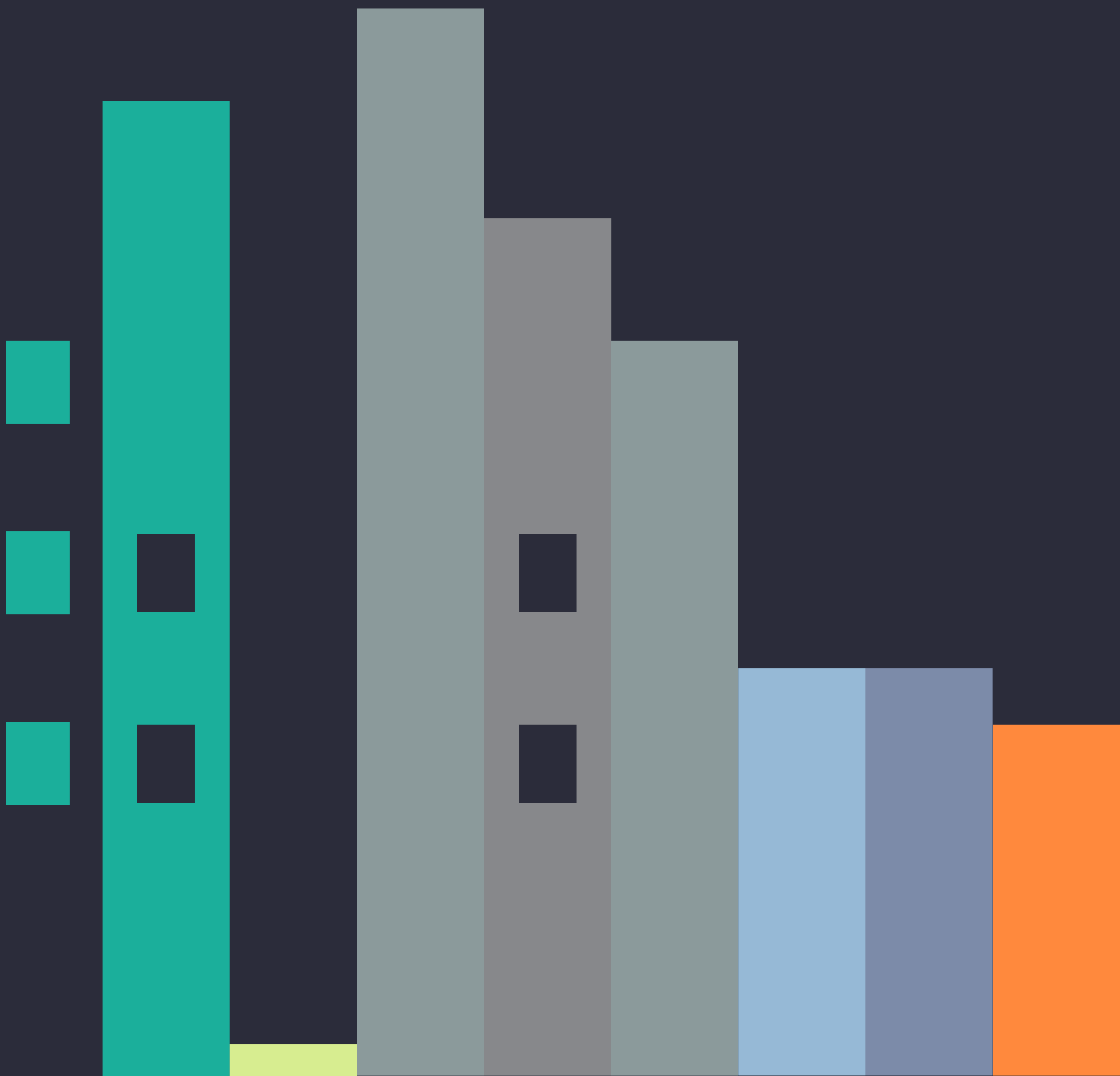
UK COMMERCIAL PROPERTY REIT
ANNUAL REPORT & ACCOUNTS

for the year ended 31 December 2020



Aberdeen Standard Investments

UK Commercial Property REIT

COMPANY SUMMARY
An overview

ABOUT US

Launched in **2006**

FTSE **350**

£1.1bn
Net Asset Value
as at 31 December 2020

UK Commercial Property REIT Limited ("UKCM") is a listed Real Estate Investment Trust (REIT) with a net asset value of £1.1 billion as at 31 December 2020.

UKCM is one of the largest diversified REITs in the UK and is a component of the FTSE 350 index made up of the largest 350 companies with a primary listing on the London Stock Exchange.

OBJECTIVE

The 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 portfolio of UK commercial properties. This objective is achieved by:

- Constructing a portfolio that is diversified across the four main commercial property sectors – Industrial, Offices, Retail and Alternatives.
- Investing in assets with a strong earnings and income focus.
- Delivering value through a proactive approach to acquisitions, sales and asset management.
- Selectively developing or funding developments, mostly pre-let.
- Employing modest levels of gearing.
- Considering Environmental, Social and Governance factors as integral parts of the investment process.

Diversified portfolio

Industrial **Offices** **Retail** **Alternatives**

BOARD & MANAGEMENT

ASI manage **1,600** Properties

in **20** Countries

6
Board members

The Company has a Board of six experienced Non-Executive Directors who have significant expertise in property, accounting, risk and tax (see page 40–41 for further details). UKCM is managed by Aberdeen Standard Investments, a top 20 global real estate manager that manages over 1,600 properties in 20 countries.

Visit our website at: ukcpreit.com to learn more

UKCM IS ONE OF THE UK'S LARGEST, DIVERSIFIED REITS
(all numbers as at 31 December 2020)

£1.3bn Gross assets

£33.5m Average value of properties

183 Tenancies

36 Properties

2020 FINANCIAL REVIEW AND KEY PERFORMANCE INDICATORS

NET ASSET VALUE

NAV of £1.1 billion as at 31 December 2020 (2019: £1.2 billion) representing a NAV total return in the year of –0.9% as valuations came under pressure as a result of COVID-19. Over the longer term (10 years) the Company has delivered a NAV total return of 85.6% compared to the Association of Investment Companies ("AIC") peer group of 32.4%.

£1.1bn

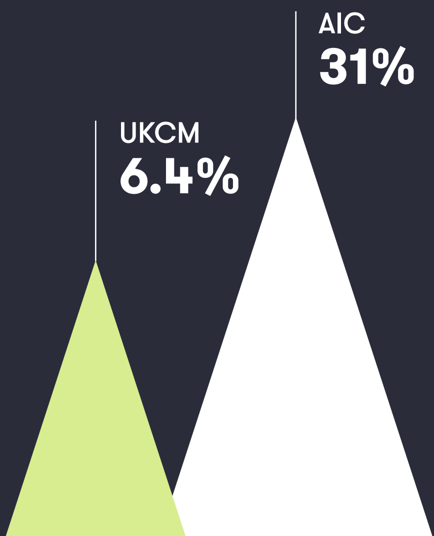
EPRA EARNINGS PER SHARE

EPRA Earnings per Share of 2.71p* (2019: 3.50p) as earnings were impacted by bad debt provisions and sales made in the year resulting in reduced income.

–19.7%

SHARE PRICE TOTAL RETURN

A total return of –19.7%* (2019: 11.3%) as the share prices of most diversified REITs fell due to negative sentiment associated with COVID-19. As at 31 March 2021, the Company's discount to the last published NAV was 16.7%, in line with other diversified REITs.



LOW NET GEARING

Low net gearing of 6.4%* (2019: 14.7%) which remains one of the lowest in the peer group and the wider REIT sector (AIC Sector average of 31.0%).

£218m

SIGNIFICANT FINANCIAL RESOURCES

£218 million* at the year-end (2019: £130 million) further boosted by sales in Quarter 1, 2021 resulting in the Company having £276m to invest into the portfolio and enhance earnings.

* Additional Performance Measures (see page 6 and glossary on pages 108–109 for further details)

2020 PORTFOLIO REVIEW AND KEY PERFORMANCE INDICATORS

1.1%

PORTFOLIO PERFORMANCE

Portfolio produced a positive total return of 1.1% (2019: 1.4%), significantly outperforming the –0.9% (2019: 1.8%) from the MSCI benchmark as the Company's portfolio weightings provided a tail wind to relative performance.

RENT COLLECTION*

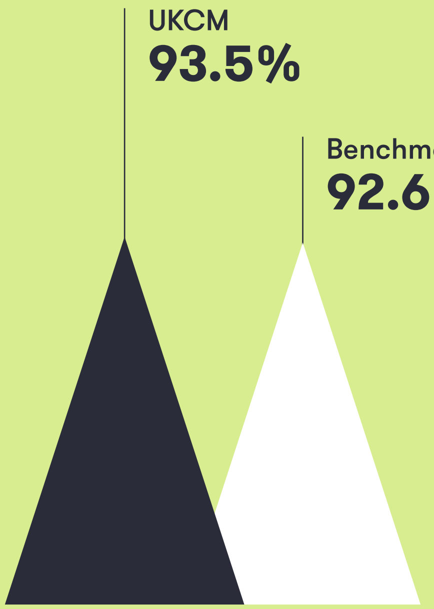
RENT COLLECTION OF 83% in 2020 (compared to 77% reported in the Interim Report and 97% for whole of 2019) as rent collection rates continued to increase as the year progressed.

83%

£74m

ACQUISITIONS

£74 million of acquisitions with funding of two student accommodation assets in Exeter and Edinburgh as well as an acquisition of an Asda store in Torquay. These assets will generate secure income as we build a modern economy portfolio.



100%

OCCUPANCY RATE

Occupancy rate of 93.5% (2019: 92.1%) has increased in the year despite COVID-19 as successful letting activity, in particular at XDock 377 in Lutterworth, resulted in higher occupancy levels than in the previous year. Also compares favourably to the MSCI benchmark occupancy rate of 92.6%.

WELL-ALIGNED PORTFOLIO

Industrial weighting of 58% (Benchmark: 30%) and Retail weighting of 17% (Benchmark: 25%). Portfolio strategy continues to be implemented with portfolio well aligned to industrial sector that is forecast to outperform and underweight to the retail sector as a result of several sales in the year.

ENVIRONMENTAL FOOTPRINT

In the reporting period, all landlord-procured electricity was from 100% renewable sources.

PERFORMANCE SUMMARY

CAPITAL VALUES AND GEARING	31 December 2020	31 December 2019	% Change
Total assets less current liabilities (excl. bank loan) £'000	1,324,825	1,414,591	(6.3)
IFRS Net asset value £'000	1,126,976	1,167,144	(3.4)
Net asset value per share (p)	86.7	89.8	(3.4)
Ordinary share price (p)	69.0	88.8	(22.3)
Discount to net asset value (%)	(20.4)	(1.1)	n/a
Gearing (%) — Net*	6.4	14.7	n/a
Gearing (%) — Gross**	15.1	17.7	n/a

TOTAL RETURN	1 year % return	3 year % return	5 year % return
NAV†	(0.9)	3.8	20.8
Share price†	(19.7)	(12.4)	(0.5)
UKCM Direct portfolio	1.1	8.5	27.1
MSCI UK Balanced Portfolios Quarterly Property Index	(0.9)	7.9	23.8
FTSE Real Estate Investment Trusts Index	(16.2)	(4.1)	0.2
FTSE All-Share Index	(9.8)	(2.7)	28.5

EARNINGS AND DIVIDENDS	31 December 2020	31 December 2019
Net (loss)/profit for the year £'000	(10,282)	1,643
EPRA Earnings per share (p)	2.71	3.50
IFRS Earnings per share (p)	(0.79)	0.13
Dividends paid per ordinary share (p)	2.3	3.68
Dividend yield (%)#	3.3	4.1
MSCI benchmark yield (%)	4.7	4.8
FTSE Real Estate Investment Trusts Index Yield (%)	3.1	3.9
FTSE All-Share Index yield (%)	3.4	4.1

ONGOING CHARGES AND VACANCY RATE		
As a % of average net assets including direct property costs	1.5	1.5
As a % of average net assets excluding direct property costs	0.8	0.8
Vacancy rate (%)	6.5	7.9

* Calculated as net borrowings (gross borrowings less cash) divided by total assets less current liabilities (excl cash and borrowings). See alternative performance measures on page 108 for further details.
** Calculated as gross borrowings divided by total assets less current liabilities (excl borrowing).
† Assumes re-investment of dividends excluding transaction costs.
# Based on dividend paid in 2020 of 2.3p and the share price at 31 December 2020.

Alternative Performance Measures are defined in the glossary on pages 108–109, and include: Discount to net asset value, Net and Gross gearing, NAV and Share price total returns, EPRA Earnings per share, Dividend yield, Ongoing charges and Vacancy rate.

Sources: Aberdeen Standard Investments, MSCI

Chair's Statement

UK
Commercial
Property
REIT

Ken McCullagh
Chair

Background

The past year will be remembered and marked for many years to come. The arrival of the COVID-19 virus on our shores has resulted in the workplace and living environment undergoing profound change. Whether this change is permanent will be not be clear for some time, but many people have suffered and it has had a dramatic effect on how we live our lives.

We have experienced a time where all businesses have been affected throughout the economy by the pandemic and the uncertainty around the agreement of a deal on Brexit. While some industries have prospered many others have been severely impacted. The vaccine rollout will hopefully see an end to periods of lockdown and provide confidence that business can reopen and rebuild in the years ahead.

In the context of UKCM we have had to adjust and evolve as the business has adapted over the last year. We have been conscious of the challenges on our tenants, our asset managers and our shareholders and the obligation to protect all of our stakeholders through a difficult time. The key focus for landlords has been on rent collection given the unprecedented financial pressures that some tenants have suffered as a result of the start/stop nature of the various lockdowns. It is incumbent on responsible landlords to work in partnership with tenants to find mutually acceptable solutions and I am pleased that UKCM, with its strong focus on Environmental, Social and Governance ("ESG") matters, has managed to do this with many tenants in its portfolio. We have also continued to maintain the payment of a dividend which reflects our commitment to our shareholders in uncertain times.

The UK commercial real estate market has always been heavily linked to the performance of the nation's economy and hence, as with the wider economy, COVID-19 has had a major impact. This manifested in a large reduction in investment transactions over the course of the year and, in many sectors, declining rental and capital values, resulting in valuation falls. The main exceptions to this were build-to-rent residential, supermarkets and logistics units.

UKCM Review

Against this background, UKCM has continued to make good progress. We have sold assets in line with our strategy, further and selectively reducing retail exposure, and invested in assets fit for a diversified modern economy portfolio with an intentionally strong weighting to the industrial/logistics market. Combined with an institutional tenant base, strong balance sheet and minimal gearing at a low cost, overall this has resulted in a measure of protection against the difficult financial environment caused by COVID-19.

"We have been conscious of the challenges on our tenants, our asset managers and our shareholders and the obligation to protect all of our stakeholders through a difficult time."

Portfolio Weighting

57.8%
Industrial

16.9%
Retail

14.0%
Offices

11.3%
Alternatives

Portfolio Activity

The Company has been active in the year, even given COVID-19, with three retail sales totalling £94 million further reducing the sector weighting to 17% at the end of 2020 (2019: 21%) and significantly below the benchmark weighting of 25%. These sales have the dual benefit of reducing risk and generating capital which can be recycled into opportunities with more positive longer-term fundamentals. This approach was also in evidence with the sale of the Company's one remaining City of London office, Eldon House, as well as the sale of the M8 Industrial Estate, just outside Glasgow.

More specifically, our strategy is to re-invest into assets that will have sustainable income streams in a modern economy portfolio. During the year we announced two such new investments – a supermarket in Torquay with the benefit of an index-linked rental stream and the development funding of a new 221 bed student residential development in Exeter, adjacent to the main university campus, which will be completed in time for the 2022/23 academic year. In addition, post year end we increased our exposure to this sector with an additional agreement to fund the development of a strategically located purpose built 230 bed student accommodation asset in Central Edinburgh, also scheduled for delivery in 2022. We believe both these student accommodation investments are in prime locations that will prove attractive for students and provide a sustainable income stream.

Post the year end the Company continued to implement its portfolio strategy by selling Kew Retail Park to a housebuilder for £41 million, thereby further reducing the Company's exposure to retail and also Hartshead House in Sheffield for £17 million, where there is increasing credit risk in relation to the sole tenant.

Further details on all investment transactions and significant lettings are given in the Investment Manager's Review.

Portfolio and Corporate Performance

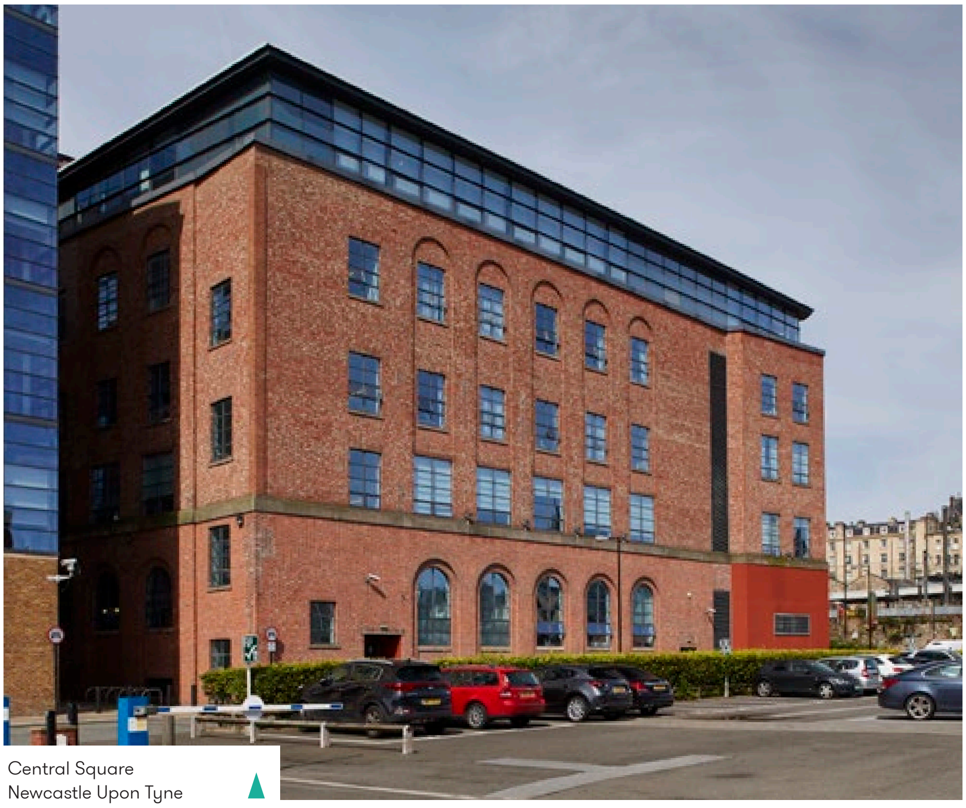
In 2020 the UKCM portfolio performance was a tale of two halves with values under pressure in the first half of the year when the COVID-19 lockdown was at its nadir, but rebounding strongly in the second half. This resulted in an overall annual portfolio return of 1.1%, significantly outperforming the benchmark performance of -0.9%. This performance was driven by the fact that the portfolio is well aligned to parts of the economy that are supported by strong structural drivers, being significantly overweight in the industrial sector and underweight in retail. In addition, the underlying UKCM assets in the industrial sector have contributed to relative out-performance due to positive letting activity. Of particular note was the significant letting of the 377,000 sq ft XDock 377 to Armstrong Logistics which also reduced the vacancy rate by over a third. This strong industrial performance offset the negative performance of the Company's retail and leisure holdings, the latter exposed to cinemas and restaurants which have been particularly impacted by the lockdowns.

Over the longer term the portfolio has outperformed the benchmark over three and five years and since inception as the portfolio strategy that has been undertaken begins to bear fruit.

Further details on the Company's portfolio performance are given in the Investment Managers' review.

The portfolio performance was the main driver behind a -0.9% NAV total return for the period, a relatively robust return given COVID-19. The share price return, taking into account dividends paid over the period, was significantly lower at -19.7% as the discount at which the Company's shares traded versus their net asset value increased from 1.1% at the end of December 2019 to 20.4% at 31 December 2020 as overall market sentiment to the UK commercial property market deteriorated during the year. As at 31 March 2021, the discount stood at 16.7% and continues to be in-line with other diversified peers in the Association of Investment Companies ("AIC") Property – UK Commercial peer group.

Over the longer term the Company has outperformed the AIC peer group on both a NAV and share price total return basis delivering 85.6% and 40.0% respectively over ten years compared to the 32.4% and 10.8% returns from the peer group.



Central Square
Newcastle Upon Tyne

Financial Resources

UKCM continues to be in a strong financial position. The NAV as at 31 December was £1.1 billion and, with low net gearing of just 6.4% (gross gearing of 15.1%), UKCM remains one of the lowest geared companies in the AIC peer group and the wider REIT sector, a positive position to be in at a time when many values have been declining and uncertainties remain. The Company continues to be comfortably within the covenants on its three debt facilities and had over £418 million of unencumbered assets at the year-end which provide further significant headroom and flexibility with respect to the Company's covenants and overall gearing strategy.

The Company had substantial financial resources available at the year-end of £218 million comprising £68 million of uncommitted cash and £150 million undrawn from the Company's low cost, flexible revolving credit facility ("RCF"). Post year-end uncommitted cash was further boosted by £58 million from the aforementioned sales of Kew Retail Park and Hartshead House in Sheffield.

In terms of the utilisation of these resources, the Company, through its Investment manager, continually explores and assesses potential opportunities especially in the current disrupted market environment. However, it should be highlighted any acquisitions need to be consistent with the ongoing portfolio strategy of building a modern economy portfolio while also providing sustainable income.

Ventura Park
Radlett

Ocado
Hatfield

Rent Collection

The Board has been acutely aware of its responsibility to all the Company's stakeholders during COVID-19 and maintaining a high level of ESG standards. This has also been demonstrated through the Company's approach to tenants during the period of the COVID-19 pandemic where requests for rental assistance have been approached by the UKCM asset management team in a manner which is fair and, where possible, is balanced by a future benefit for the Company. Throughout the last 12 months UKCM has put in place a number of rent deferrals and monthly lease payment structures for tenants which are designed to assist both the tenant and the Company with a number of these leading to lease renegotiations, creating value through securing longer lease commitments in return for short-term rent incentives/support.

As at the end of 2020, the overall rent collection for the four rent quarters of 2020 was 83% with the remaining 17% being a mixture of deferred rents, lease renegotiations, continuing arrears or in some cases the rent having been subsequently received.

Dividends

The Board recognises that the payment of an attractive sustainable dividend is of primary importance to many shareholders, particularly in this low interest rate environment and when COVID-19 has forced many listed companies, both in the real estate sector and beyond, to cancel or suspend their dividends.

The Board took the decision to use the strength of the Company's balance sheet to maintain shareholder distributions throughout this period of uncertainty and paid a dividend throughout the year at 50% of the pre-pandemic level. In order to comply with the REIT rules, the Board is pleased to announce shareholders will also receive a further interim dividend in relation to 2020, of 0.531p which will be paid on 21 May 2021 to shareholders on the register at 7 May 2021.

Looking forward, there is the potential for a progressive dividend in the next 18 months as and when investment activity is undertaken and earnings are on a sustainable upward trajectory.

Environmental, Social and Governance ("ESG")

As highlighted above, the Board takes corporate citizenship very seriously and, in that respect, reduced Directors' fees by 20% from April 2020 through to the year-end given COVID-19. The Board is also pleased with the number of ESG initiatives under way across the portfolio. These are detailed in the UKCM's ESG document entitled "Dialling up the Integration of ESG" which is available on our website at the link below and which I would urge all UKCM stakeholders to read:

https://www.ukcpreit.com/en/literature-library

Annual General Meeting ("AGM")

At the time of writing, elements of the National Lockdown remain in place and the timetable for easing restrictions is not assured. Shareholder attendance at AGMs currently is not legally permissible and, therefore, to provide certainty in arrangements, the AGM will regrettably be conducted as a closed meeting. However, the Board continues to welcome engagement with shareholders and encourages shareholders to ask questions in advance of the AGM. A Question & Answer Session, responding to shareholder questions, will be recorded and published on the Company's website in early June before the AGM. Please see page 38 for more information on how to submit a question.

Voting at the closed AGM will be conducted on a poll, with the Chairman of the AGM holding the proxy votes. We, therefore, request all shareholders to submit their votes ahead of the deadline of 16 June to ensure that their votes are registered and counted.

The Board hopes to be able to welcome shareholders in person to the AGM next year.

Outlook

As the vaccine rollout continues, and in the expectation restrictions are gradually eased, then the key question is how fast and to what extent the economy can rebound from the seismic impact of the pandemic which resulted in a 9.9% fall in UK GDP in 2020. Another factor that may impact the strength of the economy is the Brexit trade deal between the UK and Europe and whether this will result in significant disruption between the two trading blocs. Our Investment Manager is forecasting 6.2% GDP growth in 2021, on the basis there are no further setbacks.

It remains to be seen whether valuations of UK commercial real estate, which were already under pressure pre COVID-19, will recover to the same extent as the wider UK economy with valuation movements and hence total returns likely to be polarised between the sectors and within sectors. COVID-19 accelerated the structural retail trend away from the high street and shopping centres to online retail and while this trend may flatten out, or indeed partially recede, as people are allowed back to the shops, it is unlikely to completely reverse. There is much speculation over the future of the office sector as businesses adjust to hybrid working practices. However, there is no doubt that some offices will act more as collaboration hubs, reducing the requirement for office space, and that there will be an even more distinct polarisation between well located prime modern offices that fulfil the modern occupiers' exacting requirements and older, more secondary stock which will fall out of favour. Leisure should recover to an extent but this will be very much linked to the easing of lockdown and the public being both able and confident enough to visit places like cinemas and restaurants.

UKCM is in a strong position. The portfolio is overweight to the industrial sector and underweight to the retail sector which should provide positive relative portfolio performance. On the corporate side the Company has a robust balance sheet with low gearing and significant financial resources. This will allow us to invest into opportunities that can boost earnings as they arise, further enhance our modern economy portfolio and maintain UKCM's status as one the UK's largest diversified REITs. When combined with more normalised rent collection levels, this should also allow for a progressive dividend.

Overall, the portfolio and financial foundations that have been put in place over the last few years have enabled the Company to both weather the current difficult situation and emerge in a position of relative strength to create additional value in the future.

Ken McCullagh
Chair
22 April 2021

Market Review

UK gross domestic product (GDP) fell by 9.9% in 2020, the largest annual decline in output in 300 years. The effects of the pandemic were far reaching, with no sector of the economy coming out unscathed. However, the UK did record GDP growth of 1% between October and December, meaning that the economy avoided a double-dip recession. Less stringent restrictions in the run-up to Christmas enabled the UK to record growth of 1.2% in the month of December, following a 2.6% dip in November. New lockdown measures implemented at the very end of 2020 are likely to result in the economy shrinking by 4% in the first quarter of 2021. Although largely dependent on a smooth vaccine roll out, the UK economy is expected to see growth return in the second half of 2021.

Returns in the UK real estate market turned negative in 2020, with a total annual return of −2.3% for the MSCI Quarterly index (this is different from the Company's benchmark which is the MSCI UK Balanced Portfolios Quarterly Property Index benchmark), the first negative calendar year since 2008. As was the case pre-pandemic, returns at the sector level remained highly polarised with industrials and residential being the two most prominent of very few sectors to post positive total returns during the year. The industrial sector was the stand out performer, recording another strong year with returns of 9.2%, aided by capital value growth of 4.6%. Both South East and rest of UK industrials had a strong 2020, with total returns of 10.1% and 7.6% respectively. The retail sector continued to weigh on all commercial property returns with a total return of −12.4% and values falling by 17.1% over the course of the year. At -1.0% in Q4, the office sector saw its weakest quarterly return since Q3 2016, contributing to an annual return of −1.7%.

The fourth quarter rally in 2019 for the FTSE UK REIT index was quickly unwound in the first quarter of 2020 as the pandemic took hold. During the first quarter of 2020, the index recorded a total return of −27%, and despite a late vaccine relief rally in the final months of 2020, the FTSE UK REIT index delivered a total return of −15.9% for the full year, underperforming the wider UK equity market by 4.2%. The hierarchy of favoured sectors remains broadly the same, with the variance in NAV's between the most and least favoured sectors becoming more pronounced. Industrial names benefited from a clear acceleration in structural shifts towards online retailing, largely to the detriment of retail REITs. As a result, pricing is holding up better for the former, whereas pricing for retail REITs continue to trade a deep discounts to NAV. With uncertainty surrounding the outlook for the office occupational market, London office developers continue to trade at discounts to NAV.

COVID-19 has created near-term cyclical headwinds for the UK real estate sector, whilst providing the catalyst for acceleration in structural trends that were already underway pre-pandemic.

The requirement for more flexible workplace arrangements is evident in the office sector and a number of companies are reassessing their requirements in light of more flexible working arrangements. Take-up was down across major office markets and availability rates rose sharply. Demand for the best quality space has proven to be more resilient and this is likely to be the case going forward for the sector. The clear beneficiary in the acceleration of structural changes was the industrial and logistics sector. The logistics sector recorded its strongest year of take-up on record in 2020 as the closure of non-essential retail units, for a large part of the year, facilitated a greater transition to online retailing. Despite the obvious challenges, the COVID-19 impact on UK retail has not been homogeneous across all retail sub-sectors as illustrated by the resilience of supermarket trading. In fact, the supermarket sector benefited from unprecedented Christmas demand in 2020, with take home grocery sales rising 11.4% year-on-year over the 12 weeks to December 27 according to Kantar data.

9.2%

INDUSTRIAL SECTOR TOTAL RETURN

In 2020

Office

The office sector delivered a total return of −1.7% in 2020 according to the MSCI Quarterly Index. The −1.0% total return delivered in Q4 was the weakest quarterly return for offices since the third quarter of 2016. However, the headline number masks significant variation in returns both geographically and even within cities.

Within Central London there was a clear divergence in performance, where City offices recorded a total return of 1.1% with values declining by −2.2% in 2020. Conversely West End offices recorded a total return of −5.8% in 2020, with values down −8.8% over the year. Regional offices experienced capital value declines of −4.2%, resulting in a marginally positive total return of 0.3% over the year. This performance is unsurprising given that the pandemic has resulted in a noticeable deterioration in the occupational market for both regional and Central London offices.

Aside from the more short-term cyclical disruption COVID-19 has undoubtedly hastened, it has created longer term structural challenges for the sector. The increased prominence of working from home for the majority of office based staff has resulted in some occupiers putting requirements for future space on hold while they evaluate how to deal with more agile working arrangements. The result was a reduction in take-up of over 50% in 2020, with both vacancy and availability rates at the year end across Central London increasing to 8.1% and 10% respectively.

However, it is important to highlight a clear distinction by building quality. The availability of Grade A office space remains well balanced in the capital, as it does in key regional markets, especially for larger floorplates. But there has been a sharp increase in sub-let or so called grey space coming to the market, accounting for 75% of the total in London. Similar trends were witnessed in the regions, with take up down 33% on the ten-year average within the largest nine regional office markets. There remains scant evidence of the weak occupational market putting material downward pressure on headline rents at this point, but the momentum by the end of 2020 was negative as rents declined by −0.8% over the course of the year. We therefore expect to see further rental declines in 2021 as more evidence becomes apparent. The office sector will remain an area of significant change, with a greater divergence in returns expected between offices that meet occupier needs, and those that do not.

Retail

According to the MSCI Quarterly Index, the retail sector delivered a total return of −12.4% in 2020, with values falling by 16.9%. That overall performance masks significant dispersion within the sector, however. Shopping centre values collapsed by just under 30% over the last 12 months, dwarfing the 17.7% fall in value seen in 2019. Average shopping centre values now sit 66% below their 2007 peak level and, with virtually no investment market liquidity, pricing suggests further falls in 2021.

In complete contrast, supermarket values rose by 1.2% in 2020, with their status as essential infrastructure and their long, secure income profiles proving highly attractive to investors.

Retail warehouses, which represent a broad church of assets, sit right in-between, with values down 15.8% on average over the last 12 months. Solus units, many let to DIY or discount operators on long leases, lost only 8.8% of value on average. By the end of the year, solus units had stabilised and begun to see modest capital growth. But the largest parks, often with more exposure to the fashion sector, saw values fall by nearly 21% in 2020.

Meanwhile, high streets have also suffered from a collapse in footfall and the enforced closure of fashion occupiers. For the first time, Central London has not been immune, with values down 17.2%, compared with a national average of 20%. Indeed, London suffered the most of any region in the final quarter. The impact of COVID-19 on international travel and office-related footfall going forward is a major threat to retail and hospitality businesses in London, where rents and business rates have soared over the last 10 years.

While the government has provided significant support and protection for retailers since the pandemic began, a number of measures are due to expire from the spring of this year, which could herald further business failures and rising vacancy rates. The polarisation between positive performance from assets in essential retail use, relying on predictable local catchment spending, and discretionary retail that is hamstrung by travel limitations and trading restrictions which may continue for much of 2021.

In the longer term, the acceleration of sales transitioning online during the pandemic and greater prevalence of turnover-based rental payments is expected to mean a further rebasing of rents across discretionary retail locations. In contrast, however, the step change in online grocery spend underpins the importance and performance prospects of the dominant, well-configured supermarkets that are crucial for fulfilment and last-mile distribution.

Centrum 260
Burton on Trent

Maldron Hotel
Newcastle

Industrial

Industrial maintained its position as the best performing UK commercial real estate sector for the fourth consecutive year. The sector delivered a total return of 9.2% in 2020, with values rising by 4.6% according to the MSCI Quarterly Index. Sentiment remains very positive given the favourable structural drivers of the occupier market, especially for space constrained logistics in urban areas. This is particularly the case in the South East where the segment recorded a total return of 10.1%, driven by capital growth of 5.9%.

Within industrial, London was the strongest performer, delivering a total return of 7.9% in Q4 and 12.3% for the calendar year. Despite a year categorised by multiple lockdowns and impeded travel and inspections, investment levels reached £10.1bn in 2020, the highest level recorded since 2017. Accounting for 22% of total UK real estate investment activity this was the highest market share on record for industrial.

The pandemic clearly resulted in an acceleration in the transition to online retailing which was reflected in the occupational market. The UK logistics sector experienced a record year of take-up in 2020 with 50.1 million sq ft of new leases agreed on warehouse space, 12.7 million sq ft ahead of the previous record set in 2016 according to Savills. It is interesting to note that while leases agreed with Amazon accounted for a quarter of all take-up last year, without these and excluding short-term deals, sector leasing still set new records.

Aided by this record year, the vacancy rate for the logistics sector now stands at 5.7% at the national level and an even lower 3.5% in London and the South East. Market fundamentals remain supportive for continued rental growth driven a structurally supportive demand outlook.

Alternatives

The UK real estate alternative sector, or "Other Property" as it is categorised by MSCI, represents real estate which falls outside the traditional 'Retail', 'Office' or 'Industrial' definitions. This sector recorded a total return of −5.3% in 2020.

This is predominantly due to the large weighting of leisure and hotels within the sample. Returns for these segments during the year were −14.6% and −2.6% respectively. Both of these consumer facing segments have borne the brunt of the difficulties created as a result of the pandemic, with the path to recovery expected to be gradual and not without its challenges, especially for the hospitality sector.

The Purpose Built Student Accommodation (PBSA) sector continued to attract investor interest, despite lockdowns inhibiting the return of students to university. In the face of a challenging occupational backdrop, the sector still managed to deliver a total return of 4.9% in the year to September 2020 according to CBRE. As was the case with the majority of sectors, PBSA returns were highly polarised. Prime assets which are aligned to top tier universities significantly outperformed secondary assets.

Early indications from UCAS illustrate that applications for the 2021/22 academic year look positive and, provided a vaccine can be rolled out by September 2021, these are expected to be converted into bookings.

Investor interest in the build to rent (BtR) sector continued unabated in 2020, recording its highest annual investment total on record at £3.5 billion, with a number of new entrants to the market announced during 2020.

Although these sectors remain nascent compared to more developed international markets, there remains significant interest given their more resilient performance during the pandemic.

Market Outlook

A renewed sense of optimism moving into 2021, with a no-deal Brexit averted and the vaccine starting to be rolled out, was tempered, at least initially, by the latest national lockdown as investors began to assess the potential damage to occupier markets. With liquidity also impaired in the first quarter, 2021 looks set to be a year of two halves for the investment market. Provided vaccinations can be rolled out at sufficient scale in the first half of the year to materially suppress the virus, we expect to see a recovery in activity in the second half of 2021.

With the macroeconomic backdrop likely to be challenging, particularly in the first half of the year, the basket of "All Property" capital values are expected to fall this year. Significant dispersion across, and even within sectors, is predicted to remain a key feature of the market during 2021. While we expect positive capital value growth for the industrial sector, the same cannot be said for the retail sector where rents will experience further downward pressure and yields are expected to move out, particularly for discretionary retail. The supermarket sector is a clear exception to the retail story as the sector's long, secure income profiles remain highly attractive to investors, providing support for capital values.

As such, many current investment strategies will continue to favour sectors with more defensive characteristics such as logistics and supermarkets, which are positively impacted by, or largely insulated from, the ongoing pandemic.

Portfolio Performance

During the reporting period, the Company's property portfolio generated a total return of 1.1% versus −0.9% for its MSCI benchmark. This strong relative outperformance was predominantly attributable to the Company's overweight industrial position and the outperformance of its assets in this sector.

Since inception and over one, three and five years, the Company's portfolio has outperformed its MSCI UK Balanced Portfolios Quarterly Property Index benchmark.

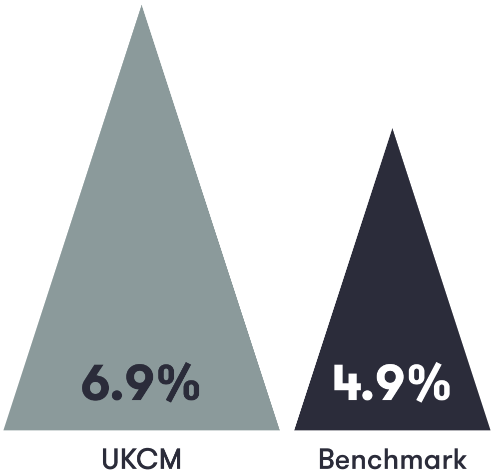
The table adjacent sets out the components of these returns for the year to 31 December 2020 with all valuations undertaken by the Company's external valuer, CBRE Limited.

	Total Return*		Income Return		Capital Growth	
	Fund %	Benchmark %	Fund %	Benchmark %	Fund %	Benchmark %
Industrial	10.7	9.4	3.6	4.3	6.9	4.9
Office	−4.2	−1.5	4.9	3.9	-8.8	−5.1
Retail	−10.3	−9.6	5.1	5.6	−14.6	−14.4
Leisure/Other	−15.2	−2.2	1.8	4.2	−16.8	−6.1
TOTAL	1.1	-0.9	3.9	4.5	-2.7	-5.2

Source: MSCI

* Multi-period capital growth and income return may not sum perfectly to total return due to the cross product that occurs as income is assumed to be reinvested on a monthly basis and is subject to capital value change.

Industrial Capital Growth




Dolphin Estate
Sunbury on Thames

The industrial portfolio's capital growth at 6.9%, well above the benchmark at 4.9%, has been the major driver of performance and has partially mitigated capital value declines across the other sectors. A whole portfolio capital decline of 2.7% was almost half the 5.2% decline for the benchmark. The income return has lagged the benchmark at 3.9% v 4.5% after accounting for challenging rent collection from the retail and leisure tenants and enhanced provision for bad debt.

