicators set out on page 12 and is satisfied that the Manager's long-term performance is in line with expectations.

The portfolio has been impacted, particularly with Homebase, who are a tenant in three of the portfolio's properties and placed their business into a CVA. Business plans are in place to address potential consequences on the assets affected and the Manager remains confident in successfully negotiating a satisfactory outcome.

### Viability Assessment and Statement

The Board conducted this review over a 5 year time horizon, a period thought to be appropriate for a commercial property Investment Company with a long term investment outlook, borrowings secured over an extended period and a portfolio with a weighted average unexpired lease length of 5.8 years. The assessment has been undertaken taking into account the principal risks and uncertainties faced by the Group which could threaten its objective, strategy, future performance, liquidity and solvency.

The major risks identified as relevant to the viability assessment were those relating to a downturn in the UK commercial property market and its resultant effect on the valuation of the investment portfolio, the level of rental income being received and the effect that this would have on cash resources and financial covenants. The Board took into account the illiquid nature of the Group's portfolio, the existence of the long-term borrowing facilities, the effects of any significant future falls in investment values and income receipts on the ability to repay and re-negotiate borrowings, maintain dividend payments and retain investors. These matters were assessed over an initial period to September 2024, and the Directors will continue to assess viability over 5 year rolling periods, taking account of foreseeable severe but plausible scenarios.

In the ordinary course of business, the Board reviews a detailed financial model on a quarterly basis, incorporating market consensus forecast returns, projected out to the maturity of its principal loan of £90 million which is due to mature in 2026. This model uses prudent assumptions and factors in any potential capital commitments. For the purpose of assessing the viability of the Group, the model has been adjusted to look at the next 5 years and is stress tested with projected returns comparable to the commercial property market crash experienced between 2007 and 2009. The model projects worst case scenario of an equivalent fall in capital and income values over the next two years, followed by three years of zero growth. The model demonstrated that even under these extreme circumstances the Group remains viable.

Based on their assessment, and in the context of the Group's business model, strategy and operational arrangements set out above, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the 5 year period to September 2024. For this reason, the Board also considers it appropriate to continue adopting the going concern basis in preparing the Annual Report and Consolidated Financial Statements, as disclosed in the Directors' Report on page 32.

# Manager's Review

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**Peter Lowe, Fund Manager** joined BMO Global Asset Management in 2015 from DTZ Investors where he was discretionary Fund Manager for a number of segregated pension fund client accounts. Peter has over 15 years of multidisciplinary experience in both direct and indirect real estate, including transactional, development, valuation, asset management and fund management roles. He is a member of the Royal Institution of Chartered Surveyors and sits on the BMO Real Estate Partners Investment Committee.

## Managers

The Company's investment manager and property manager are, respectively, BMO Investment Business Limited and BMO REP Property Management Limited, a subsidiary of BMO Real Estate Partners, all of which are part of BMO Global Asset Management and, collectively, are referred to in this document as 'the Manager'.

BMO Real Estate Partners is a leading UK-based real estate manager focused on commercial real estate investment and asset management. The team behind BMO Real Estate Partners has been successfully managing commercial property assets for a wide range of UK clients for over 50 years and currently manages (as at 30.06.19) some £6.4 billion of real estate assets, employing 140 staff. The team structure provides for sector specific teams offering specialist capabilities across the market, establishing strong peer to peer and occupier relationships and sourcing of a range of transactional opportunities.

The fund management team and sector heads have on average c.17 years of industry experience each. BMO Real Estate Partners undertakes fund and asset management services as well as, where appropriate, the day-to-day property management, complemented by a project management team and full accounting and service charge teams.

## Portfolio Highlights

- Company portfolio delivered an ungeared total return of 2.9 per cent over the year.
- Out-performance against the MSCI Quarterly Property Universe ("MSCI or 'the index'") over three and five years to June 2019, driven by a relatively high income return and weighting to Industrials. The Company portfolio has outperformed against the Index since inception 15 years ago.
- Income return of 5.3 per cent over the year.
- An encouraging year of leasing activity has led to the portfolio being practically fully let with a vacancy rate of just 0.1 per cent at year-end, well below the MSCI average of 7.2 per cent.
- Capital projects and asset management initiatives have helped deliver 4.4 per cent gross income growth (like for like rent receivable) over the year versus 2.2 per cent for the Index.
- The 40 per cent weighting to high performing South East Industrials delivered c.13 per cent gross income growth for the year.
- The portfolio continues to offer cross sector, institutional quality holdings with a bias towards the Industrial subsector and the south east, while maintaining some exposure to central London.
- Above market yield and income growth, and below market void without sacrificing contractual lease duration, which currently sits at 5.8 years by average weighted unexpired term.
- Lower purchase volumes in a relatively late cycle environment have limited non-recoverable expenditure.
- Disposals from the retail portfolio continue the rebalancing away from an unfavoured subsector and increased average lot sizes.



## Property Market

The UK commercial property market delivered a total return of 3.3 per cent in the year to June 2019 as measured by MSCI. Performance was driven by an annual income return of 4.4 per cent, with capital values falling by 1.1 per cent.

The market recorded consistently positive total returns at the all-property level throughout the year, but performance has decelerated compared with a year earlier, with the second half of the period weaker than the first. The 4.4 per cent income return has slipped slightly from the 4.5 per cent reported a year earlier. Capital growth turned negative during the year, largely due to weakness in the retail market.

The UK economy has delivered muted but positive GDP growth for the year, although the unwinding of Brexit-related stockpiling affected performance during the final quarter. Consumer price inflation decelerated to finish the year at the Bank of England's target level of 2 per cent. The labour market has continued to improve and annual wage growth is positive in real terms. The Bank of England raised its official rate in August 2018 but has kept it unchanged since then, as inflation moderated, and GDP growth remained subdued. Gilt yields have been on a generally downward trend since autumn 2018, finishing the period below 1 per cent and have fallen further since the end of the reporting period. The Brexit negotiations and the consequent economic and political turmoil remained a major concern for investors throughout the period and the ramifications remain unclear. This has affected sentiment towards UK property, intensifying in the second half of the reporting period. Slower economic growth overseas and the rise of protectionism globally are also areas of concern though it may not have fed through into pricing yet.



Investment activity weakened over the period. The year to June 2019 saw £53 billion invested in property versus £66 billion in the previous year. This trend intensified markedly in the latter half of the year. Initially there was a sharp fall in retail investment volumes but by the end of the reporting year, transaction levels were lower than the long-term average across the market. Concerns about Brexit as the initial deadline approached and changes to taxation affecting overseas investors may in part explain the decline. Overseas net investment however remained positive throughout the year. There were fewer large London office deals, but this was counterbalanced by interest in the regions and alternative sectors. Net investment by institutions turned negative in the second part of the year and private property companies were consistent net sellers. Local authorities remained in the market but at lower volumes and with a move to smaller lot sizes towards the end of the period alongside a reported focus on their local area. Open-ended UK direct property funds have seen net outflows consistently since October 2018, with concerns about liquidity returning. The banks are still net lenders to commercial property but there has been stress in the shopping centre market.

Investors have generally been cautious, favouring long-term secure income. There have been reports of more opportunistic investors waiting in the wings to capitalise on any forced sales or portfolio rebalancing, but pricing may need to adjust further before this occurs on any scale. Similarly, business plans linked to the repurposing of retail assets as alternative uses may provide some relief to structural tensions, but this often requires repricing or at least substantial capital injection to bring them forward. Initial yields edged out to 4.6 per cent at the end of the reporting period, compared with 4.5 per cent a year earlier. The softening was most apparent for shopping centres and retail warehousing, with yields hardening for industrials and offices outside London.

Total return performance by segment has broadly maintained the pattern seen since the referendum. Industrial and distribution property continued to out-perform but to a lesser degree in the second half of the year. The annual total return was 10.5 per cent with the south east out-performing the rest of the UK. Annual capital growth of c.6 per cent reflected both open market rental growth and the impact of the change in equivalent yield. Offices recorded a 5.2 per cent total return. Rest of UK Offices led the sub-markets and delivered a 6.2 per cent total return with West End offices lagging at 4.0 per cent but all segments out-performed the all-property average. The well-publicised problems of the retail sector have continued and intensified, characterised by company voluntary arrangements ('CVAs') administrations and store rationalisation. Annual retail total returns were minus 3.8 per cent. Shopping centres and department stores have been particularly badly affected but the problems are widespread with most parts of the market recording negative total returns. These changes are structural and are likely to lead to re-based rent levels and market pricing of investments. Alternatives, including healthcare, hotels and hospitality and student accommodation, out-performed the all-property average to deliver a 6.1 per cent total return. Alternatives are growing in popularity, helped by their generally longer lease profile and now account for 14 per cent of the MSCI Quarterly Property Universe, overtaking retail warehousing over the course of the year in terms of capital value in the Index.



Open market rental growth was marginally lower at the all-property level, hit by weakness in the retail market, where rents fell by 3.8 per cent. Retail rents have been affected by retail failures, but lease negotiations are difficult more generally, with stronger retailers seeking rent cuts to renew. Office rental growth was 1.2 per cent, led by City offices, despite earlier Brexit-related concern. Rental growth was 3.6 per cent for industrials, with the southeast out-performing. This represents a deceleration from the pace reported in the previous year. Alternatives saw 1.2 per cent annual rental growth, with little change from a year earlier. Gross income growth for the year to June 2019 was 2.2 per cent, led by offices and industrials.

The property market is slowing as it moves into a late-cycle phase. There is polarisation by sector and considerable uncertainty exists, with both investors and occupiers remaining cautious. Property looks fairly priced when measured against the post-GFC yield gap against gilts. An all-property annual income return of 4.4 per cent on relatively long-term contracted income still looks appealing when compared against other asset classes.

## Portfolio

Total Portfolio Performance		
	June 2019	June 2018
No of properties	40	42
Valuation (£'000)	343,550	353,625
Average Lot Size (£'m)	8.6	8.4
Net Initial Yield	4.89%	4.74%
	Portfolio (%)	Benchmark (%)
Portfolio Capital Return*	-2.2	-1.1
Portfolio Income Return*	5.3	4.4
<b>Portfolio Total Return*</b>	<b>2.9</b>	<b>3.3</b>

Source: BMO REP Property Management Limited, MSCI Inc

The Company's property portfolio produced an ungeared total return of 2.9 per cent over the year to June 2019 versus an MSCI Index return of 3.3 per cent. The portfolio continues to outperform over three and five years and over the 15 years since inception. Performance was driven by an above market income return of 5.3 per cent but held back by a capital value fall of 2.2 per cent. The portfolio has delivered an annualised ungeared total return of 7.0 per cent per annum over three years and 8.9 per cent over five years.

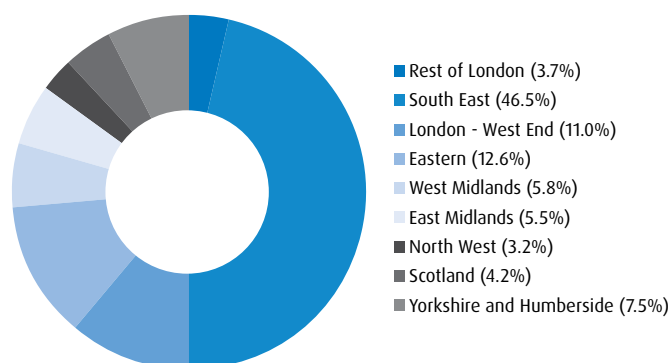
The above market income yield, liquid asset base, weighted average unexpired lease term of approximately 6 years, and absence of vacancy remain the defining characteristics of the portfolio. The portfolio benefits from a yield premium to the MSCI Index but the quality of the underlying assets and the successful delivery of property level initiatives has ensured gross income growth of 4.4 per cent for the year verses 2.2 per cent for the Index. The strategy to maintain a comparatively high exposure to the industrial and logistics market and allocate Company resources to asset management initiatives within the regional office portfolio have been key factors in the delivery of medium-term outperformance. We believe that the high weighting to the south east geography continues to offer solid prospects for future performance as well as liquidity in the asset base, as does the average lot size within the portfolio which is currently £8.6m. As in the previous reporting period, portfolio turnover and the burden of associated transaction costs were relatively low, as were the non-recoverable costs linked to below benchmark property voids. In a lower returning environment, the control of these non-recoverable items is of increasing importance.

Despite a softening of values at the All Property level over the last 12 months, much of this has to date been concentrated within the retail sub sectors or for more secondary property. The market in general remains competitive for quality assets, particularly those with robust income characteristics. Against this backdrop and with selected worthy asset management initiatives under way on the existing portfolio, the Manager continues to be selective in deployment. In the event that there was a repricing of suitable assets later in the year, potentially linked to either political developments or selling activity within the open-ended fund space, the Manager remains vigilant and ready to engage on appropriate opportunities.

The recent priority has been to continue the success of the disposal programme, designed in particular to exit some of the smaller legacy retail assets. A further two assets, at Regent Street, Swindon and Sands Road, Gateshead were sold over the reporting period. This continues the strategy of selling less desirable assets into a competitive, relatively late cycle market with eight having been successfully disposed of over the past three years. This capital has then been recycled into projects within the standing portfolio, the most recent of those being the Office refurbishment at Standard Hill, Nottingham which has resulted in the securing of a new 15-year lease to The College of Law at a new benchmark rental tone for the city.

## Geographical Analysis

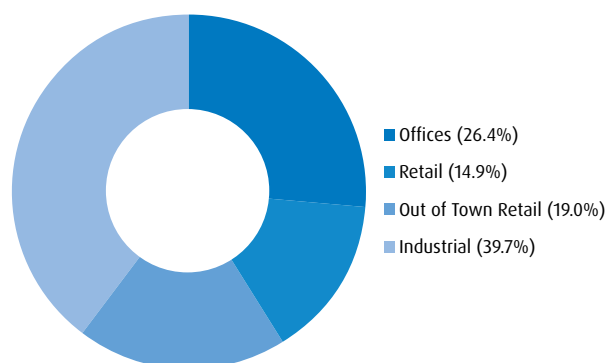
as at 30 June 2019



Source: BMO Rep Property Management Limited

## Sector Analysis

as at 30 June 2019



## Retail

Retails Portfolio Performance		
	June 2019	June 2018
No of properties	21	23
Valuation (£'000)	116,500	134,775
Net Initial Yield	5.74%	5.01%
	Portfolio (%)	Benchmark (%)
Retails Capital Return*	-11.4	-8.5
Retails Income Return*	5.7	5.1
<b>Retails Total Return*</b>	<b>-6.3</b>	<b>-3.8</b>

Source: BMO REP Property Management Limited, MSCI Inc

Despite consumer spending holding up relatively well over the period, retail as a sector has experienced significant structural headwinds. The Company's Retail portfolio was no outlier in this regard and recorded comfortably the poorest nominal performance over the period at -6.3 per cent, anchored by capital return of -11.4 per cent. This return was below the MSCI Index, primarily on account of the performance of the portfolio's Rest of UK and South East standard retail sub sectors which while fully let and delivering yield premium against the market,

experienced higher capital value falls. This demonstrates, in our view, realistic adjustment of the market value for the Company's assets from the portfolio valuers. The portfolio's Retail Warehousing outperformed the Index over the year but still delivered a negative total return of -3.6 per cent, driven by capital falls of 9 per cent. Standout returns were delivered by the asset located at Beverly Way, New Malden which offers right sized, accessible accommodation in an area of very tight supply, with the additional benefit of indexed linked rents. The Company's exposure is generally at the lower rented end of the market, with an absence of fashion tenants and benefitting from higher income yield than the index peers. This will by no means entirely insulate the asset base against the threats clearly evident within the sector, though we feel it should offer some relative defence. The sale of the retail warehousing asset at Sands Road, Gateshead to an institutional buyer in line with its latest valuation demonstrated both liquidity and pricing. A second disposal, the high street retail asset at Regent Street, Swindon, sold to an owner occupier, was also conducted at market valuation. Retail accounts for c.34 per cent of the portfolio's assets, broadly in line with the MSCI Index in terms of weighting, with 19 per cent of assets accounted for by Retail Warehousing. Structurally the portfolio benefitted from the absence of any Shopping Centres or Department Stores.

Given downgrades to the sector linked to changing shopping patterns and the rise of online and consumer spending, we continue to see rents challenged in most locations. The increased use of CVA's has undermined the perceived security of a lease contract with the feeling of injustice spreading to those occupiers operating successful strategies and paying historic market rents. There is clearly significant risk of the ongoing relevance of many retailing locations at the secondary end of the market while prime assets will not be beyond the reach of falling rents and rising yields. Vacancy rates are not as yet unduly high, however, there has been a recent jump up above the 10% threshold. There are retailers taking space and trading well but lease lengths are falling and turnover rents gaining in popularity with around a third of vacant space having been empty for more than two years. Some of this is now being repurposed for leisure, hotels, residential or simply demolished, although generally there is pricing impact or requirement for significant capital injection to realise these outcomes. It will take time but we anticipate that the thriving town centres of the future will encompass retail as part of a wider range of facilities and community uses. On a more positive note there is also an increasing recognition that stores and online shopping can be complementary in driving sales, something we are seeing within the Company assets with particular relevance to the retail warehousing portfolio, where accessibility, storage, stock capacity and lower global rents can play a role in a multi-channel offer.

As addressed in the previous period, the portfolio suffered some impact from the 2018 CVA of Homebase following the sale of the business to restructuring specialists Hilco. None of the Company's assets let to Homebase were vacated, with rents unaffected at the store at Bromsgrove (where an insurance lease to an occupier with a Dunn & Bradstreet rating of 5A1 was put in place to cover for any future failure). There was a partial reduction at another store in Luton on a short lease expiring 2020, a property where planning consent has now been granted and a pre-let agreed for a food store redevelopment to create a fully let, long dated

inflation linked asset exchanged. One unit was impacted on a meaningful basis and this was the retail warehouse unit at Northfields Retail Park, Rotherham where the CVA bound the Company to accepting a discounted rent. We continue to realise the business plan for the site having recently agreed terms to let the property at an improved rent.

A number of sales have been conducted from the retail segment of the portfolio over recent years, both as part of a reweighting exercise and with a view to crystallising performance. There is no intention to embark upon a wholesale exit from the sector. Many of the portfolio's assets continue to offer valuable contribution towards the Company objective and while demand from investors is undoubtedly thin at present, the Manager remains active in seeking exit strategies where appropriate, subject to achieving acceptable pricing.

## Offices

Offices Portfolio Performance		
	June 2019	June 2018
No of properties	10	10
Valuation (£'000)	90,750	89,200
Net Initial Yield	4.38%	4.93%
	Portfolio (%)	Benchmark (%)
Offices Capital Return*	0.8	1.4
Offices Income Return*	5.1	3.8
Offices Total Return*	6.0	5.2

Source: BMO REP Property Management Limited, MSCI Inc

The Company's Office assets comprise 26 per cent of the portfolio and outperformed the MSCI Index by 80 bps over the year returning 6.0 per cent, driven by a higher income return. West End Offices and Rest of UK Offices led the way following successful asset management, refurbishment and leasing. Of particular note was the letting, post extensive refurbishment, of the office at Standard Hill, Nottingham to the College of Law on the basis of a new 15-year lease at a rent of £576,000 p.a. This property is featured in our responsible property investment spotlight on page 27. There has also been refurbishment work at the property at 14 Berkeley Street, London, to reposition the suites to satisfy demand for more flexible space. Following completion, the 1st and 5th floors were let during the second half of the period, above valuation assumptions. The office portfolio is fully let.

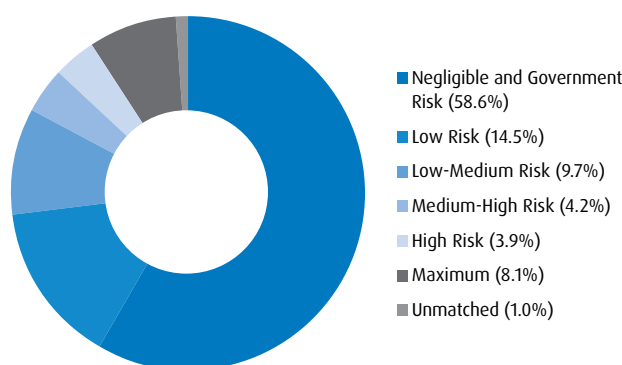
While there could be some Brexit-related nervousness in the short-term, the prime end of the Office market looks generally sound, benefiting from healthy demand, low new supply levels, which could be prolonged due to high building costs, and relatively attractive yields. Despite the uncertainty surrounding Brexit, take-up in Central London has held up reasonably well. The tech sector remains buoyant and demand is increasing from professional services. New supply is low and availability is falling, leading to a reduction in the vacancy rate both in the City and West End. Around 50 per cent of space under construction is pre-let. These supply constraints may be felt more keenly once the Brexit terms are finalised if delayed tenant moves are

actioned. Rental growth is positive, rising by 1.6 per cent in the City and 1.1 per cent in the West End on an annual basis. Over the longer-term, we expect London's performance to remain robust, helped by its role as a global city and low levels of new supply.

