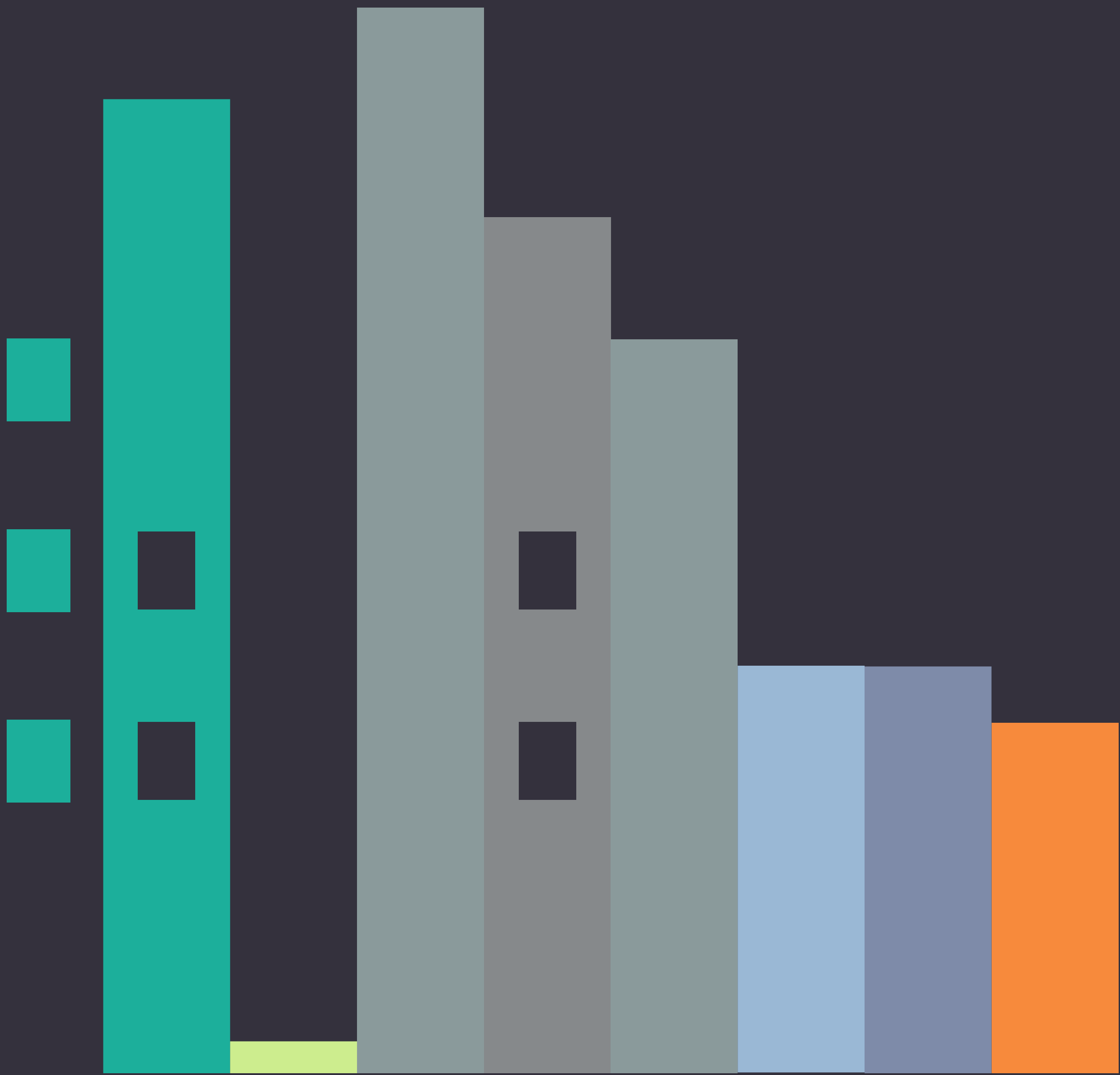
UK COMMERCIAL PROPERTY REIT
INTERIM REPORT & ACCOUNTS
for the half year ended 30 June 2021



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UK Commercial Property REIT

COMPANY SUMMARY
An overview

ABOUT US

Launched in
2006

FTSE
350

£1.17bn
Net Asset Value
as at 30 June 2020

UK Commercial Property REIT Limited ("UKCM") is a listed Real Estate Investment Trust (REIT) with a net asset value of £1.17 billion as at 30 June 2021.

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

OBJECTIVE

The objective of the Company is to provide ordinary shareholders with an attractive level of income, together with the potential for capital and income growth from investing in a diversified portfolio of UK commercial properties. This objective is achieved by:

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

Diversified portfolio

Industrial | Offices | Retail | Alternatives

BOARD & MANAGEMENT

ASI manage
1,600
properties

in
20
countries

6
Board members

The Company has a Board of six experienced Non-Executive Directors who have significant expertise in property, accounting, risk and tax (see page 24 to 25 for further details). UKCM is managed by Aberdeen Standard Investments, one of the world's largest real estate managers that manage over 1,600 properties in 20 countries.

Visit our website at:
ukcpreit.com to learn more

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 REIT 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.

UKCM IS ONE OF THE UK'S LARGEST DIVERSIFIED REITS
(all numbers as at 30 June 2021)

£1.4bn Gross assets

£35.5m Average value of properties

198 Tenancies

34 Properties

UKCM FINANCIAL REVIEW
As at 30 June 2021

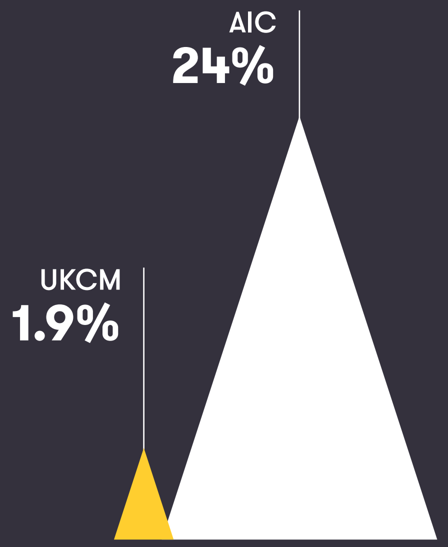
NAV TOTAL RETURN*
Net Asset Value ("NAV") total return of 6.0% (H1 2020: –5.1%) as portfolio values increased as a result of the industrial weighting in the portfolio.

6.0%

SHARE PRICE TOTAL RETURN*
Share price total return of 13.4% (H1 2020: –31.3%). As at 31 August 2021 the share price stood at a discount of 11.9% to NAV.

0.644

DIVIDEND
Current quarterly dividend of 0.644p, an increase of 40% in 2021 since the second half of 2020. In addition, a top-up dividend in respect of 2020 was paid in May 2021 of 0.531p.



NET GEARING*
Low net gearing of 1.9% (H1 2020: 10.5%) as at 30 June 2021 remains one of the lowest in the Company's peer group and the wider REIT sector, and compares to the AIC Property – UK Commercial sector average of 24%.

£272m

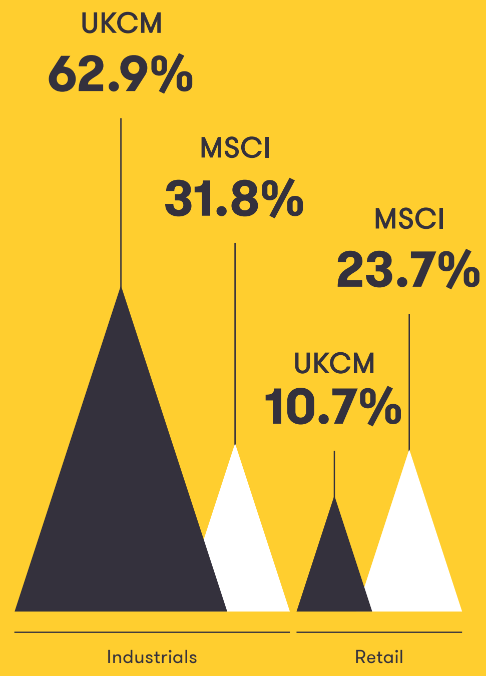
SIGNIFICANT FINANCIAL RESOURCES
£272 million available for investment, comprising £122 million of uncommitted cash and £150 million of the Company's low cost, flexible, revolving credit facility ("RCF").

* Additional Performance Measures (see page 6 and glossary on pages 40 and 41 for further details)

UKCM PORTFOLIO REVIEW
As at 30 June 2021

6.5%

PORTFOLIO PERFORMANCE
Portfolio total return of 6.5% compared to total return on the Company's MSCI benchmark of 5.5%, driven by the positive relative performance of the Company's industrial portfolio.



£67.9m

SALE OF ASSETS
Sale of three assets, totalling £67.9 million, as the Company made good progress in its portfolio strategy. Continued reduction of retail exposure, including the disposal of the final high street retail asset, and exiting assets where asset management initiatives have been successfully completed and future return prospects limited.

PORTFOLIO VALUE
Portfolio is now valued at £1.21 billion and is positively aligned to sectors forecast to outperform, with an overweight position to industrials of 62.9% (MSCI – 31.8%) and an underweight position to retail of 10.7% (MSCI benchmark – 23.7%).

96%

92%

100%

OCCUPANCY
Occupancy rate of 96%. The single largest void is within the investment property held for sale.

RENT COLLECTION
Rent collection for the Q3 billing periods of 92% as at 31 August 2021 with ongoing negotiations with tenants who have been unable to pay to date.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)
The Company sources 100% of landlord electricity supply from renewable sources.

PERFORMANCE SUMMARY

CAPITAL VALUES AND GEARING	30 June 2021	31 December 2020	% Change
Total assets less current liabilities (excl bank loan) £'000	1,370,604	1,324,825	3.4
IFRS Net asset value (£'000)	1,172,539	1,126,976	4.0
Net asset value per share (p)	90.2	86.7	4.0
Ordinary Share Price (p)	76.5	69.0	10.9
Discount to net asset value (%)	(15.2)	(20.4)	n/a
Gearing (%) — Net*	1.9	6.4	n/a
Gearing (%) — Gross**	14.6	15.1	n/a

TOTAL RETURN	6 month % return	1 year % return	3 year % return	5 year % return
NAV†	6.0	10.7	5.9	25.7
Share Price†	13.4	32.5	–2.1	30.2
UKCM Property Portfolio	6.5	11.4	10.4	31.7
MSCI Balanced Portfolios Quarterly Property Index	5.5	7.3	9.1	26.8
FTSE Real Estate Investment Trusts Index	10.8	23.1	5.0	25.8
FTSE All-Share Index	11.1	21.4	6.3	36.9

EARNINGS AND DIVIDENDS	30 June 2021	30 June 2020
EPRA Earnings per share (p)	1.16	1.60
Dividends paid per ordinary share (p)	1.635	1.38
Dividend Yield (%)‡	3.3	5.4
MSCI Benchmark Yield (%)	4.5	4.8
FTSE Real Estate Investment Trusts Index Yield (%)	2.7	4.4
FTSE All-Share Index Yield (%)	2.8	4.7

* Calculated as net borrowings (gross borrowings less cash) divided by total assets less current liabilities (excl cash and borrowings). See alternative performance measures on page 41 for further details.
** Calculated as gross borrowings divided by total assets less current liabilities (excl borrowing).
† Assumes re-investment of dividends excluding transaction costs.
‡ Based on last four quarterly dividends, and the fifth interim top-up dividend, paid pre-30 June of 2.555p and the share price at 30 June 2021.

Sources: Aberdeen Standard Investments, MSCI

Alternative Performance Measures are defined in the glossary on pages 40 and 41, and include: Discount to net asset value, Net and Gross gearing, NAV and Share price total returns, EPRA Earnings per share, Dividend yield, Ongoing charges and Vacancy rate.

Chair's Statement

Ken McCullagh
Chair

PORTFOLIO WEIGHTING

62.9% Industrial

14.3% Offices

12.1% Alternatives

10.7% Retail

Background

During the first six months of 2021, the UK transitioned from the drastic lockdown measures that were enacted at the end of 2020, to a gradual opening of society that is, at last, showing signs of returning to normal. We are now living with COVID-19 and adjusting to a life that has had many significant changes.

For many, the COVID-19 pandemic has been devastating, and only now as the vaccination programme is rolled out and lockdown measures are being relaxed, are people coming to terms with how their lives will be impacted going forward.

