

**AUDITED ANNUAL
REPORT AND
ACCOUNTS OF THE
LV= UK PROPERTY
FUND**

31st December 2008



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MANAGEMENT AND PROFESSIONAL SERVICE DETAILS

Liverpool Victoria Portfolio Managers Limited is the Authorised Corporate Director (ACD) and sole director of LV= UK Property Fund.

Directors of Liverpool Victoria Portfolio Managers Limited

K.W. Abercromby
J.P. Bannon (Resigned 19 May 2008)
R.M Cook
S.M. Daniels
M.J. Rogers
A.L. Roughead
R.A. Rowney (Appointed 23 January 2009)

Registered Office

County Gates
Bournemouth
BH1 2NF

Registrar

International Financial Data Services (UK) Limited
IFDS House
St Nicholas Lane
Basildon
Essex
SS15 5FS

Investment Manager

Liverpool Victoria Asset Management Limited
80 Cheapside
London
EC2V 6EE

Depository

J.P. Morgan Trustee and Depository Company Limited
Chaseside
Bournemouth
BH7 7DA

Auditors

Ernst & Young LLP
Ten George Street
Edinburgh
EH2 2DZ

Independent Valuer

AtisReal Limited
90 Chancery Lane
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WC2A 1EU

Property Manager

Montagu Evans LLP
Clarges House
6-12 Clarges Street
London
W1J 8HB

LV= UK PROPERTY FUND

INVESTMENT OBJECTIVE

LV= UK Property Fund

To achieve long-term capital growth through direct investment in, or exposure to, UK commercial property.

Investment may also occur in UK property related securities, debt instruments, regulated and unregulated collective investment schemes and other transferable securities to gain exposure to the UK property market. The Fund may also invest in deposits and cash and near cash, money market instruments and derivatives.

The Fund can from time to time use derivatives for the purpose of efficient portfolio management only.

REGULATORY DISCLOSURE AND CONSTITUTION

This document has been issued by Liverpool Victoria Portfolio Managers Limited.

LV= UK Property Fund (the Company) was incorporated in England and Wales number IC577 as a single fund open-ended investment company and is registered with the Financial Services Authority register number 470989. It was authorised on 22 August 2007. The Company is a scheme complying with chapter 5 of the COLL Sourcebook and the operation of the Company is governed by the Open Ended Investment Companies Regulations, the FSA Rules, its Instrument of Incorporation and its Prospectus.

The Company currently comprises a single Fund: LV= UK Property Fund.

The value of investments held by the Fund and the income from them may go down as well as up, and when you redeem your shares you may not get back the amount you put in. If the investment growth for the Fund is less than the charges deducted, the value of your capital will go down.

The base currency of the Company is Sterling. All shares are denominated in Sterling.

Shareholders are not liable for the debts of the Company. Shareholders are not liable to make any further payment after they have paid the price on the purchase of shares.

PUBLICATION OF PRICES

The daily prices for each class of share are currently published on our website (www.lv.com) or can be obtained by telephone on 0845 113 0273. We may also, at our sole discretion, decide to publish certain share prices in third party websites or publications.

INVESTMENT REPORT OF THE AUTHORISED CORPORATE DIRECTOR:

LV= UK PROPERTY FUND

for the period from 7 September 2007 to 31 December 2008

PERFORMANCE

In the period since launch on 7 September 2007 to 31st December 2008 covered by this report, the LV= UK Property Fund produced a total investment return of -11.26%*.

There is a further share class for institutional investors, which, for the same period, produced a return of -11.07%*.

In the 12 months to 31st December 2008 the LV= UK Property Fund produced a total investment return of -9.71%* compared to the IMA UK Real Estate Sector average fund return of -20.54%*.

There is a further share class for institutional investors, which, for the same period, produced a return of -9.50%*.

PERFORMANCE REVIEW

When the fund was first established, it held only cash, pending investment. The first purchase was made on 7th November 2007 with a further three properties being added by the end of that year. Over the course of the first five months of 2008, the fund grew in size as three more properties were bought. There have been no further purchases since May. Our strategy has been to acquire quality properties in strong locations throughout the UK. The initial focus was on the less volatile high street retail sector, seeking properties that are well let to good tenants, with secure re-letting prospects. The fund consists of a well-diversified portfolio with properties located in Glasgow, Ilford, Peterborough, Brighton, Leeds and Reading. Each has been carefully selected for the potential growth opportunity it offers and has been acquired from institutional investors seeking to raise liquidity. As a result, properties have been acquired at attractive prices as witnessed by the fund's return against the market average despite generally disappointing market conditions. Results were further improved by our relatively high cash weighting in the portfolio.