Occupier requirements are changing with leases becoming more flexible and tenants seeking well specified and connected buildings. Access to talent remains key. With building quality and flexibility becoming increasingly important to occupiers, there may be implications for capital depreciation. We expect city centres to out-perform given their generally greater amenity level and connectivity and for prime property to out-perform secondary assets.

## Covenant Strength

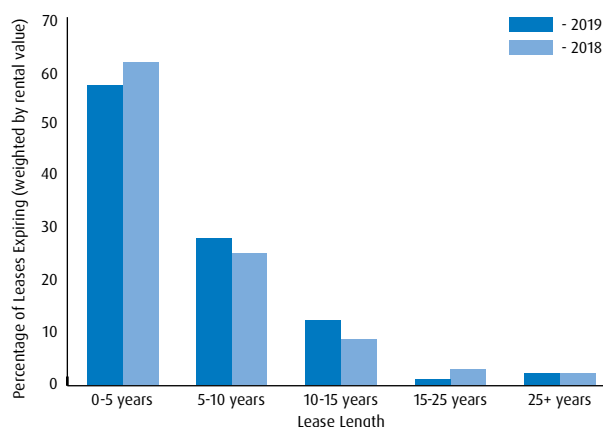
as at 30 June 2019



Source: BMO Rep Property Management Limited

## Lease Expiry Profile

as at 30 June 2019



As at 30 June 2019 the weighted average lease length for the portfolio, assuming all break options are exercised, was 5.8 years (2018: 5.9 years).



## Industrial and Logistics

Industrial and Logistics Portfolio Performance		
	June 2019	June 2018
No of properties	9	9
Valuation (£'000)	136,300	129,650
Net Initial Yield	4.55%	4.33%
	Portfolio (%)	Portfolio (%)
Industrials Capital Return*	5.1	11.9
Industrials Income Return*	5.0	5.0
<b>Industrials Total Return*</b>	<b>10.3</b>	<b>17.3</b>

Source: BMO REP Property Management Limited, MSCI Inc

The Company's Industrial and logistics properties were again the standout performers over the year. Standard industrials outperformed distribution warehouses and both were well ahead of the all-property average. Industrials and Logistics properties comprised c.40 per cent of the portfolio by value as at the year end. This structural overweight to the best performing sub-market is a key reason for the portfolio's outperformance over the medium and long term. The Company's assets are located exclusively in the supply constrained south east where we continue to see strong demand from a range of occupiers. While there has been a supply pickup regionally, the low level of existing supply in the south east is compounded by intense competition for land from both commercial and residential uses as well as a generally restrictive planning policy. Against this background the Company's Industrial properties have delivered 13 per cent income growth over the year. We remain wary of the compressing of yields across the sector as a whole and while income growth has continued to justify the sector, there is clearly a risk that Industrials become over bought. Stock selection and property fundamentals will be of increasing importance moving forward. The Manager continues to focus on mid-box clusters as the basis for the portfolio exposure, located in the key distribution locations and infrastructure hubs with both fit for purpose site and accommodation.

Most of the top performing assets within the portfolio over the year were South East Industrial properties and over three years, the Company's top five performing assets all hail from this subsector. The whole subsector has shown attractive relative capital and income returns but the latter part of the period has shown some disaggregation based upon asset fundamentals and this will be of greater importance moving forward. A key contribution in the Company portfolio came from the holding at Southampton International Business Park, Eastleigh where rental growth in the open market was again combined with asset management to extend the lease terms and deliver income growth. A further positive contribution came from Lakeside Industrial Estate, Colnbrook where success in renewing existing leases and progress on re-gearing upcoming lease expiries combined with the continued strength of investor appetite for multi-let estates located in the Capital drove performance.



Despite the market being well bid for best in class stock, investment activity weakened in the latter half of the year to touch its lowest level since the referendum, with portfolio activity in particular being more muted. The occupational market is perhaps a little patchier than headline numbers and media commentary might suggest. Standard industrial rental growth out-paced that of distribution on an annual basis with some signs that rental growth is moderating in both sub-markets. Nonetheless it remains above the long-run average and remains one area of the market delivering growth. There is greater activity in the prime market, with demand in the secondary sector more static. Supply is edging higher and there is more than 7 million sq. ft. of space under construction according to Savills, with some meaningful geographic variance in availability. More than half the space currently available is Grade A space.

The industrials market is expected to continue to out-perform, but there are signs that the degree of out-performance could moderate. Demand is likely to be supported by the continued growth of online but increased supply and low margin contracts could cap rental growth prospects, while Brexit could simultaneously lead to both a shift to warehousing in mainland Europe and some nearshoring or stockpiling within the UK itself. Quality, flexibility and location to major markets and skill hubs is critical.

### Alternatives

The Company does not currently own any 'Alternatives' in the strictest sense but does have exposure to long let automotive investments, classified by some as alternatives on account of their bespoke accommodation and leasing characteristics. By capital value this is c.5 per cent of total assets, currently allocated to the retail subsector for weighting purposes.



MSCI data shows Alternatives (other commercial) delivering an annual total return of 6.1 per cent for the year versus 3.3 per cent for all-property.

The alternatives market was a primary driver for investment activity early in the reporting period but weakened by the final quarter, with few large deals completed. Post-period end there has been one transaction over £1 billion and four more deals above £250m. Overseas interest remains significant and the specialist REITs are still buying, although we have also witnessed selected and opportunistic selling.

The sector is evolving and growing in importance. Certainly, access remains a medium-term strategic target for the Company given both the demographic and structural drivers and the policy support for many of the constituent segments of the market. However, there is a clear risk that some buyers are being pushed up the risk curve in order to obtain representation. This specific tenant and subsector risk needs to be correctly priced. There could be some challenges from regulatory changes, rising costs linked to Brexit and supply issues in some parts of the market. Despite this, the sector is expected to remain in favour with investors, but with some increased variation in performance between its component parts. At the asset level, issues regarding covenant and operational risk remain.

### Outlook

Brexit, and its economic and political repercussions, is expected to remain a major influence on sentiment. Whilst the uncertainty remains unwelcome, the possibility of some fiscal easing and a prolonged period of low interest rates may not be entirely negative for property. The industrial market is expected to continue to out-perform, helped by the growth of online retailing but may face more headwinds than in the recent past. For offices, the demand for more flexibility in lease terms and improved building specification are likely to remain major

factors for occupiers but a lack of supply could underpin improved rental growth once there is post-Brexit clarity. We expect retail property to undergo further correction but to stabilise at lower levels in due course. This unwinding is undoubtedly the largest risk for the market and the portfolio. We see Central London and affluent towns with a tourist or educational dimension being relatively resilient over the longer term, though not immune. With muted economic growth and investor sentiment restrained, we expect income to be the major driver of performance.

The Company's high weighting to the supply constrained south east, held at yield premium to the market, alongside the c.40 per cent exposure to the Industrial and Logistics market, an area of the market forecast to outperform, place the portfolio on a solid defensive footing.

The consistent demand for the Company's properties demonstrated both by the low vacancy rate and recent evidence of above market income growth, offer much to be positive about. The successful realisation of capital works projects at Standard Hill, Nottingham along with asset management at Berkeley Street, London and the Industrials at Eastleigh demonstrate a recent track record of value-add initiatives. Similar results at the pre-let supermarket development at Luton and the office scheme at Chelmsford in particular should add valuable income to the portfolio.

### Peter Lowe

BMO REP Property Management Limited  
19 September 2019

\* See Alternative Performance Measures on page 75.



# Responsible Property Investment

The integration of environmental, social and related corporate governance (ESG) matters into our investment and management approaches, including in relation to our engagement with our key stakeholders, has continued to be a core feature of 2018-19. For the interim period to 30 December 2018 we published for the first time a full Responsible Property Investment (RPI) Report, detailing: a suite of commitments and their progress to advance the approach of the Company in relation to material ESG attributes; environmental and social performance indicators aligned with The European Public Real Estate Association's (EPRA) sustainability Best Practices Recommendations; and a range of what we consider to be other key environmental risk metrics.

The four pillars of the Company's RPI Strategy remain consistent with those reported in the RPI report:

1. Leadership & effectiveness – measures through which we will demonstrate effective governance in relation to ESG criteria, a theme that is particularly pertinent to our shareholders in the context of our outsourced investment and property management arrangements.
2. Investment process – Procedures through which we integrate ESG into the investment process, ensuring that material factors are central to investment decision-making and property management so that relevant risks to income and long-term performance are addressed in a timely and efficient manner.
3. Portfolio – attendance to and optimisation of material ESG performance and risk factors across the portfolio, with a particular emphasis on resource efficiency and renewable energy, occupier well-being and satisfaction, managing the implications of new regulations concerning minimum energy standards for leased properties, and ensuring that our properties are not used by organisations connected to controversial weapons activities.
4. Transparency – approach to investor reporting and public disclosure on relevant ESG factors, including participation in recognised industry reporting initiatives and through alignment to applicable standards of best practice.

A summary of continued progress against our RPI commitments through 2018-19 is set out below, whilst the 2019 Responsible Property Investment Report, available from the Company website, provides greater detail on our activities, performance, and the profile of the portfolio with respect to material ESG factors.

## Key to status symbols



Fulfilled (including those that are ongoing)



Commitment not fulfilled







Commitment in progress and on track

















New commitment established in 2019



Commitment in progress but behind schedule

ESG Commitment	Status	Progress
<b>Leadership and Effectiveness</b> – measures through which BREI will demonstrate effective governance in relation to ESG criteria.		
Participate in the Global Real Estate Sustainability Benchmark (GRESB) from 2018, with the objective thereafter of realising year-on-year improvements in score and peer group ranking.		<p>We participated in the GRESB survey for the first time in 2018, achieving an inaugural score of 43 out of 100. This resulted in a one-star rating.</p> <p>The portfolio achieved an overall score of 60 in the 2019 GRESB Real Estate Survey, the 17 point improvement representing a 39.5% increase over the previous year's count. The Fund maintained its one-star status. The Company also achieved a B rating in the GRESB Public Disclosure assessment representing a much improved level of transparency for disclosure of ESG related information.</p> <p>We recognise the important role that GRESB has played in facilitating the advancement of the RPI agenda within the commercial real estate sector globally, and our commitment to participating in the survey remains. However, we are also cognisant of its inherent limitations and the results of all participants in the Survey should be interpreted with these limitations in mind. We would be happy to discuss our observations in this regard with our shareholders and other stakeholders, albeit in full acknowledgement of the fact that we will be continuing to pursue improved scores and rankings in the years ahead.</p>
<b>Investment Process</b> – procedures through which BREI integrates ESG into the investment process.		
Confirm classification of all assets within the manager's Asset Classification System by procuring EPC assessments for those assets for which an EPC is not in place. Implement routine of Asset & Property Management actions according to the classification of each asset and the manager's corresponding RPI Requirements for Asset Managers and Property Managers.		<p>One of the driving criteria in the Asset Classification System is the EPC rating of the properties. The Company has maintained 100% EPC coverage throughout the reporting period, obtaining updated assessments as EPCs expire or asset improvements dictate. According to the classification system seven assets fall into the upper (more material) tier, whilst the number in the second tier is 19 and the third tier is 14.</p> <p>The distribution of energy ratings for the portfolio shows that 4.15% of income, corresponding to 2.68% of floor area, is associated with F or G rated properties. Our approach to managing these issues is explained in the RPI Report.</p> <p>This is an ongoing commitment and our comprehensive and diligent approach has ensured that it has been fulfilled from 2018.</p>
Where assets have been classified, undertake RPI Appraisals of all Tier 1 assets by end of 2017, Tier 2 assets by end of Q2 2018 and Tier 3 assets by end of Q4 2018. Asset Business Plans to be updated to reflect the findings of the RPI Appraisals. Appraisals to be kept updated on an annual basis.		<p>RPI Appraisals have been completed for all assets in relation to issues that we have determined to be potentially material to future investment performance, such as EPC ratings, green building certification coverage and contamination. A comprehensive, desk-based screening of the exposure of all assets to flood risk, using a range of up-to-date public and proprietary modelled data, has also been undertaken.</p> <p>The aggregated profile of the key ESG risk metrics arising from these RPI Appraisals is disclosed and discussed in the RPI Report.</p> <p>Completed RPI Appraisals are being used to inform the asset business planning process and will be subject to ongoing annual review.</p>
Undertake RPI Appraisals on 100% of new acquisitions prior to transaction closure, with investment critical findings reported to the Property Investment Committee and relevant findings and improvement recommendations incorporated into the Asset Business Plan.		<p>The Company has not acquired any new assets within the reporting period, however, we are ready to implement an enhanced approach to capturing and evaluating material ESG factors in the form of an extended brief for consultants engaged in due-diligence enquiries, completion of an RPI Appraisal and specific coverage within the Investment Committee approval process.</p>

ESG Commitment	Status	Progress
<b>Portfolio</b> – attendance to material ESG performance and risk factors across the portfolio.		
Using aggregated data from asset level RPI Appraisals, prepare an annual report to shareholders on the exposure of the portfolio to key ESG risks including those pertaining to energy (including MEES), water, waste, flooding contamination, accessibility and building certification.		The 2018 interim RPI Report provided the first Portfolio ESG Profile. On the Company website, an updated profile can be found in the 2019 RPI Report.
Establish year-on-year intensity-based energy, carbon, water and waste reduction targets for landlord services against an appropriate baseline.		<p>Building on the steps that have already been taken with the support of Carbon Credentials to develop and implement an environmental monitoring protocol, a comprehensive third-party analysis of data robustness for energy and carbon was completed by Verco Advisory Services Limited for the whole of the portfolio, covering annual data for both 2017 and 2016. From this, the relative energy efficiency and absolute landlord-procured energy consumption of each asset has been determined, allowing assets to be classified according to the relative materiality of their in-use energy performance attributes.</p> <p>Following this process, Verco Advisory Services Limited provided advice on the establishment of a long-term target for reducing energy consumption across the portfolio, using a methodology consistent with the goal of the Paris Agreement on Climate Change to limit global warming to less than 2°C above pre-industrial levels.</p> <p>Informed by the long-term framework, we established asset-specific energy targets for 2018-19 amounting to an average reduction target for the portfolio of 3% for the year.</p> <p>In addition, we have set a portfolio-wide water use reduction target for 2018-19 of 1% for directly managed assets.</p> <p>We continue to make efforts to improve the collection of waste data to enable us to determine site-level waste management targets.</p>
Reduce landlord energy consumption on a like-for-like basis during 2018-19 by 4%.		Progress against these new targets will be reported in our 2019 Responsible Property Investment Report, to be published following the completion of independent assurance of our energy data by Lucideon.
Reduce water consumption in directly managed assets by 1.0% on a like-for-like basis during 2018-19.		
Eliminate landlord-managed waste to landfill by the end of 2020.		
Set a long-term (2030 or beyond) target for energy (and carbon) reduction according to a recognised science-based targets methodology.		<p>Our long-term target of reducing the energy intensity of the portfolio, determined with the advice of energy and carbon management specialist, Verco Advisory Services, was confirmed in the 2018 Annual Report. This new target, identified separately below, exceeds the science-based Sectoral Decarbonisation Approach pathway and has been used to frame the establishment of asset-specific energy reduction targets for 2018-19, which average to 3% for the managed portfolio.</p> <p>Application for recognition of this long-term target was made to the Science Based Targets initiative in August 2018 but as yet no formal reply has been received.</p>
Reduce the like-for-like energy intensity of the portfolio by 20% per square meter by 2031, against a 2016 baseline, for landlord-procured energy.		Progress against this new target will be reported in our 2019 Responsible Property Investment Report, to be published following the completion of independent assurance of our energy data by Lucideon.

ESG Commitment	Status	Progress
Establish a basis for measuring occupier wellbeing and satisfaction across the portfolio and set targets by 2020 for improved performance in this regard.		We have commenced a pilot occupier satisfaction survey programme with the support of specialist customer experience consultancy, RealService. However, restrictions imposed under GDPR have resulted in a protracted timetable for occupier engagement. We hope to be able to disclose the results of this initial survey, together with our response to them, later in 2019.
Have in place 100% renewable electricity supplies for all landlord procured power by the end of 2018.		We renewed landlord electricity contracts at the end of Q3 2018 resulting in 100% of supplies being from certified renewable energy sources.
Prohibit new lease contracts with organisations connected to the production, storage, distribution or use of Controversial Weapons. Monitor the tenant mix of the Company on a regular basis and exercise discretion when considering leasing to organisations involved in other controversial activities and engage regularly with investors on their expectations in this regard.		We continue to monitor our tenant mix as part of our commitment to minimising our leasing exposure to organisations connected to the production, storage, distribution or use of Controversial Weapons. 0% (zero percent) of rental income was attributed to organisations that appear on the exclusions list managed by BMO Global Asset Management as at 30 June 2019.
<b>Transparency</b> – approach to investor reporting and public disclosure on relevant ESG factors.		
Submit the Minimum tier questionnaire of the Carbon Disclosure Project (CDP) General Climate module in 2019 and the Full tier from 2020 onwards, whilst investigating the potential to submit across the Water and Supply Chain modules.		The Property Manager made its first submission to the full tier general climate module on behalf of the Company in 2019. The results will be made available to our shareholders on request.
Align Non-Financial Reporting to the 3rd Edition of the EPRA Sustainability Best Practices Recommendations. Include summary of performance measures in the 2019 Annual Report, linked to full ESG disclosure on Company website.		Ahead of our 2019 commitment, we prepared our first RPI Report for the 2018-19 interim period, with the inclusion of ESG data for the 2018 financial year, and setting out our performance against a range of ESG metrics. This is aligned to the latest EPRA sustainability Best Practices Recommendations. On the Company website, an updated 2019 report can now be found, representing the first report with non-financial disclosures aligned with the Company's Annual Report and Consolidated Financial Statements.  We recognise that we have work to do to increase the extent of the portfolio for which we hold data, especially for environmental metrics. Our priorities for the remainder of 2019 include extending the scope of the data captured.
Produce in the 2019 Annual Report a 'roadmap' towards financial reporting in line with the recommendations of the Financial Stability Board (FSB) Task Force on Climate-Related Financial Disclosures (TCFD).		We have continued to advance our approach to addressing climate risk across our portfolio and through our investment processes during 2018-19.  Disclosures aligned to the TCFD recommendations are set out as an appendix to the RPI Report online, along with a statement of intended actions for the remainder of 2019 and beyond which are intended to further develop the precision of our analysis of, and response to, climate risks and opportunities.
Provide six-monthly dashboard and commentary updates to shareholders on key ESG attributes for the portfolio.		Our first RPI Report established a baseline to the evolving profile of ESG characteristics that will occur as a result of portfolio churn, management action and changing external circumstances.  The RPI Report provides shareholders with an update across a full range of ESG metrics. Thereafter, and between annual RPI reports, a summary of notable changes will be presented to shareholders within interim reports.



# Spotlight on Royal Standard Place, Standard Hill, Nottingham

An extensive refurbishment of prime office space in Nottingham's central business district to provide fresh, clean and attractive quality workspace for leasing.



Situated in Nottingham's business quarter, and positioned at one of the major gateways into the city centre, Royal Standard Place is an imposing building built in 2000 as part of the redevelopment of the former Nottingham General Hospital site. Offering some 28,000 square feet of office space, this well connected building has bus and tram stops at its doorstep and is within walking distance to the city's central rail station. Expiry of the previous lease presented the Company with an opportunity to undertake a £2.2m refurbishment and create a modern, clean and sustainable asset, attractive for the occupier market, and secure a long-term 15 year lease to an established occupier.

Commissioning a reputable architectural practice and a local main contractor operating under a formal building contract with contractor's design, sustainability considerations featured prominently throughout the design stage and a range of attractive characteristics were incorporated into the completed project.

## Internal environment

- New glazing with 80% light transmittance reducing demand for artificial lighting
- High levels of internal natural daylight to help improve staff comfort and wellbeing
- New heat pumps as an integral part of the heating and ventilation strategy
- Reduced energy consumption through high efficiency heating and cooling design with associated carbon emissions reduction
- Occupancy sensing lighting & water controls anticipated to deliver reduced demand for lighting by 10% and water usage by 60%
- 5.1 kWp roof mounted solar photo voltaic panel system generating some 4,000 kWh of renewable energy per annum, reducing grid demand, offsetting landlord service charge expense and offsetting over 2 tonnes of CO<sub>2</sub>e per annum.

