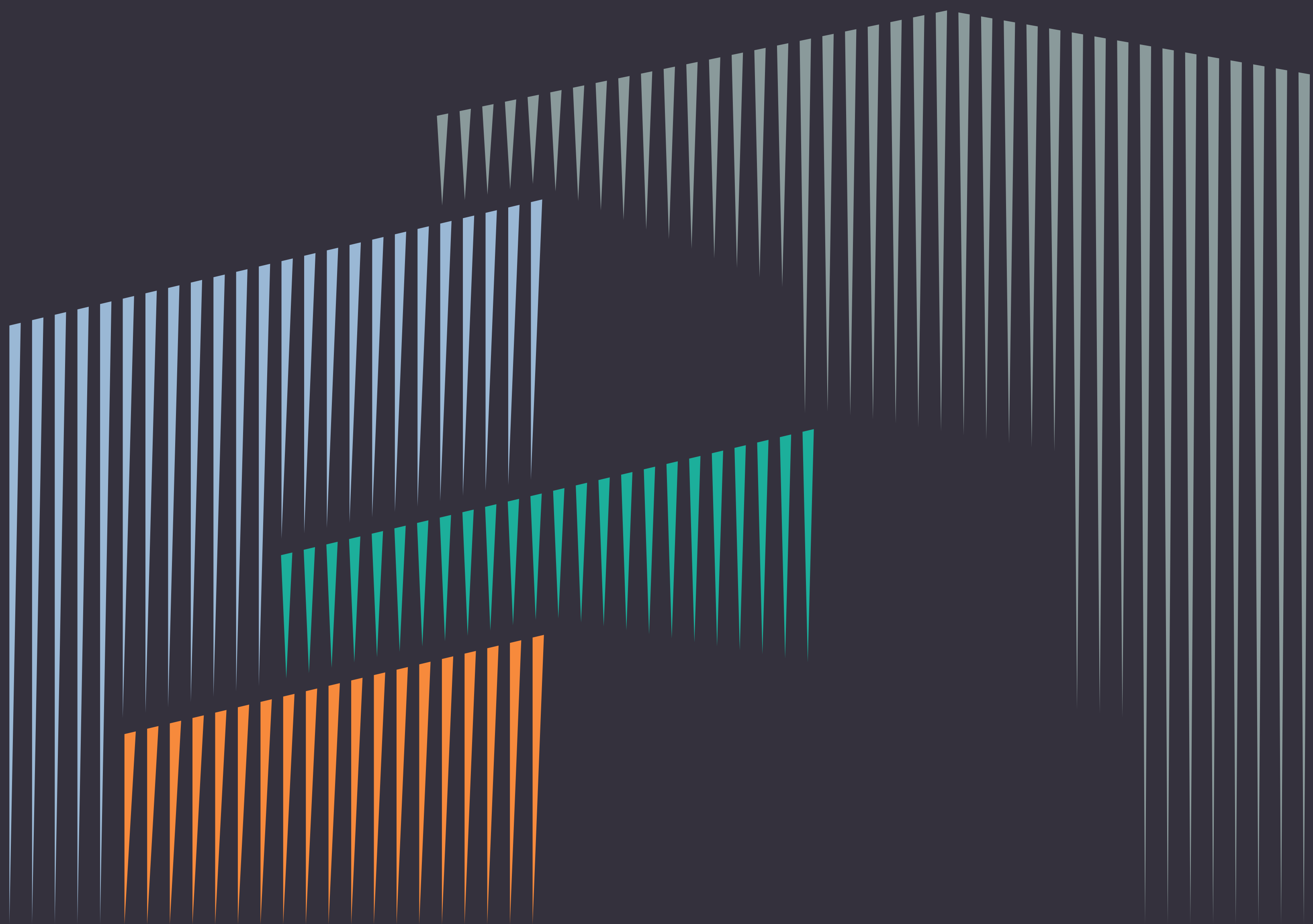
ANNUAL REPORT & ACCOUNTS

for the year ended 31 December 2017

UK Commercial Property Trust



UKCPT PORTFOLIO IN NUMBERS
AS AT 31 DECEMBER 2017

1 NUMBER OF PROPERTIES, TENANCIES AND AVERAGE PROPERTY VALUE

343 Tenancies

42 Properties

£33.3m Average property value

£1.4bn Portfolio value

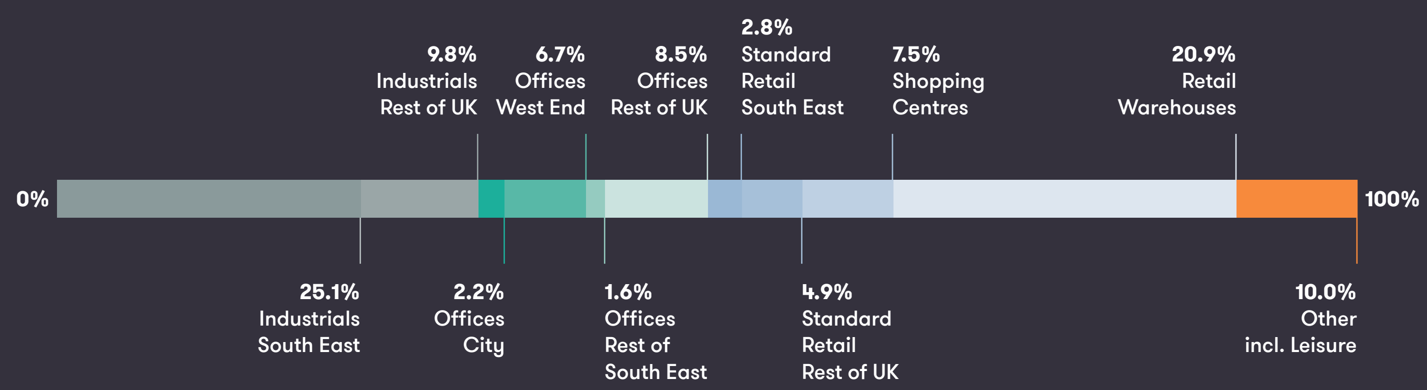
2 LEASE EXPIRY PROFILE

Key: UKCPT   IPD benchmark

	0–1 year	1–2 years	2–3 years	3–5 years	5–10 years	10–15 years	15–20 years	20+ years
UKCPT	10.2%	8.4%	8.1%	10.0%	34.6%	13.7%	7.6%	7.4%
IPD benchmark	6.9%	6.0%	7.5%	13.7%	30.4%	13.3%	9.2%	13.0%

3 SUB SECTOR SPLIT OF UKCPT PORTFOLIO
(based on market value)

Key: Industrial   Office   Retail   Leisure/Other



4 TOP 10 TENANTS BY PASSING RENT
33.8% of passing rent

#01 **B&Q PLC**
5.8% of passing rent
IPD risk band: Negligible

#02 **PUBLIC SECTOR**
4.8% of passing rent
IPD risk band: Negligible

#03 **OCADO RETAIL LIMITED**
3.9% of passing rent
IPD risk band: Low

#04 **SONY INTERACTIVE ENTERTAINMENT EUROPE LIMITED**
3.1% of passing rent
IPD risk band: Negligible

#05 **MARKS AND SPENCER P.L.C.**
3.1% of passing rent
IPD risk band: Negligible

#06 **DSG RETAIL LIMITED**
2.9% of passing rent
IPD risk band: Negligible

#07 **ODEON CINEMAS LIMITED**
2.7% of passing rent
IPD risk band: Negligible

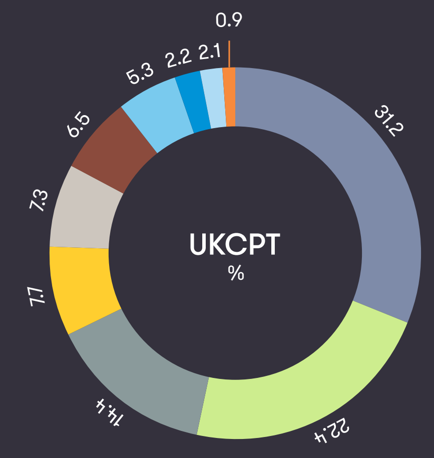
#08 **TOTAL E&P UK LIMITED**
2.7% of passing rent
IPD risk band: Negligible

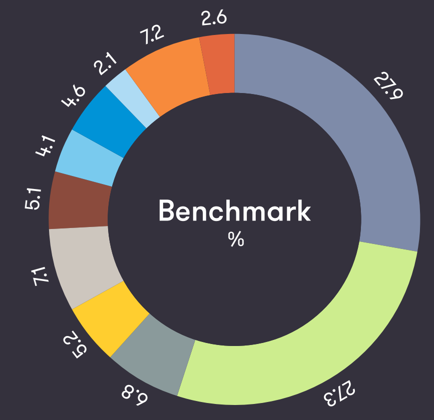
#09 **CINEWORLD GROUP PLC**
2.6% of passing rent
IPD risk band: Negligible

#10 **BRITISH TELECOMMUNICATIONS PUBLIC LIMITED COMPANY**
2.2% of passing rent
IPD risk band: Negligible

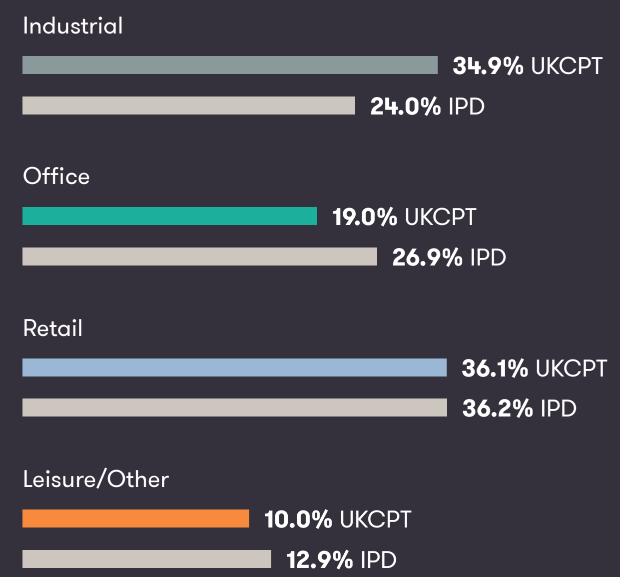
5 GEOGRAPHIC SPLIT vs IPD BENCHMARK

South East
London
South West
Scotland
West Midlands
Yorkshire & Humber
East Midlands
City of London
North East
North West
Other





6 SECTOR SPLIT vs IPD BENCHMARK
(based on market value)



CONTENTS

COMPANY SUMMARY

An overview

The Company

UK Commercial Property Trust Limited ("the Company") is an authorised closed ended, Guernsey registered investment company which was launched on 22 September 2006.

The Company has a single class of share in issue, which is premium listed on the official list and traded on the London Stock Exchange.

The Company has an indefinite life, subject to periodic continuation votes, and was incorporated on 24 August 2006. The next periodic continuation vote is scheduled for the first quarter of 2020.

The Group

The Group consists of the Company and its subsidiaries. The Company is the ultimate controlling party.

The subsidiaries are disclosed in note 10 to the audited financial statements and include; UK Commercial Property Finance Holdings Limited (UKCPFH), UK Commercial Property Holdings Limited (UKCPH), UK Commercial Property GP Limited (the GP), UK Commercial Property Nominee Limited (UKCPN), UK Commercial Property Estates Holdings Limited (UKCPEH) and UK Commercial Property Estates Limited (UKCPEL) and are incorporated in Guernsey. Brixton Radlett Property Limited (BRPL) is a company incorporated in the UK. The principal business of UKCPFH, UKCPEL, BRPL and the GP are that of an investment and property company. The principal business of UKCPN is that of a nominee company. The principal business of UKCPFH and UKCPEH are that of a holding company.

The limited partnership, UKCPT Limited Partnership, ("the GLP") is a Guernsey limited partnership. UKCPH and the GP have a partnership interest of 99 and 1 per cent respectively in this entity.

The GP is the general partner and UKCPH is a limited partner of the GLP. The limited partnership's principal business is that of an investment and property entity.

Objectives

The investment objective of the Company is to provide ordinary shareholders with an attractive level of income together with the potential for capital and income growth from investing in a diversified portfolio of UK commercial properties. The investment policy of the Company is set out on page 13.

Management

Standard Life Investments (Corporate Funds) Limited is the Investment Manager of the Group.

Further details of the management contract are provided in note 3 to the Accounts.

ISA Status

The Company's shares are eligible for ISA investment.

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the action you should take, you are recommended to seek your own independent financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 if you are in the United Kingdom or, if not, from another appropriately authorised financial adviser. If you have sold or otherwise transferred all your ordinary shares in UK Commercial Property Trust Limited, please forward this document, together with the accompanying documents, immediately to the purchaser or transferee, or to the stockbroker bank or agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

CENTRUM 260
Burton upon Trent

Strategic Report

UK Commercial Property Trust

FINANCIAL HIGHLIGHTS

As at 31 December 2017

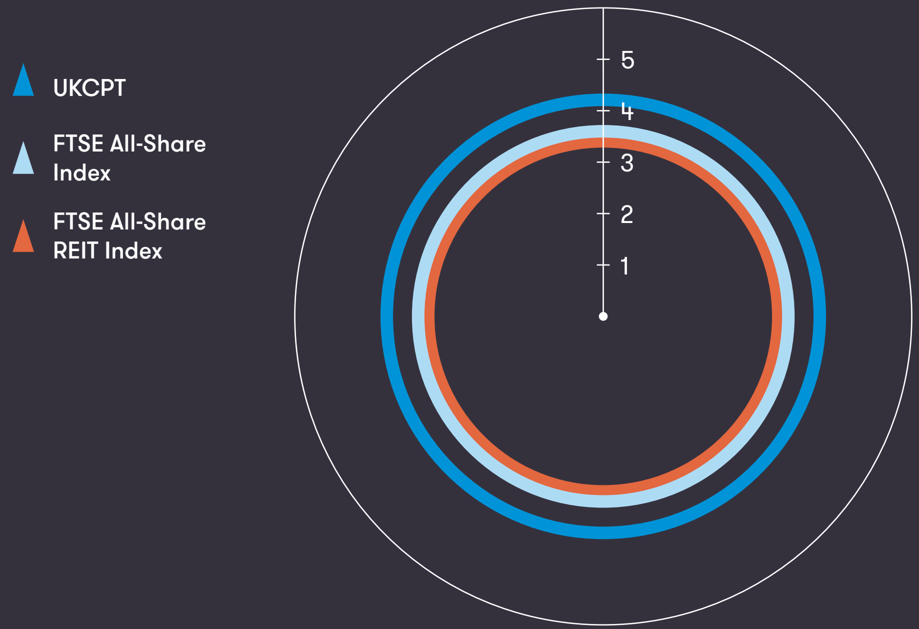
NAV TOTAL RETURN*

Strong NAV total return of 12.2%

12.2%

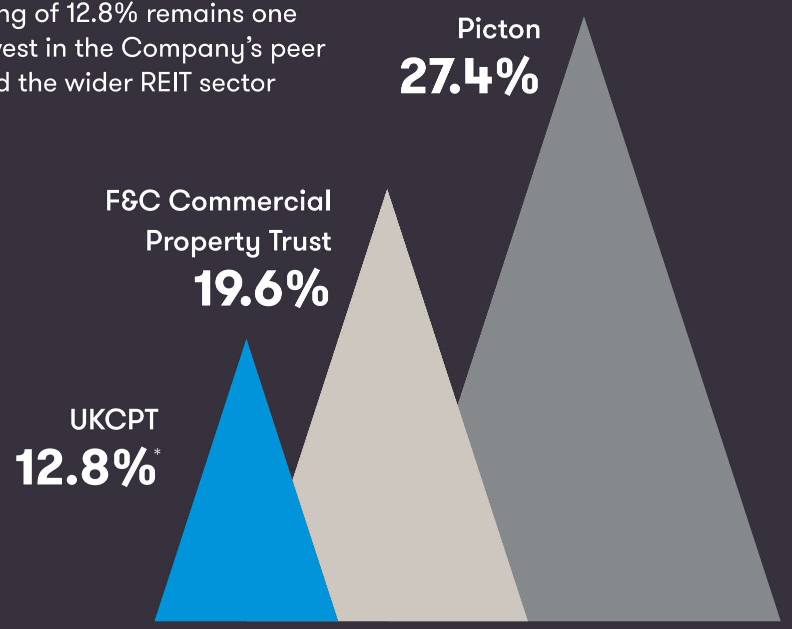
DIVIDEND YIELD*

Attractive dividend yield of 4.2% v FTSE All-Share REIT Index yield of 3.4% and FTSE All-Share Index yield of 3.6%



NET GEARING

Net gearing of 12.8% remains one of the lowest in the Company's peer group and the wider REIT sector



3.42p

EPRA EARNINGS PER SHARE*

EPRA earnings per share (excluding deferred tax) of 3.42p — Equates to dividend cover of 93% for the year which should grow as cash is invested and asset management initiatives delivered

SHARE PRICE TOTAL RETURN*

Share price total return since inception of 72.5% versus -4.4% on the FTSE All-Share REIT Index

Over £100m

AVAILABLE FOR INVESTMENT

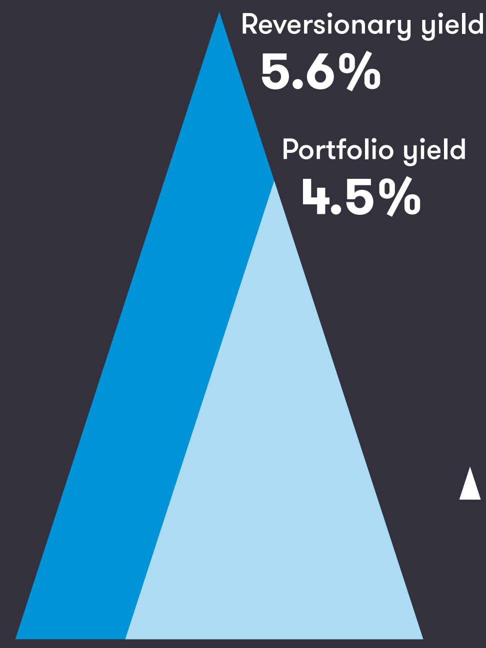
£59m of uncommitted cash plus £50m revolving credit facility available for acquisitions accretive to dividend cover/earnings

PORTFOLIO HIGHLIGHTS

PORTFOLIO VALUE*

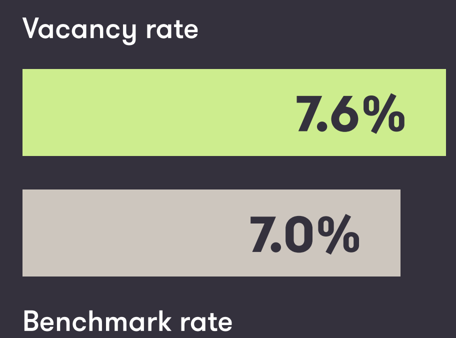
Portfolio value of £1.4 billion (2016 — £1.3 billion) as portfolio grew due to strong capital performance and continued investment

£1.4bn



PORTFOLIO YIELD*

Portfolio yield of 4.5% with reversionary yield of 5.6% highlighting reversionary nature of portfolio and scope for future earnings growth

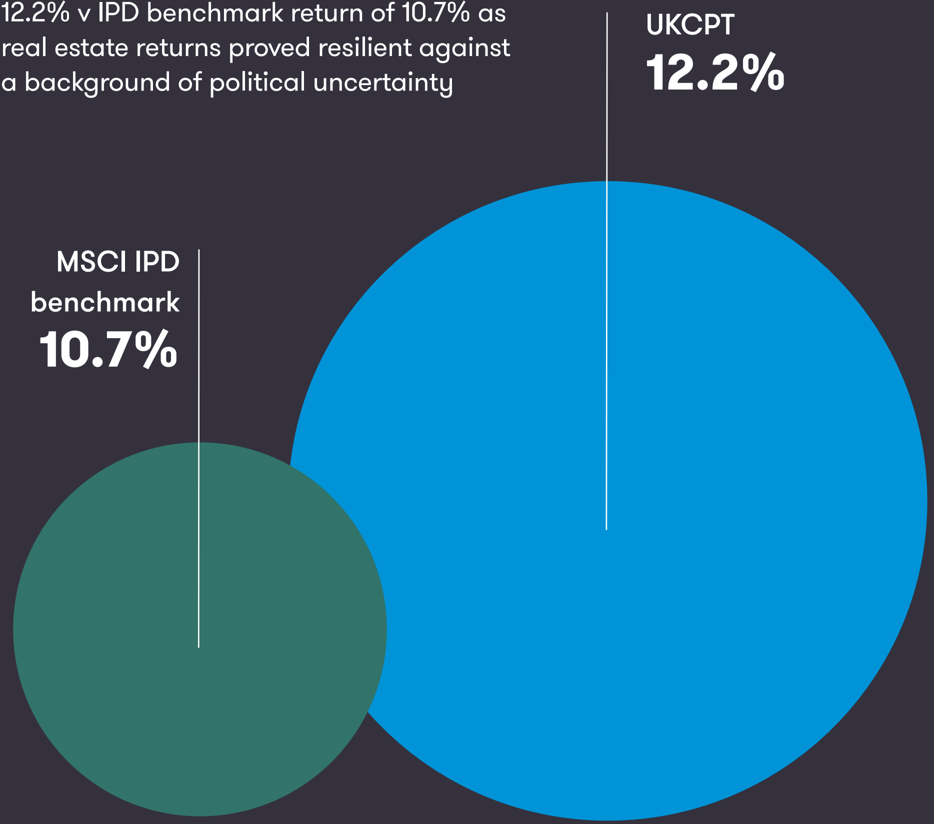


VACANCY RATE*

Vacancy rate of 7.6% compared to benchmark rate of 7.0%. Almost three quarters of the Company's vacancy is in the favoured industrial sector which should provide an opportunity to increase income and capital values

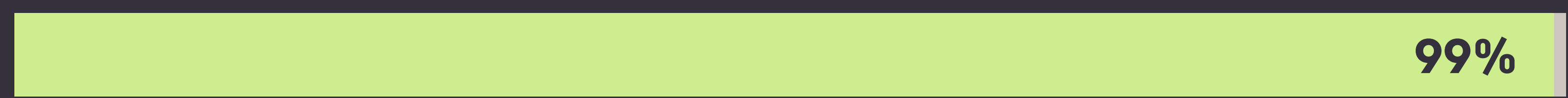
PORTFOLIO TOTAL RETURN*

Above benchmark portfolio total return of 12.2% v IPD benchmark return of 10.7% as real estate returns proved resilient against a background of political uncertainty



RENT COLLECTION

99% of rent collected within 21 days underlining continued strength of tenant base



* These Alternative Performance Measures (APMs) are defined in the Glossary on pages 100 to 101.