Rent reviews at Glasgow and Ilford have been settled ahead of expectation and reviews are due at Brighton, Leeds and Reading.

Entering the second half of the year, the market continued to see declines in values and hence we maintained a cash weighting of around 30% until the end of the year. Nevertheless, our strategy of investing in the less volatile high street sector proved effective with returns outstripping the market.

Concerns over the economy worsened and the high street started to see casualties. However, the properties in the fund are let to a range of occupiers, all of whom settled their rent within seven days of the last due day of both the third and fourth quarters.

ECONOMIC AND MARKET REVIEW

Real concerns started to emerge over the occupier market early on in the year. On the high street and out of town, the retail sector continued to suffer. The housing market felt the impact of tighter lending criteria, market activity slowed and prices fell. The slowdown in the housing sector and general economic concerns started to have a profound effect on consumer confidence and spending.

As market sentiment continued to worsen, the cost of finance increased. Yields on government debt rose and the expectation for property yields was that they would follow the same trend. (In both cases, rising yields equates to falling prices).

The market continued to see declines in values as concerns over the economy worsened. Capital values dropped around 25% in 2008 with a 31% drop since the peak in 2007. Rental values have begun to decline and are expected to fall in 2009 in line with the weakening of the economy. Bank lending is highly restricted and looks likely to remain so for some time.

Property companies have become increasingly stretched and institutional funds have experienced redemptions adding to an increase in the number of forced sellers. However, the fall in prices and limited competition for acquisitions is presenting cash buyers with some exceptional investment opportunities.

*Source: Lipper. Bid to Bid basis with net income reinvested.

INVESTMENT REPORT OF THE AUTHORISED CORPORATE DIRECTOR:

LV= UK PROPERTY FUND

for the period from 7 September 2007 to 31 December 2008 - (continued)

OUTLOOK

Due to recent falls in interest rates, we are considering a reduction in our cash allocation and further investment into direct property.

We believe that the slowdown in the UK economy will be felt the most in the office sector, and we will be highly selective in any future investment activity. We are now considering opportunities in the industrial sector to provide greater diversification to the fund and to take advantage of higher than average running yields.

We are also reviewing alternative property investments to take advantage of short-term opportunistic returns.

With average property yields at around 7% and interest rates at record lows, on a risk basis, property fair value has improved.

Liverpool Victoria Portfolio Managers Limited

January 2009

PERFORMANCE RECORD:

LV= UK PROPERTY FUND

Fund Size

	Net asset value (£)	Net asset value pence per share	No. of shares in issue
31 December 2008 - Retail Shares	4,333	86.66	5,000
31 December 2008 - Institutional Shares	28,196,516	86.84	32,469,070

The table above demonstrates the net asset value, net asset value pence per share and the no. of shares in issue.

Share Price Range

Calendar Year	Accumulation Shares	
	Highest (pence)	Lowest (pence)
2007 - Retail Shares*	100.75	98.17
2007 - Institutional Shares*	100.74	98.17
2008 - Retail Shares	98.53	88.55
2008 - Institutional Shares	98.55	88.72

The table above demonstrates the share price range during the period.

* The shares were launched 07 September 2007.

Net Revenue Accumulation

Calendar Year	Accumulation Shares		Institutional Accumulation Shares	
	Pence per Share	Per £1,000 invested at 7 September 2007 (£)	Pence per Share	Per £1,000 invested at 7 September 2007 (£)
2008 - Retail Shares	4.3440	43.44	-	-
2008 - Institutional Shares	-	-	4.5448	45.45

The table above demonstrates the net revenue accumulation during the period.

Total Expense Ratio (TER)

The TER of the Fund was:

	31 December 2008 (%)
Retail Shares	1.55
Institutional Shares	1.15

The total expense ratios (TER) for the Fund in this report have been prepared in accordance with the Financial Services Authority's regulatory guidelines COLL 4 Annex 2.

Property Expense Ratio (PER)

The PER of the Fund was:

	31 December 2008 (%)
Retail Shares	0.14
Institutional Shares	0.14

A property expense ratio (PER) is shown which takes into account expenses that are associated with the day to day maintenance of the property assets and excludes costs associated with operating the Fund.

