UK COMMERCIAL PROPERTY REIT
ANNUAL REPORT & ACCOUNTS

for the year ended 31 December 2021

abrdn

UK Commercial Property REIT

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COMPANY SUMMARY
An overview

ABOUT US

Launched in **2006**

FTSE **350**

£1.3bn
Net Asset Value
as at 31 December 2021

UK Commercial Property REIT Limited ("UKCM") is a listed Real Estate Investment Trust (REIT) with a net asset value of £1.3 billion as at 31 December 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 factors as integral parts of the investment process.

Diversified portfolio

Industrial

Offices

Retail

Alternatives

BOARD & MANAGEMENT

abrdn manage **1,300** properties

in **23** countries

5
Board members

The Company has a Board of five experienced Non-Executive Directors who have significant expertise in property, accounting, risk and tax (see page 48–49 for further details). UKCM is managed by abrdn, a top 20 global real estate manager that manages over 1,300 properties in 23 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 31 December 2021)

£1.6bn
(2020: £1.3bn)

Total assets

£38.4m
(2020: £33.5m)

Average value of properties

Average value of properties is calculated by dividing the property valuation provided by the Property Valuer by the number of properties stated below.

213
(2020: 183)

Tenancies

40
(2020: 36)

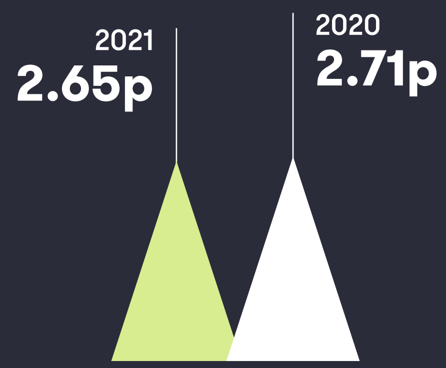
Properties

2021 FINANCIAL REVIEW AND KEY PERFORMANCE INDICATORS

£1.3bn

NET ASSET VALUE

NAV of £1.3 billion as at 31 December 2021 (2020: £1.1 billion) representing a NAV total return* in the year of 21.5% (2020: –0.9%) as valuations recovered strongly in the sectors where the Company is strongly positioned. Over the longer term (10 years) the Company has delivered a NAV total return of 114.9% (2020: 85.6%) compared to the Association of Investment Companies ("AIC") peer group of 54.6% (2020: 32.4%).



EPRA EARNINGS PER SHARE

EPRA Earnings per Share of 2.65p* (2020: 2.71p) as earnings were impacted by the timing of transactions with rent reduced through strategic sales in late 2020 / early 2021 and reinvestment during the final third of 2021.

12.5%

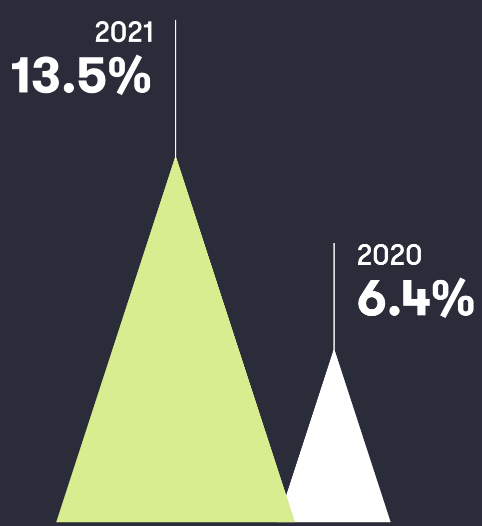
SHARE PRICE TOTAL RETURN

A total return of 12.5%* (2020: –19.7%) as the share prices of diversified REITs improved during the year.

63%

WELL-POSITIONED PORTFOLIO

Industrial weighting of 63% (Benchmark: 34%). Portfolio strategy continues to be implemented with the portfolio well aligned to sectors which are expected to outperform.



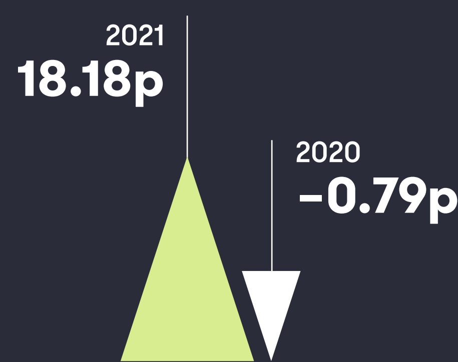
INCREASING LEVERAGE

Gearing* of 13.5% (2020: 6.4%) following net acquisitions in the year, with additional resources available to increase gearing levels further.

£88m

FURTHER RESOURCES AVAILABLE

£88 million* at the year-end (2020: £218 million) to invest into the portfolio and enhance earnings, reflecting the undrawn revolving credit facilities net of development commitments.



IFRS EARNINGS PER SHARE

IFRS Earnings per Share of 18.18p (2020: –0.79p) following the strong capital gains achieved on the portfolio.

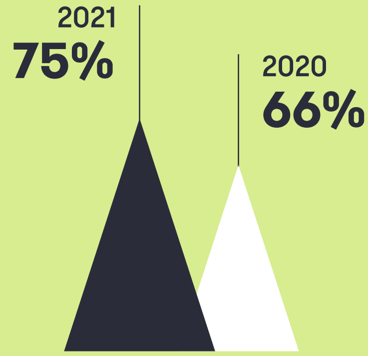
*Alternative Performance Measures (see page 6 and glossary on pages 116–117 for further details)

2021 FINANCIAL REVIEW AND KEY PERFORMANCE INDICATORS

21.4%

PORTFOLIO TOTAL RETURN*

Portfolio produced a total return of 21.4% (2020: 1.1%), significantly outperforming the 16.8% (2020: –0.9%) from the MSCI benchmark as the Company's portfolio positioning provided continued outperformance.



EPC BY ERV

75% (2020: 66%) of the property portfolio's Estimated Rental Value ("ERV") has an Energy Performance Certificate ("EPC") rating of A, B or C, where subject to the Minimum Energy Efficiency Standards.

£180m

ACQUISITIONS

£180 million (2020: £74m) of acquisitions that are accretive and will generate secure income.