PERFORMANCE SUMMARY

CAPITAL VALUES AND GEARING	31 December 2017	31 December 2016	% Change
Total assets less current liabilities (excluding interest rate swap) £'000	1,457,262	1,372,926	6.1
Net asset value per share (p)	92.8	86.2	7.7
Ordinary share price (p)	88.6	84.5	4.9
Discount to net asset value (%)	(4.5)	(2.0)	n/a
Gearing (%) — Net*	12.8	11.4	n/a
Gearing (%) — Gross**	17.2	18.2	n/a

TOTAL RETURN	1 year % return	3 year % return	5 year % return
NAV†	12.2	27.0	72.2
Share price†	9.4	14.5	73.3
MSCI IPD Balanced Monthly and Quarterly Funds Index	10.7	29.2	67.9
FTSE All-Share Real Estate Investment Trusts Index	12.2	15.4	70.8
FTSE All-Share Index	13.1	33.3	63.0

EARNINGS AND DIVIDENDS	31 December 2017	31 December 2016
EPRA Earnings per share (excluding deferred tax) (p)	3.42	3.43
IFRS Earnings per share (p)	10.12	3.48
Dividends declared per ordinary share (p)	3.68	3.68
Dividend yield (%)‡	4.2	4.4
IPD benchmark yield (%)	4.8	5.1
FTSE All-Share Real Estate Investment Trusts Index yield (%)	3.4	3.7
FTSE All-Share Index yield (%)	3.6	3.5

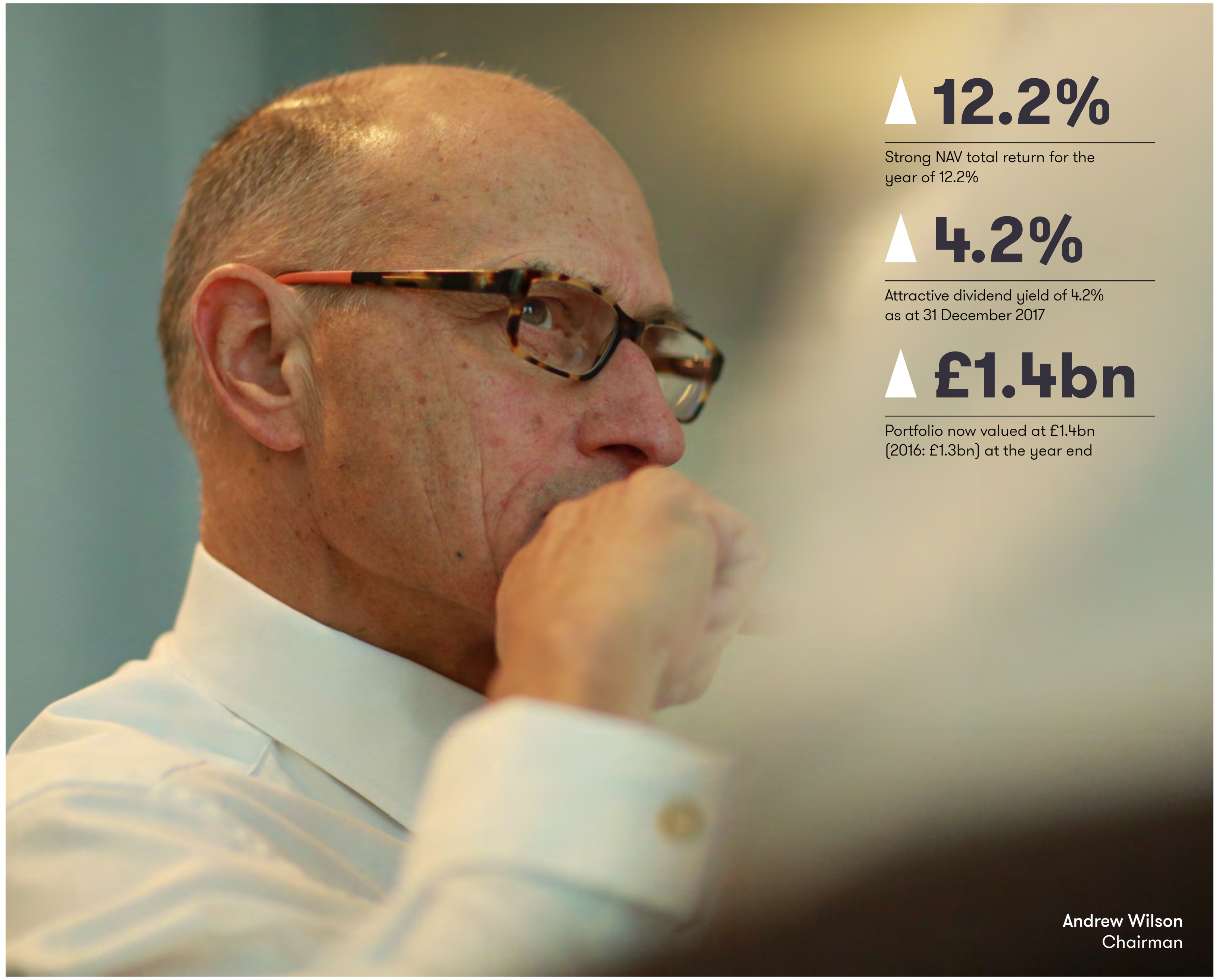
ONGOING CHARGES AND VOID RATE***		
As a % of average net assets including direct property costs	1.5	1.4
As a % of average net assets excluding direct property costs	0.9	0.9
Vacancy rate (%)	7.6	3.7

* Calculated as net borrowings (gross borrowings excluding swap valuation less cash) divided by total assets less cash and less current liabilities (excluding any borrowings and swap valuation). See Alternative Performance Measures on page 100–101 for further details.
** Calculated as gross borrowings (excluding swap valuation) divided by total assets less current liabilities (excluding borrowings and swap).
*** These Alternative Performance Measures (APMs) are defined in the Glossary on pages 100–101.
† Assumes re-investment of dividends excluding transaction costs.
‡ Based on an annual dividend of 3.68p and the share price at 31 December.

Sources: Standard Life Investments, MSCI Investment Property Databank ("IPD")

Chairman's Statement

UK Commercial Property Trust



PORTFOLIO PERFORMANCE

UKCPT portfolio total return

12.2%

10.7%

IPD benchmark total return

I am pleased to report that in 2017 UK Commercial Property Trust saw a continuation of the positive momentum we generated in 2016. Our portfolio delivered above benchmark returns for the second year running which led to healthy NAV, share price and earnings returns. This was achieved against a backdrop of continued political uncertainty and a property market performance which, on the whole, surprised on the upside.

The Company's portfolio delivered a total return of 12.2% which compared favourably to the Company's IPD benchmark return of 10.7%. Encouragingly, our portfolio produced positive total returns across all sectors, although the principal driver for this performance came from the Company's industrial holdings which delivered a total return of 19.7%.

This outperformance resulted from the combination of various portfolio strategies and initiatives that saw the Company reduce its retail and Central London offices exposure, with £42 million of sales, at above their most recent valuation, during the year. These are both sectors where values are expected to come under pressure and the capital was recycled into assets in our favoured industrial sector and properties offering secure, longer term income. Indeed, following a number of acquisitions in 2017 and over the past few years, 34.9% of the Company's £1.4 billion portfolio was in the industrial sector at the year end, a deliberately overweight position compared to the benchmark of 24.0%.

We expect our successful asset management initiatives additionally to assist dividend cover and unlock the reversionary nature of the portfolio and, as a result, the prospect for enhancing the income return to shareholders is positive.

This process continued after the year end when, in January 2018, the Company completed the sale of its Shrewsbury shopping centres to Shropshire Council at a price which was also above the most recent valuation. As a result, UKCPT's exposure to shopping centres is now 4.2%, below the benchmark weighting of 5.3%. Furthermore, the sale reduced the Company's total retail weighting to 33.9%, again below the benchmark of 36.2%.

The proceeds from the 2017 sales were reinvested into a number of assets which we believe are well placed to produce sustainable income returns over the medium to long term. These included the funding of a now completed pre-let distribution centre at Burton upon Trent, an office investment in Sheffield, and the forward funding of a pre-let hotel in Newcastle, the Company's first investment into this sector. These acquisitions are secured on long leases with all having upwards-only inflation-linked rents. Following these acquisitions, 15% of UKCPT's rental income has either fixed or inflation linked increases on relatively long leases, complementing the remaining portfolio which, while being well let, offers opportunities to enhance rental and capital value through successful asset management initiatives over time.

The Company's strong NAV total return of 12.2% for 2017, whilst comfortably above that of the IPD benchmark, was similar to that of its wider Guernsey Property Investment Company peer group but achieved with much lower leverage than the majority of its peers. Since inception, UKCPT has delivered a higher NAV total return of 83.5% than the peer group weighted average return of 75.7%.

Over the year, the Company's share price moved to a 4.5% discount to NAV which resulted in a lower total return to shareholders in 2017 of 9.4%, compared to the 12.2% return on the FTSE All-Share REIT Index. Over the longer term, however, UKCPT has significantly outperformed this Index: since the Company's formation in 2006 it has produced a total return to shareholders of 72.5%, versus the REIT Index's return of minus 4.4%.

The Manager's continued focus on delivering successful asset management initiatives together with the Company's strong financial base also contributed to these robust returns and to the continuing good health of the business.

Financial Resources

UKCPT continues to be in a financially strong position, with a combination of low gearing and significant financial resources available for investment. As at 31 December 2017, the Company's gearing was a modest 12.8% (gross gearing of 17.2%). UKCPT continues to be one of the lowest geared companies in both its peer group and the wider REIT sector. This is a sensible defensive strategy, given that capital returns in the UK property market are forecast to slow in 2018 and 2019. The debt has a weighted average maturity of five years and a low blended cost at 2.89% per annum, providing an attractive margin for enhancing income, given the portfolio's 4.5% net initial yield.

Following the sale of the Shrewsbury holding, adjusting for future dividend and capital expenditure commitments, the Company has available cash of £59 million along with access to a £50 million low cost revolving credit facility.

Dividends

In 2017, UKCPT declared and paid to its shareholders a total of 3.68 pence in dividend per share paid in four equal instalments of 0.92 pence per share. The fourth interim dividend for the financial year ended 2017 of 0.92 pence was paid on 28 February 2018.

This attractive annual dividend reflects a yield of 4.2% based on the year end share price. It compares favourably to the yields on the FTSE All-Share REIT Index of 3.4% and the FTSE All-Share Index of 3.6% as well as to the 10 year gilt yield of 1.2%. This dividend yield continues to be underpinned by cash flows derived from a strong tenant base which pays 99% of its annual £68.9 million rental commitment within 21 days of the due dates.

A principal focus of the Board is maintaining an attractive level of dividend in recognition of its importance to shareholders. Almost three quarters of the vacancy rate of 7.6% is in the favoured industrial sector and represents an excellent opportunity to increase sustainable rental income. Additionally, with the portfolio having a significant reversionary potential, and taking account of the Company's resources for future acquisitions, it is the Board's expectation that dividend cover, which stood at 93% for 2017, will move towards, if not exceed, 100% in the medium term, allowing the Board to consider, at the appropriate time, growing the dividend.

REIT Conversion

In the NAV announcement for the fourth quarter of 2017, the Board noted the proposals in the Budget to charge capital gains tax on offshore owners of UK commercial property for gains accruing from April 2019 and the decision to bring non-resident landlords into the corporation tax regime in April 2020. Both of these initiatives would result in the Group paying significant additional tax unless it converts into a UK REIT.

The Company has now received an irrevocable undertaking from its largest shareholder, Phoenix Life Limited, to support REIT conversion. In due course, the Company will issue a circular to shareholders and convene a General Meeting to propose REIT conversion with the intention being, subject to shareholder approval, to convert to a REIT on 1 July 2018.

Additionally the Board is monitoring the position in regard to the recently announced, proposed sale of Standard Life Aberdeen's insurance business to Phoenix and Standard Life Aberdeen's proposed shareholding of 19.99% in Phoenix to form a strategic alliance between the pair. The Board is assessing the implications, given Standard Life Aberdeen's role as the Company's Investment Manager and Phoenix's large shareholding in the Company.

34.9%

The Company's industrial weighting is purposely above benchmark at 34.9%.

97%

of the Company's office holdings are let, a sector which comprises 19% of its portfolio.

9 Colmore Row
Birmingham

Board Changes

Ms Margaret Littlejohns and Mr Robert Fowlds, both UK residents, joined the Board on 1 January and 1 April 2018 respectively. They each have impressive backgrounds in their respective fields and will be valuable additions to the business as it develops further following the proposed REIT conversion. Mr John Robertson retired from the Board on 31 March 2018 and has been replaced by Ms Littlejohns as chair of the Risk Committee. Mr Robertson has played an invaluable role in the development of UKCPT for which the Board is very grateful.

Company Outlook

The UK's economic position continues to be dominated by the ongoing Brexit negotiations. The UK is forecast to be one of the slowest growing of the developed economies in 2018 as business investment continues to be muted due to the ongoing uncertainty. The perceived success, or otherwise, of the outcome of the Brexit negotiations will be pivotal in determining the performance of the UK economy in the short to medium term.

Real estate as an asset class has thus far proved resilient to the slowdown in the economy experienced in 2017. Returns were considerably higher than the IPF consensus expectations for the year of 3.2%. While foreign investment into the UK market has helped, the underlying property fundamentals, unlike in previous cycles, are sound and should support property continuing to deliver attractive relative returns. The yields generated by UK real estate remain significantly higher than those from other mainstream asset classes. This should continue even if interest rates edge up more quickly. Leverage in the real estate sector is prudent and overall the market is reasonably liquid.

By historical standards, limited development and lower than average vacancy rates should also assist in a solid foundation for future positive returns, albeit more geared towards income rather than capital growth in the immediate future.

In this environment, UKCPT is in a strong position with robust fundamentals: low gearing, cash resources, a well let and well located portfolio appropriately aligned to the principal sectors, particularly industrials, which is again expected to be the strongest performing sector in 2018. The Company's retail weighting is purposely below benchmark at 33.9% (post the sale of Shrewsbury) with the vast majority of the Company's retail exposure being in prime retail warehousing. In addition, 97% of its office holdings are let, a sector which comprises 19% of its portfolio.

The Company continues to provide a secure dividend yield and the prospects for having a fully covered dividend in the medium term are strong. This should stand the Company in good stead in a world where the demand for products that offer reliable income streams remains high. UKCPT's strong financial base should reduce volatility as capital values come under pressure and allow it to deploy its surplus cash to take advantage of the opportunities that would be expected to come along in such an environment. We expect our successful asset management initiatives additionally to assist dividend cover and unlock the reversionary nature of the portfolio and, as a result, the prospect for enhancing the income return to shareholders is positive.

I therefore believe your Company continues to be well positioned to grow and deliver attractive relative returns in the future.

Andrew Wilson
Chairman
26 April 2018

UK Commercial Property Trust saw a continuation of the positive momentum we generated in 2016. Our portfolio delivered above benchmark returns for the second year running which led to healthy NAV, share price and earnings returns. This was achieved against a backdrop of continued political uncertainty and a property market performance which, on the whole, surprised on the upside.

The purpose of the Strategic Overview is to provide shareholders with details of the Company's strategy and business model, as well as the principal risks and uncertainties faced by the Company.

15 Great Marlborough Street
London, W1

Investment Strategy

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

The Company'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.

The Company focuses on identifying and acquiring institutional grade, income producing assets and looks to identify assets that benefit from wider infrastructure improvements delivered by others where possible. The Company also recognises that the experience of tenants is paramount and hence the Investment Manager works closely with tenants to understand their needs through regular communication and visits to properties to which Board members also periodically attend. Where required, and in consultation with tenants, the Company refurbishes and manages the owned assets to improve the tenants' experience with the aim being to generate greater tenant retention and hence lower voids, higher rental values and stronger returns.

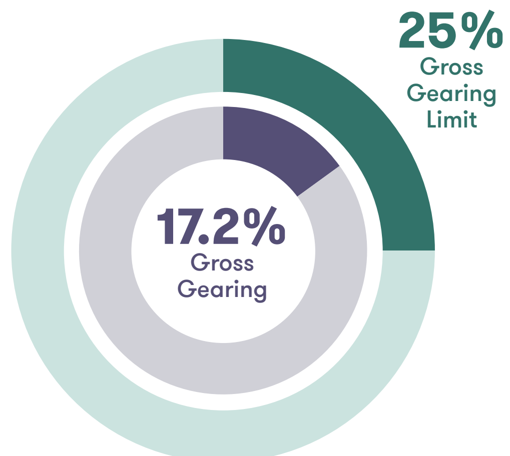
Investment risks to the Group are managed by investing in a diversified portfolio of freehold and long leasehold UK commercial properties. The Group invests in income producing assets in four commercial property sectors: industrial, office, retail and leisure. The Group has not set any maximum geographic exposures within the UK nor any maximum weighting limits in 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.

At an EGM of the Company on 28 April 2011 the shareholders of the Company approved a revised gearing policy of the Group amended to read 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's performance in meeting its objective is measured against key performance indicators as set out on page 14. 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 Chairman's Statement and the Investment Manager Review.

BORROWING & INVESTMENT



BORROWINGS
Gross borrowings of the Group will not exceed 25% of the total assets at the time of draw down

CURRENT GEARING
Gross gearing of the Group is 17.2%.

Emerald Park
Bristol

Board

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 36–37 and indicate their range of property, investment, commercial, professional, financial and governance experience. The Company has no executive Directors or employees.

Management of Assets and Shareholder Value

The Board has contractually delegated the management of the investment portfolio and other services to Standard Life Investments (Corporate Funds) Limited.

The Company 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 2017, the Company generated operating cash flows of £42.4m (2016: £49.4m).

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 2017 is contained on page 33 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, www.ukcpt.co.uk, and the Company also utilises a public relations agency to enhance its profile among investors.

Borrowings

As at 31 December 2017 the Group had total borrowing facilities drawn of £250 million, representing a gross gearing level of 17.2% (net gearing of 12.8%) of the year end total assets with a blended fixed interest rate of 2.89% per annum.

Key Performance Indicators/ Alternative Performance Measures

The Company's benchmark is the MSCI Investment Property Databank (IPD) Balanced Monthly and 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 the IPD benchmark and other selected comparators.
- Premium/(Discount) of share price to net asset value.
- Dividend per share 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 2017 are set out on page 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.

81/85 George Street
Edinburgh

X Dock 377
Magna Park, Lutterworth

Principal Risks and Risk Uncertainties

The Board has established 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, comprises all members of the Board and is chaired by John Robertson (from 1 April 2018 — Margaret Littlejohns). 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 risks, seeking assurance that these risks are appropriately rated and ensuring that appropriate risk mitigation is in place. The Committee also reviews emerging risks.

The Board confirms that, through the operation of the Risk Committee, it frequently carries out a robust assessment of the principal risks facing the Company. These risks and how they are mitigated are set out opposite.

The Company's assets consist of direct investments in UK commercial property. Its principal risks are therefore related to the commercial property market in general, but also to the particular circumstances of the properties in which it is invested and their tenants. The Manager seeks to mitigate these risks, including health and safety risks which are covered in more detail on page 18, through continual review of the portfolio utilising research produced by the Manager's in-house research team, detailed reports on the performance of the portfolio, setting of annual asset plans for each asset in the portfolio and also through asset management initiatives. All of the properties in the portfolio are insured, providing protection against risks to the properties and also protection in case of injury to third parties in relation to the properties.

Kew Retail Park
Richmond

Ensco, Aberdeen Gateway
Aberdeen

Darwin Shopping Centre
Shrewsbury

The Board has also identified a number of specific risks that are reviewed at each quarterly Risk Committee Meeting. These are as follows:

Company objectives and performance

The Company's objectives and/or performance become unattractive to investors which may lead to a persistent discount and a continuation vote which may threaten the future solvency and liquidity of the Group.

This risk is mitigated through regular performance reviews of the Company's portfolio, contact with shareholders, a regular review of share price performance and the level of discount at which the shares trade and regular meetings with the Company's broker to discuss these points and address any issues that arise.

The discount control policy of the Company provides that if the market price of the ordinary shares is more than 5 per cent below the published net asset value (as last calculated, adjusted downwards for the amount of any dividend declared by the Company upon the shares going ex-dividend) for a continuous period of 90 dealing days or more, following the second anniversary of the Company's most recent continuation vote in relation to the discount control policy, the Board will convene an EGM to consider an ordinary resolution for the continuation of the Company. This situation arose in the 90 day period up to 11 October 2016 and, as a result, the Board convened an EGM which was held on 9 November 2016 and, at which, the continuation of the Company was approved with 76% of shareholders voting and, of those who voted, 99% voting for the continuation of the Company.

Centrum 260
Burton upon Trent

Dividend cover

Dividend cover falls to a level whereby the Company becomes unattractive to investors, for example due to tenant failure or inability to let properties.

This risk is mitigated through regular review of forecast dividend and regular review of tenant mix, risk and profile. Due diligence work on potential tenants is undertaken before entering into new lease agreements and tenants are kept under constant review through regular contact and various reports both from managing agents and from the Manager's own reporting processes. Contingency plans are put in place at units that have tenants that are believed to be in financial trouble.

The introduction of new base erosion and profit shifting regulation ('BEPS') in 2020 has been recognised by the Board as a potential future risk to dividend cover. This risk is covered in more detail in the taxation section opposite.

Company indebtedness

The Company is unable to service or repay its debts, threatening the future solvency and liquidity of the Group.

This risk is mitigated by two factors. First of all the Investment Policy of the Company limits gearing to 25 per cent of total assets at the time of draw down. This low gearing limit means it is expected that, barring any unforeseen circumstances, the Group will have adequate assets to service and repay the debt if required. Secondly, the underlying assets themselves are mainly invested in a diversified, prime UK commercial property portfolio underpinned by a strong tenant base. This means that, even in a significant economic downturn, the Board is confident that the assets will still be of sufficient value and generate sufficient income to meet future liabilities.

Taxation

The tax structure of the Group is not optimised or is affected by legislative change, impacting performance and dividend cover.

The Group has historically been structured in a tax efficient way which results in rental income the Group generates being offset by expenses and internal loan interest. The terms on the internal loan notes, namely interest rates and loan to value ratios, are crucial in preserving the tax efficiency of the Group. These loan notes were refinanced in September 2016 via a rigorous process to ensure they continue to represent commercially available terms. The result of this loan note refinancing is that the Group is expected to generate future taxable profits. As the Group has around £37 million of unutilised tax losses as at 31 December 2017 and it is anticipated these losses will now be utilised, the Group has recognised a net deferred tax asset in the financial statements of £3.3 million (2016: £6.5 million). This asset will be written off over the time period in which the losses are utilised or are no longer able to be offset against future profits (for example as a result of the Group entering the UK REIT regime).

The proposals in the 2017 UK Budget to charge capital gains tax on offshore holders of UK commercial property with effect from April 2019 and the decision to bring non-resident landlords into the corporation tax regime in 2020 linked to BEPS both would result in the Company paying significant additional tax after utilisation of any losses available. The proposals increase taxation risk in comparison to previous years. The Board is intending to mitigate the impact of these changes by converting to a REIT, subject to approval from shareholders, as detailed in the Chairman's statement.

Macroeconomic environment

Uncertainty or change in the macroeconomic environment results in property becoming an undesirable asset class, causing a decline in property values.

This risk is managed through regular reporting from, and discussion with, the Manager and other advisors. Macroeconomic conditions form part of the decision making process for purchases and sales of properties and for sector allocation decisions.

Macroeconomic uncertainty continued in 2017, particularly in relation to the UK's decision to leave the EU. The Board continues to monitor closely the effect of this on property values and also the impact of any resultant regulatory changes that may impact the Company.

Other risks faced by the Company include the following:

- Economic — inflation or deflation, economic recessions and movements in interest rates could affect property valuations and its bank borrowings.
- Strategic — incorrect strategy, including sector and property allocation and use of gearing, could lead to poor returns for shareholders.
- Regulatory — breach of regulatory rules could lead to suspension of the Company's London Stock Exchange Listing, financial penalties or a qualified audit report.
- Management and control — changes that cause the management and control of the Group to be exercised in the United Kingdom could lead to the Group becoming liable to United Kingdom taxation on income and capital gains.
- Financial — inadequate controls by the Investment Manager or third party service providers could lead to misappropriation of assets. Inappropriate accounting policies or failure to comply with accounting standards could lead to misreporting or breaches of regulations.
- Operational — failure of the Investment Manager's accounting systems or disruption to the Investment Manager's business, or that of third party service providers, could lead to an inability to provide accurate reporting and monitoring, leading to a loss of shareholders' confidence. An additional operation risk is failure by the Investment Manager, or other third party service provider, to implement appropriate policies and procedures to manage information and cyber security risk, leading to financial loss and business disruption for the Company.