The mass vaccination roll out in the UK and across the world, as well as the easing of lockdown measures, has triggered a much needed recovery in the economy. It is clear however, that the recovery this year will not compensate for the economic decline during 2020. Following the seismic shock of the pandemic, this is now the time for many businesses to rebuild, whilst still being alert to potential variants of the virus and possible changes to the government's fiscal policy as it seeks to address the significant increase in the country's borrowing deficit as a result of COVID-19.

UKCM has maintained a strong balance sheet throughout the pandemic, with low gearing and significant financial resources, meaning it comfortably met its debt-funding covenants and continued to pay a dividend each quarter last year, together with a further top up payment during this current period. In addition, as a responsible landlord, we engaged with tenants to ensure support was provided where appropriate, that would allow them to continue to trade. As the economic recovery develops, we are seeing improved rent collection, and can now invest responsibly and consider dividend levels against a backdrop of greater market certainty.

Real Estate Market

Having largely shown its resilience throughout the pandemic, the UK commercial real estate market is starting to improve, both operationally and from an investment perspective. However, the recovery shows stark differences between property sectors. It has been well documented that the industrial sector is performing well, a sector in which UKCM is strongly positioned.

Within other sectors, structural splits are beginning to appear. In retail, supermarkets and retail warehouses are outperforming the All-Property average, whereas shopping centres and high street offerings continue to suffer. The office sector is showing muted returns and a clear dispersion between higher grade offerings, and those which are less attractive workplaces, as employers consider their return-to-office strategies.

As restrictions ease, tenants are being able to trade more freely, and this allows for a greater propensity to settle rents where financial pressures have previously curtailed their ability to do so. UKCM, as a responsible landlord, has worked closely with tenants through periods of financial distress, and we are beginning to see increased levels of rent collection as the economic recovery advances.

FROM THE CHAIR

> "UKCM has a well-structured portfolio, clear investment strategy and significant financial resources to invest with conviction, with the aim of increasing earnings, driving shareholder value and enhancing the Company's status as one of the UK's largest diversified REITs."

UKCM Review

UKCM is seeing the positive impact of the economic recovery as portfolio values outperform our benchmark and rent collection rates improve, which has allowed for an increase in the dividend. The rapid return in performance is testament to the Company's clear strategy of investing in a diversified portfolio of assets that are fit for the modern economy, and working closely with tenants during the pandemic.

Portfolio Activity

The Company has a clear portfolio strategy of reducing specific retail exposure and realising profits on properties where successful asset management initiatives have been completed, while reinvesting in assets that will provide attractive, but secure, levels of income.

In the six-month period to the end of June, the Company disposed of its final high street retail exposure as well as Kew Retail Park, the latter at a price which reflected the residential opportunity presented on this site. In addition, the Company sold its offices at Hartshead House, Sheffield, due to concerns over the tenant covenants and, therefore, the security of future income.

The Company has made progress in its investment strategy with the purchase of a strategically located land parcel in Edinburgh as part of forward funding a new 230-bed student residential development. This, together with our 221-bed student residential development in Exeter, is targeting an opening in time for the 2022/23 academic year, and is expected to provide the Company with a sustainable future income stream.

Subsequent to 30th June 2021, the Company has acquired Trafford Retail Park for £32.8 million. This 12-acre retail warehouse site generates annual income of £2.5 million per year, and is aligned to our view on the bifurcation within the retail sector, and is expected to perform strongly.

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

Portfolio and Corporate Performance

Overall, the portfolio delivered a total return of 6.5% in the half year, beating the benchmark total return of 5.5%. The main reason for this outperformance is the Company's well-structured and diversified portfolio, and particularly the 63% weighting towards the industrial and logistics sector that has been built up over the past few years.

Further details on the Company's portfolio performance are given in the Investment Manager's Review.

The strong portfolio performance allowed the Company to report a 6.0% NAV total return for the period. The share price return, taking into account dividends paid over the period, has improved to 13.4%, with the discount at which the Company's shares traded versus their net asset value decreasing from 20.4% at the end of December 2020, to 15.2% at 30 June 2021. This is close to the AIC peer group rating of 10.9% as at the same date.

Over the longer term, the Company has substantially outperformed its AIC peer group on both a NAV and share price total return basis, delivering 85.3% and 53.8% respectively over ten years, compared to the 56.6% and 33.6% returns from the peer group.

Financial Resources

UKCM continues to be on a solid financial footing with a NAV of £1.17 billion as at 30 June 2021, and net gearing of just 1.9% (gross gearing of 14.6%), meaning it remains one of the lowest geared companies in its AIC peer group and the wider REIT sector. The weighted average cost of this debt remains low at 2.88% per annum, and the Company continues to be comfortably within the covenants on its three debt facilities. In addition, the Company has over £355 million of unencumbered assets, which provide significant headroom and further flexibility with respect to the Company's covenants and overall gearing strategy.

The Company had substantial financial resources available at the period end, boosted by the sale of the three assets, as described above, with £272 million available for investment, comprising £122 million of uncommitted cash and £150 million undrawn from the Company's low-cost, flexible revolving credit facility (RCF).

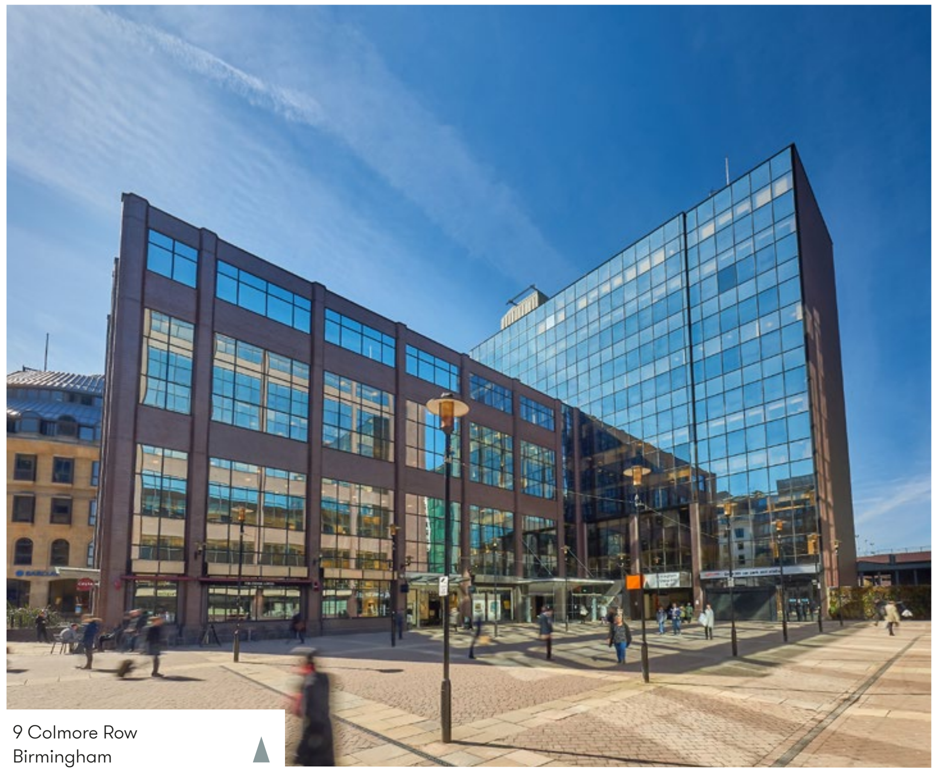
Given the level of resources available, the Company, through its Investment Manager, is continually exploring potential opportunities, including off-market approaches, as it looks to deploy capital and modestly increase its gearing levels. However, irrespective of resources available, all acquisitions must be congruent with our portfolio strategy – disciplined investing in future-fit assets to maintain a responsible financial position and contribute positively to earnings.

Rent Collection and Dividends

As part of our commitment to ESG, we have worked closely with our tenants throughout the pandemic to engage with them, and have dealt fairly with requests for rental assistance whilst always remaining mindful of the Company's interests. As a result, arrangements including a number of rent deferrals and monthly lease payment structures were agreed to assist both the tenant and the Company, with several of these leading to commercial re-gear agreements that create value through longer lease commitments.

As restrictions start to ease and the economy begins to recover, it is pleasing to see further positive traction from our rent collection strategy. As at close of business on 31 August 2021, the Company had received payments reflecting 92% of rents due, for what can collectively be termed as advance billing for the third quarter of the year. At the same date, collection levels stood at 91% for rent due for the second quarter of the year.

During 2021, we have announced a top-up dividend for 2020 and increased our dividend levels by 40%. We understand the importance of dividend levels and will continue to consider the potential for a progressive dividend based on rent collection and the deployment of our financial resources.



9 Colmore Row
Birmingham

Gatwick Gate
Crawley

Environmental, Social and Governance ("ESG")

As a Board, we continue to take our environmental, social and governance responsibilities very seriously, with a number of initiatives under way in the portfolio. A lot of these are highlighted in our ESG publication, entitled "Dialling up the Integration of ESG", which is available on the Company's website.

During 2021, we have commenced a net zero carbon assessment as we design our roadmap to achieve this critical goal, and will update our shareholders on this plan once it is finalised with our Investment Manager.

Hannah Close
Neasden

Board Changes

Subsequent to the period end, Robert Fowlds retired from his role as Non-Executive Director to focus on his growing portfolio of other business interests, having served the Company since April 2018. During this time, he has made an invaluable contribution to the Board and he leaves with our sincere thanks and best wishes for the future.

As part of our continuing Board succession programme, we were delighted that Fionnuala Hogan joined the Board as a Non-Executive Director in early August. Fionnuala brings over 25 years experience of corporate advisory, investment and financing, with a particular emphasis on commercial real estate and technology. We are very pleased to welcome her to the Company and are certain her wealth of knowledge and range of key skills will be a highly complementary and welcome addition to the Board.

Outlook

While the economy is now in recovery mode as COVID-related restrictions are relaxed, for much of the UK real estate market it is structural trends that are set to drive performance over the medium term. Most notably this will be in the industrials and logistics sector where the fundamentals are supportive of further rental growth. As a consequence, investment demand for industrials is set to push yields lower in the second half of the year, and this sector is forecast to remain the best performer over the next three years.

Meanwhile, office fundamentals point to falling rental values and rising income risk. With little adjustment to values thus far, we are forecasting weak returns for the sector over the course of the next three years. Importantly though, the market is likely to be split, with the best quality space favoured by tenants and investors, and secondary space increasingly distressed.

Divisions are also appearing in the retail sector. For modern retail warehouse parks leased at affordable rents and anchored by grocery, discount retailers and DIY occupiers, values are now rising quite rapidly. Fashion-oriented parks, however, are more vulnerable in-line with the challenges faced by high streets and shopping centres, where we anticipate a further year of negative total returns.

These trends highlight the importance and benefits of UKCM's portfolio structure, with strong holdings in the sectors that are expected to remain amongst the best performing in real estate.

UKCM has a strong financial footing with low gearing and significant capital available to invest. In an environment of economic recovery, albeit with much uncertainty remaining, we expect this future deployment of capital, together with the improving rent collection position to provide a further boost to earnings. The Board will continue to monitor dividend policy against this backdrop, ever mindful of the importance placed on dividends by shareholders.

Overall, the Company has a well-structured portfolio, clear investment strategy and significant financial resources to invest with conviction, with the aim of increasing earnings, driving shareholder value and enhancing the Company's status as one of the UK's largest diversified REITs.

Ken McCullagh
Chair of UKCM
27 September 2021

Market Commentary

In another half-year dominated by the impact of the COVID-19 pandemic, the UK economy has somewhat surprised on the upside. Economic output contracted by only 1.5% during Q1 despite the majority of the quarter being spent in a strict lockdown, as the more infectious Alpha variant of the virus caused a higher spike in cases than the first wave in late January and early February. After a fall in GDP of nearly 10% in 2020, the UK began the year at a much lower base level of output. However, with remote working well established, fiscal support firmly in place, and the roll-out of vaccines offering cause for optimism, the economy was perhaps able to adapt and function better than many had anticipated.

Will Fulton UKCM Fund Manager

81–85 George Street
Edinburgh

The White Building
Reading

Moreover, the economy has bounced back strongly during Q2 as measures to restrict the spread of the virus were gradually relaxed in line with a Government roadmap first announced in February. That is despite the dramatically more transmissible Delta variant of the virus leading to a renewed surge in cases. Importantly, the successful vaccination programme in the UK appears to have significantly weakened the link between infections and hospitalisations.