The Company has continued to grow its industrial exposure with a 58% allocation of assets in the sector, up from 51% at the end of 2019. This heavily overweight exposure has been a major driver of returns over the year, most notably amongst the assets situated in London and the South East where shortages of space have driven capital and rental value growth. We have seen good tenant demand driving income returns and occupancy, most notably through leasing XDock 377 in Lutterworth.

The Company has continued to sell down risk in the retail sector, which has been heavily impacted by the COVID-19 pandemic, reducing exposure to 17%. With no shopping centres and limited high street exposure the Company has 77% of its retail holdings in the more resilient out-of-town sector and a further 15% in supermarkets which have arguably benefited from the disruption of the last year.

Industrial

The industrial portfolio, now 58% of the Company's holdings by capital value, has delivered a strong total return for the year of 10.7% against the benchmark return of 9.4%. The greatest contributor to Fund performance was Ventura Park in Radlett where positive leasing activity and sharpening yields drove a 14.4% return for the year in the company's largest holding with a value of over £125 million.

In addition to this, the other four of the Company's top five largest contributors to outperformance were in the industrial sector. We saw strong capital growth at Dolphin Estate at Sunbury-on-Thames (West London), the Ocado unit at Hatfield and our unit in Neasden (North West London) which we had recently let to Amazon. The other major contributor to outperformance was XDock 377, Magna Park, Lutterworth, which was let in the third quarter to Armstrong Logistics on a 15 year lease at a rent of £2.45 million per annum. This was previously the largest void in the company and the letting will increase income and occupancy.

Office

The Company's office portfolio had a disappointing year delivering a total return of −4.2% compared to the benchmark return of −1.5%. Although the income return was significantly ahead of the benchmark, this was offset by capital declines of 8.8%.

The largest capital declines were at Apsley Two in Hemel Hempstead, where the tenant vacated the asset, and at Colmore Row in Birmingham where the short unexpired lease terms on a number of leases led to a great decline in valuation.

The Company reduced its exposure to the Central London market with the sale of Eldon House, EC2 in the second quarter. The sale at £40 million crystallized a significant profit following its purchase for £27.8 million in 2015 and the completion of its asset management strategy. Craven House in Soho is the Company's last remaining Central London office comprising 2.4% of the portfolio.

Retail

Performance of the Company's retail portfolio, which made up 17% of the total by value at the year end, was broadly in line with the benchmark at −10.3% v −9.6%. It was a challenging year for physical retailing with a number of enforced closures and this was reflected in capital declines of 14.6%.

The Company completed two retail sales over the year, at Tunbridge Wells and Horsham, which reduced short/medium term void risk and potential capital expenditure.

UKCM has no shopping centres and limited high street exposure, with the vast majority of the portfolio in retail warehouses and supermarkets. These sectors have proved more resilient through the COVID-19 pandemic as this larger format retail is generally in car borne locations and offers greater flexibility to allow shopping with social distancing. Further selective disposals may be considered where income is at risk.

Alternatives

It was an unprecedented 12 months for the alternatives sector with the impact of COVID-19 forcing many businesses to remain closed through the year. Of all the property sectors leisure and hotels have seen the greatest impact upon their operations, with uncertainty over when many properties will reopen and how they will be used in the future. A large proportion of the Company's alternative holdings, some 69%, are in cinema-anchored leisure schemes. Whilst the cinemas at the largest two of these assets, Odeon at The Rotunda in Kingston upon Thames and Cineworld in Glasgow, are believed to be "top-UK" trading cinemas in a normal environment, the impact of COVID-19 caused these two assets to be amongst the five largest negative contributors to portfolio performance.

Total returns were −15.2% v −2.2% benchmark driven by large capital declines at the cinema anchored leisure assets. Rent collection was also challenging over the year as many tenants refused to pay rent as their businesses remained closed. This drove a low income return for the year of just 1.8%.

Investment Activity

Despite the complications caused by the COVID-19 pandemic we have completed a number of sales and purchases over the year as we continue to recycle capital out of higher risk assets predominantly in the retail sector and into assets offering more durable income streams.

Sales

The Company completed five sales in the year. In February we sold Motor Park, which comprises seven car showrooms and two office pavilions in Portsmouth, to Glasgow City Council for £29.8 million. The sale crystallised the value created by a successful programme of active asset management, which increased the weighted unexpired lease length at the asset, with new leases to Snows Business Holdings, which operates BMW, Mini and SEAT franchises, and Harwoods, which operates an Audi franchise.

In March, we completed the sale of Broadbridge Retail Park, Horsham for £18.1 million in line with valuation. The retail park had exposure to Homebase and Carpetright both of which have been through CVAs and the disposal was in line with our strategy of reducing exposure to riskier retail assets.

In May 2020, the Company completed the disposal of Eldon House in the City of London for £40 million. With headwinds in the office sector caused by the COVID-19 pandemic and uncertainty over when and how occupiers will reoccupy space, the Central London office market looks particularly vulnerable. The sale successfully crystallized a profit from the completed asset management activity at the asset.

In September we completed the sale of Great Lodge Retail Park, Tunbridge Wells for £46.25 million. The net sale price was in line with the valuation and was a continuation of UKCM's strategy to reduce its retail exposure. UKCM had undertaken a programme of active asset management at the retail park, agreeing new leases to ALDI and Starbucks. Other tenants include B&Q, DFS and Curry's.

We also sold the M8 Interlink industrial estate near Glasgow in Scotland for £25.4 million in December. The sale was opportunistic with a price ahead of valuation and in line with UKCM's strategy to generate capital for reinvestment into opportunities with longer-term fundamentals, including in the alternatives sector.

Post year end the portfolio strategy continued apace with the sale of Hartshead House in Sheffield for £17 million and Kew Retail Park for £41 million both of which were forecast to have limited future returns. At Kew, despite only owning part of the wider retail park, we capitalised on housebuilder interest for strategic London sites having worked to position the lease profile to better allow future redevelopment. These sales generated further capital to invest into income accretive properties, particularly modern economy assets with the potential to deliver sustainable and growing income returns over the long term.

Purchases

The Company completed two acquisitions over the year and exchanged contracts for a further transaction in December 2020 (which subsequently completed early in the New Year).

In March, and in line with the expanded investment policy, the Company agreed a land purchase and development funding agreement for a new 221 bed student residential development in central Exeter, adjacent to the main university campus. The scheme is due to complete in time for the 2022/2023 academic year and benefits from a high proportion of more affordable cluster units and excellent ESG credentials. The land, with full planning permission, was acquired for £6.5 million with an additional capped funding commitment of c.£21.5 million. The asset is the Company's first operational holding which will see UKCM appointing an operator to run the asset on our behalf and enter into direct tenancy agreements with students; it is anticipated that we will take control of the site and asset in late summer of 2022 and we anticipate a net operating yield of 5.6%.

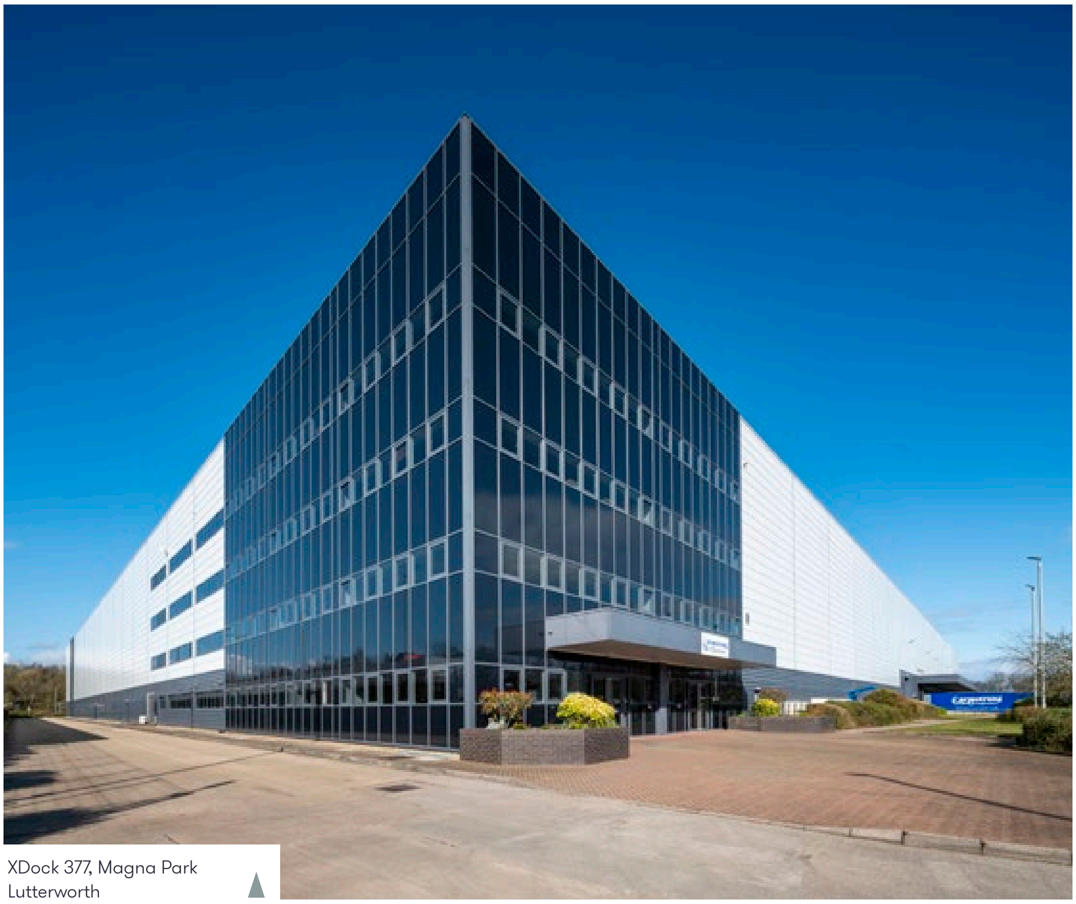
In December we completed the acquisition of an ASDA supermarket in Torquay, for £16.6 million. The store has 15.5 years remaining on the lease with five yearly RPI linked rent reviews and benefits from a tight catchment with limited competition. Although we have been looking to sell down our retail exposure, the supermarket sector is the exception to the rule, offering durable income streams and not under the same pressures faced by the majority of the sector.

Finally, in December we exchanged contracts to acquire a site and enter into a development funding agreement for the development of a 230 unit student accommodation scheme in Edinburgh and concluded the transaction in January 2021 for a total commitment of £29.1 million from which we anticipate generating a net operating yield of 5.5%. The University of Edinburgh has an outstanding global reputation being ranked in the top 30 in the world in The Times' ranking and with over five applications for every available academic space. The property is in a prime position in the traditional accommodation heartland for the University of Edinburgh, whilst also being conveniently located for Napier and Heriot Watt Universities. As with Exeter it is anticipated that we will take control of the site and asset in the summer of 2022, in time for the 2022/2023 academic year.

Asset Management Activity

Due to the unprecedented impact of the COVID-19 Pandemic on the UK economy there was a shift in focus of the asset management team over 2020. While prioritising the health and safety of our stakeholders, the primary focus of the asset management team has been engaging with tenants on requests for rental assistance in a manner which is fair and, where possible, balanced by a future benefit for the Company.

In March and April we engaged with over 55 of our tenants who were looking for assistance with their rental payments as non-essential retail and leisure assets were closed and huge falls in business activity made an impact across the portfolio. We put in place a number of rent deferrals in place with tenants and also managed to negotiate a number of commercial regears, whereby tenants could benefit from an immediate rent free period in return for a longer lease commitment. This gave the tenants a short term reduction in fixed costs whilst providing less risky, longer lease terms to the Company with a subsequent valuation uplift.



XDock 377, Magna Park
Lutterworth

Rent collection became a focus for the asset management team following the first lockdown in March 2020, with a number of tenants unable or unwilling to pay rent. Given the moratorium on forfeiture and winding up notices, the asset managers have had to negotiate with tenants to clear historic arrears as legal routes to rent collection have been closed.

For the March 2020 quarter the company collected 77% of rents due and this increased over the year to 83% for the June quarter and 85% for the September quarter. The December figure is 85% showing a positive trend through the year. There was a large discrepancy between the business space tenants in the office and industrial assets, where we saw high collection rates and the retail and, particularly, leisure tenants who were most exposed to the lockdown and social distancing rules.

A summary of rent collection for the year is below:

Sector	Collection %
Industrial	90%
Office	91%
Retail	76%
Leisure	49%
TOTAL	83%

Of the 17% of rent that we had reported as uncollected over the course of the year we have subsequently recovered 3% including over £1 million from three major retailers. A further 5% has been restructured through commercial lease regear arrangements or rent deferral agreements with tenants. Given the volume of corporate restructures 2% has been subject to a CVA or administration with the remaining 7% still outstanding and will be pursued for payment.

The average weighted unexpired lease term of the portfolio increased marginally to 9.0 years compared to 8.9 years at 31 December 2019. There has been a small increase in the proportion of portfolio income derived from leases with fixed or inflation-linked uplifts which now accounts for 20% of estimated rental value.

The asset management team continues to look to extend leases and rebase rents with retail tenants. One positive outcome from the disruption caused by the COVID-19 lockdown has been the number of commercial re-gears we have managed to negotiate with tenants. The most noticeable examples were at The Rotunda in Kingston upon Thames and Junction 27 Retail Park, Leeds, where we have extended lease terms in return for a rent free period and/or rebased rent. This enabled us to secure new long term lease commitments which have been accretive to value, while also giving the tenants much needed financial support during a challenging trading year.

The following asset management activity, grouped by sector with percentage occupancy shown as at 31 December 2020, represents a summary of noteworthy transactions:

Industrial / Logistics Distribution
93% occupied

XDock 377, Magna Park, Lutterworth

In Q3 we let XDock377, a 377,000 sq ft logistics unit at Magna Park in Lutterworth to Armstrong Logistics, a pan-European distribution company. Armstrong Logistics signed a 15.5-year lease with open market rent reviews at £6.50 per sq ft, in line with ERV. This will add a further £2.45 million of annualised income to the Company's rent roll after incentives which comprised a capital contribution amounting to 14 months' rent free equivalent (paid in three instalments subject to completion of tenant work in the unit) as well as 18 months' rent free from 1 September 2020 comprising 12 month's initial rent free followed by 12 months half rent.

This transaction filled the largest void in the Company's portfolio which had accounted for 3.5% of portfolio ERV. Earlier in the year we completed a dilapidations settlement with the previous tenant which generated a cash receipt of £3.4 million.

Ventura Park, Radlett

A new occupier, Express Logistics Ltd, was secured at Unit D, under a new 10 year lease without incentive, with a break option at year five. The lease was agreed at a headline rent of £11psf per annum, 5% ahead of the ERV for the unit, and equating to £177,914 per annum.

A new five year reversionary lease from June 2020 was agreed with Inspired Gaming (UK) Ltd at Unit F at a rent of £327,624 per annum. The lease has a break option in year three and a lower annual rent of £246,000 for the first year, payable in lieu of a three month rent free period.

In Q4 we agreed a regear at Unit 6a with the occupier Forward Trucking to extend its lease by 10 years from expiry of the existing lease to October 2033. There is a tenant only break option in October 2028. A revised rent has also been agreed following a rent review at £138,500 (£12 per sq ft) per annum an increase of 38% on the previous rent passing.

At the year-end three units were vacant (28% property level vacancy) – all three have since been let, ahead of ERV, to new occupiers or to existing tenants who were looking to expand their business.

Dolphin Trading Estate, Sunbury-on-Thames

In Q1 the company settled two rent reviews at Dolphin Industrial Estate, Sunbury at a total rent of £388,500 per annum, 33% ahead of the previous passing rent and 6% ahead of ERV.

Later in the year we let Unit C to Avenue 51, a distribution operator on a 10 year lease with a break at year five at a rent of £275,000 per annum, which reflected a rate of £13.00 per sq ft and was in excess of ERV. The estate is now fully let.

Newton's Court, Dartford

The existing lease had been due to expire in December 2020 but we agreed a new follow-on 10 year reversionary lease with the occupier, Gisela Graeme, at a minimum rent of £196,000 per annum. As part of the agreement, we have inserted a rent review at the start point, which we expect to result in a significant uplift in the passing rent once that process concludes. A six month rent free period was granted from March to September, which assisted the tenant through the COVID-19 lockdown period.

Gatwick Gateway, Crawley

We completed new three year leases with DFS at units 3b and 3c at a rent of £243,246 per annum, reflecting a rate of £12.00 per sq ft and ahead of the £11.50 per sq ft ERV.

Gallan Park, Cannock

We agreed a new 10 year reversionary lease with Rhenus Logistics commencing on expiry of its current lease in 2024, with fixed increases in 2024 and 2029. With a passing rent of £667,680 per annum, and after a lease incentive of £315,000 paid to the tenant, we secured a 12% uplift in value. The asset was acquired as part of a portfolio in 2019.

M8 Interlink, Coatbridge

We signed a new 10 year lease with M. Markovitz at a rent of £150,000 per annum, 8% ahead of ERV. The lease is subject to a tenant break in year five, a nine month rent free period, and the completion of landlord works to the unit. This asset was sold in Q4.

Office
86% occupied

Apsley Two, Hemel Hempstead

We agreed a dilapidations settlement with the outgoing tenant providing a receipt of £550,000. We have now conditionally exchanged contracts to sell the asset, which is vacant and comprises 1.5% of the company void.

The White Building, Reading

We completed a three year lease extension with Roc Search which occupies the fifth floor at a rent of £453,832 per annum. This increases the unexpired term to seven years and was agreed in return for a six month rent free period.

Central Square, Newcastle

We agreed a rent review with ARUP on the first and second floors at this multi let office in central Newcastle. The new rent of £596,300 was 3.2% ahead of the previous passing rent and 9.6% ahead of ERV.

Retail & Leisure
89% occupied

Junction 27 Retail Park, Leeds

At this prime bulky goods park adjacent to an Ikea store, we completed lease extensions with Barker & Stonehouse and Furniture Village. Both tenants agreed five year lease extensions giving 9.5 year and 8.75 year term certain respectively. The tenants were granted six months' rent free and rents rebased to £25.00 per sq ft and £27.00 per sq ft, ahead of and in line with ERV, respectively. These deals were both structured to grant rent free periods and assist tenants through the COVID-19 lockdown period. Tenant trading reports from this retail park are very positive.

The Rotunda, Kingston upon Thames

Completed lease re-gears with Odeon and David Lloyd at this leisure asset in South West London. Both tenants had ceased trading and Odeon extended its lease from seven years to 15 years in return for a 12-month incentive equivalent and a lower fixed rental rebase in 2027 to a figure ahead of ERV. David Lloyd extended its lease to 25 years without break at a rent of £350,000 per annum subject to five yearly RPI linked reviews. This has secured the scheme's two anchor tenants, both robust businesses in normal times, on long term lease commitments.

Environmental, Social and Governance (ESG)

The Investment Manager, in line with the Board, views ESG as a fundamental part of its business and investment and management process. Whilst real estate investment provides valuable economic benefits and returns for investors it has, by its nature, the potential to affect environmental and social outcomes, both positively and negatively.

The Investment Manager's approach is underpinned by the following three principles:

- Transparency, Integrity and Reporting: being transparent in the ways in which we communicate and discuss our strategy, approach and performance with our investors and stakeholders.
- Capability and Collaboration: drawing together and harnessing the capabilities of our ESG platform, with the insights and experiences of our property consultants and industry best practice.
- Investment Process and Asset Management: integrating ESG into decision making, governance, underwriting decisions and asset management approach. This includes the identification and management of material ESG risks and opportunities across the portfolio.

A key element of our approach is the employment of our ESG Impact Dial, a proprietary research framework in support of investment strategies and asset management approach. We have identified four major forces for change:

- Environment and Climate
- Governance and Engagement
- Demographics and Technology
- Infrastructure

These forces together form the basis of the ESG Impact Dial and guide the assessment of materiality and integration of ESG factors within the Company's portfolio and provide the framework for our ESG objectives.

In the last year the Company produced a brochure highlighting its ESG commitments and. Its brochure, "Dialling up the Integration of ESG", can be found on the Company website, www.ukcpreit.com.

Over the year the Company maintained an EPRA sBPR Gold Award rating which ranks the quality of ESG reporting.

Despite being placed second of eight within its peer group, UKCM received a GRESB 2 star rating with a score of 67/100 (0.01 short of 3 stars). GRESB changed its scoring system during 2020, with greater weight given to the recording of energy data. This is harder to extract, particularly it seems in the UK, from single let standalone properties which the Company has a material number of from its high weighting to the industrial logistics warehouse market. One solution involves the automation of energy data collection, much like residential 'smart meters', which the Company is investigating with the aim to improve this rating in 2021.

Specific examples of our ESG Strategy in action include:

- 100% of the electricity sourced by the Company now comes from renewable sources.
- 100% of the waste produced at our managed assets is diverted from landfill.
- Ensuring our new development at Exeter and Edinburgh rate highly. At both assets we will look to incorporate the provision of sustainably sourced electricity and encourage recycling whilst diverting 100% of waste from landfill. Specifically, Exeter will be constructed to a BREEAM Very Good standard and as a planning condition will be built to a carbon neutral construction program and we have reserved the right to incorporate further ESG features to the development such as photovoltaic panels on the roof. Edinburgh will have a BREEAM rating of Good or equivalent, predominantly due to the mixed nature of the project using the existing historic structure as part of the development. However this means that we will be saving on new materials on this element as we are using the existing structure (carbon saving). We will also incorporate a Ground Source Heat Pump System to sustainably heat the development.

In many ways the “E” (environmental) and “G” (governance) are the simpler of the ESG strands to understand and apply, particularly with corporate governance around a REIT; however perhaps the greatest ESG activity of 2020 related to the “S” (social) element in the form of enhanced interaction between our asset management team and our tenants as the COVID-19 pandemic and consequent lockdown impacted on business in March 2020. We had conversations with 55 of our tenants who were requesting assistance as businesses were closed or severely disrupted. Through these conversations we agreed a multitude of rent deferrals, monthly rent payment plans and commercial regears (improvements to landlord lease terms), for example by extending the duration of a lease or removing a tenant break option in return for an element of rent free period. We believe this activity has a strong social benefit helping businesses and jobs whilst also building long term relationships with our stakeholders.

Two examples of this positive social interaction, and from different sectors, include an early approach in Spring 2020 from the principal of a popular and successful children’s crèche in a leisure asset and from a supplier of beauty and hair products based at one of our London industrial estates.

The principal of a children’s crèche approached us early in Spring 2020 to explain they were unable to trade. From our initial discussions we established they had furloughed staff and applied for a government loan to pay the property service charge. In response to their trading difficulties, we agreed to provide a rent free period and extended the term of their lease. When the business could gradually open, only limited numbers of children, staff and parents were allowed into the unit, but nonetheless the crèche started paying its rent again. With the most recent early 2021 lock down, and despite the business closing again, the crèche continues to pay its property service charge from its government loan. However, with no operational income it cannot meet its rental obligations during lockdown. In this case we do not expect to charge rent until the business is permitted to re-open when we hope to welcome them back.

Our first call for help during the pandemic came in March 2020 from a supplier of beauty and hair products to retail hair salons. During the initial lockdown their turnover stopped overnight. We had many discussions with them offering help, but our tenant was too distracted with concerns about the duration and severity of the pandemic to reach an agreement.

However, with the initial reopening of salons and shops in July 2020 this tenant experienced a positive spike in trade and they resumed paying rent. As might be expected, the second lock-down early in 2021 impacted them again but this time we are having some success in engaging with them to help put what would normally be a thriving but small business back on a sustainable footing.

Hartshead House
Sheffield

Junction 27 Retail Park
Leeds

Specific ongoing ESG projects for 2021 include:

- An aim to define the Company's net zero pathway in line with the Investment Manager's approach. This will involve benchmarking the carbon and energy intensity of each asset in the portfolio against net zero trajectories and understanding the nature of required improvements over time to meet net zero commitments.
- Feasibility studies and negotiations with tenants to install photovoltaic roofs to large format retail and industrial assets which allow the production of clean electricity that can then be sold to the tenants. We are also looking to include photovoltaics in the refurbishment specification at some of our industrial assets.
- Investigating the potential to enhance biodiversity at our assets including the creation of green spaces and incorporating bee hives on the roofs of assets.
- Encouraging community activities at our large format retail and leisure assets once it is deemed to be safe with examples including charity collections and children's entertainment.
- We continue to enhance facilities for cyclists at our office assets and in Birmingham are looking to improve the provision of showers, bike storage and lockers.

Craven House
London

Portfolio Strategy

Our continued focus on both working with those occupiers most impacted by the lockdowns and enabling those business that have either benefited from, or been able to effectively adapt their operations to this new environment, has supported the Company's own performance. Once again we have seen positive leasing momentum particularly in the industrial and logistics sectors where we have deliberately built up a strong position over the past few years to capture the rental and valuation growth of this in-demand sector.

Your Company's aim remains to deliver an attractive level of income, together with the potential for capital and income growth, through investment in a diversified UK commercial property portfolio. Our strategy remains consistent but has evolved as it adapts to the twin impacts of Brexit and COVID-19. Both have contributed to an acceleration of structural changes already taking place in society and business – from near-shoring, inventory building and hunger for e-commerce driving the logistics market, to the potential for an evolved model for the use of offices focused on staff well-being, attracting talent and improving productivity. As we have witnessed in the retail sector, there is a reasonable likelihood of significant polarisation in the office sector with a focus on building quality, flexibility, surrounding amenity and multi-nodal transport options.

We will continue to look for opportunities to invest in modern economy, future fit, property sectors which are supported by structural changes in society while at the same time ensuring our investors continue to benefit from the geographic and sector diversification our portfolio affords.

In a nutshell this will be property which companies want and need to occupy and from which they can expect to trade at profit.

We expect assets functioning in the broad scope of goods and services distribution to feature prominently – these include, for example, the industrial/logistics sector, data centres, certain supermarkets and certain out-of-town retail where click-and-collect services and convenience play a part.

It is of course essential to understand the draw any particular location or asset has to its current and potential future occupier. As evidenced by our investment into the development of two new and very well located and designed student schemes, due to open for the 2022/23 academic year, we remain interested in the alternatives sector but with selective caution.

As we have said before, alternatives represent an increasing share of the commercial property investment market encouraged by a combination of favourable structural drivers which we believe are set to continue – for example demographics, urbanisation and trends in technology, together with the stability of income returns and diversification benefits that investing in this alternative sector brings, pandemics aside.

Of course we also remain alert to take advantage of pricing anomalies and opportunities across our favoured sectors and have, at the year-end, £218 million of capital available to invest, comprising £68 million in cash and £150 million undrawn debt from our revolving credit facility. Taking account of post-year end investment activity throughout the first quarter of 2020 we now have £276 million of available capital.

We believe a diversified portfolio of scale, in a company with good share liquidity, and heavily weighted towards performing sectors, should have a broad reaching appeal. Linking this with the UK property sector's strong correlation with economic growth, and forecasts of a strong UK economic recovery (accepted from a low base) in the second half of 2021, coupled with an expectation of interest rates that are ultra-low for even longer, suggests the appeal for UK real estate may be on the rise. With a clear investment strategy, sound asset allocation, improving rent collection data and a strong balance sheet with low gearing, we believe we are well placed in this environment tempered with a cautionary note on the evolution of the virus and success of the vaccination program to reignite the economy.

Will Fulton
Fund Manager
Aberdeen Standard Investments
22 April 2021

2020 PORTFOLIO ANALYSIS
(all figures as at 31 December 2020)

TOP 10 TENANTS BY RENT

No. 1
OCADO RETAIL LIMITED
Industrial
5.4% of contracted rent
MSCI risk band: Low/Medium

No. 2
AMAZON UK SERVICES LIMITED
Industrial
4.9% of contracted rent
MSCI risk band: Negligible

No. 3
TOTAL E&P UK LIMITED
Industrial
3.8% of contracted rent
MSCI risk band: Low/Medium

No. 4
B & Q PLC
Retail Warehouse
3.3% of contracted rent
MSCI risk band: Low

No. 5
CINEWORLD ESTATES LIMITED
Alternatives
3.2% of contracted rent
MSCI risk band: Low

No. 6
TK MAXX
Industrial/Retail
3.1% of contracted rent
MSCI risk band: Low/Medium

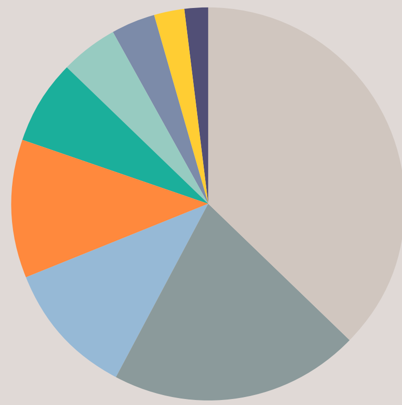
No. 7
PUBLIC SECTOR
Office
3.0% of contracted rent
MSCI risk band: Negligible

No. 8
WARNER BROS LIMITED
Industrial
3.0% of contracted rent
MSCI risk band: Low

No. 9
DALATA CARDIFF LIMITED
Alternatives
2.8% of contracted rent
MSCI risk band: High

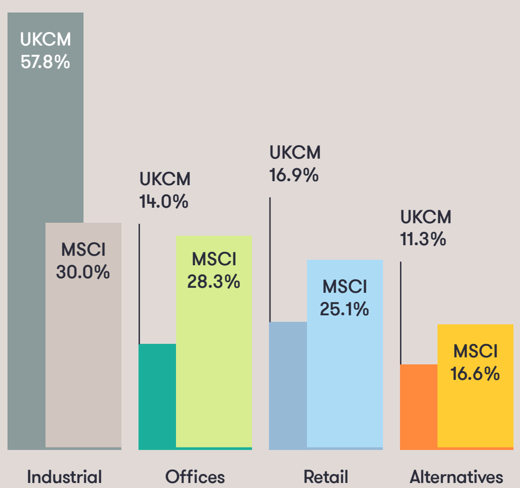
No. 10
PALLETFORCE LIMITED
Industrial
2.6% of contracted rent
MSCI risk band: Maximum

PORTFOLIO SPLIT BY SUB SECTOR



Industrials — South East	37.4%
Industrials — Rest of UK	20.4%
Retail Warehouses	11.3%
Alternatives	11.3%
Offices — Rest of UK	7.1%
Offices — Rest of South East	4.5%
Standard Retails — Rest of UK	3.7%
Offices — West End	2.4%
Standard Retails — South East	1.9%

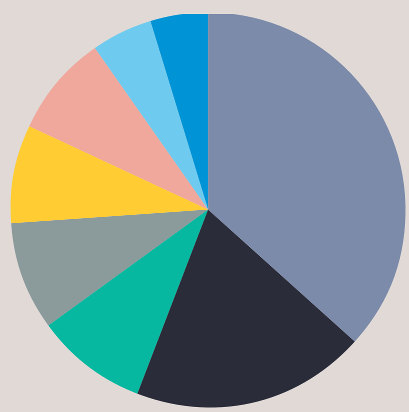
SECTOR SPLIT V BENCHMARK



LEASE EXPIRY PROFILE

	UKCM	Benchmark
0–1 yr	10.1%	11.2%
1–2 yrs	8.0%	9.3%
2–3yrs	5.6%	8.7%
3–5 yrs	13.0%	16.7%
5–10yrs	29.0%	20.9%
10–15 yrs	17.6%	8.7%
>15 yrs	16.7%	24.5%

PORTFOLIO SPLIT BY GEOGRAPHY



South East	36.7%
London	19.3%
West Midlands	9.0%
South West	8.9%
Scotland	8.3%
East Midlands	8.3%
Yorks/Humber	4.9%
North East	4.7%

PROPERTY PORTFOLIO
as at 31 December 2020

	PROPERTY	Tenure	Sector	Principal Tenant	Value Range
1	Ventura Park, Radlett	Freehold	Industrial	Warner Bros Studios Limited	Over £70m (representing 30% of the portfolio capital value)
2	Hannah Close, London, NW10	Leasehold	Industrial	Amazon UK Services Limited	
3	Dolphin Estate, Sunbury on Thames	Freehold	Industrial	Trans Global Freight Management Ltd	
4	Ocado Distribution Unit, Hatfield Business Area, Hatfield	Freehold	Industrial	Ocado Ltd	
5	Newton's Court, Dartford	Freehold	Industrial	Compagnie Fruitiere UK Limited	£40m–£70m (representing 27% of the portfolio capital value)
6	The White Building, Reading	Freehold	Office	Workday (UK) Ltd	
7	The Rotunda, Kingston upon Thames	Freehold	Alternatives	Odeon Cinemas Ltd	
8	Kew Retail Park, Richmond*	Freehold	Retail Warehouse	TK Maxx Ltd	
9	XDock 377, Magna Park, Lutterworth	Leasehold	Industrial	Armstrong Logistics Limited	
10	Junction 27 Retail Park, Birstall, Leeds	Freehold	Retail Warehouse	DSG Retail Ltd	
11	Emerald Park East, Emersons Green, Bristol	Freehold	Industrial	Knorr-Bremse Systems Ltd	
12	Maldron Hotel, Newcastle	Leasehold	Alternatives	Dalata Cardiff Limited	£20m–£40m (representing 33% of the portfolio capital value)
13	Total, Aberdeen Gateway, Aberdeen	Freehold	Industrial	Total E&P UK Ltd	
14	Centrum 260, Burton on Trent	Freehold	Industrial	Palletforce plc	
15	B&Q, Roneo Corner, Romford	Freehold	Retail Warehouse	B & Q Plc	
16	Cineworld Complex, Glasgow	Freehold	Alternatives	Cineworld Estates Limited	
17	81/85 George Street, Edinburgh	Freehold	High St, Retail	Clydesdale Bank plc	
18	Craven House, Fouberts Place, London, W1	Freehold	Office	Molinaire Ltd	
19	Gatwick Gate Industrial Estate, Crawley	Freehold	Industrial	International Logistics Group Ltd	
20	Colmore Court, 9 Colmore Row, Birmingham	Leasehold	Office	BNP Paribas	
21	Dalewood Road, Newcastle Under Lyme	Freehold	Industrial	TK Maxx Ltd	
22	Central Square Offices, Forth Street, Newcastle Upon Tyne	Freehold	Office	Ove Arup & Partners	
23	Tetron Point, Swadlincote	Freehold	Industrial	Clipper Logistics Plc	
24	No 2 Temple Quay, Bristol	Freehold	Office	Public Sector	
25	St Georges Retail Park, Leicester	Freehold	Retail Warehouse	Aldi Stores Limited	
26	Regent Circus, Swindon	Freehold	Alternatives	WM Morrison Supermarkets Plc	
27	Whittle Road, Stoke on Trent	Freehold	Industrial	Bestway Pharmacy NDC Limited	£0m–£20m (representing 10% of the portfolio capital value)
28	Hartshead House, Sheffield*	Freehold	Office	Capita Business Services Ltd	
29	Asda, Torquay	Freehold	High St, Retail	Asda Stores Limited	
30	Interlink Way West, Bardon	Freehold	Industrial	Roca Ltd	
31	14–22 West Street, Marlow	Freehold	High St, Retail	Sainsbury's Supermarket Ltd	
32	Cannock Watling Street	Freehold	Industrial	Rhenus Logistics Limited	
33	Tetra, Aberdeen Gateway, Aberdeen	Freehold	Industrial	Tetra Technologies UK Ltd	
34	140–146 Kings Road, London, SW3	Freehold	High St, Retail	French Connection UK Ltd	
35	Exeter University Student Accommodation	Freehold	Alternatives	Under Development (Forward Funding)	
36	Apsley Two	Freehold	Office	Vacant	

Overall number of properties	36
Total number of tenancies	183
Total average property value	£33.5m
Total floor area	7,850,716 sq ft
Freehold/Leasehold (leases over 100 years)	85%/15%

Industrial Offices Retail Alternatives

*Sold post year end

Hannah Close
Neasden

Investment Strategy

The Group's investment strategy, and purpose, is set out in its investment objective and policy below. It should be considered in conjunction with the Chair's Statement and the Investment Manager Review which both give a more in depth review of performance and future strategy.

The Group's investment objective 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. In order to achieve this objective the Group has an investment strategy that focuses on identifying and acquiring institutional grade, secure income producing assets in favoured sectors as well as identifying assets that benefit from wider infrastructure improvements delivered by others where possible. In addition, the Group will look to sell assets that have limited future return prospects or where there are significant risks to achieving future acceptable returns. As part of this investment strategy, the Group also recognises that tenants are a key stakeholder and aims to foster a culture whereby the experience of tenants is seen as paramount to the future success of the Group. The Investment Manager works closely with tenants to understand their needs through regular communication and visits to properties. Where required, and in consultation with tenants, the Group refurbishes and manages the owned assets to improve the tenants' experience, including consideration of health and safety and environmental factors, with the aim being to generate greater tenant satisfaction and retention and hence lower voids, higher rental values and stronger returns.

In addition, members of the Board visit properties and where appropriate engage with tenants directly which enables the Board to have an enhanced understanding of each property and the tenants' requirements. Further details of how the Company engages with all its stakeholders is set out in the Stakeholder Engagement section of the Annual Report encompassing section 172 of the UK Companies Act 2006 on page 37.

On 18 April 2019, shareholders voted in favour of an amendment to the investment policy to provide the Investment Manager with the flexibility to invest across a wider spectrum of commercial property assets such as healthcare, car parks and the commercially managed private rental sector. The Group's investment policy as approved on 18 April 2019 is as follows:

"Investment risks to the Group are managed by investing in a diversified portfolio of freehold and long leasehold UK commercial properties. The Group invests in income producing assets across the commercial property sectors including industrial, offices, retail and other alternative commercial property sector assets. The Group has not set any maximum geographic exposures within the UK nor any maximum weighting limits in any of the principal property sectors. No single property shall, however, exceed at the time of acquisition 15 per cent of the gross assets of the Group.

The Group is currently permitted to invest up to 15 per cent of its total assets in indirect property funds including in other listed investment companies. The Group is permitted to invest cash, held by it for working capital purposes and awaiting investment, in cash deposits, gilts and money market funds."

Although not part of the Company's formal investment policy, the Board intends to limit the Company's investment into alternative sectors to 35 per cent of the gross assets of the Group at the time of acquisition.

The Company's current gearing policy, as approved by shareholders at an EGM in 2011, is as follows: "Gearing, calculated as borrowings as a percentage of the Group's gross assets, may not exceed 65 per cent. The Board intends that borrowings of the Group at the time of draw down will not exceed 25 per cent of the Total Assets of the Group. The Board receives recommendations on gearing levels from the Investment Manager and is responsible for setting the gearing range within which the Investment Manager may operate".