Craven House
Soho, London

The recent merger of Standard Life plc and Aberdeen Asset Management PLC creates a risk for the Company due to the potential for changes in the way the Investment Manager provides its services to the Company. The Board is keeping under close review any potential implications for the Company arising from the merger and the integration process.

In addition the recent announcement relating to the future sale of Standard Life Aberdeen's insurance business to Phoenix and Standard Life Aberdeen's proposed strategic stake in Phoenix creates a potential risk given Standard Life Aberdeen's role as the Company's Investment Manager and Phoenix's large shareholding in the Company. The Board is liaising with its advisers on the implications of this transaction.

The Board seeks to mitigate and manage these risks through the operation of the Risk Committee, policy setting and enforcement of contractual obligations. It also regularly monitors the investment environment and the management of the Company's property portfolio and levels of gearing, and applies the principles detailed in the UK Corporate Governance Code. Details of the Company's internal controls are described in more detail in the Corporate Governance Report on pages 44–46.

Viability Statement

The Board considers viability as part of its ongoing programme of monitoring risk. The Board considers 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.

The Board has considered the nature of the Company's assets and liabilities and associated cash flows. The Board has determined that five years is the maximum timescale over which the performance of the Company 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 risks faced by the Company, as detailed on pages 14–17, including periodic continuation votes. The main risks which the Board consider will affect the business model, future performance, solvency, and liquidity are ongoing discounts leading to continuation votes, tenant failure leading to a fall in dividend cover, company indebtedness, taxation and macroeconomic uncertainty. The Board takes any potential risks to the ongoing success of the Company, and its ability to perform, very seriously and works hard to ensure that risks are consistent with the Company's risk appetite at all times.

In assessing the Company'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;
- The Company'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; and
- The valuation and liquidity of the Company's property portfolio, the Investment Manager's portfolio strategy for the future and the market outlook.

Based on the results of the analysis outlined above, the Board has a reasonable expectation, assuming the continuation vote in 2020 is passed, that the Company will be able to continue in operation and meet its liabilities as they fall due over the five year period of its assessment, including the debt refinancing in 2020.

Sustainable Real Estate Investment Policy

The Investment Manager acquires, develops and manages properties on behalf of the Company. It is recognised that these activities have both direct and indirect environmental and social impacts. The Board has adopted the Investment Manager's own Sustainable Real Estate Investments Policy and associated Environmental Management Systems and is committed to environmental management in all phases of an asset's cycle — from acquisition through demolition, redevelopment and operational management to disposal. The focus is on energy efficiency, greenhouse gas emissions, resource management and occupier satisfaction. To facilitate this, the Manager works in partnership with contractors, suppliers, tenants and consultants to minimise those impacts, seeking continuous improvements in environmental performance and conducting regular reviews.

UK Commercial Property Trust was awarded a Green Star ranking from the Global Real Estate Sustainability Benchmark 2017 and improved its score by 9% compared with 2016. A Green Star is awarded to entities that perform well in both categories of the GRESB assessment: Management & Policies and Implementation & Measurement. Our approach to monitoring and improving the sustainability performance of the assets held by the Company has been highly successful. The greenhouse gas emissions intensity of the like-for-like portfolio reduced by 14% year-on-year. Water consumption reduced by 10% year-on-year and 99% of waste generated was diverted from landfill. For the first time this year we have adopted the 2017 EPRA Sustainability Best Practice Recommendations Guidelines (BPRs) to inform the scope of indicators we report against. Full details can be found in pages 86–91.

Alongside these environmental principles the Company has a health and safety policy which demonstrates commitment to providing safe and secure buildings that promote a healthy working/customer experience that supports a healthy lifestyle. The Company, through the Investment Manager, manages and controls health and safety risks systematically as any other critical business activity using technologically advanced systems and environmentally protective materials and equipment. The aim is to achieve a health and safety performance the Company can be proud of and allow the Company 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.

Approval of Strategic Report

The Strategic Report of the Company comprises the following on pages 3 to 33: Financial and Property Highlights, Performance Summary, Chairman's Statement, Strategic Overview, Investment Manager Review and Portfolio Information.

The Strategic Report was approved by the Board on 26 April 2018.

Andrew Wilson
Director

Ken McCullagh
Director

Cineworld
Glasgow

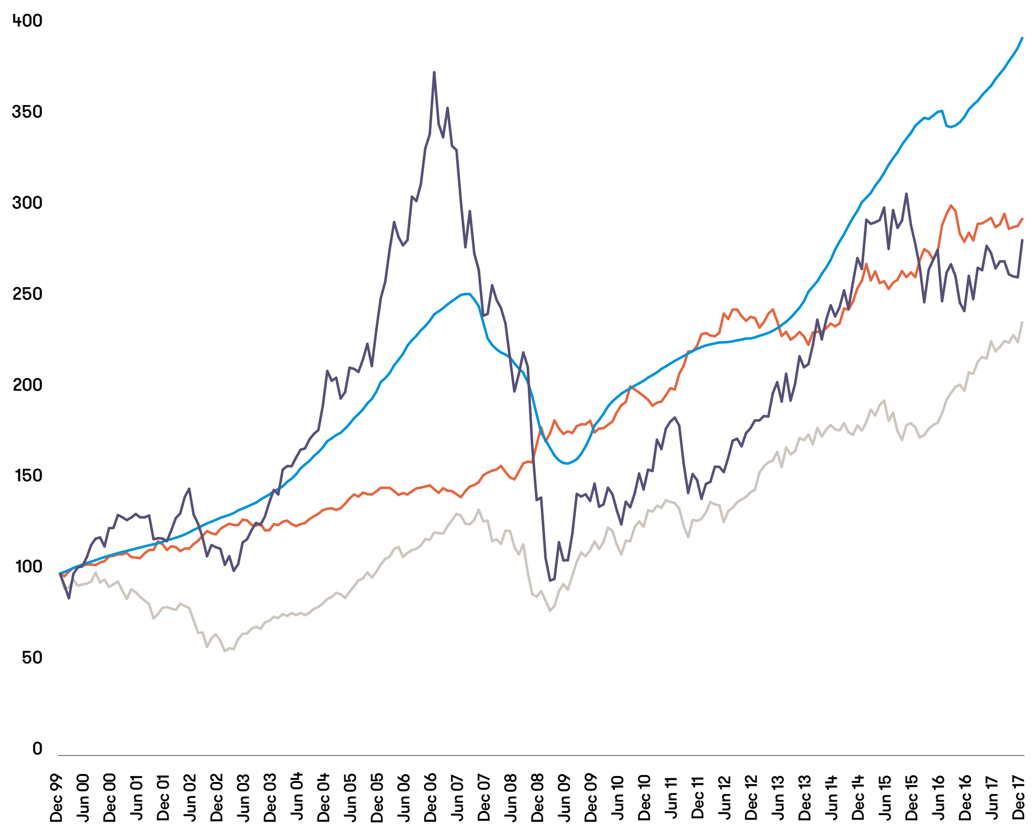
The Company aims to deliver an attractive level of income, together with the potential for capital and income growth, through investment in a diversified UK commercial property portfolio. Our strategy to achieve this combines investment, divestment and asset management, including disciplined investment in existing stock where accretive.

Market Review

We expect relatively subdued economic growth in 2018 and then some further moderation in economic momentum in 2019 as the impact of leaving the European Union becomes more pronounced. Despite this relatively weak economic backdrop, UK real estate returns last year were stronger than most analysts anticipated at the start of 2017. The IPF Summer 2017 Consensus Forecast for 2017 was 6.7% whereas the actual outcome was a total return of 10.7% (as measured by MSCI/IPD's Balanced Monthly & Quarterly index), also significantly higher than the 3.6% total return recorded in 2016. Capital growth was relatively strong over the year with values rising by 5.6% whilst rents increased by 2.1%, driven by demand in the industrial sector. For the first time, the overall industrial yield ended the year stronger than that for offices, with industrial yield compression particularly prominent in the South East where land supply is limited and development costs high.

In the equity markets the FTSE All-Share and the FTSE 100 total returns were 13.1% and 12.0% respectively over the calendar year whilst listed real estate (FTSE All-Share REIT Index) delivered a total return of 12.2% over the year.

TOTAL RETURN INDEX



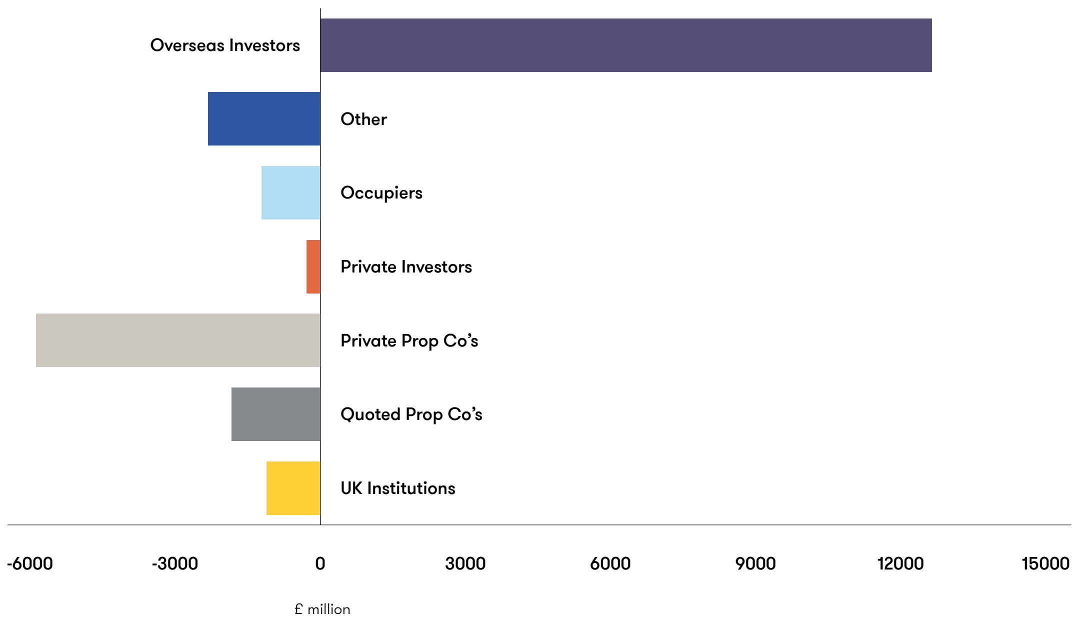
Source: Thomson Reuters, MSCI/IPD Monthly Index, Standard Life Investments

Key: UK Property shares UK Property UK Gilts UK Equities

UK real estate investment volumes reached £64 billion in 2017, which was an improvement of almost 24% from the volume recorded in 2016. It was also ahead of agents' expectations at the start of the year.

UK institutional investors, along with quoted and private property companies, occupiers and private investors were all net divestors over the year as illustrated in the graph opposite.

NET INVESTMENT IN THE UK REAL ESTATE MARKET 2017

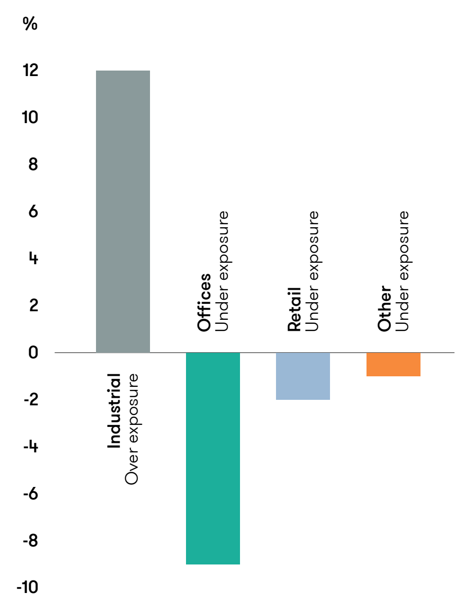


Source: Property Data

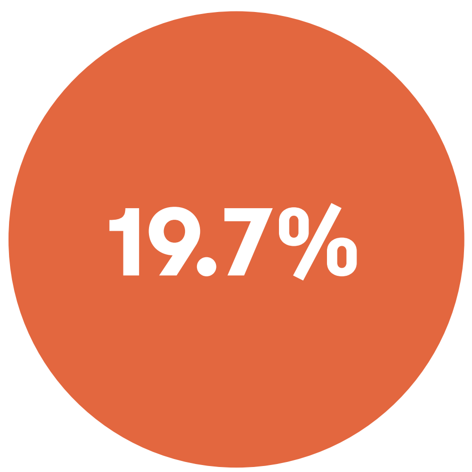
> *The prime characteristics of the portfolio should stand it in good stead with both 'big box' and 'multi-let estate' well placed to continue providing sustainable income with growth potential.*

Will Fulton
Fund Manager

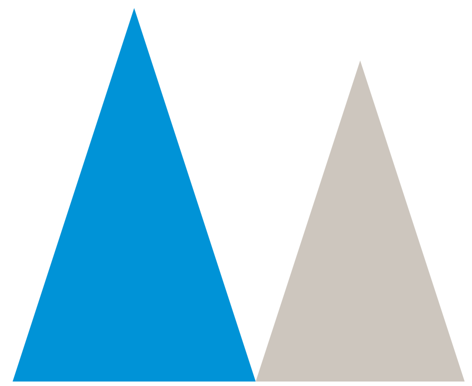
RELATIVE WEIGHTING AGAINST BENCHMARK



UKCPT has above benchmark exposure to the industrial sector which we believe will be the best performing sector in 2018



INDUSTRIALS TOTAL RETURN
The Company's portfolio total return of 19.7% exceeded that of the benchmark 19.4% total return

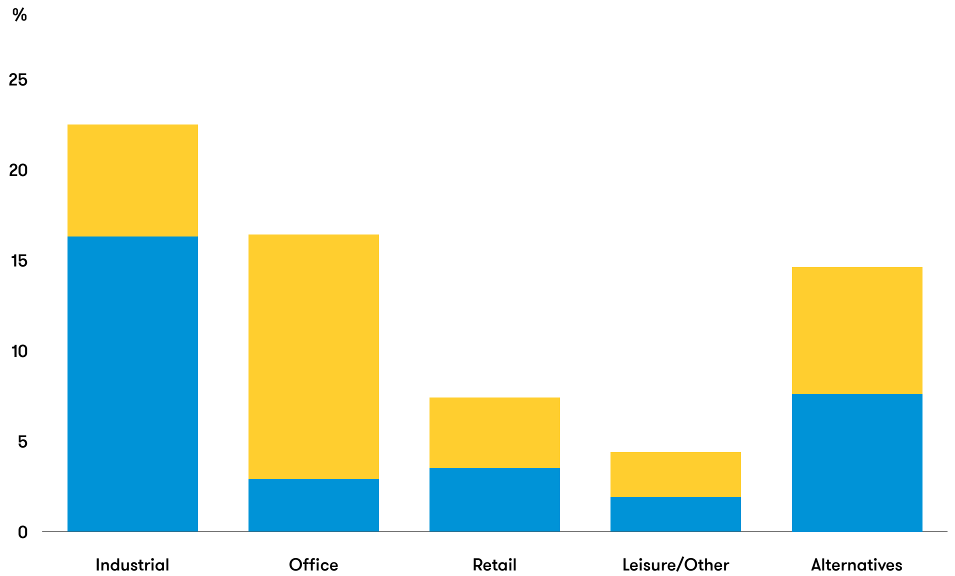


PORTFOLIO TOTAL RETURN

PORTFOLIO TOTAL RETURN
12.2%

BENCHMARK TOTAL RETURN
10.7%

OUTSIDE OF THE OFFICE SECTOR UK INVESTORS ACCOUNTED FOR THE LARGEST SHARE OF TRANSACTIONS (2017 DATA)



Key: Overseas UK

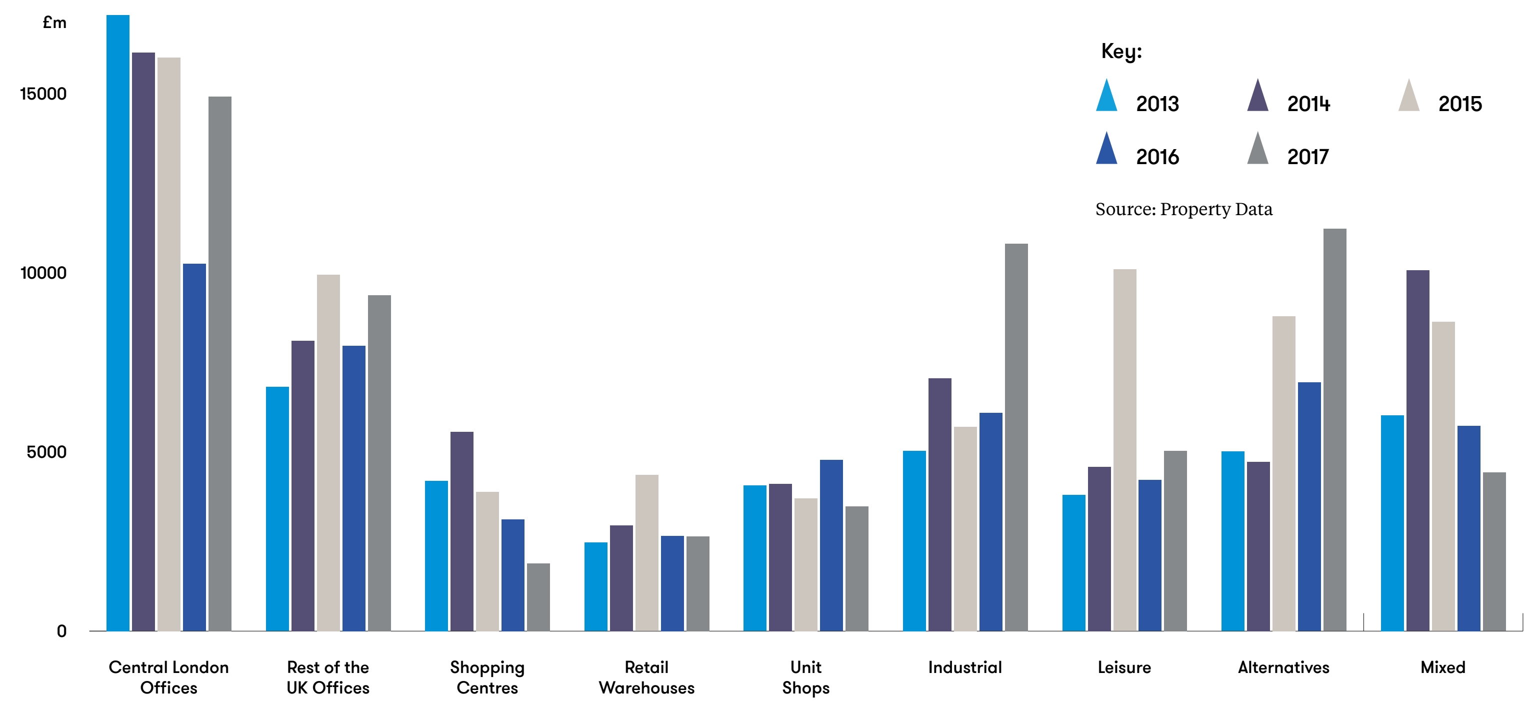
Source: Property Data, Standard Life Investments

Overseas investors continued to be the dominant net investor group in the UK real estate market and the chart opposite illustrates the spread of their investment by sector, which was focused on offices. Overseas investors were, in fact, the only net investor group over 2017.

Central London offices were again the main focus of investors' attention, commanding the largest share of investment (see chart below). Sentiment was fairly pessimistic towards the shopping centre sector, with investment in 2017 the lowest it has been for several years.

The industrial and alternative sectors saw a considerable rise during 2017, significantly ahead of previous years.

VALUE OF TRANSACTIONS BY MARKET SEGMENT



Key: 2013 2014 2015 2016 2017

Source: Property Data

Review by Sector

Retail — Accelerating polarisation

Retail lagged in the year, recording a total return of 6.8% as measured by MSCI/IPD's Balanced Monthly & Quarterly index, with capital growth of 1.4% the weakest across sectors. Rents remained largely stable compared to office rental growth of 1.4% and industrials 4.9%.

Recent indicators from retailers suggest 2017 trading was a mixed bag for the year. For example, Next reported better than expected results, generally as a result of strong online sales rather than physical store sales whereas fashion retailer Debenhams reported a hit to its profit margins due to extensive discounting in the face of weak sales. Pressures in the sector remain significant with consumers' disposable income continuing to be under pressure, wage growth muted and consumer confidence relatively weak. Online buying continues to take market share from physical stores, although the pace of online growth has moderated recently with the ONS reporting online sales currently account for 17% of all retailing. Online food retailing remains a smaller proportion of this at 5.3% of food retailing.

Office — Buoyant investment activity in Central London

The office sector continued to lag the wider All Property market. Both the City and the West End London office markets underperformed in 2017 with muted rental growth in both. Despite this weakness in rental growth, Central London take up remained robust at close to its long-term average level. Much of this take up, however, came from flexible office occupiers such as WeWork as Brexit uncertainty impacted occupier decision-making. In fact, WeWork has been the most prolific taker of space across Central London since 2012, taking more space than companies in any other business sector. Flexible workspace operators have accounted for four of the top ten biggest takers of space, alongside the technology giants Google, Amazon, Apple and Facebook, with WeWork now having the largest volumes of space commitments after the Government. The market is watching with interest the appeal and flow of users both into, and out of, this flexible short-lease space.

Investment in offices continued to be buoyant regardless of the caution in occupier markets. Investment in Central London was ahead of the long-term average and well ahead of the 2016 level. Overseas investors, and particularly the Chinese, continued to account for a significant proportion of this. Investment in regional markets also remained strong with a reasonable amount of overseas activity in centres such as Manchester and Edinburgh. Volumes were ahead of the long-term average in regional markets but down on 2016 levels.

Industrial — Strong returns in the industrial sector

The industrial sector continued to demonstrate its strength, generating a total return of 19.4% in 2017 (MSCI/IPD benchmark). Industrial values continued to rise strongly delivering a capital gain of 13.9%. Rental growth at 5.4% significantly outperformed the market as a whole. The differentials between the South East and the Rest of the UK remained, however, with the South East industrial region delivering an impressive capital return of 17.2% as opposed to 8.8% for the rest of the country.

Take-up levels remained healthy in comparison to historic standards, albeit they represented a decline from record peaks in 2016. We expect demand for multi-let space and the logistics sector to continue to be above historic levels due to the structural changes that continue to take place in the sector caused by e-commerce and automation. However, in the short term, the sector will not be immune to the economic fundamentals as the process of leaving the European Union evolves.

Industrial transaction volumes in 2017 hit a record high with investors attracted by the changing face of retail and the attractive returns generated in, and expected by, the sector. Caution, however, is required when looking at new investment based on opportunities to capture rental and capital value growth; genuine opportunities will become rarer as the market cycle continues to mature and competition for good real estate intensifies.

	Total Return		Income Return		Capital Growth	
	Fund %	Benchmark %	Fund %	Benchmark %	Fund %	Benchmark %
Industrial	19.7	19.4	4.6	4.9	14.5	13.9
Office	11.2	8.4	5.1	4.1	5.8	4.1
Retail	7.8	6.8	4.8	5.3	2.8	1.4
Leisure/Other	7.0	12.1	4.9	4.8	2.0	7.0
TOTAL	12.2	10.7	4.8	4.8	7.1	5.6

Source: MSCI/IPD, Standard Life Investments

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.

Leisure/Other

The MSCI/IPD "Other" sector continues to record performance above the All Property average. This "Other" sector is a mixed category MSCI/IPD use to collect investments outside the three traditional Office, Retail and Industrial sectors; key contributors are Residential (around 650 assets, £3.2bn) and Hotels (around 215 assets, £3.8bn), but also a number of Healthcare and Leisure assets; miscellaneous asset classes such as land and parking are also included but represent an even smaller sample.