The re-opening of the economy has seen inflation start to rise. But it is, in some ways, a recovery period like no other; the pandemic severely affected the supply side of the economy, which is being rebuilt alongside surging demand. That has caused bottlenecks in some specific areas of the labour market, exacerbated by frictions resulting from Brexit and the loss of EU labour through the pandemic – particularly in London – that has largely not returned to the UK. In addition, there are significant base effects driving inflation: fuel prices dropped sharply last spring and are now rising quickly, while the, now removed, fiscal packages such as the VAT cut and the "eat out to help out" scheme will also impact inflation this year into the autumn. Nevertheless, the Bank of England's monetary policy committee is expected to tolerate this rise in inflation, which it argues is transitory, and interest rates are expected to remain at their record low level for some time to come.

INVESTMENT MANAGER'S STATEMENT

"The Company has a strong, strategic overweight position to the industrial sector which continues to be well placed to benefit from the accelerated structural changes caused by the COVID-19 pandemic, as well as long-term structural changes such as the shift to online retailing."

Commercial Property

The relaxation of lockdown restrictions during the second quarter has led to a rebound in retail sales but perhaps not to the extent many had expected. Footfall, particularly on high streets and in shopping centres, has remained 20-30% below the same period in 2019, but higher spending rates have pushed sales above 2019 levels. After an initial surge in sales on the reopening of non-essential stores in April, sales volumes have plateaued and, indeed, fell month-on-month in June across non-food stores. Retail parks have outperformed in footfall and sales terms, but there are signs that household goods and DIY sales are now falling as many big ticket purchases have already been made, and leisure and hospitality are now absorbing a larger share of consumer spending.

During Q1, the moratorium on tenant evictions was extended to the end of June, removing the March cliff-edge that came with shops still shuttered. A further extension was always possible but few foresaw the nine-month extension to March 2022 that was announced only weeks before the June quarter day. The length of the extension is intended to provide sufficient time for landlords and tenants themselves to reach agreements relating to unpaid rent. Alongside the extension, the government announced that a binding arbitration process would be written into legislation in due course – likely in the autumn – which will apply if negotiations between landlords and tenants fail. The legislation is also expected to ring-fence arrears built up by businesses during periods of enforced closure, implying that landlords will share the financial impact with their tenants. That does, however, give hope that an arbitration process will eventually force some tenants deemed 'essential', particularly those well-capitalised ones, who have traded throughout the pandemic but have not been paying rent, to fully cover their arrears.

There was no material return to office working during the first half of the year, due to concerns about the safety of office environments and public transport commuting. Availability rates have risen in all major office markets, but most steeply in London with smaller, more secondary buildings hardest hit. Vacancy has plateaued during Q2, but at a high level that is consistent with falling rents, especially in secondary stock that is out of favour with tenants. Remote and hybrid working policies will outlive the pandemic and most occupiers are acting cautiously and consultatively with their workforces in respect of future requirements. In contrast, take-up remains exceptionally strong in the industrial sector. In the logistics space, H1 2021 set a new record level of take-up, driven by the fundamental structural changes to the way and the speed with which goods are distributed to consumers.

At just over £25 billion of deals, investment activity across the UK real estate industry in the first half of 2021 was 20% higher than the same period in 2020, when Q2 volumes were heavily constrained at the beginning of the pandemic. While travel restrictions and an inability to carry out inspections are still having some impact on international investment volumes, the investment market was functioning at close to normal levels by the end of Q2. The big change, however, has been the sheer volume of industrial deals, with nearly £7.5 billion transacting in H1 2021, compared with less than £3 billion in the first half of last year. There have been a number of large portfolio deals but the pool of capital targeting the sector is broad and deep.

In contrast, retail volumes remain at very low levels at little more than 10% of total deal flow, despite interest returning – and pricing stabilising – for many retail warehouses.

Given the UK spent the whole of the first half of the year with some form of COVID-related restriction, and most of the first quarter with severe restrictions, the MSCI Quarterly Index delivered a remarkable total return of 5.3% during the first half of 2021. Once again, however, it was overwhelmingly driven by the industrial sector. While offices and retail only achieved six-month returns of 1.9% and 1.7% respectively, the total return for industrials over the period was 12.9%. While values fell across offices and retail, industrial values rose by more than 10%. Industrial performance was broad-based, both in terms of geography and asset type. However, the retail sector has shown increasing dispersion. While supermarkets and retail warehouses outperformed the "All Property" average, achieving 6.6% and 5.4% respectively, shopping centre returns were -7.7%, despite a sharp slowdown in value erosion in the second quarter. Standard shop returns were also negative at -1.2%.

At its "All Property" averaged level, our house view forecasts envisage a modest fall in values over the next year, primarily driven by our expectation of falling rents in the office sector, and a further adjustment across fashion retail locations, as valuations move towards prevailing levels of pricing. That is set against strong performance from the industrial sector and from out-of-town retail, in the form of both supermarkets and retail warehouses. With the fundamentals supportive of further rental growth, investment demand for industrials is set to push yields lower in the second half of the year, and the sector is forecast to remain the top performer over the next three years.

We expect bifurcation in the retail sector, with modern retail parks, let at affordable rents and anchored by grocery, discount variety and DIY occupiers, seeing yields harden to deliver strong returns over the next 12 months. Fashion-oriented parks are more vulnerable to the same occupational challenges facing high streets and shopping centres, where we expect another year of negative total returns. Bifurcation is also expected to be a feature of the office market, with the best quality space favoured by tenants and more resilient for investors, and secondary space increasingly distressed. While our office forecasts are weak overall, it is secondary space where vacancy is high and letting appetite is very weak that is most at risk of significant falls in rents and values.

Assets offering long, secure income streams with indexation are expected to deliver favourable risk-adjusted returns. Longer income assets are currently outperforming shorter income assets by a very wide margin in absolute terms, and ongoing strong demand for those cash flows is expected to drive continued outperformance this year.

Junction 27 Retail Park
Leeds

Centrum 260
Burton on Trent

Portfolio Performance

The first half of the year has seen strong outperformance delivered from the Company's portfolio against its MSCI IPD benchmark. For the year to 30th June 2021, UKCM portfolio's total return was 6.5%, significantly ahead of the benchmark return of 5.5%. The property portfolio outperformed its benchmark in both individual quarters and is now showing outperformance over 1, 3, 5 and 10 years.

The table below breaks down this return by sector with all valuations undertaken by the Company's external valuer, CBRE Ltd. Although the portfolio delivered an income return below benchmark of 1.9% over the first six months of the year, this was offset by greater capital value growth than the benchmark, 4.5% vs 3.3%.

Portfolio-level outperformance has been driven by the Company's strong overweight position to the industrial sector, which stands at 63% weighted by capital value at the end of H1 2021, whilst the Company's primary retail warehouse retail assets also significantly outperformed their benchmark.

Industrial

The Company has a strong, strategic overweight position to the industrial sector which continues to be well placed to benefit from the accelerated structural changes caused by the COVID-19 pandemic as well as long-term structural and societal changes such as the shift to online retailing. As the daily challenges of managing the pandemic recede for many businesses, Brexit trade frictions have once again emerged, and the industrial sector should arguably be a beneficiary of this with a heightened focus on supply chain and an anticipated requirement for greater on-shoring of goods and storage of inventory.

In the first half of 2021 the Company's industrial holdings delivered a strong return of 10.5%, albeit this was behind the benchmark return of 12.8%. The six-month industrial income return of 1.8% is indicative of the higher-quality, lower-yielding London and South East assets held by the Company, and also reflects some significant voids throughout the period, although good progress has been made in reducing these. The industrial portfolio also experienced lower capital growth than its benchmark over the first half of 2021, 8.6% vs 10.6%, however over a 12-month period it has recorded marginally more capital appreciation than the benchmark.

	Exposure		Total Return		Income Return		Capital Growth	
			UKCM %	Benchmark %	UKCM %	Benchmark %	UKCM %	Benchmark %
All	100.0%	£1,205.6m	6.5	5.5	1.9	2.2	4.5	3.2
Industrials	62.90%	£758.7m	10.5	12.8	1.8	2.0	8.6	10.6
Offices	14.30%	£172.6m	–2.5	2.2	2.4	2.0	–4.8	0.2
Alternatives	12.10%	£145.3m	–0.6	2.6	0.6	2.0	–1.2	0.6
Retail	10.70%	£129.0m	6.0	2.6	2.7	2.9	3.2	–0.2

Source: MSCI, assumes reinvestment of contracted income in capital gain/loss

As the strongest performing segment of the benchmark, our strategic overweight allocation to the sector enhanced overall portfolio returns. The Company's industrial portfolio is split approximately 60/40 between assets located in urban areas, which also form the majority of the industrial portfolio by capital value, and those in strategic distribution locations throughout the UK. The distribution assets comprise predominantly large single occupier units, which tend to be let on longer lease terms and offer a higher income yield. The assets located in urban areas, the majority of which are in and around the M25, are often multi-let industrial properties offering greater asset management opportunities to enhance income streams, drive up rents and create value.

Office

The Company has a low exposure to the office sector of 14% against the benchmark weighting of 28%. Its office portfolio underperformed the benchmark with a return of −2.5% vs 2.2%, despite an above benchmark income return of 2.4% vs 2.0% for the 6-month period. This stronger income return was offset by falls in capital values of -4.8%, whilst the benchmark recorded marginally positive capital growth of 0.2%. The portfolio capital declines have been led by some weakening in yields applied to the assets by the Company's valuers, who have also generally taken a prudent approach to upcoming lease expiries and tenant break options by increasing void and incentive assumptions to reflect the uncertainty over levels of tenant demand for offices. We are, however, engaged in a number of encouraging conversations with prospective tenants where there are voids, such as at 9 Colmore Row, Birmingham, as well as holding constructive discussions with several existing tenants about renewing leases and removing break options.

Retail

At the end of the half year, the Company's weighting to retail was reduced to only 11%, with no exposure to shopping centres and the only remaining high street shops being part of the office investment at 81 George Street, Edinburgh. Both units in Edinburgh are well let. The retained retail portfolio comprises only supermarkets and bulky goods / solus retail warehouses, sub-sectors which have arguably benefitted from the disruption caused by the COVID-19 pandemic. The strength of the Company's retail holdings is demonstrated by its total return in the period of 6.0% against 2.6% recorded in the benchmark. This was principally driven by much stronger capital growth in the period of 3.2% against -0.2% for the benchmark.

Gateway Business Park
Aberdeen

Reflecting increased investor appetite for assets in the supermarket and retail warehouse sectors, the valuers generally applied stronger yields to the Company's retail portfolio leading to capital growth.

Alternatives

Within the alternatives sector we saw underperformance over the first half of 2021 with a total return of -0.6% against the benchmark of 2.6%. This is principally the result of capital declines as well as below benchmark income return in the leisure assets in Kingston upon Thames, Glasgow and Swindon. The leisure sector remains the most challenged of all as it reopens more slowly from government restrictions on tenant operations. This has led to rent collection lagging in this sector, against which we have made accounting provisions reflected in lower income returns.

Positively, in late Q2 2021, we agreed several new leases at Regents Circus, Swindon, which has significantly reduced its void position and we believe provides an indicator of gently growing occupier confidence in the sector. Within the period, the Company also acquired land and entered into a forward funding agreement for the development of a 230-bed student housing investment in a prime location close to Edinburgh University. Both the Edinburgh asset and the existing Exeter student development will be completed in time for the start of the 2022 academic year.

Investment Activity

The Company made three sales in the period totalling £68 million and one purchase, in the form of a development funding agreement, with a commitment of £29 million.

The most significant disposal within the period was the sale of Kew Retail Park, in Richmond, for £41 million, to a leading London residential developer in March 2021. For some time, given its location and neighbouring development, and despite no formal planning consent, this asset has been valued with an eye to its underlying residential conversion value, and therefore provided a very low income return. The Company would not undertake a development of this scale and nature itself, and therefore sought to maximise value through a sale to a credible purchaser. The price agreed was marginally less than the asset's latest valuation, but well ahead of its value in retail warehouse use and at a strong level in the context of the residential market.

Two other sales completed in the first half of 2021. The sale of Hartshead House, Sheffield, a single-let office building let to Capita on the fringes of Sheffield city centre, was sold to Arella Property Holding Ltd for £17 million in-line with valuation. The sale reflected our concerns over the durability of the income stream as well as the potential for long-term disruption in the office sector following the COVID-19 pandemic. In April, the Company's last pure high street retail asset, 140-146 Kings Road, London, was sold for £9.9 million in-line with its latest valuation.

Cineworld Cinema
Glasgow

The asset was predominantly let to French Connection, a tenant with performance issues which, we believe, were likely to increase given the COVID-19 pandemic. The asset therefore presented significant risk of income disruption, which was coupled with the potential for non-accretive capital expenditure. In light of this and, given our pessimistic outlook for the sector, we took the decision to dispose of the property.