## External environment

- Installation of three Electric Vehicle Charging Points to provide facilities to occupiers and support transition to a low carbon society, align with D2N2 Low Carbon Action Plan and Nottingham's Go Ultra Low Strategy
- New cycle storage, shower and changing room facilities to create additional travel to work options and support and facilitate occupier wellbeing initiatives

# Property Portfolio

As at 30 June 2019

Property	Sector
<b>Properties valued in excess of £10.0 million</b>	
London W1, 14 Berkeley Street	Offices
Banbury, 3663 Unit, Echo Park	Industrial
Colnbrook, Units 1-8 Lakeside Road	Industrial
Eastleigh, Southampton International Park	Industrial
Hemel Hempstead, Hemel Gateway	Industrial
York, Clifton Moor Gate *	Retail Warehouse
Bracknell, 1-2 Network Bracknell, Eastern Road	Industrial
Theale, Maxi Centre, Brunel Road	Industrial
Edinburgh, 1-2 Lochside Way, Edinburgh Park	Offices
Eastleigh, Wide Lane	Industrial
Basingstoke, Unit K60	Industrial
<b>Properties valued between £7.5 million and £10.0 million</b>	
New Malden, 7 Beverley Way	Retail Warehouse
Andover, Keens House, Anton Mill Road	Offices
Milton Keynes, Site E Chippenham Drive	Industrial
Nottingham, Standard Hill	Offices
London, 24 Haymarket & 1-2 Pantom Street	Retail
Leamington Spa, 30-40 The Parade & 47/59a Warwick Street	Retail
Chelmsford, County House, County Square	Offices
<b>Properties valued between £5.0 million and £7.5 million</b>	
Bromsgrove, Brook Retail Park, Sherwood Road	Retail Warehouse
Luton, Enterprise Way	Retail Warehouse
Northallerton, Willowbeck Road	Retail Warehouse
High Wycombe, Glory Park	Offices
St Albans, 16, 18 & 20 Upper Marlborough Road	Offices
Bury, Halls Mill Retail Park, Foundry Street	Retail Warehouse
Winchester, 7-8 High St. & 50 Colebrook Street	Retail
Rotherham, Northfields Retail park	Retail Warehouse
Guildford, 51-53 High Street	Retail
<b>Properties valued under £5.0 million</b>	
Nelson, Churchill Way	Retail Warehouse
Newbury, The Triangle, Pinchington Lane	Retail Warehouse
Nottingham, Park View House	Offices
Sunningdale, 53/79 Chobham Road, Berkshire	Retail
Nottingham, 21/22 Long Row East and 2/6 King Street	Retail
Rayleigh, 41/47 High Street	Retail
Bellshill, Mercury House, Strathclyde Business Park	Offices
Kingston upon Thames, 11 Church Street	Retail
Redhill, 15 London Road	Offices
Sutton Coldfield, 63-67 The Parade	Retail
Nottingham, 25-27 Bridlesmith Gate	Retail
Rayleigh, 81/87 High Street	Retail
Birmingham, 155a/163, High Street, Kings Heath	Retail
* Leasehold Property	

A large, modern, multi-story building with a brick facade and extensive glass windows, reflecting the sky and surrounding environment. The building is situated next to a parking lot filled with various cars. A speed limit sign (10) is visible on the left side of the image.



# Directors

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**Vikram Lal<sup>†‡</sup>, Chairman**

was appointed as a Director in April 2013. He is a qualified chartered accountant and was, until 2003, an executive director of Brewin Dolphin Holdings plc with responsibility for corporate finance. Prior to joining Brewin Dolphin, he worked as a corporate financier for many years. He is also a director of a private limited company.



**Mark Carpenter<sup>\*‡</sup>**

was appointed as a Director in May 2015. He is a chartered surveyor and is a Director of Investment at Nuveen Real Estate, a global real estate asset management company. He is also a non-executive director of other Nuveen Real Estate property funds.



**Andrew Gulliford<sup>†‡</sup>**

was appointed as a Director in May 2004. He is a chartered surveyor and was, until 1 January 2006, deputy senior partner of Cushman & Wakefield Healey & Baker. He joined one of its predecessor firms in 1972 and was head of the firm's investment group for twelve years until the end of 2002. He advises a number of institutions on property matters.



**David Ross<sup>\*‡</sup>**

was appointed as a Director in March 2015. He was a founding partner of Aberforth Partners LLP, an investment management firm specialising in investing in UK smaller companies, from which he retired in 2014. He is also a non-executive director of EP Global Opportunities Trust plc and JP Morgan US Smaller Companies Investment Trust plc.



**Alexa Henderson<sup>\*‡</sup>, Chairman of the Audit and Risk Committee**

was appointed as a Director in December 2015. Alexa is a member of the Institute of Chartered Accountants of Scotland and was previously a director of the WM Company. She is a non-executive director and Chairman of JPMorgan Japan Smaller Companies Trust plc, and a non-executive director of Standard Life UK Smaller Companies Trust. She is also a non-executive director of Bravura Solutions Limited.

\* Member of the Audit and Risk Committee

† Member of the Management Engagement Committee

‡ Member of the Nomination Committee



# Directors' Report

The Directors present their report and consolidated financial statements of the Group for the year ended 30 June 2019.

## Statement Regarding Annual Report and Consolidated Financial Statements

Following a detailed review of the Annual Report and Consolidated Financial Statements by the Audit and Risk Committee, the Directors, in accordance with the UK Corporate Governance Code, consider that taken as a whole, the Annual Report and Consolidated Financial Statements are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy. In reaching this conclusion, the Directors have assumed that the reader of the Annual Report and Consolidated Financial Statements would have a reasonable level of knowledge of the investment industry in general and the investment company and real estate sector in particular.

**Guernsey registration number:** 41870

## Results and Dividends

The results for the year are set out in the attached consolidated financial statements.

The Company has paid interim dividends in the year ended 30 June 2019 as follows:

Interim Dividends 2019		
	Payment date	Rate per share
Fourth interim for prior year	28 September 2018	1.25p
First interim	31 December 2018	1.25p
Second interim	29 March 2019	1.25p
Third interim	28 June 2019	1.25p

A fourth interim dividend of 1.25p will be paid on 30 September 2019 to shareholders on the register on 13 September 2019.

## Dividend policy

As a result of the timing of the payment of the Company's quarterly dividends in March, June, September and December, the Company's shareholders are unable to approve a final dividend each year. As an alternative the Board therefore proposes to put the Company's dividend policy to shareholders for approval on an annual basis. Resolution 3, which is an ordinary resolution, relates to the approval of the Company's dividend policy which is as follows: Dividends on the Ordinary Shares are payable quarterly at the end of March, June, September and December.

## Principal Activity and Status

The Company is an authorised closed ended Guernsey registered company and during the year carried on business as a property

investment company. The Company's shares are traded on the Main Market of the London Stock Exchange.

The Group elected into the UK REIT regime on 1 January 2015.

The principal activities of the Company's subsidiaries are included in note 9 to the consolidated financial statements.

## Directors

Biographical details of the Directors, all of whom are non-executive can be found on page 30.

As explained in more detail under Corporate Governance on page 34, the Board has agreed that all the Directors will retire annually. Accordingly Mr Gulliford, Mr Lall, Mr Ross, Mr Carpenter and Ms Henderson will retire at the Annual General Meeting and, being eligible, will offer themselves for re-election.

Having served 15 years on the Board, Andrew Gulliford has indicated his intention to retire by the 2020 AGM. The Board have therefore commenced the search for a suitable non-executive director with the relevant property expertise and experience to replace Mr Gulliford following his retirement. As part of this process, consideration will also be given to the requirement to seek, where appropriate, additional diversity with the Board.

The Directors believe that the Board has an appropriate balance of skills, experience, independence and knowledge of the Company to enable it to provide effective strategic leadership and proper guidance in relation to the Company. The Board confirms that, following the evaluation process set out in the Corporate Governance Statement on pages 34 and 35, the performance of each of the Directors continues to be effective and demonstrates commitment to the role. The Board therefore believes that it is in the interests of shareholders that these Directors are re-elected.

There are no service contracts in existence between the Company and any Director. Each of the Directors was appointed by a letter of appointment which sets out the main terms of their appointment. Amongst other things, the letter includes confirmation that the Directors have a sufficient understanding of the Company and the sector in which it operates and sufficient time available to discharge their duties effectively taking into account their other commitments. Those letters are available for inspection upon request at the Company's registered office.

## Management

The Board has appointed BMO Investment Business Limited (BIB) as the Company's investment managers and BMO REP Property Management Limited (BMO REP) as the Company's property managers. BIB and BMO REP are both part of the BMO Asset Management (Holdings) plc ('BMO') group and, collectively, are

referred to in this document as 'the Manager'. BIB was appointed as the Company's AIFM on 18 July 2014.

BIB provides investment management services to the Group. Details of the agreement between the Group and the Manager in respect of management services provided is given in note 2 to the consolidated financial statements.

The Board has a Management Engagement Committee which keeps under review the appropriateness of the Manager's appointment. In doing so the Committee considers the investment performance of the Group and the capability and resources of the Manager to deliver satisfactory investment performance. It also considers the length of the notice period of the investment management contract and the fees payable to the Manager, together with the standard of the other services provided.

The Directors are comfortable with the Manager's ability to deliver satisfactory investment performance, and the quality of other services provided. It is therefore their opinion that the continuing appointment of the Manager on the terms agreed is in the interests of shareholders as a whole.

### Depository

JPMorgan Europe Limited acts as the Company's depository in accordance with the AIFM Directive. The depository's responsibilities which are set out in an Investor Disclosure Document on the Company's website include cash monitoring, segregation and safe keeping of the Company's financial instruments where appropriate and monitoring the Company's compliance with investment limits and leverage requirements.

### Share Capital

As at 30 June 2019 there were 240,705,539 Ordinary Shares of 1 pence each in issue. Subject to the Articles of Incorporation, all shares rank equally for dividends and distributions and carry one vote each and there are no restrictions concerning the transfer of Ordinary Shares in the Company. No agreements between the holders of Ordinary Shares regarding their transfer is known to the Company and there is no agreement which the Company is party to that affects its control following a take over bid.

### Substantial Interests in Share Capital

At 30 June 2019 the Company had received notification of the following holdings of voting rights (under the Financial Conduct Authority's Disclosure Guidance and Transparency Rules):

Substantial Shareholdings		
	Number of Ordinary Shares Held	Percentage Held†
Aviva	19,744,695	8.2
Blackrock	14,381,607	6.0
Schroders	11,335,586	4.7

† Based on 240,705,539 Ordinary Shares in issue as at 30 June 2019.

Since the year end Blackrock have announced changes to their holding and reported that they held 11,999,586 ordinary shares in the Company (5.0 per cent.) There have been no new holdings notified since the end of the year.

### Going Concern

In assessing the going concern basis of accounting the Directors have had regard to the guidance issued by the Financial Reporting Council. They have reviewed detailed cash flow, income and expense projections in order to assess the Group's ability to pay its operational expenses, bank interest and dividends. The Directors have examined significant areas of possible financial risk including cash and cash requirements and the debt covenants, in particular those relating to loan to value and interest cover. The Directors have not identified any material uncertainties which cast significant doubt on the Group's ability to continue as a going concern for a period of not less than 12 months from the date of the approval of the consolidated financial statements. The Board believes it is appropriate to adopt the going concern basis in preparing the consolidated financial statements. The Group's longer term viability is considered in the Viability Assessment and Statement on page 15.

### Modern Slavery Act 2015

As an investment vehicle the Company does not provide goods or services in the normal course of business and does not have customers or employees. Accordingly, the Directors consider that the Company is not required to make any slavery or human trafficking statement under the Modern Slavery Act 2015. The investment manager, however, does provide goods and services and is required to make a statement under the Modern Slavery Act 2015 which is available at the Managers website at [bmogam.com](http://bmogam.com).

### Future Developments of the Company

The outlook for the Company is set out in the Chairman's Statement on page 7 and the Manager's Report on page 22.

### Annual General Meeting

The Notice of the Annual General Meeting, to be held on 19 November 2019 is set out on pages 71 and 72.

### Directors' Authority to Allot Shares

In accordance with the provisions of the Listing Rules, the directors of an overseas premium listed company are not permitted to allot new shares (or grant rights over shares) for cash without first offering them to existing shareholders in proportion to their existing holdings.

The Board therefore proposes a resolution at this year's Annual General Meeting which, if passed, will continue to disapply pre-emption rights.

Resolution 11 therefore, gives the Directors, for the period until the conclusion of the Annual General Meeting in 2020 or, if earlier, on the expiry of 15 months from the passing of Resolution 11, the necessary authority to either allot securities for cash or sell shares held in treasury, otherwise than to existing shareholders on a pro-rata basis, up to an aggregate nominal amount of £240,705. This is equivalent

to 10 per cent of the issued Ordinary Share capital of the Company as at 19 September 2019. It is expected that the Company will seek this authority on an annual basis.

The Directors will only allot new shares pursuant to this authority if they believe it to be advantageous to the Company's shareholders to do so. Under no circumstances should this result in a dilution to net asset value.

### Directors' Authority to Buy Back Shares

The Group did not buy back any shares during the year.

Resolution 12, as set out in the notice of the Annual General Meeting, seeks renewed authority for the Company to make market purchases of up to 14.99 per cent of the issued Ordinary Share capital, such authority to last until the earlier of 31 December 2020 and the Annual General Meeting in 2020. Any buy back of Ordinary Shares will be made subject to Guernsey law and within any guidelines established from time to time by the Board and the making and timing of any buy backs will be at the absolute discretion of the Board. Purchases of Ordinary Shares will only be made through the market for cash at prices below the prevailing net asset value of the Ordinary Shares (as last calculated) where the Directors believe such purchases will enhance shareholder value. The price paid will not be less than the nominal value of 1p per share. Such purchases will also only be made in accordance with the rules of the UK Listing Authority which provide that the price to be paid must not be more than 5 per cent above the average of the middle market quotations for the Ordinary Shares for the five business days before the shares are purchased. Any shares purchased under this authority will be cancelled or held in treasury.

### Disclosure of Information to the Auditor

The Directors confirm that, so far as each of the Directors is aware, there is no relevant information of which the Company's auditor is unaware and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

### Auditor

PricewaterhouseCoopers CI LLP have expressed their willingness to continue in office as the Company's auditor and a resolution proposing their re-appointment will be submitted at the Annual General Meeting.

### Individual Savings Accounts ('ISAs')

The Company's shares are qualifying investments as defined by HM Revenue & Customs' regulations for ISAs. It is the current intention of the Directors that the Company will continue to conduct its affairs to satisfy this requirement.

### Recommendation

The Directors consider that the passing of each of the resolutions to be proposed at the Annual General Meeting is in the best interests of the Company and its shareholders as a whole and they unanimously recommend that all shareholders vote in favour of these resolutions.

On behalf of the Board

### V Lall

Chairman

19 September 2019

# Corporate Governance Statement

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The Company is obliged to comply with the UK Corporate Governance Code ('the Code') issued by the Financial Reporting Council in April 2016, or explain any non-compliance. It has always been the Company's policy to comply with best practice on corporate governance and it has in place a framework for corporate governance which it believes is suitable for an investment company.

The Board has also considered the principles and recommendations of the Association of Investment Companies Code of Corporate Governance (the 'AIC Code') issued in July 2016 and follows the AIC Corporate Governance Guide for Investment Companies (the 'AIC Guide') which complements the UK Corporate Governance Code, and provides a framework of best practice for investment companies.

The AIC Code and the AIC Guide are available on the AIC's website, [www.theaic.co.uk](http://www.theaic.co.uk). The UK Corporate Governance Code is available on the Financial Reporting Council's website, [www.frc.org.uk](http://www.frc.org.uk).

The Board considers that it is appropriate to report against the principles and recommendations of the AIC Code and by reference to the AIC Guide (which incorporates the UK Corporate Governance Code).

The Board has reviewed the need for an internal audit function and deemed this function unnecessary as discussed in the Report of the Audit and Risk Committee.

Except for the matters disclosed below, the Group has complied fully with the Code throughout the year ended 30 June 2019. It is the intention of the Board that, except for the matters disclosed below, the Group will comply fully with the Code throughout the year ended 30 June 2020 in accordance with the new UK Corporate Governance Code issued in July 2018 and applicable for accounting periods commencing 1 January 2019.

Since all the Directors are non-executive, in accordance with the AIC Code and the preamble to the UK Corporate Governance Code, the provisions of the UK Corporate Governance Code on the role of the chief executive and, except in so far as they apply to non-executive Directors, on Directors' remuneration, are not relevant to the Company, and are not reported on further.

The Guernsey Financial Services Commission issued a Finance Sector Code of Corporate Governance ('the GFSC Code') which came into effect on 1 January 2012. As the Company already reports against the AIC Code and the UK Corporate Governance Code it is deemed that it has met the requirements of the GFSC Code and has therefore not reported further on its compliance with that code. The GFSC Code is available on the Guernsey Financial Services Commission's website, [www.gfsc.gg](http://www.gfsc.gg).

The Company's Articles of Incorporation require all Directors to retire by rotation at least every three years. However, in accordance with the recommendations of the AIC Code and the UK Corporate Governance Code, the Board has agreed that all Directors will retire annually and, if appropriate, seek re-election. The Board's policy on tenure is that continuity and experience are considered to add significantly to the strength of the Board and, as such, no limit on the overall length of service of any of the Company's Directors, including the Chairman has been imposed. Mr Gulliford has served on the Board in excess of nine years. However, the Board does not consider that length of service affects the ability of each Director to act independently and also considers that each Director is independent in character and judgement and there are no relationships or circumstances relating to the Company or the Manager which are likely to affect their judgement.

Due to the size of the Board and the fact that all Directors are non-executive, the Directors do not consider it appropriate for a Senior Independent Director to be appointed as recommended by provision 4.1 of the UK Corporate Governance Report.

The Board consists solely of non-executive Directors of which Mr Lall is Chairman. All Directors are considered by the Board to be independent, (as defined by the AIC Code), of the Manager as at 30 June 2019. New Directors will receive an induction from the Manager and Secretary on joining the Board, and all Directors receive other relevant training as necessary.

The basis on which the Group aims to generate value over the longer term is set out in its objective and investment policy as contained on page 10. A management agreement between the Group and its Manager sets out the matters over which the Manager has authority and the limits beyond which Board approval must be sought. All other matters, including strategy, investment and dividend policies, gearing and corporate governance procedures and risk management, are reserved for the approval of the Board of Directors. The Board currently meets at least quarterly and receives full information on the Group's investment performance, assets, liabilities and other relevant information in advance of Board meetings.

Throughout the year a number of committees have been in operation. The committees are the Property Valuation Committee, the Audit and Risk Committee, the Management Engagement Committee and the Nomination Committee. The Committees operate within clearly defined terms of reference which are available for inspection on request at the Company's registered office.



The table below sets out the number of scheduled Board and Committee meetings attended by each Director during the year.

Directors' attendance in 2019					
	Board	Property Valuation Committee	Audit and Risk Committee	Management Engagement Committee	Nomination Committee
No of meetings	4	4	3	1	1
A Gulliford <sup>(1)</sup>	4	4	n/a	1	1
V Lall <sup>(1)</sup>	4	4	n/a	1	1
D Ross	4	4	3	1	1
M Carpenter	4	4	3	1	1
A Henderson	4	4	3	1	1

In addition to the scheduled meetings detailed above, there were a further 3 Board Meetings and 2 Board Committee meetings held during the year. All Directors attended the Annual General Meeting in November 2018.

<sup>(1)</sup> A Gulliford and V Lall are not members of the Audit and Risk Committee.

### Property Valuation Committee

The Property Valuation Committee comprises all of the Directors and is chaired by Mr Mark Carpenter. The Committee reviews the quarterly property valuation report produced by the valuer.

### Audit and Risk Committee

The Report of the Audit and Risk Committee is contained on pages 36 and 37.

### Management Engagement Committee

The Management Engagement Committee is chaired by Mr David Ross and comprises the full Board.

The committee reviews the appropriateness of the Manager's continuing appointment together with the terms and conditions thereof on a regular basis. It also reviews the terms and quality of service received from other service providers on a regular basis. As stated in the Remuneration Report on page 38, the full Board determines the level of Directors' fees and accordingly there is no separate Remuneration Committee.

### Nomination Committee

The Nomination Committee comprises all of the Directors and is chaired by Mr Vikram Lall. The Board considers that, given its size, it would be unnecessarily burdensome to establish a separate nomination committee which did not include the entire Board and believes that this enables all Directors to be kept fully informed of any issues that arise.

The Committee is convened for the purpose of ensuring that plans are in place for orderly succession of appointments to the Board. Appointments to the Board are based on merit, but in considering appointments the Nomination Committee also takes into account the ongoing requirements of the Company and the need to have a balance of skills, experience, independence, diversity, including gender, and knowledge of the Company within the Board. The Committee is mindful of the recommendations of the Hampton Alexander Review "improving gender balance in FTSE Leadership", in particular the recommendation that a Board should have at least 33 per cent representation by 2020 and this will be considered during the recruitment process for the next Non-Executive Director. Whenever there are new appointments, these Directors receive an induction from the Manager and Company Secretary on joining the Board. All Directors receive other relevant training, collectively or individually, as necessary.

Each year, the performance of the Board, committees and individual Directors are evaluated through an assessment process, led by the Chairman. The performance of the Chairman is evaluated by the other Directors.

Individual Directors may, at the expense of the Group, seek independent professional advice on any matter that concerns them in the furtherance of their duties. The Group maintains appropriate Directors' and Officers' liability insurance.

### Relations with Shareholders

The Company proactively seeks the views of its shareholders and places great importance on communication with them. The Board receives regular reports from the Manager and brokers on the views of shareholders, and the Chairman and other Directors meet with major shareholders at least annually and make themselves available to meet shareholders when required to discuss any significant issues that have arisen and address shareholder concerns and queries. The Notice of Annual General Meeting to be held on 19 November 2019 is set out on pages 71 and 72. It is hoped that this will provide a forum, both formal and informal, for shareholders to meet and discuss issues with the Directors and Manager of the Company. The Annual Report and Notice of Annual General Meeting are posted to shareholders at least 20 working days before the Annual General Meeting.