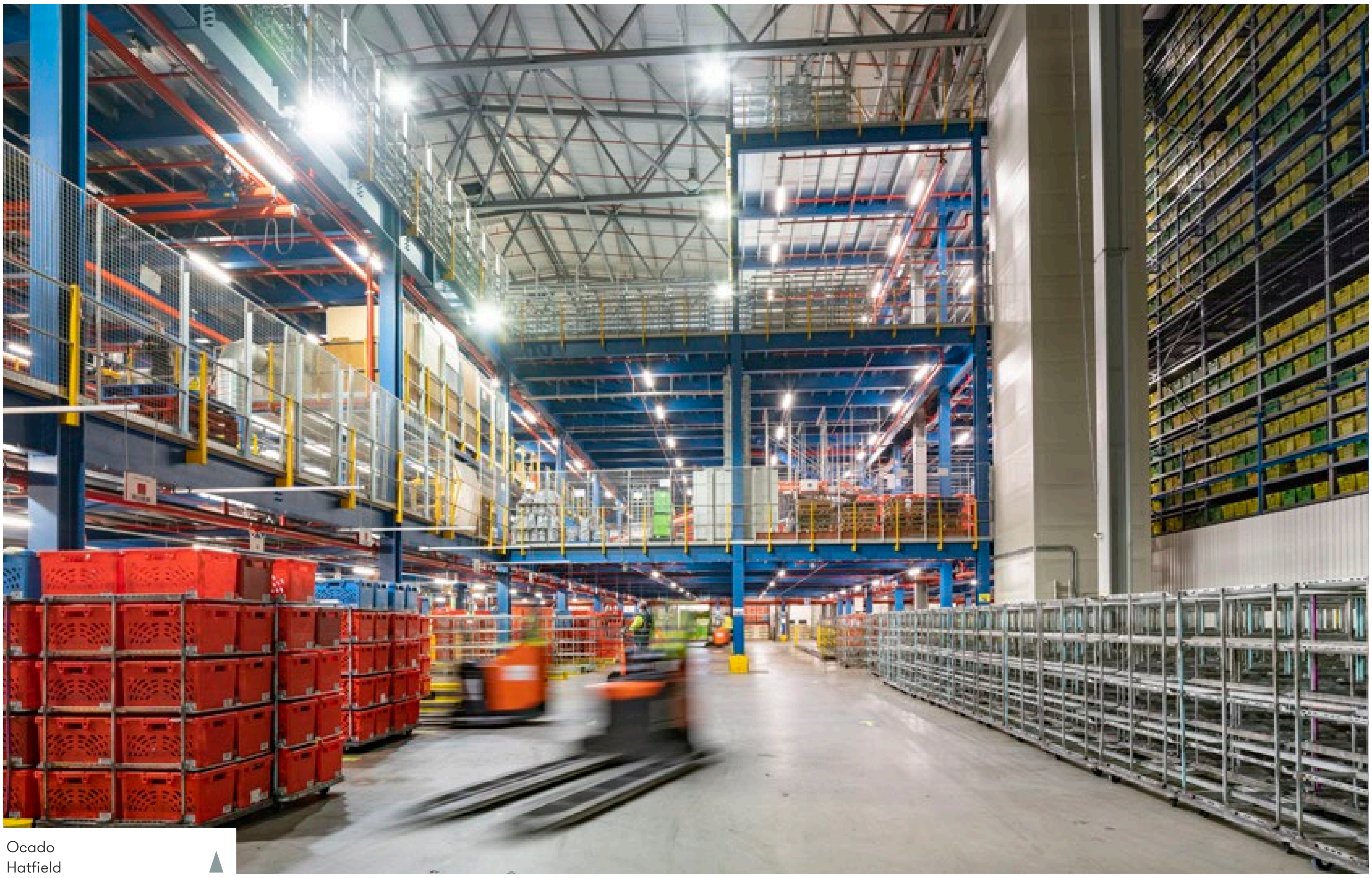
The Group restructured its debt facilities in February 2019 which increased the weighted average maturity of the Group's debt profile, lowered the cost and increased the debt available while still maintaining the 25 per cent debt cap referred to above.

The Group's performance in meeting its objective is measured against key performance indicators as set out on page 25. A review of the Group's returns during the year, the position of the Group at the end of the year, and the outlook for the coming year is contained in the Chair's Statement and the Investment Manager Review.

The Board of Directors is responsible for the overall stewardship of the Company, including investment and dividend policies, corporate strategy, corporate governance, and risk management. Biographical details of the Directors, all of whom are non-executive, can be found on pages 40 to 41 and indicate their range of property, investment, commercial, professional, financial and governance experience. The Company has no executive Directors or employees.

Emerald Park, Bristol

Newton's Court, Dartford



Ocado
Hatfield

Management of Assets and Shareholder Value

The Board contractually delegated the management of the investment portfolio and other services to Aberdeen Standard Fund Managers Limited from 10 December 2018 (prior to this Standard Life Investments (Corporate) Funds Limited).

The Group invests in properties which the Investment Manager believes will generate a combination of long-term growth in income and capital for shareholders. Investment decisions are based on analysis of, amongst other things, prospects for future capital growth, sector and geographic prospects, tenant covenant strength, lease length and initial yield. In the year to 31 December 2020, the Group generated operating cash flows of £73.8 million (2019: £32.1 million) and a net loss for the year of £10.3 million (2019: Profit of £1.6 million). The fall in profits in 2020 was attributable to the slowing UK commercial real estate sector as a result of COVID-19 with losses on investments of £45.5 million (2019: £43.1 million) of which £39.2 million (2019: £15.2 million) were unrealised and revenue profits decreasing to £35.2 million compared to £44.7 million in 2019.

Investment risks are spread through investing in a range of geographical areas and sectors, and through letting properties to low risk tenants. A list of all the properties held as at 31 December 2020 is contained on page 23 and further analysis can be found in the Investment Manager Review.

At each Board meeting, the Board receives a detailed portfolio, financial, risk and shareholder presentation from the Investment Manager together with a comprehensive analysis of the performance of the portfolio during the reporting period.

The Board and the Investment Manager recognise the importance of managing the premium/discount of share price to net asset value in enhancing shareholder value. One aspect of this involves appropriate communication to gauge investor sentiment. The Investment Manager meets with current and potential new shareholders, and with stockbroking analysts who cover the investment company sector, on a regular basis. In addition, communication of quarterly portfolio information is provided through the Company's website, ukcpreit.com, and the Company also utilises a public relations agency to enhance its profile among investors. In addition the Chair of the Board meets key shareholders on an annual basis.

Key Performance Indicators/Alternative Performance Measures

The Company's benchmark is the MSCI UK Balanced Portfolios Quarterly Index. This benchmark incorporates all monthly and quarterly valued property funds and the Board believes this is the most appropriate measure to compare against the performance of a quarterly valued property investment company with a balanced portfolio.

The Board uses a number of performance measures to assess the Company's success in meeting its objectives. The key performance indicators/ alternative performance measures are as follows:

- Net asset value and share price total return against a peer group of similar companies
- Portfolio performance against the MSCI benchmark and other selected comparators
- Premium/(Discount) of share price to net asset value
- Earnings, Dividend cover and dividend yield
- Ongoing charges

Given the structure of the Company and the Company's knowledge of its underlying shareholder base, it is believed the above measures are the most appropriate for shareholders to determine the performance of the Company. These indicators for the year ended 31 December 2020 are set out on pages 4–6. In addition the Board considers specific property KPIs such as void rates, rent collection levels and weighted average lease length on a regular basis.

Risk Management

In accordance with the UK Corporate Governance Code and FRC Guidance, the Board has established procedures to identify and manage risk, to oversee the internal control framework and to determine the nature and extent of the principal risks the Company is willing to take in order to achieve its long-term strategic objectives.

The Board recognises its responsibility to carry out a robust assessment of the Company's principal risks and emerging risks. Principal risks are defined as those that could result in events or circumstances that might threaten the Company's business model, future performance, solvency or liquidity and reputation. Emerging risks are those that have not yet occurred but are at an early stage of development or are current risks that are expected to increase in significance and become more fundamental in the future.

The Board has appointed a Risk Committee to ensure that proper consideration of risk is undertaken in all aspects of the Company's business on a regular basis. The Risk Committee meets quarterly and comprises all members of the Board and is chaired by Margaret Littlejohns.

Its duties include the assessment of the Company's risk appetite and the regular review of principal and emerging risks, seeking assurance that these risks are appropriately rated and that effective mitigating controls are in place, where possible.

Risks are identified and weighted according to their potential impact on the Company and to their likelihood of occurrence. The impact is evaluated in terms of the effect on the Company's business, finances and reputation, the three of which are usually interlinked. Each identified risk is assessed twice: first as a "gross risk" before taking into consideration any mitigating controls and secondly as a residual or "net risk" after reviewing the safeguards in place to manage and reduce either the severity of its impact or the probability of its event. The Risk Committee uses a detailed Risk Matrix to prioritise the individual risks, allocating scores of 1 to 5 to each risk for both the likelihood of its occurrence (ranging from very unlikely to almost certain) and the severity of its impact (ranging from minimal to highly significant). The combined scores for both the gross risks and net risks are then colour coded, applying a traffic light system of green, amber and red to emphasise those posing the greatest threats to the Company. Those with the highest gross rating in terms of impact are highlighted as top risks within the matrix and are defined here as principal risks.

The Risk Committee, with the help of the Investment Manager's extensive research resources and market intelligence, surveys the full risk landscape of the Company in order to identify increasing and emerging risks to which the Company may be exposed in the future. In particular, the Risk Committee questions which parts of the Company's business may be vulnerable to disruption, including but not limited to the business models of its key tenants and its outsourced third party suppliers. The Risk Committee not only reviews the existing portfolio of investments but also ensures that risk is considered in the case of each property acquisition and disposal.

The Risk Committee works closely with the Audit Committee to examine the effectiveness of the risk management systems and internal control systems upon which the Company relies to reduce risk. This monitoring covers all material controls, including financial, operational and compliance controls. All risks and mitigating measures are reviewed by the Risk Committee at least quarterly, and any significant changes to the Risk Matrix are presented to the Board.

Principal Risks

The Company's assets consist of direct investments in UK commercial property. Its risks are therefore principally related to the commercial property market in general and also to each specific property in the portfolio. Risks to the Company fall broadly under the following six categories:

Strategy Risk: A

Management may fail to execute a clear corporate strategy successfully and the strategic objectives and performance of the fund, both absolute and relative, may become unattractive or irrelevant to its investors.

Investment & Asset Management Risk: B C

Ill-judged property investment decisions and associated redevelopment and refurbishment may lead to health and safety dangers and environmental issues, including climate change, and ultimately to poor investment returns.

Financial Risk: D E F G

Macro-economic changes (e.g. levels of GDP, employment, inflation and interest rate movements), political changes (e.g. new legislation and regulation), structural changes (e.g. disruptive technology, demographics) or global events (e.g. pandemics, wars, terrorist attacks, oil price disruption) can all impact the commercial property market, both its capital value and income generation, its liquidity and access to finance and the underlying businesses of its tenants. This risk encompasses real estate market risk, interest rate risk, liquidity risk and credit risk, all of which are covered in more detail in note 18 to the accounts.

Operations Risk: H I

Poor service and inadequate control processes at the Company's outsourced suppliers may lead to disruption, error and fraud, and increasingly cyberattacks. The Company's key service providers are the Investment Manager, the Company Secretary, the Managing Agent, the Valuer and the Registrar and are assessed at least annually through the Management Engagement Committee, or more often during times of stress.

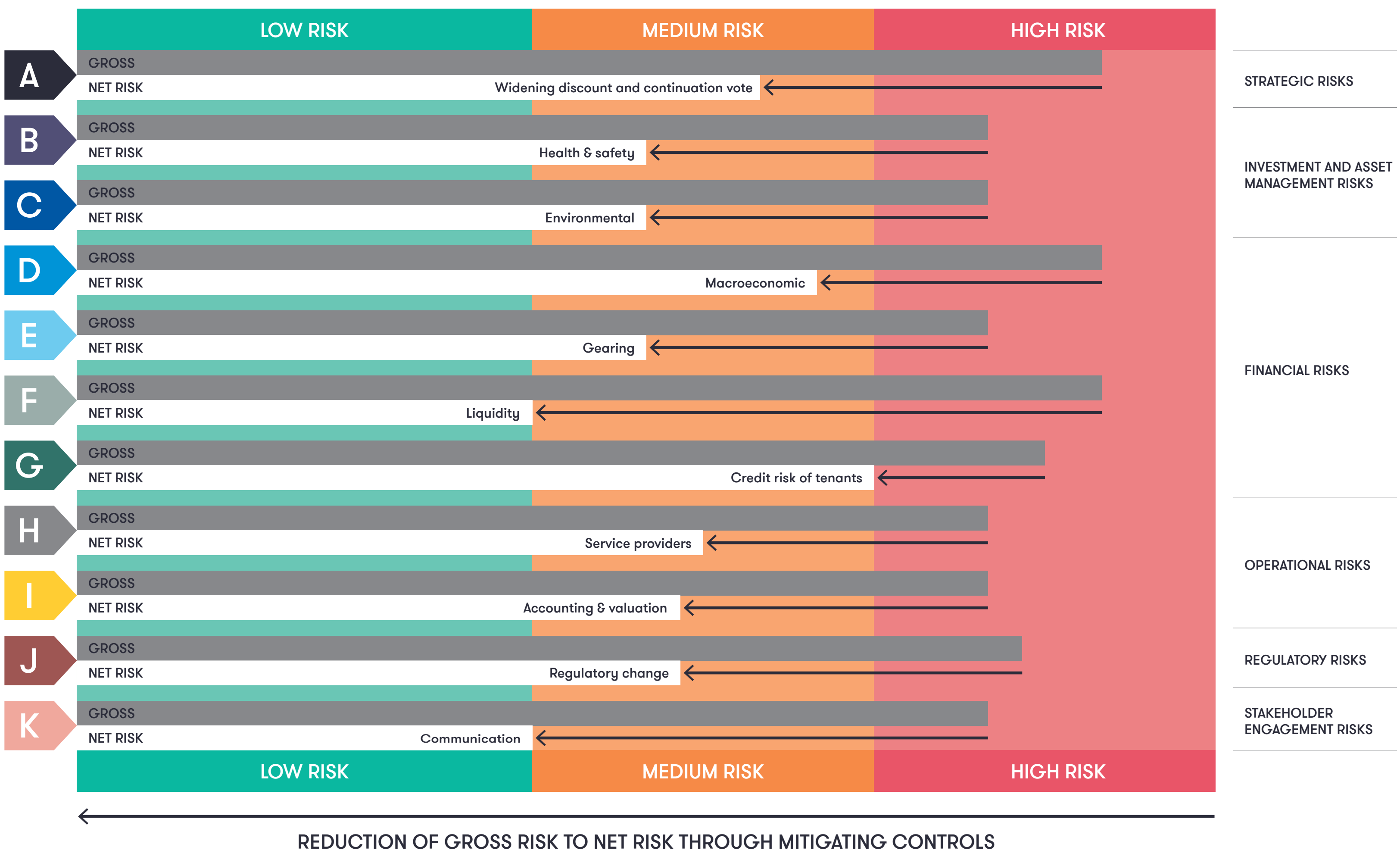
Regulation Risk: J

Failure to comply with applicable regulation and legislation could lead to financial penalties and withdrawal of necessary permissions by governing authorities. Changes to existing regulations could also result in suboptimal performance of the Company.

Stakeholder Engagement Risk: K

Failure to communicate effectively and consistently with the Company's key stakeholders, in particular shareholders and tenants, could prevent the Company from understanding and responding to their needs and concerns.

PRINCIPAL RISKS



Emerging Risks

Emerging risks have been identified by the Risk Committee through a process of evaluating which of the principal risks have increased materially in the year and/or through market intelligence are expected to grow significantly. Any such emerging risks are likely to cause disruption to the business model. If ignored, they could impact the Company's financial performance and future prospects. Alternatively, if recognised, they could provide opportunities for transformation.

COVID-19

The overarching emerging risk that was identified at the beginning of 2020 was COVID-19, the global pandemic that has since impacted all areas of society in the UK and abroad. It has now fully emerged, causing significant loss of life and global economic disruption. While remarkable progress has been made in developing and rolling out effective vaccines, offering the prospect of a return to more normal times, there is still considerable uncertainty about the repercussions of evolving variants of the virus and potential setbacks on the road to recovery. The emerging risk is now COVID-19's legacy such as the resulting economic damage and possible permanent structural changes to the way that we work, live and consume.

COVID-19 has affected to differing degrees all areas of risk to which the Company is exposed, but particularly those relating to strategic risk, macroeconomic risk, gearing risk, credit risk and accounting and valuation risk. COVID-19's impact and the Company's response are provided in more detail in the Commentary section of each of the following risk descriptions.

Brexit

Brexit was also identified as an emerging risk in our previous annual report as the UK's relationship with Europe following its withdrawal from the European Union was still under negotiation. An eleventh hour deal was agreed at year end but much of the detail relating to the terms of trade, particularly in the service industries, still has to be finalised and the full impact of Brexit on the economy, our tenants and on the UK commercial property market is still unclear (Risk D).

Technology

Technology is changing the processes and habits of businesses and consumers which in turn is impacting occupiers' future requirements for property and leading to greater disparity in the performance of different property sectors. The decline of physical retailing and the increase in on-line shopping has been further accelerated by social distancing measures in response to COVID-19. This has created challenging conditions for many traditional retailers and their landlords, with increased tenant defaults, reduced rents and empty buildings in this sector. In addition, the increased use of video conferencing by businesses may facilitate a more permanent shift to home working and could also redefine the need for office space in the future. Robotics and automation are also altering the specifications for industrial buildings.

The principal risks, including their impact and the actions taken by the Company to mitigate them, are provided on pages 28–33. The Changes to Risk (Increased, Decreased or No Change) all relate to any material change since 1 June 2020 when the 2019 Annual Report was signed off and the impact of COVID-19 had already started to emerge.

A STRATEGIC RISKS: WIDENING DISCOUNT AND CONTINUATION VOTE

Risks & Impact

The Company's strategic objectives and performance, both absolute and relative, could become unattractive to investors leading to a widening of the share price's discount to net asset value, and potentially a continuation vote. An inappropriate investment strategy could lead to an erosion of shareholder value and a fall in income. This could include poor decisions on purchases and sales, sector allocation, tenant selection, levels of borrowing or inadequate consideration of ESG etc.

Mitigation

- The Company's strategy and objectives are regularly reviewed by the Board to ensure they remain appropriate, effective and sustainable.
- The Board receives regular presentations from research analysis on both the general economy but also the property market in particular to identify structural shifts and threats, so the Board can adapt the Company's strategy if necessary.
- The NAV and share price are constantly monitored and regular analysis of the Company's performance is reviewed by the Board and compared with the Company's benchmark and its peer group.
- Cash flow projections are prepared by the Investment Manager and reviewed at least quarterly by the Board.
- Regular contact is maintained with shareholders and the Company's broker.

Commentary

- COVID-19 caused considerable market uncertainty and declining property values and revenues, particularly in those sectors most severely impacted by the pandemic, namely retail, leisure and hospitality.
  This resulted in a fall in the Company's net asset value and a widening of its discount from 1.1% to 20.4% at year end.
- The number of transactions effected in the property market overall was limited in the year by social distancing restrictions and general market uncertainty and disruption. Nonetheless, the Company continued to execute its investment strategy with two purchases and five sales in 2020.
- The property market has become even more polarised as a result of COVID-19 with increased demand for property in the industrial sector, particularly distribution and warehousing and with an oversupply of retail premises. This trend supports the Company's evolving strategy of investment in "future fit" properties in the modern economy that can adapt and benefit from these current structural shifts in society.
- Shareholders overwhelmingly supported the Company's periodic continuation vote held in March 2020, with the next periodic continuation vote scheduled to be held in 2027 and seven yearly thereafter.
- In addition, a continuation vote may be required if, after 18 March 2022 (being the second anniversary of the Company's most recent continuation vote), the shares trade at a discount of over 5 per cent for a continuous period of 90 dealing days or more.

Change

NET RISK: NO SIGNIFICANT CHANGE IN RISK FROM JUNE 2020

The severity and duration of the direct impact of COVID-19 and its after-effects on the future prospects for the UK real estate sector and hence the Company's ongoing strategy still remain uncertain.

i See page 46 for details of the current discount control policy.

B INVESTMENT AND ASSET MANAGEMENT RISKS: HEALTH & SAFETY

Risks & Impact

The Company could fail to identify, mitigate or manage major Health & Safety issues potentially leading to injury, loss of life, litigation and the ensuing financial & reputational damage.

Mitigation

- Health & Safety checks are included as a key part of due diligence for any new property acquisition.
- For existing multi-tenancy properties the Group's Managing Agent (Jones Lang LaSalle) is responsible for managing and monitoring Health & Safety matters of each building.
- The Investment Manager monitors on an ongoing basis all identified Health & Safety issues with strict deadlines for resolution by the Managing Agent.
- The Investment Manager also engages S2 Partnership Limited who provide an independent Health & Safety review and fire risk assessment of all multi-let properties on an annual basis.
- The Risk Committee reviews the Company's Health & Safety performance quarterly.
- For developments a process of due diligence and subsequent monitoring seek to ensure appropriate high standards in design procurement and delivery, requiring the professional management of building works and site safety by contracted parties.

Commentary

- COVID-19 increased focus on the safety and well-being of employees, tenants and their customers within the Company's buildings.
- The Investment Manager worked closely with the Managing Agent to ensure that each multi-let property operated securely, following advice and complying with all the government restrictions relating to COVID-19.
- New procedures were introduced to ensure that tenants and their customers could return safely to the Company's multi-let buildings when permitted.
- All annual independent H&S audits for multi-let properties due in 2020 were completed by S2 Partnership Ltd with minimal interruption and delays.
- No other major Health & Safety issues were noted in the year.
- Following the discovery of a World War II explosive device at the Company's student accommodation development site at Exeter, the developer followed all established procedures and protocols, including notification of the relevant authorities ensuring the safety of all stakeholders involved in the project and the wider community.

Change

NET RISK: NO SIGNIFICANT CHANGE IN RISK FROM JUNE 2020

i See page 36 for further information on the Group's Health & Safety policy.

C INVESTMENT AND ASSET MANAGEMENT RISKS: ENVIRONMENTAL

Risks & Impact

Properties could be negatively impacted by an extreme environmental event (e.g. flooding) or the Company's own asset management activities could create environmental damage. Failure to achieve environmental targets could contribute to climate change, adversely affecting the Company's reputation and resulting in penalties and increased costs. Legislative changes relating to sustainability could affect the viability of asset management initiatives.

Mitigation

- The Company considers its impact on the environment and its local communities in all its activities and works in partnership with its key stakeholder groups – investors, occupiers, suppliers and communities – to ensure that all parties share responsibility to achieve a more sustainable property performance.
- In-depth research is undertaken on each property at acquisition with a detailed environmental survey.
- The Investment Manager employs its own proprietary research framework, the ESG Impact Dial, which assesses four major forces: Environment & Climate, Governance & Engagement, Demographics & Technology and Infrastructure.
- Measuring, monitoring and targeting environmental performance is built into the Company's investment process and supplier agreements.
- Each property's annual business plan captures environmental objectives for the coming year and an action plan is created and shared with the Managing Agent and directly appointed Engineering/Sustainability and Waste Management Consultants. Performance against asset level ESG objectives is part of all regular scheduled meetings with them.
- EPC rating benchmarks have been set to ensure compliance with Minimum Energy Efficiency Standards (MEES).

Commentary

- The rapid emergence of COVID-19 as an unanticipated global disaster has concentrated attention more acutely on other imminent dangers such as climate change and the need for urgent response. Tenants and shareholders now have greater expectations of their landlords to address environmental issues and to set measurable targets and to report progress against them regularly.
- The Company has achieved Sector Leader status in the Global Real Estate Sustainability Benchmark ("GRESB") as a top performer in ESG (environmental, social and governance) coming second in the management score within Europe/Listed peer group. It was awarded an 'A' score for Public Disclosure and an EPRA "Gold" rating for European Sustainability Best Practice Recommendations in 2020, compared to sector average of B.
- A full review of EPC ratings across the Group's portfolio has been undertaken with now only one unit rated as below standard. A strategy has been put in place to improve this sub-par rating before any new lease is granted.
- A number of asset management initiatives are underway to consider the feasibility of installing solar panels at some of the Company's properties.

Change

NET RISK: NO SIGNIFICANT CHANGE IN RISK FROM JUNE 2020

i See page 36 for further information on the Group's ESG policy and the Company's separate ESG publication "Dialling Up the Integration of ESG" on the Company's website.

D FINANCIAL RISKS: MACROECONOMIC

Risks & Impact

Macroeconomic changes (e.g. levels of GDP, employment, inflation, interest rate movements), political changes (e.g. Brexit, new legislation), structural changes (e.g. new technology, demographics) or global events (pandemics, wars, terrorist attacks, oil price disruption) could negatively impact commercial property values and the underlying businesses of tenants (market risk and credit risk). This may be reflected in a decline in the Net Asset Value per share and earnings per share of the Company. Falls in the value of investments could also result in breaches of loan covenants and solvency issues.

Mitigation

- The Aberdeen Standard Investments Research team takes into account macroeconomic conditions when collating property forecasts. This research is fed into the Investment Manager's decisions on purchases and sales and sector allocations.
- The portfolio is UK based and diversified across a number of different sectors and regions of the UK and also has a wide and diverse tenant base to reduce any risk concentration where possible.
- There is a wide range of lease expiry dates within the portfolio in order to minimise concentrated re-letting risk.
- The Company is lowly geared with 25% limit on overall gearing.
- The Company has limited exposure to speculative development and this is generally only undertaken on a pre-let basis.
- Rigorous portfolio reviews are undertaken by the Investment Manager and presented to the Board on a regular basis.
- Annual asset plans are developed for each property, ensuring that inherent value can be realised through active asset management.
- Individual investment decisions are subject to robust risk versus return evaluation and approval. Each potential investment is scrutinised and rigorously assessed, taking into account of location, legal title, local market dynamics, physical and environmental conditions and the quality and soundness of the projected income stream.
- Every building has comprehensive insurance to cover both the property itself and injury to associated third parties.

Commentary

- The outlook for the UK economy and the UK real estate market is still uncertain, while the spread of COVID-19 has not yet been effectively controlled within the UK borders. A range of vaccines has been successfully developed more quickly than originally anticipated, giving greater optimism now of economic recovery but it is still difficult to predict its timing or the extent of lasting economic damage.
- The Bank of England and UK government have continued to provide significant monetary and fiscal stimulus to insulate the economy but the UK GDP still shrunk by 9.9% in 2020. Quarterly GDP may remain volatile in the face of further lockdowns and economic output unlikely to return to pre-pandemic levels until 2022 at the earliest.
- Portfolio continues to be diversified with investments in the four main commercial property sectors and across a number of geographical regions, but now with a higher weighting to the industrial sector, particularly logistics and distribution, which has benefitted from the pandemic and outperformed the other sectors.
- 183 tenancies at the year end with top ten tenants accounting for 35.1% of annualised rental income. However, consumer facing businesses have suffered particularly from the intermittent "lockdowns" imposed by government and this has hampered some tenants' ability to pay rent in the short term.
- Net gearing of 6.4% at year end.
- Occupancy rate of 93.5% at year end.

Change

NET RISK: NO SIGNIFICANT CHANGE IN RISK FROM JUNE 2020

For longer than might originally have been anticipated, COVID-19 has continued to impact both the UK and the wider global economy due to intermittent waves of renewed infection and the emergence of new variants of the virus. This has resulted in further domestic and international "lockdowns" extending into 2021 which may continue as a pattern for the foreseeable future.

The UK has formally withdrawn from the EU, and some of the political and economic uncertainty removed, but the long term impact on UK commerce and hence the Company's tenants is still unclear.

i See further details on risk in note 18 to the accounts on pages 84–86.

E FINANCIAL RISKS: GEARING

Risks & Impact

An inappropriate level of gearing, magnifying investment losses in a declining market, could result in breaches of loan covenants and threaten the Company's liquidity and solvency. An inability to secure adequate borrowing with appropriate tenor and competitive rates could also negatively impact the Company.

Mitigation

- Gearing is restricted to a maximum of 25% of gross assets. This low gearing limit means that the Company should, barring exceptional circumstances, have adequate resources to service and repay its debt.
- The Company's diversified, prime UK commercial property portfolio, underpinned by its strong tenant base, should provide sufficient value and income in a challenging market to meet the Company's future liabilities.
- The Company's relatively modest level of gearing attracts competitive terms and interest rates from lenders for the Company's loan facilities.
- The Investment Manager has relationships with multiple funders and wide access to different sources of funding on both a fixed and variable basis.
- Financial modelling is undertaken and stress tested annually as part of Company's viability assessment, whenever new debt facilities are being considered and whenever unusual events occur.
- Loan covenants are continually monitored and reported to the Board at least quarterly and also reviewed as part of the disposal process of any secured property.

Commentary

- COVID-19's disruption on the property market, with declining capital values in some business segments and reduced rental income, increased the risk in general of potential loan covenant breaches and refinancing risk for property companies with short term debt.
- At year end the Group had two fully drawn fixed rate facilities with different expiry dates (April 2027 & February 2031 and a weighted maturity profile of 8.2 years), with an overall blended interest of 2.88% per annum.
- The Company also has an undrawn committed revolving credit facility, on a floating rate basis, providing flexibility to make timely acquisitions when opportunities arise. Interest rates are likely to remain low for longer as a result of very accommodative monetary policy of the Bank of England in response to COVID-19.
- At year end, gross gearing was 15.1% and net gearing (after deducting cash) was 6.4%, relatively low for its peer group.
- During COVID-19, the Group's bank covenants have been regularly monitored and stress tested under different value and revenue scenarios. Despite the recent fall in rental income receipts and some property valuations, there is considerable headroom before any loan covenants would be breached.
- Over £418 million of property remains unencumbered, providing additional cushion if needed.
- The Company benefits from good long term relationships with supportive lenders and has engaged in constructive dialogue with them during this period.

Change

NET RISK: NO SIGNIFICANT CHANGE IN RISK FROM JUNE 2020

The outstanding balance drawn on the revolving credit facility was repaid during the year from the proceeds of property sales, which has reduced both gross and net gearing at year end.

See further details on risk in note 18 to the accounts.

i See further details on risk in note 18 to the accounts on pages 84–86.

F FINANCIAL RISKS: LIQUIDITY

Risks & Impact

The Company may be unable to dispose of property assets in order to meet its financial commitments or obtain funds when required for asset acquisition or payment of expenses or dividends. Investments in property are generally illiquid, in that they may be difficult to sell quickly and may have to be sold at a discount to the recorded valuation.

Company's shares could become illiquid due to lack of investor demand, market events or regulatory intervention and the Company's shareholders may be unable to sell their shares due to lack of liquidity in the market.

Mitigation

- The Company has a diversified portfolio of good quality, marketable properties.
- The Company had significant capital resources at year end, increased from the prior year, following several disposals.
- The closed ended structure of the Company ensures that it is not a forced seller of assets.
- The Company is listed on the London Stock Exchange and a component of the FTSE 350 Index made up of the largest 350 companies in the UK by market capitalisation.
- Financial commitments are limited by the Company's relatively low level of gearing.
- Liquidity risk is managed on an ongoing basis by the Investment Manager and reviewed at least quarterly by the Board.
- Cash is placed in liquid deposits and accounts with a high credit rating.

Commentary

- Real estate market liquidity has decreased as a result of COVID-19 but nonetheless the Company implemented its investment strategy by completing 5 sales and 2 purchases during 2020.
- Having a closed ended structure, the Company was better able to withstand market movements as it is not subject to investor redemptions and forced property disposals.
- All financial commitments were comfortably met during the year.
- £1.7m in value of shares on average were traded daily in 2020 highlighting the ongoing liquidity of the Company's shares.
- Shareholders are able to sell their shares in a highly regulated and liquid secondary market.

Change

NET RISK: NO SIGNIFICANT CHANGE IN RISK FROM JUNE 2020

i

See further details on risk in note 18 to the accounts on pages 84–86.

G FINANCIAL RISKS: CREDIT RISK OF TENANTS

Risks & Impact

Income might be adversely affected by macroeconomic factors. Financial difficulties could cause tenants to default on their rents and could lead to vacant properties. This might result in falling dividend cover for the Company and potential dividend cuts.

Mitigation

- Dividend cover is forecast and considered at each Board meeting.
- The property portfolio has a balanced mix of tenants and reflects diversity across business sectors, limiting reliance on a single tenant or industry.
- The Group has 183 tenants, with the top 10 tenants representing 35.1% of the Company's contracted rental income, and no single tenant accounting for more than 5.4%
- Rigorous due diligence is undertaken on all prospective tenants and their financial performance continues to be monitored during their lease.
- Rent collection from tenants is closely monitored so that early warning signs can be detected.
- Contingency plans are put in place where tenants with financial difficulties have been identified.
- Board approval is necessary for any material lettings.

Commentary

- As anticipated, COVID-19's intermittent lockdowns have affected some tenants' ability to pay their rent. In particular, retail and leisure have been severely impacted by COVID-19, but some businesses in other sectors have also suffered depending on their business models, customers, workforce and suppliers.
- For the four key rent invoicing dates for quarterly payment in advance in 2020 (March, June, Sept, Dec 2020) 83% of rent had been collected by the end of January 2021.
- Investment managers have engaged closely with all tenants to understand better their financial positions and where possible have responded to requests for rental assistance. This has resulted in some rent deferrals, monthly payment plans and, in some instances, commercial regear arrangements with rent free periods in return for longer leases.
- Retail sector continues to be of concern with further administrations in this sector in the last 12 months and more likely to follow the longer the pandemic continues.
- Ongoing reduction in Company's retail holdings which now represent 17% of the portfolio at the year end.
- The Company has added £4.8 million to its bad debt provision to cover ultimate non-payment of rent by some tenants but still continues its concerted efforts to recover outstanding amounts due. The accounting policy for the provision for bad debts is set out on page 68.
- In anticipation of income shortfalls and reduced dividend cover, quarterly dividends during the financial year of 2020 were reduced by 50% to conserve cash, with a 5th interim top up dividend declared to meet REIT requirements.

Change

NET RISK: NO SIGNIFICANT CHANGE IN RISK FROM JUNE 2020

Although further tenant defaults may occur, the longer the pandemic continues, the Company has already made prudent provisioning for bad debts.

i

See further details on risk in note 18 to the accounts on pages 84–86 and also the accounting policy for provision for bad debts in note 1(b) on page 68 and note 12 on page 79.

H OPERATIONAL RISKS: SERVICE PROVIDERS

Risks & Impact

Poor performance and/or inadequate procedures at key service providers i.e. Investment Manager, Company Secretary, Managing Agent, Registrar, could lead to errors, fraud and non-compliance with their contractual agreements and/or with relevant legislation. Failings in their data management processes and disaster recovery and business continuity plans, including cyber security safeguards, could lead to financial loss and business disruption for the Company.

Mitigation

- The Company has a strong control culture that is also reflected in its partnerships with suppliers.
- All investment decisions are subject to a formal approval process with specified authority limits.
- All third party service providers are carefully selected for their expertise, reputation and financial standing. Service level agreements are negotiated with all material suppliers and regularly monitored to ensure that pre-agreed standards are met.
- Suppliers' business continuity and disaster recovery plans, including safeguards against cyber-crime, are also regularly examined.
- The Management Engagement Committee ("MEC") formally reviews all key service providers once a year and whenever necessary during times of stress.
- Assurance reports on internal controls (ISAE 3402 reports) for both the Investment Manager and the Managing Agent are received and reviewed annually.

Commentary

- COVID-19 initially caused significant disruption as key service providers had to put their business continuity plans into practice quickly and adapt to working remotely from their business premises.
- The Investment Manager updated the Board on a regular basis on its own contingency arrangements and has demonstrated its operational resilience throughout.
- Key service providers notified the Investment Manager promptly of the impact on their operations caused by COVID-19. Their ability to conduct business effectively has been monitored regularly by the Investment Manager. Service quality has been maintained despite the restrictions and no material issues of concern have been raised.
- Section 172 statement in the accounts provides details on the Company's collegial approach to stakeholders. No material issues noted from the reviews of service providers in the year.
- Key service providers have not changed during 2020.

Change

NET RISK: NO SIGNIFICANT CHANGE IN RISK FROM JUNE 2020

i See further details on pages 38-39.

I OPERATIONAL RISKS: ACCOUNTING & VALUATION

Risks & Impact

Accounting records and financial statements could be incorrect or incomplete or fail to comply with current accounting standards. In particular property valuations, income and expenses could be calculated and recorded inaccurately. Limited transactions in the property market could hinder price discovery and could result in out of date valuations.

Mitigation

- All properties within the portfolio are independently valued by CBRE Limited on a quarterly basis and their year-end valuations recorded in the Company's accounts. This is a rigorous assessment process to which the Investment Manager also contributes information.
- CBRE, the independent valuer, is required to carry out a physical inspection of each property at least annually (not all properties could be inspected in 2020 due to COVID-19).
- The Property Valuation Committee reviews thoroughly each quarter this independent valuation process.
- Accounting control and reconciliation processes are in place at the Investment Manager. These are subject to regular independent assessment for their suitability and operating effectiveness by an external auditor.
- Financial statements are subject to a year end audit by Deloitte LLP.

Commentary

- Due to COVID-19 CBRE included a material uncertainty clause in their quarterly valuations in March and June which was then subsequently removed in September and December.
- The existing Managing Agent (JLL) took over responsibility for the collection of rent and service charges from the Investment Manager in Q1 2020. This process is operating smoothly with a high level of communication and collaboration between both parties.

Change

NET RISK: DECREASED RISK FROM JUNE 2020

Material uncertainty existing in relation to property valuations in the interim accounts 30 June 2020 has now been removed. There is no material uncertainty in relation to the 31 December 2020 valuation included in these financial statements.

i See further details on valuations in note 1(h) on page 68 and note 10 to the accounts on pages 76-77.

J REGULATORY RISKS: REGULATORY CHANGE

Risks & Impact

The Company could fail to comply with existing legislation or adapt to new or future regulation. In particular, the Company could fail to comply with REIT legislation and ultimately lose its REIT status, thereby incurring substantial tax penalties and reducing the amounts available for distribution to shareholders. Other key relevant legislation and regulations also include the Stock Exchange Listing Rules, Guernsey Company Law and Guernsey Registry requirements.

Mitigation

- The Board receives regular updates on relevant regulatory changes from its professional advisors.
- The highest corporate governance standards are required from all key service providers and their reputation and performance are reviewed at least annually by the Management Engagement Committee.
- The Company has appointed experienced external tax advisors to advise on tax compliance matters.
- Processes have been put in place to ensure ongoing compliance with REIT rules following the Company's conversion to a REIT on 1 July 2018.
- The Board reviews quarterly a REIT dashboard confirming compliance with REIT regulations.

Commentary

- In order to comply with the REIT rules concerning Property Income Distributions (PIDs), a fifth top up dividend of 0.531 pence per share will be paid on 21 May 2021.
- The government's ongoing withdrawal of forfeiture in favour of commercial property tenants during the pandemic may have encouraged a small minority of tenants to withhold rent and avoid engagement with the Investment Manager. The vast majority of tenants, however, continued to pay rent or agreed rent concessions.

Change

NET RISK: NO SIGNIFICANT CHANGE IN RISK FROM JUNE 2020

i —

K STAKEHOLDER ENGAGEMENT RISKS: COMMUNICATION

Risks & Impact

A communication breakdown with key stakeholders, particularly shareholders and tenants, could prevent the Company from understanding and responding to their needs and concerns. When required to fulfil certain reporting requirements, the Company could fail to communicate with regulatory authorities about its major shareholders. As a result the Company could potentially suffer financial penalties and reputational damage.

Mitigation

- A high degree of engagement is maintained with both shareholders and tenants.
- The Investment Manager regularly meets with shareholders and periodically, the Chair of the Board, also meets shareholders.
- Quarterly Board reports include detailed shareholder analysis, written and verbal reports from JP Morgan Cazenove, the Company's Corporate Broker, and feedback from shareholder and analyst meetings where appropriate.
- The Investment Manager works closely with tenants to understand better their needs and to remodel and refurbish buildings to fit their evolving requirements. This helps to reduce the risk of vacant properties.
- The Company receives professional advice on its reporting obligations regarding major shareholders to ensure that it complies with regulations.