Portfolio Turnover Rate (PTR)

The PTR of the Fund was:

	31 December 2008 (%)
	-49.72

A portfolio turnover rate (PTR) is shown which takes into account purchases and sales of investments and subscriptions and redemptions of shares over the period and is expressed as a percentage of average daily net assets over the same period, calculated in accordance with the formula prescribed in the Collective Investment Schemes Sourcebook.

LV= UK PROPERTY FUND

PORTFOLIO STATEMENT:

LV= UK PROPERTY FUND

as at 31 December 2008

	Market value £'000	Percentage of total net assets %
Direct Property - 60.37%		
9-10 Broad Street, Reading	3,050	10.82
3 Cathedral Square, Peterborough	2,350	8.33
31 Commercial Street, Leeds	2,500	8.86
123-125 High Road, Ilford	2,500	8.86
109-113 Sauchiehall Street, Glasgow	2,255	8.00
115 Sauchiehall Street, Glasgow	1,620	5.75
30-31 Western Road, Brighton	2,750	9.75
Portfolio of Investments	17,025	60.37
Net other assets	11,176	39.63
Net assets	<u>28,201</u>	<u>100.00</u>

Unless otherwise stated, all properties are freehold.

STATEMENT OF TOTAL RETURN

for the period from 7 September 2007 to 31 December 2008

	Notes	31/12/08 £'000	£'000
Income			
Net capital losses	2		(5,141)
Revenue	3	1,940	
Expenses	4	(404)	
Finance costs: interest	6	-	
Net revenue before taxation		<u>1,536</u>	
Taxation	5	(307)	
Net revenue after taxation			<u>1,229</u>
Total return before distributions			(3,912)
Finance costs: distributions	6		<u>(1,229)</u>
Change in net assets attributable to shareholders from investment activities			<u>(5,141)</u>

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

for the period from 7 September 2007 to 31 December 2008

	31/12/08 £'000	£'000
Opening net assets attributable to shareholders		-
Amounts receivable on creation of shares	33,568	
Amounts payable on cancellation of shares	<u>(1,622)</u>	
		31,946
Change in net assets attributable to shareholders from investment activities (see above)		(5,141)
Retained distribution on accumulation shares		<u>1,396</u>
Closing net assets attributable to shareholders		<u><u>28,201</u></u>

CASH FLOW STATEMENT

for the period from 7 September 2007 to 31 December 2008

	Notes	31/12/08 £'000	£'000
Net cash inflow from operating activities	14		1,682
Capital expenditure and financial investments:			
Purchase of investments			(22,166)
Financing:			
Amounts received on creation of shares		33,704	
Amounts paid on cancellation of shares		(1,632)	
		<u>32,072</u>	
Increase in cash in the period			<u><u>11,588</u></u>

LV= UK PROPERTY FUND

BALANCE SHEET as at 31 December 2008

	Notes	31/12/08 £'000	£'000
Assets			
Investment assets			17,025
Debtors	7	110	
Cash and bank balances		<u>11,588</u>	
Total other assets			11,698
Total assets			<u>28,723</u>
Liabilities			
Creditors	8	<u>(522)</u>	
Total liabilities			<u>(522)</u>
Net assets attributable to shareholders			<u>28,201</u>

AUTHORISED CORPORATE DIRECTOR'S STATEMENT

We hereby approve the Report and Financial Statements of LV= UK Property Fund ICVC for the period from 7 September 2007 to 31 December 2008 on behalf of Liverpool Victoria Portfolio Managers Limited in accordance with the rules of the Collective Investment Schemes Sourcebook of the Financial Services Authority.

K.W. Abercromby
Director
April 2009

A.L. Roughead
Managing Director

NOTES TO THE FINANCIAL STATEMENTS

for the period from 7 September 2007 to 31 December 2008

1. Accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost basis, as modified by the revaluation of investments, and in accordance with the Statement of Recommended Practice (SORP) for Authorised Funds issued by the Investment Management Association in November 2008.

Investments

Direct Property

Direct property freehold and leasehold properties are valued monthly on the basis of Market Value in accordance with the current Royal Institution of Chartered Surveyors ("RICS") Appraisal and Valuation Standards (The Red Book) as advised by the Independent Valuer and in accordance with the Prospectus.