On behalf of the Board

### V Lall

Chairman

19 September 2019

# Report of the Audit and Risk Committee

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## Role of the Committee

During the year, the Audit and Risk Committee comprised all of the Directors except the Chairman of the Board, Mr V Lall and Mr Gulliford who stepped down in 2015 due to his length of tenure on the Board. The Audit and Risk Committee is chaired by Ms Henderson, a Chartered Accountant and member of ICAS, who has recent and relevant financial experience.

The duties of the Audit and Risk Committee in discharging its responsibilities include reviewing the Annual Report and Interim Consolidated Financial Statements, the system of internal controls and the terms of appointment of the auditor together with its remuneration. It is also the forum through which the external auditor reports to the Board of Directors. The Committee reviews the scope and results of the audit, its cost-effectiveness and the independence and objectivity of the external auditor, with particular regard to non-audit fees. The committee meets at least three times a year including at least one meeting with the auditor, PricewaterhouseCoopers CI LLP ("PwC").

The Audit and Risk Committee met on three occasions during the year and the attendance of each of the members is set out on page 35. In the course of its duties, the Committee had direct access to PwC and senior members of the Manager's investment company team. Amongst other things, the Audit and Risk Committee considered and reviewed the following matters and reported thereon to the Board:

- the annual and half-yearly reports and consolidated financial statements and results announcements;
- the accounting policies of the Group;
- the principal risks faced by the Group and the effectiveness of the Group's internal control environment;
- the effectiveness of the audit process and related non-audit services and the independence and objectivity of PwC, their remuneration and terms of engagement;
- the policy on the engagement of PwC to supply non-audit services and approval of any such services;
- the implications of proposed new accounting standards and regulatory changes;
- the receipt of Report on Internal Controls in accordance with AAF (01/06) for the period 1 November 2017 to 31 October 2018 from the Manager; and
- whether the Annual Report is fair, balanced and understandable.

## External audit process

As part of its review of the scope and results of the audit, during the year the Audit and Risk Committee considered and approved PwC's plan for the audit of the financial statements for the year ended 30 June 2019. At the conclusion of the audit, PwC did not highlight any issues to the Audit and Risk Committee which would cause it to qualify its audit report, nor did it highlight any fundamental internal control weaknesses. PwC issued an unqualified audit report which is included on pages 42 to 47.

## Non-audit services

In relation to the provision of non-audit services by the auditor, it has been agreed that all non-audit work to be carried out by the auditor must be approved in advance by the Audit and Risk Committee and any special projects must also be approved in advance. PwC did not receive any non-audit fees for the year ended 30 June 2019.

## Auditor assessment, independence and appointment

The Audit and Risk Committee reviews the re-appointment of the auditor every year. As part of the review of auditor independence and effectiveness, PwC have confirmed that they are independent of the Group and have complied with relevant auditing standards. In evaluating PwC, the Audit and Risk Committee has taken into consideration the standing, skills and experience of the firm and the audit team. The Committee assesses the effectiveness of the audit process through the reporting it receives from PwC in respect of the year-end Annual Report and Consolidated Financial Statements. The Committee is satisfied that PwC provide effective independent challenge in carrying out its responsibilities.

PwC have been auditor to the Group since the year ended 30 June 2017 following a tender process. The current audit engagement partner Evelyn Brady, has now served three years. For the year ended 30 June 2019 the Signing engagement partner is John Roche as Evelyn Brady is on a sabbatical. The Audit and Risk Committee recommends PwC for reappointment at the next Annual General Meeting. PwC's performance will continue to be reviewed annually taking into account all relevant guidance and best practice.

## Internal Controls and Risk Management

The Board is responsible for the Group's system of internal control and for reviewing its effectiveness. It has therefore established an ongoing process designed to meet the particular needs of the Group in managing the risks to which it is exposed, consistent with internal control guidance issued by the Financial Reporting Council.

The process is based principally on the Manager's existing risk-based approach to internal control whereby a risk matrix is created that identifies the key functions carried out by the Manager and other service providers, and the individual activities undertaken within those functions.

From this, the Board identified the Group's principal risks and controls employed to manage those risks. The Audit and Risk Committee reviews the risk matrix on a regular basis and reports any issues to the Board.

The Board also monitors the investment performance of the Group against its stated objective and comparable companies. The Board also reviews the Group's activities since the last Board meeting to ensure that the Manager adheres to the agreed investment policy and approved investment guidelines and, if necessary, approves changes to the guidelines. In addition, the Board receives quarterly reports from the Company Secretary in respect of compliance matters and duties performed on behalf of the Group.

A formal annual review of these procedures is carried out by the Audit and Risk Committee. The Audit and Risk Committee has also reviewed the Manager's Report on Internal Controls in accordance with AAF (01/06) ('AAF') for the year 1 November 2017 to 31 October 2018 that has been prepared for their investment company clients. Containing a report from independent external accountants, the report sets out the Manager's control policies and procedures with respect to the management of their clients' investments. The effectiveness of these controls is monitored by the Manager's group audit committee which receives regular reports from the Manager's audit, risk and compliance department. Procedures are in place to capture and evaluate failings and weaknesses and ensure that action would be taken to remedy any significant issues identified from this monitoring, which would be reported to the Board. No significant failings or weaknesses in respect of the Group were identified in the year under review nor to the date of this report. The depositary reports to the Board and carries out daily independent checks on cash and investment transactions and is liable for any loss of assets.

These review procedures have been in place throughout the year and up to the date of approval of the Annual Report, and the Committee is satisfied with their effectiveness. These procedures are designed to manage rather than eliminate risk and, by their nature can only provide reasonable, but not absolute, assurance against material misstatement or loss.

The Audit and Risk Committee has reviewed the need for an internal audit function. It has decided that the systems and procedures employed by the Manager and the Company Secretary, including their internal audit functions and the work carried out by the Group's external auditor, provide sufficient assurance that a sound system of internal control, which safeguards the Group's assets, is maintained. An internal audit function specific to the Group is therefore considered unnecessary.

### Committee evaluation

The activities of the Audit and Risk Committee were considered as part of the Board appraisal process completed in accordance with standard governance arrangements. A full evaluation was undertaken on effectiveness, roles and responsibilities of the Committee in accordance with the Financial Reporting Council's current guidance. The evaluation found that the Committee functioned well with the right balance of membership and skills.

### A Henderson

Chairman of the Audit and Risk Committee  
19 September 2019

Significant Matters Considered by the Audit and Risk Committee in Relation to the Financial Statements	
Matter	Action
<b>Valuation of the Investment Property Portfolio</b>	
The Group's property portfolio accounted for 95.3 per cent of its total assets as at 30 June 2019. Although valued by an independent firm of valuers, Cushman & Wakefield, the valuation of the investment property portfolio is inherently subjective, requiring significant judgement by the valuers. Errors in the valuation could have a material impact on the Group's net asset value. Further information about the property portfolio and inputs to the valuations are set out in note 8 to the consolidated financial statements. The title deeds are held by the Group's property lawyers.	The Board and Audit and Risk Committee reviewed the outcomes of the valuation process throughout the year and discussed the detail of each of the quarterly valuations with the Manager at Board Meetings. The Manager liaises with the valuers on a regular basis and meets with them prior to the production of each quarterly valuation. The Board was represented at all of the quarterly valuation meetings with Cushman & Wakefield during the year, including the meeting in advance of the production of the year end valuation. In addition, this is the main area of audit focus and, accordingly, the Audit and Risk Committee receives detailed verbal and written reports from PwC on this matter. PwC also attended the year-end meeting with the independent valuers.
<b>Loan Arrangements</b>	
The Group has a £110 million loan facility: £90 million term loan with Canada Life and a £20 million revolving credit facility with Barclays Bank of which £7 million was drawn down at 30 June 2019. The loan facilities are subject to various covenants, a breach of which could result in early repayment or penalties.	The Board and Audit and Risk Committee review the bank covenants throughout the year to ensure the risk of any breach is sufficiently mitigated.
<b>Income Recognition</b>	
Incomplete or inaccurate recognition could have an adverse effect on the Group's net asset value, earnings per share and dividend cover.	The Board and the Audit and Risk Committee review the revenue forecast on a quarterly basis to ensure that the level of income is able to sustain the dividend. They also review the level and speed of income collection and any provisions for bad debts.

# Remuneration Report

The Board comprises only non-executive Directors. The Company has no executive Directors or employees. For these reasons, it is not considered appropriate to have a separate Remuneration Committee. The full Board determines the level of Directors' fees.

Full details of the Company's policy with regards to Directors' fees, and fees paid during the year ended 30 June 2019, are shown below. No major decisions or substantial changes relating to Directors' remuneration were made during the year.

## Directors' Remuneration Policy

The Board considers the level of Directors' fees at least annually. Its policy is that the remuneration of the Directors should reflect the experience of the Board as a whole, the Directors' responsibilities and skills, the time commitment required, and be fair and comparable with that of other similar companies. Furthermore, the level of remuneration should be sufficient to attract and retain the Directors needed to oversee the Company properly and to reflect its specific circumstances. There were no changes to the policy during the year.

The fees for the Directors are determined within the limit set out in the Company's Articles of Incorporation. The present limit is an aggregate of £200,000 per annum and may not be changed without seeking shareholder approval at a general meeting. The fees are fixed and are payable in cash, quarterly in arrears. Directors are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits.

It is the Board's policy that Directors do not have service contracts, but each new Director is provided with a letter of appointment. The Directors' letters of appointment are available on request at the Company's registered office during business hours and will be available for 15 minutes prior to and during the forthcoming Annual General Meeting.

The terms of Directors' appointments provide that Directors should retire by rotation at least every three years and be subject to re-election. However, in accordance with the recommendations of the UK Corporate Governance Code, the Board has agreed that all Directors will retire annually and be subject to re-election at the Annual General Meeting. There is no notice period and no provision for compensation upon early termination of appointment.

The Board has not received any direct communications from the Company's shareholders in respect of the levels of Directors' remuneration.

## Future Policy Report

Following a review of the level of Directors' fees for the forthcoming year to 30 June 2020, the Board concluded that, having had no increase in the 2019 financial year that Directors fees should be increased by approximately 3.5 per cent for 2019/20.

Based on this, Directors' remuneration for the forthcoming financial year would be as follows:

Annual fees for Board Responsibilities		
	2020 £	2019 £
A Gulliford	30,500	29,500
V Lall	36,250	35,000
D Ross	30,500	29,500
M Carpenter	30,500	29,500
A Henderson	31,500	30,500
Total	159,250	154,000

It is the Board's intention that the Directors Remuneration Policy will be put to a Shareholder vote at the Annual General Meeting in 2020 unless changes are made to the policy before then.

## Annual Report on Directors' Remuneration Directors' Emoluments for the Year

The Directors who served during the year received the following emoluments in the form of fees:

Fees (audited)		
	2019 £	2018 £
A Gulliford	29,500	29,500
V Lall	35,000	35,000
D Ross	29,500	29,500
M Carpenter	29,500	29,500
A Henderson	30,500	30,500
Total	154,000	154,000



### Relative Importance of Spend on Pay

The table below shows the actual expenditure during the year in relation to Directors' remuneration, other expenses and shareholder distributions:

Actual expenditure			
	2019 £'000	2018 £'000	Change %
Aggregate Directors' Remuneration	154	154	-
Management fee and other expenses*	4,043	3,775	+7.1
Aggregate Shareholder Distributions	12,035	12,035	-

\* Includes directors' remuneration.

### Directors' Shareholdings

The Directors who held office at the year-end and their interests (all beneficial) in the Ordinary Shares of the Company were as follows:

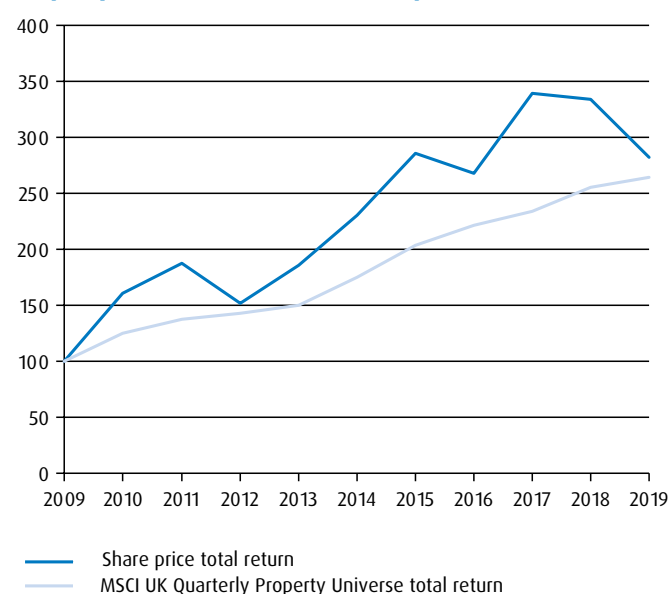
Directors' share interests		
	2019 Ordinary Shares	2018 Ordinary Shares
A Gulliford	75,000	75,000
V Lall	143,765	143,765
D Ross	120,000	120,000
M Carpenter	20,000	20,000
A Henderson	9,809	9,318

Between 30 June 2019 and 19 September 2019, Ms A Henderson purchased 137 Ordinary Shares as a result of a standing instruction to reinvest any dividends paid by the Company. There have been no other changes to Directors' shareholdings since 30 June 2019.

### Company Performance

The Board is responsible for the Group's investment strategy and performance, although the management of the Group's investment portfolio is delegated to the Manager through the investment management agreement, as referred to on pages 31 and 32. The graph below compares, for the ten financial years ended 30 June 2019, the total return (assuming all dividends are reinvested) to ordinary shareholders compared with the total return on a notional investment from the MSCI UK Quarterly Property Universe. This index was chosen as it is considered a comparable index and is the Company's benchmark for performance fee purposes. An explanation of the performance of the Company for the year ended 30 June 2019 is given in the Chairman's Statement and Manager's Review.

### Share Price Total Return and the MSCI UK Quarterly Property Universe Performance Graph



### Voting at Annual General Meeting

At the Company's last Annual General Meeting, held on 21 November 2018, shareholders approved the Directors' Remuneration Report in respect of the year ended 30 June 2018. 99.3 per cent of votes were in favour of the resolution and 0.7 per cent were against.

An ordinary resolution for the approval of this Directors' Remuneration Report will be put to shareholders at the forthcoming Annual General Meeting.

On behalf of the board

### V Lall

Chairman

19 September 2019

# Directors' Responsibilities

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## Directors' Responsibilities for the Annual Report and Consolidated Financial Statements

The Directors are responsible for preparing the Annual Report and Consolidated Financial Statements in accordance with applicable law and regulations. They are also responsible for ensuring that the Annual Report includes information required by the Rules of the UK Listing Authority.

Guernsey company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the EU and applicable law.

The financial statements are required by law to give a true and fair view of the state of affairs of the Group and of the financial performance and cash flows of the Group for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, 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 Group will continue in business.

The Directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the financial statements comply with the Companies (Guernsey) Law, 2008. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors are also responsible for ensuring that the Group complies with the provisions of the Listing Rules and the Disclosure Guidance and Transparency Rules of the UK Listing Authority which, with regard to corporate governance, require the Group to disclose how it has applied the principles, and complied with the provisions of the UK Corporate Governance Code applicable to the Group.

## Directors' Responsibility Statement

Each of the Directors listed on page 30 confirm that to the best of their knowledge:

- the financial statements, prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the undertakings included in the consolidation taken as a whole and comply with the Companies (Guernsey) Law, 2008; and
- the Strategic Report (including the Chairman's Statement, Business Model and Strategy, Key Performance Indicators, Principal Risks and Future Prospects, Manager's Review, Responsible Property Investment and Property Portfolio) and the Directors' Report includes a fair review of the development and performance of the business and the position of the Group and the undertakings included in the consolidation taken as a whole together with a description of the principal risks and uncertainties that it faces; and
- the financial statements and Directors' Report include details of related party transactions; and

In the opinion of the Directors:

- the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

On behalf of the Board

**V Lall**

Chairman

19 September 2019







# Independent Auditor's Report to the members of BMO Real Estate Investments Limited

## Report on the audit of the consolidated financial statements

### Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of BMO Real Estate Investments Limited (Formerly F&C UK Real Estate Investments Limited) (the "Company") and its subsidiaries (together "the Group") as at 30 June 2019, and of their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and have been properly prepared in accordance with the requirements of The Companies (Guernsey) Law, 2008.

### What we have audited

The Group's consolidated financial statements comprise:

- the consolidated balance sheet as at 30 June 2019;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements of the Group, as required by the Crown Dependencies' Audit Rules and Guidance. We have fulfilled our other ethical responsibilities in accordance with these requirements.

### Our audit approach

#### Overview



#### Materiality

- Overall Group materiality was £3.6 million (2018: £3.7 million) which represents 1% of total assets.

#### Audit scope

- The Group's financial statements are a consolidation of the financial results of the Company and its subsidiaries which hold investment properties. The scope of our audit covers the consolidated financial statements of the Group only and not the separate financial statements of the Company or its subsidiaries.
- We conducted our audit of the consolidated financial statements based on information provided by the appointed service providers to the Group to whom the Directors have delegated and/or engaged with for the provision of certain services, including BMO Investment Business Limited (the "Investment Manager"), BMO REP Asset Management Limited (the "Property Manager") and Cushman & Wakefield (the "External Property Valuer" or the "Valuer").
- We carried out our audit work in Guernsey and the United Kingdom. We tailored the scope of our audit taking into account the types of investments within the Group, the accounting processes and controls and the industry in which the Group operates.
- We obtained 100% coverage of Assets, Liabilities, Income and Expenditure of the Group.

#### Key audit matters

- Valuation of investment properties



### Audit scope

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where the Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Our understanding of the controls environment was informed by our review of the Report on Internal Controls available on the Property Manager and the Investment Manager as well as inquiries made of management, however our approach remained predominantly substantive in nature.

The Group is based in Guernsey and the financial statements are a consolidation of the Company and two subsidiaries which hold investment properties in the UK. Our group scoping was based on total assets of the Group, consistent with our approach to materiality as we approached this engagement as an audit of the Group only with no component scoping at an individual subsidiary level.

We evaluated management's incentives and opportunities for fraudulent manipulation of the consolidated financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue or reduce expenditure, and management bias in accounting estimates and judgemental areas of the consolidated financial statements such as valuation of investment properties.

We engaged our internal PwC Real Estate team as our auditor's experts to review the valuation of investment properties as at 30 June 2019. Our findings are documented in the Key Audit Matter "Valuation of Investment Properties".

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

### Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the consolidated financial statements as a whole.

<i>Overall group materiality</i>	£3.6 million (2018: £3.7 million)
<i>How we determined it</i>	1% of total assets
<i>Rationale for the materiality benchmark</i>	The primary measurement attribute of the Group is the carrying value of property investments. On this basis, we set an overall Group materiality level based on total assets. We chose 1% of total assets as this is consistent with quantitative materiality thresholds used for property investment companies that are widely held and publicly traded.