97%

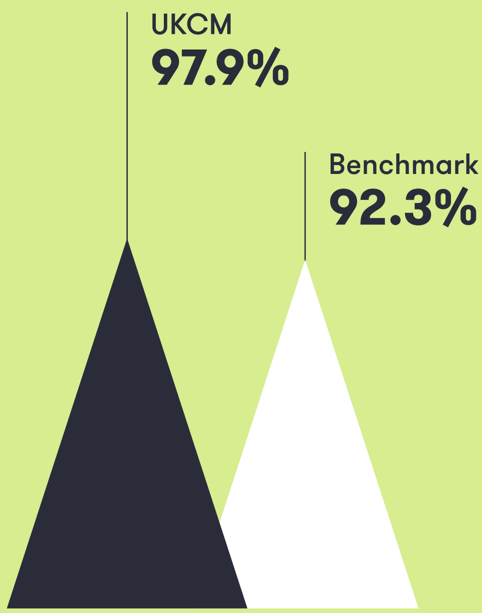
RENT COLLECTION*

Rent collection of 97% in 2021 (compared to 83% for 2020) as rent collection rates normalise to pre-COVID-19 levels.

2030

NET ZERO CARBON TARGET

for landlord operational emissions.



OCCUPANCY RATE

Occupancy rate of 97.9% (2020: 93.5%), with voids a third of the prior year level and the portfolio has a stable income expiry profile. Also compares favourably to the MSCI benchmark occupancy rate of 92.3% (2020: 92.6%).

2040

NET ZERO CARBON TARGET

for all emissions.

*Alternative Performance Measures (see page 6 and glossary on pages 116–117 for further details)

PERFORMANCE SUMMARY

CAPITAL VALUES AND GEARING	31 December 2021	31 December 2020	% Change
Total assets less current liabilities (excl bank loan) £'000	1,573,554	1,324,825	18.8%
IFRS Net asset value (£'000)	1,325,228	1,126,976	17.6%
Net asset value per share (p)	102.0	86.7	17.6%
Ordinary Share Price (p)	74.7	69.0	8.3%
Discount to net asset value (%)	(26.8)	(20.4)	n/a
Gearing (%)*	13.5	6.4	n/a

TOTAL RETURN	1 year % return	3 year % return	5 year % return
NAV†	21.5	20.6	41.5
Share price†	12.5	0.6	7.8
UKCM Direct Portfolio	21.4	24.4	47.9
MSCI Benchmark	16.8	17.7	38.8
FTSE Real Estate Investment Trusts Index	29.4	41.8	39.3
FTSE All-Share Index	18.3	27.2	30.2

EARNINGS AND DIVIDENDS	31 December 2021	31 December 2020
Net profit/(loss) for the year £'000	236,233	(10,282)
EPRA Earnings per share (p)	2.65	2.71
IFRS Earnings per share (p)	18.18	(0.79)
Dividends paid per ordinary share (p)	2.923	2.3
Dividend Yield (%)#	3.9	3.3
MSCI Benchmark Yield (%)	4.1	4.7
FTSE Real Estate Investment Trusts Index Yield (%)	2.6	3.1
FTSE All-Share Index Yield (%)	3.1	3.4

ONGOING CHARGES AND VACANCY RATE		
As a % of average net assets including direct property costs	1.3	1.5
As a % of average net assets excluding direct property costs	0.8	0.8
Vacancy rate (%)	2.1	6.5

* Calculated, under AIC guidance, as gross borrowings less cash divided by portfolio value. See alternative performance measures on page 116 for further details.
† Assumes re-investment of dividends excluding transaction costs.
# Based on dividend paid in 2021 of 2.923p and the share price at 31 December 2021.

Alternative Performance Measures are defined in the glossary on pages 116 and 117, and include: Discount to net asset value, Gearing, NAV and Share price total returns, EPRA Earnings per share, Dividend yield, Ongoing charges and Vacancy rate.

Sources: abrdn, MSCI

Chair’s Statement

UK
Commercial
Property
REIT

Dear Shareholder,

UKCM delivered a NAV total return of 21.5% for the year and once again outperformed the benchmark as we carefully managed the portfolio throughout the pandemic, further strengthened the Company's balance sheet and continued disposing of early stage risk assets. Importantly, we also deployed the Company's remaining cash, investing in a number of significant strategic acquisitions that are well aligned to the fundamentals of the UK economy.

The Company has also announced a further increase in its dividend to reflect the Board's optimism about the outlook for the business. The economic recovery has created stark differences in the UK commercial real estate market. It has been well documented that the industrial sector is performing well, a sector in which UKCM has positioned itself strongly over the past few years. However structural splits are prominent within the other property sectors with, for example, the positive performance of retail warehousing versus the challenges faced by many shopping centres being a clear case in point.

It is within these other sectors that investment has to be more discerning, and we believe that the existing portfolio is well-positioned against this context.

As we head into the year with a feeling of cautious optimism, we remain alert to the challenges that remain. The spectre of COVID-19 still looms large, despite the continued easing of many restrictions, and the effects of the pandemic – not just economic, but personal, social and political – will be with us for years to come. That said, the position in which we find ourselves is significantly improved from that of a year ago, and that gives cause for confidence as we move forward. We are also witnessing the harrowing scenes from the war in the Ukraine. Apart from the human tragedy and upheaval which is unfolding, the effect on energy costs and higher commodity prices will increase inflationary pressure for some time to come.

Portfolio Activity

As stated in our Interim Report, 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.

During 2021, the Company sold £74 million of property, disposing of its final high street retail exposure as well as of Kew Retail Park, the latter at a price which reflected the residential opportunity presented on this site. UKCM also took the opportunity to sell two offices – Hartshead House, Sheffield and Network House, Hemel Hempstead, due to concerns around tenant covenant, and to remove the largest void that existed within the portfolio.

"UKCM delivered a NAV total return of 21.5% for the year and once again outperformed the benchmark."

Portfolio Weighting

63.4%
Industrial

14.3%
Offices

12.1%
Retail

10.2%
Alternatives

Using the proceeds generated, together with existing available resources, the Company has committed £216 million through five acquisitions which were completed during the year. The market is becoming increasingly competitive in a narrower range of asset classes but the Company has been able to source deals off-market as well as creating value through forward-funding development acquisitions. At the year end, the Company has three ongoing developments; two student residential developments in Exeter and Edinburgh, as well as an industrial development near Gatwick. All are expected to be completed in the second half of 2022. These assets have been accretive to the performance of the Company and are expected to provide sustainable income streams for the years ahead.