Within the MSCI/IPD Balanced Monthly & Quarterly index, the Other sector recorded a 12.1% total return versus 10.7% for All Property. Investors remain attracted to the diversifying benefits of the sector and are continuing to benefit from reasonable rental growth in the segment at 1.6% for 2017 and elevated capital growth at 7.0%, due to strong demand for the longer leases the sectors generally provide. Additionally, the sector is benefiting from longer term demographic and structural factors such as the ageing demographic in the healthcare sector and the higher propensity to rent due to purchasing affordability constraints benefiting the build to rent sector. Within the leisure sector, the food and beverage segment continues to cause some concern with weaker operators encountering problems due to elevated competition and higher cost pressures.

Portfolio Performance

It is pleasing to report strong outperformance from the Company during the reporting period, with its property portfolio generating a 12.2% total return versus 10.7% for its MSCI/IPD benchmark.

The table below sets out the components of these returns for the year to 31 December 2017 with all valuations undertaken by the Company's valuer, CBRE Ltd.

As has been the case for some years, the Company's income profile provided a stable and reliable element of the portfolio return, 4.8% for the twelve month period, whilst capital growth accelerated to 7.1% against the benchmark's 5.6%.

The main drivers of this outperformance were a strategic overweight position in the industrial/logistics distribution sector, strong asset performance from the Company's London West End office portfolio, including the profitable sale of a Soho property, and a combination of resilience and growth from the Company's retail warehouse portfolio.

Looking forward to an anticipated period of low capital growth across the whole market where income, income growth, and the manufacturing of income become the dominant drivers of positive returns, the more prime nature of the Company's portfolio and its industrial/logistics weighting should stand it in good stead.

Industrial

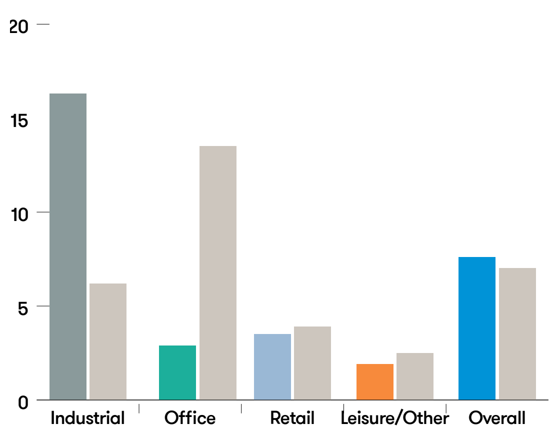
Having built exposure to industrial property over the past few years, it is pleasing to report that this sector was the Company's strongest performer during the year, with a total return of 19.7% against the benchmark return of 19.4%.

This occurred despite vacancies at some units in Ventura Park, Radlett, and at Magna Park, Lutterworth, as well as a short-term lease at Neasden, Wembley and emphasises the market's and our own belief in the strength of prime UK industrial/distribution locations with their potential to deliver rental growth. Investment demand is strong and good stock is scarce, particularly in London and the South East, where the market continues to reward the strong tenant demand and income growth characteristics of the sector.

During the year, the Company benefited from leasing activity on its multi-let industrial estates at Gatwick Airport, Dartford, and Ventura Park, Radlett, together with value improvement across the sector. The Company's industrial portfolio is well located and split approximately 70:30 between the South East and rest of the country and 30:70 between single-let 'big box' logistics assets and mainly London-focused multi-let industrial estates. The prime characteristics of the portfolio should stand it in good stead with both 'big box' and 'multi-let estate' well placed to continue providing sustainable income with growth potential.

Dolphin Estate
Sunbury on Thames

VOID RATE BY SECTOR



Key: IPD benchmark

Source: IPD, Standard Life Investments

Office

Boosted by the profitable sale of a low-yielding office investment at 13 Great Marlborough Street, London, the total return posted by the Company's office portfolio of 11.2% significantly out-performed the benchmark of 8.4% over the period.

The Company is intentionally both underweight in Central London and South East offices and marginally overweight in the better yielding UK regions. Overall, the portfolio is underweight in the office sector. The City of London office market is under a shadow following the EU Referendum decision, with uncertainty cast on prospects for the financial services industry, and so its requirement for office space, linked to risks and uncertainty around cross-border trading. The Company has just one small office investment in the City, which accounts for only 2% of its portfolio and is let on generally modest rents. The asset is strategically located within a stone's throw of the new Liverpool Street Elizabeth Line Crossrail station, due to open next year.

Retail

It is pleasing to report that, with the sale of the Company's three shopping centres in Shrewsbury, asset management initiatives across the board during the year, and a portfolio of well located, predominantly "bulky goods", retail parks, the Company's retail portfolio outperformed the MSCI/IPD Retail benchmark, with a total return of 7.8% compared to 6.8%. Notable asset management achievements included, at The Parade, Swindon, the reletting of the Company's only BHS exposure, as well as securing a long lease to Metro Bank for a new bank built at Metro Bank's cost.

Leisure/Other

The Company's leisure assets in Kingston upon Thames, Swindon, and Glasgow, altogether representing 9% of the portfolio, delivered a total return of 7.0%. Performance was relatively lacklustre against the benchmark of 12.1% but asset management plans have been developed aiming to address this.

Joules, 81/85 George Street
Edinburgh

Investment Activity

Sales

At the start of the year the Company took advantage of the strong investment market in London's West End and sold 13 Great Marlborough Street to a special purchaser for £30.5 million, reflecting a 3.3% net initial yield. The property is let to Sony Interactive Entertainment whose lease was due to expire in September 2018 and so the disposal also served to reduce short-term letting risk in the portfolio.

In July the Company sold its smallest investment, an industrial warehouse let to UK bed retailer, Dreams Ltd, at Loudwater, High Wycombe, for £4.7 million and in December sold another smaller asset, an office in Aberdeen let to Ensco, for £6.5 million.

Having exchanged contracts in December 2017, the Company completed its sale of Charles Darwin, Pride Hill and Riverside shopping centres in Shrewsbury to Shropshire Council after the year end in January 2018 for approximately £51 million, see note 21 on page 82 for further details.

All sales were ahead of valuation and in line with the Company's strategy of reducing exposure to assets expected to underperform. Shopping centres in particular, which the Company believes will come under further pressure in the polarising retail environment, now represent only 4.2% of the portfolio after the Shrewsbury sales, down from 7.5% at the year end.

Purchases

In the first half of last year the Company acquired Hartshead House, 2 Cutlers Gate, Sheffield, for £20.2 million reflecting a net initial yield of 5%. This prominent 61,638 sq ft modern Grade A office is let to Capita Business Services Limited, guaranteed by Capita plc, for a further 22 years from purchase on a lease with annual inflation-linked rent increases. With easy access by car and a short walk to the city centre the location may also benefit in the longer term from the proposed HS2 rail line now earmarked to stop at Sheffield city centre.

Purchase activity continued in July, when the Company achieved practical completion of the pre-let development it committed to in February 2017, comprising a 258,370 sq ft distribution warehouse in Burton upon Trent. The total consideration of £22.2 million reflected a yield on capital of 5.8%. Let to Palletforce Limited for 15 years at £5.58 psf, or £1.4 million per annum, the rent benefits from RPI inflation-linked rent increases of between 1% and 3% per annum, compounded and captured every five years. It is situated on Centrum West, an industrial park in a prime logistics location, equidistant between Nottingham and Birmingham on the A38 dual carriageway and between the M1 and M6 motorways. From this location 87% of the UK population can be accessed within a legally continuous 4.5 hour HGV drive time.

At the end of the year the Company acquired its first hotel with the forward funding of a 265 bedroom four-star Maldron Hotel development in Newcastle city centre for £32 million, expected to deliver a yield on cost of 5.4%. The hotel has been pre-let for 35 years to the Dalata Hotel Group Plc with five yearly, annually compounded, RPI-linked upward only rent reviews and construction is due to complete in early 2019. The development includes an ancillary retail unit subject to a rent guarantee.

Collectively these transactions are a strong example of recycling capital from mature-cycle and expensive markets into higher yielding or more resilient assets, and in these cases on long-term leases, to deliver sustainable income. £74 million has been invested, including future funding commitments on the hotel, generating a blended index-linked yield on cost of 5.4% and increasing the Company's exposure to RPI indexed and fixed uplifts to approximately 15%.

Asset Management Activity

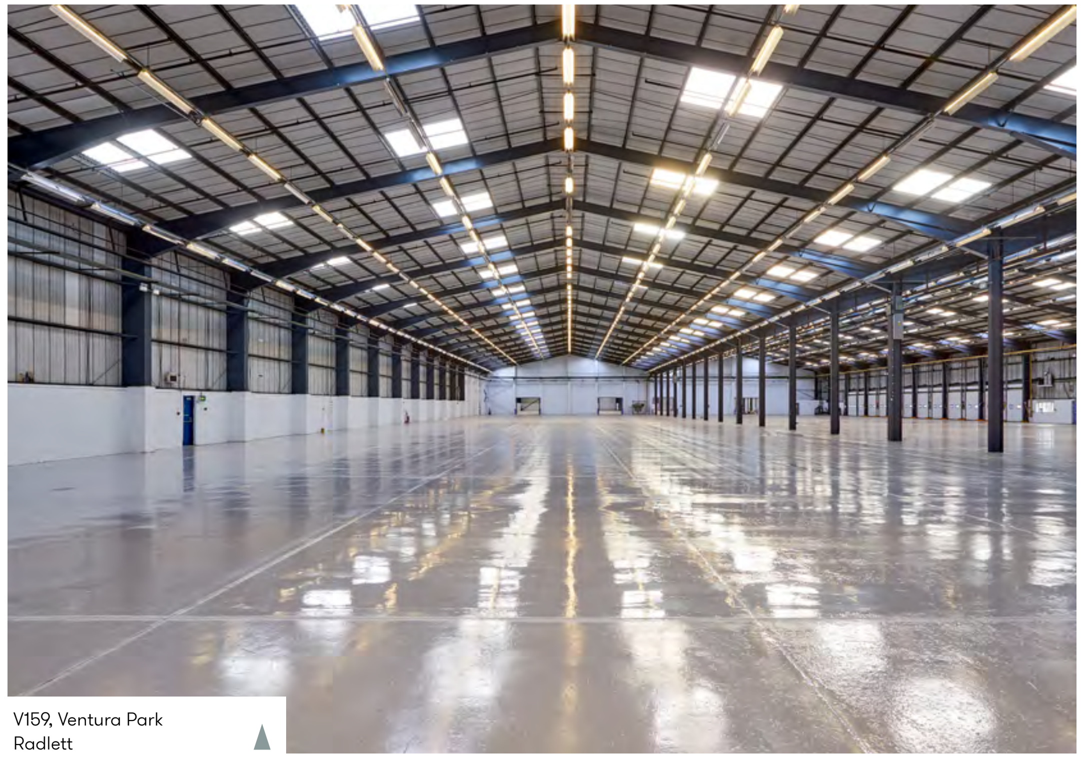
During the year the Company continued its drive to strengthen income streams, extend lease lengths and add value to the portfolio. Over £8.4 million of annual income was secured after rent free periods and incentives through 30 new leases and 38 lease renewals/rent reviews. The Company is also pleased to report that, on average, 99.2% of rent was collected within 21 days of each quarterly payment date during 2017.

It was good to witness the majority of the open market rent reviews within the portfolio generating rental increases this year, especially within the South East industrial sector where rents grew significantly and ahead of Estimated Rental Value (ERV). Rent review settlements within the Company's strong performing industrial portfolio, totalling £646,858 p.a., were 10% ahead of the previous rents and 7% ahead of ERVs at the time of review. Individual rent reviews took place at Newton's Court, Dartford, Emerald Park, Bristol and Dolphin Estate, Sunbury.

During the year, asset management improved the weighted average unexpired lease term across the portfolio from 8.1 years at December 2016 to 8.5 years at the end of the year.

99.2%
within 21 days

RENT COLLECTED
99.2% of rent was collected within 21 days of each quarterly payment date during 2017



V159, Ventura Park
Radlett

The following activity is particularly noteworthy:-

High Street, Exeter

The rent review from 24 May 2015 with Barclays Bank Plc was agreed at £450,000 p.a., 38% ahead of the previous rent passing. In addition a new 21 year lease was completed with H&M which, following the completion of this property as its new flagship store, generates £740,000 p.a. in rental income; the new lease incorporates five-yearly upwards only rent reviews to the higher of open market rent or RPI indexation.

15 Great Marlborough Street, Soho, London

In the second half of the year the rent review with Costa Coffee settled at £190,000 p.a., 9% ahead of ERV and 46% up on the previous rent passing.

XDock377, Magna Park, Lutterworth

Following the takeover of Argos by Sainsbury's, the former Argos logistics distribution unit on Magna Park, Lutterworth, fell vacant in December. This anticipated vacancy moved the Company's void position at 31 December 2017 to 7.6% (of ERV), which sits slightly above the MSCI/IPD benchmark void rate of 7.0%.

Ventura Park, Radlett

On the Company's largest South East industrial holding at Ventura Park in Radlett, lease renewals took place with JMT Indisplay and UK Mail, securing £627,769 p.a., 8% ahead of ERV. This asset management activity helped to deliver one of the largest positive contributions to portfolio total return during the year driven by both capital growth and ERV improvement.

Gatwick Gate, Crawley

Helping to improve the portfolio's rental income, three lettings completed at Gatwick Gate, Crawley, to Airbase Interiors, Capital Scenery and USP Designs; securing over £600,000 p.a. These lettings improved capital value and the unexpired lease length at the property.

Central Square, Newcastle

A new 10 year lease renewal was completed with Jacksons Commercial & Private Law, at Central Square, Newcastle. The new rent of £64,389 p.a. reflects an uplift of 4% ahead of ERV and the lease also improved the weighted average unexpired lease term at the building.

The Charles Darwin Centre, Shrewsbury

At the Charles Darwin Centre, Shrewsbury, building contractor McLaughlin and Harvey successfully completed the mall refurbishment and also the creation of the new anchor store for Primark, which opened on 27 July 2017. With footfall levels increasing as a result, the letting and improvement of this investment proved helpful in the successful sale to the Borough Council after the year end.

The Parade, Swindon

Within this investment, an Agreement for Lease exchanged with Wilko, a tenant with good covenant strength, to take the Company's only former BHS store. The new 15 year lease, let at ERV, will generate rental income of £385,000 p.a., leaving only a small proportion of the former BHS store remaining to let in the upper floors. Augmenting this, and following the strategic purchase of two units at the entrance to The Parade, the Company secured a new 25 year lease with Metro Bank Plc at a rent of £275,000 p.a. Metro Bank funded the construction of the new flagship unit, which opened in December 2017. This profitable transaction, as well as providing good income, has greatly enhanced the appearance of this important street corner.

Eldon House
City of London

83/85 George Street, Edinburgh

Within the Company's multi-use office and retail investment at 83/85 George Street, Edinburgh, Clydesdale Bank's new flagship branch opened during February. In the same month a new 10 year lease was completed with global power generation company InterGen, securing a headline rent of £30 psf p.a., following the comprehensive refurbishment of its office floor. Refurbishment of the remaining 10,000 sq ft top floor completed in November and is available to let with minimal Grade A office competition currently on the market in Edinburgh.

Eldon House, City of London

Within the Company's only City of London property, a lease renewal with Adsati and a rent review with MLM Building Control Ltd secured improved rents totalling £297,500 p.a., 6% ahead of ERV. New lettings also took place with Civilised Investments Ltd and Enigma Entertainment Ltd securing a combined rent of £193,751 p.a. for the next five years at rental levels ahead of ERV and 53% above the average rental tone at acquisition.

Regent Circus, Swindon

At this leisure asset a new lease was secured with Indian restaurant Tiffins at a rent of £131,700 p.a. for a 20 year term in-line with ERV. The new lease incorporates five yearly upwardly only rent reviews to the open market rent.

Newton's Court, Crossways Business Park, Dartford

A new five year lease of unit 1, on the estate was completed with Fabb Projects Ltd at £215,250 p.a., 16% above the ERV for the unit. The estate is now fully let.

Hannah Close, Neasden, Wembley

A one year lease extension to March 2019 was completed with Marks & Spencer at the Company's well located distribution facility in Neasden, Wembley, in line with ERV, securing an improved rent of £2,349,360 p.a., up 12% on the previous rent agreed in March 2016. At the same time a dilapidations settlement agreement was reached with the tenant and the new lease contracted out of the Landlord and Tenant Act 1954 which allows certainty on timing for reletting.

£8.4m p.a.

Over £8.4 million of annual income was secured after rent free periods and incentives through 30 new leases and 38 lease renewals / rent reviews.

Marks & Spencer
Neasden, Wembley

"With uncertainty continuing in the economy and market as the path to Brexit evolves, interesting opportunities will, we believe, arise in the property market.

Will Fulton
Fund Manager

Market Outlook

UK real estate continues to provide an elevated yield compared to other assets and market values are now ahead of the level they attained before the Brexit upheaval in 2016. Lending to the sector remains prudent, liquidity remains reasonable and development remains relatively constrained by historic standards. With existing vacancy rates below average levels in most markets, aside from pockets of oversupply in some markets such as Central London, and concern over poorer retail activity, these favourable fundamentals and the steady secure income component generated by the asset class are likely to drive an income-led return over the next few years. The retail sector in particular continues to face a series of headwinds likely to hold back recovery in less strong locations and the City of London office market faces most uncertainty driven by politics. The market is likely to be sentiment driven in the short term as politics and the real and perceived economic impact associated with the UK's withdrawal from the European Union continue to evolve. Given the backdrop of ongoing heightened macro uncertainty, investors are becoming more risk averse and better quality assets are once again broadly outperforming poorer quality. Prime, good quality assets, with stronger tenants on longer leases, are likely to provide the best opportunities in the weaker economic environment we anticipate further into 2018.

Portfolio Strategy

The Company aims 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 to achieve this combines investment, divestment and asset management, including disciplined investment in existing stock where accretive.

Sales and purchases during the year brought cash available for investment down to £8 million at the year end, which then increased to £59 million in January following the sale of the three Shrewsbury shopping centres. This cash available is after allowing for dividend and capital expenditure commitments and, if opportunities arise, the Company has a further £50 million of capital available to be drawn down tactically from its revolving credit facility.

When looking at opportunities to deploy these resources, we continue our focus on long-term secure income, often found in alternative sectors providing such acquisitions would be accretive to recurring dividend cover; examples might include well-located hotels, funding the construction of pre-let logistics facilities, and potentially re-priced right-sized supermarkets in vibrant economies with strong demographics.

Importantly, we are also seeking to exploit pricing anomalies in the market, across most sectors, with our large team and the financial resources to react quickly. This includes the South East office sector where we will consider modern, well-let properties in strong locations to limit the impact of depreciation on returns, but only if an element of re-pricing or "place-making" by others has occurred to offset lower rental growth expectations. With uncertainty continuing in the economy and market as the path to Brexit evolves, interesting opportunities will, we believe, arise in the property market.

Turning to income, the Company anticipated an increase in its vacancy rate at the year end (7.6%), however approximately 70% of this is within our favoured industrial/logistics sector where prospects for reletting, income growth and potentially capital growth are good. This warrants the current strategy of retaining these investments (Neasden, Wembley, Magna Park, Lutterworth, and Ventura Park, Radlett M25).

In our 2016 year-end report, we stated our belief that the Company was well positioned to enter a new phase of the property cycle focused on income return rather than capital growth as returns slowed. That income return component will remain in sharp focus as Brexit uncertainty evolves and we maintain our belief that the Company remains well positioned to face this new environment with a strong balance sheet, a well-diversified portfolio, low gearing and emerging letting opportunities.

Will Fulton
Fund Manager
Standard Life Investments
26 April 2018

Property Portfolio

by geography

UK
Commercial
Property
Trust

PROPERTY PORTFOLIO
as at 31 December 2017

	PROPERTY	Tenure	Sector	Principal Tenant	Value Range
1	Ventura Park, Radlett	Freehold	Industrial	DHL Supply Chain Ltd	
2	Junction 27 Retail Park, Birstall, Leeds	Freehold	Retail Warehouse	DSG Retail Ltd	
3	15 Great Marlborough Street, London, W1	Freehold	Office	Sony Ltd	Over £50m
4	Great Lodge Retail Park, Tunbridge Wells	Freehold	Retail Warehouse	B&Q Plc	(representing 42%
5	Ocado Distribution Unit, Hatfield Business Area, Hatfield	Freehold	Industrial	Ocado Ltd	of the portfolio
6	The Rotunda, Kingston upon Thames	Freehold	Leisure/Other	Odeon Cinemas Ltd	capital value)
7	Kew Retail Park, Richmond	Freehold	Retail Warehouse	Mothercare (UK) Ltd	
8	The Parade, Swindon	Freehold	Shopping Centre	H&M Hennes & Mauritz UK Ltd	
9	Dolphin Estate, Sunbury on Thames	Freehold	Industrial	Trans Global Freight Management Ltd	
10	Hannah Close, London, NW10	Leasehold	Industrial	Marks & Spencer Plc	
11	St Georges Retail Park, Leicester	Freehold	Retail Warehouse	Toys R Us Ltd	
12	Newton's Court, Dartford, Kent	Freehold	Industrial	Fabb Projects Ltd	£30m–£50m
13	Regent Circus, Swindon	Freehold	Leisure/Other	Wm Morrison Supermarkets Plc	(representing 30%
14	Cineworld Complex, Glasgow	Freehold	Leisure/Other	Cineworld	of the portfolio
15	X Dock 377, Magna Park, Lutterworth	Leasehold	Industrial	Vacant	capital value)
16	Emerald Park East, Emersons Green, Bristol	Freehold	Industrial	Knorr-Bremse Systems Ltd	
17	81/85 George Street, Edinburgh	Freehold	High St, Retail	Clydesdale Bank	
18	B&Q, Roneo Corner, Romford	Freehold	Retail Warehouse	B&Q Plc	
19	Darwin Shopping Centre, Shrewsbury*	Freehold	Shopping Centre	Primark	
20	Total, Aberdeen Gateway, Aberdeen	Freehold	Industrial	Total E&P UK Ltd	
21	Eldon House, City of London, EC2	Freehold	Office	Stace LLP	
22	Craven House, Fouberts Place, London, W1	Leasehold	Office	Molinaire Ltd	
23	Motor Park, Eastern Road, Portsmouth	Freehold	Industrial	Snows Business Holdings Ltd	
24	Colmore Court, 9 Colmore Row, Birmingham	Freehold	Office	BNP Paribas	
25	Centrum 260, Burton upon Trent	Freehold	Industrial	Palletforce Plc	
26	Broadbridge Retail Park, Horsham	Leasehold	Retail Warehouse	Bunnings	£20m–£29.9m
27	1 Rivergate, Temple Quay, Bristol	Freehold	Office	Public Sector	(representing 23%
28	16/20 High Street & 1/3 Bedford Street, Exeter	Freehold	High St, Retail	H&M Hennes & Mauritz UK Ltd	of the portfolio
29	2 Rivergate, Temple Quay, Bristol	Freehold	Office	British Telecommunications Plc	capital value)
30	Gatwick Gate Industrial Estate, Crawley	Freehold	Office	Airbase Interiors Ltd	
31	Network House & Meadowside House, Hemel Hempstead	Freehold	Office	Public Sector	
32	Central Square Offices, Forth Street, Newcastle Upon Tyne	Freehold	Industrial	Ove Arup & Partners	
33	Hartshead House, Sheffield	Freehold	High St, Retail	Capita Business Services Ltd	
34	140/144 Kings Road, London, SW3	Freehold	High St, Retail	French Connection UK Ltd	
35	14–22 West Street, Marlow	Freehold	Shopping Centre	Sainsbury's Supermarket Ltd	
36	Pride Hill Shopping Centre, Shrewsbury*	Freehold	High St, Retail	Poundworld Retail Ltd	
37	52/56 Market Street, Manchester	Freehold	Industrial	Adidas (UK) Ltd	Below £20m
38	Tetra, Aberdeen Gateway, Aberdeen	Freehold	Industrial	Tetra Technologies UK Ltd	(representing 5%
39	Crossways Cargo Depot, Dartford	Freehold	Office	Veerstyle Ltd	of the portfolio
40	Maldron Hotel, Newcastle**	Leasehold	Leisure/Other	Dalata Group Plc	capital value)
41	146 Kings Road, London, SW3	Leasehold	Shopping Centre	Telefonica O2 UK Ltd	
42	Riverside Shopping Centre, Shrewsbury*	Freehold	Shopping Centre	Wilkinson Hardware Stores Ltd	

Overall number of properties	42
Total number of tenancies	343
Total average property value	£33.3m
Total floor area	6,068,114 sq ft
Freehold/Leasehold (leases over 100 years)	90%/10%

*Sold post year end
**Under development (Pre-Let)

Key: Industrial Office Retail Leisure/Other

Governance

UK Commercial Property Trust

BOARD OF DIRECTORS AND MANAGEMENT TEAM

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.