As referred to above, in January the Company completed the acquisition of a land parcel with planning permission for a 230-bed student accommodation facility at Gilmore Place in Edinburgh, together with an agreement to fund the construction of the scheme, which is scheduled to complete ahead of the 2022/23 academic year. This investment is expected to generate a net operating yield of 5.5% on a total commitment of £29.1 million. The property is located in close proximity to Edinburgh University, a top 30 global university, and will provide high-quality accommodation in an attractive and safe environment.

The company has significant funds for investment, totalling £272 million, of which £150 million is in the form of an undrawn credit facility. Entering the third quarter of the year with such a robust balance sheet, as well as significant bank covenant headroom and flexibility, provides a good platform from which to survey the market for opportunities. We are employing a disciplined approach to deploying capital, targeting sectors with long-term structural drivers such as industrial and logistics. We are also exploring sectors offering higher initial income returns but with some capital growth potential, such as robust well-located retail warehousing and, in the alternative space, hotels in prime positions which we expect to benefit from a recovery.

Central Square
Newcastle

Asset Management and Rent Collection

At the start of 2021, many occupiers still faced government restrictions on their operations as part of the UK's response to the COVID-19 pandemic. Most affected were tenants within the discretionary retail and leisure sectors, with many tenants unable to trade. Restrictions were eased throughout the Spring, albeit with some regional differences, with some sense of normality returning towards the end of Q2 2021. This is reflected in improving rent collection rates.

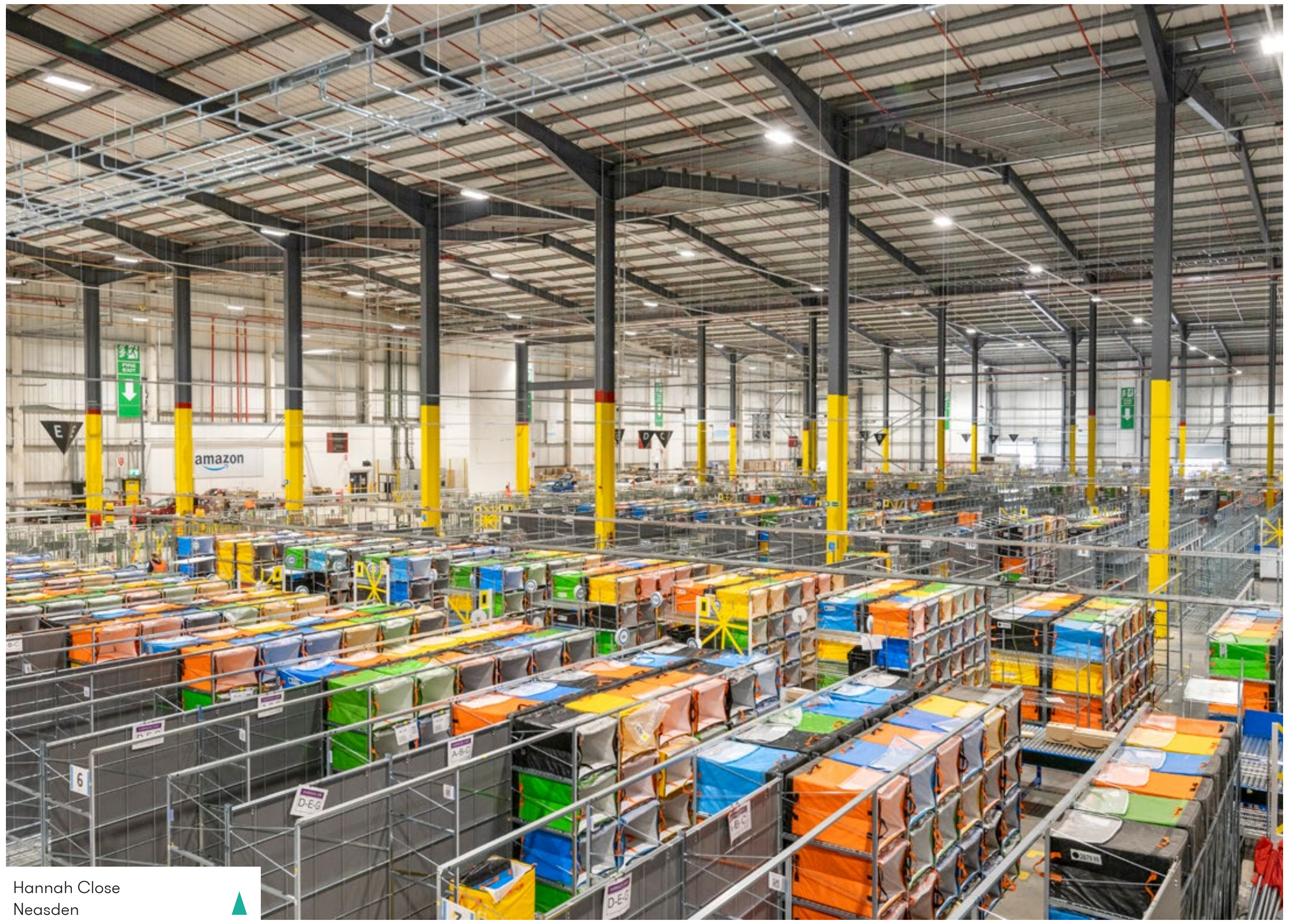
We continue to work with our tenants to collect arrears accrued over previous periods, or to agree commercially-sensible lease renegotiations where some forgiveness on arrears can be offered in exchange for an extended term. We have also offered some tenants a rent deferral, allowing them to pay back arrears over an agreed future period once levels of trade return to normal, therefore easing their cashflows.

By July 2021 we had collected 89% of rents due across the four quarters most affected by government lockdown restrictions, running from Q2 2020 to end Q1 2021. Of the 11% of rents which have not been collected, 48% of this figure is deemed to no longer be payable having been covered by a lease regear or a rent deferral. By treating these rents as no longer being due, the portfolio's rent collection rate rises to 94% over this period. Two percent of rents due have been permanently lost through tenant Administrations or CVA's, with the remaining balance of rents still being pursued.

Generally, rent collection rates have improved over the period, with the March and June 2021 billing periods standing at 91% following the adjustment of rents accepted on a monthly basis and not quarterly in advance. Collection rates are not uniform across sectors with business space assets, comprising industrial and office properties, having been consistently high. Reflecting the composition of the Fund's retail holdings, being supermarkets and robust retail warehouses, rent collection rates have now also risen to over 90% for the June quarter. The Company's alternatives portfolio continues to be the laggard due to the large format leisure assets. This sector has faced the most challenges in reopening and trade has yet to normalise for many tenants. The largest single debtor in the Company's portfolio remains Cineworld where rents are largely unpaid. Cineworld account for approximately three percent of the current annual rent roll and is the Company's only top 10 tenant where we have unpaid rents. We are speaking with them with a view to reaching a resolution as cinemas reopen and a supply of revenue-generating films arrive.

The Company benefits from low tenant income concentration due to its diverse tenant mix of 169 tenancies across 34 assets, with its top tenant, Ocado, accounting for 5.5% of contracted rental income. Overall, occupancy of the portfolio increased to 96% as at 30 June 2021 from 94% at the end of December 2020. Of this vacancy, approximately 40% is at Network House in Hemel Hempstead where we are contracted to sell the asset, which is the smallest in the Company.

Sector	Q3 Rent collection	Q2 Rent collection
Industrial	96%	98%
Office	96%	94%
Retail	92%	84%
Alternative	69%	65%
Total	92%	91%



Hannah Close
Neasden

Asset management highlights within the period included:

- Agreeing five new lettings at Ventura Park, Radlett, securing £2.45 million of annual rent which is 4.4% ahead of the combined ERV of the units. Unit 7 and Unit B, have been let to an existing global occupier on two-year leases at a rent of £1,234,000 per annum. Unit A, extending to 34,502 sq ft, was let to GL Events, and a new rent of £373,000 per annum has been secured over a five-year term certain. Unit 6A has been let to Stand & Deliver, a subsidiary company of an existing occupier, Forward Trucking Services Ltd. The unit extends to 44,734 sq ft and a rent of £480,000 per annum has been agreed for a 10-year term certain. Unit E has been let to Planners Services & Sundries on a 10-year lease, at a rent of £357,000 per annum.
- A new 10-year lease with Clarke Wilmott at the Company's 9 Colmore Row offices in Birmingham was agreed in the period, following the completion of new cycle and shower facilities, which have added further amenities to the building. The lease covers the entire 4,222 sq. ft. 7th floor at a rate of £26.50p.s.f. with a five-year break option and a £150,000 landlord capital contribution to complete fit out. A new five-year lease was agreed with MedDeX Solutions Ltd at Unit 2, Newton's Court, Dartford at a rent of £165,000 per annum, 2% ahead of the ERV of the unit.
- Encouraging progress was made over the first half of the year in securing new tenants at the Company's large format leisure properties reflecting growing optimism of sustained recovery in the sector.

XDock 377, Magna Park
Lutterworth

- At The Rotunda, Kingston, unit 6 has been let to Aegon Ltd, t/a Kung Fu, on a 10-year lease at a base rent of £80,000 per annum, ahead of ERV, with a 10% turnover top up. At Regents Circus, Swindon, a significant letting was secured to Boom Battle Bars, a specialist operator in competitive socialising. The 15,000 sq. ft. letting will see units 4,5 7 & 8 let on a new 15-year lease at an annual rent of £150,000 per annum in-line with the units' combined ERV.
- Also at Regents Circus, unit 3 has been let to DSM Holdings Ltd t/a Korean BBQ on a new 15-year lease. The restaurant extends to approximately 3,500 sq. ft. and the agreed rental equates to an average rent of £45,000 per annum over the first five years of the lease.

Environmental, Social and Governance (ESG)

The company was second in its GRESB peer group for ESG performance and obtained a Gold Star from EPRA for ESG reporting in 2020. Its GRESB submission for 2021 was made in Q2. Also within the period, the Company commenced a significant piece of work, its Net Zero Carbon assessment study, working alongside retained consultant Jones Lang LaSalle. The initiative will initially focus on establishing the portfolio's carbon baseline, and thereafter plotting interventions necessary at asset and portfolio level to meets its commitment of Net Zero Carbon emissions by 2050. Following completion of the study, the recommendations and options will be reviewed with the Board.

Other specific ESG activities have included the ongoing investigations into installing photovoltaic solar energy systems at large format industrial and retail assets, the use of communal areas in our leisure assets for community events and the installation of beehives at Ventura Park, Radlett.

Newton's Court, Dartford

-9.8%

9.8% GDP contraction in 2020

6.8%

We forecast a growth of 6.8% in GDP in 2021

Investment Outlook

The UK economy is forecast to continue its recovery this year to achieve growth of around 7% across 2021 as a whole. However, after a fall of nearly 10% in 2020, the level of economic activity is expected to remain below pre-COVID levels until at least next year. That implies an output gap and a rise in unemployment towards 6% when the Coronavirus Job Retention Scheme ends at the end of Q3. Understandably, there is significant uncertainty around the outlook. The global impact of the Delta variant – and the risk of further variants of concern – is one source of uncertainty, while Brexit remains very much a live issue. The escalatory situation regarding the Northern Ireland Protocol confirms that, far from being "done", Brexit is a process and one that will continue to be a source of friction and uncertainty for many UK businesses.

However, while the economic fundamentals are important, for much of the UK real estate market, it is structural trends that are set to drive performance over the medium term. It is the continuation of the structural shift to online shopping, which has been accelerated by the pandemic, that is driving logistics demand and rental value growth. That same trend presents a challenge to discretionary retail, alongside a host of other headwinds. A greater focus on sustainability among younger shoppers, including rapid growth in the second-hand market and further digitisation of high street services, are among those headwinds. The Government's failure to reform business rates continues to impair store viability, while the withdrawal of VAT relief for tourists is a major additional threat to central London values.

The expected divergence in fortunes across the office sector is expected to be a key theme going forward, with total demand under downward pressure from hybrid working and occupiers becoming increasingly discerning about their space. Inflexible offices without the amenity and connectivity tenants demand, lacking smart technology and failing measures, face a hugely challenging future that is not, in our view, reflected in current values. But assets that are future-fit will remain attractive and could start to attract a rental premium if supply of the highest quality buildings is constrained.

Portfolio Strategy

Your 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. The portfolio is in good shape weighted to those areas of the market, and specific assets expected to deliver performance. Void levels are relatively low and the overall rent collection has been improving to a good level, if not quite yet at pre-COVID rates. So, in terms of the existing portfolio, the team are working hard to grow income and maintain a low vacancy rate.