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

Portfolio and Corporate Performance

UKCM has continued to outperform against its MSCI UK Balanced Portfolios Quarterly Index benchmark across all time periods.

For 2021, the Company's portfolio total return significantly outperformed the benchmark of 16.8%. This performance was driven by the strategic positioning of the portfolio, which is well aligned to those parts of the economy that are supported by strong structural drivers. UKCM has a 63.4% holding in the industrial sector against the benchmark of 33.9%, a sector where returns have been particularly strong. The Company has also grown its holdings in retail warehousing to 9.9% which has also delivered strong returns in 2021 and is expected to be a top performer in the medium term. Further details on the Company's portfolio performance are given in the Investment Manager Review.

The strength of the portfolio performance was the main driver behind the 21.5% NAV total return for the period. The share price return, taking into account dividends paid over the period, was 12.5%.

The Board also monitors the discount at which the Company's shares trade versus their net asset value, which increased from 20.4% at the end of December 2020 to 26.8% at 31 December 2021. Whilst noting our Q4 2021 NAV performance was our strongest in the year, the Board are actively considering options to narrow the discount.

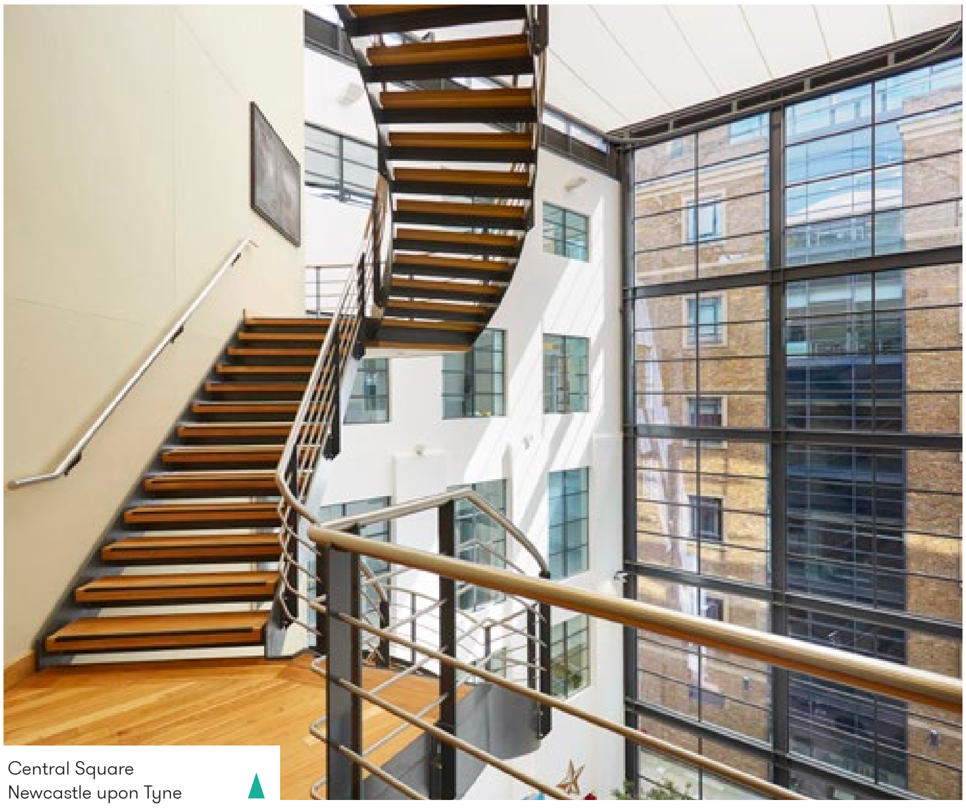
Over the longer term, the Company has outperformed the AIC peer group on both a NAV and share price total return basis, delivering 114.9% and 75.1% respectively over ten years, compared to the 54.6% and 40.9% returns from the peer group.

Financial Resources

UKCM has built up a strong balance sheet, with a NAV as at 31 December of £1.3 billion and gearing growing to 13.5% though it still remains one of the lowest geared companies in the AIC peer group and the wider REIT sector. At the year end, the Company had fully invested its free cash but still had available resources of £88 million due to the £100 million which remains undrawn of its low cost, flexible revolving credit facility and will allow UKCM to grow its gearing levels further.

Through its Investment Manager, the Company is always looking at transaction opportunities in order to deploy these resources. However, acquisitions must be aligned to the portfolio strategy as we look to invest our available funds carefully.

The Company continues to be comfortably within the covenants on its three debt facilities, and has more than £462 million of unencumbered assets which provide further significant headroom and flexibility with respect to the Company's covenants and overall gearing strategy.



Central Square
Newcastle upon Tyne

Rent Collection

The Board has taken its role as a responsible landlord very seriously throughout the pandemic and is pleased that we are now seeing the positive outcomes from working with our tenants. During 2020, and continuing into 2021, tenant requests for rental assistance were considered on a case-by-case basis, and also with a view to securing a future benefit for the Company. As a result, UKCM has put in place a number of rent deferrals and monthly lease payment structures for tenants which were designed to assist both the tenant and the Company, with a number of these leading to lease renegotiations, creating value through securing longer lease commitments in return for short-term rent incentives/support.

The Board is pleased that, by the end of 2021, rent collection levels were starting to normalise and returning to levels of 97% for the four quarters of 2021, in line with pre-pandemic numbers.

The Company has a bad debt provision of £5.3 million as at 31 December 2021, having undertaken a prudent review of its arrears, but will pursue collection of all arrears by continuing to work closely with its tenants.

Aura, Axiom & Integra
Precision Park, Leamington Spa

Trafford Retail Park
Manchester

Dividends

The Board remains cognisant that the payment of an attractive, sustainable dividend is of primary importance to many shareholders. In our 2020 Annual Report, we stated that there was the potential for progressive dividend growth as we deployed our available resources and the impact of COVID-19 began to stabilise.

We have increased the dividend from the 0.46p per share paid in February 2021 to 0.644p per share from Q1 2021, before announcing a further increase to 0.75p per paid in February 2022, representing a 63% increase over the period. Additionally, we paid out a top-up dividend in respect of 2020 of £6.9 million. This increase is against a backdrop of 111% dividend cover, 91% when including the impact of the top-up dividend.