Commentary

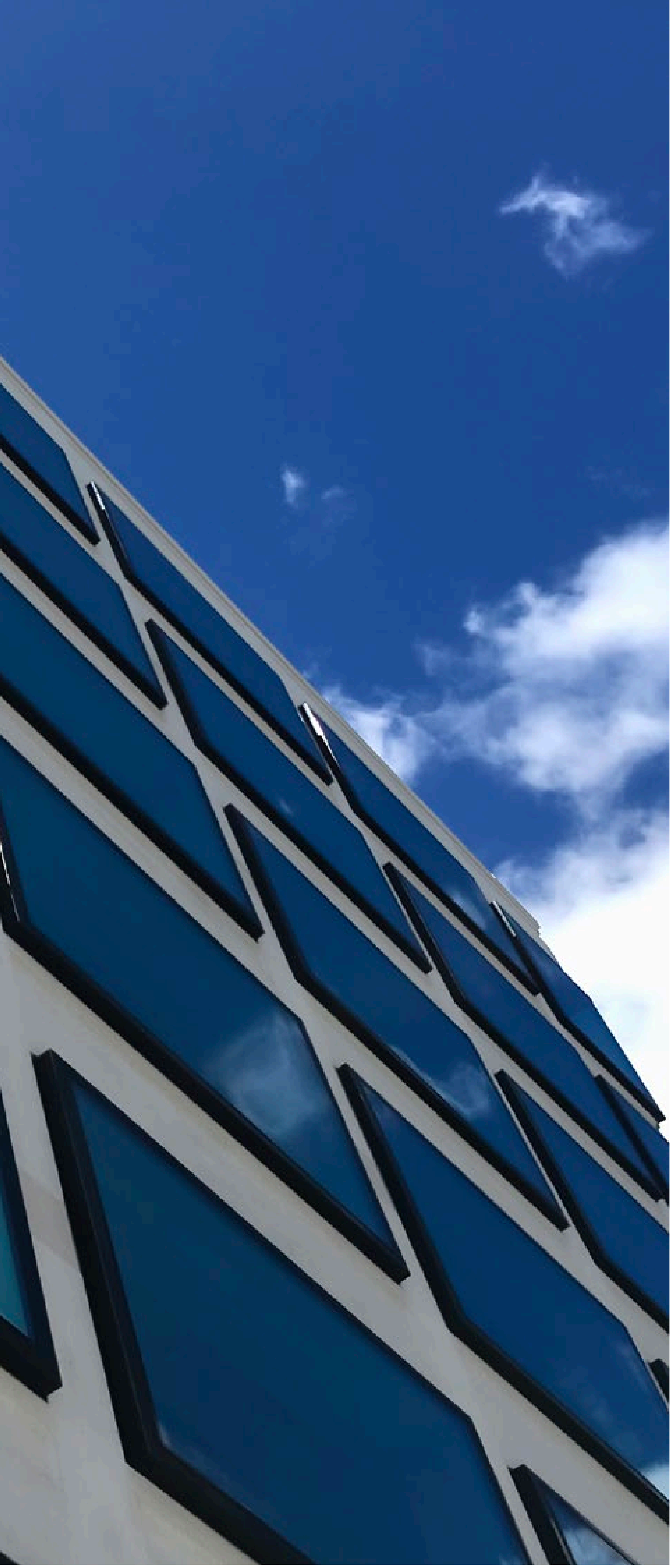
- Communication with all stakeholders has increased considerably as a result of COVID-19 and has been a priority for the Company.
- Although many meetings with shareholders and analysts could not be held face to face, extensive use was made of virtual meetings and presentations to ensure clear messaging of strategy and to provide accurate and timely updates.
- The continuation vote was overwhelmingly passed in March 2020.
- Investment Managers have continued to visit properties when possible to engage with tenants.
- Once restrictions are lifted the Board of Directors will resume visiting properties again, as part of a rolling programme to visit all properties over a three year period.
- Section 172 report highlights the collaborative nature of interaction between the Company and it key stakeholders.

Change

NET RISK: NO SIGNIFICANT CHANGE IN RISK FROM JUNE 2020

i See further details on pages 38–39

The White Building
Reading



Viability Statement

The Board considers viability as part of its ongoing programme of monitoring risk and also has considered this in light of the ongoing COVID-19 pandemic. The Board continues to consider five years to be a reasonable time horizon over which to review the continuing viability of the Company.

The Board also considers viability over the longer term, in particular to key points outside this time frame, such as the due dates for the repayment of long-term debt. In addition, the Board considers viability in relation to continuation votes. A periodic continuation vote held in March 2020 was passed with the next one scheduled for 2027 and seven yearly thereafter. In addition, under the discount control policy of the Company, a continuation vote may be required if the Company's shares trade at a discount of over 5% for a continuous period of 90 dealing days or more beginning after the date of the second anniversary of the Company's most recent continuation vote. The secondary anniversary of the most recent continuation vote is 18 March 2022. Further details on this are set out on page 46 of the Report of the Directors. This specific risk is assessed in light of the Company's most recent continuation vote which was passed with 99.9% of shareholders voting for continuation based on a 76% turnout. In addition, feedback from shareholders in the last 12 months has not given rise to any concerns over future continuation votes should they arise.

The Board has considered the nature of the Group's assets and liabilities and associated cash flows both in a normal environment and also in relation to the current environment as impacted by COVID-19. The Board has determined that five years is a reasonable timescale over which the performance of the Group can be forecast with a material degree of accuracy and so is an appropriate period over which to consider the Company's viability.

The Board has also carried out a robust assessment of the principal and emerging risks faced by the Group, as detailed on pages 26–33. The main risks which the Board considers will affect the business model, future performance, solvency, and liquidity, are tenant failure leading to a fall in dividend cover, macroeconomic uncertainty and ongoing discounts leading to continuation votes. These risks along with other reported risks have also been considered in relation to the COVID-19 pandemic. The Board takes any potential risks to the ongoing success of the Group, and its ability to perform, very seriously and works hard to ensure that risks are consistent with the Group's risk appetite at all times.

In assessing the Group's viability, the Board has carried out thorough reviews of the following:

- Detailed NAV, cash resources and income forecasts, prepared by the Company's Investment Manager, for a five year period under both normal and stressed conditions and also forecast conditions relating to the COVID-19 pandemic;
- The Group's ability to pay its operational expenses, bank interest, tax and dividends over a five year period;
- Future debt repayment dates and debt covenants, in particular those in relation to LTV and interest cover;
- Demand for the Company's shares and levels of premium or discount at which the shares trade to NAV;
- Views of shareholders;
- The valuation and liquidity of the Group's property portfolio, the Investment Manager's portfolio strategy for the future and the market outlook and;
- The potential for a further continuation vote in 2022 should the Company's discount remain at over 5% for 90 business days following the two year anniversary of the previous continuation vote (18 March 2020).

Despite the uncertainty in the UK regarding both the COVID-19 pandemic and also the impact of Brexit, the Board has a reasonable expectation, based on the information at the time of writing, that the Group will be able to continue in operation and meet its liabilities as they fall due over the next five years. This assessment is based on the results of the reviews mentioned above and also the overwhelming support of shareholders for the Company's continuation.

Approach to ESG

The Company adopts the Investment Manager's policy and approach to integrating ESG and this has been used as the basis for establishing the Company's ESG objectives.

The Investment Manager views ESG as a fundamental part of its business. Whilst real estate investment provides valuable economic benefits and returns for investors it has – by its nature – the potential to affect environmental and social outcomes, both positively and negatively.

The Investment Manager's approach is underpinned by the following three over-arching principles:

Transparency, Integrity and Reporting:

Being transparent in the ways in which our Investment Manager communicate and discusses strategy, approach and performance with investors and stakeholders.

Capability and Collaboration:

Drawing together and harnessing the capabilities and insights of our platforms, with those of our investment, supply chain and industry partners.

Investment Process and Asset Management:

Integrating ESG into decision making, governance, underwriting decisions and asset management approach. This includes the identification and management of material ESG risks and opportunities across the portfolio.

Of particular focus is responding to climate change, both in terms of resilience to climate impacts and in reducing emissions from the Company's activities. The Investment Manager has recently published a framework for achieving net-zero greenhouse gas emissions across the real estate assets it manages and the Company will be among the first to start this process.

EPRA Sustainability Best Practice Recommendations Guidelines

The Company have adopted the 2017 EPRA Sustainability Best Practice Recommendations Guidelines (sBPR) to inform the scope of indicators reported against. UKCM has reported against all EPRA sBPR indicators that are material to the Company. Additional data not required by the EPRA sBPR is also reported where it is believed to be relevant (e.g. like-for-like greenhouse gas emissions).

A full outline of the scope of reporting and materiality review in relation to EPRA sBPR indicators is included on page 93 which also provides disclosures required under Streamlined Energy and Carbon Reporting (SECR).

Operational Performance Summary

The Investment Manager has processes in place to ensure operational sustainability performance is monitored and actions are implemented to drive continual improvement. The effect of COVID-19 on occupancy has had an impact on energy consumption and greenhouse gas emissions. It is unfortunately not possible to fully disaggregate this impact from improvement measures undertaken at assets. The performance figures for 2020 should be viewed in this context.

Like-for-like landlord-obtained electricity consumption reduced year-on-year across the Company's assets by 8%. Landlord gas consumption increased slightly due to consumption at vacant units. This resulted in a 10% reduction in like-for-like greenhouse gas emissions associated with landlord-procured energy.

Full details of performance against material EPRA sBPR indicators are included on page 93.

2020 GRESB Assessment

The GRESB Assessment is the leading global sustainability benchmark for real estate vehicles. The Company has been submitted to GRESB since 2014. In the 2020 assessment, the Company achieved a score of 67 and a two star rating. The 2020 GRESB assessment represented a major overhaul of the benchmark which affected certain types of portfolio more than others and means comparisons with previous years are not possible. Our focus on ESG, and in particular on improving coverage of tenant data, will help improve the Company's GRESB score in future years.

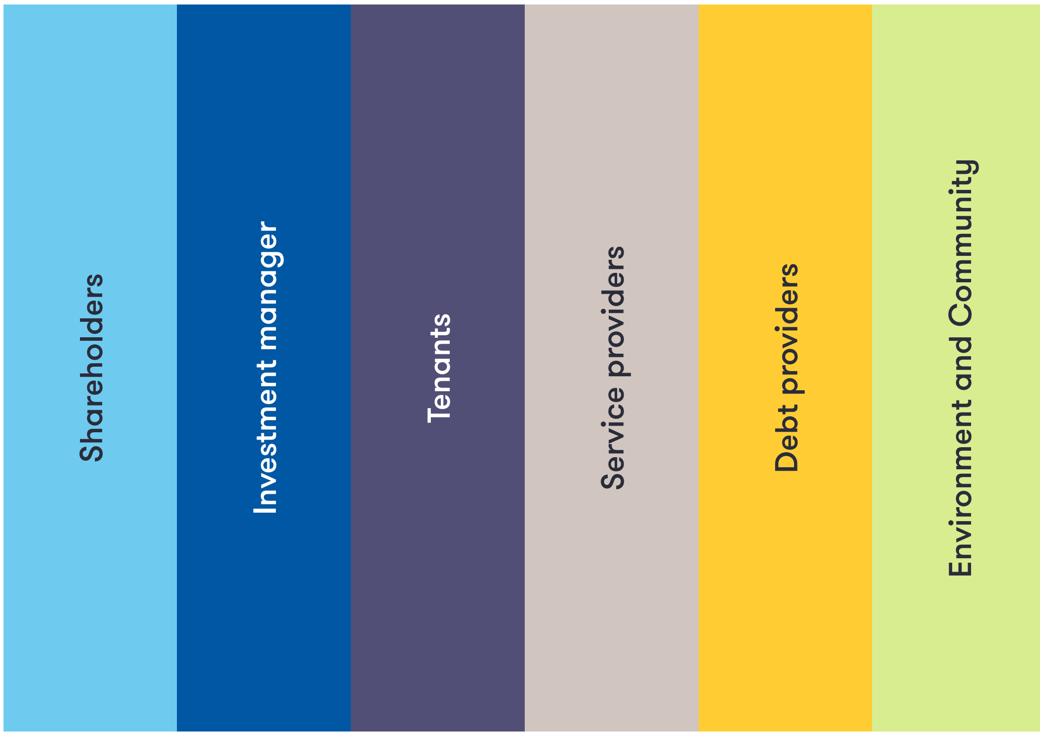
Health & Safety Policy

Alongside these environmental principles the Company has a health & safety policy which demonstrates commitment to providing safe and secure buildings that promote a healthy working environment and a customer experience that supports a healthy lifestyle. The Company, through the Investment Manager and Managing Agent, manages and controls health & safety risks as systematically as any other critical business activity using technologically advanced systems and environmentally protective materials and equipment. By achieving a high standard of health & safety performance, the Company aims to earn the confidence and trust of tenants, customers, employees, shareholders and society at large.

Bribery & Ethical Policy

It is the Company's Policy to prohibit and expressly forbid the offering, giving or receiving of a bribe in any circumstances. This includes those instances where it may be perceived that a payment, given or received, may be a bribe. The Company has adopted this Anti-Bribery and Corruption Policy to ensure robust compliance with The UK Bribery Act 2010. The Company has made relevant enquiries of its Investment Manager and has received assurances that appropriate anti-bribery and corruption policies have been formulated and communicated to its employees. In addition the Board has adopted an ethical policy which highlights the need for ethical considerations to be considered in the acquisition and management of both new and existing properties.

STAKEHOLDER ENGAGEMENT



THE COMPANY

OUR STAKEHOLDERS' INTERESTS

Shareholders

- Attractive and sustainable level of income, earnings and dividends
- Potential for capital and income growth
- Diversification of portfolio
- Execution of investment objective
- Responsible capital allocation and dividend policy
- Value for money – low ongoing charges
- Liquidity in the Company's shares

Investment Manager

- Productive working relationship with the Board
- Clear and sustainable investment objective and policy
- Collaboration with all stakeholders

Tenants

- Positive working relationship with the Board and the Investment Manager
- Sustainable buildings — remodelled and refurbished to meet their requirements
- A focus on the community, health & safety and the environment

Service Providers

- Productive working relationship with the Company
- Strong internal controls
- Collaboration

Debt Providers

- Responsible portfolio management
- Compliance with loan covenants

Environment and Community

- Sustainable investment policy
- Community engagement and socio-economic benefit
- A focus on consumption, emissions and resource efficiency

Board's Obligations under section 172 of the Companies Act

This section explains how the Directors have promoted the success of the Company for the benefit of its members as a whole during the financial year to 31 December 2020, taking into account the likely long term consequences of decisions, the need to foster relationships with all stakeholders and the impact of the Company's operations on the environment, in accordance with the provisions of the AIC Code on Corporate Governance.

The role of the REIT Board

The Company is a REIT and has no executive directors or employees and is governed by the Board of Directors. Its main stakeholders are Shareholders, the Investment Manager, Tenants, Service Providers, Debt Providers and the Environment and the Community. The Board considers relations with stakeholders very seriously and has cited Stakeholder Engagement as one of the Company's principal risks. The mitigating actions to address the Stakeholder Engagement risk are set out on page 33.

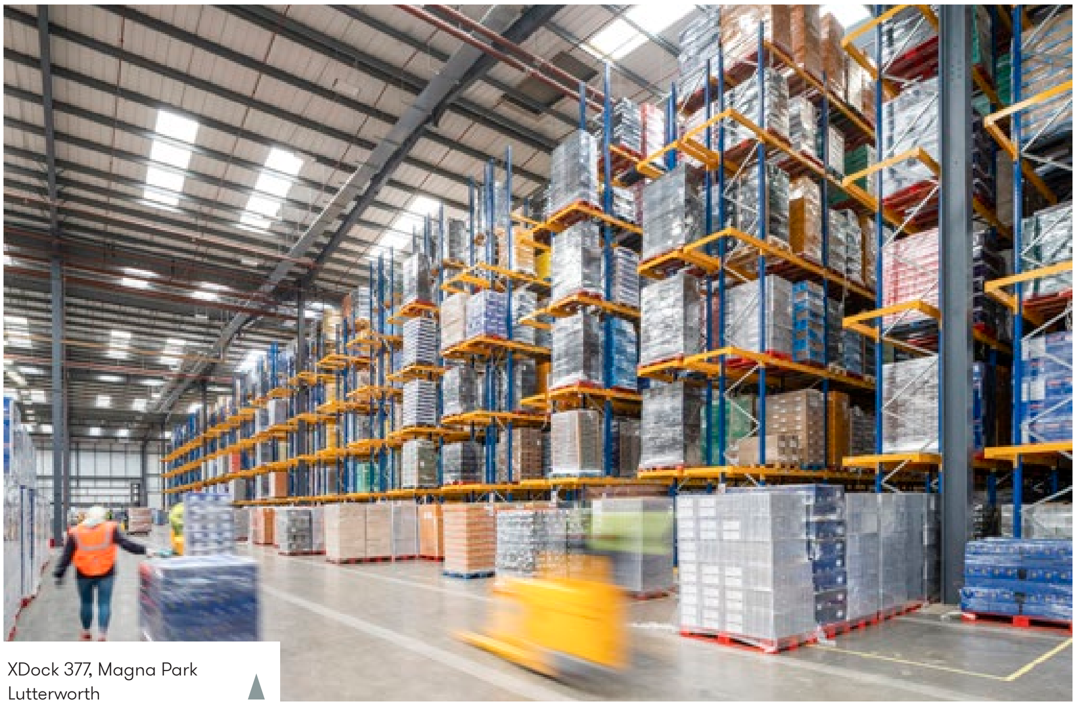
The Board, which comprises six independent non-executive directors, whose skills and experience are set out on pages 40 and 41, retains responsibility for taking all decisions relating to the Group's investment objective and policy, dividend policy, gearing, corporate governance and strategy.

The Board delegates management functions to the Investment Manager and, either directly or through the Investment Manager, the Company employs key suppliers to provide services in relation to property management, health & safety, valuation, legal and tax requirements, auditing, depositary obligations and share registration, amongst others. The Board regularly reviews the performance of the Investment Manager, and its other service providers, to ensure they manage the Company and its stakeholders effectively and that their continued appointment is, over the long term, in the best interests of the Shareholders as a whole.

The Board seeks to maintain a constructive working relationship with its stakeholders and prides itself on its transparent and collegiate culture. The Board operates in a manner which is supportive, yet challenging, of the Investment Manager and its other service providers, with the goal of overseeing the Company's activities on behalf of all stakeholders.

As set out in the Board of Directors' Report, the Board reviews its performance annually to ensure it is meeting its obligations to stakeholders. The evaluation helps the Board to determine whether they have sufficiently discharged their duties and responsibilities over the course of the financial year. Engagement with key stakeholders is considered formally as part of the annual evaluation process.

HOW WE ENGAGE WITH OUR STAKEHOLDERS



XDock 377, Magna Park Lutterworth

The Board considers its stakeholders at every Board meeting and receives feedback on the Investment Manager's interactions with the Company's Shareholders, tenants and service providers. The Board also engages directly with its stakeholders.

Shareholders

Shareholders are key stakeholders and the Board places great importance on communication with them. The Board's primary focus is to promote the long term success of the Company for the benefit of its Shareholders as a whole. The Board oversees the delivery of the investment objective, policy and strategy, as agreed by the Company's Shareholders. The Board welcomes all Shareholder's views and aims to act fairly between all Shareholders. The Investment Manager and Company's Broker regularly meet with Shareholders, and prospective Shareholders, to discuss Company initiatives and seek feedback. The views of Shareholders are discussed by the Board at every Board meeting, and action taken to address any Shareholder concerns. The Investment Manager provides regular updates to Shareholders and the market through the Annual Report, Interim Report, Quarterly Net Asset Value announcements and Company Factsheets.

The Chair meets with key Shareholders at least annually, and other Directors are available to meet Shareholders as required. This allows the Board to hear feedback directly from Shareholders. During the financial year to 31 December 2020, the Investment Manager, undertook several virtual meetings with large Shareholders to provide reports on the progress of the Company and receive feedback, which was then provided to the full Board. Shareholders are also invited to vote on the continuation of the Company at regular intervals and the Board encourages Shareholders to participate in this vote.

The Annual General Meeting (AGM) of the Company and also the annual and interim results presentations provide a forum, both formal and informal, for Shareholders to meet and discuss issues with the Directors and Investment Manager of the Company. The Board would ordinarily encourage as many Shareholders as possible to attend the Company's AGM to engage directly with the Board.

The Board has been monitoring closely the ongoing impact of the COVID-19 pandemic upon the arrangements for the Company's upcoming AGM on Friday, 18 June 2021. At the time of writing, elements of the National Lockdown remain in place and shareholder attendance at AGMs is not legally permissible. Therefore, in order to provide certainty, whilst encouraging and promoting interaction and engagement with the Company's shareholders, the Board has decided that the AGM will be a closed meeting with the minimum representation attending to form a quorum. However, the Manager will record a Question & Answer session, responding to any shareholder questions, submitted to the Board in advance of the AGM. The Q&A will be published to the Company's website in early June 2021. Following the Q&A, shareholders will still have time during which to submit their proxy votes prior to the AGM. Shareholders are encouraged to submit questions in advance of the Q&A by email to:

commercial.property@aberdeenstandard.com

The Board encourages all shareholders to lodge their proxy votes in advance of the AGM.

Investment Manager

The Chair's Statement and Investment Manager's Review on pages 8–20 detail the key investment decisions taken during the year and subsequently.

The Investment Manager has continued to manage the Company's assets in accordance with the mandate provided by Shareholders, with the oversight of the Board. The Company regularly reviews its performance against its investment strategy by reference to its rolling five year business plan to ensure it remains fit for purpose. The Board undertakes an annual strategy meeting to test itself and ensure the Company is positioned well for the future delivery of its objective for its stakeholders. The Board receives presentations from the Investment Manager at every Board meeting to help it to exercise effective oversight of the Investment Manager and the Company's Strategy. The Board formally reviews the performance of the Investment Manager at least annually.

Tenants

Prior to COVID-19, Board members regularly visited properties and, where appropriate, engaged with tenants directly to enhance their understanding of each property and the tenants' requirements. Following the outbreak of COVID-19 Directors were unable to visit any properties given the COVID-19 travel restrictions but will resume visits as and when travel regulations allow.

The day to day management of the portfolio and tenant interaction is delegated to the Investment Manager. The Investment Manager takes a proactive approach to its relationship with tenants, working closely alongside them to understand their needs through regular communication, visits to properties and collaboration on projects. The Investment Manager reports on its engagement with tenants at every Board meeting.

The Company's Investment Manager has worked closely with tenants to understand their needs during the crisis. The Board firmly believes that by helping tenants now and building better relationships the Company will have better occupancy over future months and years, which will in turn benefit the Company's cash flow.

Service Providers

The Board seeks to maintain constructive relationships with the Company's suppliers either directly or through the Investment Manager with regular communications and meetings. On behalf of the Company's Shareholders, the Management Engagement Committee conducts annual reviews of the Company's Service Providers and their respective fees to ensure they are performing in line with Board expectations and provide value for money.

Debt Providers

The Company maintains a positive working relationship with its debt providers, Barclays Bank plc and Barings Real Estate Advisers, and provides regular updates on business activity and compliance with its loan covenants. The Company has an overall flexible debt profile to allow it to move quickly to take advantage of any attractive opportunities that may occur in the present uncertain economic environment.

Environment and Community

The Board and the Investment Manager are committed to investing in a responsible manner. There are a number of geopolitical, technological, social and demographic trends underway in the developed world that can, and do, influence real estate investments – many of these changes fall under the umbrella of the Environment and Community, or ESG, considerations. As a result, the Investment Manager fully integrates ESG factors into its investment decision making and governance process.

The Board has adopted the Investment Manager's ESG Policy and associated operational procedures and is committed to environmental management in all phases of the investment process. The Company aims to invest responsibly, to achieve environmental and social benefits alongside returns. By integrating ESG factors into the investment process, the Company aims to maximise the performance of the assets and minimise exposure to risk. Please see page 36, and the EPRA Financial and Sustainability Reporting starting on page 93, for more information on the Company's approach to ESG plus the Company's separate ESG document available on the Company's website "Dialling Up the Integration of ESG".

81/85 George Street
Edinburgh

Specific examples of stakeholder consideration during 2020

While the importance of giving due consideration to the Company's stakeholders is not new, and is considered during every Board decision, the Board were particularly mindful of stakeholder considerations during the following strategic decisions undertaken during the financial year to 31 December 2020.

Continuation Vote

In accordance with its commitment to consulting shareholders about the continuation of the Company on a regular basis, the Company published a circular and held an EGM to consider the continuation of the Company on 18 March 2020.

This vote was passed with over 74% of the total share capital being voted and 99.9% of those who voted voting for the continuation of the Company.

Payment of the Company's Dividend

As set out in the Chair's Statement on page 8, the Company continued to pay interim dividends during the year despite the economic impact of COVID-19. The Company was not immune to the impact of the pandemic, most notably in relation to rent collection, as some tenants were constrained in their ability to trade during lockdowns. The Board agreed that exercising prudence was important during the uncertainty but also recognised the importance of dividends to its shareholders, both large and small, who are reliant on the income, particularly during the peak of COVID-19 when a number of companies had cancelled their distributions. As a result, the Board agreed to maintain the interim dividend at a reduced rate of 0.46 pence per share during the financial year and has announced its intention to pay a 5th top-up 2020 dividend in May 2021, in line with REIT legislation to pay at least 90% of the 'property income' for the year.

The Board also agreed to reduce their own fees by 20% from 1 April 2020 to 31 December 2020 and continue to keep all other costs and capital expenditure commitments under review.

Implementation of Expanded Investment Policy and Objective

Under the guidance of the Board, the Investment Manager continued to implement the expanded investment policy and objective by gaining exposure to alternative commercial property sectors. In June 2020, the Company completed the sale of its last City of London office and, in December 2020, announced acquisitions of an ASDA supermarket in Torquay and purpose built student accommodation in Edinburgh on top of the ongoing funding of a student accommodation site in Exeter. The Board believes that, in executing the extended investment policy and objective, the Investment Manager has access a wider spectrum of commercial property assets and provides the flexibility to maintain an attractive and diversified portfolio for the benefit of all shareholders.

Example of Tenant Interaction During 2020

COVID-19 has resulted in a number of businesses coming under pressure as the pandemic has resulted in reduced, or in some cases, no trading activity at all. The Company has worked closely with tenants to agree rental deferments, rent free periods in exchange for amended lease terms (generally an extension of leases) and, in some extreme cases, rental write offs (generally with the smallest tenants who have no means of paying). An example of this is highlighted across.

Leisure Operator at The Rotunda, Kingston Upon Thames.

Our tenant approached us early in the pandemic to explain that they were unable to trade during lockdown but had furloughed staff and applied for a government loan. Our tenant paid the March 2020 invoice for the second quarter rent in advance and we provided a rent free period for the following third quarter. When the business was allowed to open gradually during the summer of 2020, our tenant paid their rent for the final quarter, despite only limited numbers of visitors due to restrictions and the subsequent adverse impact on its turnover. Now that another lockdown has been introduced, the business has closed and UKCM worked closely with the business to ensure an equitable solution was reached which would help the business survive the current lockdown constraints and be able to commence rental obligations in the future.

Approval of Strategic Report

As set out above, the Board considers the long term consequences of its decisions on its stakeholders to ensure the long term sustainability of the Company.

The Strategic Report of the Company comprises the following on pages 4–39 Financial and Portfolio Highlights, Performance Summary, Chair's Statement, Investment Manager Review, Portfolio Information and Strategic Overview incorporating the risk management and stakeholder overview section.

The Strategic Report was approved by the Board on 22 April 2021.

Ken McCullagh
Director

BOARD OF DIRECTORS AND MANAGEMENT TEAM

Ken McCullagh, Chair of the Board, is a resident of Ireland. Since 2000 he has been Chief Executive Officer of LNC Property Group, a private real estate investment company which held and managed €500 million of assets and is also a Principal in the Pearl Residential Equity Fund. Previously he worked as a Director and Partner of Corporate Finance for Farrell Grant Sparks, Chartered Accountants and was also a Financial Controller of Gunne Estate Agents (now CBRE) in Dublin. He is a Fellow of the Institute of Chartered Accountants of Ireland. Mr McCullagh was appointed to the Board in February 2013 and, prior to his appointment as Chair on 1 January 2020, was Senior Independent Director and Chair of the Audit Committee.

Contribution: The Board, through the Nomination and Remuneration Committee, has reviewed the contribution of Ken McCullagh in light of his proposed re-election at the forthcoming AGM and has concluded that he continues to chair the Company effectively, fostering a collaborative spirit between the Board and Investment Manager while ensuring that meetings remain focused on the key areas of stakeholder relevance.

Michael Ayre, Chair of the Audit Committee, is a resident of Guernsey. He joined BDO Reads, a Guernsey chartered accountancy practice from the London office of Touche Ross, in February 1987 progressing to his appointment as a tax partner in 1991. Subsequent to the purchase of the fiduciary, investment and taxation divisions of BDO Reads by Banque Generale du Luxembourg in 1999, Mr Ayre was appointed in 2003 as the Group Managing Director of its successor, Fortis Guernsey – a position he held until 2009. He continued to work for its successor business, Intertrust, until June 2019. In addition, until its sale in July 2019 he was a director of ABN Amro (Channel Islands) Limited. Mr Ayre is a fellow of the Association of Chartered Certified Accountants and is also a member of the Chartered Institute of Taxation. Mr Ayre was appointed to the Board in February 2016 and from 1 January 2020 is Chair of the Audit Committee, previously being Chair of the Property Valuation Committee.

Contribution: The Board, through the Nomination and Remuneration Committee, has reviewed the contribution of Michael Ayre in light of his proposed re-election at the forthcoming AGM and has concluded that he has chaired the Audit Committee effectively during the challenges arising from COVID-19.

Robert Fowlds, Non-executive Director, is a resident of the UK. Mr Fowlds is a Chartered Surveyor and worked in the listed Real Estate Sector for c.30 years. He retired in 2015 as Managing Director & Head of Real Estate Investment Banking for UK & Ireland at J.P. Morgan Cazenove, where in 10 years he doubled the size of the franchise. Prior to his career in Corporate Finance, he was Co-Head of Pan-European Real Estate Equity Research at Merrill Lynch, and previously Kleinwort Benson. His first career was as a Chartered Surveyor specialising in UK investment and development markets. Mr Fowlds now consults for a few leading real estate organisations, and was appointed to the Board on 1 April 2018. He was also appointed to the Supervisory Board of Klepierre S.A. on 24 April 2018, and appointed a Non-Executive Director of LondonMetric Property Plc on 31 January 2019. He was a member of the EPRA Board until 2012.

Contribution: The Board, through the Nomination and Remuneration Committee, has reviewed the contribution of Robert Fowlds in light of his proposed re-election at the forthcoming AGM and has concluded that he continues to provide invaluable investor relations, property and market insight into Board discussions.

BOARD OF DIRECTORS

The Directors, all of whom are non-executive and are independent of the Investment Manager, are responsible for the determination of the investment policy of the Group and its overall supervision.

MANAGEMENT TEAM

Will Fulton, Lead Manager, graduated from the University of Aberdeen in 1987 with a degree in Land Economy when he joined Standard Life, becoming a member of the Royal Institution of Chartered Surveyors in 1990. Throughout his 30 year career he has held a variety of commercial real estate positions gaining multi-disciplinary experience spanning investment, valuation, asset management, debt facility management, development and investor relations both in the UK and across continental Europe. Prior to managing UKCM, he oversaw a team managing the £2.3 billion Standard Life Heritage With Profits Real Estate Fund.

Sandra Platts, Chair of the Management Engagement Committee and Nomination and Remuneration Committee, is a resident of Guernsey and is a non-executive director of Investec Bank (C.I.) Ltd and Starwood European Finance Partners Ltd. Mrs Platts was Managing Director of Kleinwort Benson in Guernsey and Chief Operating Officer for Kleinwort Benson Private Banking Group (UK and Channel Islands). She also held directorships of the Kleinwort Benson Trust Company and Operating Boards, retiring from Kleinwort Benson boards in 2010. Mrs Platts holds a Masters in Business Administration and The Certificate in Company Direction from the Institute of Directors. Mrs Platts was appointed to the Board in December 2013.

Contribution: The Board, through the Nomination and Remuneration Committee, has reviewed the contribution of Sandra Platts in light of her proposed re-election at the forthcoming AGM and has concluded that, in addition to chairing the Management Engagement Committee and Nomination and Remuneration Committee effectively, her input from an industry and corporate governance perspective, has been invaluable.

Margaret Littlejohns, Chair of the Risk Committee and Senior Independent Director, is a resident of the UK. Ms Littlejohns has 18 years' experience with Citigroup in investment and commercial banking, with specific expertise in risk management (both market and credit risk). Between 2004 and 2006, following an MBA at Imperial College, she co-founded two start-up ventures providing self storage facilities in the Midlands and acted as Finance Director until the businesses were successfully sold to a regional self storage chain in 2016. She is also a Non-Executive Director of Foresight VCT plc and the Chair of Henderson High Income Trust plc. Ms Littlejohns was appointed to the Board on 1 January 2018.

Contribution: The Board, through the Nomination and Remuneration Committee, has reviewed the contribution of Margaret Littlejohns in light of her proposed re-election at the forthcoming AGM and has concluded that she has chaired the Risk Committee effectively and continues to provide significant risk management insight to Board discussions as well as investment trust expertise.

Chris Fry, Chair of the Property Valuation Committee, is a resident of the UK. Mr Fry is a Chartered Surveyor with over 20 years' experience in real estate investment management. He is currently Chief Executive Officer of Kingsbridge Estates a privately owned property company, investing and developing across the South of England. Prior to this he worked for 13 years (2005–2018) with LaSalle Investment Management as a Senior Fund Manager, ultimately being responsible for over £3 billion of assets under management and for Schroders plc as a Fund Manager (2000–2005). Mr Fry joined the Board on 1 January 2020 and is Chair of the Property Valuation Committee.

Contribution: The Board, through the Nomination and Remuneration Committee, has reviewed the contribution of Chris Fry in light of his proposed re-election at the forthcoming AGM and has concluded that he continues to provide significant property and investment insight to the Board as well as effectively chairing the Property Valuation Committee.

Graeme McDonald graduated from the University of Strathclyde in 1995 with a BA degree in Accountancy and joined Hardie Caldwell Chartered Accountants in 1996 where he qualified as a Chartered Accountant in 1999. In 2001 Mr McDonald joined Glasgow Investment Managers ("GIM") as chief accountant focusing on the finance, administration and company secretarial work for three investment trusts. Following GIM's takeover by Aberdeen Asset Managers in 2007, Mr McDonald transferred to Aberdeen working on both investment trusts and Venture Capital trusts. In 2009 Mr McDonald joined Scottish Widows Investment Partnership as a finance project manager before joining Ignis in January 2011 as a Fund Accounting Manager to provide a dedicated fund accounting and company secretarial service to UKCM. Mr McDonald transferred over to Standard Life Investments in October 2014.

The Directors present the report and accounts of UK Commercial Property REIT Limited, ("the Company") for the year ended 31 December 2020.

Results and Dividends

The Group generated an IFRS loss of £10.3 million (2019: profit of £1.6 million) in the year equating to an earnings per share of −0.79p (2019: 0.13p). The Company had cash at the year end of £122.7 million (2019: £49.0 million). The Group paid out dividends totalling £29.9 million (2019: £47.8 million) in the year.

The Company has paid interim dividends in the year ended 31 December 2020 as follows:

	Payment date	Rate per share (p)
Fourth interim for prior period	February 2020	0.92
First interim	May 2020	0.46
Second interim	August 2020	0.46
Third interim	November 2020	0.46
TOTAL		2.30

On 4 February 2021 the Company declared a fourth interim dividend of 0.46 pence per ordinary share with an ex-dividend date of 11 February 2021, which was paid on 26 February 2021. In addition the Company has declared a further interim dividend of 0.531p per share payable in May 2021.

Principal Activity and Status

The Company is a Guernsey company and during the year carried on business as a property investment company. The Group migrated tax residence to the UK and elected to be treated as a UK REIT with effect from 1 July 2018. The principal activity and status of the Company's subsidiaries is set out in note 11 on page 78.

Strategy

The Company's purpose, objective and strategy is set out in detail in the Strategic Report on page 24.

	Date of Appointment	Shares as at 31 December 2020	Shares as at 31 December 2019
Andrew Wilson retired 31 December 2019	September 2006	—	100,000
Chris Fry appointed 1 January 2020	January 2020	46,445*	6,445*
Ken McCullagh	February 2013	80,000	40,000
Margaret Littlejohns	January 2018	40,000	40,000
Michael Ayre	February 2016	42,000	42,000
Robert Fowlds	April 2018	50,000	50,000
Sandra Platts	December 2013	—	—

* Indirect interest held through a pension fund over which Mr Fry has discretion. There have been no changes in the above interests between 31 December 2020 and 31 March 2021.

Listing Requirements

Throughout the period the Company complied (and intends to continue to comply) with the conditions applicable to property investment companies set out in the Listing Rules.

Share Capital

The issued share capital at 31 December 2020 consisted of 1,299,412,465 ordinary shares of 25p each. At 22 April 2021 the issued share capital was unchanged. Each ordinary share of the Company carries one vote at general meetings of the Company. Save for the provision of the articles of association, there are no restrictions on the transfer of ordinary shares in the Company other than certain restrictions which may from time to time be imposed by law (for example, insider trading law).

Directors

The Directors who held office during the period and their interests in the ordinary shares of the Company as at 31 December 2020 are shown in the audited table above.

The Directors are also Directors of UK Commercial Property Holdings Limited, UK Commercial Property GP Limited, UK Commercial Property Nominee Limited, UK Commercial Property Estates Holdings Limited, UK Commercial Property Estates Limited and UK Commercial Property Finance Holdings Limited which are all wholly owned Guernsey-domiciled subsidiary undertakings. The Group wholly owns Brixton Radlett Property Limited and UK Commercial Property Estates (Reading) Limited, both of which are UK Limited Companies. The Directors are Ms Margaret Littlejohns and Mr Robert Fowlds.

2020

Chris Fry appointed as a Director

On 31 March 2021 the GP, LP, Nominee, Brixton Radlett Property Limited and UK Commercial Property Estates Reading Limited were placed into the hands of a liquidator as part of a solvent liquidation process.

The Company maintains an appropriate level of insurance in respect of Directors' & Officers' liabilities in relation to work undertaken on behalf of the Company and all its subsidiaries. In addition, individual Directors may, at the expense of the Company, seek independent professional advice on any matter that concerns them in the furtherance of their duties.

As recommended by the AIC Code on Corporate Governance the Company's policy is for all Directors to retire and offer themselves for election at the Annual General Meeting ("AGM") immediately following their appointment and for re-election annually thereafter. Accordingly, the whole Board, will retire and offer themselves for re-election at the AGM.

In March 2021 the Board, through the Nomination and Remuneration Committee, carried out an evaluation of the performance of the Board, the Committees and the individual Directors.