The company's freehold and feuhold properties were independently valued as at 31 December 2008 by Atisreal Ltd, Chartered Surveyors, acting in the capacity of independent valuers. The valuations were in accordance with the requirements of FRS 15 and SSAP 19 and the RICS Valuations Standards.

The valuer's opinions were primarily derived from comparable recent market transactions on arms length terms.

All expenses relating to the acquisition and disposal of properties are charged against capital.

Revenue recognition

Rental and bank interest revenue is recognised on an accruals basis. Accrued interest purchased and sold on interest-bearing securities is excluded from the capital cost of these securities and dealt with as an adjustment to the revenue of the Fund.

Benefits to lessees in the form of rent-free periods are treated as a reduction in the overall return on the leases and, in accordance with UITF28 "Operating Lease Incentives", are recognised on a straight line basis over the shorter of the lease term or the period up to the initial rental review date. Capital contributions granted to tenants are shown as a debtor and amortised over the shorter of either the period of the lease or the period to when the rent is adjusted or to the prevailing market rate, usually the first rent review. The valuation of the properties is reduced by the total of the unamortised capital contributions and any lease incentives in place at the time.

Dilution levy

The Fund can apply a dilution levy, intended to cover certain dealing charges which could have a diluting effect on the performance of the Fund. This adjustment, where applied, is included within the dealing price available to the shareholders and is disclosed separately in the financial statements.

Expenses

All expenses, other than those relating to the purchase and sale of investments and stamp duty reserve tax, are charged against revenue.

Distribution policy

Where the revenue from investments exceeds the expenses, a distribution will be made. Should expenses exceed revenue, there will be no distribution and the shortfall will be transferred to capital. The policy of the fund is to make distributions to shareholders annually on 31 December each year.

Taxation

Deferred taxation is provided on a full provision basis on timing differences arising from the different treatment of items for accounting and tax purposes. Deferred tax assets are only recognised to the extent that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Potential future liabilities and assets are recognised where the transactions or events giving rise to them, occurred before the balance sheet date.

2. Net capital losses*

	2008 £'000
The net capital losses comprise:	
Investments in direct property	<u>(5,141)</u>

3. Revenue*

	2008 £'000
Rental revenue	1,105
Interest on bank and term deposits	834
Insurance premium discount	1
Total revenue	<u>1,940</u>

* For the period from 7 September 2007 to 31 December 2008.

NOTES TO THE FINANCIAL STATEMENTS

for the period from 7 September 2007 to 31 December 2008 (continued)

4. Expenses*

	2008 £'000
Payable to the ACD, associates of the ACD and the agents of either of them:	
ACD periodic charge	<u>176</u>
Payable to the Depositary, associates of the Depositary, and agents of either of them:	
Depositary fee	11
Safe custody fee	4
	<u>15</u>
Other expenses:	
Administration fees	162
Audit fees	14
Professional fees	17
Valuation fees	20
	<u>213</u>
Total expenses	<u><u>404</u></u>

5. Taxation*

	2008 £'000
Analysis of charge in period	
Corporation tax	307
Total current tax charge for period	<u><u>307</u></u>

Factors affecting current tax charge for the period

The tax assessed for the period is the same as the standard rate of corporation tax in the UK for an open-ended investment company (20%).

Net revenue before taxation	<u>1,536</u>
Corporation tax at 20%	<u><u>307</u></u>

Provision for deferred taxation

As at 31 December 2008 there are no unrecognised deferred tax assets.

* For the period from 7 September 2007 to 31 December 2008.

NOTES TO THE FINANCIAL STATEMENTS

for the period from 7 September 2007 to 31 December 2008 (continued)

6. Finance costs*

Distributions

The distributions take account of revenue received on the creation of shares and revenue deducted on the cancellation of shares, and comprise:

	2008 £'000
Interim Dividend Distribution	870
Final Dividend Distribution	526
Add: Revenue deducted on cancellation of shares	13
Deduct: Revenue received on creation of shares	<u>(180)</u>
Net distribution for the period	1,229
Interest	-
Net revenue after taxation	<u>1,229</u>
Finance costs	
Net distribution for the period	1,229
Interest	-
Total finance costs	<u><u>1,229</u></u>

Details of the distribution per share are set out on page 16.

7. Debtors

	31/12/08 £'000
Amounts receivable for issue of shares	44
VAT recoverable	32
Accrued revenue	26
Rental income	<u>8</u>
Total debtors	<u><u>110</u></u>

8. Creditors

	31/12/08 £'000
Corporation tax	307
Rent received in advance	143
Accrued expenses	69
Amounts payable for cancellation of shares	<u>3</u>
Total creditors	<u><u>522</u></u>

* For the period from 7 September 2007 to 31 December 2008.