The Board considers the new dividend level of 0.75p per share to be sustainable but with the aim to grow as earnings increase as the Company deploys its remaining capital and we start to see the completion of ongoing developments within the portfolio.

Environmental, Social and Governance ("ESG")

ESG is embedded within the processes of UKCM and underpins every Board discussion and decision.

As highlighted on rent collection, we have engaged with tenants and sought to balance their circumstances with those of the Company in order to secure long-term, mutually beneficial outcomes.

The Company has announced two significant targets as part of its Net Zero Carbon Strategy following a bottom-up asset-level review across the entire portfolio. By 2030, we aim to achieve Net Zero Carbon for landlord operational emissions and extend this to all emissions by 2040. These targets are in advance of the UK Government's target of 2050 but we are committed to setting a target which we consider to be both challenging and achievable, and we look forward to providing progress updates against these targets going forward.

Investment Management Fee

The Board notes the Investment Manager's continued commitment of resources to the Company, particularly as seen throughout the pandemic. It is particularly appreciative, therefore, to have negotiated a reduction in the investment management fee. From 1 April 2022, the annual fee charged to the Company will be reduced from a rate of 0.60% of Total Assets up to £1.75 billion, to 0.525% of Total Assets. The rate of 0.475% remains unchanged for Total Assets above £1.75 billion. In addition, the Company will not be charged for fees on excessive cash balances.

Board Composition

During the year, Robert Fowlds and Sandra Platts retired from their roles as Non-Executive Directors having served the Company for three and eight years respectively. During this time, they made an invaluable contribution to the Board and both leave 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 August 2021. Fionnuala brings over 25 years' experience of corporate advisory, investment and financing, with a particular emphasis on commercial real estate and innovation, and we are very pleased to welcome her to the Company. Fionnuala's wealth of knowledge and range of key skills have already proven to be a valuable addition to the Board.

I have now served just over nine years on the Board and would be due to retire this year. The Board however, as outlined in the Corporate Governance Report on page 55, have asked me to continue in my role as Chair for a limited time, which I have agreed to subject to my election at the AGM, while it considers and completes its succession planning. This more flexible approach to my tenure as Chair will help manage the Company's succession plans in the short term and achieve a sensible balance between continuity and reinvigoration in compliance with the AIC Code for investment companies.

Outlook

2022 has begun with a successful COVID-19 vaccine booster programme, and an ongoing easing of restrictions necessary to navigate the pandemic. At the same time, the situation in Ukraine, the ongoing pandemic and the spectre of inflation and Brexit, present additional layers of uncertainty.

It is expected that the divergence in UK commercial property performance will be prevalent both across and within the property sectors. The extremely strong capital growth achieved by industrials is unlikely to continue at the same level, but total returns are expected to remain robust for the year ahead. The bifurcation within the office market is expected to deepen over the course of 2022 with a clear distinction between the best, with strong ESG credentials, and the rest. Retail performance is showing signs of improvement, but this will be driven by retail warehouse assets, particularly discount-led schemes.

The expected UK commercial property trends show UKCM to be in an excellent position, with its significant holdings in the sectors, and sub-sectors, that are expected to remain amongst the best performing. The Company has further available resources, with scope to increase gearing and a strong pipeline of developments which are due to complete in 2022 and enhance earnings further.

Overall, the Company is strongly positioned with its clear investment strategy delivering a well-structured portfolio and solid financial footing as we aim to increase earnings, drive shareholder value and enhance UKCM's status as one of the UK's largest diversified REITs.

Ken McCullagh
Chair
13 April 2022

2021 Review

2021 was a year once again characterised by the COVID-19 pandemic, but the key theme for the year was recovery. As the year progressed and the vaccine roll out continued apace, economic positivity returned, despite temporary periods of hiatus with the emergence of the Delta variant, and then the Omicron variant towards the end of the year. However, the economy did recover and, by November 2021, UK GDP was above the level seen pre-pandemic. Overall, the UK economy grew by 7.5% over the course of the year.

The UK real estate market also recovered in 2021, with a total return of 16.5% according to the MSCI Quarterly Index (this is different from the Company's benchmark which is the MSCI UK Balanced Portfolios Quarterly Property Index benchmark), a level of performance not seen since 2014. Transaction volumes reached £73.9 billion over the course of the year, which was 37% ahead of 2019 (prior to the outbreak of the pandemic). Indeed, the fourth quarter of 2021 was the strongest quarter since the same period in 2019. However, this recovery was highly polarised and the spread between the best and worst performing sectors is now at the highest level on record.

The industrial and logistics sector again produced the best performance, achieving total returns of 36.4%, whereas shopping centres achieved a total return of –5.2% and was the worst performing sector over the course of 2021. The office sector continued to underperform, achieving 5.3% total return as structural sector concerns persist. However, best in class office assets continued to generate positive sentiment, particularly with overseas investors. Cross-border capital remained a dominant force in the UK market and accounted for 58% of all investment in the UK market during the year.

Following a poor year in 2020, the FTSE UK REIT index returned to positive territory and recorded a strong total return of 28.9% in 2021. This outperformed the FTSE UK All-Share Index, which recorded a total return of 18.3%, demonstrating that the UK real estate market remains an attractive investment destination. Following a significant sell off in September 2021, UK REITs broadly recovered and finished the year at, or close to, all-time highs. The hierarchy of favoured sectors again remains broadly the same, with the industrial and logistics sector leading the way. However, overall sentiment was positive for all sectors towards the end of the year, with the exception of secondary offices with which there are broad structural concerns. New capital raising has predominantly been tilted towards the industrial sector and, increasingly, the alternatives sector. Environmental, Social & Governance ("ESG") issues continued to grow in prominence in investor and occupier decision-making and this trend will no doubt continue.

Within the UK real estate market, retail continues to be the sector most negatively affected by the pandemic, as restrictions and changing consumer habits have accelerated the pace of structural change already present prior to the outbreak. However, whilst high street and discretionary based retailers have struggled, retail warehouse assets showed a significant recovery in the latter half of the year. Polarisation within sectors is evident elsewhere, including within the office sector. As occupiers and investors have become more mindful of ESG considerations, their focus has increasingly narrowed on best-in-class assets and, as a result, we have seen demand for secondary accommodation weaken. While we are hopefully now coming to the end of the pandemic, it is likely we will be living with the structural changes it has expedited for many years to come.