Led by the Chair of the Nomination and Remuneration Committee, this review sought to identify whether the Board demonstrates sufficient collective skill and expertise, independence and knowledge of the Company and whether each Director exhibits the commitment required for the Company to achieve its objective. The evaluation, which was a desk-based review using online questionnaires, concluded that the performance of the Board and Committees and the individual Directors continues to be effective with each Director making a positive contribution to the performance and long-term sustainable success of the Company. No changes to Board composition were recommended. The action points arising from the review have been addressed and, where appropriate, revised policies have been adopted. Based on the results of the evaluation of the performance of the individual Directors, and their individual skills and expertise, as reflected in their biographies on pages 40–41, and contribution to the long-term success of the Company, the re-election of all the Directors who are being put forward is recommended to Shareholders at the 2021 AGM. The Board last engaged and met with an external consultant, Boardroom Review Limited, to undertake an external evaluation in March 2020.

Alternative Investment Fund Manager ("AIFM")

Up to 10 December 2018, Standard Life Investments (Corporate Funds) Limited was the Company's AIFM. On 10 December 2018, the contract was novated to Aberdeen Standard Fund Managers Limited.

Depositary

In accordance with the requirements of AIFMD, the Board appointed Citibank Europe Plc as Depositary.

SHARE CAPITAL AT 31 DECEMBER 2020

	Phoenix Life Assurance Limited (PLAL)	Phoenix Life Limited (PLL)	Investec Wealth Limited
Number of ordinary shares held	125,483,786	438,313,679	135,869,727
% Held	9.7	33.7	10.5

Substantial Interests in Share Capital

At 31 December 2020 the above entities had a holding of 3% or more of the Company's share capital.

Phoenix Group is the largest specialist consolidator of heritage life assurance funds in Europe. On launch the Company was managed by Ignis Investment Services Limited ("Ignis"), a subsidiary of Phoenix. The Company's initial property portfolio was purchased from the Phoenix Group in exchange for shares in the Company resulting in the Phoenix Group holding approximately 71 per cent of the issued share capital of the Company through its subsidiaries. The Phoenix Group shareholding is held via a number of with profits funds which are closed to new investment and hence are in run-off over the medium to long term. Since launch the Phoenix Group has therefore been reducing its shareholding in the Company. On 24 February 2016 the Phoenix Group notified the Company that, following the sale by the Phoenix Group of interests in the Company, the Phoenix Concert Group's holding in the Company had fallen below 50 per cent.

The Phoenix Group shareholding in the Company is held through Phoenix Life Assurance Limited ("PLAL") and four special purpose vehicles all of which own under 10% and all of which are subsidiaries of Phoenix Life Limited ("PLL").

The holding is managed on an arms-length basis and by a separate team within Aberdeen Standard Investments to the team who manage the Company. There is also a shareholder agreement between the Company and PLL and PLAL which provides that PLL and PLAL and their associates will not take any action which would be detrimental to the general body of shareholders.

No changes to any of the other above holdings had been notified to the Company as at 31 March 2021.

The Takeover Code

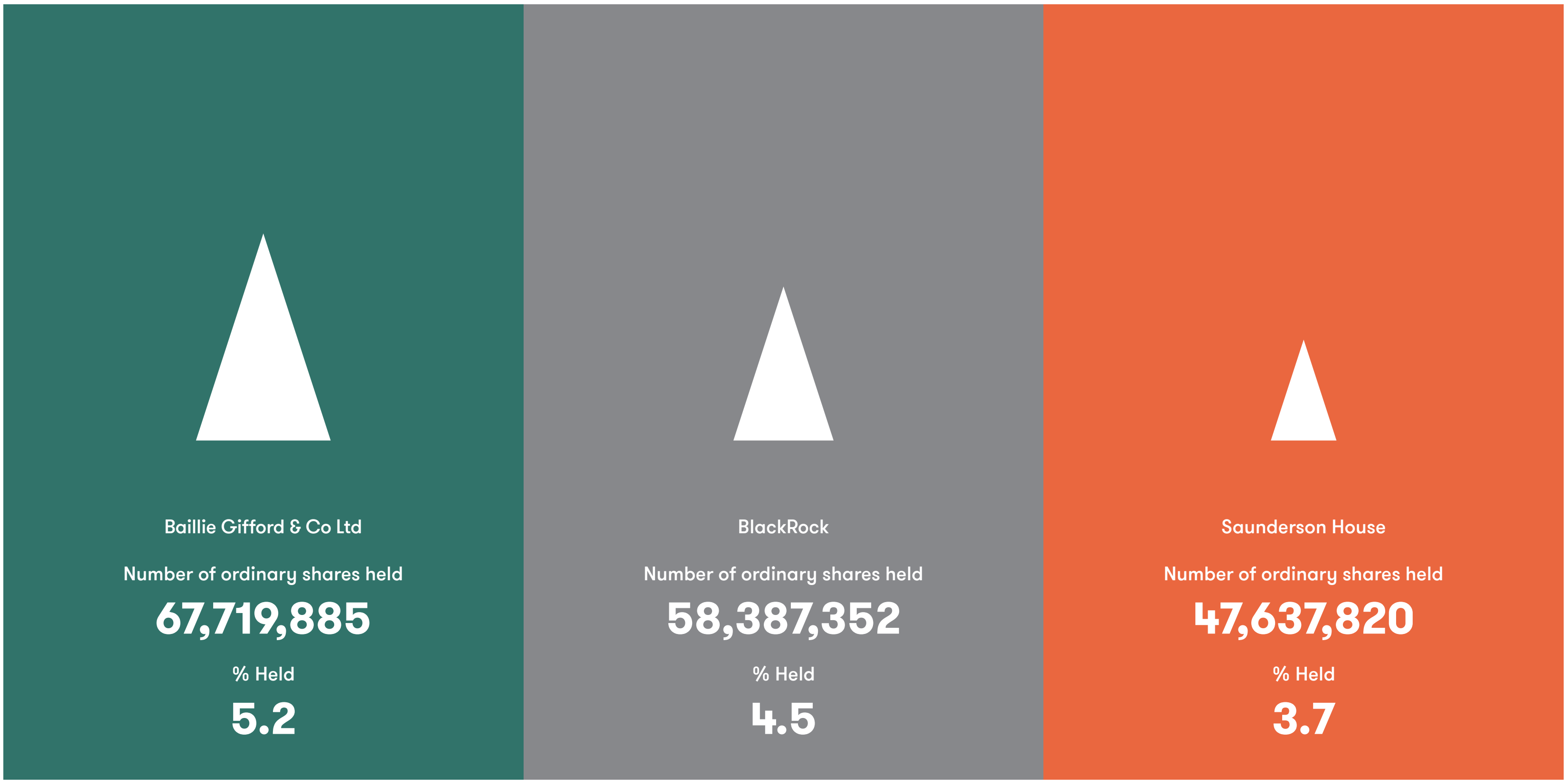
In previous years, following the sale of Standard Life Aberdeen's insurance business to the Phoenix Group, in order to undertake share buybacks, a waiver from the Takeover Panel was required as the Investment Manager was deemed to be part of the Phoenix concert party under Rule 27 of the Takeover Code.

On 22 July 2020, the Phoenix Group completed the acquisition of the ReAsssure Group. The increased size of the Phoenix Group resulted in the Investment Manager of UKCM no longer being part of the Phoenix concert party and hence no waiver is now required to be sought from the takeover panel should the Company wish to undertake share buybacks.

Going Concern

The Company's business activities, together with the factors likely to affect its future development, performance and financial position are set out in the Strategic Overview on pages 24–39. In addition, note 18 to the financial statements includes the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposure to credit risk and liquidity risk. At both the Company and Group levels comprehensive going concern assessments have been performed. The Board has followed the Financial Reporting Council's "Guidance on Risk Management, Internal Control and Related Financial and Business Reporting 2014" when performing their going concern assessments and also considered the AIC Code on Corporate Governance.

Specific consideration to the likelihood of a continuation vote in 2022 is considered in the viability section on page 35.



The assessments performed include review of the valuation and liquidity of investments as at the balance sheet date and forecasts of NAV, cash resources and income under both normal and stressed conditions including consideration of the ongoing health and economic impact of the COVID-19 pandemic on these items.

Having thoroughly considered the going concern assessment, the Board recognise that there is undoubtedly an increase in risk in relation to the economy and outlook for property arising from the COVID-19 pandemic. However, based on the information available to the Directors, the Board do not believe there is significant doubt about the Company and Group's ability to continue as a going concern over the next twelve months from the date of the annual report. The Directors have a reasonable expectation that the Company and Group will be able to continue in operational existence and to have adequate resources to meet its liabilities as they fall due over the next twelve months. Therefore, the Board continues to adopt the going concern basis of accounting when preparing the annual financial statements.

Non-Mainstream Pooled Investments

The Company currently conducts its affairs so that the shares issued by the Company can be recommended by IFAs to ordinary retail investors in accordance with the FCA's rules in relation to non-mainstream investment products and intends to continue to do so for the foreseeable future.

The shares are excluded from the FCA's restrictions which apply to non-mainstream investment products because the Company has UK REIT status.

Annual General Meeting

At the time of writing, elements of the National Lockdown remain in place and shareholder attendance at AGMs is not legally permissible. Accordingly, Members are likely to be restricted from attending the Company's AGM in person or by attorney or by corporate representative this year. Members are encouraged to vote by proxy.

At the AGM to be held on 18 June the following resolutions will be proposed:

Dividend policy

It is the Directors' intention in line with the Company's investment objective to pay an attractive level of dividend income to shareholders on a quarterly basis. The Directors intend to set the level of dividend after taking into account the long term income return of the Property Portfolio, the diversity and covenant strength of the tenants and the length of the leases of the Properties as well as solvency of the Company.

Dividends on the ordinary shares are expected to be paid in four instalments quarterly in respect of each financial year in February, May, August and November. All dividends will be in the form of property income distribution, ordinary dividends or a mixture of both and paid as interim dividends.

Resolution 2, which is an ordinary resolution, seeks approval of the Company's dividend policy to continue to pay four quarterly interim dividends with the ability to pay further interim dividends should the need arise i.e. to comply with the REIT rules.

Disapplication of Pre-emption Rights

Resolution 12 gives the Directors, for the period until the conclusion of the Annual General Meeting in 2022 or, if earlier, on the expiry of 15 months from the passing of resolution 12, the necessary authority either to allot securities or sell shares held in treasury, otherwise than to existing shareholders on a pro-rata basis, up to an aggregate nominal amount of £32,485,312. This is equivalent to approximately 10 per cent of the issued ordinary share capital of the Company as at 22 April 2021. There are no shares currently held in treasury.

The Directors will allot new shares pursuant to this authority only if they believe it is advantageous to the Company's shareholders to do so and the issue price of new shares will be at a premium to the latest published net asset value per share.

Directors' Authority to Buy Back Shares

The current authority of the Board granted to it by shareholders at the 2020 AGM to buy back shares in the Company expires at the end of the AGM to be held in 2021. The Board intends to renew such authority to buy back shares up to 14.99 per cent of the number of ordinary shares in issue. This special resolution (resolution 13), if approved, will enable the Company to buy back up to 194,781,928 shares based on the current number of shares in issue (excluding any treasury shares). Any buy back of ordinary shares will be made subject to Guernsey law and within guidelines established from time to time by the Board, which will take into account the income and cashflow requirements of the Company, 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 published net asset value of an ordinary share (as last calculated, adjusted downwards for the amount of any dividend declared by the Company upon the shares going ex-dividend), where the Directors believe such purchases will enhance shareholder value. 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 the higher of (i) five per cent above the average of the middle market quotations for the ordinary shares for the five business days before the purchase is made and (ii) the higher of the last independent trade and the highest current independent bid on the London Stock Exchange. The minimum price (exclusive of expenses) that may be paid is 25 pence a share.

The Company may retain any shares bought back as treasury shares for future re-issue, or transfer, or may cancel any such shares. During the period when the Company holds shares as treasury shares, the rights and obligations in respect of those shares may not be exercised or enforced by or against the Company. The maximum number of shares that can be held as treasury shares by the Company is 10 per cent of the aggregate nominal value of all issued ordinary shares. Ordinary shares held as treasury shares will only be re-issued, or transferred at prices which are not less than the published net asset value of an ordinary share.

It is the intention of Directors that the share buy back authority may be used to purchase ordinary shares in the Company, (subject to the income and cash flow requirements of the Company) if the level of discount represents an opportunity that will generate risk adjusted returns in excess of that which could be achieved by investing in real estate opportunities at a particular time.

Cineworld Complex
Glasgow

The discount control policy of the Company provides that in the event that the share price discount to prevailing published NAV (as last calculated, adjusted downwards for the amount of any dividend declared by the Company upon the shares going ex-dividend) is more than 5 per cent for 90 dealing days or more, following the second anniversary of the Company's most recent continuation vote, the Directors will convene an Extraordinary General Meeting ("EGM") to be held within three months to consider an ordinary resolution for the continuation of the Company. If this continuation resolution is not passed, the Directors will convene a further extraordinary general meeting to be held within six months of the first EGM to consider the winding up of the Company or a reconstruction of the Company which offers all shareholders the opportunity to realise their investment. If any such continuation resolution is passed, this discount policy, save in respect of share buy backs, would not apply for a period of two years thereafter. The last continuation vote was held on 18 March 2020.

Auditors

Deloitte LLP has expressed its willingness to continue in office as the Company's auditor and a resolution proposing its re-appointment will be put to the AGM.

So far as each of the Directors is aware, there is no relevant audit information of which the Company's auditor is unaware, and each has taken all the steps he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Recommendations

The Directors believe that the resolutions to be proposed at the Annual General Meeting are in the best interests of the Company and its shareholders as a whole, and recommend that shareholders vote in favour of the resolutions, as the Directors intend to do in respect of all their own beneficial shareholdings.

Statement Regarding the Annual Report and Accounts

Following a detailed review of the Annual Report and Accounts by the Audit Committee, full details of which can be found in the Audit Committee Report, the Board consider that when taken as a whole, it is fair, balanced and understandable and provides the transparency necessary for shareholders to assess the Company's position and performance, business model and strategy.

The Board welcomes views from shareholders and company analysts on the Annual Report & Accounts and, where practical, will incorporate any suggestions that will improve the document. Shareholders are invited to correspond directly with the Board at:

commercial.property@aberdeenstandard.com

Approved by the Board on 22 April 2021.

Ken McCullagh
Director

Introduction

The Company is committed to high standards of corporate governance. The Board has considered the Principles and Provisions of the AIC Code on Corporate Governance (AIC Code). The AIC Code addresses the Principles and Provisions set out in the UK Corporate Governance Code (the UK Code), as well as setting out additional provisions on issues that are of specific relevance to the Company.

The Board considers that reporting against the Principles and Provisions of the AIC Code, which has been endorsed by the Financial Reporting Council and the Guernsey Financial Services Commission provides more relevant information to shareholders.

The Company has complied with all recommendations of the AIC Code, and also the relevant provisions of the UK Code except as set out below:

- interaction with the workforce (provisions 2, 5 and 6);
- the role and responsibility of the chief executive (provisions 9 and 14);
- previous experience of the Chair of a remuneration committee (provision 32); and
- executive directors' remuneration (provisions 33 and 36 to 40).

The Board considers these provisions are not relevant to the position of the Company, being an externally managed investment company. In particular, all of the Company's day-to-day management and administrative functions are outsourced to third parties. As a result, the Company has no executive directors, employees or internal operations. The Company has therefore not reported further in respect of these provisions.

The AIC Code is available on the AIC website (www.theaic.co.uk). It includes an explanation of how the AIC Code adapts the Principles and Provisions set out in the UK Code to make them relevant for investment companies.

The Board

The Board consists solely of non-executive Directors. Mr Ken McCullagh is the Chair of the Board and Ms Littlejohns is the Senior Independent Director.

All Directors are considered by the Board to be independent, with any potential conflicts considered at each Board meeting with reference to the AIC Code. The Board's policy on tenure is that continuity and experience are considered to add significantly to the strength of the Board. The Board also takes the view that independence is not necessarily compromised by length of tenure on the Board. However, in compliance with the provisions of the AIC Code, it is expected that Directors will serve in accordance with the time limits laid down by the AIC Code.

It is the policy of the Board that the Chair of the Company should retire once he or she has served as a Director for nine years in line with current best practice of the Financial Reporting Council. However there could be circumstances where it might be appropriate to ask a Chair to stay on for a limited period and the reasons for the extension will be fully explained to shareholders and a timetable for the departure of the Chair clearly set out.

The Board acknowledges that Mr Robert Fowlds was previously Head of Real Estate Investment Banking at JP Morgan Cazenove, the Company's broker, up until his retirement in November 2015. Mr Fowlds had limited involvement in the Company during his executive career at JP Morgan Cazenove. He also has a senior advisory role on a consultancy basis to CBRE who are also the Company's valuer. However, this role is not in any way linked to the valuation service provided by CBRE. The Board considers conflicts regularly and continues to believe that neither Mr Fowlds' existing role with CBRE, given how independent this is of the Company's valuation process, nor the previous role with JP Morgan Cazenove compromise his independence in any way. The Board continues to believe that Mr Fowlds is an independent non-executive Director.

New Directors follow an induction process, including input from the Investment Manager, Company Secretary and Corporate Broker, on joining the Board and all Directors receive other relevant training as necessary.

A management agreement between the Company and its Investment Manager sets out the matters over which the Investment 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, are reserved for the approval of the Board of Directors. The Board currently meets at least quarterly and receives full information on the Company's investment performance, assets, liabilities and other relevant information in advance of Board meetings. In addition the Board has many ad hoc meetings and an annual strategy day.

Board Committees

The Board has appointed five committees to cover specific operations: Audit Committee, Management Engagement Committee, Nomination and Remuneration Committee, Property Valuation Committee and Risk Committee. Copies of the terms of reference of each committee are available on the Company's website (www.ukcpreit.com), or upon request from the Company. The Board performs a detailed analysis of the various parts of the business through the Committees and receives reports from the Committee Chairs highlighting matters requiring the Board's further attention or noting.

Audit Committee

Information regarding the composition, responsibilities and activities of the Audit Committee is set out in the Audit Committee Report on pages 50–52.

Management Engagement Committee

The Management Engagement Committee comprises all independent Directors of the Company and is chaired by Mrs Sandra Platts.

The Management Engagement Committee met once in 2020. The purpose of the Committee is to review the terms of the agreements with the Investment Manager and the Company's other service providers.

The Management Engagement Committee has considered the investment performance of the Company and the capability, culture and resources of the Investment Manager to deliver satisfactory investment performance. They also considered the length of the notice period of the investment management contract and the fees payable to the Investment Manager, comparing these points against a number of comparators, together with the standard of the other services provided.

Following this review, it is the Directors' opinion that the continuing appointment of the Investment Manager on the terms agreed is in the interests of shareholders as a whole due to the strength and quality of the management team, performance achieved and the Investment Manager's commitment to the sector.

A summary of the current contract between the Company and Aberdeen Standard Fund Managers Limited in respect of management services provided is given in note 4 to the accounts.

The Management Engagement Committee has also conducted reviews of the Company's other key service providers, rating each provider on their understanding of the Group's aims and strategy, market awareness, quality of staff, cost effectiveness, reporting and regulatory compliance. The evaluation is shared and discussed with the individual supplier and an overall rating applied to the service of the provider in the year. Where appropriate, the Investment Manager has provided input. The performance of the Company's other service providers, and the terms on which they are engaged, continues to be satisfactory with no changes to any providers proposed.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee comprises all Directors and is chaired by Mrs Sandra Platts. The Nomination and Remuneration Committee believes that, given the size of Board, it is appropriate for all Directors to serve as members of the Nomination and Remuneration Committee.

The Nomination and Remuneration Committee considers appointments of new Directors, undertaking a thorough and open process involving, where appropriate, professional recruitment consultants and committee interviews with candidates whose skills have been identified as complementary to the existing Board. The Board and Committee are supportive of the debate around the recommendations of the Davies Report on Women on Boards, the Hampton Alexander Review and the Parker Review on ethnic diversity and recognise the benefits of diversity in its broadest sense and the value this brings to the Company in terms of skills, knowledge and experience. Women make up a third of the Company's Board composition. Consideration of Directors' fees and remuneration policy is also undertaken by the Nomination and Remuneration Committee where the fees are compared against a number of different comparators. The Committee also undertakes the annual Board and Director evaluation process. The Nomination and Remuneration Committee met twice during the year to consider, Board succession and the level of Directors' fees.

Property Valuation Committee

The Property Valuation Committee comprises all of the Directors and is chaired by Mr Chris Fry. The Chair prepares a report to the Committee that ties in with the quarterly NAV announcements and members of the Committee meet CBRE, the independent valuer to the Company, and representatives of the Investment Manager at least twice a year and report back to the Board on the process for arriving at independent valuations and on any issues that arise in relation to this process.

The Committee also reviews various indicators of the ongoing performance of the commercial property market such as sector yield sheets and reviews the performance of the property portfolio against the IPD benchmark and other comparable companies. In addition a process has been put in place to ensure all the property assets will have been visited by a committee member over a four year period.

Risk Committee

The Risk Committee comprises all of the Directors and is chaired by Ms Margaret Littlejohns. The Board established the Risk Committee, which meets quarterly, to ensure that proper consideration of risk is undertaken in all aspects of the Company's business on a regular basis.

The duties of the Risk Committee include the consideration of matters relating to the risk profile of the Company, including an assessment of risk appetite, risk tolerance and risk strategy, and the regular review of principal and emerging risks, seeking assurance that these risks are appropriately rated and ensuring that appropriate risk mitigation is in place. This is done via a risk matrix that the Committee reviews on a quarterly basis which identifies the gross risks relating to the Group, considers how the risk has been addressed and mitigated and then considers what the net risk is post mitigation. Further details are shown on pages 26–33 of the report. The Risk Committee also reviews the Investment Manager's risk processes related to health & safety, and ensures that health & safety risks applying to property acquisitions are fully considered.

Directors Meeting Attendance Summary

The table following sets out the number of Board and Committee meetings all held during the year and the number attended by each Director. In addition to this, there were 27 ad hoc meetings held during the year. All meetings were held in the UK and for the past twelve months were held virtually.

	Board of Directors		Audit Committee		Management Engagement Committee		Nomination and Remuneration Committee		Property Valuation Committee		Risk Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Michael Ayre	4	4	4	4	1	1	2	2	3	3	4	4
Ken McCullagh	4	4	4	4*	1	1	2	2	3	3	4	4
Sandra Platts	4	3	4	3	1	1	2	2	3	3	4	3
Margaret Littlejohns	4	4	4	3	1	1	2	2	3	3	4	4
Robert Fowlds	4	4	4	4	1	1	2	2	3	3	4	4
Chris Fry	4	4	4	4	1	1	2	2	3	3	4	4

* Ken McCullagh was a member of the Audit Committee until 10 December 2020. On 10 December 2020, the Audit Committee agreed that, Mr Ken McCullagh, as Chair of the Company, should cease to act as a member of the Audit Committee but has a standing invitation to attend Audit Committee meetings as an observer.

Internal Controls

The Board is responsible for the Company's system of internal control and for reviewing its effectiveness. The Board has therefore established an ongoing process designed to meet the particular needs of the Company in managing the risks to which it is exposed, consistent with the guidance in the Financial Reporting Council publication 'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting'.

The process is based principally on the Investment Manager's existing risk-based approach to internal control whereby a risk matrix is created that identifies the key functions carried out by the Investment Manager and other service providers, the individual activities undertaken within those functions, the risks associated with each activity and the controls employed to minimise those risks. A residual risk rating is then applied. The risk matrix is regularly updated and the Risk Committee is provided with regular reports highlighting all material changes to the risk ratings and confirmation of the action which has been, or is being, taken. Further detail on the Group's risk management processes are detailed on pages 82–86. In addition consideration of ISAE 3402 and similar reports issued by the Investment Manager, and other service providers where applicable, are considered. The Board also receives quarterly updates from both the Risk and Compliance and Internal Audit departments of the Investment Manager on areas that specifically affect the Company.

Internal control procedures have been in place throughout the period and up to the date of approval of this Report, and the Board is satisfied with their effectiveness up to the date of approval of this Report. 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. At each Board meeting the Board monitors the investment performance of the Company in comparison to its stated objective and against comparable companies. The Board also reviews the Company's activities since the previous Board meeting to ensure that the Investment Manager adheres to the agreed investment policy and approved investment guidelines and, if necessary, approves changes to such policy and guidelines. In addition, at each Board meeting, the Board receives reports from the Company Secretary in respect of compliance matters and duties performed on behalf of the Company including conflicts of interest.

The Company's AIFM is Aberdeen Standard Fund Managers Limited and its Depositary is Citibank Europe Plc. The Depositary's responsibilities include cash monitoring, safe keeping of the Company's financial instruments and monitoring the Company's compliance with investment limits and leverage requirements.

The AIFM has a permanent risk management function to ensure that effective risk management policies and procedures are in place to monitor compliance with risk limits. The AIFM has a risk policy which covers the risks associated with the management of the portfolio and the adequacy and appropriateness of this policy is reviewed at least annually.

The Board has reviewed the need for an internal audit function. The Board has decided that the systems and procedures employed by the Investment Manager and the Company Secretary, including both their internal audit functions and the work carried out by the Company's external auditors, provide sufficient assurance that a sound system of internal control, which safeguards shareholders' investments and the Company's assets, is maintained.

An internal audit function specific to the Company is therefore considered unnecessary.

Relations with Shareholders

The Directors place a great deal of importance on communication with shareholders. Shareholders and investors may obtain up to date information on the Company through the Investment Manager's freephone information service and the Company's website (www.upcpreit.com). The Company responds to communications from shareholders on a wide range of issues.

The Board's policy is to communicate directly with shareholders and their representative bodies without the involvement of the Standard Life Aberdeen Group in situations where direct communication is required and usually a representative from the Board meets with major shareholders on an annual basis in order to gauge their views.

In addition to the formal annual general meeting, the Board seeks regular engagement with the Company's major shareholders through roadshow meetings undertaken in conjunction with the Investment Manager and Broker as well as private meetings, in order to understand their views on governance and performance against the Company's investment objective and investment policy. The results of these meetings are formally reported back to the Board at the regular quarterly Board meetings and discussed.

Approved by the Board on 22 April 2021.

Ken McCullagh
Director

Michael Ayre
Chair of Audit Committee

Composition

The Audit Committee is chaired by Mr Michael Ayre and comprises all Directors except the Chair of the Board. Mr Ken McCullagh is not a member of the Committee, but, as Chair of the Company, he has a standing invitation to attend meetings and typically attends each Audit Committee as an observer. The members of the Audit Committee are each independent and free from any relationship that would interfere with their impartial judgement in carrying out the Committee's responsibilities, as set out in terms of reference which are available on the Company's website. The Committee is satisfied that at least one of the Committee's members has recent and relevant financial experience.

Responsibilities

The terms of reference of the Audit Committee are reviewed and re-assessed for their adequacy on an annual basis. In accordance with those terms of reference, the Audit Committee:

- reviews and monitors the internal control systems and risk management systems including review of non financial risks and the Manager's policy on information security on which the Company is reliant. The Directors' statement on the Company's internal controls and risk management is set out in the Directors' Report;
- considers whether there is a need for the Company to have its own internal audit function;
- monitors the integrity of the half yearly and annual financial statements of the Company by reviewing, and challenging where necessary, the actions and judgements of the Manager;
- reviews, and reports to the Board on, the significant financial reporting issues and judgements made in connection with the preparation of the Company's financial statements, interim reports, announcements and related formal statements;
- reviews the content of the Annual Report and financial statements and make recommendations to the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy;
- meets with the auditor to review the proposed audit programme of work and the findings of the auditor. The Directors also use this as an opportunity to assess the effectiveness of the audit process;
- meets in private with the auditor, without any representatives of the Manager being present;
- develops and implements a policy on the engagement of the auditor to supply non-audit services. There were no non-audit fees (2019: £Nil) paid to the auditor during the year under review;
- reviews a statement from the Manager detailing the arrangements in place within the Standard Life Aberdeen Group whereby staff may, in confidence, escalate concerns about possible improprieties in matters of financial reporting or other matters;
- makes recommendations in relation to the appointment of the auditor and to approve the remuneration and terms of engagement of the auditor; and
- monitors and reviews the auditor's independence, objectivity, effectiveness, resources and qualification.

The Audit Committee is also the channel through which the auditor reports to the Board of Directors. It meets at least three times a year and addresses all of the requirements placed on audit committees by the AIC Code. The Audit Committee considers any matters which the auditor wishes to communicate to the Audit Committee and, through them, to the Board of Directors. This provides a forum for the external auditor to give their views about significant qualitative aspects of the Company's accounting practices and to draw to the attention of the Audit Committee any significant differences that they encountered during the audit, any substantial uncorrected misstatements, any disagreements with management and any other matters which they felt it appropriate to raise. The auditor attends at least two Audit Committee Meetings per year and meets with the Audit Committee Members in private too.

Significant Issues

At a planning meeting of the audit held with the auditor, the scope and timing of the audit was agreed and it was confirmed that the Directors had no knowledge of any fraud within the Company. It was agreed that the significant issues in the audit should be the valuations of the properties and the accuracy of the Company's income recognition. Set out below is how the Committee considered these issues during its review of the financial statements.

Valuation of Properties: How was the issue addressed?

The valuation of properties is undertaken in accordance with the accounting policy disclosed in note 1(h) to the accounts. The process adopted in the valuation of the portfolio and the valuations themselves are considered by the Property Valuation Committee, representatives of which met the external valuer, along with the Investment Manager, as part of the year end valuation process. The Chair of the Property Valuation Committee reported to the Audit Committee in March 2021 and indicated that the following issues were discussed in the meeting with the external valuers:

- market review and outlook;
- the level of yields on properties within the portfolio;
- letting activity within the portfolio;
- rental value and void changes; and
- comparable evidence relating to the valuation of the properties.

Particular focus was given to the underlying yields applied to a number of the properties and whether they appropriately reflected the comparable evidence, letting activity and the property market as a whole. Following this meeting and subsequent discussions with the Investment Manager, a value of £1,206,780,000 was agreed as the valuation of the property portfolio as at 31 December 2020. The Audit Committee considered the report by the Chair of the Property Valuation Committee along with a summary of the valuation and its key movements by the Investment Manager and agreed that this valuation was appropriate for the financial statements and that a robust process of analysis had been followed. In terms of existence of the properties, the Committee noted the procedures that the Investment Manager has in place to ensure correct approval and title to all properties held which include any property investment transaction documentation having to be approved and signed by the Board irrespective of its value and the obligations on the Company's solicitors to ensure good and marketable title. In addition, as part of the external audit, the Committee sought assurance from the auditor prior to sign off of the financial statements that the confirmation of all titles has been included as part of the audit work undertaken.

Recognition of Rental Income: How was the issue addressed?

The recognition of rental income is undertaken in accordance with the accounting policy disclosed in note 1(e) to the accounts. The Committee considered the processes and controls the Investment Manager has in place to ensure the completeness and accuracy of income. These include data input checks, rent demand reconciliations and rent arrear reconciliations. In addition the Committee also considered the various reports provided by the Investment Manager and reviewed on a quarterly basis during the year which included the following:

- portfolio yield summaries;
- movement in annualised contracted rent;
- quarterly income changes with details of lease activity in the quarter;
- rent collection percentages;
- rental arrears; and
- detailed quarterly financial reporting detailing the main reason for revenue movements in the quarter.

The Audit Committee concluded that, given the controls and reporting in place throughout the year, the rental income number included in the financial statements of £64,656,000 was appropriate.

Provision for Bad Debts How was the issue addressed?

As a result of COVID-19 rent collection levels are below what has historically been collected and hence the provision for bad debts (effectively unpaid rent and service charge) has substantially increased in the year. The Committee has reviewed the processes in place at the Investment Manger to identify and quantify this number which involves a thorough process of reviewing every tenant that has rent outstanding. The Board also receives regular updates on rent collection, outstanding debtors and the related provision for bad debts. The Audit Committee concluded that, given the controls and reporting in place throughout the year, the provision for bad debts number included in the financial statements of £5,739,000 was appropriate as is the rent receivable figure of £20,634,000.

Review of Auditor

The objectivity of the auditor is reviewed by the Audit Committee, which also considers the terms under which the external auditor is appointed to perform non-audit services. The objectivity and independence of the auditor is safeguarded by obtaining assurances from the auditor that adequate policies and procedures exist within its firm to ensure the firm and its staff are independent of the Company by reason of family, finance, employment, investment and business relationships (other than in the normal course of the business) and enforcing a policy concerning the provision of non-audit services by the auditor which governs the types of work which are excluded. The Audit Committee reviews the scope and results of the audit including the following areas:

- quality of audit work including ability to resolve issues in a timely manner;
- working relationship with the Committee and Investment Manager;
- suitably qualified personnel involved in the audit; and
- effectiveness and the independence and objectivity of the auditors, with particular regard to non-audit fees.

The performance and effectiveness of the auditors in relation to the above points were considered through a formal evaluation template completed by the Committee and the Investment Manager.

The Audit Committee considers that it received all necessary information from the Company's service providers as well as from the external auditor in order for it to compile the necessary disclosures. The Committee noted the full co-operation of all parties in producing the Annual Report and no difficulties or disagreements were observed. Following the completion of the audit, the Audit Committee and Board followed a systematic approach to evaluate the auditor and the effectiveness of the audit process and found this to be satisfactory.

The Audit Committee conducted an audit tender process during 2015 and recommended to the Board that Deloitte LLP be appointed as auditor for the Group for the year ended 31 December 2016.

This appointment was approved by shareholders at the 2016 AGM, and at each AGM subsequently. Prior to the appointment of Deloitte LLP, Ernst & Young LLP acted as auditor for the Group from 2006 to 2015. Details of the amounts paid to Deloitte LLP during the year for audit fees is set out in note 5 to the accounts. The Company has complied with the provisions of The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014.

Deloitte is in its fifth year as auditor to the Company and in accordance with present professional guidelines the Senior Statutory Auditor will be rotated after no more than five years. The current Senior Statutory Auditor John Clacy has served for five years and hence will be replaced by David Becker for the 2021 audit.

The Committee notes the increase in fees charged by Deloitte LLP during the year, a trend that is being seen across the industry. The Committee will continue to monitor the progression of the fees charged to ensure they are in line with the peer group and represent value for money. In relation to non-audit fees, these amounted in aggregate to £Nil (2019: £Nil) for the year ended 31 December 2020. Where any non-audit fee is expected to exceed £25,000, the Company operates a policy under which specific prior approval must be given by the Committee.

The continued appointment of Deloitte LLP as independent auditor for the year ending 31 December 2021 will be subject to approval by shareholders. A resolution proposing the re-appointment of Deloitte LLP will be put to shareholders at the AGM to be held on 18 June 2021.

Recommendation to the Board

Following its review of the Annual Report & Accounts for the year ended 31 December 2020, the Audit Committee has advised the Board that it considers that the Annual Report & Accounts, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders and other users to assess the Company's position and performance, business model and strategy.

The Audit Committee is able to give this advice on the basis that it has carefully scrutinised the Annual Report & Accounts document, which is prepared by the Investment Manager and subsequently subject to external audit, specifically focusing on the significant issues detailed in this Report. In its consideration of the document, the members of the Audit Committee put themselves in the position of a shareholder and considered carefully whether the comments made are consistent with their view of the overall performance of the Company during the period under consideration. Specifically, consideration has been given to the Financial and Property Highlights section to ensure that the points raised in this have been selected so as to give a fair picture of the Company's position and that the performance data in the document has not been selected so as to give a misleadingly optimistic view of the Company. The Audit Committee has also critically reviewed the Investment Manager's report to ensure that the comments made in this are consistent with their knowledge of the Company and with the figures in the accounts. As with any Company, there are some elements in the accounts that are inevitably more complex than others and the Audit Committee has been at pains to have these expressed in clear language so as to make them as understandable as possible.

Michael Ayre
Chair of the Audit Committee
22 April 2021

This Remuneration Report comprises two parts:

- Remuneration Policy, which is subject to a binding shareholder vote every three years; and
- An annual report on the implementation of remuneration, which provides information on how the policy has been applied during the year and which will be subject to an advisory vote on the level of remuneration paid during the year as set out in the Implementation Report.

Remuneration Policy

This part of the Remuneration Report provides details of the Company's Remuneration Policy for Directors of the Company. This policy takes into consideration the principles of the AIC Code on Corporate Governance. As the Company has no employees and the Board is comprised wholly of non-executive Directors and given the size and nature of the Company, the Board has not established a separate remuneration committee. Consideration of Directors' fees and remuneration policy is undertaken by the Nomination and Remuneration Committee.

The Directors are non-executive and their fees are set within the limits of the Company's Articles of Association which limit the aggregate fees payable to the Board of Directors per annum. The level of cap may be increased by shareholder resolution from time to time. Subject to this overall limit, the Board's policy is that the remuneration of non-executive Directors should reflect the nature of their duties, responsibilities and the value of their time spent and be fair and comparable to that of other comparable vehicles that are similar in size, have a similar capital structure and have a similar investment objective.

There have been no changes to the policy during the period of this Report nor are there any proposals for change in the foreseeable future. No shareholder views were sought in setting the remuneration policy although any comments received from shareholders are considered.

Fees are annually reviewed against comparable vehicles and if considered appropriate, increased accordingly. Following a review of the Board of Directors' remuneration which took into account the nature of their duties, responsibilities and the value of their time spent as well as a review of other comparable vehicles that are similar in size, the Board approved an increase in the Chair fee from £65,000 to £70,000. There were no other changes to Directors' fees. Directors are entitled to the following fees during the year to 31 December 2021, subject to a further review in June 2021.

	2021 £	2020 £
Chair	70,000	65,000
Chair of Audit Committee	52,500	52,500
Chair of Risk Committee	46,000	46,000
Chair of Management Engagement Committee	46,000	46,000
Chair of Property Valuation Committee	46,000	46,000
Director	44,500	44,500

From 1 April 2020 to 31 December 2020, the Board of Directors agreed to reduce their Directors' fees by 20% as the economic impact of COVID-19 was experienced by stakeholders and tenants.

Appointment

- The Company only intends to appoint non-executive Directors.
- All the Directors are non-executive appointed under the terms of Letters of Appointment.
- Directors must retire and be subject to election at the first AGM after their appointment, and re-election annually thereafter.
- New appointments to the Board will be placed on the fee applicable to all Directors at the time of appointment (currently £44,500).
- No incentive or introductory fees will be paid to encourage a Directorship.
- The Directors are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits.
- The Company indemnifies its Directors for all costs, charges, losses, expenses and liabilities which may be incurred in the discharge of duties.