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above £177,500 (2018: £184,500), as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p><b>Valuation of investment properties</b></p> <p>Refer to Page 36 (Report of the Audit and Risk Committee) and the Consolidated Financial Statements (including notes to the Consolidated Financial Statements Note 1, Accounting Policies and Note 8, Investment Properties).</p> <p>The Group's investment properties comprise office, retail (including retail warehouse) and industrial portfolios and, at £339.4 million, represent the majority of the assets as at 30 June 2019.</p> <p>The valuation of the Group's property portfolio is inherently subjective due to, among other factors, the individual nature of each property, its location and the expected future rental income for that particular property.</p> <p>The existence of significant estimation uncertainty, coupled with the fact that only a small percentage difference in an individual property's valuation assumptions, when aggregated, could result in a material misstatement, is why we have given specific audit focus and attention to this area.</p> <p>The valuations of the Group's property portfolio were carried out by the third party valuer Cushman and Wakefield (the "Valuer"). The Valuer was engaged by the Group, and performed the engaged work in accordance with the Royal Institute of Chartered Surveyors ("RICS") Valuation – Professional Standards. The Valuer used by the Group is a well-known chartered surveyor, with experience in the markets in which the Group operates.</p> <p>In determining a property's valuation, the Valuer takes into account property specific current information such as the current tenancy agreements and rental income earned from the property. Assumptions are then applied in relation to capitalisation rates, current market rent and growth (based on available market data and transactions) to arrive at a range of valuation outcomes, from which they derive a point estimate. Due to the unique nature of each property, the assumptions applied take into consideration the individual property characteristics at a tenant level, as well as the qualities of the property as a whole. Comparable market information is available for the Group's investment properties. The Group has adopted the assessed values determined by the Valuers.</p>	<p><b>Assessing the objectivity and experience of the Valuer</b></p> <p>We assessed the Valuer's independence, qualifications and expertise; and read their terms of engagement with the Group to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitations upon their work. We also considered fees and other contractual arrangements that might exist between the Group and the Valuer. We found no evidence to suggest that the objectivity of the Valuer was compromised.</p> <p><b>Testing the valuations</b></p> <p><i>External valuations</i></p> <p>Our work covered the valuation of every material investment property in the Group.</p> <p>We attended the pre year end valuation meeting between the Valuer and the Investment Manager to observe the process and initial discussions covering key developments in the investment property portfolio. Furthermore, we analysed movements between the draft and final investment property valuations to determine whether there was evidence of undue influence on the Valuer's conclusions for each investment property.</p> <p>We obtained, read and assessed the Valuer's valuation reports for all investment properties and discussed the reports with the Investment Manager and the Valuer.</p> <p>We confirmed that the valuation approach for each investment property was in accordance with RICS standards and suitable for use in determining the fair value of investment properties at 30 June 2019.</p> <p>It was evident from our discussions with the Investment Manager, the Directors and the Valuer, as well as our audit procedures on the valuation reports, that close attention had been paid to each property's individual characteristics, its overall quality, geographic location and marketability as a whole.</p> <p>We agreed the property specific information supplied to the Valuer by the Investment Manager to supporting documentation on a sample basis, to determine whether it reflected the underlying property records held by the Group.</p> <p>We agreed the value of all investment properties included in the consolidated financial statements to the valuation reports prepared by the Valuer as at 30 June 2019.</p> <p><i>Assumptions</i></p> <p>Our work over the assumptions encompassed all investment properties in the portfolio. We engaged our own PwC internal valuation expert to critique and challenge the work performed and assumptions used by the Valuer.</p>

Key audit matter	How our audit addressed the key audit matter
	<p>We attended meetings with management and/or the Valuer, at which the valuations and the key assumptions therein were discussed, focusing on the largest properties and any outliers (where the assumptions used and/or year on year capital value movement were out of line with externally published market data for the relevant sector). We challenged management and the Valuer on significant movements in the valuations.</p> <p>Due to the subjectivity involved in determining valuations for individual investment properties and the existence of alternative assumptions and valuation methods, we determined a range of values that were considered reasonable to evaluate the independent investment property valuations used by management.</p> <p>Where assumptions were outside the expected range or otherwise appeared unusual, and/or valuations showed unexpected movements, we undertook further investigations and, when necessary, held further discussions with the Valuer and obtained evidence to support explanations received. The supporting evidence and valuation commentaries provided by the Valuer, enabled us to consider the property specific factors that had or may have had an impact on value, including recent comparable transactions where appropriate.</p> <p>Based on the work performed, we found that the assumptions were supported by evidence we obtained.</p> <p>No matters were identified in relation to the above procedures that impacted our overall opinion.</p>

### Other information

The Directors are responsible for the other information. The other information comprises all the information included in the Annual Report and Consolidated Financial Statements but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. 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 the directors for the consolidated financial statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, the requirements of Guernsey law and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Group and the wider economy.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



### Report on other legal and regulatory requirements

Under The Companies (Guernsey) Law, 2008 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit;
- proper accounting records have not been kept; or
- the consolidated financial statements are not in agreement with the accounting records.

We have no exceptions to report arising from this responsibility.

We have nothing to report in respect of the following matters which we have reviewed:

- the directors' statement set out on page 32 in relation to going concern. As noted in the directors' statement, the Directors have concluded that it is appropriate to adopt the going concern basis in preparing the consolidated financial statements. The going concern basis presumes that the Group has adequate resources to remain in operation, and that the directors intend it to do so, for at least one year from the date the consolidated financial statements were signed. As part of our audit we have concluded that the Directors' use of the going concern basis is appropriate. However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Group's ability to continue as a going concern;
- the Directors' statement that they have carried out a robust assessment of the principal risks facing the Group and the Directors' statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statements are consistent with the knowledge acquired by us in the course of performing our audit; and
- the part of the Corporate Governance Statement relating to the parent Company's compliance with the ten further provisions of the UK Corporate Governance Code specified for our review.

This report, including the opinion, has been prepared for and only for the members as a body in accordance with Section 262 of The Companies (Guernsey) Law, 2008 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### John Roche

For and on behalf of PricewaterhouseCoopers CI LLP  
Chartered Accountants and Recognised Auditor  
Guernsey, Channel Islands  
19 September 2019

The maintenance and integrity of the BMO Real Estate Investments Limited website is the responsibility of the directors; the work carried out by the auditor does not involve consideration of these matters and, accordingly, the auditor accepts no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# Consolidated Statement of Comprehensive Income

Notes	For the year ended 30 June		
		2019 £'000	2018 £'000
	<b>Revenue</b>		
	Rental income	18,606	19,134
	Other income	-	4,375
	<b>Total revenue</b>	<b>18,606</b>	<b>23,509</b>
	<b>(Losses)/gains on investment properties</b>		
8	(Losses)/gains on sale of investment properties realised	(206)	1,568
8	Unrealised (losses)/gains on revaluation of investment properties	(7,343)	14,851
	<b>Total income</b>	<b>11,057</b>	<b>39,928</b>
	<b>Expenditure</b>		
2	Investment management fee	(2,286)	(2,156)
3	Other expenses	(1,757)	(1,619)
	<b>Total expenditure</b>	<b>(4,043)</b>	<b>(3,775)</b>
	<b>Net operating profit before finance costs and taxation</b>	<b>7,014</b>	<b>36,153</b>
	<b>Net finance costs</b>		
	Interest receivable	13	2
4	Finance costs	(3,526)	(3,550)
		<b>(3,513)</b>	<b>(3,548)</b>
	<b>Net profit from ordinary activities before taxation</b>	<b>3,501</b>	<b>32,605</b>
5	Taxation on profit on ordinary activities	(295)	(295)
	<b>Profit for the year/total comprehensive income</b>	<b>3,206</b>	<b>32,310</b>
7	<b>Basic and diluted earnings per share</b>	<b>1.3p</b>	<b>13.4p</b>

All items in the above statement derive from continuing operations.

All of the profit for the year is attributable to the owners of the Company.

The accompanying notes 1 to 22 are an integral part of the consolidated financial statements.

# Consolidated Balance Sheet

As at 30 June		
Notes	2019 £'000	2018 £'000
<b>Non-current assets</b>		
8 Investment properties	339,353	349,268
10 Trade and other receivables	4,162	3,692
	343,515	352,960
<b>Current assets</b>		
10 Trade and other receivables	2,569	1,282
11 Cash and cash equivalents	9,858	15,037
	12,427	16,319
<b>Total assets</b>	355,942	369,279
<b>Non-current liabilities</b>		
12 Interest-bearing bank loans	(96,505)	(102,299)
13 Trade and other payables	(782)	(291)
	(97,287)	(102,590)
<b>Current liabilities</b>		
13 Trade and other payables	(6,074)	(5,279)
Tax payable	(295)	(294)
	(6,369)	(5,573)
<b>Total liabilities</b>	(103,656)	(108,163)
<b>Net assets</b>	252,286	261,116
<b>Represented by:</b>		
14 Share capital	2,407	2,407
Special distributable reserve	177,161	177,161
Capital reserve	70,144	77,693
Revenue reserve	2,574	3,855
<b>Equity shareholders' funds</b>	252,286	261,116
15 <b>Net asset value per share</b>	104.8p	108.5p

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 19 September 2019 and signed on its behalf by:

V Lall, Director

A Henderson, Director

The accompanying notes 1 to 22 are an integral part of the consolidated financial statements.

# Consolidated Statement of Changes in Equity

For the year ended 30 June 2019					
Notes	Share Capital £'000	Special Distributable Reserve £'000	Capital Reserve £'000	Revenue Reserve £'000	Total £'000
At 1 July 2018	2,407	177,161	77,693	3,855	261,116
Profit for the year	-	-	-	3,206	3,206
Total comprehensive income for the year	-	-	-	3,206	3,206
6 Dividends paid	-	-	-	(12,036)	(12,036)
Transfer in respect of losses on investment properties	-	-	(7,549)	7,549	-
<b>At 30 June 2019</b>	<b>2,407</b>	<b>177,161</b>	<b>70,144</b>	<b>2,574</b>	<b>252,286</b>

For the year ended 30 June 2018					
Notes	Share Capital £'000	Special Distributable Reserve £'000	Capital Reserve £'000	Revenue Reserve £'000	Total £'000
At 1 July 2017	2,407	177,161	61,274	-	240,842
Profit for the year	-	-	-	32,310	32,310
Total comprehensive income for the year	-	-	-	32,310	32,310
6 Dividends paid	-	-	-	(12,036)	(12,036)
Transfer in respect of gains on investment properties	-	-	16,419	(16,419)	-
<b>At 30 June 2018</b>	<b>2,407</b>	<b>177,161</b>	<b>77,693</b>	<b>3,855</b>	<b>261,116</b>

The accompanying notes 1 to 22 are an integral part of the consolidated financial statements.



# Consolidated Statement of Cash Flows

For the year ended 30 June			
Notes			
	2019 £'000	2018 £'000	
<b>Cash flows from operating activities</b>			
	3,501	32,605	Net profit for the year before taxation
			Adjustments for:
8	206	(1,568)	Loss/(gains) on sale of investment properties realised
8	7,343	(14,851)	Unrealised loss/(gains) on revaluation of investment properties
	(1,758)	211	(Increase)/decrease in operating trade and other receivables
	1,286	(805)	Increase/(decrease) in operating trade and other payables
	(13)	(2)	Interest received
4	3,526	3,550	Finance costs
	14,091	19,140	
	(295)	(306)	Taxation paid
	13,796	18,834	<b>Net cash inflow from operating activities</b>
<b>Cash flows from investing activities</b>			
8	-	(10,190)	Purchase of investment properties
8	(878)	(1,067)	Capital expenditure
8	3,244	9,242	Sale of investment properties
	13	2	Interest received
	2,379	(2,013)	<b>Net cash inflow/(outflow) from investing activities</b>
<b>Cash flows from financing activities</b>			
6	(12,035)	(12,036)	Dividends paid
	(3,319)	(3,313)	Bank loan interest paid
	(6,000)	(3,000)	Bank loan repaid, net of costs – Barclays Loan
	(21,354)	(18,349)	<b>Net cash outflow from financing activities</b>
	(5,179)	(1,528)	Net decrease in cash and cash equivalents
	15,037	16,565	Opening cash and cash equivalents
	9,858	15,037	<b>Closing cash and cash equivalents</b>

The accompanying notes 1 to 22 are an integral part of the consolidated financial statements.

# Notes to the Financial Statements

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## 1. Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the year, is set out below.

### (a) Basis of accounting

#### (i) Statement of compliance

The consolidated financial statements have been prepared and approved in accordance with International Financial Reporting Standards as adopted by the EU ('IFRS'), interpretations issued by the IFRS Interpretations Committee, applicable legal and regulatory requirements of the Companies (Guernsey) Law, 2008 and the Listing Rules of the UK Listing Authority. The consolidated financial statements give a true and fair view and are also in compliance with the Companies (Guernsey) Law, 2008.

In accordance with section 244 of the Companies (Guernsey) Law, 2008, the Directors have elected to prepare consolidated financial statements for the financial period for the Group. Therefore, there is no requirement to present individual accounts for the Company within the consolidated financial statements.

Where presentational guidance set out in the Statement of Recommended Practice ('SORP') for investment trust companies issued by the Association of Investment Companies ('AIC') in November 2014 and updated in February 2018 is consistent with the requirements of IFRS, the Directors have sought to prepare the consolidated financial statements on a basis compliant with the recommendations of the SORP.

#### (ii) Basis of preparation

The consolidated financial statements have been prepared on a going concern basis and adopt the historical cost basis except for investment properties which have been measured at fair value.

The notes and consolidated financial statements are presented in pounds sterling and are rounded to the nearest thousand except where otherwise indicated.

#### (iii) Going concern

The consolidated financial statements are prepared on a going concern basis as explained in the corporate governance section on page 32.

#### (iv) Critical accounting estimates and judgements

Estimates and judgments are continually evaluated and are based on historical experience as adjusted for current market conditions and other factors.

#### a. Critical accounting estimates and assumptions

Management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

##### i. Investment Properties

The fair value of investment properties is determined by using valuation techniques. For further details of the estimates and assumptions made, see note 1(f) and 8 and further information on Board procedures is contained in the Report of the Audit and Risk Committee.

The Group uses external professional valuers to determine the relevant amounts.

#### b. Critical judgements in applying the Group's accounting policies

##### i. Business combinations

When the Group acquires subsidiaries that own real estate, and at the time of acquisition, the Group considers whether each acquisition represents an acquisition of a business or an acquisition of an asset. The Group accounts for an acquisition as a business combination where an integrated set of activities is acquired together with the property. More specifically, the following criteria, which indicate the acquisition of a business, are considered: the number of properties acquired, the extent to which strategic management processes and operational processes are acquired and the complexity of the processes acquired.

When the acquisition of subsidiaries does not represent a business, it is accounted for as an acquisition of a group of assets and liabilities. The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values, and no goodwill or deferred tax is recognised.

## 1. Accounting policies (continued)

### (a) Basis of accounting (continued)

Non-controlling interests, if any, participate at their relative share of the fair value of the net identifiable assets on the acquisition date. Directly attributable costs are recognised as part of the acquisition cost.

Business combinations are accounted for using the acquisition method. The acquisition is recognised at the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree.

For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with contractual terms, economic circumstances and pertinent conditions at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the Group will be recognised at fair value at the acquisition date. All contingent consideration arrangements classified as assets or liabilities arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

### (v) Changes in accounting policies

#### a. New and amended standards adopted by the Group

The accounting policies adopted are consistent with those of the previous financial year, except that the following new standards have been adopted in the current year:

- 'IFRS 9 – Financial Instruments'. The adoption of this standard did not have a significant impact on the current period and did not have any impact on any prior period.

IFRS 9 replaces the provision of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liability, derecognition of financial instruments, impairment of financial assets and hedge accounting. The adoption of IFRS 9 from 1 January 2018 resulted in no adjustments to the amounts recognised in the consolidated financial statements. In accordance with the transitional provisions, comparative figures have not been restated.

#### a) Classification and measurement

On 1 January 2018 (the date of initial application of IFRS 9), the Group has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate IFRS 9 categories. The Group did not hold assets classified as 'held to maturity' or 'available for sale' under IAS 39 at 1 January 2018 and as a result there was no reclassification of these financial assets on adoption of IFRS 9. The other financial assets held in the current or previous reporting period have not been reclassified upon adoption of IFRS 9. See Note 17.

#### b) Impairment of financial assets

The Group's significant financial assets that are subject to IFRS 9's new expected credit loss model are trade receivables from the leasing of investment properties. Based on the reasons set out in the credit risk management section in Note 17 the credit risk associated with unpaid rent is deemed to be low. The Group was required to revise its impairment methodology under IFRS 9. This did not result in a material change in the loss allowance recognised under IFRS 9 compared to the previous impairment provision held under IAS 39. Note 17 provides further details on the measurement of the loss allowance and amount recognised at 30 June 2019.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

- 'Transfers to Investment Property – Amendments to IAS 40'. The adoption of these amendments did not have any impact on the current period or any prior period.
- 'IFRS 15 – revenue recognition'. The adoption of this standard did not have any impact on the current period or any prior period as it does not apply to rental income.

## 1. Accounting policies (continued)

### (a) Basis of accounting (continued)

#### b. New standards and interpretations not yet adopted

The following new standards have been issued but are not effective for this accounting period and have not been adopted early:

- IFRS 3, 'Business Combinations' – The IASB published an amendment to the requirements of IFRS 3 in relation to whether a transaction meets the definition of a business combination. The amendment clarifies the definition of a business, as well as provides additional illustrative examples, including those relevant to the real estate industry. A significant change in the amendment is the option for an entity to assess whether substantially all of the fair value of the gross assets acquired is concentrated in a single asset or group of similar assets. If such a concentration exists, the transaction is not viewed as an acquisition of a business and no further assessment of the business combination guidance is required. This will be relevant where the value of the acquired entity is concentrated in one property, or a group of similar properties. The amendment is effective for periods beginning on or after 1 January 2020 with earlier application permitted. There will be no impact on transition since the amendments are effective for business combinations for which the acquisition date is on or after the transition date.
- IFRS 16, 'Leases' was issued in January 2016 and was endorsed by the EU on 31 October 2017. For lessees, it will result in almost all leases being recognised on the consolidated statement of financial position, as the distinction between operating and finance leases will be removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change. The standard is effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted. The Directors have assessed the requirements of IFRS 16 and determine that there will be no material impact on its current accounting practices. There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

#### (b) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries drawn up to 30 June each year. Subsidiaries are those entities, including special purpose entities, controlled by the Company. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

#### (c) Revenue recognition

Rental income, excluding VAT, arising on investment properties is accounted for in the Consolidated Statement of Comprehensive Income on a straight-line basis over the lease term of ongoing leases. Incentives for lessees to enter into lease agreements are spread evenly over the lease term, even if payments are not made on such a basis. The lease term is the non-cancellable period of the lease together with any further term for which the tenant has the option to continue the lease, where, at the inception of the lease, the Directors are reasonably certain that the tenant will exercise that option.

Surrender premiums received by the Group following the break of a lease are recognised in the Consolidated Statement of Comprehensive Income to the extent that there are no obligations directly related to that surrender. Surrender premium receipts will be recognised within 'Other Income' where there is no provision in the lease for the payment of a surrender premium.

Interest income is accounted for on an accruals basis and is disclosed within net finance costs in the Consolidated Statement of Comprehensive Income.

#### (d) Expenses

Expenses are accounted for on an accruals basis. The Group's investment management and administration fees, finance costs and all other expenses are charged through the Consolidated Statement of Comprehensive Income.

#### (e) Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Tax payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the Consolidated Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.



## 1. Accounting policies (continued)

### (e) Taxation (continued)

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the Consolidated Statement of Comprehensive Income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

#### *Entry to UK-REIT Regime*

The Group's conversion to UK-REIT status was effective from 1 January 2015. The Group's rental profits arising from both income and capital gains are exempt from UK corporation tax from that date, subject to the Group's continuing compliance with the UK REIT rules.

### (f) Investment properties

Investment properties consist of land and buildings (principally offices, industrial, retail shops and retail warehouses) which are not occupied for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held to earn rental income together with the potential for capital and income growth.

Investment properties are initially recognised at cost, being the fair value of consideration given, including transaction costs associated with the investment property. Any subsequent capital expenditure incurred in improving investment properties is capitalised in the period incurred and included within the book cost of the properties.

After initial recognition, investment properties are measured at fair value, with unrealised gains and losses recognised in the Consolidated Statement of Comprehensive Income and transferred to the Capital Reserve. Fair value is based on the open market valuation provided by Cushman & Wakefield, chartered surveyors, at the balance sheet date using recognised valuation techniques suitably adjusted for unamortised lease incentives and lease surrender premiums. These techniques comprise both the Traditional Method and the Discounted Cash Flow Method. In some cases, the fair values are determined based on recent real estate transactions with similar characteristics and location to those of the Group's assets.

The determination of the fair value of investment properties requires the use of estimates such as future cash flows from assets (such as lettings, tenants' profiles, future revenue streams, capital values of fixtures and fittings, plant and machinery, any environmental matters and the overall repair and condition of the property) and discount rates applicable to those assets. These estimates are based on local market conditions existing at the balance sheet date.

#### *Techniques used for valuing investment property*

The Traditional Method converts anticipated future cash flow benefits in the form of rental income into present value. This approach requires careful estimation of future benefits and application of investor yield or return requirements. One approach to value the property on this basis is to capitalise net rental income on the basis of an Initial Yield, generally referred to as the 'All Risks Yield' approach or 'Net Initial Yield' approach.

The Discounted Cash Flow Method involves the projection of a series of periodic cash flows to an operating property. To this projected cash flow series, an appropriate, market-derived discount rate is applied to establish an indication of the present value of the income stream associated with the property. The calculated periodic cash flow is typically estimated as gross income less vacancy and collection losses and less operating expenses/outgoings. A series of periodic net operating incomes, along with an estimate of the reversion/terminal/exit value (which uses the traditional valuation approach) anticipated at the end of the projection period, are discounted to present value. The aggregate of the net present values equals the market value of the property and deductions for purchase costs.

The fair value of investment properties is measured based on each property's highest and best use from a market perspective and considers the potential uses of the property that are physically possible, legally permissible and financially feasible.

Investment properties held under finance leases and leased out under operating leases are classified as investment property and stated at fair value.

On derecognition, realised gains and losses on disposals of investment properties are recognised in the Consolidated Statement of Comprehensive Income and transferred to the Capital Reserve.

Recognition and derecognition generally occurs on the exchange of signed contracts between a willing buyer and a willing seller.

Any investment properties on which contracts for sale have been exchanged but which had not completed at the period end are disclosed as properties held for sale and stated at fair value less selling costs.

## 1. Accounting policies (continued)

### (g) Fair value measurement

Assets and liabilities within the hierarchy designated as fair value through profit or loss are measured at subsequent reporting dates at fair value. Accounting standards recognise a hierarchy of fair value measurements for assets and liabilities within the hierarchy which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

The classification within the hierarchy depends on the lowest significant applicable input, as follows:

**Level 1** – Unadjusted, fully accessible and current quoted prices in active markets for identical assets or liabilities. Examples of such instruments would be investments listed or quoted on any recognised stock exchange.