Review by Sector

21.5%

NAV TOTAL RETURN

In 2021

Office

The office sector delivered a total return of 5.3% to December 2021 according to the MSCI Quarterly Index, an improvement on the –1.7% recorded in 2020. However, office capital values were relatively stagnant over the course of 2021, with growth of just 1.3%. The most profound fall occurred in the North East office market, with capital values falling by –3.6%. Once again, the performance of the office market was significantly impacted by the COVID-19 pandemic. As restrictions eased over the course of 2021, occupiers had begun returning to workplaces. However, the outbreak of the Omicron variant and the subsequent reintroduction of working from home guidance has further emphasised the pressure which the sector faces.

The rise of hybrid working has led occupiers to revaluate their office accommodation requirements and, whilst vacancy rates did begin to show signs of stabilisation, levels of occupation remain far below pre-pandemic levels. Central London availability by Q3 2021 remained 64% higher than the 10-year average, at 25.2m sq ft versus the 10-year average of 15.4m sq ft, although take up in Central London did recover with 7.4m sq ft let in the year to November 2021. This was 54% above the annual total for 2020, but down 22% on the long-term average. However, polarisation within the sector is becoming ever more apparent as occupier focus narrows on best-in-class assets with strong ESG and wellbeing credentials. Second hand availability in Central London has almost doubled from pre-pandemic levels and in Q3 2021 accounted for nearly 75% of total office supply. As a result, we expect this trend to drive an increasing wedge between rental value growth for the best, and the rest with investor appetite following a similar pattern, and those assets not meeting current occupational demand at risk of significant value erosion.

Retail

After a number of years of poor performance, the retail sector showed some signs of recovery in 2021 despite continued structural headwinds. However, we believe this to be primarily driven by market factors and a product of the market cycle, rather than sector-specific confidence. As a result, performance was highly polarised within the sector.

As was expected, those assets deemed as essential retail use showed strong performance over the year, whereas discretionary retailers and those susceptible to greater online penetration, once again struggled against the backdrop of the pandemic. Whilst retail warehouse assets underwent a strong recovery, particularly in the second half of the year, recording a total return of 21.9% for retail parks, shopping centres continued to drag on the sector and provided a total return of –5.2% in 2021.

High street shops also showed continued poor performance as retailers struggled with ongoing restrictions and a consumer shift to e-commerce. Capital values for retail assets within Central London fell by 5.8%, continuing the trend seen in 2020. The reintroduction of restrictions towards the end of the year also put further pressure on high streets causing another fall in footfall.

Supermarkets, however, once again provided a robust performance due to an increase in consumer spending and their relative insulation from online shopping. Supermarkets provided a total return of 15.7%, predominantly driven by yield compression, as investors were attracted by secure, index linked, long income.

Consumer habits have changed over the course of the pandemic and it is clear from footfall data that many now prefer to visit units which provide 'drive to convenience' and perceived safety from COVID-19. As a result, investor attention also turned to retail warehouse accommodation, with those assets led by discount or DIY operators of principal interest. In response, yields within this sector have moved in between 150-250bps during 2021. However, schemes with significant exposure to fashion-led retailers have generated less interest as occupational concerns remain. From an occupational perspective, the situation remains fragile as government support is withdrawn and the risk of further retailer defaults remains elevated. With the rate of inflation also expected to continue to rise in 2022, there is likely to be pressure on consumer disposable income in the short/medium term, further impacting on retailer trading performance, particularly for luxury/discretionary goods and services. As a result, the prospect for rental growth across the sector is considered remote. Moving forward, the sector is likely to remain highly polarised but overall retail sector performance is anticipated to improve when compared to 2021 as shopping centres and high street retail stabilise.

Integra, Precision Park,
Leamington Spa

Industrial

Once again, the industrial and logistics market retained its position as the best performing UK commercial real estate sector. The sector delivered a total return of 36.4%, which compares to an all property total return over the same period of 16.5%.

Sentiment remained extremely positive over the course of the year as investors were attracted by a strong supply-demand imbalance and subsequent rental value growth across the sector. This is most keenly felt in supply constrained locations such as London, which remained the best performing market, with total return for London industrial achieving 43.1% over the year. As investors have sought to buy into the sector, transactional volumes totalled £20.8 billion, the highest level ever recorded and 117% higher than the total transacted in 2020. As a result, transactions involving the sector accounted for 28.3% of total UK real estate investment activity.

From an occupational perspective, demand for accommodation remains extremely high, with take up in 2021 totalling over 55m sq ft, another all-time record. Distribution and online retailers continue to dominate take up and, with the UK wide vacancy rate now below 2.0%, the market fundamentals remain supportive for continued strong rental value growth.

Moving forward, rental value growth is likely to be the predominant driver of returns as further yield compression, which has been the key driver over the course of 2021, is unsustainable and particularly so in the prime sector of the market. Yields moved in between 50-125bps during 2021 across the sector, and prime London estates are now commanding yields of around 3.0%. Sentiment remains very strong for the industrial and logistics market and the sector is well placed structurally to see continued robust growth.

Alternatives

The UK real estate alternative sector, or "Other Property" as it is categorised by MSCI, represents real estate which falls outside the traditional 'Retail', 'Office' or 'Industrial' definitions. Investor interest in the alternatives sector has increased and a total of £22.3 billion was recorded to have transacted over the course of 2021, which was up 34.3% on 2020 and 39.9% above the 10-year average. Total return within this sector was 9.2% which, whilst below the all property total return of 16.5%, was a significant improvement on the total return achieved in 2020 of –5.3%. The reasons for this are largely as a result of ongoing restrictions and a change in consumer habits as a result of the COVID-19 pandemic.

The leisure and hotel sectors, which form a large component of the "other property" sector within the MSCI sample, suffered at the beginning of 2020 due to strict government restrictions, with many operators not reopening until Q2 at the earliest. However, over the remainder of the year the sectors underwent gradual recovery and regional hotels in particular experienced record bookings, as international travel restrictions boosted the demand for domestically driven 'staycations'. As a result, total returns in the hotel and leisure sectors for 2021 were 7.7% and 7.8% respectively.