NOTES TO THE FINANCIAL STATEMENTS

for the period from 7 September 2007 to 31 December 2008 (continued)

9. Related party transactions

In respect of the operations of the Company the ACD is regarded as the controlling party.

The ACD acts as principal on all transactions of shares in the Company. The monies received through creations and liquidations are disclosed in the Statement of change in net assets attributable to shareholders, amounts due to or from the ACD in respect of share transactions at the period end are disclosed in notes 7 and 8.

Amounts paid to the ACD in respect of ACD's periodic charges are disclosed in note 4. Amounts payable in respect of ACD's periodic charge are disclosed in note 8.

The ACD did not enter into any other transactions with the Company during the period.

At the period end date, 100% of the shares in the Fund were held by the Liverpool Victoria group of companies.

10. Financial instruments

The main risks arising from the Fund's financial instruments are credit, foreign currency, interest rate, liquidity risks and market price. The Manager's policies for dealing with these risks are summarised below and have been applied throughout the period.

Credit risk

The Fund is exposed to credit risk, which is the risk of loss due to another party not being able to meet its financial obligations. The primary sources of this risk to the Fund are trade counterparties who may fail to meet their transaction commitments. This risk is managed by appraising the credit profile of trade counterparties and financial instruments.

Foreign currency risk

The Fund's financial assets and liabilities are all denominated in Sterling. As a result, the Fund has no exposure to currency movement.

Interest rate risk

At the period end, 41.08% of the Fund's assets by value were interest bearing. Interest rates are based upon LIBOR (London Inter-Bank Offer Rate).

Liquidity risk

Properties such as those in which the Fund may invest are relatively illiquid. Such illiquidity may affect the Fund's ability to vary its portfolio or dispose of or liquidate part of its portfolio in a timely fashion and at satisfactory prices in response to changes in economic, real estate market or other conditions. It may therefore be difficult to deal in such investments or to obtain reliable information about their true value. At the period end there was no vacant space for any of the Properties. All properties were fully let during the accounting period. As at 31 December 2008 the Initial Yield was 6.55%.

Market price risk

Market price risk arises from the Fund's financial instruments, being the risk that the value of investment holdings will fluctuate as a result of changes in market prices caused by factors other than interest rate movement.

11. Shareholders' funds

This Fund has a retail share class and a institutional share class. The annual ACD charge on the retail share class is 1.00% and on the institutional share class is 0.60%. The net asset value of the share class, the net asset value per share and the number of shares in each class are given in the comparative table on page 7. The distribution per share class is given in the distribution tables on page 16. All share classes within the Company have the same rights on winding up.

12. Contingent liability

At the period end, the Fund had no contingent liabilities.

13. Portfolio transaction costs

	2008
	£'000
Direct property	
Purchases in period before transaction costs	21,002
Agent fees	210
Building & Environmental Survey fees	25
Legal fees	79
Land registration fees	8
Stamp Duty	840
Valuation fees	10
Total purchase costs	1,172
Direct property purchase total	22,174

There were no sales during the period.

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 30 June 2008 (unaudited) (continued)

14. Reconciliation of net revenue to net cash inflow from operating activities

	31/12/08
	£'000
Net revenue for the period	1,229
Corporation tax payable	307
Increase in debtors	(66)
Increase in creditors	212
Net cash inflow from operating activities	<u>1,682</u>

15. Post Balance Sheet Events

As indicated in note 1 of the Accounting Policies, the investments have been valued on 31 December 2008. Between the closing valuation point on 31 December 2008 and 20 March 2009, the individual share classes' quoted mid price has changed as follows:

	Mid price as at 31.12.2008(p)	Mid price as at 20.3.2009(p)	Movement (%)
LV= UK Property Fund – Retail Shares	88.74	84.71	(4.5)
LV= UK Property Fund – Institutional Shares	88.93	84.96	(4.5)

DISTRIBUTION TABLES

LV= UK PROPERTY FUND

for the period from 7 September 2007 to 31 December 2008

Retail Shares

Final Accumulation (in pence per share)

Group	Net Revenue	Equalisation	2008 Accumulation Payable
1	1.5596	-	1.5596
2	1.5596	0.0000	1.5596