As lockdowns have fallen away and the positive impact of the vaccination programme is felt, and with up to £272 million capital available, it is a priority, following the lifting of lockdowns and the positive impact of the vaccination program, to source suitable new investment opportunities in-line with our investment policy which will materially boost Company earnings.

With the portfolio in good shape, and some prior sales having been accelerated due to COVID, the focus is firmly on investment rather than disinvestment and during the period your Company has analysed and made offers on a significant number of potential opportunities. Many of these have been initiated off-market and naturally come with a lower success rate given the lack of a known active seller. However, at the end of this reporting period, your Company has agreed terms to purchase two assets totalling £55 million which are with solicitors, are in line with strategy, and which we expect to complete in the coming months.

Ventura Park
Radlett

This strategy focuses on the acquisition of assets which are "future fit" and which we expect to play a continued role in today's modern economy. At a portfolio level, we continue to value the long-term drivers of investment in goods & services distribution sectors, in its widest sense encompassing both logistics/distribution and urban logistics investments, and also areas such as data centres, supermarkets and retail assets. The latter play a double role in both physical sales, but also act as distribution hubs, typically retail park based. Alongside this, we continue to explore, very selectively, strong opportunities in elements of the alternatives sector where we see potential for good earnings and capital growth.

As described before, there continues to be a delicate balance between retail risk and what is becoming a better yielding sector. The retail market is very clearly bifurcating and we are beginning to see interesting value in certain retail parks, particularly those of a bulky goods nature or which carry out a semi-distribution function – the double role described above. This is particularly the case where units have been relet or renegotiated to more affordable, lower, base rents. Again, on a selective basis, we would consider such investment, as opposed to fashion-led retail, such as high street, shopping centres, many fashion-orientated retail parks, where we see continued risk to occupation and the sustainability of many existing income levels. It remains important not to be wooed by the prospect of a seemingly attractive income yield from what may be a yield trap in a precarious asset or even sub-sector.

Craven House
London

Dolphin Estate, Sunbury

Bifurcation also applies to the office sector, and whilst a large proportion of people are expected to return to an office, the way in which offices are used, and the demands from staff and businesses leasing them, will change. We anticipate an overall reduction in demand as businesses wrestle with the conundrum of flex-working and its demands on space. Offices displaying flexibility, with good built-in or local amenity, strong connectivity, multi-type transport links and sustainability are likely to emerge best placed to capture demand. However this means a significant proportion of offices are likely to be left behind, those older or more remote offices with poor amenity, adaptability, and ease of access and use. As a result we approach office investment with caution reflecting its risk, but are also alert to the potential of emerging opportunities.

Embedded in your Company's strategic thinking is an awareness of the current and future implications of environmental, social and governance factors, collectively ESG. As a REIT with an independent Board, governance is well established; the environmental and social aspects form a fundamental part of both asset management planning and investment consideration.

Completing the Company's 'route to net carbon zero' project, and its provision of a baseline against which to measure, will be an important step on the net zero journey.

We continue to believe a diversified portfolio of scale, in a company with good share liquidity, and heavily weighted towards performing sectors, should have a broad reaching appeal. Emerging from lockdown, and with the vaccination programme appearing effective, good economic growth is emerging. Whilst inflation rates are increasing, we believe this to be a specific reaction to increased demand hitting shorter term supply issues, and one which we expect as our base case to be temporary with lower interest rates prevailing. Of course real estate, especially in strong sectors such as those in which your Company is invested, tends to react well to inflation delivered from economic growth as rents rise with increased demand. With a clear determination, and the right conditions, to invest in a careful and controlled manner in line with strategy, and with the balance sheet to do it, we believe we are well placed to improve Company earnings.

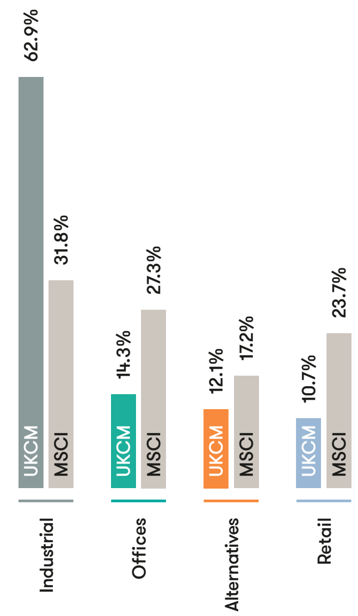
Will Fulton
Fund Manager
27 September 2021

2021 PORTFOLIO ANALYSIS
(all figures as at 30 June 2021)

LEASE EXPIRY PROFILE

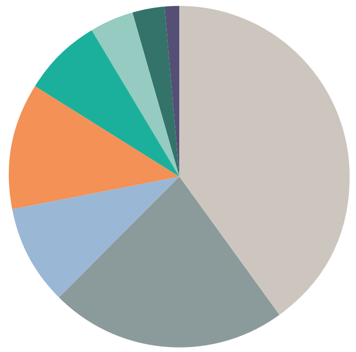
	UKCM	Benchmark
0–1yr	10.6	11.0
1–2yrs	7.8	9.0
2–3yrs	5.3	8.6
3–5yrs	17.1	16.6
5–10yrs	25.7	20.3
10–15yrs	18.0	8.9
>15yrs	15.5	25.6

SECTOR SPLIT VS MSCI BENCHMARK
(based on market value)



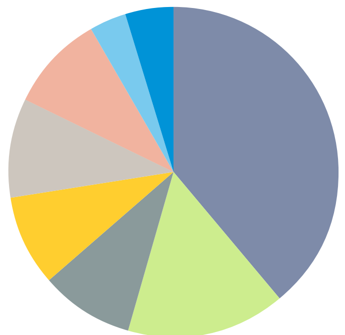
PORTFOLIO SPLIT BY SUB SECTOR

Industrial — South East	40.5%
Industrial — Rest of UK	22.4%
Retail Warehouse	9.5%
Other	12.1%
Office — Rest of UK	7.6%
Office — Rest of South East	4.3%
Office — West End	2.4%
Retail — South East	1.2%



PORTFOLIO SPLIT BY GEOGRAPHY

South East	39.1%
London	15.5%
Scotland	8.9%
South West	9.2%
East Midlands	9.4%
West Midlands	9.6%
Yorks / Humber	3.6%
North East	4.7%



TOP 10 TENANTS BY PASSING RENT
37.3% of passing rent

#01 **OCADO RETAIL LIMITED**
Industrial
5.5% of passing rent
MSCI risk band:
Low Medium

#02 **WARNER BROTHERS**
Industrial
5.3% of passing rent
MSCI risk band:
Low Medium

#03 **AMAZON UK SERVICES LTD**
Industrial
5.0% of passing rent
MSCI risk band: Negligible

#04 **TOTAL E&P UK LIMITED**
Industrial
3.9% of passing rent
MSCI risk band:
Low Medium

#05 **B&Q LTD**
Retail Warehouse
3.4% of passing rent
MSCI risk band:
Low Medium

#06 **CINEWORLD ESTATES LIMITED**
Alternatives
3.3% of passing rent
MSCI risk band: Medium High

#07 **PUBLIC SECTOR**
Office
3.0% of passing rent
MSCI risk band: Negligible

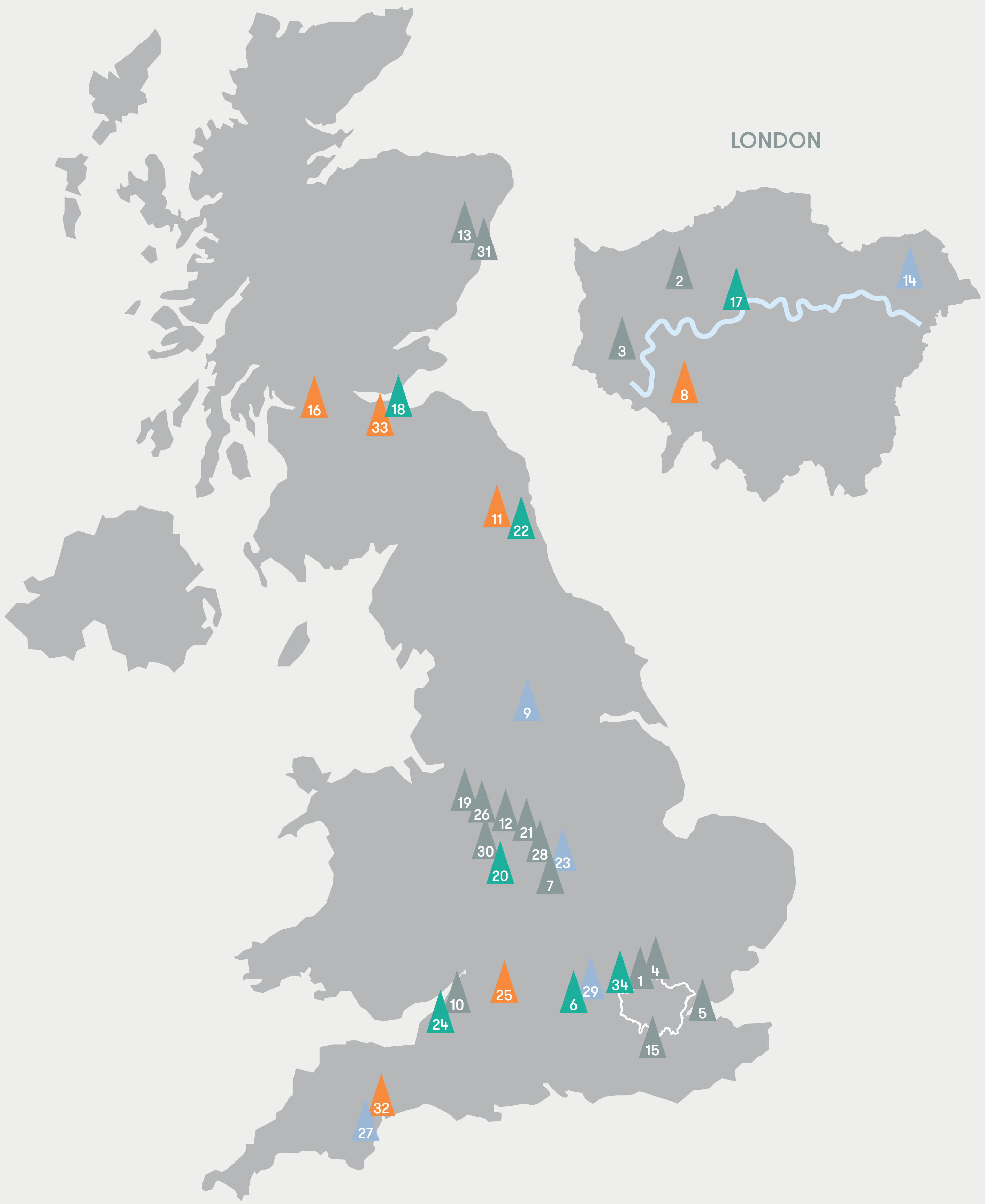
#08 **DALATA GROUP PLC**
Alternatives
2.9% of passing rent
MSCI risk band: High

#09 **PALLETFORCE LIMITED**
Industrial
2.7% of passing rent
MSCI risk band:
Medium High

#10 **ODEON CINEMAS LIMITED**
Alternatives
2.5% of passing rent
MSCI risk band: Maximum