**Level 2** – Quoted prices for similar assets or liabilities, or other directly or indirectly observable inputs which exist for the duration of the period of investment. Examples of such instruments would be those for which the quoted price has been suspended, forward exchange contracts and certain other derivative instruments.

**Level 3** – External inputs are unobservable. Value is the Directors' best estimate, based on advice from relevant knowledgeable experts, use of recognised valuation techniques and on assumptions as to what inputs other market participants would apply in pricing the same or similar instrument. All investments in direct property are included in Level 3.

The Group measures financial instruments and investment properties, at fair value at each balance sheet date. Fair values of financial instruments measured at amortised cost, if any, are disclosed in note 12. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

### (h) Share issue expenses

Incremental external costs directly attributable to an equity transaction that would have otherwise been avoided are written off against the Special Distributable Reserve.

### (i) Cash and cash equivalents

Cash and cash equivalents consist of cash in hand at bank and short-term deposits in banks with an original maturity of three months or less.

### (j) Trade and other receivables

Trade receivables, which are generally due for settlement at the relevant quarter end, are recognised and carried at the original invoice amount less an allowance for any uncollectible amounts. The Group applies the IFRS9 simplified approach to measuring expected credit losses, which uses a lifetime expected impairment provision for all applicable trade receivables. Bad debts are written off when identified. Reverse lease surrender premiums and other incentives provided to tenants are recognised as an asset and amortised over the period from the date of lease commencement to the earliest termination date.

### (k) Interest-bearing loans

All loans are initially recognised at cost, being the fair value of the consideration received, net of arrangement costs associated with the borrowings. After initial recognition, all interest-bearing loans are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any loan arrangement costs and any discount or premium on settlement.

On maturity bank loans are recognised at par, which is equivalent to amortised cost. Bank loans redeemed before maturity are recognised at amortised cost with any charges associated with early redemption being taken to the Consolidated Statement of Comprehensive Income.

### (l) Operating lease contracts

The Group leases out its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and so accounts for the leases of its investment properties to lessees as operating leases which recognise rental income over the life of the lease and property.

### (m) Reserves

#### Share capital

Under the Company's Articles of Incorporation, the Company may issue an unlimited number of Ordinary Shares. Subject to the solvency test contained in the Companies (Guernsey) Law, 2008 being satisfied, ordinary shareholders are entitled to all dividends declared by the Company and to all of the Company's assets after repayment of its borrowings and ordinary creditors. Ordinary shareholders have the right to vote at meetings of the Company. All Ordinary Shares carry equal voting rights.

## 1. Accounting policies (continued)

### (m) Reserves (continued)

#### Special distributable reserve

The special reserve is a distributable reserve to be used for all purposes permitted under Guernsey law, including the buy back of shares and the payment of dividends.

The surplus of net proceeds received from the issue of new Ordinary Shares over the nominal value of such shares, is credited to this account subsequent to its initial recognition in the share capital account.

#### Capital reserve

The following are accounted for in this reserve:

- gains and losses on the disposal of investment properties
- increases and decreases in the fair value of investment properties held at the year-end.

#### Revenue reserve

Any surplus arising from the net profit on ordinary activities after taxation, after adding back capital gains or losses and after payment of dividends, is taken to this reserve, with any deficit transferred from the special distributable reserve.

## 2. Investment management and performance fee

	2019 £'000	2018 £'000
Investment management fee	2,286	2,156

The fees of any managing agents appointed by the Manager are payable out of the investment management fee. The Group's Manager receives a fee of 0.6 per cent per annum of the Total Assets including cash held provided that no fee is payable on any cash held in excess of 5 per cent of the net assets of the Group.

A performance fee is payable equal to 15 per cent of the amount by which the total return of the Group's directly held properties exceeds 115 per cent of the total return of the Group's benchmark and multiplied by the Group's total assets. The Group's benchmark for direct property performance is the MSCI UK Quarterly Property Universe total return. The performance fee therefore excludes the impact of cash and/or gearing.

The performance fee payable in each financial year is capped at an amount which, when taken with the aggregate base management fee payable in each financial year, equals 0.75 per cent of the average adjusted total assets of the Group.

Performance fees in excess of this capped return can be carried forward for up to two subsequent financial years subject to the annual 0.75 per cent cap.

The performance fee is measured over a rolling three year period and the performance fee payable in respect of any one financial year is equal to the total performance fee earned over that three year period less any performance fees already paid in the previous two years. In the event that the amount already paid in the previous two years is in excess of the amount earned over the rolling three year period, such excess shall be repaid to the Group by the Manager. A performance fee is payable in the event of outperformance of the benchmark even if the total return is negative.

A performance fee of £182,420 was accrued for the year ended 30 June 2019 (2018: nil).

The notice period in relation to the termination of the investment management agreement is six months by either party. The investment management agreement may be terminated earlier provided that a payment in lieu of notice, equivalent to the amount the Investment Manager would otherwise have received during the notice period, is made.

### 3. Other expenses

	2019 £'000	2018 £'000
Direct operating expenses of let rental property	705	672
Direct operating expenses of vacant property	162	109
Bad debts	(15)	12
Valuation and other professional fees	253	234
Directors' fees <sup>†</sup>	154	154
Administration fee payable to the Manager	107	105
Auditor's remuneration for:		
– statutory audit	63	58
Other	328	275
	<b>1,757</b>	<b>1,619</b>

<sup>†</sup> An analysis of the Directors' fees is provided in the 'Directors' Emoluments for the Year' table within the Remuneration Report on page 38.

#### Valuers fees

The valuers, Cushman & Wakefield provide valuation services in respect of the property portfolio. The annual fee is equal to 0.0195 per cent of the aggregate value of the property portfolio paid quarterly.

#### Administration fee

The Manager also receives an administration fee, which from 11 April 2013 was rebased to £100,000 per annum. This fee is recalculated from 1 July each year to reflect movements in the consumer price index.

### 4. Finance costs

	2019 £'000	2018 £'000
Interest on interest-bearing bank loans	3,292	3,316
Amortisation of loan set up costs	234	234
	<b>3,526</b>	<b>3,550</b>



## 5. Taxation

	2019 £'000	2018 £'000
Corporation tax charge in respect of distributions to holders of excessive rights	295	295
Total tax charge	295	295
A reconciliation of the tax charge applicable to the results from ordinary activities at the statutory tax rate to the charge for the year is as follows:		
Net profit before taxation	3,501	32,605
UK tax at an effective rate of 19.0 per cent	665	6,195
Effects of:		
UK REIT exemption on net income	(2,099)	(3,075)
Capital gains on investment properties not taxable	1,434	(3,120)
Corporation tax charge in respect of distributions to holders of excessive rights	295	295
Total tax charge	295	295

From 1 January 2015 the Group elected into the UK REIT regime. The UK REIT rules exempt the profits from the Group's property rental business, arising from both income and capital gains. The Group is otherwise subject to UK corporation tax at the prevailing rate. As the principal company of the REIT, the Company is required to distribute at least 90 per cent of the income profits of the Group's UK property rental business. There are a number of other conditions that also require to be met by the Group to maintain REIT tax status. These conditions were met in the year and the Board intends to conduct the Group's affairs such that these conditions continue to be met.

The Company is exempt from Guernsey taxation under the Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989 (as amended) as a category B collective investment vehicle, as are its subsidiaries. A fixed annual tax exemption fee of £1,200 per company is payable to the States of Guernsey in respect of this.

## 6. Dividends and property income distributions gross of income tax

	2019 £'000	2018 £'000
<b>Property Income Distributions:</b>		
Fourth interim for the prior year of 1.25 pence per share paid on 28 September 2018 (2017: 1.25 pence)	3,009	3,009
First interim of 1.25 pence per share paid on 31 December 2018 (2017: 1.25 pence)	3,009	3,009
Second interim of 1.25 pence per share paid on 29 March 2019 (2018: 1.25 pence)	3,009	3,009
Third interim of 1.25 pence per share paid on 28 June 2019 (2018: 1.25 pence)	3,009	3,009
	12,036	12,036

A fourth interim dividend totalling 1.25 pence per share will be paid on 30 September 2019 to shareholders on the register on 13 September 2019. Although this payment of £3,009,000 relates to the year ended 30 June 2019, under IFRS it will be accounted for in the year ending 30 June 2020, being the financial period in which the dividend was approved.

## 7. Earnings per share

The basic and diluted earnings per Ordinary Share are based on the net profit for the year of £3,206,000 (2018: £32,310,000) and on 240,705,539 (2018: 240,705,539) Ordinary Shares, being the weighted average number of shares in issue during the year.

## 8. Investment properties

	2019 £'000	2018 £'000
<b>Freehold and leasehold properties</b>		
Opening market value	353,625	335,350
Purchase of investment properties	–	10,190
Capital expenditure	878	1,067
Sales – net proceeds	(3,244)	(9,242)
– (losses)/gains on sale	(3,638)	1,686
Unrealised losses/(gains) realised during the year	3,432	(118)
Unrealised gains on investment properties	11,348	20,337
Unrealised losses on investment properties	(18,661)	(5,486)
Accrued selling costs	(30)	–
Movement in lease incentive receivable	(160)	(159)
Closing market value	343,550	353,625
Adjustment for lease incentives	(4,197)	(4,357)
Balance sheet carrying value	339,353	349,268
	2019 £'000	2018 £'000
(Losses)/gains on sale	(3,638)	1,686
Unrealised losses/(gains) realised during the year	3,432	(118)
(Losses)/gains on sale of investment properties realised	(206)	1,568
	2019 £'000	2018 £'000
Unrealised gains on investment properties	11,348	20,337
Unrealised losses on investment properties	(18,661)	(5,486)
Accrued selling costs	(30)	–
Unrealised (losses)/gains on revaluation of investment properties	(7,343)	14,851

All the Group's investment properties were valued as at 30 June 2019 by RICS Registered Valuers working for the company, Cushman & Wakefield, Chartered Surveyors. All such valuers are chartered surveyors, being members of the Royal Institution of Chartered Surveyors ('RICS'). Cushman & Wakefield completed a valuation of Group investment properties at 30 June 2019 on an open market basis in accordance with the requirements of the Appraisal and Valuation Manual published by the RICS. Fair value is determined on a market value basis in accordance with International Valuation Standards, as set out by the International Valuation Standards Committee. The valuation is prepared on an aggregated ungeared basis. It is also determined using market based evidence, which is the amount for which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction as at the valuation date. The critical assumptions made in valuing the properties are detailed in Note 1(f). The market value of these investment properties amounted to £343,550,000 (2018: £353,625,000), however an adjustment has been made for lease incentives of £4,197,000 (2018: £4,357,000) that are already accounted for as an asset.

The property valuer is independent and external to the Group and the Manager.

## 8. Investment properties (continued)

The property valuer takes account of deleterious materials included in the construction of the investment properties in arriving at its estimate of open market valuation, when the Manager advises the presence of such materials. In arriving at their estimates of market values, the valuers have used their market knowledge and professional judgement and not only relied on historical transactional comparables.

The Group has entered into leases on its property portfolio as lessor (See note 19 for further information). All leasehold investment properties have more than 60 years remaining on the lease term. All of the properties per fair value band are shown on page 28.

There are no restrictions on the realisability of the Group's investment properties or on the remittance of income or proceeds of disposal. However, the Group's investments comprise UK commercial property, which may be difficult to realise, as described in liquidity risk, note 17. There is also uncertainty in respect of valuations as detailed in market price risk, note 17.

Other than the capital commitments discussed in note 18, the Group is under no contractual obligations to purchase, construct or develop any investment property. The majority of leases are on a full repairing basis and as such the Group is not liable for costs in respect of repairs, maintenance or enhancements to such properties.

All investment properties are categorised as Level 3 fair values as they use significant unobservable inputs. There have not been any transfers between Levels during the year. Investment properties have been classed according to their real estate sector. Information on these significant unobservable inputs per class of investment property is disclosed below:

Sector	Valuation £'000	Significant Assumption	Range*	2019 Weighted Average	Range*	2018 Weighted Average
Retail	51,250 (2018: 60,900)	Current Net Rental Income per square foot ('psf') per annum	£9-£122	£37	£0-£122	£36
		Estimated Net Rental Value psf per annum	£9-£122	£37	£10-£122	£37
		Net Initial Yield	3.7%-8.0%	6.1%	(0.5)%-7.2%	5.1%
		Equivalent Yield	3.6%-7.2%	5.9%	3.6%-12.3%	5.4%
Retail Warehouse	65,250 (2018: 73,875)	Current Net Rental Income psf per annum	£1-£40	£16	£0-£40	£14
		Estimated Net Rental Value psf per annum	£10-£38	£16	£7-£35	£16
		Net Initial Yield	1.1%-8.0%	5.4%	0%-6.9%	5.0%
		Equivalent Yield	4.8%-7.5%	5.5%	4.8%-7.0%	5.1%
Office	90,750 (2018: 89,200)	Current Net Rental Income psf per annum	£3-£55	£25	£5-£66	£30
		Estimated Net Rental Value psf per annum	£4-£81	£38	£4-£75	£35
		Net Initial Yield	(0.1)%-27.2%	4.4%	(1.9)%-20.3%	5.0%
		Equivalent Yield	3.5%-12.9%	5.4%	3.4%-12.5%	5.5%
Industrial	136,300 (2018: 129,650)	Current Net Rental Income psf per annum	£6-£11	£8	£4-£10	£7
		Estimated Net Rental Value psf per annum	£6-£11	£8	£6-£11	£8
		Net Initial Yield	4.0%-5.2%	4.6%	2.4%-5.3%	4.3%
		Equivalent Yield	4.5%-5.1%	4.8%	4.6%-5.3%	4.9%

\* The ranges are based on averages per property and include properties which were vacant at the date of valuation. Individual tenancies within properties may fall outside these ranges.

For the majority of properties the fair value was determined by using the industry accepted methods. This means that valuations performed by Cushman & Wakefield are based on inputs determined from active markets, adjusted for differences in the nature, location or condition of the specific property. Most valuations are based on initial yield, although equivalent yield may also be taken into consideration. In determining the net initial yield, or capital value per square foot, the valuers may have regard to the terms of any existing lease including current rental values, lease length and covenant strength, along with assumptions regarding estimated rental values, rental growth rates, vacancy rates and void or rent free periods expected after the end of each lease.

**8. Investment properties (continued)****Sensitivity analysis**

The valuations of investment properties are sensitive to changes in the assumed significant unobservable inputs. A significant increase/(decrease) in estimated rental values in isolation would result in a significantly higher/(lower) fair value of the properties. A significant increase/(decrease) in the all risks yield in isolation would result in a significantly (lower)/higher fair value.

There are interrelationships between the yields and passing rental values as they are partially determined by market rate conditions.

The sensitivity of the valuation to changes in the most significant inputs per class of investment property are shown below:

<b>Estimated movement in fair value of investment properties at 30 June 2019 arising from:</b>	<b>Retail £'000</b>	<b>Retail Warehouses £'000</b>	<b>Offices £'000</b>	<b>Industrial £'000</b>	<b>Total £'000</b>
Increase in passing rental value by 5%	2,563	3,263	4,538	6,815	17,178
Decrease in passing rental value by 5%	(2,563)	(3,263)	(4,538)	(6,815)	(17,179)
Increase in net initial yield by 0.25%	(2,017)	(2,896)	(4,905)	(7,094)	(16,912)
Decrease in net initial yield by 0.25%	2,189	3,178	5,500	7,919	18,786

<b>Estimated movement in fair value of investment properties at 30 June 2018 arising from:</b>	<b>Retail £'000</b>	<b>Retail Warehouses £'000</b>	<b>Offices £'000</b>	<b>Industrial £'000</b>	<b>Total £'000</b>
Increase in passing rental value by 5%	3,045	3,694	4,460	6,483	17,682
Decrease in passing rental value by 5%	(3,045)	(3,694)	(4,460)	(6,483)	(17,682)
Increase in net initial yield by 0.25%	(2,869)	(3,534)	(4,267)	(7,081)	(17,751)
Decrease in net initial yield by 0.25%	3,167	3,908	4,718	7,949	19,742

This represents the Group's best estimate of a reasonable possible shift in passing rental values and net initial yield, having regard to historical volatility of the value and yield.

**9. Investment in subsidiary undertakings**

The Company owns 100 per cent of the issued ordinary share capital and voting rights of the following companies: IRP Holdings Limited ('IRPH') and IPT Property Holdings Limited ('IPTH'). IRPH and IPTH are companies incorporated in Guernsey whose principal business is that of an investment and property company.

**10. Trade and other receivables**

	<b>2019 £'000</b>	<b>2018 £'000</b>
<b>Non-current</b>		
Capital and rental lease incentive	3,380	3,401
Cash deposits held for tenants	782	291
	<b>4,162</b>	<b>3,692</b>
<b>Current</b>		
Capital and rental lease incentive	787	956
Cash deposits held for tenants	161	3
Rents receivable (net of provision for bad debts)	802	664
Other debtors and prepayments	819	(341)
	<b>2,569</b>	<b>1,282</b>



**10. Trade and other receivables (continued)**

Rents receivable, which are generally due for settlement at the relevant quarter end, are recognised and carried at the original invoice amount less an allowance for any expected credit losses. The provision at 30 June 2019 is £9,000 which is the assessed expected credit loss being determined as the total amount receivable over 90 days (2018: £40,000).

Capital and rental lease incentives consist of £3,001,000 (2018: £3,117,000) being the prepayments for rent-free periods recognised over the life of the lease and £1,116,000 (2018: £1,240,000) relating to capital incentives paid to tenants.

**11. Cash and cash equivalents**

All cash balances were held in cash, current accounts or in banks on short term deposits with an original maturity of three months or less at the year-end.

**12. Interest-bearing loans**

On 9 November 2015, the Group entered into an eleven year £90 million non-amortising term loan agreement with Canada Life Investments ("Canada Life") and a five year £20 million revolving credit facility agreement ("RCF") with Barclays Bank plc ("Barclays").

	2019 £'000	2018 £'000
<b>Canada Life loan</b>		
Principal amount outstanding	90,000	90,000
Set up costs	(1,497)	(1,497)
Accumulated amortisation of set up costs	498	360
Accrued variable rate interest on bank loan	588	597
<b>Total due</b>	<b>89,589</b>	<b>89,460</b>
	2019 £'000	2018 £'000
<b>Barclays loan</b>		
Principal amount outstanding	7,000	13,000
Set up costs	(480)	(480)
Accumulated amortisation of set up costs	350	254
Accrued variable rate interest on bank loan	46	65
<b>Total due</b>	<b>6,916</b>	<b>12,839</b>
<b>Total interest-bearing bank loans</b>	<b>96,505</b>	<b>102,299</b>

**£90 million Canada Life Loan 2026**

As part of the restructuring of the Group's long-term financing, IRP Holdings Limited ("IRPH") entered into a £90 million eleven year non-amortising term loan facility agreement with Canada Life.

Canada Life provided committed funds on 9 November 2015 and IRPH drew down the loan in full on 13 November 2015. Interest is payable on this loan from the first utilisation date, quarterly in arrears, at a fixed rate of 3.36 per cent per annum. The loan is secured by means of a fixed charge over specific properties. The loan has a maturity date of 9 November 2026.

## 12. Interest-bearing loans (continued)

Under the financial covenants related to this loan IRPH must ensure that the fixed charge assets meet the following criteria:

- the loan to value percentage does not exceed 55 per cent;
- the projected interest cover is greater than 2.0 times on any calculation date; and
- the actual interest cover is greater than 2.3 times on any calculation date.

All the applicable Canada Life loan covenants have been complied with during the year.

The fair value of the interest-bearing Canada Life loan as at 30 June 2019, based on the yield on the Treasury 2% 2025 which would be used as the basis for calculating the early repayment of such loan plus the appropriate margin would be £96,234,000. The exercise of early repayment approximates the carrying amount of the loan. The Canada Life loan is classified as Level 2 under the hierarchy of fair value measurement.

### £20 million Barclays Loan 2020

As part of the restructuring of the Group's long-term financing, IPT Property Holdings Limited ("IPTH") entered into a £20 million five year revolving credit facility ("RCF") agreement with Barclays.

Barclays provided committed funds on 9 November 2015. The loan facility expires on 9 November 2020 and can be drawn down or repaid at anytime. Interest accrues on the bank loan at a variable rate, based on 3 month LIBOR plus margin and mandatory lending costs, and is payable quarterly. The margin is 1.45 per cent per annum for the duration of the loan. IPTH repaid £6 million of the loan during the year and as at 30 June 2019 £7 million of the RCF was drawn down (30 June 2018: £13 million drawn down).

This bank loan is secured by way of a fixed charge over specific properties held by IPTH. Under the bank covenants related to this loan, IPTH is to ensure that at all times:

- the loan to value percentage does not exceed 60 per cent;
- the historic and projected interest cover is greater than 2.0 times; and
- the qualifying net rental income for the preceding 12 month period is greater than £2,500,000.

All the applicable Barclays loan covenants have been complied with during the year.

The fair value of the Barclays loan is not materially different to the carrying value at 30 June 2019.