BOARD OF DIRECTORS


1


2


3

1 Ken McCullagh 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. 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.

2 Robert Fowlds is a resident of the UK. Mr Fowlds is a Charted Surveyor and has worked in the listed real estate sector for over 30 years. He worked as a Real Estate equity analyst for a number of major investment banks including Merrill Lynch and Kleinwort Benson before joining JP Morgan Cazenove in 2006 where he subsequently became Managing Director and Head of Real Estate Investment Banking. In his time at JP Morgan Cazenove he was involved in over 50 corporate finance transactions and doubled the size of the JP Morgan Cazenove UK listed real estate franchise before retiring in 2015. Since retirement, Mr Fowlds has been engaged on a number of consultancy roles to leading real estate organisations. He also sat on the EPRA Board until 2012. Mr Fowlds was appointed to the Board on 1 April 2018 and was also appointed to the Supervisory Board of Klepierre S.A. listed on Euronext with effect from 24 April 2018.

3 Margaret Littlejohns 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 JPMorgan Mid Cap Investment Trust plc and Foresight VCT plc as well as being Chairman of Henderson High Income Trust plc. Ms Littlejohns was appointed to the Board on 1 January 2018.

4 Andrew Wilson is a resident of the UK. He was formerly of Richard Ellis, Royal Insurance as Chief Surveyor and he joined Rugby Securities as a director in 1987. He was a founder director of Rugby Estates plc in 1990 and Chief Executive Officer through its official listing, move to the Alternative Investment Market and subsequent de-listing and sale. He is also a non-executive Chairman of a London based Family Office and of a major West End office agency. He was previously a non-executive Director of a Building Society. He is a Chartered Surveyor and was until his appointment as Chairman, the Senior Independent Director and Chairman of the Property Valuation Committee.


4

5 Michael Ayre is a resident of Guernsey. He is currently a consultant to the Guernsey taxation and private client business of Intertrust Group, Intertrust Reads Private Clients Limited. Mr Ayre is also currently a Director of ABN Amro (Channel Islands) Limited. Mr Ayre is a fellow of the Chartered Association of Certified Accountants and is also a member of the Chartered Institute of Taxation. Mr Ayre was appointed to the Board in February 2016.


5


6

6 Sandra Platts 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.

7 John Robertson is a resident of the UK. Mr Robertson has over 35 years' experience in investment management in a variety of roles, and was most recently Director — Funds and Corporate Governance at Ignis Investment Services Limited. Prior to his retirement in 2012, he was a director of Ignis International Funds plc, Ignis Alternative Funds plc, Ignis Liquidity Fund plc, Ignis Strategic Solutions Funds plc and Ignis Global Funds SICAV. He is a Fellow of the Chartered Association of Certified Accountants. Mr Robertson has been a Director of the Company since launch in September 2006. Mr Robertson retired from the Board on 31 March 2018.


7

MANAGEMENT TEAM


8

8 Will Fulton 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 UKCPT, he oversaw a team managing the £2.3 billion Standard Life Heritage With Profits Real Estate Fund.


9

9 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 the investment trust secretarial team within Aberdeen working on both investment trusts and Venture Capital trusts. In 2009 Mr McDonald joined Scottish Widows Investment Partnership where he was 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 the closed end clients within Ignis Asset Management. Mr McDonald transferred over to Standard Life Investments in October 2014.

The Directors present the report and accounts of UK Commercial Property Trust Limited, ("the Company") for the year ended 31 December 2017.

Results and Dividends

The Group generated an IFRS profit of £131.6 million in the year equating to an earnings per share of 10.12p. The Company had cash at the year-end of £72.4 million. The Group paid out dividends totalling £47.8 million in the year.

The Company has paid interim dividends in the year ended 31 December 2017 as follows:

	Payment date	Rate per share (p)
Fourth interim for prior period	February 2017	0.92
First interim	May 2017	0.92
Second interim	August 2017	0.92
Third interim	November 2017	0.92
TOTAL		3.68

On 1 February 2018 the Company declared a fourth Interim dividend of 0.92 pence per ordinary share with an ex-dividend date of 8 February 2018, which was paid on 28 February 2018.

Principal Activity and Status

The Company is a Guernsey company and during the year carried on business as a property investment company. The principal activity and status of the Company's subsidiaries is set out in note 10 on page 73.

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 ordinary share capital at 31 December 2017 consisted of 1,299,412,465 ordinary shares of 25p each. At 26 April 2018 these numbers were 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 2017 (all of which are beneficial) are shown in the table opposite.

Jan 18

Margaret Littlejohns appointed as a Director

Apr 18

Robert Fowlds appointed as a Director

	Date of Appointment	Shares as at 31 December 2017	Shares as at 31 December 2016
Andrew Wilson	September 2006	75,000	75,000
John Robertson retired 31 March 2018	September 2006	10,000	10,000
Ken McCullagh	February 2013	40,000	40,000
Sandra Platts	December 2013	—	—
Michael Ayre	February 2016	42,000	—

There have been no changes in the above interests between 31 December 2017 and 31 March 2018.

Ms Margaret Littlejohns was appointed as a Director on 1 January 2018 and Mr Robert Fowlds was appointed as a Director on 1 April 2018. Mr John Robertson retired on 31 March 2018.

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 subsidiary undertakings. In addition the Group wholly owns Brixton Radlett Property Limited, a UK Limited Company, the Directors of which were Mr Andrew Wilson and Mr John Robertson up to 31 March 2018 and Mr Andrew Wilson, Ms Margaret Littlejohns and Mr Robert Fowlds from 1 April 2018.

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 of Corporate Governance and the UK Corporate Governance Code, the Company's policy is for all Directors to retire and offer themselves for re-election at the Annual General Meeting ("AGM") immediately following their appointment and annually thereafter.

Accordingly, Mr M Ayre, Mr K McCullagh, Mrs S Platts, and Mr A Wilson will retire and offer themselves for re-election at the AGM. Ms Littlejohns and Mr Fowlds, having been appointed since the last AGM, will offer themselves for election.

In February 2017, the Board engaged Boardroom Review Ltd to carry out an external evaluation of the performance of the Board, the Committees and the individual Directors. This sought to identify whether the Board demonstrates sufficient collective skill and expertise, independence and knowledge of the Company and that each Director exhibits the commitment required for the Company to achieve its objective. The evaluation concluded that the performance of the Board and the individual Directors continues to be effective with each Director making a positive contribution to the performance of the Company. The action points arising from the review have been addressed and, where appropriate, revised policies have been adopted. Therefore, the re-election and election of all the Directors who are being put forward is recommended to shareholders at the 2018 AGM.

Alternative Investment Fund Manager ("AIFM")

Standard Life Investments (Corporate Funds) Limited is appointed as the Company's AIFM.

Depositary

In accordance with the requirements of AIFMD, the Board appointed Citibank International Limited as Depositary.

SHARE CAPITAL AT 31 DECEMBER 2017

Phoenix Life Limited ("PLL")

Number of ordinary shares held
494,897,693

% Held
38.09

Phoenix Life Assurance Limited ("PLAL")

Number of ordinary shares held
127,067,306

% Held
9.78

Investec Wealth Limited

Number of ordinary shares held	% Held
138,039,992	10.62

Alliance Trust Savings Limited

Number of ordinary shares held	% Held
67,021,204	5.16

Nestle Capital Management Limited

Number of ordinary shares held	% Held
56,137,385	4.32

Substantial Interests in Share Capital

At 31 December 2017 the above entities had a holding of 3% or more of the Company's share capital.

The Phoenix shareholding is held in the above two legal entities via a number of With Profit Funds which are closed to new investment and hence are in run-off over the medium to long term. 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 led by Will Fulton. 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.

The Board is monitoring the position in regard to the recently announced, proposed sale of Standard Life Aberdeen's insurance business to Phoenix and Standard Life Aberdeen's proposed shareholding of 19.99% in Phoenix to form a strategic alliance between the pair. The Board is assessing the implications, given Standard Life Aberdeen's role as the Company's Investment Manager and Phoenix's large shareholding in the Company.

No changes to any of the other above holdings had been notified to the Company as at 26 April 2018.

The Takeover Code

The Directors are aware that following the completion of the proposed sale of Standard Life Aberdeen's insurance business to Phoenix, currently scheduled for quarter three 2018, depending on the arrangements agreed between Standard Life Aberdeen and Phoenix, the Investment Manager may be part of the Phoenix concert party. Under Rule 37 of the Takeover Code, when a company purchases its own shares, any resulting increase in the percentage of shares carrying voting rights in which a person or group of persons acting in concert is interested will be treated as an acquisition for the purposes of Rule 9. A shareholder who is neither a Director nor acting in concert with a Director will not normally incur an obligation to make an offer under Rule 9 of the Takeover Code. Under Rule 37, however, the holding of an Investment Manager of a company, together with the holdings of its concert parties, will be treated in the same way as a Director.

Accordingly, if the Company were to utilise its proposed share buy back authority and the Phoenix concert party's aggregate interest in the Ordinary Shares were to increase between 30% and 50%, an obligation for the Phoenix concert party to make a general offer to all shareholders in accordance with Rule 9 of the Takeover Code may be triggered. Therefore, a waiver from the Panel on Takeovers and Mergers may be required to allow the Company to utilise the share buy back authority without triggering an offer under the takeover code.

If a waiver is required, shareholders (other than members of the Phoenix Concert Party) will be asked to approve a waiver of the obligation on the Phoenix concert Party to make a general offer for the entire issued share capital which may otherwise arise as a result of a buy back of shares by the Company. A separate circular would be sent to shareholders setting out full details of the waiver if necessary.

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 12–19. In addition, note 17 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 recommendations on Risk Management and Control in the UK Corporate Governance Code (April 2016).

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.

Having thoroughly considered the going concern assessment the Board has concluded that there are no material uncertainties that may cast 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. Due consideration has been given to the viability of the Company as set out on page 18. Therefore, the Board continues to adopt the going concern basis of accounting in preparing the annual financial statements.

10%

DISAPPLICATION OF PRE-EMPTION RIGHTS

14.99%

SHARE BUY-BACK AUTHORITY

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 would qualify as an investment trust if the Company were based in the UK.

Annual General Meeting

Among the resolutions being put at the Annual General Meeting of the Company to be held on 20 June 2018, the following resolutions will be proposed.

Disapplication of Pre-emption Rights

Resolution 11 gives the Directors, for the period until the conclusion of the Annual General Meeting in 2019 or, if earlier, on the expiry of 15 months from the passing of resolution 10, 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 26 April 2018. 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 2017 AGM to buy back shares in the Company expires at the end of AGM to be held in 2018. 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 12), 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 cash flow 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, (subject to the income and cash flow requirements of the Company), if the share price of an ordinary share is more than 5 per cent below the published net asset value (as last calculated, adjusted downwards for the amount of any dividend declared by the Company upon the shares going ex-dividend), for a continuous period of time. In the event that such discount is more than 5 per cent for 90 dealing days or more, following the second anniversary of the Company's most recent continuation vote, which was on 9 November 2016, 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 extraordinary meeting 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 next continuation vote required by the Company's Articles of Association is set for 2020 and every seven years thereafter.

Auditors

Deloitte LLP have expressed their willingness to continue in office as the Company's auditor and a resolution proposing their 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 themself 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 (and by any Directors who are not members of 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, performance, business model and strategy.

The Board welcomes views from shareholders and company analysts on the Annual Report and Accounts and, where practical, will incorporate any suggestions that will improve the document.

Approved by the Board on 26 April 2018.

Andrew Wilson
Director

Ken McCullagh
Director

The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the UK Corporate Governance Code), will provide an appropriate and satisfactory level of transparency to shareholders.

Introduction

The Board has considered the principles and recommendations of the AIC Code of Corporate Governance (AIC Code) by reference to the AIC Corporate Governance Guide for investment Companies (AIC Guide) both of which can be found at www.theaic.co.uk. The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the UK Corporate Governance Code which can be found at www.frc.org.uk, as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company.

The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the UK Corporate Governance Code), will provide an appropriate and satisfactory level of transparency to shareholders.

The Company has complied with the recommendations of the AIC Code and the relevant provisions of the UK Corporate Governance Code, except as set out below.

The UK Corporate Governance Code includes provisions relating to:

- the role of the chief executive (A.1.2);
- executive directors' remuneration (D.1.1 and D.1.2).

For the reasons set out in the AIC Guide, and as explained in the UK Corporate Governance Code, 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 Board

The Board consists solely of non-executive Directors of which Mr Andrew Wilson is Chairman and Mr Ken McCullagh is Senior Independent Director and Chairman of the Audit Committee. 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 and, as all Directors will be subject to re-election on an annual basis, it is not appropriate for the Board to have a limit on the overall length of service of any of the Company's Directors, including the Chairman.

The Board also takes the view that independence is not compromised by length of tenure on the Board and Mr Wilson, who has been a Director since 2006, has not been compromised by length of service. In considering this, the Board considered a number of factors including experience, integrity and judgement of character.

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. He also has a senior advisory role on a consultancy basis to CBRE who are also the Company's valuer. This role is in no way linked to the valuation service provided by CBRE. The Board believe neither his existing role with CBRE, given how independent this is of the Company's valuation process nor the previous role with JP Morgan Cazenove, where his involvement in the Company's affairs was limited, compromise his independence and hence the Board believe Mr Fowlds is independent.

The Board has a clear strategy in place to refresh the Board on an ongoing basis and also undertakes Directors' evaluations set out in the Report of the Directors.

During 2017, the Board engaged Spencer Stuart to carry out a search for two new Directors and Ms Littlejohns and Mr Fowlds were subsequently appointed to the Board on 1 January 2018 and 1 April 2018 respectively.

New Directors follow an induction process, including input from the Investment Manager, 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, Nominations Committee, Property Valuation Committee and Risk Committee. Copies of the terms of reference of each committee are available on the Company's website, 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 Chairman 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 47–48.

Management Engagement Committee

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

The Management Engagement Committee has met twice in 2017. The purpose of the Committee is to review the terms of the agreements with the Manager including, but not limited to, the management fee and also to review the performance of the Manager in relation to the achievement of the Company's objectives. These reviews have been conducted during the year and the outcomes are noted opposite.

Ignis Fund Managers Limited was appointed as the Alternative Investment Fund Manager ("AIFM") of the Company from 18 July 2014. Following the takeover of Ignis Asset Management by Standard Life Investments Limited in 2014, the Board appointed Standard Life Investments (Corporate Funds) Limited as AIFM on 29 December 2015. A summary of the current contract between the Company and Standard Life Investments (Corporate Funds) Limited in respect of management services provided is given in note 3 to the accounts.

The Management Engagement Committee has considered the investment performance of the Company and the capability 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, 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.

The Management Engagement Committee has also conducted reviews of the Company's other service providers, rating each provider on communication skills, technical and market knowledge, cost effectiveness and quality of staff. Where appropriate, the Investment Manager provided input. The outcome of these reviews has been satisfactory.

Nominations Committee

The Nominations Committee comprises all Directors and is chaired by Mr Andrew Wilson. The Nominations 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 cognisant of the debate around the recommendations of the Davies Report on Women on Boards and the Hampton Alexander Review and recognises the benefits of diversity in its broadest sense and the value this brings to the Company in terms of skills, knowledge and experience with women now making up a third of the Company's Board composition. Consideration of Directors' fees and remuneration policy is also undertaken by the Nomination Committee. The Nominations Committee met four times during the year to consider the appointment of Ms Littlejohns, the appointment of Mr Fowlds and to consider the level of Directors' fees.

Property Valuation Committee

The Property Valuation Committee comprises all of the Directors and is currently chaired by Mr Michael Ayre. Committee members meet CBRE, the independent valuer to the Company, and representatives of Standard Life Investments 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.

Risk Committee

The Risk Committee was established on 21 September 2016, comprises all of the Directors and was chaired by Mr John Robertson up to 31 March 2018 and Ms Littlejohns from 1 April 2018. The Board established the Risk Committee 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 risks, seeking assurance that these risks are appropriately rated and ensuring that appropriate risk mitigation is in place. The Risk Committee also reviews the Investment Manager's risk processes and internal controls, including those related to health and safety, and ensures that risk applying to property acquisitions and disposals is fully considered. The Risk Committee meets quarterly.

Directors Meeting Attendance Summary

The table below sets out the number of Board and Committee meetings all held during the year and the number attended by each Director post their appointment date. In addition to the above, there were 15 ad hoc meetings held during the year. All meetings were held outside the UK.

	Board of Directors		Audit Committee		Management Engagement Committee		Nominations Committee		Property Valuation Committee		Risk Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Andrew Wilson	4	4	3	3	2	2	4	4	5	5	4	4
Michael Ayre	4	4	3	3	2	2	4	4	5	5	4	4
Ken McCullagh	4	4	3	3	2	2	4	4	5	5	4	4
Sandra Platts	4	4	3	3	2	2	4	4	5	5	4	4
John Robertson	4	4	n/a	n/a	2	2	4	4	5	5	4	4

The AGM of the Company provides a forum for shareholders to meet and discuss issues with the Directors and Investment Manager of the Company

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. A formal annual review of these procedures is carried out by the Risk Committee and includes consideration of ISAE 3402 and similar reports issued by the Investment Manager and other service providers. In addition, the Board also receives quarterly updates from both the Compliance and Internal Audit departments of the Investment Manager on areas that specifically affect the Company. Compliance reports are also received from the administrator on a quarterly basis.

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. 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 Secretary in respect of compliance matters and duties performed on behalf of the Company including conflicts of interest.

The Company's AIFM is Standard Life Investments (Corporate Funds) Limited and its Depositary is Citibank International Limited. 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 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 Company places great importance on communication with its shareholders and welcomes the views of shareholders. The Manager and Broker of the Company meet existing and potential shareholders on a regular basis and the Board receives regular reports on the views of shareholders from these meetings. In addition the Chairman, where possible, meets larger shareholders annually and other Directors are available to meet shareholders if required. The AGM of the Company and also the annual and interim results presentations provides a forum, both formal and informal, for shareholders to meet and discuss issues with the Directors and Investment Manager of the Company.

Approved by the Board on 26 April 2018.

Andrew Wilson
Director

Ken McCullagh
Director

AUDIT COMMITTEE REPORT

Composition

The Audit Committee comprises all Directors, except for Mr John Robertson, and is chaired by Mr Ken McCullagh. The committee operates within well defined terms of reference which are available on the Company's website. Given the non-executive nature of the Board, the Committee also believe it is appropriate for the Chairman of the Company to sit on the Audit Committee. Within the membership of the Committee, Mr Ken McCullagh, the Chairman and Mr Michael Ayre are chartered accountants.

Responsibilities

The main responsibilities of the Audit Committee are as follows:

- review the Annual and Interim Accounts and challenge where necessary the actions and judgements of the Company's Investment Manager;
- review and monitor the internal controls and risk management systems on which the Company is reliant;
- determine the terms of appointment of the auditor, together with its remuneration;
- to advise the Board on whether the Annual Report and Accounts, taken as a whole are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

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 to take account of the requirements placed on audit committees by the UK Corporate Governance Code and 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 difficulties 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 two Audit Committee Meetings a year in person.

Significant Issues

At a planning meeting of the audit held with the auditor, the scope and timing of the audit were 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, the accuracy of income recognition in the Company and taxation. 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 Chairman of this Committee reported to the Audit Committee in March 2018 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 £1,332,923,000 was agreed as the valuation of the property portfolio as at 31 December 2017. The Audit Committee considered the report by the Chairman 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 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 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 out 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 £69,826,000 was appropriate.

Taxation: How was the issue addressed?

Accounting for taxation is undertaken in accordance with the accounting policy disclosed in note 1(g) to the accounts. Based on the tax computations submitted to HMRC which showed that the Group had over £30 million of tax losses, the Committee noted that there was potential for a deferred tax asset to be recognised. Detailed forecasts prepared by the Investment Manager indicated that, following the refinancing of the internal loan notes in 2016, the Group would generate rental income profits and hence the losses referred to above would be utilised resulting in the requirement to provide for a net deferred tax asset of £3,271,000 as at 31 December 2017. In addition to this, the Committee recognised that some parts of the Group had utilised previously built up tax losses and hence would have to provide for tax on its rental profits for the year. A provision of £481,000 has been made in the financial statements being an estimate of the tax payable by the Group on its net rental profits during the year partially offset by an over provision for corporation tax of £117,000 in the previous year relating to Brixton Radlett Property Limited.

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
- cost 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 was 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. 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 4 to the accounts. The Company has complied the provisions of The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014.

In relation to non-audit fees, these amounted in aggregate to £3,950 (2016: £0) for the year ended 31 December 2017 relating to advice on financial instruments and correspondence with the FRC. 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. Notwithstanding the provision of such non-audit services, the Audit Committee considers Deloitte LLP to be independent, given the safeguards put in place by Deloitte LLP to ensure independence.

Other Matters

The Company's accounts were selected for review by the Financial Reporting Council ("FRC") in 2017. The FRC noted their review was limited in scope as they do not benefit from detailed knowledge of the Company's business or an understanding of the underlying transactions. The FRC asked for some further information on deferred tax asset disclosures and the strategic report. The Company provided this information to the satisfaction of the FRC. In addition the Company received a Most Improved Award from EPRA for its enhanced EPRA reporting in the 2016 Annual Report.

Recommendation to the Board

Following its review of the Annual Report and Accounts for the year ended 31 December 2017, the Audit Committee has advised the Board that it considers that the Annual Report and 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, 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 and 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.

Ken McCullagh
Chairman of the Audit Committee
26 April 2018

DIRECTORS' REMUNERATION REPORT

This Remuneration Report comprises two parts:

- Remuneration Policy, which is subject to a binding shareholder vote every three years.
- 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 UK Corporate Governance Code and the AIC's recommendations regarding the application of those principles to investment companies. 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 Nominations 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.

Fees are annually reviewed against comparable vehicles and if considered appropriate, increased accordingly. The current fee levels are as follows:

	31 December 2017 £	31 December 2016 £
Chairman	55,000	50,000
Chairman of Audit Committee	44,500	40,000
Chairman of Risk Committee	39,250	—
Chairman of Management Engagement Committee	39,250	—
Chairman of Property Valuation Committee	39,250	—
Director	37,500	35,000

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 annually thereafter.
- New appointments to the Board will be placed on the fee applicable to all Directors at the time of appointment (currently £41,000).
- 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 above was approved by shareholders at the 2016 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 2019.

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 £300,000 per annum. No change to this limit is proposed for the forthcoming year.