PROPERTY PORTFOLIO

As at 30 June 2021



	PROPERTY	Tenure	Sector	Principal Tenant	Value Range
1	Ventura Park, Radlett	Freehold	Industrial	Warner Bros Studios Limited	
2	Hannah Close, London, NW10	Leasehold	Industrial	Amazon UK Services Limited	
3	Dolphin Estate, Sunbury on Thames	Freehold	Industrial	Trans Global Freight Management Ltd	Over £70m (representing 38% of the portfolio capital value)
4	Ocado Distribution Unit, Hatfield Business Area, Hatfield	Freehold	Industrial	Ocado Ltd	
5	Newton's Court, Dartford	Freehold	Industrial	Compagnie Fruitiere UK Limited	
6	The White Building, Reading	Freehold	Office	Workday (UK) Ltd	
7	XDock 377, Magna Park, Lutterworth	Leasehold	Industrial	Armstrong Logistics Limited	
8	The Rotunda, Kingston upon Thames	Freehold	Alternatives	Odeon Cinemas Ltd	£40m – £70m (representing 18% of the portfolio capital value)
9	Junction 27 Retail Park, Birstall, Leeds	Freehold	Retail Warehouse	DSG Retail Ltd	
10	Emerald Park East, Emersons Green, Bristol	Freehold	Industrial	Knorr-Bremse Systems Ltd	
11	Maldron Hotel, Newcastle	Leasehold	Alternatives	Dalata Group plc	
12	Centrum 260, Burton on Trent	Freehold	Industrial	Palletforce plc	
13	Total, Aberdeen Gateway, Aberdeen	Freehold	Industrial	Total E&P UK Ltd	
14	B&Q, Roneo Corner, Romford	Freehold	Retail Warehouse	B & Q Plc	
15	Gatwick Gate Industrial Estate, Crawley	Freehold	Industrial	International Logistics Group Ltd	
16	Cineworld Complex, Glasgow	Freehold	Alternatives	Cineworld	
17	Craven House, Fouberts Place, London, W1	Freehold	Office	Molinaire Ltd	
18	81/85 George Street, Edinburgh	Freehold	Office	Clydesdale Bank plc	£20m – £40m (representing 34% of the portfolio capital value)
19	Dalewood Road, Newcastle Under Lyme	Freehold	Industrial	TK Maxx Ltd	
20	Colmore Court, 9 Colmore Row, Birmingham	Leasehold	Office	BNP Paribas	
21	Tetron Point, Swadlincote	Freehold	Industrial	Clipper Logistics Plc	
22	Central Square Offices, Forth Street, Newcastle Upon Tyne	Freehold	Office	Ove Arup & Partners	
23	St Georges Retail Park, Leicester	Freehold	Retail Warehouse	Aldi Stores Limited	
24	No 2 Temple Quay, Bristol	Freehold	Office	Public Sector	
25	Regent Circus, Swindon	Freehold	Alternatives	WM Morrison Supermarkets Plc	
26	Whittle Road, Stoke on Trent	Freehold	Industrial	Bestway Pharmacy NDC Limited	
27	Asda, Torquay	Freehold	High St, Retail	Asda Stores Limited	
28	Interlink Way West, Bardon	Freehold	Industrial	Roca Ltd	
29	14-22 West Street, Marlow	Freehold	High St, Retail	Sainsbury's Supermarket Ltd	£0m – £20m (representing 10% of the portfolio capital value)
30	Cannock Watling Street	Freehold	Industrial	Rhenus Logistics Limited	
31	Tetra, Aberdeen Gateway, Aberdeen	Freehold	Industrial	Tetra Technologies UK Ltd	
32	Exeter University Student Accommodation – Funding	Freehold	Alternatives	Under Development	
33	Edinburgh University Student Accommodation – Funding	Freehold	Alternatives	Under Development	
34	Network House, Hemel Hempstead	Freehold	Office	Vacant	

Overall number of properties	34
Total number of tenancies	198
Total average property value	£35.5m
Total floor area	7,719,000 sq ft
Freehold/Leasehold (leases over 100 years)	89% / 11%

Key: Industrial Office Retail Alternatives

*Sold post year end

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

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

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

Fionnuala Hogan, Non-executive Director, is a resident of the UK. Ms Hogan's wide-ranging background encompasses more than 25 years' experience of investment, corporate advisory, entrepreneurship and financing across various sectors including real estate, technology and the creative industries. Previous senior roles include at Kleinwort Benson, KPMG, enba group and most recently, Hypo Real Estate, where she spent 10 years, including as Joint Head of Global Workout. Ms Hogan currently heads early-stage venture investing at Goldacre Ventures, an early stage VC, and is creator and Head of Relab, an ecosystem of entrepreneurs, corporates and investors focused on scaling innovation in the built world. Ms Hogan is a member of the Growth Advisory Board for IMI plc, and a Trustee of East London Dance and of Brixton House. She was previously a Trustee of the Southbank Centre and of Tomorrow's Warriors. Ms Hogan was appointed to the Board on 5 August 2021.

MANAGEMENT TEAM

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

Will Fulton

Kerri Hunter

Kerri Hunter, Interim Lead Manager, graduated from the University of Paisley with a BSc in Land Economics and is a member of the Royal Institution of Chartered Surveyors. Kerri began her 25 year career as a general practice surveyor and joined Scottish Widows Investment Partnership in 2003, following four years at Royal London Asset Management (formerly Scottish Life Assurance Company). During her time with Scottish Widows Investment Partnership, Aberdeen Asset Management and Aberdeen Standard Investments, Kerri has gained extensive commercial real estate experience in both investment and development working as a Deputy Fund Manager of the £3.4 billion SWIP Property Trust for seven years, becoming a Fund Manager in 2014. Before moving onto UKCM, Kerri was managing three funds on behalf of Lloyds Banking Group, totalling £3.8 billion.

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

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

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

Jamie Horton has a BA in History from the University of Strathclyde and graduated from the University of Aberdeen in 2008 with an MSc in Property. He began his career at JLL in Glasgow working in the Capital Markets and Office Agency departments before being appointed an Associate Director with DTZ in the Capital Markets team advising clients on purchases, sales and developments. Jamie joined ASI in 2014 to work as a Portfolio Manager on UKCPT, now UKCP REIT, managing a mixed portfolio of assets throughout the UK, as well as undertaking acquisitions and disposals on behalf of the company. In 2018, Jamie was seconded to the ASI Paris office to act as Deputy Fund Manager on the European Property Growth Fund, a €900m pan-European mandate. On returning to the UK in 2019, Jamie was appointed Deputy Fund Manager on the Nottinghamshire County Council Pension Fund and latterly HIFML, a UK open-ended balanced Fund, whilst offering support on a further pan-European mandate, the German Heritage With Profits Fund.

Jamie Horton

Gregg Carswell

Gregg Carswell graduated from the University of Edinburgh in 2002 with a degree in Business Studies and Accounting and joined Chiene + Tait, Chartered Accountants in 2002 where he qualified as a Chartered Accountant in 2005, and remained until 2008. Gregg worked as a Group Accountant and Finance Manager for a private investment company, focusing on real estate, before moving to Scottish Widows Investment Partnership in 2012 before its acquisition by Aberdeen Asset Management and subsequent merger to become Aberdeen Standard Investments. He has worked on UKCM since June 2021.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's assets consist of direct investments in UK commercial property. Its principal risks are therefore related to the UK commercial property market in general, but also the particular circumstances of the properties in which it is invested and their tenants. Other risks faced by the Group include those relating to strategy, investment & asset management, macroeconomics & finance, operations, regulation and shareholder engagement. These risks, and the way in which they are mitigated and managed, are described in more detail under the headings Principal Risks and Emerging Risks within the Report of the Directors in the Company's Annual Report for the year ended 31 December 2020, published in April 2021, on pages 27 to 33. Having reviewed the principal risks, including the ongoing impact of COVID-19 and Brexit, the Board believes that the Group's principal risks and uncertainties have not changed materially since the date of that report but this will be kept under review.

GOING CONCERN

Having reviewed the principal risks and uncertainties, including the impact of COVID-19 and Brexit, the Board believes the Company has adequate resources to continue in operational existence for the foreseeable future. The Board therefore believes it is appropriate to adopt the going concern basis in preparing the financial statements.

Ocado
Hatfield

Maldron Hotel
Newcastle

STATEMENT OF DIRECTORS' RESPONSIBILITIES

in respect of the half yearly financial report to 30 June 2021

We confirm that to the best of our knowledge:

- The condensed set of half yearly financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting", and give a true and fair view of the assets, liabilities, financial position and return of the Company.
- The half yearly Management Report includes a fair value review of the information required by:

  (a) DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements and a description of the principal risks and uncertainties for the remaining six months of the year; and

  (b) DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the company during that period; and any changes in the related party transactions described in the last Annual Report that could do so.

On behalf of the Board

Ken McCullagh
Chair
27 September 2021

HALF YEARLY CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the half year ended 30 June 2021

	Notes	Half year ended 30 June 2021 (unaudited) £'000	Half year ended 30 June 2020 (unaudited) £'000	Year ended 31 31 December 2020 (audited) £'000
REVENUE				
Rental income		28,769	34,941	64,656
Service charge income		2,963	3,355	6,500
Gains/(losses) on investment properties and disposal of subsidiaries	2	51,761	(79,611)	(45,485)
Interest income		61	136	236
Total Income		**83,554**	**(41,179)**	**25,907**
EXPENDITURE				
Investment management fee		(4,080)	(4,074)	(8,063)
Direct property expenses		(4,004)	(2,318)	(4,845)
Service charge expenses		(2,963)	(3,355)	(6,500)
Other expenses		(2,277)	(3,798)	(8,584)
Total expenditure		**(13,324)**	**(13,545)**	**(27,992)**
Net operating profit/(loss) before finance costs		**70,230**	**(54,724)**	**(2,085)**
FINANCE COSTS				
Finance costs		(3,422)	(4,032)	(8,197)
		(3,422)	**(4,032)**	**(8,197)**
Net profit/(loss) from ordinary activities before taxation		66,808	(58,756)	(10,282)
Taxation on profit on ordinary activities	9	—	—	—
Net profit/(loss) for the period	4	**66,808**	**(58,756)**	**(10,282)**
Total comprehensive income for the year		**66,808**	**(58,756)**	**(10,282)**
Basic and diluted earnings per share	3	**5.14p**	**(4.52)p**	**(0.79)p**
EPRA earnings per share		**1.16p**	**1.60p**	**2.71p**

HALF YEARLY CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2021

	Notes	30 June 2021 (unaudited) £'000	Year ended 31 December 2020 (audited) £'000	30 June 2020 (unaudited) £'000
NON-CURRENT ASSETS				
Investment properties	2	1,172,556	1,172,812	1,199,059
		1,172,556	**1,172,812**	**1,199,059**
CURRENT ASSETS				
Investment properties held for sale	2	6,250	10,000	—
Trade and other receivables		41,073	47,432	43,736
Cash and cash equivalents		176,742	122,742	122,816
		224,065	180,174	166,552
Total assets		**1,396,621**	**1,352,986**	**1,365,611**
CURRENT LIABILITIES				
Trade and other payables		(26,017)	(28,161)	(27,522)
		(26,017)	**(28,161)**	**(27,522)**
NON-CURRENT LIABILITIES				
Bank loan		(198,065)	(197,849)	(247,633)
		(198,065)	(197,849)	(247,633)
Total liabilities		**(224,082)**	**(226,010)**	**(275,155)**
Net assets	6	**1,172,539**	**1,126,976**	**1,090,456**
REPRESENTED BY				
Share capital		539,872	539,872	539,872
Special distributable reserve		566,194	572,392	569,998
Capital reserve		66,473	14,712	(19,414)
Revenue reserve		—	—	—
Shareholders' funds		**1,172,539**	**1,126,976**	**1,090,456**
Net asset value per share		**90.2p**	**86.7p**	**83.9p**
EPRA Net asset value per share		**90.2p**	**86.7p**	**83.9p**

HALF YEARLY CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the half year ended 30 June 2021

HALF YEAR ENDED 30 JUNE 2021 (UNAUDITED)	Notes	Share Capital £'000	Special Distributable Reserve £'000	Capital Reserve £'000	Revenue Reserve £'000	Equity Shareholders' Funds £'000
At 1 January 2021		539,872	572,392	14,712	—	1,126,976
Net Profit for the period		—	—	—	66,808	66,809
Other comprehensive income		—	—	—	—	—
Total comprehensive income		—	—	—	66,808	66,808
Dividends paid	7	—	—	—	(21,245)	(21,245)
Transfer in respect of gains on investment property		—	—	51,761	(51,761)	—
Transfer from special distributable reserve		—	(6,198)	—	6,198	—
As at 30 June 2021		**539,872**	**566,194**	**66,473**	**—**	**1,172,539**

FOR THE YEAR ENDED 31 DECEMBER 2020 (AUDITED)	Notes	Share Capital £'000	Special Distributable Reserve £'000	Capital Reserve £'000	Revenue Reserve £'000	Equity Shareholders' Funds £'000
At 1 January 2020		539,872	567,075	60,197	—	1,167,144
Net Loss for the period		—	—	—	(10,282)	(10,282)
Other comprehensive income		—	—	—	—	—
Total Comprehensive income		—	—	—	(10,282)	(10,282)
Dividends Paid		—	—	—	(29,886)	(29,886)
Transfer in respect of losses on investment property		—	—	(45,485)	45,485	—
Transfer from special distributable reserve		—	5,317	—	(5,317)	—
As 31 December 2020		**539,872**	**572,392**	**14,712**	**—**	**1,126,976**