### Analysis of movement in net debt

	Cash and Cash equivalents £'000	Interest-bearing loans £'000	2019 Net debt £'000	Cash and Cash equivalents £'000	Interest-bearing loans £'000	2018 Net debt £'000
Opening balance	15,037	102,299	87,262	16,565	105,061	88,496
Cash movement	(5,179)	(6,000)	(821)	(1,528)	(3,000)	(1,472)
Amortisation of loan set-up costs	–	234	234	–	234	234
Loan interest paid during the year	–	(3,317)	(3,317)	–	(3,312)	(3,312)
Accrued loan interest	–	3,289	3,289	–	3,316	3,316
<b>Closing balance</b>	<b>9,858</b>	<b>96,505</b>	<b>86,647</b>	<b>15,037</b>	<b>102,299</b>	<b>87,262</b>

**13. Trade and other payables**

	2019 £'000	2018 £'000
<b>Non-current</b>		
Rental deposits	782	291
<b>Current</b>		
Rental income received in advance	3,463	3,511
Rental deposits	161	3
VAT payable	688	529
Manager's fees payable	734	581
Other payables	1,028	655
	<b>6,074</b>	<b>5,279</b>

The Company's payment policy is to ensure settlement of supplier invoices in accordance with stated terms.

**14. Share capital and capital risk management**

	2019 £'000	2018 £'000
<b>Allotted, called-up and fully paid</b>		
240,705,539 (2018: 240,705,539) Ordinary Shares of 1 pence each in issue	2,407	2,407

Ordinary shareholders have the right to vote at meetings of the Company. All Ordinary Shares carry equal voting rights.

The Company issued nil Ordinary Shares during the year (2018: nil).

**Capital Risk Management**

The objective of the Company is to provide ordinary shareholders with an attractive level of income together with the potential for income and capital growth from investing in a diversified UK commercial property portfolio. In pursuing this objective, the Board has responsibility for ensuring the Company's ability to continue as a going concern. This involves the ability to issue and buy back share capital within limits set by shareholders in a general meeting; borrow monies in the short and long term; and pay dividends out of reserves all of which are considered and approved by the Board on a regular basis. Dividends are set out in note 6 to the consolidated financial statements and borrowings are set out in note 12.

The capital of the Group is managed in accordance with its investment policy, in pursuit of its investment objective, both of which are detailed in the Business Model and Strategy on page 10 and in note 1(m). To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, issue new shares, manage the Group's discount to net asset value and monitor the Group's gearing level. No changes were made to the objectives, policies or processes during the years ended 30 June 2019 or 30 June 2018.

**15. Net asset value per share**

The net asset value per Ordinary Share is based on net assets of £252,286,000 (2018: £261,116,000) and 240,705,539 (2018: 240,705,539) Ordinary Shares, being the number of Ordinary Shares in issue at the year-end.

**16. Related Parties and Transactions with the Manager**

The Directors are considered to be the Group's key management personnel. No Director has an interest in any transactions which are, or were, unusual in their nature or significant to the Group. The Directors of the Company received fees for their services and dividends from their shareholdings in the Company, these amounts are detailed in the Remuneration Report. No fees remained payable at the year end.

Transactions between the Company and the Manager are detailed in note 2 on management fees and note 13 on fees owed to the Manager at the balance sheet date. The existence of an independent Board of Directors demonstrates that the Company is free to pursue its own financial and operating policies and therefore, under the AIC SORP, the Manager is not considered to be a related party.

## 17. Financial Risk Management

The Group's financial instruments comprise cash, receivables, interest-bearing loans and payables that arise directly from its operations.

The Group is exposed to various types of risk that are associated with financial instruments. Financial risks are risks arising from financial instruments to which the Group is exposed during or at the end of the reporting period. Financial risk comprises market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. There was no currency risk as at 30 June 2019 or 30 June 2018 as assets and liabilities are maintained in Sterling.

The Board reviews and agrees policies for managing the Group's risk exposure. These policies are summarised below and have remained unchanged for the year under review. These disclosures include, where appropriate, consideration of the Group's investment properties which, whilst not constituting financial instruments as defined by IFRS, are considered by the Board to be integral to the Group's overall risk exposure.

The primary objectives of the financial risk management policies are to establish risk limits, and then ensure that exposure to risks stays within these limits.

### **Market Risk**

Market risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

Sensitivities to market risks included below are based on a change in one factor while holding all other factors constant. In practice, this is unlikely to occur, and changes in some of the factors may be correlated – for example, changes in interest rate and changes in foreign currency rates.

The Group's strategy for the management of Market Risk is driven by the investment policy as outlined within the Business Model and Strategy on page 10. The management of Market Risk is part of the investment management process and is typical of commercial property investment. The portfolio is managed with an awareness of the effects of adverse valuation movements through detailed and continuing analysis, with an objective of maximising overall returns to shareholders.

### **Price Risk**

The Group has no significant exposure to price risk as it does not hold any equity securities or commodities. The Group is exposed to price risk other than in respect of financial instruments, such as property price risk including property rentals risk. Investments in property and property-related assets are inherently difficult to value due to the individual nature of each property. As a result, valuations are subject to substantial uncertainty. There is no assurance that the estimates resulting from the valuation process will reflect the actual sales price even where such sales occur shortly after the valuation date. Such risk is minimised through the appointment of external property valuers. The basis of valuation of the property portfolio is set out in detail in the accounting policies and note 8.

Any changes in market conditions will directly affect the profit/loss reported through the Consolidated Statement of Comprehensive Income. Details of the Group's investment property portfolio at the balance sheet date are disclosed on page 28. A 10 per cent increase in the value of the investment properties held as at 30 June 2019 would have increased net assets available to shareholders and increased the net income for the year by £33.9 million (2018: £34.9 million); an equal change in the opposite direction would have decreased net assets and decreased the net income by an equivalent amount.

The calculations above are based on investment property valuations at the respective balance sheet dates and are not representative of the year as a whole, nor reflective of future market conditions.

### **Interest rate risk**

Some of the Group's financial instruments are interest-bearing. They are a mix of both fixed and variable rate instruments with differing maturities. As a consequence, the Group is exposed to interest rate risk due to fluctuations in the prevailing market rate.

The Group's exposure to interest rate risk relates primarily to the Group's borrowings. Interest rate risk on the £90 million Canada Life term loan is managed by the loan bearing interest at a fixed rate of 3.36 per cent per annum until maturity on 9 November 2026.



**17. Financial Risk Management (continued)**

The tables below set out the carrying amount of the Group's financial instruments that are exposed to interest rate risk.

	Total £'000	Fixed rate £'000	Variable rate £'000	Assets/ liabilities where no interest is received £'000	Weighted average interest rate %	Weighted average period for which rate is fixed (years)
<b>2019</b>						
Financial assets						
Cash	9,858	-	9,858	-	0.01	-
Financial liabilities						
Barclays loan	(6,916)	-	(6,916)	-	2.27	-
Canada Life loan	(89,589)	(89,589)	-	-	3.36	7.4
<b>2018</b>						
Financial assets						
Cash	15,037	-	-	-	0.01	-
Financial liabilities						
Barclays loan	(12,839)	-	(12,839)	-	2.20	-
Canada Life loan	(89,460)	(89,460)	-	-	3.36	8.4

**Credit risk**

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Group.

In the event of default by an occupational tenant, the Group will suffer a rental shortfall and incur additional costs, including legal expenses, in maintaining, insuring and re-letting the property. The Board receives regular reports on concentrations of risk and any tenants in arrears. The Manager monitors such reports in order to anticipate, and minimise the impact of, defaults by occupational tenants.

The Group has a diversified tenant portfolio. The maximum credit risk from the rent receivables of the Group at 30 June 2019 is £802,000 (2018: £664,000). The maximum credit risk is stated after providing for expected credit losses of £9,000 (2018: £40,000). Of this amount £nil was subsequently written off and £4,000 has been recovered.

The expected loss rates are based on the payment profiles of tenants over a period of 36 months before 31 December 2018 or 1 January 2018, respectively, and the corresponding historical credit losses experienced within this period.

Apart from the rent receivable disclosed above there were no financial assets which were either past due or considered impaired at 30 June 2019 (2018: nil).

Deposits refundable to tenants may be withheld by the Group in part or in whole if receivables due from the tenant are not settled or in case of other breaches of contract.

All of the cash is placed with financial institutions with a credit rating of A or above. Bankruptcy or insolvency of these financial institutions may cause the Group's ability to access cash placed on deposit to be delayed or limited. Should the credit quality or the financial position of the banks currently employed significantly deteriorate, the Manager would move the cash holdings to another financial institution.

The Group can also spread counterparty risk by placing cash balances with more than one financial institution. The Directors consider the residual credit risk to be minimal.

**17. Financial Risk Management (continued)****Liquidity risk**

Liquidity risk is the risk that the Group will encounter in realising assets or otherwise raising funds to meet financial commitments. The Group's investments comprise UK commercial property.

Property in which the Group invests is not traded in an organised public market and may be illiquid. As a result, the Group may not be able to quickly liquidate its investments in these properties at an amount close to their fair value in order to meet its liquidity requirements.

The Group's liquidity risk is managed on an ongoing basis by the Manager and monitored on a quarterly basis by the Board. In order to mitigate liquidity risk the Group aims to have sufficient cash balances (including the expected proceeds of any property sales) to meet its obligations for a period of at least twelve months.

In certain circumstances, the terms of the Group's bank loans (detailed in note 12) entitle the lender to require early repayment, for example if covenants are breached, and in such circumstances the Group's ability to maintain dividend levels and the net asset value attributable to the Ordinary Shares could be adversely affected.

At the reporting date, the contractual maturity of the Group's assets and liabilities were:

	Three months or less £'000	Between three months and one year £'000	Between one year and five years £'000	More than five years £'000	Total £'000
<b>Financial Assets</b>					
<b>2019</b>					
Cash and cash equivalents	9,858	-	-	-	9,858
Rent receivable (net of provision for bad debt)	802	-	-	-	802
Other debtors	161	-	-	-	161
<b>2018</b>					
Cash and cash equivalents	15,037	-	-	-	15,037
Rent receivable (net of provision for bad debt)	664	-	-	-	664
Other debtors	3	-	-	-	3
<b>Financial liabilities</b>					
<b>2019</b>					
Canada Life bank loan	1,310	2,165	11,547	96,743	111,765
Barclays bank loan <sup>†</sup>	6,916	-	-	-	6,916
Trade and other payables	1,042	882	387	395	2,706
<b>2018</b>					
Canada Life bank loan	1,318	2,165	11,547	99,629	114,659
Barclays bank loan <sup>‡</sup>	12,839	-	-	-	12,839
Trade and other payables	656	583	240	51	1,530

<sup>†</sup> At 30 June 2019, this loan is contractually due within three months but the Company has the right to extend the facility until the termination date.

<sup>‡</sup> At 30 June 2018, this loan is contractually due within three months but the Company has the right to extend the facility until the termination date.

**18. Capital commitments**

The Group had no capital commitments as at 30 June 2019 (2018: £nil).

**19. Lease length**

The Group leases out its investment properties under operating leases.

The total future income based on the lessor lease length (all break options being exercised) at the year-end was as follows (based on annual rentals):

	2019 £'000	2018 £'000
Less than one year	16,737	16,598
Between one and five years	44,748	43,369
Over five years	45,225	47,390
<b>Total</b>	<b>106,710</b>	<b>107,357</b>

The largest single tenant at the year end accounted for 6.8 per cent (2018: 6.9 per cent) of the current annual rental income.

The unoccupied property expressed as a percentage of estimated total rental value was 0.1 per cent at the year-end (2018: 4.6 per cent).

The Group has entered into commercial property leases on its investment property portfolio as a lessor. These properties, held under operating leases, are measured under the fair value model as the properties are held to earn rentals.

**20. Operating segments**

The Board has considered the requirements of IFRS 8 'Operating Segments'. The Board is of the opinion that the Group is engaged in a single segment of business, being property investment, and in one geographical area, the United Kingdom, and that therefore the Group has only a single operating segment. The Board of Directors, as a whole, has been identified as constituting the chief operating decision maker of the Group. The key measure of performance used by the Board to assess the Group's performance is the total return of the Group's net asset value, as calculated under IFRS, and therefore no reconciliation is required between the measure of profit or loss used by the Board and that contained in the consolidated financial statements.

**21. Securities financing transactions ("SFT")**

The Company has not, in the year to 30 June 2019 (2018: same), participated in any: repurchase transactions; securities lending or borrowing; buy-sell back transactions; margin lending transactions; or total return swap transactions (collectively called SFT). As such, it has no disclosure to make in satisfaction of the EU regulations on transparency of SFT, issued in November 2015.

**22. Subsequent events**

On 10 July 2019, the Group exchanged contracts with a third party for the sale of 155a/163 High Street, Kings Heath, Birmingham for a price of £2 million.

# AIFM Disclosures

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## Alternative Investment Fund Managers ('AIFM') Directive

In accordance with the AIFM Directive, information in relation to the Company's leverage and the remuneration of the Company's AIFM, BMO Investment Business Limited, is required to be made available to investors.

The Company's maximum and average actual leverage levels at 30 June 2019 are shown below:

Leverage exposure	Gross method	Commitment method
Maximum limit	400%	400%
Actual	134%	140%

For the purposes of the AIFM Directive, leverage is any method which increases the Company's exposure, including the borrowing of cash and the use of derivatives. It is expressed as a percentage of the Company's exposure to its net asset value and is calculated on both a gross and commitment method.

Under the gross method, exposure represents the sum of the Company's positions after deduction of cash balances, without taking account of any hedging or netting arrangements. Under the commitment method, exposure is calculated without the deduction of cash balances and after certain hedging and netting positions are offset against each other.

The leverage limits are set by the AIFM and approved by the Board and are in line with the maximum leverage levels permitted in the Company's Articles of Incorporation. The AIFM is also required to comply with the gearing parameters set by the Board in relation to borrowings.

Detailed regulatory disclosures including those on the AIFM's remuneration policy and costs are available on the Company's website or from BMO on request.

An Investor Disclosure Document for the Company is available on the Company's website: [www.bmorealestateinvestments.com](http://www.bmorealestateinvestments.com).

# Notice of Annual General Meeting

Notice is hereby given that the fifteenth Annual General Meeting of BMO Real Estate Investments Limited will be held at the offices of BMO Global Asset Management, Exchange House, Primrose Street, London EC2A 2NY on 19 November 2019 at 12 noon for the following purposes.

## To consider and, if thought fit, pass the following as Ordinary Resolutions:

1. That the Annual Report and Consolidated Financial Statements for the year ended 30 June 2019 be received and approved.
2. That the Directors' Annual Report on Remuneration be approved.
3. That the dividend policy as set out in the Annual Report be approved.
4. That Mr V Lall, who retires annually, be re-elected as a Director.
5. That Mr A Gulliford, who retires annually, be re-elected as a Director.
6. That Mr D Ross, who retires annually, be re-elected as a Director.
7. That Mr M Carpenter, who retires annually, be re-elected as a Director.
8. That Ms A Henderson, who retires annually, be re-elected as a Director.
9. That PricewaterhouseCoopers CI LLP, be re-appointed as Auditor until the conclusion of the next Annual General Meeting.
10. That the Directors be authorised to determine the Auditor's Remuneration.

## To consider and, if thought fit, pass the following as Special Resolutions:

11. That the Directors of the Company be and are hereby generally empowered to allot ordinary shares in the Company or grant rights to subscribe for, or to convert securities into, ordinary shares in the Company ("equity securities") for cash, including by way of a sale of ordinary shares held by the Company as treasury shares, as if any pre-emption rights in relation to the issue of shares set out in the Listing Rules made by the Financial Conduct Authority under part VI of the Financial Services and Markets Act 2000 (as amended) did not apply to any such allotment of equity securities, provided that this power:
  - (a) expires at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or on the expiry of 15 months from the passing of this resolution, whichever is the earlier, save that the Company may, before

such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement as if the power conferred hereby had not expired; and

- (b) shall be limited to the allotment of equity securities up to an aggregate nominal value of £240,705 being 10 per cent of the issued share capital of the Company, as at 19 September 2019.
12. That the Company be authorised, in accordance with section 315 of the Companies (Guernsey) Law, 2008 (the 'Law'), to make market purchases (within the meaning of section 316 of the Law) of Ordinary Shares of 1p each ("Ordinary Shares") (either for retention as treasury shares or cancellation) provided that:
  - (a) the maximum number of Ordinary Shares hereby authorised to be purchased shall be 14.99 per cent of the issued Ordinary Shares on the date on which this resolution is passed;
  - (b) the minimum price which may be paid for an Ordinary Share shall be 1p;
  - (c) the maximum price (exclusive of expenses) which may be paid for an Ordinary Share shall be the higher of (i) 105 per cent of the average of the middle market quotations (as derived from the Daily Official List) for the Ordinary Shares for the five business days immediately preceding the date of purchase and (ii) the higher of the last independent trade and the highest current independent bid on the trading venue which the purchase is carried out; and
  - (d) unless previously varied, revoked or renewed, the authority hereby conferred shall expire on 31 December 2020 or, if earlier, at the conclusion of the Annual General Meeting of the Company to be held in 2020, save that the Company may, prior to such expiry, enter into a contract to purchase Ordinary Shares under such authority and may make a purchase of Ordinary Shares pursuant to any such contract.

**By order of the Board**  
**Northern Trust International Fund Administration**  
**Services (Guernsey) Limited**  
**Secretary**  
**PO Box 255, Trafalgar Court, Les Banques**  
**St. Peter Port, Guernsey GY1 3QL**  
**19 September 2019**



### Notes:

1. A member who is entitled to attend, speak and vote at the Meeting is entitled to appoint one or more proxies to attend, speak and vote instead of him or her. More than one proxy may be appointed provided each proxy is appointed to exercise the rights attached to different shares. A proxy need not be a member of the Company.
2. A form of proxy is enclosed for use at the Meeting. The form of proxy should be completed and sent, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, so as to reach Computershare Investor Services (Guernsey) Limited, c/o The Pavilions, Bridgwater Road, Bristol, BS99 6ZY not later than 12 noon on 15 November 2019.
3. The completion and return of the form of proxy will not preclude you from attending the Meeting. If you have appointed a proxy and attend the Meeting in person your proxy appointment will remain valid and you may not vote at the Meeting in person unless you have provided a hard copy notice clearly stating your intention to revoke your proxy appointment to Computershare Investor Services (Guernsey) Limited, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY not later than 12 noon on 15 November 2019. In the case of a member which is an individual, the revocation notice must be under the hand of the appointer or of his attorney duly authorised in writing or in the case of a member which is a company, the revocation notice must be executed under its common seal or under the hand of an officer of the company or an attorney duly authorised. Any power of attorney or any other authority under which the revocation notice is signed (or a notarially certified copy of such power or authority under which the revocation notice is signed) must be included with the revocation notice.
4. To have the right to attend and vote at the Meeting (and also for the purposes of calculating how many votes a member may cast on a poll) a member must first have his or her name entered on the register of members not later than close of business on 15 November 2019. Changes to entries in the register after that time shall be disregarded in determining the rights of any member to attend and vote at such Meeting.
5. The Articles of Incorporation and the Directors' letters of appointment will also be available for inspection for fifteen minutes prior to the Annual General Meeting and during the meeting itself.
6. As at 19 September 2019, the latest practicable date prior to publication of this document, the Company had 240,705,539 Ordinary Shares in issue with a total of 240,705,539 voting rights.
7. Any person holding three per cent of the total voting rights in the Company who appoints a person other than the Chairman as his proxy will need to ensure that both he and such third party complies with their respective disclosure obligations under the Disclosure Guidance and Transparency Rules.

# Shareholder Information

## Dividends

Ordinary dividends are paid quarterly in March, June, September and December each year. Shareholders who wish to have dividends paid directly into a bank account rather than by cheque to their registered address can complete a mandate form for the purpose. Mandates may be obtained from Computershare Investor Services (Guernsey) Limited, c/o Queensway House, Hilgrove Street, St. Helier, Jersey JE1 1ES on request. Where dividends are paid directly to shareholders' bank accounts, dividend tax vouchers are sent directly to shareholders' registered addresses.

## Share Price

The Company's ordinary shares are listed on the London Stock Exchange. Prices are given daily in the *Financial Times* under "Investment Companies" and in other newspapers.

## Data Protection

The Company is committed to ensuring the privacy and security of any personal data provided to it. Further details of the Company's privacy policy can be found on its website.

## Change of Address

Communications with shareholders are mailed to the address held on the share register. In the event of a change of address or other amendment this should be notified to Computershare Investor Services (Guernsey) Limited, c/o Queensway House, Hilgrove Street, St. Helier, Jersey JE1 1ES under the signature of the registered holder.

## Shareholder Enquiries

Contact Northern Trust International Fund Administration Services (Guernsey) Limited, Trafalgar Court, Les Banques, St. Peter Port, Guernsey GY1 3QL. Additional information regarding the Company may also be found at its website addresses which are:

## Common reporting standards

Tax legislation requires investment fund companies to provide information annually to the local tax authority on the tax residencies of a number of non-UK based certificated Shareholders and corporate entities who have purchased shares in investment companies. All new Shareholders, excluding those whose shares are held in CREST, who are entered onto the share register are sent a certification form for the purpose of collecting this information.