Group 1: Shares purchased on or before 30 June 2008

Group 2: Shares purchased after 30 June 2008 to 31 December 2008

Institutional Shares

Final Accumulation (in pence per share)

Group	Net Revenue	Equalisation	2008 Accumulation Payable
1	1.6188	-	1.6188
2	0.9455	0.6733	1.6188

Group 1: Shares purchased on or before 30 June 2008

Group 2: Shares purchased after 30 June 2008 to 31 December 2008

Retail Shares

Interim Accumulation (in pence per share)

Group	Net Revenue	Equalisation	2008 Accumulation Paid
1	2.7844	-	2.7844
2	2.7844	0.0000	2.7844

Group 1: Shares purchased during the fixed offer period to 7 September 2007

Group 2: Shares purchased after 7 September 2007 to 30 June 2008

Institutional Shares

Interim Accumulation (in pence per share)

Group	Net Revenue	Equalisation	2008 Accumulation Paid
1	2.9260	-	2.9260
2	1.3825	1.5435	2.9260

Group 1: Shares purchased during the fixed offer period to 7 September 2007

Group 2: Shares purchased after 7 September 2007 to 30 June 2008

Equalisation

Equalisation applies only to Group 2 shares, in other words shares purchased during the distribution period. It is the average amount of revenue included in the purchase price of all Group 2 shares and is refunded to the holders of these shares as a return of capital. Being capital, it is not liable to income tax but must be deducted from the cost of shares for capital gains tax purposes.

STATEMENT OF THE AUTHORISED CORPORATE DIRECTOR'S RESPONSIBILITIES

The rules of the Collective Investment Schemes Sourcebook of the Financial Services Authority ("the COLL Sourcebook") require the Authorised Corporate Director to prepare financial statements for each annual accounting period which give a true and fair view of the financial affairs of the Company and of its net revenue and net losses on the Scheme property of the Company for the period. In preparing those financial statements the Authorised Corporate Director is required to:-

- comply with the Instrument of Incorporation, applicable accounting standards and the Statement of Recommended Practice for Authorised Funds;
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in operation for the foreseeable future.

The Authorised Corporate Director is required to keep proper accounting records and to manage the Company in accordance with the Regulations and the Instrument of Incorporation.

STATEMENT OF THE DEPOSITARY'S RESPONSIBILITIES IN RESPECT OF THE SCHEME

The Depositary is responsible for the safekeeping of all of the property of the Company (other than tangible moveable property) which is entrusted to it and for the collection of income that arises from that property.

It is the duty of the Depositary to take reasonable care to ensure that the scheme is managed by the Authorised Corporate Director in accordance with the Financial Services Authority's Collective Investment Scheme Sourcebook ("the COLL Sourcebook"), the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228) ("the OEIC Regulations") and the Company's Instrument of Incorporation and Prospectus, as appropriate, in relation to the pricing of, and dealings in, shares in the Company; the application of income of the Company; and the investment and borrowing powers of the Company.

REPORT OF THE DEPOSITARY TO THE SHAREHOLDERS OF THE LV= UK PROPERTY FUND ICVC

Having carried out such procedures as we consider necessary to discharge our responsibilities as Depositary of the Company, it is our opinion, based on the information available to us and the explanations provided, that in all material respects the Authorised Corporate Director:

- (i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Company's shares and the application of the scheme's income in accordance with the COLL Sourcebook and, where applicable, the OEIC Regulations and the Company's Instrument of Incorporation and Prospectus; and
- (ii) has observed the investment and borrowing powers and restrictions applicable to the Company.

J.P. Morgan Trustee and Depositary
Company Limited
Bournemouth,
April 2009

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LV= PROPERTY FUND ICVC

We have audited the Company's financial statements for the period ended 31 December 2008 which comprise the Statement of Total Return, Statement of Change in Net Assets Attributable to Shareholders, Cash Flow Statement, Balance Sheet and the related notes 1 to 15. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, pursuant to Paragraph 4.5.12 of the rules of the Collective Investment Schemes Sourcebook of the Financial Services Authority. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Authorised Corporate Director (ACD), Depositary and Auditors

The ACD's responsibilities for preparing the Annual Report and the financial statements in accordance with the rules of the Collective Investment Schemes Sourcebook of the Financial Services Authority, the Instrument of Incorporation, and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of ACD's Responsibilities in relation to the financial statements. The depositary is required to take reasonable care to ensure compliance by the ACD with all relevant requirements.