HALF YEAR ENDED 30 JUNE 2020 (UNAUDITED)	Notes	Share Capital £'000	Special Distributable Reserve £'000	Capital Reserve £'000	Revenue Reserve £'000	Equity Shareholders' Funds £'000
At 1 January 2020		539,872	567,075	60,197	—	1,167,144
Net Loss for the period		—	—	—	(58,756)	(58,756)
Other comprehensive income		—	—	—	—	—
Total Comprehensive income		—	—	—	(58,756)	(58,756)
Dividends Paid		—	—	—	(17,932)	(17,932)
Transfer in respect of losses on investment property		—	—	(79,611)	79,611	—
Transfer from special distributable reserve		—	2,923	—	(2,923)	—
As 30 June 2020		**539,872**	**569,998**	**(19,414)**	**—**	**1,090,456**

HALF YEARLY CONDENSED CONSOLIDATED CASH FLOW STATEMENT
For the half year ended 30 June 2021

	Notes	30 June 2021 (unaudited) £'000	30 June 2020 (unaudited) £'000	Year ended 31 December 2020 (audited) £'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Net profit/(loss) for the period before taxation		66,808	(58,756)	(10,282)
Adjustments for:				
(Gain)/loss on investment properties	2	(51,761)	79,611	45,485
Movement in lease incentive	2	(2,827)	(629)	(4,805)
Movement in provision for bad debts		(1,152)	(1,863)	(4,784)
Decrease/(Increase) in operating trade and other receivables		10,338	(11,611)	(7,582)
(Decrease)/Increase in operating trade and other payables		(2,578)	5,697	5,321
Finance costs		3,422	4,032	8,197
Cash generated by operations		22,250	16,481	31,550
Tax paid		—	(293)	(293)
Net cash inflow from operating activities		**22,250**	**16,188**	**31,257**
CASH FLOWS FROM OPERATING ACTIVITIES				
Purchase of investment properties	2	(7,124)	(7,051)	(24,669)
Sale of investment properties		67,926	84,589	158,194
Capital expenditure	2	(4,424)	2,183	(3,570)
Net cash inflow from investing activities		**56,378**	**79,721**	**129,955**
CASH FLOWS FROM FINANCING ACTIVITIES				
Facility fee charges		(560)	(334)	(864)
Dividends paid	7	(21,245)	(17,932)	(29,886)
Bank loan interest paid		(2,823)	(3,811)	(6,704)
Bank loan repaid		—	—	(50,000)
Net cash outflow from financing activities		**(24,628)**	**(22,077)**	**(87,454)**
Net increase in cash and cash equivalents		**54,000**	**73,832**	**73,758**
Opening cash and cash equivalents		**122,742**	**48,984**	**48,984**
Closing cash and cash equivalents		**176,742**	**122,816**	**122,742**
REPRESENTED BY				
Cash at bank		53,247	23,765	39,599
Money market funds		123,495	99,051	83,143
		176,742	**122,816**	**122,742**

The accompanying notes are an integral part of this statement.

1. ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standard ('IFRS') IAS 34 'Interim Financial Reporting' and, except as described below, the accounting policies set out in the statutory accounts of the Group for the year ended 31 December 2020.

The condensed consolidated financial statements do not include all of the information required for a complete set of IFRS financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2020, which were prepared under full IFRS requirements.

2. INVESTMENT PROPERTIES

FREEHOLD AND LEASEHOLD PROPERTIES	£'000
Opening valuation	1,182,812
Purchases at cost	7,124
Capital expenditure	4,424
Gain on revaluation to fair value	57,164
Disposal at prior year valuation	(69,891)
Adjustment for lease incentives	(2,827)
Total fair value at 30 June 2021	**1,178,806**
Less: reclassified as held for sale	**(6,250)**
Fair value as at 30 June 2021	**1,172,556**

GAINS ON INVESTMENT PROPERTIES AT FAIR VALUE COMPRISE	
Valuation gains	57,164
Movement in provision for lease incentives	(2,827)
Loss on disposal	(2,576)
	51,761

3. BASIC AND DILUTED EARNINGS PER SHARE

The earnings per ordinary share are based on the net profit for the period of £66,808,000 (30 June 2020 net loss of £58,756,000) and 1,299,412,465 (30 June 2020: 1,299,412,465), Ordinary Shares, being the weighted average number of shares in issue during the period.

4. EARNINGS

Earnings for the period to 30 June 2021 should not be taken as a guide to the results for the year to 31 December 2021.

5. SHARES

As at 30 June 2021 the total number of shares in issue is 1,299,412,465 (30 June 2020: 1,299,412,465).

6. NET ASSET VALUE

The net asset value per ordinary share is based on net assets of £1,172,539,000 (30 June 2020: £1,090,456,000) and 1,299,412,465 (30 June 2020: 1,299,412,465) ordinary shares.

7. DIVIDENDS

PERIOD TO 30 JUNE 2021	£'000
2020 Fourth interim of 0.46p per share paid 26 February 2021 (2019 Fourth interim: 0.92p)	5,977
2020 Fifth interim of 0.531p per share paid 21 May 2021 (2019 Fifth interim: nil)	6,900
2021 First interim of 0.644 per share paid 25 May 2021 (2019 First interim: 0.46p)	8,368
	21,245

8. RELATED PARTY TRANSACTIONS

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

Aberdeen Standard Fund Managers Limited received fees for their services as investment managers. The total management fee charged to the Statement of Comprehensive Income during the period was £4,079,597 (30 June 2020: £4,073,570 of which £2,061,904 (30 June 2020: £2,013,705) remained payable at the period end.

The Directors of the Company are deemed as key management personnel and received fees for their services. Total fees for the period were £159,759 (30 June 2020: £138,278) of which £Nil (30 June 2020: £Nil) was payable at the period end.

The Group invests in the Aberdeen Standard Investments Liquidity Fund which is managed by Aberdeen Standard Investments Limited.

As at 30 June 2021 the Group had invested £123.5 million in the Fund (30 June 2020: £99.1 million). No additional fees are payable to Aberdeen Standard Investments as a result of this investment.

9. TAXATION

	£'000
Net profit from ordinary activities before tax	66,808
UK corporation tax at a rate of 19 per cent	—
Effects of:	
UK REIT exemption on rental profits and gains	—
Total tax charge	**—**

The Group operates as a UK REIT. Therefore, the income profits of the Group's UK property rental business are exempt from corporation tax, as are any gains it makes from the disposal of its properties, provided they are not held for trading or sold within three years of completion of development. The Group is otherwise subject to UK corporation tax at the prevailing rate.

As the principal company of the REIT, the Company is required to distribute at least 90% of the income profits of the Group's UK property rental business. There are a number of other conditions that also are required to be met by the Company and the Group to maintain REIT tax status. These conditions were met in the period and the Board intends to conduct the Group's affairs such that these conditions continue to be met for the foreseeable future.

10. 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.

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 set out in the statutory accounts of the Group for the year ended 31 December 2020. The Board, through its Risk committee, has undertaken a thorough review of these risks and believe they have not changed materially from those set out in the 2020 statutory accounts which encompassed the risks that have arisen as a result of COVID-19.

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.

30 June 2021	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total fair value £'000
Investment properties	—	—	1,178,806	1,178,806

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

The fair value of investment properties is calculated using unobservable inputs as set out in the statutory accounts of the Group for the year ended 31 December 2020.

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:

30 June 2021	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total fair value £'000
Loan Facilities	—	198,065	—	198,065

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

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

30 June 2021	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total fair value £'000
Trade and other receivables	—	41,073	—	41,073
Trade and other payables	—	26,017	—	26,017

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.

There have been no transfers between levels of the fair value hierarchy during the period.

11. FINANCING

The Company has fully utilised the £100 million facility, which is due to mature in April 2027, with Barings Real Estate Advisers (previously Cornerstone Real Estate Advisers LLP).

The Company has fully utilised the £100 million facility, which is due to mature in February 2031, with Barings Real Estate Advisers.

The Company has in place a £150 million revolving credit facility with Barclays Bank Plc, which was paid off in full on the 3 November 2020 (30 June 2020: £50m utilised).

12. 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 to hold and manage investment properties for rental income.

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

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 to hold and manage investment properties for rental income.

UKCFH also 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.

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

UKCPEH Limited owns 100 per cent of the issued share capital of UK Commercial Property Estates Limited, a company incorporated in Guernsey, whose principal business is to hold and manage investment properties for rental income.

UKCPEH also owns 100 per cent of Brixton Radlett Property Limited and UK Commercial Property Estates (Reading) Limited, companies incorporated in UK, whose principal business was to hold and manage investment properties for rental income but are in the process of being liquidated as set out in Note 13.

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

In addition, the Group wholly owns four Jersey Property Unit Trusts (JPUTs) namely Junction 27 Retail Unit Trust, St Georges Leicester Unit Trust, Kew Retail Park Unit Trust, and Rotunda Kingston Property Unit Trust. The principal business of the Unit Trusts is that of investment in property, with the exception of Kew Retail Park Unit Trust which is in the process of being liquidated as set out in Note 13.

13. POST BALANCE SHEET EVENTS

The Company is finalising the voluntary liquidation of UK Commercial Property GP Limited, UK Commercial Property Nominee Limited, UKCPT Limited Partnership, Brixton Radlett Property Limited, UK Commercial Property Estates (Reading) Limited and Kew Retail Park Unit Trust.

On 10 September 2021, the Group acquired Trafford Retail Park for £32.8 million.

AIFMD/PRE-INVESTMENT DISCLOSURE DOCUMENT ("PIDD")

The Company has appointed Aberdeen Standard Fund Managers Limited as its alternative investment fund manager and Citibank Europe Plc as its depositary under the AIFMD. AIFMD requires Aberdeen Standard Fund Managers Limited, as the alternative investment fund manager ("AIFM") of UK Commercial Property REIT Limited, to make available to investors certain information prior to such investors' investment in the Company. Details of the leverage and risk policies which the Company is required to have in place under AIFMD are published in the Company's PIDD, which can be found on its website. The periodic disclosures required to be made by the AIFM under AIFMD are set out on page 100 of the 2020 Annual Report.

INVESTOR WARNING: BE ALERT TO SHARE FRAUD AND BOILER ROOM SCAMS

Aberdeen Standard Investments has been contacted by investors informing them that they have received telephone calls and emails from people who have offered to buy their investment trust shares, purporting to work for Aberdeen Standard Investments.

Aberdeen Standard Investments has also been notified of emails claiming that certain investment companies under its management have issued claims in the courts against individuals. These may be scams which attempt to gain your personal information with which to commit identity fraud, or could be "boiler room" scams where a payment from you is required to release the supposed payment for your shares. These callers/email senders do not work for Aberdeen Standard Investments and any third party making such offers/claims has no link with Aberdeen Standard Investments.

Aberdeen Standard Investments does not "cold-call" investors in this way. If you have any doubt over whether a caller is genuine, do not offer any personal information, end the call and contact our Customer Services Department (see next section for the contact details).

The Financial Conduct Authority provides advice with respect to share fraud and boiler room scams: www.fca.org.uk/consumers/scams.

KEEPING YOU INFORMED

The Company's shares are listed on the London Stock Exchange and the share price is quoted daily in the Financial Times.

Details of the Company may also be found on the Company's own dedicated website at: ukcpreit.com. This provides information on the Company's share price performance, capital structure, stock exchange announcement and an Investment Manager's monthly factsheet. Alternatively you can call 0808 500 0040 (free when dialling from a UK landline) for Company information.

If you have any questions about your Company, the Investment Manager or performance, please telephone the Customer Services Department (direct private investors) on 0808 500 0040. Alternatively, please send an email to inv.trusts@aberdeenstandard.com or write to Aberdeen Standard Investments, PO Box 11020, Chelmsford, Essex CM99 2DB.

In the event of queries regarding holding of shares, lost certificates, dividend payments, or registered details, shareholders holding their shares in the Company directly should contact the registrars, Computershare Investor Services (Guernsey) Limited on 0370 707 4040 or by writing to the address on page 38. Calls may be recorded and monitored randomly for security and training purposes. Changes of address must be notified to the registrars in writing.

HOW TO INVEST IN THE COMPANY

Individual investors can buy and sell shares in the Company directly through a stockbroker or indirectly through a lawyer, accountant or other professional adviser. Alternatively, for retail clients, shares can be bought directly through Aberdeen Standard Investments' Plan for Children, Investment Trust Share Plan or Investment Trust ISA.