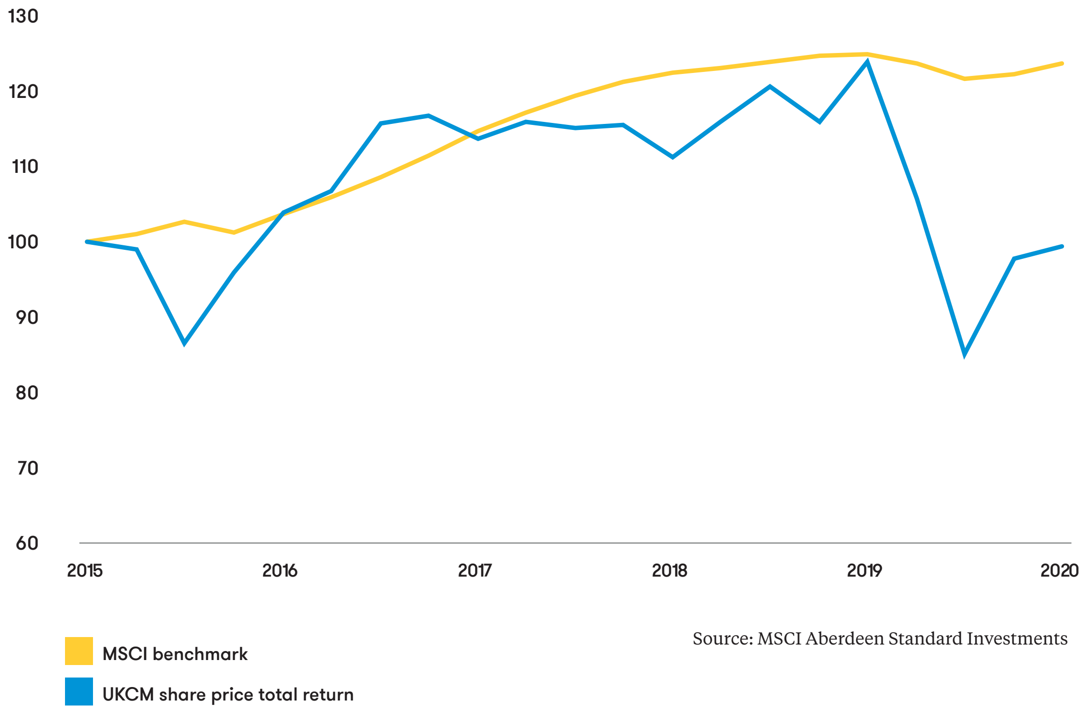
Performance, Service Contracts, Compensation and Loss of Office

- The Directors' remuneration is not subject to any performance related fee.
- No Director has a service contract.
- No Director was interested in contracts with the Company during the period or subsequently.
- The terms of appointment provide that a Director may be removed without notice.
- Compensation will not be due upon leaving office.
- No Director is entitled to any other monetary payment or any assets of the Company.

Directors' & Officers' liability insurance cover is maintained by the Company on behalf of the Directors.

The Remuneration Policy stated across was approved by shareholders at the 2019 AGM. There have been no changes to the Policy since then. It is the Board's intention that the Policy be put to a shareholders' vote every three years and an ordinary resolution in this regard will be proposed at the AGM in 2022.

TOTAL RETURN INDEX %



Source: MSCI Aberdeen Standard Investments

Implementation Report

Aggregate Fees

Article 79 of the Company's Articles of Association currently limits the aggregate fees payable to the Board of Directors to a total of £400,000 per annum as approved by the Company's shareholders at the AGM in 2019.

	2021 £	2020 £
Chair	70,000	65,000
Chair of Audit Committee	52,500	52,500
Chair of Risk Committee	46,000	46,000
Chair of Management Engagement Committee	46,000	46,000
Chair of Property Valuation Committee	46,000	46,000
Director	44,500	44,500

Company Performance

Although the Company has appointed Aberdeen Standard Fund Mangers Limited as an external investment manager pursuant to the terms of the investment management agreement set out in note 4 to the accounts, the Board is responsible for the Company's investment strategy and performance.

The following graph compares the total return (assuming all dividends are reinvested) to ordinary shareholders compared with the total return on the Company's MSCI benchmark over a five year period to 31 December 2020 (rebased to 100 at 31 December 2015).

Fees Payable (audited)

The total fee payable to each Director who served during the present and previous financial year of the Company is shown in the following table.

The fees of Sandra Platts were paid to Altair Guernsey Limited, a Director services business based in the Channel Islands of which she is a Director.

	2020[1]	2019[2]	% change in directors fees
Ken McCullagh[3]	55,250	57,500	-3.9
Michael Ayre[4]	44,625	51,000	-12.5
Robert Fowlds	37,825	49,500	-23.6
Christopher Fry[5]	39,100	—	n/a
Margaret Littlejohns	39,100	51,000	-23.3
Sandra Platts	39,100	51,000	-23.3
Andrew Wilson[6]	—	70,000	n/a
Directors National Insurance and expenses	17,226	20,385	—
Total	272,226	350,385	—

From 1 April 2020 to 31 December 2020, the Board of Directors agreed to reduce their Directors' fees by 20% as the economic impact of COVID-19 was experienced by stakeholders and tenants.

1. Each Director received an additional £5,000 for work undertaken on the debt refinancing and extension of the investment policy in 2019.
2. Chair of the Audit Committee to 31 December 2019 and Chair of the Board from 1 January 2020.
3. Chair of the Property Valuation Committee to 31 December 2019 and Chair of the Audit Committee from 1 January 2020.
4. Appointed to the Board and as Chair of the Property Valuation Committee on 1 January 2020.
5. Retired from the Board and as Chair on 31 December 2019.

Fees are pro-rated where a change or appointment takes place during a financial year.

The following table shows the actual expenditure during the year in relation to Directors' remuneration and shareholder distributions.

	Year to 31 December 2020	Year to 31 December 2019
Aggregate Directors' Remuneration	£272,226	£350,385
Aggregate Shareholder Distributions	£29,886,488	£47,818,378

REMUNERATION REPORT 2020

99%

Shareholder votes in favour

The graphic above shows the results in respect of the resolution to approve the Directors' Remuneration Report at the AGM in August 2020.

Directors' Interests in the Company

The Directors are not required to have a shareholding in the Company. The audited Directors' interests in the share capital of the Company are shown in the Report of the Directors on page 43. Approved by the Board on 22 April 2021.

Ken McCullagh
Director
22 April 2021

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for preparing the Annual Report and the Group financial statements in accordance with applicable Guernsey law and those International Financial Reporting Standards ("IFRS") as have been adopted by the European Union. They are also responsible for ensuring that the Annual Report includes information required by the Rules of the UK Listing Authority.

The Directors are required to prepare Group financial statements for each financial year which give a true and fair view of the financial position of the Group and the financial performance and cash flows of the Group for that period. In preparing those Group financial statements the Directors are required to:

- select suitable accounting policies in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance;
- state that the Group has complied with IFRS, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the Group financial statements comply with the Companies (Guernsey) Law 2008. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of 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 Rules 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 AIC Code on Corporate Governance applicable to the Group.

We confirm that to the best of our knowledge:

- the Group financial statements, prepared in accordance with the IFRS, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and comply with the Companies Law;
- that in the opinion of the Board, the Annual Report & Accounts taken as a whole, is fair, balanced and understandable and it provides the information necessary to assess the Group's position and performance, business model and strategy; and
- the Strategic Report includes a fair review of the progression and performance of the business and the position of the Group together with a description of the principal risks and uncertainties that it faces.

On behalf of the Board

Ken McCullagh
Director
22 April 2021

Independent Auditor's Report and Financial Statements

UK Commercial Property REIT

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UK COMMERCIAL PROPERTY REIT LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

In our opinion the financial statements of UK Commercial Property REIT Limited (the 'parent company') and its subsidiaries (the 'Group'):
give a true and fair view of the state of the Group's affairs as at 31 December 2020 and of the Group's profit for the year then ended;
have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
have been prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

We have audited the financial statements which comprise:
the consolidated statement of comprehensive income;
the consolidated balance sheet;
the consolidated statement of changes in equity;
the consolidated cash flow statement; and
the related notes 1 to 21.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group and parent company.

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

While the parent company is not a public interest entity subject to European Regulation 537/2014, the directors have decided that the parent company should follow the same requirements as if that Regulation applied to the parent company.

SUMMARY OF OUR AUDIT APPROACH

Key audit matters	The key audit matters that we identified in the current year were: ▲ Investment property valuation; and ▲ Recoverability of rental income receivable. Within this report, key audit matters are identified as follows: ! Newly identified ↑ Increased level of risk ⟷ Similar level of risk ↓ Decreased level of risk
Materiality	The materiality that we used for the Group financial statements in the current year was £11.3m which was determined on the basis of 1% of Net Asset Value.
Scoping	All audit work for the Group was performed directly by the Group engagement team. All of the Group's subsidiaries that are registered as Guernsey Companies are subject to full scope audits.
Significant changes in our approach	Newly identified key audit matters, our response and findings are noted in section 5 below. Other than this, there were no significant changes in our approach in the current year.

CONCLUSIONS RELATING TO GOING CONCERN

Going concern

Our evaluation of the directors' assessment of the Group's ability to continue to adopt the going concern basis of accounting included:

- Challenged management's assessment of going concern and the assumptions, including income, expenditure and cash forecasts, used in their 12 month and 5 year forecast models;
- Evaluated the maturity of group debt and the effect of repayment dates on the going concern assumption and the longer term viability of the Group;
- Performed fair value and income sensitivity analysis, which we compared to management stress testing results; and
- Reviewed banking covenants to assess compliance as at the balance sheet date.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the reporting on how the group has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified.

These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Investment property valuations (⟷)

Key audit matter description

Valuations are inherently complex and require significant judgement and estimation around the key inputs and assumptions. We have pinpointed that the main judgements are around equivalent yields and estimated market rent, in particular in certain property sectors most impacted by COVID-19, and thus this was the focus of our key audit matter.

Valuation of the investment property is the most judgemental area of the financial statements and therefore the most susceptible to fraudulent manipulation. Given the high level of judgement involved, we have determined that there was a potential for fraud through possible manipulation of this balance.

Management's valuation is based on the external valuation provided by CBRE Limited, chartered surveyors. The valuation of the investment property portfolio at 31 December 2020 amounted to £1,173m (2019: £1,310m).

Refer to notes 1(b), 1(h) of Accounting policies on pages 68–69 and note 10 on page 76 of the Notes to the Financial Statements. Also refer to the audit committee report pages 50–52.

How the scope of our audit responded to the key audit matter

We performed the following:

- Obtained an understanding of the relevant controls in relation to the valuation process;
- Evaluated the competence, capability and objectivity of the external valuer in order to obtain an understanding of the work of that expert;
- With the involvement of our real estate specialists we challenged the external valuer on their valuation process and assumptions, performance of the portfolio, significant assumptions and significant judgements, by benchmarking the valuation assumptions, in particular the equivalent yields and estimated market rates, to relevant market evidence including specific property transactions and other external data;
- Performed audit procedures to assess the integrity of information provided to the external valuer, including testing on a sample basis back to underlying lease agreements; and
- Reviewed the financial statements disclosures and assessed whether the significant judgements and estimations are appropriately disclosed.

Key observations

We concluded that the fair value of the Group's investment property valuation as determined by management is appropriate.

Recoverability of rental income receivable

Key audit matter description	How the scope of our audit responded to the key audit matter	Key observations
As a result of COVID-19, rent collection levels are below what has historically been collected having and this has resulted in an increase in the bad debt provision in the year. There is a risk that the Group's revenue has not been recognised correctly due to inadequate impairment of the rental income receivable. The impact of the COVID-19 pandemic and associated lockdowns and social restrictions on certain tenants may result in rental payments no longer being made due to cash flow difficulties. We therefore identified a key audit matter in relation to the recoverability of rental income and the impairment assessment on rental income receivable for the Group as at the reporting date. Management perform a bottom up process of reviewing every tenant that has rent outstanding to identify and quantify the provision related to bad debts due from rental debtors. The provision for bad debts amount included in the financial statements at 31 December 2020 is £5.74m (2019: £0.96m). Refer to notes 1(b), 1(m) of Accounting policies on pages 68–69 and note 12 on page 78 of the Notes to the Financial Statements. Also refer to the audit committee report pages 50–52.	We performed the following: ▲ Obtained an understanding of the management's processes and obtained an understanding of relevant controls relating to the recoverability of rental income; ▲ Tested the considerations used by management to recalculate the rent receivable amount and assess the provisions applied; ▲ Assessed the ageing of income accrued and tested the recoverability for a sample of balances with regard to cash received after the balance sheet date; ▲ To address the increased risk posed by COVID-19, reviewed the Group's Expected Credit Loss workings, which should correspond to the assessed recoverability of accrued rental income recognised at year end, and assessed whether these align to IFRS 9; and ▲ Assessed whether any critical judgement or sources of estimation uncertainty were applied and appropriately disclosed.	We concluded that the bad debt provision as determined by management is appropriate.

OUR APPLICATION OF MATERIALITY

Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Group materiality

£11.3 million (2019: £11.7 million)

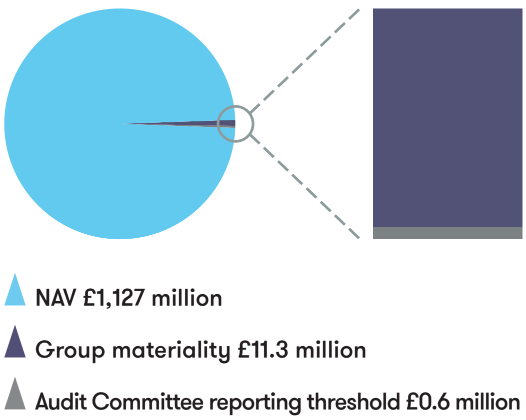
Basis for determining materiality

1% of the Net Asset Value, in line with prior year.

Rationale for the benchmark applied

Net Assets is the key balance considered by the users of the financial statements which is consistent with the market approach for such entities. Net Assets was selected as investors are seeking capital appreciation in addition to dividend streams and the net asset value per share is an important indicator of performance to investors.

In addition to net assets, we consider EPRA Adjusted Profit After Tax as a critical performance measure for the Group and a measure which is widely used within the Real Estate industry. We applied a lower level materiality of £1.8 million (2019: £2.2 million), which equates to 5% (2018: 5%) of that measure for testing all balances impacting that measure.



Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Group performance materiality was set at 60% of Group materiality for the 2020 audit (2019: 70%). In determining performance materiality, we considered the following factors:

A. the impact of COVID-19 on the Group's operations in the year and on the wider real estate sector;

B. the fact that we have not identified any significant changes in business structure; and

C. our experience from previous audits has indicated a low number of corrected and uncorrected misstatements identified in prior periods.

Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.6m (2019: £0.6m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Scoping

The Group consists of the Company UK Commercial Property REIT Limited and its subsidiaries, which are all registered in Guernsey. Our Group audit was scoped by obtaining an understanding of the Group and its environment, including internal controls, and assessing the risks of material misstatement at the Group level. The Group is audited by one audit team, led by the Senior Statutory Auditor. The audit is performed centrally, as the books and records for each entity within the Group are maintained at head office. All of the Group's subsidiaries that are registered as Guernsey Companies are subject to full scope audits. We perform analytical review procedures on UKCPT Limited Partnership which does not require an audit. We also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information.

As part of our risk assessment, we assessed the control environment in place at the investment manager, Aberdeen Standard Investments and the managing agent, Jones Lang LaSalle, to the extent relevant to our audit.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon.

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

RESPONSIBILITIES OF DIRECTORS

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

In preparing the financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the 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 FINANCIAL STATEMENTS

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at:

www.frc.org.uk/auditorsresponsibilities

This description forms part of our auditor's report.

EXTENT TO WHICH THE AUDIT WAS CONSIDERED CAPABLE OF DETECTING IRREGULARITIES, INCLUDING FRAUD

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the company's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management and the audit committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the company's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and involving relevant internal specialists, including tax and valuations specialists, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: Investment property valuation and recoverability of rental income receivable. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the Listing Rules and Companies (Guernsey) Law, 2008.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty. This included compliance with the REIT regime rules.

Audit response to risks identified

As a result of performing the above, we identified investment property valuation and recoverability of rental income receivable as key audit matters related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

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

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the audit committee and external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

OPINION ON OTHER MATTER PRESCRIBED BY OUR ENGAGEMENT LETTER

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the provisions of the UK Companies Act 2006 as if that Act had applied to the company.

CORPORATE GOVERNANCE STATEMENT

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the group's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- the directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 44;
- the directors' explanation as to its assessment of the group's prospects, the period this assessment covers and why the period is appropriate set out on page 42;
- the directors' statement on fair, balanced and understandable set out on page 46;
- the board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 44;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 44; and
- the section describing the work of the audit committee set out on page 46.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Adequacy of explanations received and accounting records

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; or
- proper accounting records have not been kept by the parent company; or
- the financial statements are not in agreement with the accounting records.

We have nothing to report in respect of these matters.

OTHER MATTERS

Auditor tenure

Following the recommendation of the audit committee, we were appointed by the board of directors on 16 August 2016 to audit the financial statements for the year ending 31 December 2016 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is five years, covering the years ending 31 December 2016 to 31 December 2020.

Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).

USE OF OUR REPORT

This report is made solely to the company's members, as a body, in accordance with Section 262 of the Companies (Guernsey) Law, 2008. 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 auditor's report and/or those matters we have expressly agreed to report to them on in our engagement letter 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.

John Clacy
Senior statutory auditor
For and on behalf of Deloitte LLP
Recognised Auditor,
St Peter Port, Guernsey

22 April 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
REVENUE			
Rental income	2	64,656	71,754
Service charge income	3	6,500	6,234
(Losses) on investment properties and disposal of subsidiaries	10	(45,485)	(43,094)
Interest income		236	238
Total income		**25,907**	**35,132**
EXPENDITURE			
Investment management fee	4	(8,063)	(8,700)
Direct property expenses	5	(4,845)	(4,226)
Service charge expenses	5	(6,500)	(6,234)
Other expenses	5	(8,584)	(5,222)
Total expenditure		**(27,992)**	**(24,382)**
Operating (Loss)/Profit before finance costs		**(2,085)**	**10,750**
FINANCE COSTS			
Finance costs	6	(8,197)	(8,359)
Loss on derecognition of interest rate swap		—	(703)
Total Finance Costs		**(8,197)**	**(9,062)**
Net (Loss)/profit from ordinary activities before taxation		(10,282)	1,688
Taxation on profit on ordinary activities	7	—	(45)
Net (loss)/profit for the year		**(10,282)**	**1,643**
OTHER COMPREHENSIVE INCOME TO BE RECLASSIFIED TO PROFIT OR LOSS			
Gain arising on effective portion of interest rate swap	14	—	703
(Loss) arising on effective portion of interest rate swap	14	—	(1)
Other comprehensive income		—	**702**
Total comprehensive (deficit)/income for the year		**(10,282)**	**2,345**
Basic and diluted earnings per share	9	**(0.79)p**	**0.13p**
EPRA earnings per share (excluding non-recurring tax items)	9	**2.71p**	**3.50p**

All of the losses and total comprehensive deficit for the year is attributable to the owners of the Company. All items in the above statement derive from continuing operations. Additional EPRA performance measures are on pages 88–91.

The accompanying notes are an integral part of this statement.

CONSOLIDATED BALANCE SHEET
As at 31 December 2020

	Notes	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
NON-CURRENT ASSETS			
Investment properties	10	1,172,812	1,309,541
Interest rate swap	14	—	—
		1,172,812	**1,309,541**
CURRENT ASSETS			
Investment properties held for sale	10	10,000	48,850
Trade and other receivables	12	47,432	30,262
Cash and cash equivalents		122,742	48,984
		180,174	**128,096**
Total assets		**1,352,986**	**1,437,637**
CURRENT LIABILITIES			
Trade and other payables	13	(28,161)	(23,046)
Interest rate swap	14	—	—
		(28,161)	**(23,046)**
NON-CURRENT LIABILITIES			
Bank loan	14	(197,849)	(247,447)
Interest rate swap	14	—	—
		(197,849)	(247,447)
Total liabilities		**(226,010)**	**(270,493)**
Net assets		**1,126,976**	**1,167,144**
REPRESENTED BY			
Share capital	15	539,872	539,872
Special distributable reserve		572,392	567,075
Capital reserve		14,712	60,197
Revenue reserve		—	—
Interest rate swap reserve		—	—
Equity shareholders' funds		**1,126,976**	**1,167,144**
Net asset value per share	16	**86.7p**	**89.8p**
EPRA Net asset value per share	16	**86.7p**	**89.8p**

The accounts on pages 64–87 were approved and authorised for issue by the Board of Directors on 22 April 2021 and signed on its behalf by:

Ken McCullagh
Director

Margaret Littlejohns
Director

The accompanying notes are an integral part of this statement.
Company Registration Number: 45387

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Notes	Share Capital £'000	Special Distributable Reserve £'000	Capital Reserve £'000	Revenue Reserve £'000	Interest Rate Swap Reserve £'000	Equity Shareholders' funds £'000
At 1 January 2020		539,872	567,075	60,197	—	—	1,167,144
Net Loss for the year		—	—	—	(10,282)	—	(10,282)
Other comprehensive income		—	—	—	—	—	—
Total comprehensive income		—	—	—	(10,282)	—	(10,282)
Dividends paid	8	—	—	—	(29,886)	—	(29,886)
Transfer in respect of losses on investment property	10	—	—	(45,485)	45,485	—	—
Transfer from special distributable reserve		—	5,317	—	(5,317)	—	—
As 31 December 2020		**539,872**	**572,392**	**14,712**	—	—	**1,126,976**

For the year ended 31 December 2019

	Notes	Share Capital £'000	Special Distributable Reserve £'000	Capital Reserve £'000	Revenue Reserve £'000	Interest Rate Swap Reserve £'000	Equity Shareholders' funds £'000
At 1 January 2019		539,872	570,158	103,291	—	(702)	1,212,619
Net Profit for the year		—	—	—	1,643	—	1,643
Other comprehensive income		—	—	—	—	702	702
Total comprehensive income		—	—	—	1,643	702	2,345
Dividends paid	8	—	—	—	(47,820)	—	(47,820)
Transfer in respect of losses on investment property	10	—	—	(43,094)	43,094	—	—
Transfer from special distributable reserve		—	(3,083)	—	3,083	—	—
As 31 December 2019		**539,872**	**567,075**	**60,197**	—	—	**1,167,144**

The accompanying notes are an integral part of this statement.

CONSOLIDATED
CASH FLOW STATEMENT
For the year ended 31 December 2020

	Notes	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net (Loss)/Profit for the year before taxation		(10,282)	1,688
Adjustments for:			
Losses on investment properties	10	45,485	43,094
Movement in lease incentives	10	(4,805)	(5,180)
Movement in provision for bad debts	12	(4,784)	(236)
Increase in operating trade and other receivables		(7,582)	(1,081)
Increase/(Decrease) in operating trade and other payables		5,321	(13,503)
Finance costs	6	8,197	8,359
Loss on derecognition of interest rate swap	14	—	702
Cash generated by operations		31,550	33,843
Tax paid		(293)	(1,779)
Net cash inflow from operating activities		**31,257**	**32,064**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investment properties	10	(24,669)	—
Sale of investment properties	10	158,194	46,250
Capital expenditure	10	(3,570)	(14,692)
Net cash inflow from operating activities		**129,955**	**31,558**
CASH FLOWS FROM FINANCING ACTIVITIES			
Facility fee charges from bank financing		(864)	(2,092)
Dividends paid	8	(29,886)	(47,820)
Bank loan repaid	14	(50,000)	—
Bank loan interest paid		(6,704)	(7,344)
Payments under interest rate swap arrangement		—	(184)
Swap breakage costs		—	(703)
Net cash outflow from financing activities		**(87,454)**	**(58,143)**
Net increase in cash and cash equivalents		**73,758**	**5,479**
Opening cash and cash equivalents		**48,984**	**43,505**
Closing cash and cash equivalents		**122,742**	**48,984**
REPRESENTED BY			
Cash at bank		39,599	25,453
Money market funds		83,143	23,531
		122,742	**48,984**

The accompanying notes are an integral part of this statement.

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

The consolidated accounts have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board (the IASB), interpretations issued by the IFRS Interpretations Committee that remain in effect, and to the extent that they have been adopted by the European Union, applicable legal and regulatory requirements of Guernsey law and the Listing Rules of the UK Listing Authority. The audited Consolidated Financial Statements of the Group have been prepared under the historical cost convention as modified by the measurement of investment property and derivative financial instruments at fair value. The consolidated financial statements are presented in pound sterling.

The Directors have considered the basis of preparation of the accounts given the COVID-19 pandemic and believe that it is still appropriate for the accounts to be prepared on the going concern basis.

(b) Significant accounting judgements, estimates and assumptions

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the amounts recognised in the financial statements. However, uncertainty about these judgements, assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future. In applying the Group's accounting policies, there were no critical accounting judgements.

Key estimation uncertainties

Fair value of investment properties: Investment property is stated at fair value as at the balance sheet date as set out in note 1(h) and note 10 to these accounts.

The determination of the fair value of investment properties requires the use of estimates such as future cash flows from the assets and unobservable inputs such as capitalisation rates. The estimate of future cash flows includes consideration of the repair and condition of the property, lease terms, future lease events, as well as other relevant factors for the particular asset. These estimates are based on local market conditions existing at the balance sheet date.

Provision for bad debts are also a key estimation uncertainty. These are measured with reference to amounts included as income at the year end but not yet collected. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward-looking information.

Due to the impact of COVID-19 on collection rates, there has been a significant increase in our assessed credit risk. Each individual rental income debtor is reviewed to assess whether it is believed there is a probability of default and expected credit loss given the knowledge and intelligence of the individual tenant and an appropriate provision made.

(c) Basis of Consolidation

The consolidated accounts comprise the accounts of the Company and its subsidiaries drawn up to 31 December each year. Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. The Jersey Property Unit Trusts ("JPUTS") are all controlled via voting rights and hence those entities are consolidated.

(d) Functional and Presentation currency

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which the Company and its subsidiaries operate ("the functional currency") which is pounds sterling. The financial statements are also presented in pounds sterling. All figures in the financial statements are rounded to the nearest thousand unless otherwise stated.

(e) Revenue Recognition

Rental income, excluding VAT, arising from operating leases (including those containing stepped and fixed rent increases) is accounted for in the Consolidated Statement of Comprehensive Income on a straight line basis over the lease term. Lease premiums paid and rent free periods granted, are recognised as assets and are amortised over the non-cancellable lease term.

Non-rental service charge income is recognised in the period where the non-rental service charge income is received.

Interest income is accounted on an accruals basis and included in operating profit.

(f) 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.

(g) Taxation

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current income tax relating to items recognised directly in equity is recognised in equity and not in profit or loss. Positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation are periodically evaluated and provisions established where appropriate.

Deferred income tax is provided using the liability method on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which deductible temporary differences, carried forward tax credits or tax losses can be utilised.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities. In determining the expected manner of realisation of an asset the directors consider that the Group will recover the value of investment property through sale. Deferred income tax relating to items recognised directly in equity is recognised in equity and not in profit or loss.

(h) Investment Properties

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 during which the expenditure is incurred and included within the book cost of the property.

After initial recognition, investment properties are measured at fair value, with the movement in fair value recognised in the Consolidated Statement of Comprehensive Income and transferred to the Capital Reserve. Fair value is based on the external valuation provided by CBRE Limited, chartered surveyors, at the Balance Sheet date. The assessed fair value is reduced by the carrying amount of any accrued income resulting from the spreading of lease incentives and/or minimum lease payments.

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

Recognition and derecognition occurs when the significant risks and rewards of ownership of the properties have transferred between a willing buyer and a willing seller.

Investment property is transferred to current assets held for sale when it is expected that the carrying amount will be recovered principally through sale rather than from continuing use. For this to be the case, the property must be available for immediate sale in its present condition, subject only to terms that are usual and customary for sales of such property and its sale must be highly probable.

The Group has entered into forward funding agreements with third party developers in respect of certain properties. Under these agreements the Group will make payments to the developer as construction progresses. The value of these payments is assessed and certified by an expert. Investment properties are recognised for accounting purposes upon completion of contract. Properties purchased under forward funding contracts are recognised at certified value to date.

Management considers each property transaction separately, with an assessment carried out to determine whether the transaction represents an asset acquisition or business combination. In making its judgement on whether the acquisition of property through the purchase of a corporate vehicle represents an asset acquisition or business combination, management consider whether the integrated set of assets and activities acquired contain both input and processes along with the ability to create outputs.

(i) Operating Lease Contracts

The Group has entered into commercial property leases on its investment property portfolio.

The Group as lessor

When the Group acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. The Group has assessed all leases where it acts as a lessor, based on an evaluation of the terms and conditions of the arrangements, and has determined that the Group retains all the significant risks and rewards of ownership of these properties therefore, the leases are accounted for as operating leases. Where the Group does not retain all the significant risks and rewards of ownership these leases would be classified as finance leases.

Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as intermediate lessor

When the Group is an intermediate lessor, it accounts for its interest in the head lease and the sub-lease separately. The Group has assessed all leases where it acts as an intermediate lessor, based on an evaluation of the terms and conditions of the arrangements, and has identified that all head leases have low value at the lease commencement date.

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets. The Group classifies the sub-leases as operating leases and accounts for the lease payments on a straight-line basis over the lease terms.

(j) Share Issue Expenses

Incremental external costs directly attributable to the issue of shares that would otherwise have been avoided are written off to capital reserves.

(k) Segmental Reporting

The Directors are of the opinion that the Group is engaged in a single segment of business being property investment in the United Kingdom. The Directors are of the opinion that the four property sectors analysed throughout the financial statements constitute this single segment, and are not separate operating segments as defined by IFRS 8 Operating Segments.

(l) Cash and Cash Equivalents

Cash and cash equivalents are defined as cash in hand, demand deposits, and other short-term highly liquid investments readily convertible within three months or less to known amounts of cash and subject to insignificant risk of changes in value.

(m) Trade and Other Receivables

Trade receivables are recognised initially at their transaction price unless they contain a significant financing component, when they are recognised at fair value. Trade receivables are subsequently measured at amortised cost using the effective interest method.

Other receivables are initially recognised at fair value plus any directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

The Group loss allowance is based on expected credit loss as calculated using the “provision matrix” approach and a forward-looking component based on individual tenant profiles. The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full. The Group writes off trade receivables when there is no reasonable expectation of recovery.

(n) Trade and Other Payables

Rental income received in advance represents the pro-rated rental income invoiced before the year end that relates to the period post the year end. VAT payable is the difference between output and input VAT at the year end. Other payables are accounted for on an accruals basis and include amounts which are due for settlement by the Group as at the year end and are generally carried at the original invoice amount. An estimate is made for any services incurred at the year end but for which no invoice has been received.

(o) Reserves

Share Capital

This represents the proceeds from issuing ordinary shares.

Special Distributable Reserve

The special reserve is a distributable reserve to be used for all purposes permitted under Guernsey law, including the buyback of shares and the payment of dividends. Dividends can be paid from all of the below listed reserves.

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 and payment of dividends is taken to this reserve, with any deficit charged to the special distributable reserve.

Interest Rate Swap Reserve

Any surplus/deficit arising from the marked to market valuation of the swap instrument is credited/charged to this account.

Treasury Share Reserve

This represents the cost of shares bought back by the Company and held in Treasury. The balance within this reserve is currently nil.

(p) Interest-bearing borrowings

All bank loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of arrangement costs associated with the borrowing. After initial recognition, all interest bearing loans and borrowings are subsequently measured at amortised cost. 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 redemptions being taken to the Statement of Comprehensive Income.

(q) Derivative financial instruments

The Group used derivative financial instruments to hedge its risk associated with interest rate fluctuations.

Derivative instruments are initially recognised in the Balance Sheet at their fair value split between current and non-current. Fair value is determined by reference to market values for similar instruments. Transaction costs are expensed immediately.

Gains or losses arising on the fair value of cash flow hedges in the form of derivative instruments are taken directly to Other Comprehensive Income. Such gains and losses are taken to a reserve created specifically for that purpose, described as the Interest Rate Swap Reserve in the Balance Sheet.

On termination the unrealised gains or losses arising from cash flow hedges in the form of derivative instruments, initially recognised in Other Comprehensive Income, are transferred to profit or loss.

The Group considers its interest rate swap qualifies for hedge accounting when the following criteria are satisfied:

- The instrument must be related to an asset or liability;
- It must change the character of the interest rate by converting a variable rate to a fixed rate or vice versa;
- It must match the principal amounts and maturity date of the hedged item; and
- As a cash flow hedge the forecast transaction (incurring interest payable on the bank loan) that is subject to the hedge must be highly probable and must present an exposure to variations in cash flows that could ultimately affect the profit or loss. The effectiveness of the hedge must be capable of reliable measurement and must be assessed as highly effective on an ongoing basis throughout the financial reporting periods for which the hedge was designated.

If a derivative instrument does not satisfy the Group's criteria to qualify for hedge accounting that instrument will be deemed as an ineffective hedge.

Should any portion of an ineffective hedge be directly related to an underlying asset or liability, that portion of the derivative instrument should be assessed against the Group's effective hedge criteria to establish if that portion qualifies to be recognised as an effective hedge.

Where a portion of an ineffective hedge qualifies against the Group's criteria to be classified as an effective hedge that portion of the derivative instrument shall be accounted for as a separate and effective hedge instrument and treated as other comprehensive income.

Gains or losses arising on any derivative instrument or portion of a derivative instrument which is deemed to be ineffective will be recognised in profit or loss. Gains and losses, regardless of whether related to effective or ineffective hedges, are taken to a reserve created specifically for that purpose described in the balance sheet as the Interest Rate Swap Reserve.

(r) New standards, amendments and interpretation

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2020 and have been adopted by the Group. None of these are expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

- Amendments to 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.

There are no other IFRS's or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

Annual Improvements to IFRS

The Group has made no adjustments to its financial statements in relation to IFRS Standards detailed in the annual Improvements to IFRS 2018–2020 Cycle (effective for annual reporting periods beginning on or after 1 January 2022). The Group will consider these amendments in due course to see if they will have any impact on the Group.

2. RENTAL INCOME

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Rental income	64,656	71,754

3. SERVICE CHARGE INCOME

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Service charge income	6,500	6,234

The Group's managing agents Jones Lang LaSalle manage service charge accounts for all the Group's properties and also bill all rents due from 1 March 2020.

Service charges on rented properties are detailed in note 5 Service charge expenses, are recharged to tenants.

The service charge paid by the Group in respect of void units was £0.8 million (2019: £1.2 million) and is included within note 5 Direct Property Expenses.

4. INVESTMENT MANAGEMENT FEES

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Investment management fee	8,063	8,700

The Group's Investment Manager is Aberdeen Standard Fund Managers Limited.

The Investment Manager received an aggregate annual fee from the Group at an annual rate of 0.60 (2019: 0.60) per cent of the Total Assets.

In 2020, the Company paid the Investment Manager £240,000 (2019: £240,000) for marketing services which is included in other expenses. The Investment Management agreement is terminable by either of the parties to it on 12 months' notice.

5. EXPENSES

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Direct Property Expenses	4,845	4,226
Service charge expenses	6,500	6,234
OTHER EXPENSES		
Professional fees (including valuation fees)	2,919	3,981
Movement in bad debt provision	4,784	236
Directors' fees and expenses	272	350
Marketing fee	240	240
Administration and company secretarial fees	85	85
Regulatory fees	156	240
Auditor's remuneration for:		
Statutory audit	128	90
Non audit services	—	—
	8,584	**5,222**

6. FINANCE COSTS

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Interest on principal loan amount	6,952	7,170
Amounts payable in respect of interest rate swap arrangement	—	30
Facility fees	842	588
Amortisation of loan set up fees	403	571
	8,197	**8,359**

7. TAXATION

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
NET PROFIT FROM ORDINARY ACTIVITIES BEFORE TAX	(10,282)	1,688
UK Corporation tax at a rate of 19 per cent (2019: 19%)	(1,953)	321
Effect of:		
Capital losses/(gains) on Investment properties not taxable	8,642	8,188
UK REIT exemption on net income	(6,689)	(8,509)
Income not taxable	—	—
Intercompany loan interest	—	—
Expenditure not allow for tax purposes	—	—
Total current tax charge	—	—
Net movement in deferred tax asset	—	—
Net under accrual of tax from previous year	—	45
Total tax charge	—	45

The Group migrated tax residence to the UK and elected to be treated as a UK REIT with effect from 1 July 2018. As a UK REIT, the income profits of the Group's UK property rental business are exempt from corporation tax as are any gains it makes from the disposal of its properties, provided they are not held for trading or sold within three years of completion of development. 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% of the income profits of the Group's UK property rental business. There are a number of other conditions that also are required to be met by the Company and the Group to maintain REIT tax status. These conditions were met in the period and the Board intends to conduct the Group's affairs such that these conditions continue to be met for the foreseeable future. Accordingly, deferred tax is no longer recognised on temporary differences relating to the property rental business or income tax losses previously built up.

The Company owns five Guernsey tax exempt subsidiaries, UK Finance Holdings Limited (UKFH), UK Commercial Property GP Limited (GP), UK Commercial Property Holdings Limited (UKCPH), UK Commercial Property Estates Limited (UKCPEL) and UK Commercial Property Estates Holdings Limited (UKCPEH). GP and UKCPH are partners in a Guernsey Limited Partnership ("the Partnership"). UKCFH and UKCPH own two JPUTS. UKCPEL and UKCPEH also own two JPUTS. The Company and its Guernsey subsidiaries have obtained exempt company status in Guernsey so that they are exempt from Guernsey taxation on income arising outside Guernsey and bank interest receivable in Guernsey.

In the prior year there was a net under-accrual of income tax of £78,000 and a net over-accrual of £33,000 of corporation tax resulting in an overall tax charge of £45,000.

The components of the tax charge in the consolidated income statement are as follows:	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
RECONCILIATION OF CURRENT CORPORATION AND INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT		
Income Tax charge in the year	—	0
Adjustment in respect of prior year under provision of income tax	—	78
Adjustment in respect of prior year over provision of corporation tax	—	(33)
	—	**45**

8. DIVIDENDS

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
DIVIDENDS ON ORDINARY SHARES		
Interim dividends paid per ordinary share:		
2019 Fourth interim: property income dividend ("PID") of 0.506p and Ordinary dividend ("Non PID") of 0.414p paid 28 February 2020 (2018 Fourth interim: PID of 0.775p, Non-PID of 0.145p)	11,955	11,955
2020 First interim: PID of 0.46p paid 31 May 2020 (2019 First interim: PID of 0.92p)	5,977	11,955
2020 Second interim: PID of 0.46p paid 30 August 2020 (2019 Second interim: PID of 0.92p)	5,977	11,955
2020 Third interim: PID of 0.46p paid 29 November 2020 (2019 Third interim: PID 0.658p and Non PID 0.262p)	5,977	11,955
	29,886	**47,820**

A fourth interim PID of 0.46p was paid on 26 February 2021 to shareholders on the register on 12 February 2021. Although this payment relates to the year ended 31 December 2020, under International Financial Reporting Standards it will be accounted for in the year ending 31 December 2021. A fifth interim dividend for 2020 of 0.531p per share was declared on 23 April 2021 and is payable in May 2021.

9. BASIC AND DILUTED EARNINGS PER SHARE

	Year ended 31 December 2020	Year ended 31 December 2019
Weighted average number of shares	1,299,412,465	1,299,412,465
Net (Loss)/Profit (£)	(10,281,506)	1,643,000
Basic and diluted Earnings per share (pence)	(0.79)	0.13
EPRA earnings per share (pence)[1]	**2.71**	**3.50**

1 A breakdown of the calculation is detailed in the table A. EPRA Earnings on page 90.

As there are no dilutive instruments outstanding, basic and diluted earnings per share are identical.

Earnings per share are based on the net profit of the year divided by the weighted average number of Ordinary Shares in issue during the period.

10. INVESTMENT PROPERTIES

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
FREEHOLD AND LEASEHOLD PROPERTIES		
Opening valuation	1,358,391	1,430,851
Purchase at cost	24,669	—
Capital expenditure	3,570	14,692
(Loss)on revaluation to market value	(39,187)	(15,172)
Disposals at prior year valuation	(159,826)	(66,800)
Lease incentive movement	(4,805)	(5,180)
Total fair value at 31 December	**1,182,812**	**1,358,391**
Less: reclassified as held for sale	**(10,000)**	**(48,850)**
Fair value as at 31 December	**1,172,812**	**1,309,541**

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
(LOSSES) ON INVESTMENT PROPERTIES AT FAIR VALUE COMPRISE		
Valuation (losses)	(39,187)	(15,172)
Movement in provision for lease incentives	(4,805)	(5,180)
(Loss)on disposal	(1,493)	(22,742)
	(45,485)	**(43,094)**

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
LOSS ON INVESTMENT PROPERTIES SOLD		
Original cost of investment properties	(161,109)	(93,300)
Sale proceeds less sales costs	158,194	46,250
(Loss) on investment properties sold	(2,915)	(47,050)
Recognised in previous periods	(8,623)	(26,500)
Recognised in current period	5,708	(20,550)
	(2,915)	**(47,050)**

Given the objectives of the Group and the nature of its investments, the Directors believe that the Group has only one asset class, that of Commercial Property.