Directors' Remuneration Rates

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, Directors' fees for the forthcoming financial year will be as follows:

	2018 £	2017 £
Chairman	60,000	55,000
Chairman of Audit Committee	48,750	44,500
Chairman of Risk Committee	43,000	39,250
Chairman of Management Engagement Committee	43,000	39,250
Chair of Property Valuation Committee	43,000	39,250
Director	41,000	37,500

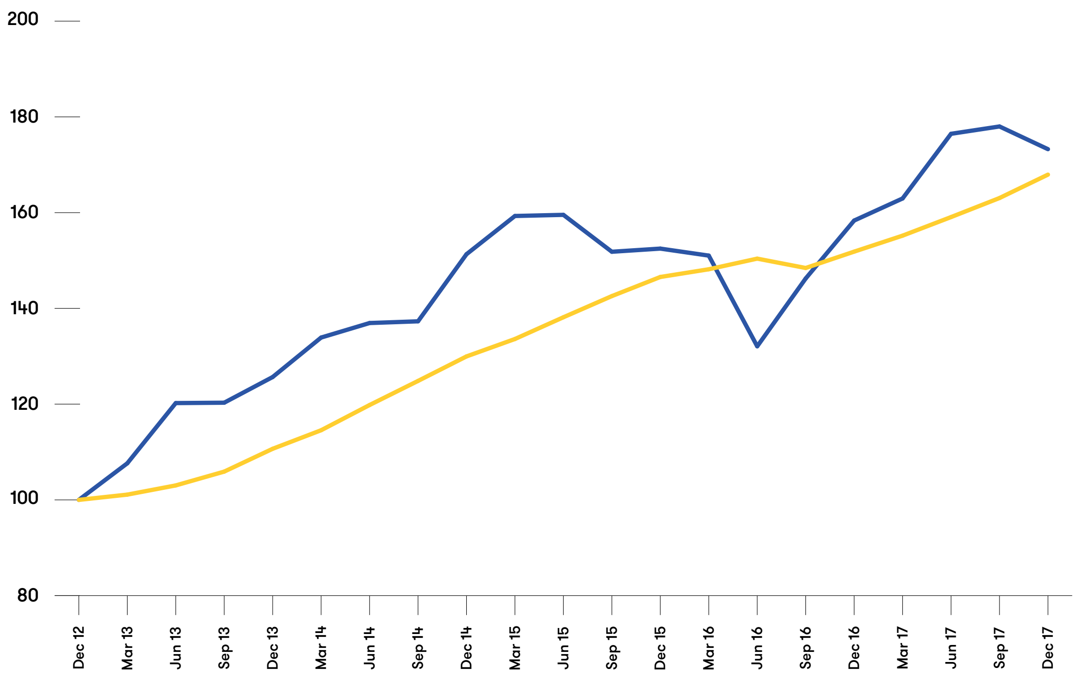
Following the acquisition of Brixton Radlett Property Limited ("BRPL"), a UK Limited Company, in September 2015 the Board recognised the additional responsibility placed on the two Board members who became Directors of BRPL, Mr Andrew Wilson and Mr John Robertson. Accordingly, up to 31 December 2017, both Directors were awarded an additional fee of £2,500 per annum starting from the date they became Directors of BRPL.

Rates for the entire Board will be reviewed again in 2018.

Company Performance

Although the Company has appointed Standard Life Investments (Corporate Funds) Limited as an external investment manager pursuant to the terms of the investment management agreement set out in note 3 to the accounts, the Board is responsible for the Company's investment strategy and performance. The graph opposite compares the total return (assuming all dividends are reinvested) to ordinary shareholders compared with the total return on the IPD benchmark over a five year period to 31 December 2017 (rebased to 100 at 31 December 2012).

TOTAL RETURN INDEX



Source: IPD, Standard Life Investments

Key:
IPD benchmark
UKCPT share price total return

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.

	2017	2016
Andrew Wilson	57,500	46,113
Michael Ayre*	39,250	29,693
Ken McCullagh	44,500	40,000
Sandra Platts	39,250	35,000
John Robertson	41,750	37,500
Christopher Hill**	—	22,912
Total	222,250	211,218

* Appointed 24 February 2016
** Retired 16 June 2016

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

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

	Year to 31 December 2017	Year to 31 December 2016
Aggregate Directors' Remuneration	£222,250	£211,218
Aggregate Shareholder Distributions	£47,818,378	£47,818,378

At the AGM in June 2017 the results in respect of the resolution to approve the Directors' Remuneration Report were as follows:.

Percentage of votes cast	for 99.99%	Against 0.01%

Directors' Interests in the Company

The Directors are not required to have a shareholding in the Company. The Directors' interests in the share capital of the Company are shown in the Report of the Directors on page 38–41.

Approved by the Board on 26 April 2018.

Andrew Wilson
Director

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 UK Corporate Governance Code 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 and Accounts taken as a whole, is fair, balanced and understandable and it provides the information necessary to assess the Group's position, 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

Andrew Wilson
Director
26 April 2018

1 RIVERGATE, TEMPLE QUAY
Bristol

Independent Auditor's Report and Financial Statements

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

OPINION ON THE FINANCIAL STATEMENTS OF UK COMMERCIAL PROPERTY TRUST LIMITED

In our opinion the financial statements:
give a true and fair view of the state of the group's affairs as at 31 December 2017 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 of UK Commercial Property Trust Limited which comprise:
the Consolidated Statement of Comprehensive Income;
the Consolidated Balance Sheet;
the Consolidated Statement of Changes in Equity;
the Consolidated Cash Flow Statement;
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 (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 the parent company.

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

SUMMARY OF OUR AUDIT APPROACH

Key audit matters	Materiality	Scoping	Significant changes in our approach
The key audit matters that we identified in the current year were: ▲ Investment property valuation ▲ Revenue recognition ▲ Taxation Within this report, any new key audit matters are identified with ↑ and any key audit matters which are the same as the prior year identified with →	The materiality that we used for the group financial statements was £12.1m which was determined on the basis of 1% of Net Asset Value.	All audit work for the group was performed directly by the group audit engagement team.	There are no significant changes in our approach.

CONCLUSIONS RELATING TO PRINCIPAL RISKS, GOING CONCERN AND VIABILITY STATEMENT

Going concern We have reviewed the directors' statement on page 40 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the group's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements. We are required to state whether we have anything material to add or draw attention to in relation to that statement required by Listing Rule 9.8.6R(3) and report if the statement is materially inconsistent with our knowledge obtained in the audit	We confirm that we have nothing material to report, add or draw attention to in respect of these matters.
Principal risks and viability statement Based solely on reading the directors' statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the directors' assessment of the group's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to: ▲ the disclosures on pages 14–17 that describe the principal risks and explain how they are being managed or mitigated; ▲ the directors' confirmation on page 14 that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity; or ▲ the directors' explanation on page 18 as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions. ▲ We are also required to report whether the directors' statement relating to the prospects of the group required by Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

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

OUR ASSESSMENT OF RISKS OF MATERIAL MISSTATEMENT

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

Investment property valuations →

Key audit matter description

Valuation of investment properties is the key driver of the Group's net asset value. Valuations are inherently complex and require significant judgement and estimation around the key inputs and assumptions, including equivalent yields and market rent.

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.

The valuation of the investment property portfolio at 31 December 2017 amounted to £1,381m (2016: £1,270m).

Refer to notes 1(b), 1(h) of Accounting policies on pages 64–65 and note 9 on page 71 of the Notes to the Financial Statements. Also refer to the audit committee report on pages 47–48.

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

- We assessed Management's review of the work of the external valuers;
- We assessed the external valuer's independence, integrity and competence;
- To challenge the valuation process we met with the external valuers to discuss the valuation process, performance of the portfolio and significant assumptions and critical judgement areas. Assisted by our Real Estate specialists, we benchmarked these assumptions to relevant market evidence including specific property transactions and other external data on a sample basis;
- We reviewed the completeness and validity of data provided to the valuers;
- We performed audit procedures to assess the integrity of information provided to the external valuers, including testing on a sample basis back to underlying lease agreements; and
- We have reviewed the financial statements disclosures.

Key observations

We conclude that the fair value of the Group's investment properties as determined by the Directors is appropriate.

Revenue Recognition →

Key audit matter description

There is a key audit matter that rental income received by the Group is not complete or not accurate, taking into account any lease incentives, and thus impacting the net revenue available for distribution to shareholders.

Rental income recognised for the year ended 31 December 2017 amounted to £69.8m (2016: £68.5m).

Refer to notes 1(e) of Accounting Policies on page 64 and note 2 on page 67 of the Notes to the Financial Statements. Also refer to the audit committee report on pages 47–48.

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

- We performed analytical procedures over the Group's rental income for the year;
- We reviewed the Manager's Internal Controls Report for the operating effectiveness of management controls over the revenue cycle;
- We tested on a sample basis the rental income back to underlying lease agreements for accuracy and the apportionment for the current period;
- Reviewed calculation of deferred income on a sample basis for accuracy and consistency with the tenancy schedules and;
- We reviewed the lease incentive calculations on a sample basis and tested the data back to lease agreements.

Key observations

We conclude that revenue recognition is appropriate.

Taxation →

Key audit matter description

The majority of the Group's rental income is subject to UK Income Tax under the UK's non-resident landlord scheme.

A significant amount of unutilised tax losses are available to be offset against future taxable rental income.

The recognition of a deferred tax asset in respect of those losses is subjective and depends on the availability of future taxable profits against which those tax losses can be utilised with sufficient probability.

We have identified a key audit matter that the deferred tax asset is not being measured correctly with regard to the utilisation of losses based on future profits forecasts.

The Group recognised a deferred tax asset amounting to £3.3m as at 31 December 2017 (2016: £6.5m)

Refer to notes 1(g) of Accounting Policies on page 64 and note 6 on page 68 of the Notes to the Financial Statements. Also refer to the audit committee report on pages 47–48.

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

- We reviewed Management's future taxable profits forecasts to determine the rate at which accumulated tax losses are expected to be utilised, and we assessed the probability of recovery over the forecast period;
- We reviewed the tax workings and re-performed calculations of the possible deferred tax position;
- We enquired with Management and evaluated their assessment for the recognition of a deferred tax asset; and
- We reviewed the disclosures in the Annual Report.

Key observations

We conclude that the recognition and recoverability of the deferred tax asset is appropriate.

OUR APPLICATION OF 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

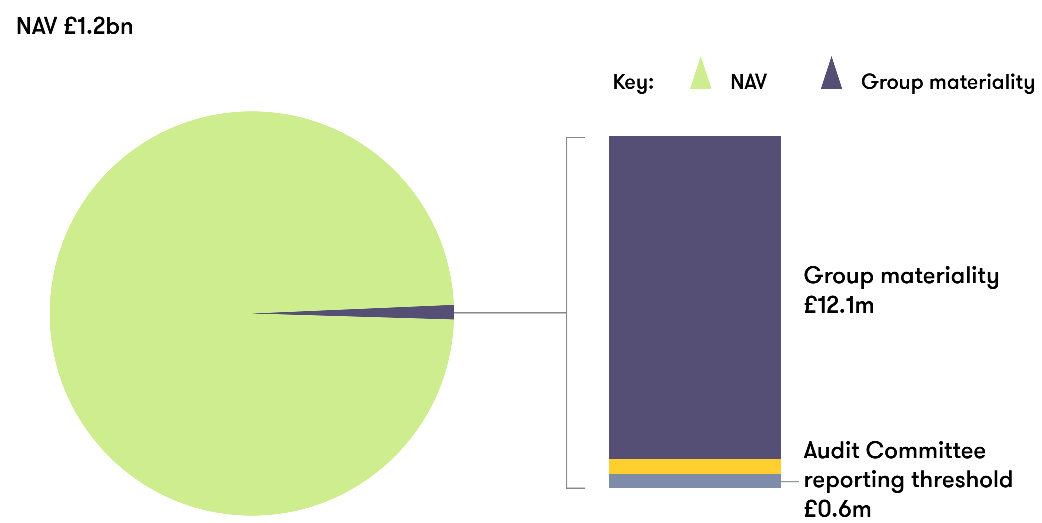
£12.1m (2016: £11.2m)

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 threshold of £2.1m (2016: £2.5m), which equates to 5% of that measure for testing all balances impacting that measure.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.6m (2016: £0.56m) for the group, 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.

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

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

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. We audit all of the Group's subsidiaries which are subject to audit at component materiality level, which in many cases is substantially lower than Group materiality. 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.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the annual report including the Strategic Report, Report of the Directors, Corporate Governance Report, Audit Committee Report, Directors' Remuneration Report and Directors' Responsibility Statement 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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

- Fair, balanced and understandable – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- Audit committee reporting – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- Directors' statement of compliance with the UK Corporate Governance Code – the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

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 Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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.

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.

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

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 two years, covering the years ending 31 December 2016 to 31 December 2017.

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).

John Clacy
(Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
St Peter Port, Guernsey
26 April 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2017

	Notes	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
REVENUE			
Rental income	2	69,826	68,573
Gains/(Losses) on investment properties	9	90,416	(5,944)
Interest income		295	455
Total income		160,537	63,084
EXPENDITURE			
Investment management fee	3	(9,215)	(8,870)
Direct property expenses	4	(4,444)	(3,716)
Other expenses	4	(3,565)	(3,362)
Total expenditure		(17,224)	(15,948)
Net operating profit before finance costs		143,313	47,136
FINANCE COSTS			
Finance costs	5	(8,143)	(8,101)
		(8,143)	(8,101)
Net profit from ordinary activities before taxation		135,170	39,035
Taxation on profit on ordinary activities	6	(3,608)	6,151
Net profit for the year		131,562	45,186
OTHER COMPREHENSIVE INCOME TO BE RECLASSIFIED TO PROFIT OR LOSS			
Gain/(Loss) arising on effective portion of interest rate swap	13	1,664	(3,913)
Other comprehensive income		1,664	(3,913)
Total comprehensive income for the year		133,226	41,273
Basic and diluted earnings per share	8	10.12p	3.48p
EPRA earnings per share (excluding deferred tax)		3.42p	3.43p

All of the profit and total comprehensive income 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 83–85.

The accompanying notes are an integral part of this statement.

CONSOLIDATED BALANCE SHEET
As at 31 December 2017

	Notes	2017 £'000	2016 £'000
NON-CURRENT ASSETS			
Investment properties	9	1,332,923	1,242,274
Deferred tax asset	6	3,271	6,515
Interest rate swap	13	—	—
		1,336,194	1,248,789
CURRENT ASSETS			
Investment properties held for sale	9	47,600	28,350
Trade and other receivables	11	23,433	16,035
Cash and cash equivalents		72,443	104,893
		143,476	149,278
Total assets		1,479,670	1,398,067
CURRENT LIABILITIES			
Trade and other payables	12	(22,408)	(25,141)
Interest rate swap	13	(1,130)	(1,340)
		(23,538)	(26,481)
NON-CURRENT LIABILITIES			
Bank loan	13	(249,126)	(248,532)
Interest rate swap	13	(960)	(2,414)
		(250,086)	(250,946)
Total liabilities		(273,624)	(277,427)
Net assets		1,206,046	1,120,640
REPRESENTED BY			
Share capital	14	539,872	539,872
Special distributable reserve		583,920	590,594
Capital reserve		84,344	(6,072)
Revenue reserve		—	—
Interest rate swap reserve		(2,090)	(3,754)
Equity shareholders' funds		1,206,046	1,120,640
Net asset value per share		92.8p	86.2p
EPRA Net asset value per share		93.0p	86.5p

The accounts on pages 60–82 were approved and authorised for issue by the Board of Directors on 26 April 2018 and signed on its behalf by:

Andrew Wilson
Director

Ken McCullagh
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 2017

	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 2017		539,872	590,594	(6,072)	—	(3,754)	1,120,640
Net profit for the year		—	—	—	131,562	—	131,562
Other comprehensive income		—	—	—	—	1,664	1,664
Total comprehensive income		—	—	—	131,562	1,664	133,226
Dividends paid	7	—	—	—	(47,820)	—	(47,820)
Transfer in respect of gains on investment property	9	—	—	90,416	(90,416)	—	—
Transfer from special distributable reserve		—	(6,674)	—	6,674	—	—
At 31 December 2017		**539,872**	**583,920**	**84,344**	**—**	**(2,090)**	**1,206,046**

For the year ended 31 December 2016

	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 2016		539,872	587,284	(128)	—	159	1,127,187
Net profit for the year		—	—	—	45,186	—	45,186
Other comprehensive income		—	—	—	—	(3,913)	(3,913)
Total comprehensive income		—	—	—	45,186	(3,913)	41,273
Dividends paid	7	—	—	—	(47,820)	—	(47,820)
Transfer in respect of losses on investment property	9	—	—	(5,944)	5,944	—	—
Transfer to special distributable reserve		—	3,310	—	(3,310)	—	—
At 31 December 2016		**539,872**	**590,594**	**(6,072)**	**—**	**(3,754)**	**1,120,640**

The accompanying notes are an integral part of this statement.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2017

	Notes	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit for the year before taxation		135,170	39,035
Adjustments for:			
(Gains)/Losses on investment properties	9	(90,416)	5,944
Movement in lease incentives	9	(6,597)	(2,271)
Movement in provision for bad debts	11	(130)	(75)
Increase in operating trade and other receivables		(672)	(2,310)
(Decrease)/Increase in operating trade and other payables		(3,094)	1,421
Finance costs		8,131	8,125
Cash generated by operations		42,392	49,869
Tax paid		—	(453)
Net cash inflow from operating activities		42,392	49,416
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investment properties	9	(52,016)	(1,911)
Sale of investment properties	9	41,513	45,595
Capital expenditure	9	(8,981)	(8,558)
Net cash (outflow)/inflow from investing activities		**(19,484)**	**35,126**
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	7	(47,820)	(47,820)
Bank loan interest paid		(6,114)	(6,467)
Payments under interest rate swap arrangement		(1,424)	(1,148)
Net cash outflow from financing activities		(55,358)	**(55,435)**
Net (decrease)/increase in cash and cash equivalents		**(32,450)**	**29,107**
Opening balance		**104,893**	**75,786**
Closing cash and cash equivalents		**72,443**	**104,893**
REPRESENTED BY			
Cash at bank		27,735	44,821
Money market funds		44,708	60,072
		72,443	**104,893**

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.

New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year. There have been other new and amended standards issued or have come into effect in the European Union from 1 January 2017 but either these were not applicable or did not have a material impact on the annual consolidated financial statements of the Group and hence not discussed and are detailed below:

- Annual Improvements to IFRSs 2010–2012 Cycle
- Annual Improvements to IFRSs 2011–2013 Cycle
- Annual Improvements to IFRSs 2014–2016 Cycle
- Annual Improvements to IFRSs 2015–2017 Cycle

(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 9 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. 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.

(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.

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. Service charge costs, to the extent they are not recoverable from tenants, are accounted for on an accruals basis and included in operating profit.

(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.

(i) Operating Lease Contracts — the Group as Lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements that it retains all the significant risks and rewards of ownership of these properties and so accounts for leases as operating 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.

(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, which are generally due for settlement at the relevant quarter end are recognised and carried at the original invoice amount less an allowance for any uncollectable amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable, debts are over 90 days old or relate to tenants in administration. Bad debts are written off when identified.

(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.

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 uses 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 not yet effective

There are a number of new standards, amendments and interpretations that have been issued but are not yet effective for this accounting year and have not been adopted early. Those standards which may affect the Group are listed below.

IFRS 9 — Financial Instruments

In July 2014, the IASB published the final version of IFRS 9 'Financial Instruments' which replaces the existing guidance in IAS 39 'Financial Instruments: Recognition and Measurement'. The IFRS 9 requirements represent a change from the existing requirements in IAS 39 in respect of financial assets.

The standard contains two primary measurement categories for financial assets: amortised cost and fair value. A financial asset would be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets would be measured at fair value.

The standard eliminates the existing IAS 39 categories of held to-maturity, available-for-sale and loans and receivables.

For financial liabilities, IFRS 9 largely carries forward without substantive amendment the guidance on classification and measurement from IAS 39. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit is recorded in other comprehensive income rather than in profit or loss.

The standard introduces new requirements for hedge accounting that align hedge accounting more closely with risk management and establishes a more principles-based approach to hedge accounting. The standard also adds new requirements to address the impairment of financial assets and means that a loss event will no longer need to occur before an impairment allowance is recognised.

The standard will be effective for annual periods beginning on or after 1 January 2018, and is required to be applied retrospectively with some exemptions. The Group does not anticipate that this standard will have any material impact on the Group's financial statements as presented for the current year.

IFRS 15 — Revenue from Contracts

IFRS 15 Revenue from Contracts with Customers (effective 1 January 2018, and endorsed by the EU 31 October 2016) specifies how and when an entity should recognise revenue from contracts and enhances the nature of revenue disclosures.

The Group notes lease contracts within the scope of IAS 17 are excluded from the scope of IFRS 15. Rental income derived from operating leases is therefore out with the scope of IFRS 15. The group therefore does not anticipate IFRS 15 having a material impact on the Group's financial statement as presented for the current year.

The group notes under specific circumstances, certain elements of contracts the group may enter (for example, rental guarantees provided when selling a property) potentially fall within the scope of IFRS 15. The group does not have any such contracts in place at 31 December 2017.

The standard permits a modified retrospective approach. Financial statements will be prepared for the year of adoption (from 1 January 2018) by recognising a cumulative catch-up adjustment to opening retained earnings.

The group has not implemented the standard in advance of the effective date and it does not intend to do so.

IFRS 16 — Leases

IFRS 16 Leases (effective 1 January 2019) sets out the principle for the recognition, measurement, presentation and disclosure of leases for both the Lessee and Lessor.

The impact of this standard has not yet been assessed by the Group in full, but the Group is aware lessor accounting remains substantially unchanged and any impact is expected to be insignificant. A full impact assessment will however be concluded in due course.

Annual Improvements to IFRS

In addition to the above, Annual Improvements to IFRS 2015–2017 Cycle (effective 1 January 2019) have not been adopted early.

2. RENTAL INCOME

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Rental income	69,826	68,573

Included within rental income is amortisation of lease premiums and rent free periods granted.

3. INVESTMENT MANAGEMENT FEES

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Investment management fee	9,215	8,870

The Group's Investment Manager throughout the year was Standard Life Investments (Corporate Funds) Limited, who received an aggregate annual fee from the Group at an annual rate of 0.65 per cent of the Total Assets. The Investment Manager is also entitled to an administration fee of £100,000 per annum. The total paid in relation to this fee in the year was £100,000 (2016: £100,000). Both fees are payable quarterly in arrears. The Investment Management agreement is terminable by either of the parties to it on 12 months' notice.

4. EXPENSES

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Direct Property Expenses	4,444	3,716
OTHER EXPENSES		
Professional fees (including valuation fees)	2,744	2,547
Movement in bad debt provision	130	75
Directors' fees	222	215
Administration fee	100	100
Administration and company secretarial fees	85	85
Regulatory fees	212	277
Auditor's remuneration for:		
Statutory audit	68	63
Non audit services	4	—
	3,565	**3,362**

5. FINANCE COSTS

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Interest on principal loan amount	5,794	6,063
Amounts payable in respect of interest rate swap arrangement	1,435	1,197
Facility fees	321	331
Amortisation of loan set up fees	593	510
	8,143	**8,101**

6. TAXATION

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") and own five Jersey Property Unit Trusts. UKCPEL owns two Jersey Property Unit Trusts. The Partnership, UKCPH and UKCPEL own a portfolio of UK properties and derived rental income from those properties. As the Partnership and the unit trusts are income transparent for UK tax purposes, the partners and unit holders are liable to UK income tax on their share of the net rental profits of the Partnership and unit trusts respectively. The entities directly owning UK property are also liable to UK income tax on their own net UK rental profits. All entities subject to UK income tax have elected to receive rental income gross under HMRC's non-resident landlord scheme.