Our responsibility is to audit the financial statements in accordance with UK legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Statement of Recommended Practice relating to Authorised Funds, the rules of the Collective Investment Schemes Sourcebook of the Financial Services Authority, and the Instrument of Incorporation. We also report to you whether, in our opinion, the Report of the ACD is consistent with the financial statements, whether the ACD has not kept proper accounting records for the Company or whether the financial statements are not in agreement with those records, and whether we have received all the information and explanations which, to the best of our knowledge and belief, we require for our audit.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Investment report of the Authorised Corporate Director, the Performance Record, the Portfolio Statement, the Report of the Depositary and the General information. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the ACD in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion;

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the financial position of the Company as at 31 December 2008 and of the net revenue and the net losses on the scheme property of the Company for the period then ended;
- The financial statements have been properly prepared in accordance with the Statement of Recommended Practice relating to Authorised Funds, the rules of the Collective Investment Schemes Sourcebook of the Financial Services Authority and the Instrument of Incorporation;
- the report of the ACD is consistent with the financial statements;
- there is nothing to indicate that proper accounting records have not been kept or that the financial statements are not in agreement with those records; and
- we have received all the information and explanations which, to the best of our knowledge and belief, we require for our audit.

Ernst & Young LLP
Registered Auditor
Edinburgh
April 2009

GENERAL INFORMATION

The Company

LV= UK Property Fund, an open-ended investment company with a single fund. Authorised and regulated by the Financial Services Authority register number 470989. Registered in England No. IC 577. Head Office: County Gates, Bournemouth, BH1 2NF.

The Authorised Corporate Director (ACD)

The ACD is the sole director of LV= UK Property Fund and is responsible for all aspects of administration and management within the Fund. The ACD is Liverpool Victoria Portfolio Managers Limited which is authorised and regulated by the Financial Services Authority registered number 188521. It is a member of the Investment Management Association. It is registered in England No. 3579650 and Registered office is County Gates, Bournemouth, BH1 2NF.

Please note our new Administration address for all correspondence: Liverpool Victoria Portfolio Managers Limited, PO Box 10033, Chelmsford, CM99 2AC and our telephone number is 0845 113 0273.

The ultimate holding company of the ACD is Liverpool Victoria Friendly Society Limited, which is authorised and regulated by the Financial Services Authority registered number 110035 and a member of the ABI, AFS and ILAG.

The Depositary

The Depositary acts as the custodian for all assets relating to LV= UK Property Fund. The Depositary is J.P. Morgan Trustee and Depositary Company Limited, Chaseside, Bournemouth, BH7 7DA and is authorised and regulated by the Financial Services Authority.

Minimum Holding/Transaction

In respect of Shares, the minimum initial investment is £5,000, the minimum value of a shareholding is £1,000, and the minimum value of shares which may be the subject of any one subsequent transaction is £1,000. For Institutional Shares the minimum initial investment is £500,000, the minimum value of a shareholding is £100,000, and the minimum value of shares which may be the subject of any one subsequent transaction is £100,000.

Subscription Days

Shares may be purchased or sold on any business day. The price of shares is calculated daily. A forward pricing basis is used. Prices are published on our website (www.lv.com) or can be obtained by telephone on 0845 113 0273.

Repurchase of Shares

Shareholders may offer all their shares for sale to the ACD. Alternatively, they may offer a lesser number for sale, provided they retain at least the minimum holding referred to above. All sale instructions must be made to the ACD in writing. The shares will be purchased from the shareholder at the next valuation point and a contract note confirming the sale will be sent.

Dilution

Where a fund buys or sells underlying investments in response to a request for the issue or redemption of shares, it will generally incur a cost, made up of dealing costs and any spread between the bid and offer prices of the investments concerned, which is not reflected in the issue or redemption price paid by or to the shareholder and which is referred to as dilution. With a view to reducing this cost the ACD is entitled to require payment of a 'dilution levy' of up to 1% to be added to the sale price or deducted from the redemption price of shares as appropriate.

As dilution is directly related to the inflows and outflows of monies from a fund it is not possible to accurately predict whether dilution will occur at any future point in time. Consequently it is also not possible to accurately predict how frequently the ACD will need to make such a dilution levy.