CBRE Limited, (the "Property Valuer") completed a valuation of Group investment properties as at 31 December 2020 on the basis of fair value in accordance with the requirements of the Royal Institution of Chartered Surveyors (RICS) 'RICS Valuation – Global Standards 2017 (the 'Red Book'). For most practical purposes there would be no difference between Fair Value (as defined in IFRS 13) and Market Value. The Property Valuer, in valuing the portfolio, is acting as an 'External Valuer', as defined in the Red Book, exercising independence and objectivity. The Property Valuer's opinion of Fair Value has been primarily derived using comparable recent market transactions in order to determine the price that would be received to sell an asset in an orderly transaction between market participants at the valuation date. The fair value of these investment properties amounted to £1,206,780,000 (2019: £1,377,890,000).

The difference between the fair value and the value per the consolidated balance sheet at 31 December 2020 consists of accrued income relating to the pre-payment for rent-free periods recognised over the life of the lease totalling £24,304,000 (2019: £19,499,000) which is separately recorded in the accounts as a current asset. In addition a balance of £336,000 has been offset against the lease incentive representing the reduction in the lease incentive provided for as part of the provision for bad debts giving a net lease incentive balance of £23,968,000.

The Group has entered into leases on its property portfolio as lessor (See note 19 for further information).

- No one property accounts for more than 15 per cent of the gross assets of the Group.
- All leasehold properties have more than 60 years remaining on the lease term.
- 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.

The property portfolio's fair value as at 31 December 2020 has been prepared adopting the following assumptions:

- That, where let, the Estimated Net Annual Rent (after void and rent free period assumptions) for each property, or part of a property, reflects the terms of the leases as at the date of valuation. If the property, or parts thereof, are vacant at the date of valuation, the rental value reflects the rent the Property Valuer considers would be obtainable on an open market letting as at the date of valuation.
- The Property Valuer has assumed that, where let, all rent reviews are to be assessed by reference to the estimated rental value calculated in accordance with the terms of the lease. Also there is the assumption that all tenants will meet their obligations under their leases and are responsible for insurance, payment of business rates, and all repairs, whether directly or by means of a service charge.
- The Property Valuer has not made any adjustments to reflect any liability to taxation that may arise on disposal, nor any costs associated with disposals incurred by the owner.
- The Property Valuer assumes an initial yield in the region of 2.64 to 8.65 per cent, based on market evidence. For the majority of properties, the Property Valuer assumes a reversionary yield in the region of 3.37 to 10.14 per cent.
- The Property Valuer takes account of deleterious materials included in the construction of the investment properties in arriving at its estimate of Fair Value when the Investment Manager advises of the presence of such materials.

The majority of the leases are on a full repairing basis and as such the Group is not liable for costs in respect of repairs or maintenance to its investment properties.

The following disclosure is provided in relation to the adoption of IFRS 13 Fair Value Measurement. All properties are deemed Level 3 for the purposes of fair value measurement and the current use of each property is considered the highest and best use. There have been no transfers from Level 3 in the year. The fair value of completed investment property is determined using a yield methodology. Under this method, a property's fair value is estimated using explicit assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. As an accepted method within the income approach to valuation, this method involves the projection of a series of cash flows on a real property interest. To this projected cash flow series, an appropriate, market derived discount rate (capitalisation rate) is applied to establish the present value of the cash inflows associated with the real property.

The duration of the cash flow and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related void or rent free periods, re-letting, redevelopment, or refurbishment. The appropriate duration is typically driven by market behaviour that is a characteristic of the class of property. In the case of investment properties, periodic cash flow is typically estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance cost, agent and commission costs and other operating and management expenses. The series of periodic net cash inflows, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted. Set out below are the valuation techniques used for each property sector plus a description and quantification of the key unobservable inputs relating to each sector. There has been no change in valuation technique in the year.

Sector	Fair Value at 31 December 2020 (£m)	Valuation techniques	Unobservable inputs	Range (weighted average)
Industrial	685.4	Yield methodology	Annual rent per sq ft Capitalisation rate	£5–£16 (£8) 3.8%–6.7% (4.8%)
Office	167.7	Yield methodology	Annual rent per sq ft Capitalisation rate	£16–£57 (£20) 3.3%–8.7% (5.3%)
Retail	199.6	Yield methodology	Annual rent per sq ft Capitalisation rate	£16–£265 (£27) 3.6%–7.7% (5.7%)
Alternatives	130.1	Yield methodology	Annual rent per sq ft Capitalisation rate	£0–£25 (£15) 5.5%–6.3% (5.8%)

Sensitivity analysis

The table below presents the sensitivity of the valuation to changes in the most significant assumptions underlying the valuation of investment property, which could be caused by a number of factors, including Brexit. The movement of 50 basis points is based on past observed data.

Sector	Assumption	Movement	Effect on valuation
Industrial	Capitalisation rate	+50 basis points −50 basis points	Decrease £73.3 million Increase £92.7 million
Office	Capitalisation rate	+50 basis points −50 basis points	Decrease £15.6 million Increase £19.1 million
Retail	Capitalisation rate	+50 basis points −50 basis points	Decrease £15.6 million Increase £18.8 million
Alternatives	Capitalisation rate	+50 basis points −50 basis points	Decrease £9.4 million Increase £10.8 million

Investment property valuation process

The valuations of investment properties are performed quarterly on the basis of valuation reports prepared by independent and qualified valuers and reviewed by the Property Valuation Committee of the Company.

These reports are based on both:

- Information provided by the Investment Manager such as current rents, terms and conditions of lease agreements, service charges and capital expenditure. This information is derived from the Investment Manager's financial and property management systems and is subject to the Investment Manager's overall control environment.
- Assumptions and valuation models used by the valuers – the assumptions are typically market related, such as yields. These are based on their professional judgment and market observation.

The information provided to the valuers and the assumptions and valuation models used by the valuers are reviewed by the Investment Manager. This includes a review of fair value movements over the period.

Asset held for sale

At the current year end, the asset held for sale is; 140–146 Kings Road, London. The asset is shown at fair value in the Balance Sheet as a held for sale asset and included within the investment property table shown in this note. At the prior year end, there were two assets held for sale, Portsmouth Motor Park and Broadbridge Retail Park.

11. SUBSIDIARY UNDERTAKINGS

The Company owns 100 per cent of the issued share capital of UK Commercial Property Estates Holdings Limited (UKCPEH), a company incorporated in Guernsey whose principal business is to hold and manage investment properties for rental income. UKCPEH Limited owns 100 per cent of the issued share capital of UK Commercial Property Estates Limited, a company incorporated in Guernsey whose principal business is to hold and manage investment properties for rental income. UKCPEH also owns 100% of Brixton Radlett Property Limited and UK Commercial Property Estates (Reading) Limited, both UK companies, whose principal business is that of investment and property companies.

The Company owns 100 per cent of the issued ordinary share capital of UK Commercial Property Finance Holdings Limited (UKCFH), a company incorporated in Guernsey whose principal business is to hold and manage investment properties for rental income. UKCFH owns 100 per cent of the issued share capital of UK Commercial Property Nominee Limited, a company incorporated in Guernsey whose principal business is that of a nominee company. UKCFH owns 100 per cent of the issued ordinary share capital of UK Commercial Property Holdings Limited (UKCPH), a company incorporated in Guernsey whose principal business is to hold and manage investment properties for rental income.

UKCPT Limited Partnership, (GLP), is a Guernsey limited partnership, whose principal business is to hold and manage investment properties for rental income. UKCPH and GP, have a partnership interest of 99 and 1 per cent respectively in the GLP. The GP is the general partner and UKCPH is a limited partner of the GLP.

In addition, the Group controls four Jersey Property Unit Trusts ("JPUTs") namely Junction 27 Retail Unit Trust, St George's Leicester Unit Trust, Kew Retail Park Unit Trust and Rotunda Kingston Property Unit Trust. The principal business of the Unit Trusts is that of investment in property.

As at 31 March 2021, Brixton Radlett Property Limited, UK Commercial Property Estates (Reading) Limited, the GP, Nominee and the Limited Partnership were all placed in the hands of liquidators as part of a solvent liquidation process.

12. TRADE AND OTHER RECEIVABLES

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Rents receivable	20,634	3,306
Lease incentives	24,304	19,499
Other debtors and prepayments	2,494	7,457
	47,432	**30,262**

Provision for bad debts as at 31 December 2019/2018	955	719
Movement in the year	4,784	236
Provision for bad debts as at 31 December 2020/2019	**5,739**	**955**

The ageing of these receivables is as follows:	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Less than 6 months	2,725	781
Between 6 and 12 months	2,192	86
Over 12 months	822	88
	5,739	**955**

Other debtors include tenant deposits of £2,518,000 (2019: £3,281,000)
All other debtors are due within one year. No other debts past due are impaired in either year.

If the provision for bad debts increased by £1 million then the Company's earnings and net asset value would decrease by £1 million.
If the provision for bad debts decreased by £1 million then the Company's earnings and net asset value would increase by £1 million.

13. TRADE AND OTHER PAYABLES

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Rental income received in advance	13,512	14,023
Investment Manager fee payable	1,993	2,129
Income tax payable	—	293
Other payable	12,656	6,601
	28,161	**23,046**

Other payables include tenant deposits of £2,518,000 (2019: £3,281,000), bank loan interest payments of £1,645,712 (2019: £1,080,000) and transaction cost accrual of £482,000 (2019: £550,000). During the financial year 2020 the Group outsourced its rent collection to property manager JLL. As a result in this change of operational process VAT is now only paid over to HMRC when rents are received as opposed to invoiced. As at the financial year end 2020 this amounted to £4,375,630 (2019: Debtor of £2,000). The Group's payment policy is to ensure settlement of supplier invoices in accordance with stated terms.

14. BANK LOAN AND INTEREST RATE SWAPS

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Total facilities available	350,000	350,000
Drawn down:		
Barclays facility	—	50,000
Barings facility	200,000	200,000
Set up costs incurred	(6,628)	(6,628)
Accumulated amortisation of set up costs	4,477	4,045
Accrued variable interest rate on bank loan	—	30
Total due	**197,849**	**247,447**

Movements in bank loan arising from financing activities	At 1 Jan 2020 £'000	Cash flows £'000	Changes in fair value £'000	Other changes £'000	At 31 Dec 2020 £'000
Bank Loan	247,447	(50,000)	—	402	197,849

(i) Barclays Facility

The Group has a £150 million revolving credit facility ("RCF"), maturing in April 2024, with Barclays Bank plc at a margin of 1.70 per cent above LIBOR. The RCF was taken out by UKCPEH and is cancellable at any time. The RCF was initially taken out by UKCPEL as a £50 million RCF in April 2015 at a margin of 1.50 per cent above LIBOR and was increased and extended in February 2019. The drawndown amount of £50 million was repaid in full on 3 November 2020. The RCF has a non-utilisation fee of 0.68 per cent per annum (0.60 per cent per annum prior to February 2019) charged on the proportion of the RCF not utilised on a pro-rata basis. As at 31 December 2020, £150 million (2019: £100 million) remained unutilised. The RCF is secured on some of the property portfolio held by UKCPEH. Under bank covenants related to the RCF, UKCPEH is to ensure that at all times:

- The loan to value percentage does not exceed 60 per cent.
- Interest cover at the relevant payment date is not less than 175 per cent and projected over the course of the proceeding 12 months is not less than 175 per cent.

UKCPEH met all covenant tests during the year for the RCF.

In 2019, the Group had a five year £150 million facility, maturing in April 2020. This was repaid in February 2019 along with the associated interest rate swap. The cost of closing out the swap was £703,000 and there were no repayment fees on the loan term facility.

(ii) Barings Facility

The Group has a £100 million facility, maturing in April 2027, with Barings Real Estate Advisers, a member of the MassMutual Financial Services Group. The loan was taken out by UKCFH. As at 31 December 2020, the facility was fully drawn (31 December 2019: Fully drawn). The bank loan is secured on the portfolio of seven properties held within UKCFH. Under bank covenants related to the loan UKCFH is to ensure that at all times:

- The loan to value percentage does not exceed 75 per cent.
- Interest cover at the relevant payment date and also projected over the course of the proceeding 12 months is not less than 200 per cent.

UKCFH met all covenant tests during the year for this facility.

Interest is payable by UKCFH at a fixed rate equal to the aggregate of the equivalent 12 year gilt yield, fixed at the time of drawdown and a margin. This resulted in a fixed rate of interest payable of 3.03 per cent per annum. There are no interest rate swaps in place relating to this facility.

The Group took out a second £100 million facility in February 2019, maturing in February 2031, with Barings Real Estate Advisers. The loan was taken out by UKCFH. As at 31 December 2020, the facility was fully drawn (31 December 2019: Fully drawn). The bank loan is secured on the portfolio of seven properties held within UKCFH. This facility has the same covenants as the 2027 facility outlined across. UKCFH met all covenant tests during the year for this facility.

Interest is payable by UKCFH at a fixed rate equal to the aggregate of the equivalent 12 year gilt yield, fixed at the time of drawdown and a margin. This resulted in a fixed rate of interest payable of 2.72 per cent per annum. There are no interest rate swaps in place relating to this facility.

Swap Instruments

During the prior year the Group had in place an interest rate swap instrument totalling £150 million which was deemed to be an effective hedge as per note 1(q). The swap was closed out in February 2019 as part of the Groups refinance at a cost of £703,000.

15. SHARE CAPITAL ACCOUNTS

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
SHARE CAPITAL		
Opening balance	539,872	539,872
Share capital as at 31 December	539,872	539,872

Number of shares in issue and fully paid at the year end being 1,299,412,465 (2019: 1,299,412,465) of 25p each.

Ordinary shareholders participate in all general meetings of the Company on the basis of one vote for each share held. The Articles of Association of the Company allow for an unlimited number of shares to be issued, subject to restrictions placed by AGM resolutions. There are no restrictions on the shares in issue.

16. NET ASSET VALUE PER SHARE

	Year ended 31 December 2020	Year ended 31 December 2019
Ordinary Shares	1,299,412,465	1,299,412,465
Net assets (£'000)	1,126,976	1,167,144
NAV per share (pence)	**86.7**	**89.8**
EPRA Net Tangible Assets per share[1]	86.7	89.8

1 A breakdown of the calculation is detailed in the table B. EPRA Net Tangible Assets on page 90.

17. RELATED PARTY TRANSACTIONS

No Director has an interest in any transactions which are or were unusual in their nature or significant to the nature of the Group.

Aberdeen Standard Fund Managers Limited, as the Manager of the Group from 10 December 2018, previously Standard Life Investments (Corporate Funds) Limited, received fees for their services as investment managers. Further details are provided in note 4. The total management fee charged to the Statement of Comprehensive Income during the year was £8,062,742 (2019: £8,700,000) of which £1,993,455 (2019: £2,129,000) remained payable at the year end. The Investment Manager also received £240,000 (£200,000 plus VAT) for marketing services incurred during the year of which nil (2019: £240,000) remained payable at the year end.

The Directors of the Company are deemed as key management personnel and received fees for their services. Further details are provided in the Directors' Remuneration Report (unaudited) on pages 53–54. Total fees for the year were £272,226 (2019: £350,385) none of which remained payable at the year end (2019: nil). As a result of COVID-19, Directors reduced their fees by 20% from 1 April 2020–31 December 2020.

The Group invests in the Aberdeen Standard Investments Liquidity Fund which is managed by Aberdeen Standard Investments Limited. As at 31 December 2019 the Group had invested £83.1 million in the Fund (2019: £23.5 million). No additional fees are payable to Aberdeen Standard Investments as a result of this investment.

18. FINANCIAL INSTRUMENTS AND INVESTMENT PROPERTIES

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. Consistent with that objective, the Group holds UK commercial property investments. The Group's financial instruments consist of cash, receivables and payables that arise directly from its operations and loan facilities and swap instruments. The main risks arising from the Group's financial instruments are credit risk, liquidity risk, market risk and interest rate risk. The Board reviews and agrees policies for managing its risk exposure. These policies are summarised below and remained unchanged during the year.

Fair value hierarchy

The following table shows an analysis of the fair values of investment properties recognised in the balance sheet by level of the fair value hierarchy:

Explanation of the fair value hierarchy:	
Level 1	Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
Level 2	Use of a model with inputs (other than quoted prices included in level 1) that are directly or indirectly observable market data.
Level 3	Use of a model with inputs that are not based on observable market data.

31 December 2020	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total fair value £'000
Investment properties	—	—	1,206,780	1,206,780

31 December 2019	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total fair value £'000
Investment properties	—	—	1,377,890	1,377,890

The lowest level of input is the underlying yield on each property which is an input not based on observable market data.

The following table shows an analysis of the fair value of bank loans recognised in the balance sheet by level of the fair value hierarchy:

31 December 2020	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total fair value £'000
Bank loans	—	220,484	—	220,484

31 December 2019	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total fair value £'000
Bank loans	—	261,589	—	261,589

The lowest level of input is the interest rate applicable to each borrowing as at the balance sheet date which is a directly observable input.

The following table shows an analysis of the fair values of financial instruments and trade receivables and payables recognised at amortised cost in the balance sheet by level of the fair value hierarchy:

31 December 2020	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total fair value £'000
Trade and other receivables	—	47,432	—	47,432
Trade and other payables	—	28,161	—	28,161

31 December 2019	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total fair value £'000
Trade and other receivables	—	30,262	—	30,262
Trade and other payables	—	23,046	—	23,046

The lowest level of input is the three month LIBOR yield curve which is a directly observable input.

The carrying amount of trade and other receivables and payables is equal to their fair value, due to the short-term maturities of these instruments. Expected maturities are estimated to be the same as contractual maturities.

The fair value of investment properties is calculated using unobservable inputs as described in note 10.

The fair value of the bank loans are estimated by discounting expected future cash flows using the current interest rates applicable to each loan.

There have been no transfers between levels in the year for items held at fair value.

Real Estate Risk

The Group has identified the following risks associated with the real estate portfolio:

- The cost of any development schemes or asset management activity may increase if there are delays in the planning process. The Group uses advisers who are experts in the specific planning requirements in the scheme's location in order to reduce the risks that may arise in the planning process;
- A major tenant may become insolvent causing a significant loss of rental income and a reduction in the value of the associated property (see also credit risk overleaf). To reduce this risk, the Group reviews the financial status of all prospective tenants and decides on the appropriate level of security required via rental deposits or guarantees;
- The exposure of the fair values of the portfolio to market and occupier fundamentals such as tenants' financial position.

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.

At the reporting date, the maturity of the Group's financial assets was:

Financial Assets 2020	3 months or less £'000	More than 3 months but less than one year £'000	More than one year £'000	Total £'000
Cash	122,742	—	—	122,742
Rent receivable	20,634	—	—	20,634
Other debtors	2,494	—	—	2,494
	145,870	**—**	**—**	**145,870**

Financial Assets 2019	3 months or less £'000	More than 3 months but less than one year £'000	More than one year £'000	Total £'000
Cash	48,984	—	—	48,984
Rent receivable	3,306	—	—	3,306
Other debtors	7,457	—	—	7,457
	59,747	**—**	**—**	**59,747**

In the event of default by a tenant, the Group will suffer a rental shortfall and incur additional costs, including legal expenses, in maintaining, insuring and re-letting the property until it is re-let. The Board receives regular reports on concentrations of risk and any tenants in arrears. The Investment Manager monitors such reports in order to anticipate and minimise the impact of defaults by tenants and provides for rent due by tenants that are assessed to be unlikely to pay through the process set out on page 51.

The Company has a diversified tenant portfolio. The maximum credit risk from the rent receivables of the Group at 31 December 2020 is £20,634,000 (2019: £3,306,000). The Group holds rental deposits of £2,518,000 (2019: £3,281,000) as potential collateral against tenant arrears/defaults. All tenant deposits are in line with market practice. There is no residual credit risk associated with the financial assets of the Group. Other than those included in the provision for bad debts, no financial assets past due are impaired. COVID-19 has impacted the ability of tenants to pay rents and hence the credit risk associated with rent receivables has increased in the year. As a result the provision for bad debts has also increased to reflect this with a provision of £5.739 million as at 31 December 2020 (2019: £955,000).

All of the cash is placed with financial institutions with a credit rating of A or above. £83.1 million (2019: £23.5 million) of the year end cash balance is held in the Aberdeen Standard Investments Liquidity Fund, which is a money market fund and has a triple A rating. Bankruptcy or insolvency of a financial institution 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 Investment Manager would move the cash holdings to another financial institution subject to restrictions under the loan facilities.

Fair value of trade receivables and payables are materially equivalent to their amortised cost.

Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in realising assets or otherwise raising funds to meet financial commitments. While commercial properties are not immediately realisable, the Group has sufficient cash resources to meet liabilities.

The Group's liquidity risk is managed on an ongoing basis by the Investment Manager investing in a diversified portfolio of prime real estate and placing cash in liquid deposits and accounts. This is monitored on a quarterly basis by the Board. In certain circumstances, the terms of the Group's bank loan entitles the lender to require early repayment, 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.

As at 31 December 2020 the cash balance was £122,742,000 (2019: £48,984,000).

At the reporting date, the contractual maturity of the Group's liabilities, which are considered to be the same as expected maturities, was:

Financial Liabilities 2020	3 months or less £'000	More than 3 months but less than one year £'000	More than one year £'000	Total £'000
Bank loans	1,438	4,313	241,400	247,151
Other creditors	26,515	—	—	26,515
	27,953	**4,313**	**241,400**	**273,666**

Financial Liabilities 2019	3 months or less £'000	More than 3 months but less than one year £'000	More than one year £'000	Total £'000
Bank loans	51,734	4,332	245,248	301,314
Other creditors	21,882	—	—	21,882
	73,616	**4,332**	**245,248**	**323,196**

The amounts in the table are based on contractual undiscounted payments.

Interest rate risk

The cash balance as shown in the Balance Sheet, is its carrying amount and has a maturity of less than one year.

Interest is receivable on cash at a variable rate ranging from 0.2 per cent to 0.6 per cent at the year end and deposits are re-priced at intervals of less than one year.

An increase of 1 per cent in deposit interest rates as at the reporting date would have increased the reported profit by £1.2 million (2019: increased the reported profit by £490,000). A decrease of 1 per cent would have reduced the reported profit by £1.2 million (2019: decreased the reported profit by £490,000). The effect on equity is nil (excluding the impact of a change in retained earnings as a result of a change in net profit).

Interest rate risk arises on the interest payable on the RCF only, as the interest payable on the other facilities are at fixed rates. At 31 December 2020, the draw down on the RCF was Nil (2019: £50 million) so an increase of 1% of the three month LIBOR would have no effect on the reported profit (2019: £500,000). A decrease of 1% of the three month LIBOR would have no impact on the reported profit (2019: £500,000). Assumptions are based on the RCF being undrawn for the full year (2019: £50 million), based on the exposure to interest rates at the reporting date, and all other variables being constant.

The other financial assets and liabilities of Group are non-interest bearing and are therefore not subject to interest rate risk.

Foreign Currency Risk

There was no foreign currency risk as at 31 December 2020 or 31 December 2019 as assets and liabilities of the Group are maintained in pounds Sterling.

Capital Management Policies

The Group considers that capital comprises issued ordinary shares, net of shares held in treasury, and long-term borrowings. The Group's capital is deployed in the acquisition and management of property assets meeting the Group's investment criteria with a view to earning returns for shareholders which are typically made by way of payment of regular dividends. The Group also has a policy on the buyback of shares which it sets out in the Directors' Authority to Buy Back Shares section of the Directors' Report.

The Group's capital is managed in accordance with its investment policy which is to hold a diversified property portfolio of freehold and long leasehold UK commercial properties. The Group invests in income producing properties. The Group will principally investing four commercial property sectors: office, retail, industrial and alternatives. The Group is permitted to invest up to 15 per cent of its Total Assets in indirect property funds and other listed investment companies. The Group is permitted to invest cash, held by it for working capital purposes and awaiting investments, in cash deposits, gilts and money market funds.

The Group monitors capital primarily through regular financial reporting and also through a gearing policy. Gearing is defined as gross borrowings divided by total assets less current liabilities. The Group's gearing policy is set out in the Investment Policy section of the Report of the Directors. The Group is not subject to externally imposed regulatory capital requirements but does have banking covenants on which it monitors and reports on a quarterly basis. Included in these covenants are requirements to monitor loan to value ratios which is calculated as the amount of outstanding debt divided by the market value of the properties secured. The Group's Loan to value ratio is shown below. The Group did not breach any of its loan covenants, nor did it default on any other of its obligations under its loan arrangements in the year to 31 December 2020.

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Carrying amount of interest-bearing loans and borrowings	197,849	247,447
External valuation of completed investment property and assets held for sale (excluding lease incentive adjustment)	1,206,780	1,377,890
Loan to value ratio	16.4%	18.0%

The Group's capital balances are set out on page 65 and are regarded as the Group's equity and net debt.

19. CAPITAL COMMITMENTS

The Group had contracted capital commitments as at 31 December of £49.1 million in relation to the developments of two student accommodation properties at Edinburgh and Exeter. The Company has agreed to forward fund a new 230-bed development in Edinburgh, with completion expected for the start of the 2022/23 academic year. The land was acquired for £6.5 million post year end with an additional capped funding commitment of £22.6 million. The Company is also forward funding a student residential development in Central Exeter, with completion expected to match the start of the 2022/23 academic with estimated development costs of £20 million still to be incurred.

20. LEASE ANALYSIS

The Group leases out its investment properties under operating leases.

The future income under non-cancellable operating leases, based on the unexpired lease length at the year end was as follows (based on total rentals):

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Less than one year	63,452	65,529
Between one and five years	220,052	225,886
Over five years	405,926	325,175
Total	**689,430**	**616,590**

The largest single tenant at the year end accounted for 5.4 per cent (2019: 6.6 per cent) of the annualised rental income at 31 December 2020. The unoccupied property expressed as a percentage of annualised total rental value was 6.5 per cent (2019: 7.9 per cent) at the year end. The Group has entered into commercial property leases on its investment property portfolio. These properties, held under operating leases, are measured under the fair value model as the properties are held to earn rentals. The majority of these non-cancellable leases have remaining non-cancellable lease terms of between 5 and 15 years. Analysis of the nature of investment properties and leases are provided in the 'UKCM Portfolio in Numbers' pages.

21. EVENTS AFTER THE BALANCE SHEET DATE

In January 2021, the Company paid £6.5 million for land in relation to the student accommodation development at Edinburgh.

In February/March 2021 the Company sold Hartshead House Sheffield for £17 million and Kew Retail Park for £41 million.

On 26 February 2021 the Company paid a property income dividend of 0.46p per share to shareholders on the register at 12 February 2021.

A fifth interim dividend of 0.531p per share has been announced as set out in the Chair's statement which is payable in May 2021.

EPRA Performance Measures

UK Commercial Property REIT

EPRA PERFORMANCE MEASURES

Unaudited

In October 2019, EPRA issued new best practice recommendations (BPR) for financial guidelines on its definitions of NAV measures: EPRA net tangible assets (NTA), EPRA net reinvestment value (NRV) and EPRA net disposal value (NDV) – effective 1 Jan 2020. The rationale behind each of these measures is set out below the table. The Group will adopt these new guidelines and apply them in the 2020 Annual Report. ASI considered EPRA Net Tangible Assets (NTA) to be the most relevant NAV measure for the Group and will now report this as our primary non-IFRS NAV measure, replacing our previously reported EPRA NAV/ NNNAV and EPRA NAV/NNNAV per share metrics. The table below sets out what the 2019 EPRA numbers were and what they would have been under the new guidelines.

Rationale:

EPRA Net Tangible Assets:

The underlying assumption behind the EPRA Net Tangible Assets calculation assumes entities buy and sell assets, thereby crystallising certain levels of deferred tax liability.

EPRA Net Reinstatement Value:

The objective of the EPRA Net Reinstatement Value measure is to highlight the value of net assets on a long-term basis. Assets and liabilities that are not expected to crystallise in normal circumstances such as the fair value movements on financial derivatives and deferred taxes on property valuation surpluses are therefore excluded. Since the aim of the metric is to also reflect what would be needed to recreate the company through the investment markets based on its current capital and financing structure, related costs such as real estate transfer taxes should be included.

EPRA Net Disposal Value:

Shareholders are interested in understanding the full extent of liabilities and resulting shareholder value if company assets are sold and/or if liabilities are not held until maturity. For this purpose, the EPRA Net Disposal Value provides the reader with a scenario where deferred tax, financial instruments, and certain other adjustments are calculated as to the full extent of their liability, including tax exposure not reflected in the Balance Sheet, net.

The table below sets out the 2020 EPRA numbers under the new guidelines for both 2020 and 2019.

	31 December 2020 Total £'000	31 December 2019 Total £'000
EPRA earnings	35,203	45,439
EPRA earnings per share (pence per share)	2.71	3.50
EPRA earnings per share (pence per share – excluding non recurring tax items)	2.71	3.50
EPRA Net Tangible Assets ("NTA")	1,126,976	1,167,144
EPRA NTA per share	86.7	89.8
EPRA Net Reinstatement Value ("NRV")	1,209,037	1,260,841
EPRA NRV per share	93.0	97.0
EPRA Net Disposal Value ("NDV")	1,104,341	1,153,002
EPRA NDV per share	85.0	88.7
EPRA Net Initial Yield	4.0%	4.1%
EPRA topped-up Net Initial Yield	4.5%	4.5%
EPRA Vacancy Rate	6.5%	7.9%
EPRA Cost Ratios – including direct vacancy costs	33.2%	25.3%
EPRA Cost Ratios – excluding direct vacancy costs	26.7%	20.8%

EPRA PERFORMANCE MEASURES

Unaudited

A. EPRA EARNINGS	31 December 2020 £'000	31 December 2019 £'000
Earnings per IFRS income statement	(10,282)	1,643
Adjustments to calculate EPRA Earnings, exclude:		
Net changes in value of investment properties	43,992	20,352
Loss on disposal of investment properties	1,493	22,742
Close-out costs of interest rate SWAP	—	702
EPRA Earnings	35,203	45,439
Basic number of shares	1,299,412	1,299,412
EPRA Earnings per share (pence per share)	2.71	3.50
EPRA Earnings per above	35,203	45,439
Adjustment for non recurring tax items	—	45
	35,203	45,484
EPRA Earnings per share excluding non-recurring tax items	2.71	3.50

B. EPRA Net Tangible Assets	31 December 2020 £'000	31 December 2019 £'000
IFRS NAV	1,126,976	1,167,144
EPRA NTA	1,126,976	1,167,144
EPRA NTA per share	86.7	89.8

C. EPRA Net Reinstatement Value	31 December 2020 £'000	31 December 2019 £'000
EPRA NTA	1,126,976	1,167,144
Real Estate Transfer Tax and other acquisition costs	82,061	93,697
EPRA NRV	1,209,037	1,260,841
EPRA NRV per share	93.0	97.0

D. EPRA Net Disposal Value	31 December 2020 £'000	31 December 2019 £'000
EPRA NTA	1,126,976	1,167,144
Fair value of debt	(22,635)	(14,142)
	1,104,341	1,153,002
EPRA NDV per share	85.0	88.7
Fair value of debt per financial statements	220,484	261,589
Carrying value	197,849	247,447
Fair value of debt adjustment	22,635	14,142

E. EPRA Net Initial Yield and 'topped up' NIY disclosure	31 December 2020 £'000	31 December 2019 £'000
Investment property — wholly owned	1,206,780	1,377,890
Completed property portfolio	1,206,780	1,377,890
Allowance for estimated purchasers' costs	82,061	93,697
Gross up completed property portfolio valuation	1,288,841	1,471,587
Annualised cash passing rental income	56,277	64,348
Property outgoings	(4,456)	(3,837)
Annualised net rents	51,821	60,511
Add: notional rent expiration of rent free periods or other lease incentives	6,014	5,301
Topped-up net annualised rent	57,835	65,812
EPRA NIY	4.0%	4.1%
EPRA "topped-up" NIY	4.5%	4.5%

F. EPRA Cost Ratios	31 December 2020 £'000	31 December 2019 £'000
Administrative/Property operating expense line per IFRS income statement	21,492	18,148
EPRA costs (including direct vacancy costs)	21,492	18,148
Direct vacancy costs	(4,255)	(3,248)
EPRA costs (excluding direct vacancy costs)	17,237	14,900
Gross rental income less ground rent costs	64,656	71,754
EPRA cost ratio (including direct vacancy costs)*	33.2%	25.3%
EPRA cost ratio (excluding direct vacancy costs)*	26.7%	20.8%

* Large increase predominantly due to increase in bad debt provision of £4.784 million

Environmental, Social, and Governance

UK Commercial Property REIT

Sustainability Performance

This section details the Company's sustainability performance using the EPRA Sustainability Best Practice Recommendations Guidelines (sBPR). It also meets the requirements for Streamlined Energy and Carbon Reporting (SECR) under the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

Explanatory notes on methodology

Reporting period

Sustainability data in this report covers the calendar years of 2019 & 2020.

Organisational boundary and data coverage

For the purposes of sustainability reporting, we have included single-let assets within the organisational boundary even though operational control is limited and we have limited coverage of consumption data from tenant-managed utility supplies. It was judged that these should be included to enable the reporting of landlord consumption associated with any void units at these assets. The coverage numbers in the tables below therefore appear low due to the inclusion of all of the Company's assets in the totals. Where there is no data coverage for a sector (for example, water consumption for unit shops where there was no landlord consumption during the period), the sector is excluded from the table but the number of assets in the sector is included in the total possible coverage number.

The like-for-like portfolio is determined on the basis of assets that were held for two full reporting years and were not subject to major refurbishment or development during that time.

Note that the Company does not employ any staff and does not have its own premises; these corporate aspects fall within the scope of the Investment Manager.

Emissions calculation

Emissions are calculated in line with the GHG Protocol using UK Government location-based conversion factors. Scope 1 emissions include emissions from gas consumption and f-gas losses where applicable. Scope 2 emissions are those from landlord consumption of purchased electricity. Scope 3 emissions are those from electricity sub-metered to tenants and from the transmission and distribution of electricity. We collect data from tenants where they purchase their own energy but this exercise is undertaken later in the year to align with GRESB reporting. As such, tenant-procured energy is not included in this section.

Normalisation

Net lettable area (NLA) is used as the denominator for all intensities reported in this section. This is the most appropriate choice for the Company's portfolio as it is the most widely available metric. It enables year-on-year comparisons within the portfolio to be made.

Renewable energy

Several industrial assets in the portfolio have solar PV installed which is demised to the tenant. There is currently no landlord self-generated renewable electricity across the portfolio although we are at the detailed stages of feasibility with a number of large landlord-led schemes.

In the reporting period, all landlord-procured electricity was from 100% renewable sources. Gas consumed was not from renewable sources.

Auditing and assurance

Our utilities data which feeds into our sustainability reporting is validated by our Utilities Bureau Consultant and checked by our Sustainability Consultant. We have not sought third party assurance for the sustainability data included in this report although this is something we are considering for future years.

Materiality

We have undertaken a review of materiality against each of the EPRA sBPR indicators. The table below indicates the outcome of the review.

Code	Performance measures	Review outcome
ENVIRONMENTAL		
Elec-Abs	Total electricity consumption	Material
Elec-LfL	Like-for-like total electricity consumption	Material
DH&C-Abs	Total district heating & cooling consumption	Not material – none of the Trust's assets are connected to district energy supplies
DH&C-LfL	Like-for-like total district heating & cooling consumption	
Fuels-Abs	Total fuel consumption	Material
Fuels-LfL	Like-for-like total fuel consumption	Material
Energy-Int	Building energy intensity	Material
GHG-Dir-Abs	Total direct greenhouse gas (GHG) emissions	Material
GHG-Indir-Abs	Total indirect greenhouse gas (GHG) emissions	Material
GHG-Int	Greenhouse gas (GHG) emissions intensity from building energy consumption	Material
Water-Abs	Total water consumption	Material
Water-LfL	Like-for-like total water consumption	Material
Water-Int	Building water intensity	Material
Waste-Abs	Total weight of waste by disposal route	Material
Waste-LfL	Like-for-like total weight of waste by disposal route	Material
Cert-Tot	Type and number of sustainably certified assets	Material
SOCIAL		
Diversity-Emp	Employee gender diversity	Not material – the Trust does not have any employees
Diversity-Pay	Gender pay ratio	
Emp-Training	Employee training and development	
Emp-Dev	Employee performance appraisals	
Emp-Turnover	New hires and turnover	
H&S-Emp	Employee health & safety	
H&S-Asset	Asset health & safety assessments	Material
H&S-Comp	Asset health & safety compliance	Material
Comty-Eng	Community engagement, impact assessments and development programs	Material
GOVERNANCE		
Gov-Board	Composition of the highest governance body	Material – see main body of report (page 47 for content related to Governance).
Gov-Selec	Process for nominating and selecting the highest governance body	
Gov-CoI	Process for managing conflicts of interest	

ENVIRONMENTAL INDICATORS
Unaudited

Like-for-like energy consumption

Landlord electricity consumption across like-for-like assets decreased by 3% in 2020. Alongside energy efficiency improvements, reduced occupancy in office assets due to COVID-19 has affected consumption. This has contributed to a 15% reduction in electricity sub-metered to occupiers. The decrease in electricity consumption at office assets was partially offset by increases at Business Park, Leisure and Retail Warehouse assets. This is due to consumption associated with periods of vacancy during which the Company is responsible for utilities procurement.

The increase in landlord-obtained gas consumption is also due to energy procured by the landlord during periods of vacancy in 2020, particularly at Ventura Park.

We have implemented a number of energy saving initiatives across the portfolio and identified more for future roll-out as part of asset five year plans. These include lighting upgrades, BMS optimisation and plant replacement.

		Landlord Electricity (kWh)			Occupier Electricity i.e. sub-metered to occupiers (kWh)			Total landlord-obtained Electricity (kWh)			Landlord-obtained Gas (kWh)			Energy Intensity (kWh/m²)		
Indicator references		Elec-LfL			Elec-LfL			Elec-LfL			Fuels-LfL			Energy-Int		
Sector	Coverage (assets)	2019	2020	Change (%)	2019	2020	Change (%)	2019	2020	Change (%)	2019	2020	Change (%)	2019	2020	Change (%)
Industrial, Business Parks	5 of 7	273,535.1	318,210	16%	274,450	244,013	-11%	547,985	562,223	3%	20,527	168,201	719%	3.78	4.85	28%
Industrial, Distribution Warehouses	1 of 7	344,048.4	212,489	-38%	No sub-metered consumption		N/A	344,048	212,489	-38%	9,247	No landlord consumption	N/A	10.0	6.0	-40%
Leisure	2 of 3	423,181.2	570,317	35%	2,557	2,303	-10%	425,738	572,874	35%	No landlord consumption		N/A	17.1	23.1	35%
Offices	5 of 8	1,591,105	1,423,267	-11%	1,470,527	1,239,537	-16%	3,061,632	2,662,804	-13%	2,300,329	2,248,781	-1%	141.2	129.3	-8%
Retail, Warehouses	2 of 4	134,085	152,366	13.6%	No sub-metered consumption		N/A	134,085	152,366	14%	No landlord consumption		N/A	4.9	5.6	14%
Totals	15 of 33	2,765,954	2,676,649	-3%	1,747,534	1,485,853	-15%	4,513,488	4,162,756	-8%	2,330,103	2,416,982	4%	24.8	23.8	-4%

Note: Hotels and Retail, Unit Shops are excluded from the table as there is no like-for-like consumption but are included in the total possible coverage number.