A reconciliation of the income tax charge applicable to the results from ordinary activities at the statutory income tax rates to the charge for the year is as follows:

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Net profit before tax	135,170	39,035
UK income tax at a rate of 20 per cent	27,034	7,807
Effect of:		
Capital (gains)/loss on investment properties not taxable	(18,999)	2,554
Lease incentive adjustment not allowable for tax purposes	1,319	454
Capital gains realised not taxable	(404)	(1,819)
Income not taxable	(59)	(91)
Intercompany loan interest	(7,099)	(11,126)
Expenditure not allowed for tax purposes	(1,428)	2,585
Total current tax charge	364	**364**
Net movement in deferred tax asset	3,244	**(6,515)**
Total tax charge/(credit)	3,608	**(6,151)**

The components of the tax charge in the consolidated income statement are as follows:

RECONCILIATION OF CURRENT CORPORATION AND WITHHOLDING TAX IN THE CONSOLIDATED INCOME STATEMENT	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Corporation tax charge in the year	—	117
Adjustment in respect of prior year over provision	(117)	(127)
Withholding tax charge in the year	—	374
Income tax charge in the year	481	—
At 31 December 2017	**364**	**364**

The Company owns one UK Limited Company, Brixton Radlett Property Limited ("BRPL"). As the losses of the Group cannot be used to offset the profits of BRPL, the profits of BRPL are subject to corporation tax in the UK, at a rate of 19% (20% prior to 1 April 2017). As the inter-company debt in BRPL is payable to a Guernsey entity, withholding tax is suffered on payment of this interest. During 2016, this debt was listed as a eurobond on the Guernsey Stock Exchange, resulting in withholding tax no longer being payable. It is estimated that for the year ended 31 December 2017 the total amount payable in corporation tax is nil (2016: £117,000) and withholding tax is nil (2016: £374,000), of which nil (2016: £117,000) remains payable at the year end.

The components of the deferred tax asset in the consolidated balance sheet are as follows:

RECONCILIATION OF DEFERRED TAX IN THE CONSOLIDATED INCOME STATEMENT	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Movement in deferred tax asset on tax losses	2,793	(8,428)
Movement in deferred tax asset in respect of capital allowance timing differences	(144)	(337)
Movement in deferred tax liability in respect of capital allowance timing differences	595	2,250
	3,244	**(6,515)**

RECONCILIATION OF DEFERRED TAX IN THE CONSOLIDATED BALANCE SHEET	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Deferred tax asset on tax losses	5,635	8,428
Deferred tax asset in respect of capital allowance timing differences	481	337
Deferred tax liability on temporary timing differences	(2,845)	(2,250)
	3,271	**6,515**

The Group has unused tax losses carried forward of £49,537,000 (2015/2016: £50,437,000) based on the 2016/2017 tax returns to 5 April 2017. This figure is estimated to be £36,815,000 as at 31 December 2017, of which £11,224,248 have not been recognised in these financial statements as they relate to one group company that is not expected to recover its tax losses in the foreseeable future. There is no expiry date in respect of all of the tax losses.

Deferred tax asset

During the prior year the Group refinanced all inter-company loans, the majority of which were due to expire on 30 September 2016. All loans were re-financed for a 12 year duration, at rates ranging from 4% to 4.43%. As a result of the refinance, the Group has become profitable for tax purposes and began to utilise tax losses within certain subsidiaries built up since inception to offset both current and future taxable profits. A deferred tax asset of £5,635,000 (2016: £8,428,000) is therefore recognised in respect of the unutilised tax losses.

A deferred tax asset of £481,000 (2016: £337,000) has also been recognised in the year, on capital allowance balances of sold properties, where the group has retained the right to claim capital allowances after sale. A deferred tax liability of £2,845,000 (2016: £2,250,000) has been recognised in the year, relating to capital allowances already claimed on properties remaining in the portfolio as at 31 December 2017.

IAS 12 Income Taxes allows deferred tax assets and liabilities to be offset. A net deferred asset of £3,271,000 (2016: £6,515,000) is therefore included in the consolidated balance sheet.

The Company and its subsidiaries are exempt from Guernsey taxation on non-Guernsey source income (which includes relevant Guernsey bank interest) under the Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989 as amended. A fixed annual fee of £1,200 per company is payable to the States of Guernsey in respect of this exemption. No charge to Guernsey taxation will arise on capital gains.

7. DIVIDENDS

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
DIVIDENDS ON ORDINARY SHARES		
2016 Fourth interim of 0.92p per share paid 28 February 2016 (2015 Fourth interim: 0.92p)	11,955	11,955
2017 First interim of 0.92p per share paid 31 May 2017 (2016 First interim: 0.92p)	11,955	11,955
2017 Second interim of 0.92p per share paid 31 August 2017 (2016 Second interim: 0.92p)	11,955	11,955
2017 Third interim of 0.92p per share paid 30 November 2017 (2016 Third interim: 0.92p)	11,955	11,955
	47,820	47,820

A fourth interim dividend of 0.92p was paid on 28 February 2018 to shareholders on the register on 16 February 2018. Although this payment relates to the year ended 31 December 2017, under International Financial Reporting Standards it will be accounted for in the year ending 31 December 2018.

8. BASIC AND DILUTED EARNINGS PER SHARE

The earnings per share (EPS) are based on the net profit for the year of £131,562,000 (2016: profit £45,186,000) and on 1,299,412,465 (2016: 1,299,412,465) ordinary shares, being the weighted average number of shares in issue during the year. As there are no dilutive instruments outstanding, basic and diluted earnings per share are identical.

9. INVESTMENT PROPERTIES

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
FREEHOLD AND LEASEHOLD PROPERTIES		
Opening valuation	1,270,624	1,311,695
Purchases at cost	52,016	1,911
Capital expenditure	8,981	8,558
Gain/(Loss) on revaluation to fair value	94,994	(12,769)
Disposals at prior year valuation	(39,495)	(36,500)
Lease incentive movement	(6,597)	(2,271)
Total fair value at 31 December	1,380,523	1,270,624
Less: reclassified as held for sale	(47,600)	(28,350)
Fair value as at 31 December	1,332,923	1,242,274
GAIN/(LOSSES) ON INVESTMENT PROPERTIES AT FAIR VALUE COMPRISE		
Valuation gains/(losses)	94,994	(12,769)
Movement in provision for lease incentives	(6,597)	(2,271)
Gain on disposal	2,019	9,096
	90,416	(5,944)
GAIN ON INVESTMENT PROPERTIES SOLD		
Original cost of investment properties sold	(28,293)	(22,790)
Sale proceeds less sales costs	41,513	45,595
Profit/(Loss) on investment properties sold	13,220	22,805
Recognised in previous periods	11,201	13,709
Recognised in current period	2,019	9,096
	13,220	22,805

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 2017 on the basis of fair value in accordance with the requirements of the Royal Institution of Chartered Surveyors (RICS) 'RICS Valuation — Professional Standards global, January 2014' and 'RICS Valuation — Professional Standards UK, January 2014 (revised April 2015)' (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 £1,397,250,000 (2016: £1,280,755,000). The difference between the fair value and the value per the consolidated balance sheet at 31 December 2017 consists of accrued income relating to the pre-payment for rent-free periods recognised over the life of the lease totalling £16,727,000 (2016: £10,131,000) which is separately recorded in the accounts as a current asset.

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 2017 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 3 to 7 per cent, based on market evidence. For the majority of properties, the Property Valuer assumes a reversionary yield in the region of 4 to 7 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 lease up 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 2017 (£m)	Valuation techniques	Unobservable inputs	Range (weighted average)
Industrial	485.2	Yield methodology	Annual rent per sq ft Capitalisation rate	£0–£19 (£8) 4.5%–7.1% (5.0%)
Office	263.6	Yield methodology	Annual rent per sq ft Capitalisation rate	£15–£56 (£34) 3.4%–7.3% (5.2%)
Retail	494.3	Yield methodology	Annual rent per sq ft Capitalisation rate	£2–£306 (£64) 3.5%–11.2% (5.4%)
Leisure	129.2	Yield methodology	Annual rent per sq ft Capitalisation rate	£13–£35 (£25) 5.1%–6 % (5.4%)
Other	8.2	Yield methodology	Annual rent per sq ft Capitalisation rate	£0–£0 (£0) 5.8%–5.8% (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.

Sector	Assumption	Movement	Effect on valuation
Industrial	Capitalisation rate	+ 50 basis points - 50 basis points	Decrease £46.7m Increase £27.2m
Office	Capitalisation rate	+ 50 basis points - 50 basis points	Decrease £26.8m Increase £33.2m
Retail	Capitalisation rate	+ 50 basis points - 50 basis points	Decrease £45.3m Increase £55.4m
Leisure	Capitalisation rate	+ 50 basis points - 50 basis points	Decrease £11.3m Increase £13.8m
Other	Capitalisation rate	+ 50 basis points - 50 basis points	Decrease £3.0m Increase £3.6m

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

The assets shown on the Balance Sheet as held for sale at the year end are the three Shrewsbury shopping centres, Charles Darwin, Pride Hill and Riverside. The assets are shown at fair value in the Balance Sheet as a held for sale asset and continue to be valued by CBRE Limited using the method described in this note. The held for sale assets are included in the investment property table shown in this note. Any unrealised gain and loss on this asset is shown in the investment property table and in the consolidated statement of comprehensive income as gains/(losses) on investment properties.

The assets were sold by the Group on 24 January 2018 for approximately £51m.

10. SUBSIDIARY UNDERTAKINGS

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 that of a holding company.

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 that of a holding company. 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 that of an investment and property company. UKCPEH also owns 100% of Brixton Radlett Property Limited, a UK company, whose principal business is that of an investment and property 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 that of an investment and property company.

UKCFH owns 100 per cent of the issued share capital of UK Commercial Property GP Limited, (GP), a company incorporated in Guernsey whose principal business is that of an investment and property company.

UKCPT Limited Partnership, (GLP), is a Guernsey limited partnership, and it holds a portfolio of properties. 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.

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.

In addition the Group controls seven Jersey Property Unit Trusts (JPUTs) namely Junction 27 Retail Unit Trust, Charles Darwin Retail Unit Trust (sold January 2018), St George's Leicester Unit Trust, Kew Retail Park Unit Trust, Pride Hill Retail Unit Trust (sold January 2018), Riverside Mall Retail Unit Trust (sold January 2018) and Rotunda Kingston Property Unit Trust. The principal business of the Unit Trusts is that of investment in property.

11. TRADE AND OTHER RECEIVABLES

	2017 £'000	2016 £'000
Rents receivable	2,995	2,603
Lease incentives	16,727	10,131
Other debtors and prepayments	3,711	3,301
	23,433	**16,035**
Provision for bad debts as at 31 December 2016/2015	660	586
Movement in the year	130	75
Provision for bad debts as at 31 December 2017/2016	**790**	**661**

The ageing of these receivables is as follows:

	2017 £'000	2016 £'000
Less than 6 months	374	302
Between 6 and 12 months	290	211
Over 12 months	126	148
	790	**661**

Other debtors include tenant deposits of £3,070,000 (2016: £3,038,000).
All other debtors are due within one year. No other debts past due are impaired in either year.

12. TRADE AND OTHER PAYABLES

	2017 £'000	2016 £'000
Rental income received in advance	14,334	14,093
Investment Manager fee payable	2,370	2,256
VAT payable	641	590
Income tax payable	481	117
Other payables	4,582	8,085
	22,408	**25,141**

Other payables include tenant deposits of £3,070,000 (2016: £3,038,000). The Group's payment policy is to ensure settlement of supplier invoices in accordance with stated terms.

13. BANK LOAN AND INTEREST RATE SWAPS

	2017 £'000	2016 £'000
Total facilities available	300,000	300,000
Drawn down:		
Barclays facility	150,000	150,000
Cornerstone facility	100,000	100,000
Set up costs incurred	(4,536)	(4,536)
Accumulated amortisation of set up costs	3,067	2,474
Accrued variable interest rate on bank loan	595	594
Total due	**249,126**	**248,532**

(i) Barclays Facility

The Group has a five year £150 million facility, maturing in April 2020, with Barclays Bank plc initially taken out in May 2011 and extended in April 2015. As at 31 December 2017 this entire loan was drawn down. The bank loan is secured on the property portfolio held by UKCPEL. Under bank covenants related to the loan UKCPEL 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 160 per cent.

UKCPEL met all covenant tests during the year.

Interest rate exposure is hedged by the purchase of an interest rate swap contract. The notional amount of the swap and the swap term matches the loan principal and the loan term. As at 31 December 2017 the Group had in place one interest rate swap totalling £150 million with Barclays Bank plc (2016: £150 million). The interest rate swap effectively hedges the current drawn down loan with Barclays Bank plc.

Interest on the swap is receivable at a variable rate calculated on the same LIBOR basis as for the bank loan (as detailed below but excluding margins) and payable at a fixed rate of 1.30 per cent per annum on the £150 million swap. The fair value of the liability in respect of the interest rate swap contract at 31 December 2017 is £2,090,000 (2016: liability of £3,754,000) which is based on the marked to market value.

Interest is payable by UKCPEL at a rate equal to the aggregate of LIBOR, mandatory costs of the Bank and a margin. The applicable margin is fixed at 1.50 per cent per annum and this was the applicable margin as at 31 December 2017 (2016: 1.50 per cent).

In addition to the above UKPCPEL has a £50 million revolving credit facility ("RCF") with Barclays Bank plc at a margin of 1.50 per cent above LIBOR available for four years but cancellable at any time. The RCF has a non-utilisation fee of 0.6 per cent per annum charged on the proportion of the RCF not utilised on a pro-rata basis. At 31 December 2017 the RCF remained unutilised.

(ii) Barings Facility

The Group has a twelve year £100 million loan which is due to mature in April 2027 with Barings Real Estate Advisers (previously Cornerstone Real Estate Advisers LLP), a member of the MassMutual Financial Services Group. The loan was taken out by UK Commercial Property Finance Holdings Limited (UKCFH). As at 31 December 2017 this entire loan was drawn down. The bank loan is secured on the portfolio of eight properties held within the wider Group. 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.

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.

Swap Instruments

As at 31 December 2017 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 revaluation of this swap at the year end resulted in a gain on interest rate swaps of £1.7 million (2016: loss of £3.9 million). Of the total gain arising on interest rate swaps, £1.7 million related to effective hedge instruments (2016: loss £3.9 million) which is credited through Other Comprehensive Income in the Statement of Comprehensive Income.

The valuation techniques applied to fair value the derivatives include the swap models including the CVA/DVA swap models, using present value calculations. The model incorporates various inputs including the credit quality of counterparties and forward rates.

The fair value of the interest rate swaps as at 31 December 2017 amounted to a liability of £2,090,000 (2016: Liability of £3,754,000). Based on current yield curves and non-performance risk, £1.1 million (2016: £1.3 million) of this value is a liability which relates to the next 12 months and is therefore classified as a current liability. The remainder is classified as a long-term liability.

14. SHARE CAPITAL ACCOUNTS

	2017 £'000	2016 £'000
SHARE CAPITAL		
Opening balance	539,872	539,872
Share capital as at 31 December 2017	539,872	539,872

(number of shares in issue and fully paid at the year end being 1,299,412,465 (2016: 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.

15. NET ASSET VALUE PER SHARE

The net asset value per ordinary share is based on net assets of £1,206,046,000 (2016: £1,120,640,000) and 1,299,412,465 (2016: 1,299,412,465) ordinary shares, being the number of ordinary shares in issue at the year end.

16. 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.

Standard Life Investments (Corporate Funds) Limited, as the Manager of the Group for the period received fees for their services as investment managers. Further details are provided in note 3. The total management fee charged to the Statement of Comprehensive Income during the year was £9,215,000 (2016: £8,870,000) of which £2,370,000 (2016: £2,256,000) remained payable at the year end. The Investment Manager also received an administration fee of £100,000 (2016: £100,000), of which £25,000 (2016: £25,000) 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 page 49–50. Total fees for the year were £222,000 (2016: £211,000) none of which remained payable at the year end (2016: nil).

The Group invests in the Standard Life Investments Liquidity Fund which is managed by Standard Life Investments Limited. As at 31 December 2017 the Group had invested £44.7 million in the Standard Life Investments Liquidity Fund (2016: £60.1 million). No additional fees are payable to Standard Life as a result of this investment.

17. 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 2017	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total fair value £'000
Investment properties	—	—	1,397,250	1,397,250

31 December 2016	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total fair value £'000
Investment properties	—	—	1,270,624	1,270,624

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 2017	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total fair value £'000
Bank loans	—	264,720	—	264,720

31 December 2016	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total fair value £'000
Bank loans	—	263,943	—	263,943

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 in the balance sheet by level of the fair value hierarchy:

31 December 2017	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total fair value £'000
Interest rate swap	—	(2,090)	—	(2,090)
Trade and other receivables	—	23,433	—	23,433
Trade and other payables	—	22,408	—	22,408

31 December 2016	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total fair value £'000
Interest rate swap	—	(3,754)	—	(3,754)
Trade and other receivables	—	16,035	—	16,035
Trade and other payables	—	(25,141)	—	(25,141)

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 9.

The fair value of the derivative interest rate swap contract is estimated by discounting expected future cash flows using current market interest rates and yield curves over the remaining term of the instrument.

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 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 2017	3 months or less £'000	More than 3 months but less than one year £'000	More than one year £'000	Total £'000
Cash	72,443	—	—	72,443
Rent receivable	2,995	—	—	2,995
Other debtors	3,711	—	—	3,711
	79,149	**—**	**—**	**79,149**

Financial Assets 2016	3 months or less £'000	More than 3 months but less than one year £'000	More than one year £'000	Total £'000
Cash	104,893	—	—	104,893
Rent receivable	2,603	—	—	2,603
Other debtors	3,301	—	—	3,301
	110,797	**—**	**—**	**110,797**

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.

The Company has a diversified tenant portfolio. The maximum credit risk from the rent receivables of the Group at 31 December 2017 is £6,065,000 (2016: £5,641,000). The Group holds rental deposits of £3,070,000 (2016: £3,038,000) as 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.

All of the cash is placed with financial institutions with a credit rating of A or above. £44.7 million (2016: £60.1 million) of the year end cash balance is held in the Standard Life 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.

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 2017 the cash balance was £72,443,000 (2016: £104,893,000).

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 2017	3 months or less £'000	More than 3 months but less than one year £'000	More than one year £'000	Total £'000
Bank loans	1,783	5,447	279,028	286,258
Other creditors	21,207	—	—	21,207
	22,990	5,447	279,028	307,465

Financial Liabilities 2016	3 months or less £'000	More than 3 months but less than one year £'000	More than one year £'000	Total £'000
Bank loans	1,783	5,447	285,710	292,940
Other creditors	23,941	—	—	23,941
	25,724	5,447	285,710	316,881

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 interest rates as at the reporting date would have increased the reported profit by £774,000 (2016: increased the reported profit by £1,049,000). A decrease of 1 per cent would have reduced the reported profit by £774,000 (2016: decreased the reported profit by £1,049,000). The effect on equity is nil (excluding the impact of a change in retained earnings as a result of a change in net profit).

As the Group's bank loans have been hedged by interest rate swaps or are at fixed rates, these loans are not subject to interest rate risk.

As at 31 December 2017 the Group had in place a total of £150 million of interest rate swap instruments (2016: £150 million). The values of these instruments are marked to market and will change if interest rates change. It is estimated that an increase of 1 per cent in interest rates would result in the swap liability decreasing by £3.3 million (2016: £4.8 million) which would increase the reported other comprehensive income by the same amount. A decrease of 1 per cent in interest rates would result in the swap liability increasing by £3.3 million (2016: £4.9 million) which would decrease the reported other comprehensive income by the same amount. 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 2017 or 31 December 2016 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 invest in four commercial property sectors: office, retail, industrial and leisure. 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 2017.

	2017 £'000	2016 £'000
Carrying amount of interest-bearing loans and borrowings	249,126	248,532
External valuation of completed investment property and assets held for sale (excluding lease incentive adjustment)	1,397,250	1,280,755
Loan to value ratio	17.8%	19.4%

The Group's capital balances are set out on page 62 and are regarded as the Group's equity and net debt.

18. CAPITAL COMMITMENTS

The Group had contracted capital commitments as at 31 December 2017 of £44.4m (31 December 2016 — £15.9m), which included:

- £4m capital works refurbishment of Magna Park, Lutterworth.
- £7.9m capital works relating to the split of units at the Parade Swindon, and the redevelopment of Falcon House, Swindon.
- £5.8m capital works building pre-let additional units at St George's Retail Park, Leicester.
- £2.4m for capital works across Cineworld Complex Glasgow, Eldon House London, 81/85 George Street Edinburgh and Units 4 and 5 Ventura Park, Radlett.
- £24.3m forward funding of the pre-let Maldron Hotel, Newcastle.

19. 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):

	2017 £'000	2016 £'000
Less than one year	65,675	66,458
Between one and five years	200,249	202,552
Over five years	307,618	273,746
Total	**573,542**	**542,756**

The largest single tenant at the year end accounted for 5.8 per cent (2016: 5.8) of the current annual rental income.

The unoccupied property expressed as a percentage of annualised total rental value was 7.6 per cent (2016: 3.7 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 'UKCPT Portfolio in Numbers' pages.

20. SERVICE CHARGE

The Group's managing agents Jones Lang LaSalle manage service charge accounts for all the Group's properties. The Group pays the service charge on any vacant units. Service charges on rented properties are recharged to tenants. The total service charge incurred in the year to 31 December 2017 was £7.4 million (2016: £7.4 million). Of this figure, the service charge paid by the Group in respect of void units was £2.1 million (2016: £1.7 million) and is included in direct property expenses.

21. EVENTS AFTER THE BALANCE SHEET DATE

On 24 January 2018, the Group completed the disposal of Charles Darwin, Pride Hill and Riverside unit trusts for approximately £51m.