## Key Information Document

The Key Information Document relating to the Company's shares can be found on its website at [www.bmorealestateinvestments.com](http://www.bmorealestateinvestments.com). This document has been produced in accordance with EU's PRIIPs Regulations.

[www.bmorealestateinvestments.com](http://www.bmorealestateinvestments.com)

## Warning to Shareholders – Beware of Share Fraud

Fraudsters use persuasive and high-pressure tactics to lure investors into scams. They may offer to sell shares that turn out to be worthless or non-existent, or to buy shares at an inflated price in return for an upfront payment.

If you receive unsolicited investment advice or requests:

- Check the Financial Services Register from [fca.org.uk](http://fca.org.uk) to see if the person or firm contacting you is authorised by the FCA
- Call the Financial Conduct Authority ("FCA") on **0800 111 6768** if the firm does not have contact details on the Register or you are told they are out of date
- Search the list of unauthorised firms to avoid at [fca.org.uk/scams](http://fca.org.uk/scams)
- Consider that if you buy or sell shares from an unauthorised firm you will not have access to the Financial Ombudsman Service or Financial Services Compensation Scheme
- Think about getting independent financial and professional advice

If you are approached by fraudsters please tell the FCA by using the share fraud reporting form at [fca.org.uk/scams](http://fca.org.uk/scams) where you can find out more about investment scams. You can also call the FCA Consumer Helpline on **0800 111 6768**. If you have already paid money to share fraudsters you should contact Action Fraud on **0300 123 2040**.

# Historic Record

	Total assets less current liabilities £'000	Shareholders' funds £'000	Net asset value per ordinary share p	Ordinary share price p	Premium/(discount) %	Earnings/(loss) per ordinary share p	Dividends paid per ordinary share p	Ongoing charges <sup>*</sup> %
1 June 2004 (launch)	176,814	106,152	96.0	100.0	4.2	–	–	–
30 June 2005	202,007	124,478	112.6	124.5	10.6	26.2	5.615	1.8
30 June 2006	231,118	157,136	142.2	142.5	0.2	33.1	6.750	1.7
30 June 2007	236,703	176,377	159.6	125.5	(21.4)	18.8	6.876	1.5
30 June 2008	191,773	133,657	121.0	75.0	(38.0)	(30.4)	7.210	1.5
30 June 2009	146,844	80,535	72.9	57.5	(21.1)	(33.4)	7.20	1.9
30 June 2010	162,095	94,328	85.4	84.3	(1.3)	23.6	7.20	1.8
30 June 2011	158,217	91,485	82.8	90.0	8.7	3.3	7.20	1.7
30 June 2012	158,433	84,185	76.2	66.0	(13.4)	2.9	7.20	2.0
30 June 2013 <sup>†</sup>	272,001	149,115	71.7	72.5	1.1	1.2	7.20	2.0
30 June 2014	307,275	192,569	83.4	84.0	0.7	14.4	5.00	1.4
30 June 2015	331,744	226,829	97.0	99.5	2.6	17.5	5.00	1.4
30 June 2016	346,419	236,742	99.2	88.5	(10.8)	7.2	5.00	1.3
30 June 2017	346,255	240,842	100.1	106.8	6.7	5.9	5.00	1.2
30 June 2018	363,706	261,116	108.5	99.8	(8.0)	13.4	5.00	1.2
<b>30 June 2019</b>	<b>349,573</b>	<b>252,286</b>	<b>104.8</b>	<b>80.0</b>	<b>(23.7)</b>	<b>1.3</b>	<b>5.00</b>	<b>1.2</b>

<sup>\*</sup>as a percentage of average net assets (excluding direct property expenses).

<sup>†</sup> post the merger with ISIS Property Trust.

## Financial Calendar

Annual General Meeting	19 November 2019
Payment of first interim dividend	December 2019
Announcement of interim results	March 2020
Posting of Interim Report	March 2020
Payment of second interim dividend	March 2020
Payment of third interim dividend	June 2020
Announcement of annual results	September 2020
Posting of Annual Report	September 2020
Payment of fourth interim dividend	September 2020

# Alternative Performance Measures

The Company uses the following Alternative Performance Measures ('APMs'). APMs do not have a standard meaning prescribed by GAAP and therefore may not be comparable to similar measures presented by other entities.

**Discount or Premium** – The share price of an Investment Company is derived from buyers and sellers trading their shares on the stock market. If the share price is lower than the NAV per share, the shares are trading at a discount. This usually indicates that there are more sellers than buyers. Shares trading at a price above the NAV per share, are said to be at a premium.

		2019 pence	2018 pence
Net Asset Value per share	(a)	104.8	108.5
Share price per share	(b)	80.0	99.8
<b>(Discount) or Premium (c = (b-a)/a)</b>	(c)	-23.7%	-8.0%

**Dividend Cover** – The percentage by which Profits for the year (less gains/losses on investment properties and non-recurring other income) cover the dividend paid.

A reconciliation of dividend cover is shown below:

		2019 £'000	2018 £'000
<b>Profit for the year</b>		3,206	32,310
Less: Realised losses/(gains)		206	(1,568)
Unrealised losses/(gains)		7,343	(14,851)
Other income		–	(4,375)
Profit before investment gains and losses	(a)	10,755	11,516
Dividends	(b)	12,036	12,036
<b>Dividend Cover percentage (c = a/b)</b>	(c)	89.4%	95.7%

**Dividend Yield** – The annualised dividend divided by the share price at the year end. An analysis of dividends is contained in note 6 to the consolidated financial statements.

**Net Gearing** – Borrowings less net current assets divided by the value of investment properties.

		2019 £'000	2018 £'000
Loans		96,505	102,299
Less net current assets		(6,058)	(10,746)
Total	(a)	90,447	91,553
Value of investment properties	(b)	339,353	349,268
<b>Net Gearing (c = a/b)</b>	(c)	26.7%	26.2%

**Ongoing Charges** – All operating costs incurred by the Company, expressed as a proportion of its average Net Assets over the reporting year. The costs of buying and selling investments and derivatives are excluded, as are interest costs, taxation, non-recurring property costs and the costs of buying back or issuing Ordinary Shares.

### Ongoing charges calculation

		2019 £'000	2018 £'000
Total expenditure		4,043	3,775
Less non-recurring costs		(852)	(793)
Total	(a)	3,191	2,982
Average net assets	(b)	256,408	251,751
<b>Ongoing charges (c = a/b)</b>	(c)	1.2%	1.2%

**Portfolio (Property) Capital Return** – The change in property value during the period after taking account of property purchase and sales and capital expenditure, calculated on a quarterly time-weighted basis.

**Portfolio (Property) Income Return** – The income derived from a property during the period as a percentage of the property value, taking account of direct property expenditure, calculated on a quarterly time-weighted basis.

**Portfolio (Property) Total Return** – Combining the Portfolio Capital Return and Portfolio Income Return over the period, calculated on a quarterly time-weighted basis.

**Total Return** – The return to shareholders calculated on a per share basis by adding dividends paid in the period to the increase or decrease in the Share Price or NAV. The dividends are assumed to have been reinvested in the form of Ordinary Shares or Net Assets, respectively, on the date on which they were quoted ex-dividend.

	Net asset value	Share price
NAV/Share price per share at 30 June 2018 (pence)	108.5	99.8
NAV/Share price per share at 30 June 2019 (pence)	104.8	80.0
Change in the year	-3.4%	-19.8%
Impact of dividend reinvestments	4.7%	4.6%
<b>Total return for the year</b>	1.3%	-15.2%



# Glossary of Terms

## Corporate Terms

**AAF** – Audit and Assurance Faculty guidance issued by the Institute of Chartered Accountants in England and Wales.

**AIC** – Association of Investment Companies. This is the trade body for Closed-end Investment Companies ([www.theaic.co.uk](http://www.theaic.co.uk)).

**AIFMD** – Alternative Investment Fund Managers Directive. Issued by the European Parliament in 2012 and 2013, the Directive required that all investment vehicles in the European Union, including Closed-end Investment Companies, must have appointed a Depositary and an Alternative Investment Fund Manager before 22 July 2014. The Board of Directors of a Closed-end Investment Company, nevertheless, remains fully responsible for all aspects of the company's strategy, operations and compliance with regulations.

**Benchmark** – This is a measure against which an Investment Company's performance is compared. The Company does not have a formal Benchmark but does report its performance against the MSCI Investment Property Databank ('IPD') Quarterly Universe, which is used to determine whether a performance fee is payable to the Manager (see note 2 to the consolidated financial statements.)

**Closed-end Investment Company** – A company with a fixed issued ordinary share capital which is traded on an exchange at a price not necessarily related to the Net Asset Value of the company and where shares can only be issued or bought back by the company in certain circumstances. This contrasts with an open-ended investment company, which has units not traded on an exchange but issued or bought back from investors at a price directly related to the Net Asset Value.

**Depositary** – Under AIFMD rules applying from July 2014, the Company must appoint a Depositary, whose duties in respect of investments, cash and similar assets include: safekeeping; verification of ownership and valuation; and cash monitoring. Under AIFMD regulations, the Depositary has strict liability for the loss of the Company's financial assets in respect of which it has safekeeping duties. The Depositary's oversight duties include, but are not limited to, oversight of share buy backs, dividend payments and adherence to investment limits. The Company's Depositary is JP Morgan Europe Limited.

**Dividend** – The income from an investment. The Company currently pays dividends to shareholders quarterly.

**GAAP** – Generally Accepted Accounting Practice. This includes UK GAAP and International GAAP (IFRS or International Financial Reporting Standards applicable in the European Union). The Company's financial statements are prepared in accordance with IFRS as adopted by the EU.

**Gearing** – Unlike open-ended investment companies, Closed-end Investment Companies have the ability to borrow to invest. This term is used to describe the level of borrowings that an Investment Company has undertaken. The higher the level of borrowings, the higher the gearing ratio.

**Leverage** – As defined under AIFMD rules, leverage is any method by which the exposure of an AIF is increased through borrowing of cash or securities or leverage embedded in derivative positions. Leverage is broadly equivalent to Gearing, but is expressed as a ratio between the assets (excluding borrowings) and the net assets (after taking account of borrowings). Under the gross method, exposure represents the sum of the Company's positions after deduction of cash balances, without taking account of any hedging or netting arrangements. Under the commitment method, exposure is calculated without the deduction of cash balances and after certain hedging and netting positions are offset against each other.

**Manager** – The Company's investment manager is BMO Investment Business Limited, and its property manager is BMO REP Property Management Limited. Further details are set out on page 16 and in note 3 to the accounts.

**Market Capitalisation** – The stock market value of a company as determined by multiplying the number of shares in issue, excluding those shares held in treasury, by the market price of the shares.

**Net Assets (or Shareholders' Funds)** – This is calculated as the value of the investments and other assets of an Investment Company, plus cash and debtors, less borrowings and any other creditors. It represents the underlying value of an Investment Company at a point in time.

**Net Asset Value ('NAV') per Ordinary Share** – This is calculated as the net assets of an Investment Company divided by the number of shares in issue, excluding those shares held in treasury.

**Ordinary Shares** – The main type of equity capital issued by conventional Investment Companies. Shareholders are entitled to their share of both income, in the form of dividends paid by the Investment Company, and any capital growth. As at 30 June 2019 the Company had only Ordinary Shares in issue.

**Share Price** – The value of a share at a point in time as quoted on a stock exchange. The Company's Ordinary Shares are quoted on the Main Market of the London Stock Exchange.

**SORP** – Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" issued by the AIC.

**Total Assets** – This is calculated as the value of the investments and other assets of an Investment Company, plus cash and debtors.

## Property Terms

**Break Option** – A clause in a Lease which provides the landlord or tenant with an ability to terminate the Lease before its contractual expiry date.

**Covenant Strength** – This refers to the quality of a tenant's financial status and its ability to perform the covenants in the Lease.

**Equivalent Yield** – The internal rate of return of the cash flow from the property, assuming a rise to ERV at the next review, but with no further rental growth.

**Estimated Rental Value ('ERV')** – The estimated annual market rental value of a property as determined by the Company's External Valuer. This will normally be different from the actual rent being paid.

**External Valuer** – An independent external valuer of a property. The Company's External Valuer is Cushman & Wakefield and detailed information regarding the valuation of the Company's properties is included in note 8 to the accounts.

**Fixed and Minimum Uplift Rents** – Rents subject to fixed uplifts at an agreed level on agreed dates stipulated within the Lease, or rents subject to contracted minimum uplifts at specified review dates.

**Lease** – A legally binding contract between a landlord and a tenant which sets out the basis on which the tenant is permitted to occupy a property, including the Lease length.

**Lease Incentive** – A payment used to encourage a tenant to take on a new Lease, for example by a landlord paying a tenant a sum of money to contribute to the cost of a tenant's fit-out of a property or by allowing a rent free period.

**Lease Re-gear** – This term is used to describe the renegotiation of a Lease during the term and is often linked to another Lease event, for example a Break Option or Rent Review.

**Lease Renewal** – The renegotiation of a Lease with the existing Tenant at its contractual expiry.

**Lease Surrender** – An agreement whereby the landlord and tenant bring a Lease to an end other than by contractual expiry or the exercise of a Break Option. This will frequently involve the negotiation of a surrender premium by one party to the other.

**Net Income** – The net income from a property after deducting ground rent and non-recoverable expenditure.

**Net Initial Yield** – The initial Net Income from a property at the date of purchase, expressed as a percentage of the gross purchase price including the costs of purchase.

**Non-property Income Distribution** – An ordinary dividend paid to a shareholder of the Company.

**Passing Rent** – The annual rental income currently receivable on a property as at the balance sheet date.

**Property Income Distribution (PID)** – A dividend paid to a shareholder of the Company in respect of profits and gains of the Tax Exempt Business of the UK resident members of the Group or in respect of the profits or gains of a non-UK resident member of the Group insofar as they derive from its UK qualifying property rental business.

**Rent Review** – A periodic review of rent during the term of a Lease, as provided for within a Lease agreement.

**Reversion** – Increase in rent estimated by the Company's External Valuer, where the passing rent is below the ERV. The increases to rent arise on rent reviews and lettings.

**Tenant's Improvements** – This term is used to describe a wide range of works that are usually carried out by a tenant, at its own cost, and usually require the landlord's prior approval.

**Void** – The amount of rent relating to properties which are unoccupied and generating no rental income. Stated as a percentage of ERV.

# How to Invest

One of the most convenient ways to invest in BMO Real Estate Investments Limited is through one of the savings plans run by BMO.

## BMO Investment Trust ISA

You can use your ISA allowance to make an annual tax-efficient investment of up to £20,000 for the 2019/20 tax year with a lump sum from £500 or regular savings from £50 a month per Trust. You can also transfer any existing ISAs to us whilst maintaining the tax benefits.

## BMO Junior ISA (JISA)\*

You can invest up to £4,368 for the tax year 2019/20 from £500 lump sum or £30 a month per Trust, or a combination of both. Please note, if your child already has a Child Trust Fund (CTF), then you cannot open a separate JISA, however you can transfer the existing CTF (held either with BMO or another provider) to a BMO JISA.

## BMO Child Trust Fund (CTF)\*

If your child has a CTF you can invest up to £4,368 for the 2019/20 tax year, from £100 lump sum or £25 a month per Trust, or a combination of both. You can also transfer a CTF from another provider to a BMO CTF. Please note, the CTF has been replaced by the JISA and is only available to investors who already hold a CTF.

## BMO General Investment Account (GIA)

This is a flexible way to invest in our range of Investment Trusts. There are no maximum contributions, and investments can be made from £500 lump sum or £50 a month per Trust. You can also make additional lump sum top-ups at any time from £250 per Trust.

## BMO Junior Investment Account (JIA)

This is a flexible way to save for a child in our range of Investment Trusts. There are no maximum contributions, and the plan can easily be set up under bare trust (where the child is noted as the beneficial owner) or kept in your name if you wish to retain control over the investment. Investments can be made from a £250 lump sum or £25 a month per Trust. You can also make additional lump sum top-ups at any time from £100 per Trust.

\*The CTF and JISA accounts are opened in the child's name and they have access to the money at age 18. \*\*Calls may be recorded or monitored for training and quality purposes.

## Charges

Annual management charges and other charges apply according to the type of plan.

### Annual account charge

ISA: £60+VAT

GIA: £40+VAT

JISA/JIA/CTF: £25+VAT

You can pay the annual charge from your account, or by direct debit (in addition to any annual subscription limits).

### Dealing charges

ISA: 0.2%

GIA/JIA/JISA: postal instructions £12, online instructions £8 per Trust.

Dealing charges apply when shares are bought or sold but not on the reinvestment of dividends or the investment of monthly direct debits for the GIA, JIA and JISA.

There are no dealing charges on a CTF but a switching charge of £25 applies if more than 2 switches are carried out in one year.

Government stamp duty of 0.5% also applies on the purchase of shares (where applicable).

There may be additional charges made if you transfer a plan to another provider or transfer the shares from your plan.

The value of investments can go down as well as up and you may not get back your original investment. Tax benefits depend on your individual circumstances and tax allowances and rules may change. Please ensure you have read the full Terms and Conditions, Privacy Policy and relevant Key Features documents before investing. For regulatory purposes, please ensure you have read the Pre-sales cost disclosures related to the product you are applying for, and the relevant Key Information Documents (KIDs) for the investment trusts you are wanting to invest into.

## How to Invest

To open a new BMO plan, apply online at [bmogam.com/apply](https://bmogam.com/apply)

Note, this is not available if you are transferring an existing plan with another provider to BMO, or if you are applying for a new plan in more than one name.

### New Customers

Call: **0800 136 420\*\*** (8.30am – 5.30pm, weekdays)

Email: [info@bmogam.com](mailto:info@bmogam.com)

### Existing Plan Holders

Call: **0345 600 3030\*\*** (9.00am – 5.00pm, weekdays)

Email: [investor.enquiries@bmogam.com](mailto:investor.enquiries@bmogam.com)

By post: **BMO Administration Centre**

PO Box 11114

Chelmsford

CM99 2DG

You can also invest in the trust through online dealing platforms for private investors that offer share dealing and ISAs. Companies include: **Alliance Trust Savings, Barclays Stockbrokers, Halifax, Hargreaves Lansdown, HSBC, Interactive Investor, Lloyds Bank, Selftrade, The Share Centre**



## BMO Asset Management Limited

0345 600 3030, 9.00am – 5.00pm, weekdays, calls may be recorded or monitored for training and quality purposes.

BMO Asset Management Limited is authorised and regulated by the Financial Conduct Authority and is a member of BMO Global Asset Management EMEA of which the ultimate parent company is the Bank of Montreal. L56\_04/19\_CM11982

# Corporate Information

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## Directors (all non-executive)


Vikram Lall (Chairman)<sup>‡</sup>  
Andrew Gulliford  
Mark Carpenter<sup>§</sup>  
David Ross<sup>†</sup>  
Alexa Henderson<sup>\*</sup>

## Registered Office

PO Box 255  
Trafalgar Court  
Les Banques  
St. Peter Port  
Guernsey GY1 3QL


## Secretary

Northern Trust International Fund Administration Services  
(Guernsey) Limited  
PO Box 255  
Trafalgar Court  
Les Banques  
St. Peter Port  
Guernsey GY1 3QL

 01481 745001

## Alternative Investment Fund Manager ('AIFM') and Investment Manager

BMO Investment Business Limited  
Quatermile 4  
7a Nightingale Way  
Edinburgh EH3 9EG

 0207 628 8000

## Property Manager

BMO REP Property Management Limited  
7 Seymour Street  
London W1H 7BA

## Property Valuers

Cushman & Wakefield  
48 Warwick Street  
London W1B 5NL

## Auditor

PricewaterhouseCoopers CI LLP  
Royal Bank Place  
1 Glatigny Esplanade  
St. Peter Port  
Guernsey GY1 4ND

## Guernsey Legal Advisers

Mourant Ozannes  
1 Le Marchant Street  
St. Peter Port  
Guernsey GY1 4HP

## UK Corporate Legal Advisers

Dickson Minto  
Broadgate Tower  
20 Primrose Street  
London EC2A 2EW

## Bankers

Barclays Bank plc  
1 Churchill Place  
Canary Wharf  
London E14 5HP

## Corporate Brokers

Cenkos Securities plc  
6.7.8 Tokenhouse Yard  
London EC2R 7AS

## Depository

JPMorgan Europe Limited  
25 Bank Street  
Canary Wharf  
London E14 5JP

## Website:

[bmorealestateinvestments.com](http://bmorealestateinvestments.com)

<sup>‡</sup> Chairman of the Nomination Committee

<sup>§</sup> Chairman of the Property Valuation Committee

<sup>†</sup> Chairman of the Management Engagement Committee

<sup>\*</sup> Chairman of the Audit and Risk Committee







# BMO Real Estate Investments Limited

## 2019 Annual Report and Consolidated Financial Statements

### Registered office:

-  PO Box 255, Trafalgar Court, Les Banques, St. Peter Port, Guernsey GY1 3QL
-  Tel: 01481 745001

### Registrars:

-  Computershare Investor Services (Guernsey) Limited  
c/o Queensway House  
Hilgrove Street  
St. Helier  
Jersey  
Channel Islands JE1 1ES