Healthcare also finished the year in a strong position and recorded a total return of 9.5%. Investor appetite for the Build to Rent (BTR) residential sector also continued its strong trajectory and a record of £4.1 billion was invested into the sector over the course of 2021, beating the previous record of £3.5 billion achieved in 2020.

The Purpose Built Student Accommodation (PBSA) sector also performed well in 2021, despite a muted start to the year. Large platform deals have placed further downward pressure on yields, with those assets with index linked leases now commanding yields of 3.0% according to CBRE. However, performance is polarised, with those assets serving the UK's top universities best placed to outperform.

Moving forward, the 'alternatives' sector is likely to become more 'mainstream' as it grows in prominence in investor thinking due to continued resilient performance.

Market Outlook

It is clear that we have entered 2022 in a period of uncertainty, as geopolitical concerns weigh on the global economy. Whilst it appears we have now passed the worst of the COVID-19 pandemic, the outbreak of conflict in Ukraine in February 2022 has sent shockwaves throughout the world. Whilst the conflict has not materially altered our outlook for UK real estate in 2022, new considerations have emerged as a result. The initial impacts on UK commercial real estate of the Russian invasion of Ukraine, and the subsequent sanctions placed on the Russian economy, are expected to be negligible, primarily as a result of Russian capital having little exposure to UK commercial real estate. This should mean there is a limited impact on market liquidity and a low risk of depressed asset values as a result. In fact, due to increased volatility in other financial markets, UK real estate may benefit due to being viewed as a 'safe haven' investment destination.

However, the Ukraine conflict is likely to have wider consequences and the position of UK real estate must be set in the context of the macroeconomic environment. Prior to the outbreak of conflict, the year was already likely to be dominated by concerns over inflation and subsequent changes to monetary policy, and the conflict has skewed risks to the upside. The rate of inflation reached 6.2% in February and is likely to continue to grow throughout the first half of 2022, before peaking at around 8% as rising energy prices and supply chain issues take hold.

We forecast that the UK CPI rate for 2022 will be roughly 6.2%, illustrating that inflationary pressures are likely to moderate in the latter half of the year, but remain significantly above the Bank of England's target rate. There are also significant risks that inflation could remain higher for a more prolonged period of time, particularly as the war in Ukraine, and sanction measures on the Russian economy, impact on pricing in the energy sector and on key raw materials. The high inflation environment is likely to have an effect on households across the UK and we expect consumer sentiment and real wage growth to suffer as a result; however, a build-up in household savings over the course of the previous two years will help to cushion this impact. That said, the distribution of these savings tends to be very heavily skewed towards high income households, with increased pressure on low income households possibly translating to weakening overall consumer consumption.

In response to these inflationary factors, the Bank of England increased the base rate to 0.75% in March 2022 and is expected to continue tightening monetary policy over the course of the year, with the base rate expected to reach 1.25% by the end of 2022. The base rate is then expected to peak at 1.75% in 2023, but there is an elevated risk that this could surprise the upside and peak above 2.00%. Although low in a historical context, base rates and the feed through to the bond market has the potential to act as a natural cap on any further yield compression, particularly for the lower yielding areas of the real estate market. Despite this, a healthy margin between bonds and real estate will be maintained, and we believe investors will continue to view UK real estate as an attractive investment destination, but will become more selective when approaching investment decisions at both the sector and asset level.

There are sectors which are more negatively exposed to the cost-push inflation we are experiencing in the UK at present, in particular the retail sector, given the increasing squeeze on household disposable incomes. There is also evidence to suggest that material cost inflation in the UK is resulting in the delay of some development projects. This could be viewed as negative, but for some sectors this may be beneficial. In the industrial and logistics sector, for example, national vacancy is approximately 3% and project delays are likely to stifle any supply response, supporting continued rental growth.

Hanger Lane
London

In general, UK commercial real estate has a much looser link with inflation and a much stronger correlation with economic growth. Although we are experiencing elevated levels of inflation at present as a result of cost-push factors, we do expect inflation to subside from April 2022 onwards, but remain significantly above the target rate.

Prior to the Russian invasion of Ukraine, GDP growth was forecast to be closer to 4.4% in 2022 but we now expect the rate of economic growth to slow to 3.8% for the year. This leads to the possibility that we face an environment of weakening economic growth at a time when inflation is running considerably above target. Such an environment is likely to impact more heavily on, particularly, the office and retail sectors as a result of depressed job growth and falling disposable incomes.

As such, the bifurcation of the office sector is likely to become more pronounced. Demand for prime assets should remain robust but weaken for secondary accommodation. Those office assets not deemed to be "future fit" are likely to see limited occupational and investor demand as ESG considerations become ever more prominent in investor decision making. The industrial and logistics market is anticipated to remain robust in 2022 but unlikely to match the extremely strong performance achieved over the course of 2021. The prospect of further yield compression, particularly on prime assets, is limited and rental growth is expected to be the main driver of performance in this sector. Demand continues to outstrip supply and, although there has been a pickup in supply in the sector, increasing land values, a shortage of suitable development sites, and increasing build costs mean there are no signs of a correction in the short term.

We still expect the recovery in the retail sector to continue, primarily driven by market factors rather than sector specific confidence. Demand will remain focused on discount and food-led retail warehouse schemes whilst the occupational market will continue to be heavily impacted by the pandemic-induced change in consumer habits and the continued growth of e-commerce. As discussed, the impact of inflation on household disposable incomes is also likely to weigh heavily on the retail sector, and particularly on discretionary-based retailers, throughout the course of 2022 and the prospect of rental value growth remains remote. The alternatives sector will build on strong transactional volumes achieved in 2021 and will grow more prominent in investor focus. We expect the hotel sector to recover over the course of 2022 as restrictions ease. The PBSA and Build-to-Rent residential sectors should also continue their positive momentum.

Overall, we expect a positive year for UK real estate but the spread in performance seen in 2021 is unlikely to be repeated and sector performance will begin to converge in 2022, predominantly as a result of where we are in the UK real estate cycle. Geopolitical events, inflationary and base rate pressures are likely to weigh and, as a result, more care will be required when assessing any investment decisions in the year ahead.