GENERAL INFORMATION (*continued*)

Stamp Duty Reserve Tax (SDRT)

The liability for payment of this duty lies with the Company. The regulations that govern Open-Ended Investment Companies permit this duty to be paid from the property of the Fund. Accordingly, SDRT will generally be charged as an expense to the capital account of the Fund. The regulations also allow for the ACD to levy an additional charge (called an SDRT provision) against the individual purchase and sale of shares. An SDRT provision would, if imposed, increase the cost of buying shares and lessen the proceeds of sales by the investor up to a maximum of 0.5%. It is not the ACD's intention generally to levy an SDRT provision, but the ACD reserves the right to do so in the following circumstances:

- (a) on unusually large deals whether single or aggregate (for example, purchases or redemptions of shares for more than 3% of the size of the Fund); or
- (b) in any other case where the ACD is of the opinion that the interests of shareholders require the imposition of an SDRT provision.

As an SDRT charge is directly related to the inflows and outflows of monies from the Fund it is not possible to accurately predict whether an SDRT charge will occur at any future point in time. Consequently it is also not possible to accurately predict how frequently the ACD will need to make such an SDRT provision.

Charges

Certain charges are levied to cover the operating costs of the ACD. An initial charge of 5.00% of the price paid to the depositary is levied when shares or institutional shares are created.

An annual management charge is also levied as a percentage of the Net Asset Value represented by relevant share class. The percentage charge per annum is for Shares: 1.00%; Institutional: 0.60%. In addition the Fund pays expenses for the professional services they receive - such as safe custody, audit, regulatory and fund management advice. These charges are deducted daily from the revenue of the Fund.

Accumulation

Revenue is accumulated by a transfer to the capital account of the Fund on the day following the record date, being the last day in each accounting period.

Reports

The simplified short report is sent to all shareholders on a halfyearly basis. The full long-form report and accounts are available on request from Liverpool Victoria Portfolio Managers Limited, PO Box 10033, Chelmsford, CM99 2AC.

Taxation

Tax within the Fund - Capital gains made within the Fund when dealing in shares and other investments are free of capital gains tax. Dividends received from UK companies fall into two types franked and unfranked. No further tax is paid by the Fund on franked income. Unfranked income and other types of income are currently taxed at 20% (after deducting allowable expenses).

Tax for Investors - Income currently carries a 10% tax credit. We will send you a tax voucher after each income distribution date. Starting rate and basic rate taxpayers will have no further tax to pay on this income. Non taxpayers cannot reclaim tax paid by the Fund. Higher rate taxpayers will be liable to additional tax at 22.50% of the gross dividend.

When you cash in all or some of your investment, you may be liable to capital gains tax on any gain made if, when aggregated with other gains made in the same tax year, your annual capital gains tax exemption is exceeded. The first revenue payment made or accumulated after you invest can include a small, part return of capital, known as an equalisation payment, which is not taxed as income.

Based on our understanding of current legislation and Revenue Practice, which is subject to change.

GENERAL INFORMATION (*continued*)

Prospectus

Further details concerning the Fund are contained in the Prospectus, which is available on application from the ACD.

Application for Shares

Your first investment into the Company must be made using our standard application form. You can make additional investments by letter or any other means acceptable to us, provided you include your full name and investment details for registration purposes. Applications and additional investments can only be made by post to Liverpool Victoria Portfolio Managers Limited, PO Box 10033, Chelmsford, CM99 2AC or through a LV= Financial Adviser, with your investment cheque for the full amount. Applications will only be effective when they are received by us at the administration address above.

Buying and selling shares - shares are bought or sold on your behalf in the Company on a forward pricing basis. This means, if we receive your full instructions in writing to either invest, switch or cash in money before 2 p.m. on a business day, you will get the share price calculated that day. After 2 p.m. or on days which are not business days, you will get the price calculated on the next business day.

LV= and Liverpool Victoria are registered trade marks of Liverpool Victoria Friendly Society Limited and LV= and LV= Liverpool Victoria are trading styles of the Liverpool Victoria group of companies. The Authorised Corporate Director of LV= UK Property Fund, Liverpool Victoria Portfolio Managers Limited (LVPM), is authorised and regulated by the Financial Services Authority register number 188521. LVPM is a member of the IMA. Registered in England No. 3579650. LV= UK Property Fund is an open ended investment company with variable capital, authorised and regulated by the Financial Services Authority register number 470989, registered in England No. IC577. Registered address for both companies: County Gates, Bournemouth BH1 2NF. Tel: 01202 292333