EPRA Financial and Sustainability Reporting (Unaudited)

EPRA
EUROPEAN PUBLIC
REAL ESTATE ASSOCIATION

EPRA Performance Measure

One of EPRA's aims is to improve the transparency, comparability and relevance of the published results of listed real estate companies in Europe. EPRA performance measures calculated in line with 'Best Practice Recommendation Guidelines — November 2016' are therefore disclosed below:

	31 December 2017 Total £'000	31 December 2016 Total £'000
EPRA earnings	41,146	51,130
EPRA earnings per share (pence per share)	3.17	3.93
EPRA NAV	1,208,136	1,124,394
EPRA NAV per share	93.0	86.5
EPRA NNNAV	1,190,452	1,105,229
EPRA NNNAV per share	91.6	85.1
EPRA net initial yield	4.3%	4.8%
EPRA topped-up net initial yield	4.5%	5.0%
EPRA vacancy rate	7.6%	3.7%
EPRA cost ratios — including direct vacancy costs	24.7%	23.3%
EPRA cost ratios — excluding direct vacancy costs	18.6%	18.5%

A. EPRA EARNINGS	31 December 2017 £'000	31 December 2016 £'000
Earnings per IFRS income statement	131,562	45,186
Adjustments to calculate EPRA earnings, exclude:		
Net changes in value of investment properties	(88,397)	15,040
Gain on disposal of investment properties	(2,019)	(9,096)
Close-out costs of interest rate swap	—	0
EPRA earnings	41,146	51,130
Basic number of shares	1,299,412	1,299,412
EPRA earnings per share (pence per share)	3.17	3.93

B. EPRA NET ASSET VALUE	31 December 2017 £'000	31 December 2016 £'000
IFRS NAV	1,206,046	1,120,640
Exclude		
Fair value of financial instruments	2,090	3,754
	1,208,136	1,124,394
EPRA NAV per share	93.0	86.5

C. EPRA TRIPLE NET ASSET VALUE (NNNAV)	31 December 2017 £'000	31 December 2016 £'000
EPRA NAV	1,208,136	1,124,394
Fair value of financial instruments	(2,090)	(3,754)
Fair value of debt	(15,594)	(15,411)
EPRA NNNAV	1,190,452	1,105,229
EPRA NNNAV per share	91.6	85.1
Fair value of debt per financial statements	264,720	263,943
Carrying value	249,126	248,532
Fair value of debt adjustment	15,594	15,411

D. EPRA NET INITIAL YIELD AND 'TOPPED UP' NIY DISCLOSURE	31 December 2017 £'000	31 December 2016 £'000
Investment property — wholly owned	1,397,250	1,280,755
Completed property portfolio	1,397,250	1,280,755
Allowance for estimated purchasers' costs	95,897	87,101
Gross up completed property portfolio valuation	1,493,147	1,367,856
Annualised cash passing rental income	68,545	69,047
Property outgoings	(4,354)	(3,474)
Annualised net rents	64,191	65,573
Add: notional rent expiration of rent free periods or other lease incentives	3,443	3,169
Topped-up net annualised rent	67,634	68,742
EPRA NIY	4.3%	4.8%
EPRA "topped-up" NIY	4.5%	5.0%

E. EPRA COST RATIOS	31 December 2017 £'000	31 December 2016 £'000
Administrative/Property operating expense line per IFRS income statement	17,225	15,948
EPRA costs (including direct vacancy costs)	17,225	15,948
Direct vacancy costs	(4,244)	(3,267)
EPRA costs (excluding direct vacancy costs)	12,981	12,681
Gross rental income less ground rent costs	69,826	68,573
EPRA cost ratio (including direct vacancy costs)	24.7%	23.3%
EPRA cost ratio (excluding direct vacancy costs)	18.6%	18.5%

Responsible Investment

UKCPT aims to invest responsibly, to achieve environmental and social benefits alongside returns. The Trust adopts Standard Life Investment's Sustainable Real Estate Investment (SREI) Policy which aims to ensure continual improvement across three strategic priority areas:

- Occupier Satisfaction: contributing positively to the health, wellbeing and productivity of asset users
- Resource Scarcity: reducing resource use through effective waste management, exploring circular economy opportunities and ensuring water efficiency
- Climate Change: reducing energy consumption, greenhouse gas emissions and adapting to climate impacts

The full SREI Policy is available on the Standard Life Investments website. All information in this section is calculated by Standard Life Investments.

EPRA Sustainability Best Practice Recommendations Guidelines

We have adopted the 2017 EPRA Sustainability Best Practice Recommendations Guidelines (sBPR) to inform the scope of indicators we report against. We have reported against all EPRA sBPR indicators that are material to the Trust. We also report additional data not required by the EPRA sBPR where we believe it 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 in this section.

Operational Performance Summary

We have processes in place to ensure operational sustainability performance is monitored and actions are implemented to drive continual improvement. Like-for-like electricity consumption reduced year-on-year although there was an increase in gas consumption. Overall, like-for-like greenhouse gas emissions reduced, with a 14% reduction in the emissions intensity of the portfolio. Water consumption also reduced year-on-year and 99% of waste was diverted from landfill.

Full details of performance against material EPRA sBPR indicators are included in this section.

2017 GRESB Assessment

The GRESB Assessment is the leading global sustainability benchmark for real estate vehicles. The Trust has been submitted to GRESB since 2015. In the 2017 assessment, its score improved by 9% compared with 2016 with improvements in the Stakeholder Engagement and Risks & Opportunities categories in particular. The Trust achieved a Green Star rating and a Four Star ranking.

This section details the Trust's sustainability performance using the EPRA Sustainability Best Practice Recommendations Guidelines (sBPR).

Explanatory notes on methodology

Reporting period

Sustainability data in this report covers the calendar years of 2016 and 2017. We have previously used the fiscal year for sustainability reporting but have changed to calendar year to align with financial reporting.

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 do not generally have sight of tenant utility data. It was judged that these should be included to enable the reporting of consumption data 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 Trust'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 relevant assets 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, in line with EPRA guidance, no exclusions are made on the basis of changes in occupancy.

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

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 Trust's portfolio as it is the most widely available metric. It enables year-on-year comparisons within the portfolio to be made.

Renewable energy

There is currently no landlord self-generated renewable electricity across the portfolio although we are currently assessing the feasibility of installations on a number of multi-let and industrial assets. Purchased electricity reflects the fuel mix of the relevant supplier.

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 looking at introducing in future years.

Materiality

We have undertaken a review of materiality against each of the EPRA sBPR indicators. The table opposite 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 — UKCPT 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 and safety	
H&S-Asset	Asset health and safety assessments	Material
H&S-Comp	Asset health and 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
Gov-Selec	Process for nominating and selecting the highest governance body	
Gov-CoI	Process for managing conflicts of interest	

Environmental Indicators

Like-for-like energy consumption

Landlord electricity consumption across like-for-like assets decreased by 5% year-on-year. A consistent reduction across shopping centre assets offset an increase in consumption in offices. The increase in office electricity consumption occurred at 9 Colmore Row, Birmingham and Eldon House, London and was driven by a range of factors including longer operational hours and increased occupancy. Gas consumption also increased at office assets but decreased at shopping centres.

Our Property Manager and Sustainability Consultant closely monitor consumption trends. We have implemented a number of energy saving initiatives across the portfolio and identified many more for future roll-out. In particular, we have focussed on optimising building management systems to match operational requirements. Further initiatives include LED lighting and controls upgrades at office assets and plant replacements as part of asset five year plans.

		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)	2016	2017	Change (%)	2016	2017	Change (%)	2016	2017	Change (%)	2016	2017	Change (%)	2016	2017	Change (%)
Industrial, Business Parks	2 of 4	67,899	47,772	-30%	No sub-metered consumption		N/A	67,899	47,772	-30%	12,163	0	-100%	1.86	1.11	-40%
Leisure	2 of 3	501,373	442,912	-12%	No sub-metered consumption		N/A	501,373	442,912	-12%	No meters		N/A	17.8	15.7	-12%
Offices	4 of 9	1,744,799	1,905,413	9%	936,690	843,143	-10%	2,681,489	2,748,556	3%	2,138,203	2,737,730	28%	211.3	240.5	14%
Retail, Shopping Centre	4 of 4	1,827,711	1,569,581	-14%	No sub-metered consumption		N/A	1,827,711	1,569,581	-14%	350,416	143,205	-59%	32.6	25.7	-21%
Retail, Warehouses	4 of 6	248,961	208,369	-16%	No sub-metered consumption		N/A	248,961	208,369	-16%	47,833	0	-100%	6.0	4.2	-30%
Totals	16 of 34	4,390,743	4,174,047	-5%	936,690	843,143	-10%	5,327,433	5,017,190	-6%	2,548,615	2,880,935	13%	37.5	37.6	0.3%

Note: Hotel, Unit Shop and Distribution Warehouse assets 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 Trust are shown below. A comprehensive review of EPC ratings has been undertaken in light of the Minimum Energy Performance Standard (MEES) coming into effect in April 2018. For the few remaining units that remain F or G rated, we have developed comprehensive plans to ensure ratings are improved well in advance of lease events

There are currently two BREEAM-rated assets in the portfolio. The Central Square office in Newcastle has a BREEAM Excellent rating and the recently-completed Palletforce logistics unit in Burton-on-Trent has a Very Good rating.

EPC RATING	% NET LETTABLE AREA
A	6.3%
B	10.6%
C	30.4%
D	47.0%
E	4.2%
F	0.4%
G	1.2%

Like-for-like greenhouse gas emissions

The like-for-like energy consumption figures above translate into a 13% increase in Scope 1 greenhouse gas (GHG) emissions which is out-weighed by 19% and 21% reductions in Scope 2 and 3 emissions respectively. The reduction in Scope 2 emissions is driven by the reduction in landlord electricity consumption and also an improvement in the carbon intensity of the UK electricity grid between 2016 and 2017.

Scope 1 is emissions associated with landlord gas consumption

Scope 2 is emissions associated with landlord electricity consumption

Scope 3 is emissions associated with electricity sub-metered to tenants and transmission and distribution losses for all landlord-obtained electricity

		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)	2016	2017	Change (%)	2016	2017	Change (%)	2016	2017	Change (%)	2016	2017	Change (%)
Industrial, Business Parks	2 of 4	2	0	-100%	28	17	-40%	3	2	-38%	0.8	0.4	-44%
Leisure	2 of 3	No meters		N/A	207	156	-25%	19	15	-22%	8	6	-24%
Offices	4 of 9	393	504	28%	719	670	-7%	486	387	-20%	70	68	-2%
Retail, Shopping Centre	4 of 4	64	26	-59%	753	552	-27%	68	52	-24%	13	9	-29%
Retail, Warehouses	4 of 6	9	0	-100%	103	73	-29%	9	7	-26%	2	2	-34%
Totals	16 of 34	469	531	13%	1,809	1,467	-19%	585	461	-21%	14	12	-14%

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 shopping centre assets, accounting for 12% of the portfolio by floor area. 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 Trust undertakes.

Environmental Indicators

Absolute energy consumption

Absolute landlord electricity and gas consumption decreased by 5% and 4% respectively year-on-year. These changes were driven by reductions in consumption across the like-for-like portfolio as outlined above and the purchase and sale of several assets during the reporting period.

			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 2016 (assets)	Coverage 2017 (assets)	2016	2017	Change (%)	2016	2017	Change (%)	2016	2017	Change (%)	2016	2017	Change (%)	2016	2017	Change (%)
Industrial, Business Parks	4 of 8	2 of 8	457,050	435,008	-5%	293,076	188,638	-36%	750,126	623,646	-17%	648,160	259,983	-60%	19.8	20.6	4%
Leisure	2 of 3	2 of 3	501,373	442,912	-12%	No sub-metered consumption		N/A	501,373	442,912	-12%	No meters		N/A	17.8	15.7	-12%
Offices	5 of 12	4 of 12	1,767,501	1,905,413	8%	936,690	843,143	-10%	2,704,191	2,748,556	2%	2,224,968	2,737,730	23%	202.3	240.5	19%
Retail, Unit Shops	1 of 5	1 of 5	4,115	1,292	-69%	No sub-metered consumption		N/A	4,115	1,292	-69%	No meters		N/A	0.6	0.2	-69%
Retail, Shopping Centre	4 of 4	4 of 4	1,827,711	1,569,581	-14%	No sub-metered consumption		N/A	1,827,711	1,569,581	-14%	350,416	143,205	-59%	32.6	25.7	-21%
Retail, Warehouses	4 of 6	4 of 6	248,961	208,369	-16%	No sub-metered consumption		N/A	248,961	208,369	-16%	47,833	0	-100%	6.0	4.2	-30%
Totals	20 of 43	17 of 45	4,806,711	4,562,575	-5%	1,229,766	1,031,781	-16%	6,036,477	5,594,356	-7%	3,271,377	3,140,918	-4%	37.8	40.3	6%

Water Consumption

Water consumption at like-for-like assets decreased by 16% year-on-year. The reduction in office assets offset a small increase at shopping centres. 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 2016 (assets)	Coverage 2017 (assets)	2016 (m^3)	2016 Intensity (litres/m^2)	2017 (m^3)	2017 Intensity (litres/m^2)	Change (%)	Coverage (assets)	2016 (m^3)	2016 Intensity (litres/m^2)	2017 (m^3)	2017 Intensity (litres/m^2)	Change (%)
Industrial, Business Parks	2 of 8	1 of 8	2,352	33	410	10	-83%	1 of 4	516	10	410	8	-21%
Leisure	1 of 3	1 of 3	942	60	823	52	-13%	1 of 3	942	60	823	52	-13%
Offices	5 of 12	4 of 12	18,920	777	15,123	663	-20%	4 of 9	18,600	815	15,123	663	-19%
Retail, Shopping Centre	3 of 4	3 of 4	10,492	188	10,995	197	5%	3 of 4	10,492	188	10,995	197	5%
Totals	11 of 43	9 of 45	32,706	181	27,351	185	-16%	9 of 34	30,551	207	27,351	185	-10%

Absolute greenhouse gas emissions

Absolute Scope 1 GHG emissions reduced by 4% whilst absolute Scope 2 emissions reduced by 19%. As noted above for the like-for-like portfolio, the reduction in Scope 2 emissions is aided by a reduction in the emissions intensity of UK grid electricity.

			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 2016 (assets)	Coverage 2017 (assets)	2016	2017	Change (%)	2016	2017	Change (%)	2016	2017	Change (%)	2016	2017	Change (%)
Industrial, Business Parks	4 of 8	2 of 8	119	48	-60%	188	153	-19%	149	87	-42%	6.5	6.7	4%
Leisure	2 of 3	2 of 3	No meters		N/A	207	156	-25%	19	15	-22%	8.0	6.0	-24%
Offices	5 of 12	4 of 12	409	504	23%	728	670	-8%	487	387	-21%	66.7	68.4	3%
Retail, Unit Shops	1 of 5	1 of 5	No meters		N/A	2	0	-73%	0.2	0.04	-72%	0.3	0.1	-73%
Retail, Shopping Centre	4 of 4	4 of 4	64	26	-59%	753	552	-27%	68	52	-24%	13.3	9.4	-29%
Retail, Warehouses	4 of 6	4 of 6	9	0	-100%	103	73	-29%	9	7	-26%	2.4	1.6	-34%
Totals	20 of 43	17 of 45	602	578	-4%	1,981	1,604	-19%	732	547	-25%	13.5	12.6	-7%

Waste generation and treatment

We are responsible for waste management at a number of multi-let assets across the Trust. Our waste management consultants undertake regular waste audits and work closely with managing agents to implement interventions to improve segregation of materials and ultimately increase recycling rates.

In total across the eight assets for which we manage waste, 769 tonnes of non-hazardous waste was generated in 2017 with 69% recycled, 30% recovered via energy from waste and 1% landfilled.

Note that there is no difference between the like-for-like and absolute data for waste management for 2016 and 2017.

		Total Waste (tonnes)		Waste to Landfill (tonnes)		Waste Recovered (tonnes)		Waste Recycled (tonnes)	
Indicator references		Waste-Abs, Waste LfL		Waste-Abs, Waste LfL		Waste-Abs, Waste LfL		Waste-Abs, Waste LfL	
Sector	Coverage (assets)	2016	2017	2017		2017		2017	
Leisure	2 of 3	709	457	1%	4	34%	157	65%	296
Offices	3 of 9	130	168	0%	0	28%	47	72%	120
Retail, Shopping Centre	1 of 4	127	125	3%	4	5%	6	92%	115
Retail, Warehouse	2 of 6	20	20	0%	0	100%	20	0%	0
Totals	8 of 34	985	769	1%	8	30%	230	69%	531

Additional Information

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the eleventh Annual General Meeting of UK Commercial Property Trust Limited will be convened at the offices of Northern Trust International Fund Administration Services (Guernsey) Limited, Trafalgar Court, Les Banques, St Peter Port, Guernsey, Channel Islands, GY1 3QL on 20 June 2018 at 10.00 a.m. for the following purposes.

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 2017.
2. To receive and adopt the Directors' Remuneration Report for the year to 31 December 2017.
3. To re-appoint Deloitte LLP as Auditor to the Company until the conclusion of the next Annual General Meeting.
4. To authorise the Directors to determine the Auditor's remuneration.
5. To re-elect Mr Ayre as a Director of the Company.
6. To re-elect Mr McCullagh as a Director of the Company.
7. To re-elect Mrs Platts as a Director of the Company.
8. To re-elect Mr Wilson as a Director of the Company.
9. To elect Ms Littlejohns as a Director of the Company.
10. To elect Mr Fowlds as a Director of the Company.

Special Resolutions

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

11. 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 26 April 2018.

12. 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 Annual General Meeting of the Company to be held in 2019 or, if earlier, on 20 December 2019, 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
Secretary
Trafalgar Court
Les Banques
St Peter Port
Guernsey GY1 3QL
Date: 26 April 2018

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 (Jersey) Limited, The Pavilions, Bridgwater Road, Bristol BS99 6ZY, not later than 10.00 am on 18 June 2018.
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 PLC, 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 26 April 2018, 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 Chairman as his proxy will need to ensure that both he and such third party complies with their respective disclosure obligations under the Disclosure and Transparency Rules.

SHAREHOLDER INFORMATION

Dividends

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.

Dividends on the Ordinary Shares are expected to be paid in equal instalments quarterly in respect of each financial year in May, August, November and February. All dividends will be paid as interim dividends.

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

Share Price

The Company's Ordinary Shares are listed on the London Stock Exchange. Prices are given daily in the Financial Times under "Investment Companies — Conventional Property ICs".

Change of Address

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

Shareholder Enquiries

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

Key Information Document ("KID")

Investors should be aware that the PRIIPs Regulation requires the AIFM, as PRIIP manufacturer, to prepare a KID in respect of the Company. This KID must be made available by the Investment Manager to retail investors prior to them making any investment decision and is available on the Company's website. Standard Life (Corporate Funds) Ltd is responsible for the information contained in the KID and investors should note that the procedures for calculating the risks, costs and potential returns are prescribed by EU rules. The figures in the KID may not reflect the expected returns for the Company and anticipated performance returns cannot be guaranteed. The cost, performance and risk calculations included in the Key Information Document ("KID") follow the methodology prescribed by EU rules. We would also draw your attention to the other information on the website including shareholder presentations and factsheets.

An investment in the Company may go down as well as up and past performance is not an indicator of future performance. An investment in the Company is suitable only for investors who are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses which may arise there-from (which may be equal to the total amount invested).

FINANCIAL CALENDAR 2018/19

Apr May Jun Jul Aug Sept Oct Nov Dec Jan Feb Mar

- 27 April 2018 — Announcement of annual results
- May 2018 — Payment of 2018 first interim dividend
- 20 June 2018 — Annual General Meeting
- August 2018 — Payment of 2018 second interim dividend
- August 2018 — Posting of Interim Report
- November 2018 — Payment of 2018 third interim dividend
- February 2019 — Payment of 2018 fourth interim dividend

Alternative Investment Fund Managers ('AIFM') Directive

In accordance with the AIFM Directive, information in relation to the Company's leverage and the remuneration of the Company's AIFM, Standard Life Investments (Corporate Funds) Limited, is required to be made available to investors.

Leverage

The Company's maximum and average actual leverage levels at 31 December 2017 are shown below:

Leverage exposure	Gross Method	Commitment Method
Maximum Limit	250%	250%
Actual	134%	122%

For the purposes of the AIFM Directive, leverage is any method which increases the Company's exposure, including the borrowing of cash and the use of derivatives. It is expressed as a percentage of the Company's exposure to its net asset value and is calculated on both a gross and commitment method. Under the gross method, exposure represents the sum of the Company's positions without taking account of any hedging or netting arrangements. Under the commitment method, exposure is calculated after certain hedging and netting positions are offset against each other.

The leverage limits are set by the AIFM and approved by the Board. The AIFM is also required to comply with the gearing parameters set by the Board in relation to borrowings.

Remuneration

The Company's AIFM, Standard Life Investments (Corporate Funds) Limited (SLI(CF)), is subject to the Remuneration requirements of the AIFM Directive on a proportionate basis in respect of its activities as AIFM for a range of Alternative Investment Funds (AIFs). Total assets under management of SLI (CF) were £14.17 billion at 31 December 2017, of which £8.79 billion of assets were AIFs subject to the AIFM Directive. The NAV of the Company was £1.21 billion as at 31 December 2017.

SLI (CF) does not employ any direct staff. The board of the AIFM are employees of Standard Life Investments Limited (SLI) and are subject to the SLI and Standard Life Group policies as regulated by the Financial Conduct Authority (FCA). SLI is subject to the FCA's Prudential Sourcebook for Banks, Building Societies and Investment Firms (BIPRU) Remuneration Requirements under SYSC 19C on a proportionate basis. The board of SLICF has responsibility for the risk management arrangements as they relate to the AIFM fund range.

The investment processes are subject to the governance structure of SLI and the board of SLI(CF) monitors the effectiveness in meeting strict criteria at an AIF level. The board of SLI(CF) discharges its duties via regular reporting and review at board meetings and via allocation of executive responsibilities, in relation to SLI(CF), within the SLI management team.

The AIFM has identified forty-one (2016: ten) individuals who are AIFM Remuneration Code Staff ("AIFM Code Staff"), i.e. individuals whose activities have a material impact on the risk profile of the AIFM or the AIFs that it manages. The aggregate remuneration for these forty-one (2016: ten) individuals apportioned for the AIFM duties they have performed, for the year 2017 is £1,009,310 (2016: £231,732). Of this £211,470 (2016: £52,852) relates to fixed remuneration and £797,840 (2016: £178,880) relates to variable remuneration.

AIFM Code Staff are monitored in respect of their performance in line with the SLI Remuneration Policy which is designed to meet the regulatory requirements of BIPRU and the AIFM Directive. The Remuneration Committees of SLI and Standard Life plc review and approve remuneration for AIFM Code Staff. More information on the remuneration policies of Standard Life plc are disclosed on the following web page:

www.standardlife.com/dotcom/our-company/governance/remuneration-code-disclosure.page

CORPORATE INFORMATION

Directors (all non-executive)

Andrew Wilson
Chairman

Ken McCullagh
Chairman of Audit Committee
and Senior Independent Director

Michael Ayre
Chairman of the Property
Valuation Committee

Sandra Platts
Chairman of the Management
Engagement Committee

John Robertson
Chairman of the Risk Committee
retired 31 March 2018

Margaret Littlejohns
Chairman of the Risk Committee
from 1 April 2018
appointed 1 January 2018

Robert Fowlds
Non-Executive Director
appointed 1 April 2018

Registered Office

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

Registered Number

45387

Administrator and 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

Standard Life Investments
(Corporate Funds) Limited
1 George Street
Edinburgh
EH2 2LL

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

Mourant Ozannes
Royal Chambers
St Julian's Avenue
St Peter Port
Guernsey
Channel Islands
GY1 4HP

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 (previously Cornerstone)
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 International PLC
Citigroup Centre
Canada Square
Canary Wharf
London
E14 5LB

Standard Life Investments Limited
1 George Street, Edinburgh EH2 2LL

0131 245 3151
www.ukcpt.co.uk

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.

	2017 £'000	2016 £'000
Total comprehensive income for the year	133,225	41,273
Add back:		
(Gains)/Losses on investment properties	(90,416)	5,944
(Gain)/Loss arising on effective portion of interest rate swap	(1,664)	3,913
Deferred tax movement	3,244	(6,515)
Profit for dividend cover	44,389	44,615
Annual dividend	47,820	47,820
Dividend cover	93%	93%

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.
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.

	2017 £'000	2016 £'000
Gross borrowings	250,000	250,000
Total assets	1,479,670	1,398,067
Less current liabilities	(23,538)	(26,481)
	1,456,132	1,371,586
Gross gearing	17.2%	18.2%

Group	UK Commercial Property Trust 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).
IPD	Investment Property Databank. 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.
IPD benchmark	The MSCI IPD Balanced Monthly and Quarterly Funds Benchmark
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.
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.

	2017 £'000	2016 £'000
Gross borrowings	250,000	250,000
Less cash	(72,443)	(104,893)
	177,557	145,107
Total assets	1,479,670	1,398,067
Less cash	(72,443)	(104,893)
Less current liabilities	(23,538)	(26,481)
	1,383,689	1,266,693
Net gearing	12.8%	11.4%

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.
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 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 an Index.
Reversionary yield	Estimated rental value as a percentage of the gross property value.
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 Trust

FOCUSSING OUR POSITION TO DELIVER IN 2018

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