Portfolio Performance

During the reporting period the Company's portfolio delivered strong outperformance against its benchmark with a total return of 21.4% versus 16.8% for its MSCI benchmark, predominantly attributable to the Company's overweight industrial position.

Since inception and over one, three and five years, the Company's portfolio has also outperformed its MSCI benchmark.

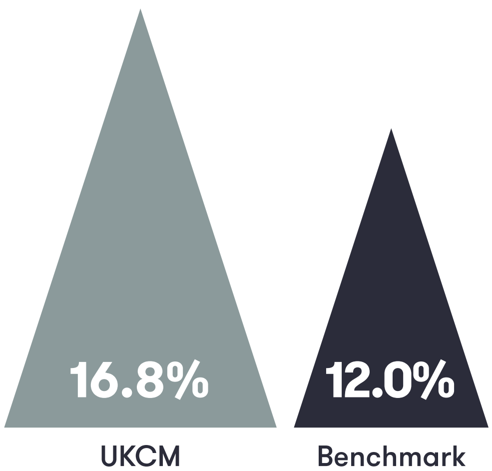
The adjacent table sets out the components of these returns for the year to 31 December 2021 with all valuations undertaken by the Company's external valuer, CBRE Limited.

	Weighting %	Total Return		Income Return		Capital Growth	
		Fund %	Benchmark %	UKCM %	Benchmark %	UKCM %	Benchmark %
Industrial	63.4%	31.7	36.4	3.5	3.9	27.3	31.4
Office	14.3%	-4.2	6.0	5.3	3.8	–9.0	2.1
Retail	12.1%	24.3	11.7	6.0	5.7	17.4	5.7
Alternatives	10.2%	3.2	8.4	3.0	4.1	0.1	4.2
Total	100.0%	21.4	16.8	4.0	4.3	16.8	12.0

Source: MSCI UK Balanced Portfolios Quarterly Property Index

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

Total Capital Growth



Industrial

A key driver of the portfolio's outperformance over the last 12 months was its structural overweight position towards the industrial sector which was, again, the strongest performing sector of the market, continuing a theme we have witnessed as we have built up this portfolio over the last few years. The portfolio has a 63% exposure to the industrial sector at the end of Q4 2021, comparing favourably to 34% for the benchmark. The portfolio industrial weighing has increased over the period from 58% at the end of Q4 2020.

The industrial assets delivered a strong performance of 31.7% over 2021 albeit this was behind the benchmark return of 36.4%. This was primarily due to lower capital growth in the portfolio than the benchmark.

The largest contributor to portfolio performance over the year was the Dolphin Industrial Estate in Sunbury-on-Thames which delivered a total return of 40.8% and saw capital growth of 36.5%. All of the top five assets by weighted contribution to portfolio performance were industrial assets. In addition to Dolphin Industrial Estate, the others were the multi-let industrial estate at Ventura Park, Radlett, Hannah Close Neasden, which is let to Amazon, XDock 377 at Magna Park, Lutterworth let to Armstrong Logistics and the Ocado distribution unit in Hatfield.

Office

The Company's office portfolio had a disappointing year delivering a total return of –4.2% compared to the benchmark return of 6.0%. Although the income return was significantly ahead of the benchmark, this was offset by a capital decline of 9.0%. Three of the largest detractors to the wider portfolio performance were office buildings which reflects CBRE's prudent approach, as our valuers, where income is at risk. This is particularly illustrated in the performance of The White Building, a Grade A office in Reading, where a significant proportion of income was potentially at risk due to tenant break options and the capital value declined by 11% as the valuer penalised this short income. In reality we have not seen the majority of break options exercised and we would expect to see some of this capital loss recovered. The other two assets within the bottom five performers in 2021 were 9 Colmore Row, Birmingham and Central Square, Newcastle. Given the shift in occupier demands which has been accelerated by the COVID-19 pandemic, all the office assets are subject to a detailed review against strict criteria to ensure they are future-proofed. Furthermore, there is an expectation that high-quality regional office assets will benefit from changing working habits.

The Company sold Network House in Hemel Hempstead within the period. The asset was not of sufficient quality to justify the necessary capital expenditure to relet it and once the tenant had vacated the asset was the largest void in the portfolio. We disposed of the property for residential redevelopment, finishing the year with a low exposure of 14% to the office sector, compared to 27% in the benchmark.

Retail

Performance of the Company's retail portfolio, which made up 12% of the total by value at the year end, significantly outperformed the benchmark delivering a total return of 24.3% while the benchmark was 11.7%.

This reflects the composition of the Company's retail portfolio being bulky goods and discount-led retail warehouses and supermarkets. These assets have proven to be resilient during the COVID-19 pandemic and have attracted very strong investor attention leading to yield compression.

The strong performance of the retail warehouse sector is reflected in the returns generated at the Company's two retail parks held throughout the period being Junction 27, Leeds and St George's Retail Park, Leicester, which generated returns of 36.4% and 42.8% respectively. Both have been subject to significant asset management and now have the attractive fundamentals investors are focussed upon, namely strong locations, rents rebased to the current market level and robust tenants fit for their catchment. These same characteristics can be applied to the newly acquired Trafford Retail Park in Manchester which saw an 11% capital uplift from purchase in September to 31 December 2021.

UKCM has no shopping centres and no pure high street retail exposure.

Alternatives

The Company's alternative sector assets delivered a positive total return of 3.2%. This was behind the benchmark return of 8.4% but showed a recovery from the strongly negative returns of 2020 reflecting the stabilisation of the sector and the reopening of the economy.

The alternatives portfolio is dominated by three cinema-anchored leisure schemes – The Rotunda in Kingston, Cineworld in Glasgow and Regent Circus in Swindon. These assets have been largely out of favour with investors but the stabilisation of the sector has translated into improved rent collection rates within the portfolio.

The Company's 10% weighting to the sector is forecast to increase with the completion of two student housing schemes being developed in Exeter and Edinburgh, which are both due to complete in time for the new academic term in August 2022.

The Rotunda
Kingston upon Thames

Investment Activity

The year saw strong activity in relation to transactions, selling out of risk assets and recycling into accretive assets. Taking care to invest only in compelling and accretive opportunities the majority of sales took place in the first third of the year and, the majority of purchases occurred in the final third. Four sales totalling £74m completed and five purchases completed, committing a total of £216 million.