ABERDEEN STANDARD INVESTMENTS PLAN FOR CHILDREN

Aberdeen Standard Investments runs an Investment Plan for Children (the "Children's Plan") which covers a number of investment companies under its management including the Company. Anyone can invest in the Children's Plan, including parents, grandparents and family friends (subject to the eligibility criteria as stated within the terms and conditions). All investments are free of dealing charges on the initial purchase of shares, although investors will suffer the bid-offer spread, which can, on some occasions, be a significant amount. Lump sum investments start at £150 per trust, while regular savers may invest from £30 per month. Selling costs are £10 + VAT. There is no restriction on how long an investor need invest in the Children's Plan, and regular savers can stop or suspend participation by instructing Aberdeen Standard Investments in writing at any time. In common with other schemes of this type, all investments are held in nominee accounts. Investors have full voting and other rights of share ownership.

ABERDEEN STANDARD INVESTMENTS TRUST SHARE PLAN

Aberdeen Standard Investments runs a Share Plan (the "Plan") through which shares in the Company can be purchased. There are no dealing charges on the initial purchase of shares, although investors will suffer the bid-offer spread, which can, on some occasions, be a significant amount. Lump sum investments start at £250, while regular savers may invest from £100 per month. Selling costs are £10 + VAT. There is no restriction on how long an investor need invest in a Plan, and regular savers can stop or suspend participation by instructing Aberdeen Standard Investments in writing at any time. In common with other schemes of this type, all investments are held in nominee accounts. Investors have full voting and other rights of share ownership.

ABERDEEN STANDARD INVESTMENTS TRUST ISA

Aberdeen Standard Investments operates an Investment Trust ISA ("ISA") through which an investment may be made of up to £20,000 in the tax year 2020/2021.

There are no brokerage or initial charges for the ISA, although investors will suffer the bid-offer spread, which can, on some occasions, be a significant amount. Selling costs are £15 + VAT. The annual ISA administration charge is £24 + VAT, calculated annually and applied on 31 March (or the last business day in March) and collected soon thereafter either by direct debit or, if there is no valid direct debit mandate in place, from the available cash in the Plan prior to the distribution or reinvestment of any income, or, where there is insufficient cash in the Plan, from the sale of investments held in the Plan. Investors have full voting and other rights of share ownership. Under current legislation, investments in ISAs can grow free of capital gains tax.

ISA TRANSFER

You can choose to transfer previous tax year investments to the Aberdeen Standard Investments Trust ISA which can be invested in the Company while retaining your ISA wrapper. The minimum lump sum for an ISA transfer is £1,000 and is subject to a minimum per trust of £250.

LITERATURE REQUEST SERVICE

For literature and information on the Investment Plan for Children, Share Plan, ISA or ISA Transfer including application forms for the Company and the Manager's investment trust products, please contact:

Aberdeen Standard Investments Trust Administration
PO Box 11020
Chelmsford
Essex, CM99 2DB
Telephone: 0808 500 00 40
(free when dialling from a UK landline)

Terms and conditions for the Aberdeen Standard Investments managed savings products can also be found under the literature section of www.invtrusts.co.uk.

ONLINE DEALING DETAILS

Investor information

There are a number of other ways in which you can buy and hold shares in this investment company.

Online dealing

There are a number of online dealing platforms for private investors that offer share dealing, ISAs and other means to invest in the Company. Real-time execution-only stockbroking services allow you to trade online, manage your portfolio and buy UK listed shares. These sites do not give advice. Some comparison websites also look at dealing rates and terms.

Discretionary private client stockbrokers

If you have a large sum to invest, you may wish to contact a discretionary private client stockbroker. They can manage your entire portfolio of shares and will advise you on your investments. To find a private client stockbroker visit the Wealth Management Association at www.pimfa.co.uk.

Independent Financial Advisers

To find an adviser who recommends on investment trusts, visit www.unbiased.co.uk.

Regulation of Stockbrokers

Before approaching a stockbroker, always check that they are regulated by the Financial Conduct Authority:

Tel: 0800 111 6768 or at
https://register.fca.org.uk/s/
email: register@fca.org.uk

EFFECT OF REIT STATUS ON PAYMENT OF DIVIDENDS

REITs do not pay UK corporation tax in respect of rental profits and chargeable gains relating to property rental business. However, REITs are required to distribute at least 90% of their qualifying income (broadly calculated using the UK tax rules) as a Property Income Distribution ("PID").

Certain categories of shareholder may be able to receive the PID element of their dividends gross, without deduction of withholding tax. Categories which may claim this exemption include: UK companies, charities, local authorities, UK pension schemes and managers of PEPs, ISAs and Child Trust Funds.

Further information and the forms for completion to apply for PIDs to be paid gross are available from the Registrar.

Where the Group pays an ordinary dividend, in addition to the PID, this will be treated in the same way as dividends from non-REIT companies.

Note

Please remember that past performance is not a guide to the future. Stock market and currency movements may cause the value of shares and the income from them to fall as well as rise, and investors may not get back the amount they originally invested.

As with all equity investments, the value of investment trusts purchased will immediately be reduced by the difference between the buying and selling prices of the shares, the market maker's spread.

Investors should further bear in mind that the value of any tax relief will depend on the individual circumstances of the investor and that tax rates and reliefs, as well as the tax treatment of ISAs may be changed by future legislation.

CORPORATE INFORMATION

Directors (all non-executive)
Ken McCullagh
Chair

Michael Ayre
Chair of Audit Committee

Sandra Platts
Chair of the Management Engagement Committee and Nomination and Remuneration Committee

Margaret Littlejohns
Chair of the Risk Committee
Senior Independent Director
(appointed as SID on 1 January 2020)

Fionnuala Hogan
Non-Executive Director

Chris Fry
Chair of Property Valuation Committee

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

Registered Number
45387

Administrator and Company Secretary
Northern Trust International Fund Administration Services (Guernsey) Limited
PO Box 255
Trafalgar Court
Les Banques
St Peter Port
Guernsey
Channel Islands
GY1 3QL

Investment Manager and Alternative Investment Fund Manager
Aberdeen Standard Fund Managers Limited
Bow Bells House
1 Bread Street
London
EC4M 9HH

Property Valuer
CBRE Limited
St Martin's Court
10 Paternoster Row
London
EC4M 7HP

Independent Auditors
Deloitte LLP
PO Box 137
Regency Court
Glategny Esplanade
St Peter Port
Guernsey
Channel Islands
GY1 3HW

Guernsey Legal Advisors
Walkers
12–14 New Street
Guernsey
GY1 2PF

UK Legal Advisors and Sponsor
Dickson Minto W.S.
16 Charlotte Square
Edinburgh
EH2 4DF

Maples Teesdale LLP
30 King Street
London
EC2V 8EE

Registrar
Computershare Investor Services (Guernsey) Limited
1st floor
Tudor House
Le Bordage
St Peter Port
Guernsey
Channel Islands
GY1 1DB

Principal Bankers and Lenders
Barclays Bank plc
Quay 2
139 Fountainbridge
Edinburgh
EH3 9QG

Barings (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 Europe Plc
Citigroup Centre
Canada Square
Canary Wharf
London
E14 5LB

Environmental Statement

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Glossary and Alternative Performance Measures

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.

	Half year ended 30 June 21 £'000	Year ended 31 December 2020 £'000
Total comprehensive income/(loss) for the period	66,808	(10,282)
Add back:		
Gains/(losses) on investment properties	(51,761)	45,485
Profit for dividend cover	15,047	35,203
Dividend paid in the period	21,245	29,886
Dividend cover	71%	118%
Dividend cover (excluding 2020 top-up dividend)	105%	n/a

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.
ESG	Environmental, Social, and Corporate Governance (ESG) refers to the three central factors in measuring the sustainability and societal impact of an investment.
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 divided by total assets less current liabilities (excluding borrowings).

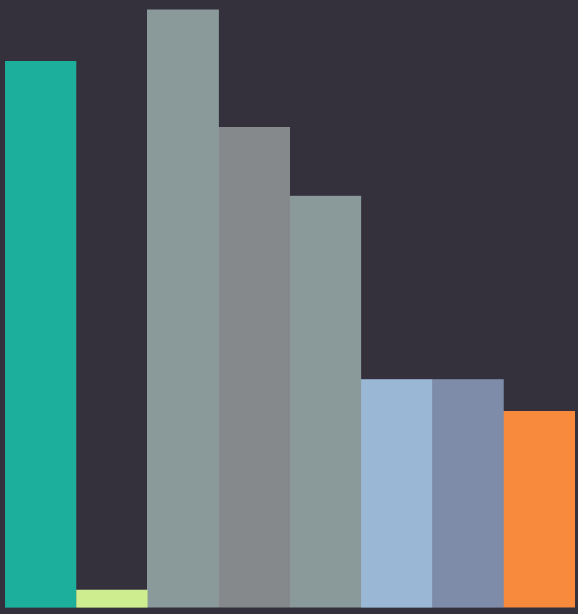
	Half year ended 30 June 21 £'000	Year ended 31 December 20 £'000
Gross borrowings	200,000	200,000
Total assets	1,396,621	1,352,986
Less current liabilities	(26,017)	(28,161)
	1,370,604	1,324,825
Gross gearing	14.6%	15.1

Group	UK Commercial Property REIT and its subsidiaries.
IFRS	International Financial Reporting Standards.
Index linked	The practice of linking the review of a tenant's payments under a lease to a published index, most commonly the Retail Price Index (RPI) but also the Consumer Price Index (CPI).
MSCI	An independent organisation supplying an expansive range of regional and global indexes, research, performance modelling, data metrics and risk analytics across direct property, listed and unlisted vehicles, joint ventures, separate accounts and debt.
Lease incentive	A payment used to encourage a tenant to take on a new lease, for example by a landlord paying a tenant a sum of money to contribute to the cost of a tenant's fit-out of a property or by allowing a rent free period.
MSCI benchmark	Benchmark which includes data relevant to all properties held by funds included in the MSCI UK Balanced Portfolios Quarterly Property Index Benchmark.
NAV	Net Asset Value is the equity attributable to shareholders calculated under IFRS.
NAV total return	The return to shareholders, expressed as a percentage of opening NAV, calculated on a per share basis by adding dividends paid in the period to the increase or decrease in NAV. Dividends are assumed to have been reinvested in the quarter they are paid, excluding transaction costs.
Net gearing	Calculated as net borrowings (gross borrowings less cash) divided by total assets less current liabilities (excluding cash and borrowings).

	Half year ended 30 June 21 £'000	Year ended 31 December 20 £'000
Gross borrowings	200,000	200,000
Less cash	(176,742)	(122,742)
	23,258	77,258
Total assets	1,396,621	1,352,986
Less cash	(176,742)	(122,742)
Less current liabilities	(26,017)	(28,161)
	1,193,862	1,202,083
Net gearing	1.9%	6.4%

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 reinvested.
Portfolio yield	Passing rent as a percentage of gross property value.
Premium/Discount to NAV	The difference between the share price and NAV per share, expressed as a percentage of NAV. Premium representing a higher share price compared to NAV per share, discount the opposite.
Property Income Distribution	UK REITs are required to distribute a minimum of 90% of the income from their qualifying property rental business. This distribution is known as a Property Income Distribution ("PID"). PIDs are taxable as UK property income in the hands of tax-paying shareholders.
Rack-rented	Space where the passing rent is the same as the ERV.
REIT	A Real Estate Investment Trust (REIT) is a single company REIT or a group REIT that owns and manages property on behalf of shareholders. In the UK, a company or group of companies can apply for 'UK-REIT' status, which exempts the company from corporation tax on profits and gains from their UK qualifying property rental businesses.
Rent free	A period within a lease (usually from the lease start date on new leases) where the tenant has been granted that they do not have to pay any rent.
Rent review	A rent review is a periodic review (usually five yearly) of rent during the term of a lease. The vast majority of rent review clauses require the assessment of the open market, or rack rental value, at the review date, in accordance with specified terms, but some are geared to other factors, such as the movement in an Index.
Reversionary yield	Estimated rental value as a percentage of the gross property value.
Revolving Credit Facility ("RCF")	A bank loan facility from which funds can be withdrawn, repaid and redrawn again any number of times until the facility expires. As at date of this report UKCM had a RCF of £55 million.
RICS	The Royal Institution of Chartered Surveyors, the global professional body promoting and enforcing the highest international standards in the valuation, management and development of land, real estate, construction and infrastructure.
Share price	The value of each of the company's shares at a point in time as quoted on the Main Market of the London Stock Exchange.
Share price total return	The return to shareholders, expressed as a percentage of opening share price, calculated on a per share basis by adding dividends paid in the period to the increase or decrease in share price. Dividends are assumed to have been reinvested in the quarter they are paid, excluding transaction costs.
Void rate/vacancy rate	The quantum of rent relating to properties which are unlet and generating no rental income. Stated as a percentage of Estimated Rental Value.

UK Commercial Property REIT



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