Sustainability certifications

Energy Performance Certificate (EPC) ratings for assets in England owned by the Company are shown below. For the unit that now remains G rated, plans are in place to improve ratings in advance of lease events and the 2023 MEES deadline.

There are currently six BREEAM-rated assets in the portfolio. The White Building in Reading and Central Square in Newcastle have a BREEAM Excellent ratings. Palletforce in Burton-on-Trent, Regent Circus in Swindon, The Maldron Hotel in Newcastle and Hannah Close in Neasden all have Very Good ratings. These assets account for 15% of the portfolio by gross asset value.

EPC RATING	% ESTIMATED RENTAL VALUE
A	1%
B	24%
C	41%
D	23%
E	9%
F	0%
G	2%

Social Indicators

Health & Safety

Every asset in the portfolio (i.e. 100% coverage) was subject to a health and safety inspection during the reporting year, with no incidents of non-compliance with regulations identified.

Community Engagement

A variety of community engagement activities were undertaken at retail assets. This has included partnerships with local charities on fundraising activities and provision of space for health awareness campaigns and health check programmes. More broadly, community impacts are assessed as part of any major development or construction projects the Company undertakes.

Like-for-like greenhouse gas emissions

The like-for-like gas consumption figures above translate into a 3% increase in Scope 1 greenhouse gas (GHG) emissions. Note that emissions associated with refrigerants for leisure and office assets are included in this figure alongside those from natural gas consumption. Scope 2 emissions from landlord electricity consumption reduced by 12% due to the combination of a reduction in consumption and improvements in the emissions intensity of grid electricity. Scope 3 emissions from energy sub-metered to occupiers and grid transmission and distribution losses reduced by 20%.

		Scope 1 Emissions (tCO_2)			Scope 2 Emissions (tCO_2)			Scope 3 Emissions (tCO_2)			Emissions Intensity Scopes 1, 2 & 3 ($kgCO_2/m^2$)		
Indicator references		No relevant EPRA indicator											
Sector	Coverage (assets)	2019	2020	Change (%)	2019	2020	Change (%)	2019	2020	Change (%)	2019	2020	Change (%)
Industrial, Business Parks	5 of 7	4	31	719%	70	74	6%	82	75	-9%	1.0	1.2	15%
Industrial, Distribution Warehouses	1 of 7	2	No landlord consumption	N/A	88	50	-44%	7	5	-38%	3	2	-44%
Leisure	2 of 3	No landlord consumption	1	N/A	108	133	23%	10	12	22%	5	6	24%
Offices	5 of 8	509	500	-2%	407	332	-18%	442	342	-23%	36	31	-14%
Retail, Warehouses	2 of 4	No landlord consumption		N/A	34	36	4%	3	3	5%	1.4	1.4	4%
Totals	15 of 33	515	532	3%	707	624	-12%	545	437	-20%	6	6	-10%

Note: Hotels and Retail, Unit Shops are excluded from the table as there is no like-for-like consumption but are included in the total possible coverage number.
Note: Scope 3 also includes emissions associated with transmission and distribution losses for all landlord-procured electricity.

Water Consumption

Water consumption at like-for-like assets reduced by 17% in 2020 and by 26% across the whole portfolio. There have been a number of billing issues in 2020 following a change in water supply contract and as such, consumption for several assets is estimated.

This will be rectified as soon as possible to enable monitoring and improvement. Note that data coverage is lower for water than for energy as it is uncommon to have landlord meters at assets with no internal common parts or shared services.

			Absolute Water Consumption (m^3)					LfL Water Consumption (m^3)					
Indicator references			Water-Abs; Water-Int					Water-LfL; Water-Int					
Sector	Coverage 2019 (assets)	Coverage 2020 (assets)	2019 (m^3)	2019 Intensity (litres/m^2)	2020 (m^3)	2020 Intensity (litres/m^2)	Change (%)	Coverage (assets)	2019 (m^3)	2019 Intensity (litres/m^2)	2020 (m^3)	2020 Intensity (litres/m^2)	Change (%)
Industrial, Business Parks	2 of 9	2 of 9	2,221	28	1,989	25	-10%	2 of 7	2,221	28	1,989	25	-10%
Leisure	2 of 3	2 of 3	509	21	495	20	-3%	2 of 3	509	21	495	20	-3%
Offices	5 of 9	6 of 9	19,248	607	13,822	328	-28%	5 of 8	15,606	411	12,714	335	-19%
Totals	10 of 43	20 of 41	21,978	160	16,306	110	-26%	9 of 33	18,337	128	15,198	106	-17%

ENVIRONMENTAL INDICATORS
Unaudited

Absolute energy consumption

Absolute landlord electricity and gas consumption reduced in 2020. As noted above, the scale of this reduction is driven by occupancy changes as a result of COVID-19. The variation from like-for-like consumption is due to the Company's acquisitions and disposals during 2019 and 2020. In the reporting period, all landlord-procured electricity was from 100% renewable sources. Gas consumed was not from renewable sources.

			Landlord Electricity (kWh)			Occupier Electricity i.e. sub-metered to occupiers (kWh)			Total landlord-obtained Electricity (kWh)			Landlord-obtained Gas (kWh)			Energy Intensity (kWh/m²)		
Indicator references			Elec-Abs			Elec-Abs			Elec-Abs			Fuels-Abs			Energy-Int		
Sector	Coverage 2019 (assets)	Coverage 2020 (assets)	2019	2020	Change (%)	2019	2020	Change (%)	2019	2020	Change (%)	2019	2020	Change (%)	2019	2020	Change (%)
Industrial, Business Parks	6 of 9	6 of 9	282,511	319,397	13%	274,450	244,013	−11%	556,961	563,410	1%	70,713	168,201	138%	3.8	4.4	17%
Industrial, Distribution Warehouses	2 of 10	1 of 9	551,474	212,489	−61%	No sub-metered consumption		N/A	551,474	212,489	−61%	9,247	No consumption	N/A	8.9	6.0	−32%
Leisure	3 of 3	2 of 3	469,461	570,317	21%	2,964	2,303	−22%	472,425	572,620	21%	No consumption		N/A	12.7	15.4	21%
Offices	5 of 9	6 of 9	2,182,139	1,615,756	−26%	1,749,614	1,364,239	−22%	3,931,753	2,979,995	−24%	3,052,418	2,676,152	−12%	220.2	134.4	−39%
Retail, Warehouses	5 of 6	4 of 7	196,714	369,356	88%	No sub-metered consumption		N/A	196,714	369,356	88%	No consumption		N/A	3.6	7.5	110%
Totals	**24 of 43**	**20 of 41**	**3,729,190**	**3,087,315**	**−17%**	**2,027,028**	**1,610,555**	**−21%**	**5,709,326**	**4,697,870**	**−18%**	**3,132,378**	**2,844,353**	**−9%**	**25.1**	**22.9**	**−9%**

Note: Hotel and Unit Shop are excluded from the table as there is no landlord consumption but are included in the total possible coverage number.

Waste generation and treatment

We are responsible for waste management at a number of multi-let assets. Our Waste Management Consultant undertakes regular waste audits and works closely with our Property Manager to implement interventions to improve segregation of materials and ultimately increase recycling rates.

In total across the eight assets for which we manage waste, 386 tonnes of non-hazardous waste was generated in 2020 with 63% recovered via energy from waste and 37% recycled. There was no waste sent to landfill. COVID-19 resulted in a significant reduction in waste generation in 2020. Note that for the purposes of reporting, there is no difference between like-for-like and absolute waste generation for 2020.

		Total Waste (tonnes)		Waste to Landfill (tonnes)		Waste Recovered (tonnes)		Waste Recycled (tonnes)	
Indicator references		Waste-LfL / Waste-Abs							
Sector	Coverage (assets)	2019	2020	2020		2020		2020	
Leisure	2 of 3	583	296	0%	0	62%	184	38%	112
Offices	4 of 9	161	72	0%	0	56%	40	44%	32
Retail, Warehouse	2 of 7	25	18	0%	0	100%	18	0%	0
Totals	**8 of 33**	**788**	**386**	**0%**	**0**	**63%**	**242**	**37%**	**144**

Absolute greenhouse gas emissions

Absolute Scope 1 GHG emissions decreased by 8%. Note that emissions associated with refrigerants are included in this figure alongside natural gas. Total Scope 2 and Scope 3 emissions reduced by 24% and 27% respectively.

			Scope 1 Emissions (tCO_2)			Scope 2 Emissions (tCO_2)			Scope 3 Emissions (tCO_2)			Emissions Intensity Scopes 1, 2 & 3 ($kgCO_2/m^2$)		
Indicator references			GHG-Dir-Abs			GHG-Indir-Abs			GHG-Indir-Abs			GHG-Int		
Sector	**Coverage 2019 (assets)**	**Coverage 2020 (assets)**	**2019**	**2020**	**Change (%)**	**2019**	**2020**	**Change (%)**	**2019**	**2020**	**Change (%)**	**2019**	**2020**	**Change (%)**
Industrial, Business Parks	6 of 9	6 of 9	13	31	138%	72	74	3%	82	68	-17%	1.0	1.1	4%
Industrial, Distribution Warehouses	2 of 10	1 of 9	2	No landlord consumption	N/A	141	50	-65%	12	4	-64%	2.4	1.5	-38%
Leisure	3 of 3	2 of 3	No landlord consumption	1	N/A	120	133	11%	11	12	9%	3.5	3.9	11%
Offices	5 of 9	6 of 9	647	578	-11%	558	377	-32%	533	378	-29%	54.8	31.7	-42%
Retail, Warehouses	5 of 6	4 of 7	No landlord consumption		N/A	50	86	71%	4	7	73%	1.0	1.9	91%
Totals	**24 of 43**	**20 of 41**	**662**	**610**	**-8%**	**941**	**720**	**-24%**	**642**	**470**	**-27%**	**6.4**	**5.5**	**-14%**

Note: Hotel and Unit Shop are excluded from the table as there is no landlord consumption but are included in the total possible coverage number.
Note: Scope 3 also includes emissions associated with transmission and distribution losses for all landlord-procured electricity.

For the purposes of SECR, total Scope 1 and 2 emissions are also summarised in the following table. Energy consumption used to calculate these emissions is include in the Absolute Energy Consumption table above.

	2019	**2020**
Total Scope 1/2 Emissions (tCO2e)	1,603	1,330
Emissions intensity (kgCO2e/ m2 Net Lettable Area)	4.5	4.0

NOTICE OF ANNUAL GENERAL MEETING

The Board has been monitoring closely the ongoing impact of the COVID-19 pandemic upon the arrangements for the Company's upcoming AGM on Friday, 18 June 2021. At the time of writing, elements of the National Lockdown remain in place and shareholder attendance at AGMs is not legally permissible. The AGM will be a closed meeting with the minimum representation attending to form a quorum. However, to encourage engagement with shareholders, the Manager will record a Question & Answer session, responding to any shareholder questions, which are submitted in advance of the AGM. The Q&A will be published to the Company's website in early June 2021. Shareholders are encouraged to submit questions in advance of the Q&A to Commercial.Property@aberdeenstandard.com.

Notice is hereby given that the fourteenth Annual General Meeting of UK Commercial Property REIT Limited will be convened at the offices of Aberdeen Standard Investments, Bow Bells House, 1 Bread Street, London EC4M 9HH on Friday, 18 June 2021 at 10:00 for the following purposes set out below.

Ordinary Resolutions

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

1. To approve and adopt the Report of the Directors and auditor and the financial statements for the year ended 31 December 2020.

2. To approve the dividend policy of the Company as set out in the Annual Report.

3. To receive and adopt the Directors' Remuneration Report for the year to 31 December 2020 (excluding the Directors' Remuneration Policy).

4. To re-appoint Deloitte LLP as Auditor to the Company until the conclusion of the next Annual General Meeting.

5. To authorise the Directors to determine the Auditor's remuneration.

6. To re-elect Mr Ayre as a Director of the Company.

7. To re-elect Mr Fowlds as a Director of the Company.

8. To re-elect Mr Fry as a Director of the Company.

9. To re-elect Mr McCullagh as a Director of the Company.

10. To re-elect Mrs Platts as a Director of the Company.

11. To re-elect Ms Littlejohns as a Director of the Company.

Special Resolutions

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

12. That the Directors of the Company be and they 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 as 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 £32,485,312 being approximately 10 per cent of the nominal value of the issued share capital of the Company (including treasury shares), as at 22 April 2021.

13. That the Company, be authorised in accordance with section 315 of The Companies (Guernsey) Law, 2008, as amended,(the 'Law') to make market acquisitions within the meaning of section 316(I) of the Law of its own ordinary shares of 25p each ("shares") (either for retention as treasury shares for future resale of transfer or cancellation), provided that:

(a) the maximum number of shares hereby authorised to be acquired shall be equal to 14.99 per cent of the Company's issued share capital on the date on which this resolution is passed;

(b) the minimum price (exclusive of expenses) which may be paid for a share is 25p, being the nominal value per share;

(c) the maximum price (exclusive of expenses) which may be paid for a share shall not be more than the higher of (i) an amount equal to 105 per cent of the average of the middle market quotations for a share taken from the London Stock Exchange's Daily Official List for the five business days immediately preceding the day on which the share is purchased and (ii) the higher of the last independent trade and the highest current independent bid on the London Stock Exchange;

(d) the authority hereby conferred shall expire 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, unless such authority is renewed prior to such time; and

(e) the Company may make a contract to purchase Shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of Shares pursuant to any such contract.

By order of the Board
Northern Trust International Fund Administration Services (Guernsey) Limited
Company Secretary
Trafalgar Court
Les Banques
St Peter Port
Guernsey GY1 3QL

Date: 22 April 2021

The Board has been monitoring closely the ongoing impact of the COVID-19 pandemic upon the arrangements for the Company's upcoming AGM on Friday, 18 June 2021. At the time of writing, elements of the National Lockdown remain in place and shareholder attendance at AGMs is not legally permissible. The AGM will be a closed meeting with the minimum representation attending to form a quorum. However, to encourage engagement with shareholders, the Manager will record a Question & Answer session, responding to any shareholder questions, which are submitted in advance of the AGM. The Q&A will be published to the Company's website in early June 2021. Shareholders are encouraged to submit questions in advance of the Q&A to commercial.property@aberdeenstandard.com.

Notes

1. A member who is entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend, speak and vote instead of him or her. A proxy need not be a member of the Company.

2. More than one proxy may be appointed provided each proxy is appointed to exercise the rights attached to different shares held by him or her.

3. 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, The Pavilions, Bridgwater Road, Bristol BS99 6ZY, not later than 10:00 on Wednesday, 16 June 2021.

4. Completing and returning a form of proxy will not prevent a member from attending in person at 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 unless you have provided a hard copy notice to revoke the proxy to Computershare Investor Services (Guernsey) Limited, The Pavilions, Bridgwater Road, Bristol BS99 6ZY no less than 48 hours (excluding any part of a day that is not a working day) prior to the commencement of the Meeting as set out above.

5. 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 at the close of business on the day which is two days before the date of the Meeting. 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.

6. The Directors' letters of appointment will be available for inspection for fifteen minutes prior to the Annual General Meeting and during the Meeting itself.

7. As at 22 April 2021, the latest practicable date prior to publication of this document, the Company had 1,299,412,465 ordinary shares in issue with a total of 1,299,412,465 voting rights.

8. Any person holding 3 per cent of the total voting rights in the Company who appoints a person other than the Chair as his proxy will need to ensure that both he/she and such third party complies with their respective disclosure obligations under the Disclosure and Transparency Rules.

SHAREHOLDER INFORMATION

AIFMD/PRE-INVESTMENT DISCLOSURE DOCUMENT ("PIDD")

The Company has appointed Aberdeen Standard Fund Managers Limited as its alternative investment fund manager and Citibank Europe Plc as its depositary under the AIFMD. AIFMD requires Aberdeen Standard Fund Managers Limited, as the alternative investment fund manager ("AIFM") of UK Commercial Property REIT Limited, to make available to investors certain information prior to such investors' investment in the Company. Details of the leverage and risk policies which the Company is required to have in place under AIFMD are published in the Company's PIDD, which can be found on its website. The periodic disclosures required to be made by the AIFM under AIFMD are set out on page 102.

INVESTOR WARNING: BE ALERT TO SHARE FRAUD AND BOILER ROOM SCAMS

Aberdeen Standard Investments has been contacted by investors informing them that they have received telephone calls and emails from people who have offered to buy their investment trust shares, purporting to work for Aberdeen Standard Investments.

Aberdeen Standard Investments has also been notified of emails claiming that certain investment companies under its management have issued claims in the courts against individuals. These may be scams which attempt to gain your personal information with which to commit identity fraud or could be "boiler room" scams where a payment from you is required to release the supposed payment for your shares. These callers/email senders do not work for Aberdeen Standard Investments and any third party making such offers/claims has no link with Aberdeen Standard Investments.

Aberdeen Standard Investments does not "cold-call" investors in this way. If you have any doubt over whether a caller is genuine, do not offer any personal information, end the call and contact our Customer Services Department (see next section for the contact details).

The Financial Conduct Authority providers advice with respect to share fraud and boiler room scams: www.fca.org.uk/consumers/scams.

KEEPING YOU INFORMED

The Company's shares are listed on the London Stock Exchange and the share price is quoted daily in the Financial Times.

Details of the Company may also be found on the Company's own dedicated website at: ukcpreit.com. This provides information on the Company's share price performance, capital structure, stock exchange announcement and an Investment Manager's monthly factsheet. Alternatively you can call 0808 500 0040 (free when dialing from a UK landline) for Company information.

If you have any questions about your Company, the Investment Manager or performance, please telephone the Customer Services Department (direct private investors) on 0808 500 0040. Alternatively, please send an email to inv.trusts@aberdeenstandard.com or write to Aberdeen Standard Investments, PO Box 11020, Chelmsford, Essex CM99 2DB.

In the event of queries regarding holding of shares, lost certificates, dividend payments, or registered details, shareholders holding their shares in the Company directly should contact the registrars, Computershare Investor Services (Guernsey) Limited on 0370 707 4040 or by writing to the address on page 105. Calls may be recorded and monitored randomly for security and training purposes. Changes of address must be notified to the registrars in writing.

HOW TO INVEST IN THE COMPANY

Individual investors can buy and sell shares in the Company directly through a stockbroker or indirectly through a lawyer, accountant or other professional adviser. Alternatively, for retail clients, shares can be bought directly through Aberdeen Standard Investments' Plan for Children, Investment Trust Share Plan or Investment Trust ISA.

ABERDEEN STANDARD INVESTMENTS PLAN FOR CHILDREN

Aberdeen Standard Investments runs an Investment Plan for Children (the "Children's Plan") which covers a number of investment companies under its management including the Company. Anyone can invest in the Children's Plan, including parents, grandparents and family friends (subject to the eligibility criteria as stated within the terms and conditions). All investments are free of dealing charges on the initial purchase of shares, although investors will suffer the bid-offer spread, which can, on some occasions, be a significant amount. Lump sum investments start at £150 per trust, while regular savers may invest from £30 per month. Selling costs are £10 + VAT. There is no restriction on how long an investor need invest in the Children's Plan, and regular savers can stop or suspend participation by instructing Aberdeen Standard Investments in writing at any time. In common with other schemes of this type, all investments are held in nominee accounts. Investors have full voting and other rights of share ownership.

ABERDEEN STANDARD INVESTMENTS TRUST SHARE PLAN

Aberdeen Standard Investments runs a Share Plan (the "Plan") through which shares in the Company can be purchased. There are no dealing charges on the initial purchase of shares, although investors will suffer the bid-offer spread, which can, on some occasions, be a significant amount. Lump sum investments start at £250, while regular savers may invest from £100 per month. Selling costs are £10 + VAT. There is no restriction on how long an investor need invest in a Plan, and regular savers can stop or suspend participation by instructing Aberdeen Standard Investments in writing at any time. In common with other schemes of this type, all investments are held in nominee accounts. Investors have full voting and other rights of share ownership.

ABERDEEN STANDARD INVESTMENTS TRUST ISA

Aberdeen Standard Investments operates an Investment Trust ISA ("ISA") through which an investment may be made of up to £20,000 in the tax year 2020/2021.

There are no brokerage or initial charges for the ISA, although investors will suffer the bid-offer spread, which can, on some occasions, be a significant amount. Selling costs are £15 + VAT. The annual ISA administration charge is £24 + VAT, calculated annually and applied on 31 March (or the last business day in March) and collected soon thereafter either by direct debit or, if there is no valid direct debit mandate in place, from the available cash in the Plan prior to the distribution or reinvestment of any income, or, where there is insufficient cash in the Plan, from the sale of investments held in the Plan. Investors have full voting and other rights of share ownership. Under current legislation, investments in ISAs can grow free of capital gains tax.

ISA TRANSFER

You can choose to transfer previous tax year investments to the Aberdeen Standard Investments Trust ISA which can be invested in the Company while retaining your ISA wrapper. The minimum lump sum for an ISA transfer is £1,000 and is subject to a minimum per trust of £250.

LITERATURE REQUEST SERVICE

For literature and information on the Investment Plan for Children, Share Plan, ISA or ISA Transfer including application forms for the Company and the Manager's investment trust products, please contact:

Aberdeen Standard Investments Trust Administration
PO Box 11020
Chelmsford
Essex, CM99 2DB
Telephone: 0808 500 00 40
(free when dialling from a UK landline)

Terms and conditions for the Aberdeen Standard Investments managed savings products can also be found under the literature section of www.invtrusts.co.uk.

ONLINE DEALING DETAILS

Investor information

There are a number of other ways in which you can buy and hold shares in this investment company.

Online dealing

There are a number of online dealing platforms for private investors that offer share dealing, ISAs and other means to invest in the Company. Real-time execution-only stockbroking services allow you to trade online, manage your portfolio and buy UK listed shares. These sites do not give advice. Some comparison websites also look at dealing rates and terms. Some well-known online providers, which can be found through internet search engines, include:

AJ Bell Youinvest; Barclays Stockbrokers/Smart Investor; Charles Stanley Direct; Equiniti; Halifax Share Dealing; Hargreaves Lansdown; iDealing; Interactive Investor; The Share Centre; Stocktrade.

Discretionary private client stockbrokers

If you have a large sum to invest, you may wish to contact a discretionary private client stockbroker. They can manage your entire portfolio of shares and will advise you on your investments. To find a private client stockbroker visit the Wealth Management Association at www.pimfa.co.uk.

Independent Financial Advisers

To find an adviser who recommends on investment trusts, visit www.unbiased.co.uk.

Regulation of Stockbrokers

Before approaching a stockbroker, always check that they are regulated by the Financial Conduct Authority:

Tel: 0800 111 6768 or at register.fca.org.uk
Email: register@fca.org.uk

EFFECT OF REIT STATUS ON PAYMENT OF DIVIDENDS

REITs do not pay UK corporation tax in respect of rental profits and chargeable gains relating to property rental business. However, REITs are required to distribute at least 90% of their qualifying income (broadly calculated using the UK tax rules) as a Property Income Distribution ("PID").

Certain categories of shareholder may be able to receive the PID element of their dividends gross, without deduction of withholding tax. Categories which may claim this exemption include: UK companies, charities, local authorities, UK pension schemes and managers of PEPs, ISAs and Child Trust Funds.

Further information and the forms for completion to apply for PIDs to be paid gross are available from the Registrar.

Where the Group pays an ordinary dividend, in addition to the PID, this will be treated in the same way as dividends from non-REIT companies.

RETAIL DISTRIBUTION

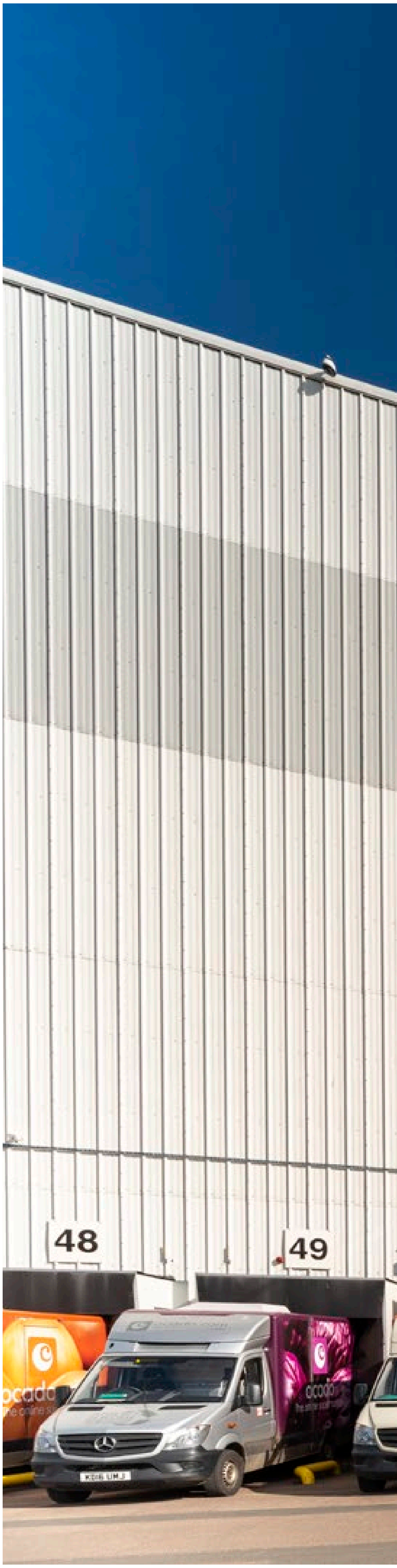
On 1 January 2014, the FCA introduced rules relating to the restrictions on the retail distribution of unregulated collective investment schemes and close substitutes (non-mainstream investment products). UK REITs are excluded from these restrictions therefore, the FCA's restrictions on retail distribution do not apply.

Note

Please remember that past performance is not a guide to the future. Stock market and currency movements may cause the value of shares and the income from them to fall as well as rise and investors may not get back the amount they originally invested.

As with all equity investments, the value of investment trusts purchased will immediately be reduced by the difference between the buying and selling prices of the shares, the market maker's spread.

Investors should further bear in mind that the value of any tax relief will depend on the individual circumstances of the investor and that tax rates and reliefs, as well as the tax treatment of ISAs may be changed by future legislation.



AIFMD Disclosures (unaudited)

The Company has appointed Aberdeen Standard Fund Managers Limited as its alternative investment fund manager with effect from 10 December 2018 and Citibank Europe Plc as its depositary under the AIFMD. Prior to 10 December 2018, the Company's AIFM was Standard Life Investments (Corporate Funds) Limited. The AIFM and the Company are required to make certain disclosures available to investors in accordance with the Alternative Investment Fund Managers Directive ("AIFMD"). Those disclosures that are required to be made pre-investment are included within a pre-investment disclosure document ("PIDD") which can be found on the Company's website www.ukcpreit.com. There have been no material changes to the disclosures contained within the PIDD since its last publication in December 2018.

The periodic disclosures as required under the AIFMD to investors are made below:

- Information on the investment strategy, geographic and sector investment focus and principal exposures are included in the Strategic Report.
- None of the Company's assets are subject to special arrangements arising from their illiquid nature.
- The Strategic Report, note 18 to the Financial Statements and the PIDD together set out the risk profile and risk management systems in place. There have been no changes to the risk management systems in place in the period under review and no breaches of any of the risk limits set, with no breach expected.
- There are no new arrangements for managing the liquidity of the Company or any material changes to the liquidity management systems and procedures employed by ASFML.
- All authorised Alternative Investment Fund Managers are required to comply with the AIFMD Remuneration Code. In accordance with the Remuneration Code, the AIFM's remuneration policy is available from Aberdeen Standard Fund Managers Limited on request (see contact details on page 105) and the remuneration disclosures in respect of the AIFM's reporting period for the period ended 31 December 2019 are available on the Company's website.

Leverage

The table below sets out the current maximum permitted limit and actual level of leverage for the Company:

	Gross Method	Commitment Method
Maximum level of leverage	250%	250%
Actual level at 31 December 2020	123%	123%

There have been no breaches of the maximum level during the period and no changes to the maximum level of leverage employed by the Company. There is no right of re-use of collateral or any guarantees granted under the leveraging arrangement. Changes to the information contained either within this Annual Report or the PIDD in relation to any special arrangements in place, the maximum level of leverage which ASFML may employ on behalf of the Company; the right of use of collateral or any guarantee granted under any leveraging arrangement; or any change to the position in relation to any discharge of liability by the Depositary will be notified via a regulatory news service without undue delay in accordance with the AIFMD.

The information on pages 100 to 102 has been approved for the purposes of Section 21 of the Financial Services and Markets Act 2000 (as amended by the Financial Services Act 2012) by Aberdeen Standard Fund Managers Limited which is authorised and regulated by the Financial Conduct Authority.

Ocado
Hatfield

FINANCIAL CALENDAR 2021/22

2021

22 April 2021
Announcement of annual results

May 2021
Payment of 2020 fifth interim dividend and 2021 first interim dividend

18 June 2021
Annual General Meeting

July 2021

August 2021
Payment of 2021 second interim dividend

September 2021
Release of 2021 Interim Report

October 2021

November 2021
Payment of 2021 third interim dividend

December 2021

2022

January 2022

February 2022
Payment of 2021 fourth interim dividend

March 2022

CORPORATE INFORMATION

Directors (all non-executive)

Ken McCullagh
Chair

Michael Ayre
Chair of Audit Committee

Sandra Platts
Chair of the Management
Engagement Committee and
Nomination and Remuneration Committee

Margaret Littlejohns
Chair of the Risk Committee
Senior Independent Director

Robert Fowlds
Non-Executive Director

Chris Fry
Chair of Property Valuation Committee

Registered Office

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

Registered Number

45387

Administrator and Company Secretary

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

Investment Manager and Alternative Investment Fund Manager

Aberdeen Standard
Fund Managers Limited
Bow Bells House
1 Bread Street
London
EC4M 9HH

Property Valuer

CBRE Limited
St Martin's Court
10 Paternoster Row
London
EC4M 7HP

Independent Auditors

Deloitte LLP
PO Box 137
Regency Court
Glategny Esplanade
St Peter Port
Guernsey
Channel Islands
GY1 3HW

Guernsey Legal Advisors
Walkers
12–14 New Street
Guernsey
GY1 2PF

UK Legal Advisors and Sponsor

Dickson Minto W.S.
16 Charlotte Square
Edinburgh
EH2 4DF

Maples Teesdale LLP
30 King Street
London
EC2V 8EE

Registrar

Computershare Investor Services
(Guernsey) Limited
1st floor
Tudor House
Le Bordage
St Peter Port
Guernsey
Channel Islands
GY1 1DB

Principal Bankers and Lenders

Barclays Bank plc
Quay 2
139 Fountainbridge
Edinburgh
EH3 9QG

Barings
Real Estate Advisors Europe LLP
Southwest House
11a Regent Street
London
SW1Y 4LR

Corporate P.R. Advisor

FTI Consulting Limited
200 Aldersgate
Aldersgate Street
London
EC1A 4HD

Corporate Broker

JP Morgan Cazenove
25 Bank Street
Canary Wharf
London
E14 5JP

Depositary

Citibank Europe Plc
Citigroup Centre
Canada Square
Canary Wharf
London
E14 5LB

Environmental Statement

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XDock 377, Magna Park,
Lutterworth

UK Commercial Property REIT

GLOSSARY AND ALTERNATIVE PERFORMANCE MEASURES

AIC	Association of Investment Companies. The trade body representing closed-ended investment companies.
Annual rental income	Cash rents passing at the Balance Sheet date.
Average debt maturity	The weighted average amount of time until the maturity of the Group's debt facilities.
Break option	A break option (alternatively called a 'break clause' or 'option to determine') is a clause in a lease which provides the landlord or tenant with a right to terminate the lease before its contractual expiry date, if certain criteria are met.
Contracted rent	The contracted gross rent receivable which becomes payable after all the occupier incentives in the letting have expired.
Covenant strength	This refers to the quality of a tenant's financial status and its ability to perform the covenants in a Lease.
Dividend	A sum of money paid regularly by the company to its shareholders. The Company currently pays dividends to shareholders quarterly.
Dividend cover	The ratio of the company's net profit after tax (excluding capital items) to the dividends paid.

	2020 £'000	2019 £'000
Total comprehensive (Loss)/income for the year	(10,282)	2,345
Add back:		
Losses/(Gains) on investment properties	45,485	43,094
(Gain)/Loss arising on interest rate swap	—	1
Non-recurring tax movement	—	45
Profit for dividend cover	35,203	45,485
Annual dividend	29,886	47,820
Dividend cover	118%	95%

Dividend yield	Annual dividend expressed as a percentage of share price.
Earnings per share (EPS)	Profit for the period attributable to shareholders divided by the average number of shares in issue during the period.
EPRA	European Public Real Estate Association. The industry body representing listed companies in the real estate sector.
EPRA Earnings per share	Profit for the period, as defined within EPRA Best Practices Recommendation Guidelines November 2016, divided by the average number of shares in issue during the period.
ERV	The estimated rental value of a property, provided by the property valuers.
Fair value	Fair value is defined by IFRS 13 as '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'.
Fair value movement	Fair value movement is the accounting adjustment to change the book value of an asset or liability to its market value, and subsequent changes in market value.
Financial Resources	Cash balance less financial commitments plus undrawn amount of revolving credit facility.
Gross gearing	Calculated as gross borrowings (excluding swap valuation) divided by total assets less current liabilities (excluding borrowings and swaps). SWAP valuations at fair value are not considered relevant in gearing calculations.

	2020 £'000	2019 £'000
Gross borrowings	200,000	250,000
Total assets	1,352,986	1,437,637
Less current liabilities	(28,161)	(23,046)
	1,324,825	1,414,591
Gross gearing	15.1%	17.7%

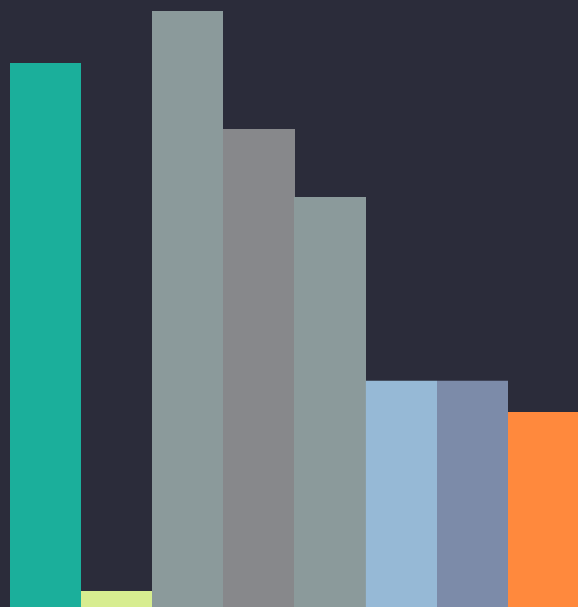
Group	UK Commercial Property REIT and its subsidiaries.
IFRS	International Financial Reporting Standards.
Index linked	The practice of linking the review of a tenant's payments under a lease to a published index, most commonly the Retail Price Index (RPI) but also the Consumer Price Index (CPI).
MSCI	An independent organisation supplying an expansive range of regional and global indexes, research, performance modelling, data metrics and risk analytics across direct property, listed and unlisted vehicles, joint ventures, separate accounts and debt.
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.

MSCI benchmark	Benchmark which includes data relevant to all properties held by funds included in the MSCI UK Balanced Portfolios Quarterly Property Index Benchmark.
NAV	Net Asset Value is the equity attributable to shareholders calculated under IFRS.
NAV total return	The return to shareholders, expressed as a percentage of opening NAV, calculated on a per share basis by adding dividends paid in the period to the increase or decrease in NAV. Dividends are assumed to have been reinvested in the quarter they are paid, excluding transaction costs.
Net gearing	Calculated as net borrowings (gross borrowings less cash excluding swap valuation) divided by total assets less current liabilities (excluding cash, borrowings and swaps). SWAP valuations at fair value are not considered relevant in gearing calculations.

	2020 £'000	2019 £'000
Gross borrowings	200,000	250,000
Less cash	(122,742)	(48,984)
	77,258	201,016
Total assets	1,352,986	1,437,637
Less cash	(122,742)	(48,984)
Less current liabilities	(28,161)	(23,046)
	1,202,083	1,365,607
Net gearing	6.4%	14.7%

Net initial yield (NIY)	The net initial yield of a property is the initial net income at the date of purchase, expressed as a percentage of the gross purchase price including the costs of purchase.
Ongoing charges	A measure, expressed as a percentage of NAV, of the regular, recurring costs of running an investment company, calculated in line with AIC ongoing charge methodology.
Over-rented	Space where the passing rent is above the ERV.
Passing rent	The rent payable at a particular point in time.
Portfolio fair value	The market value of the company's property portfolio, which is based on the external valuation provided by CBRE Limited.
Portfolio total return	Combining the Portfolio Capital Return (the change in property value after taking account of property sales, purchases and capital expenditure in the period) and Portfolio Income Return (net property income after deducting direct property expenditure), assuming portfolio income is re-invested.
Portfolio yield	Passing rent as a percentage of gross property value.
Premium/Discount to NAV	The difference between the share price and NAV per share, expressed as a percentage of NAV. Premium representing a higher share price compared to NAV per share, discount the opposite.
Property Income Distribution	UK REITs are required to distribute a minimum of 90% of the income from their qualifying property rental business. This distribution is known as a Property Income Distribution ("PID"). PIDs are taxable as UK property income in the hands of tax-paying shareholders.
Rack-rented	Space where the passing rent is the same as the ERV.
REIT	A Real Estate Investment Trust (REIT) is a single company REIT or a group REIT that owns and manages property on behalf of shareholders. In the UK, a company or group of companies can apply for 'UK-REIT' status, which exempts the company from corporation tax on profits and gains from their UK qualifying property rental businesses.
Rent Collection	The percentage of rents paid compared to the rents invoiced over a specified period.
Rent free	A period within a lease (usually from the lease start date on new leases) where the tenant has been granted that they do not have to pay any rent.
Rent review	A rent review is a periodic review (usually five yearly) of rent during the term of a lease. The vast majority of rent review clauses require the assessment of the open market, or rack rental value, at the review date, in accordance with specified terms, but some are geared to other factors, such as the movement in an Index.
Reversionary yield	Estimated rental value as a percentage of the gross property value.
Revolving Credit Facility ("RCF")	A bank loan facility from which funds can be withdrawn, repaid and redrawn again any number of times until the facility expires. As at date of this report UKCM had a RCF available of £150 million.
RICS	The Royal Institution of Chartered Surveyors, the global professional body promoting and enforcing the highest international standards in the valuation, management and development of land, real estate, construction and infrastructure.
Share price	The value of each of the company's shares at a point in time as quoted on the Main Market of the London Stock Exchange.
Share price total return	The return to shareholders, expressed as a percentage of opening share price, calculated on a per share basis by adding dividends paid in the period to the increase or decrease in share price. Dividends are assumed to have been reinvested in the quarter they are paid, excluding transaction costs.
Void rate/vacancy rate	The quantum of rent relating to properties which are unlet and generating no rental income. Stated as a percentage of Estimated Rental Value.

UK
Commercial
Property
REIT



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