Sales

In February, Hartshead House, an office building let entirely to Capita on the fringes of Sheffield City Centre, was sold to Arella Property Holding Limited for £17 million in line with its valuation. The sale reflected our concerns over the durability of the income stream as well as the potential for long-term disruption in many parts of the office sector as a result of COVID-19.

The most significant disposal of the year was the sale in March of Kew Retail Park in Richmond for £41 million to a leading London residential developer. Securing an unconditional sale at this level represented an excellent exit opportunity from the 4.7 acres the Company owned out of the complete 10-acre Retail Park.

The Company's element comprised 61,765 sq ft of gross lettable area across five units which were let at the time on short leases to a range of tenants including Boots, Sports Direct, Gap and TK Maxx.

For some time, given its location and neighbouring residential use, despite any formal planning consent, this asset had 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 behind its latest valuation at the time but well ahead of its value for retail warehouse use and at a strong level in the context of the residential market.

Shortly after, in April, the Company sold its last pure high street retail asset at 140–146 King's Road, London, for £9.9 million in line with its valuation. Predominantly let to French Connection, a tenant that had experienced issues in its performance which we believed were likely to increase and, exacerbated by COVID-19, it presented significant risk of income disruption. This, coupled with the potential for non-accretive capital expenditure alongside our pessimistic outlook for the high street fashion sector, led us to sell.

Finally, in September, Network House, Hemel Hempstead, a standalone and vacant office pavilion, was sold for £6.3 million taking advantage of interest for residential development and significantly reducing the Company's overall vacancy rate.

Purchases

The five acquisitions completed over the year were varied by sector, income and risk profile and show a blended net initial yield of 5.0%.

As reported last year, we exchanged on the purchase of a site in Edinburgh, which completed in January, and entered into a development funding agreement to create a 230-bed purpose built student accommodation scheme. The property, is very well-located for both Edinburgh and Napier Universities and is on track for completion ahead of the 2022/2023 academic year.

At the end of September, we purchased Trafford Retail Park in Manchester for £33 million at a net initial yield of 6.9%. It is strategically located, close to the Trafford Centre and a motorway junction. The park is anchored by a robust line up of food and discount anchored retailers and extends to 142,000 sq ft, providing good critical mass. It is let at rebased, sustainable rents and is therefore well-placed for growth.

Through the funding of a development known as Sussex Junction, close to Gatwick airport, the Company is creating three well-specified units totalling 107,000 sq ft with strong ESG credentials, adding to its heavy industrial exposure at an attractive yield, compared to that of an up-and-let investment. Following the pre-letting of two units to CGG Services, a global leader in geoscience technology, the site was purchased in early November and the development is due for completion in Q3 2022. When fully let, the investment is expected to yield over 5.0%.

The £35 million purchase of an office on Hanger Lane, London completed at the end of November. It is a 2.8-acre site prominently situated in an area designated as a Strategic Industrial Location, close to Park Royal, one of Europe's largest urban industrial areas. The medium term business plan is to redevelop the site to create high quality industrial product but, in the meantime, the Company benefits from a robust and growing income stream by virtue of a 10-year lease of the existing 98,000 sq ft office building let to Kantar, a global data consulting company. It currently yields 5.1% and is subject to a five year rent review linked to CPI.

In December, we purchased a multi-faceted investment with a life sciences and technology focus in Leamington Spa. It comprises two refurbished distribution warehouses totalling 380,000 sq ft, let to The Secretary of State for the Department of Health and Social Care and Iron Mountain plc. A 65,000 sq ft refurbished office building is let to Tata Consulting Services Limited and a global social network provider while the asset also comprises an oven-ready development site with planning consent for 68,000 sq ft of flexible industrial accommodation. The income-producing industrial and office properties are delivering a net initial yield of 4.3% and the development of the new units is underway, with an expected development yield of 4.8%.

Asset Management Activity

The reopening of the economy and return to strong growth has been reflected in our rent collection rates which are approaching normalised pre-COVID-19 levels and have improved on a quarter-by-quarter basis throughout the year.

A summary of rent collection for the year to 31 December 2021, as at 28 February 2022, is provided below and includes those tenants who have paid, by agreement, on a monthly basis:

March 2021	95%
June 2021	96%
September 2021	98%
December 2021	98%
TOTAL	97%

Additionally, significant progress has been made on collecting arrears incurred in previous quarters. Within last year's report and accounts up to 31 December 2020 we reported a rent collection rate of 83% for the year. This 2020 figure has since increased to 94%. We continue to engage proactively with tenants which have incurred rental arrears.

The average weighted unexpired lease term of the portfolio has decreased slightly to 8.3 years compared to 9.0 years at 31 December 2020. This compares to the benchmark unexpired term of 9.3 years. At 31st December 2021, 26% of portfolio income was subject to either index linked rental uplifts or fixed increases.

The following asset management activity, grouped by sector with percentage occupancy shown as at 31 December 2021, represents a summary of noteworthy transactions:

Industrial / Logistics Distribution
97% occupied

Ventura Park, Radlett

A flurry of leasing activity in the first quarter of the year produced five lettings which secured £2.45 million of annual rent in aggregate, 4.4% ahead of the combined units Estimated Rental Value ("ERV"). In detail, Unit 7 and Unit B have been let to an existing global occupier on the park on two year leases at a rent of £1,234,000 per annum. Unit A, 34,502 sq ft, was let to GL Events at a new rent of £373,000 per annum, secured for a five-year term certain with a nine-month lease incentive given as reduced rent for a two-year period. Unit 6A has been let to Stand & Deliver, a subsidiary company of an existing occupier, Forward Trucking Services Limited, for a 10-year term certain at a rent of £480,879 per annum. A lease incentive of 10 months' rent free was granted on this 44,734 sq ft unit. Unit E has been let to Planners Services & Sundries on a 10-year lease at a rent of £357,400 per annum.

In early summer, as part of its ongoing ESG initiatives, the Company welcomed several hundred new tenants to the park in the form of bees. Two bee hives were installed and in addition to their positive environmental impact, honey produced will be sold to raise funds for charity.

Newton's Court, Dartford

In the first quarter a new five-year lease was agreed with MedDeX Solutions Limited at Unit 2, Newton's Court, Dartford at a rent of £165,000 per annum, 2% ahead of the ERV of the unit. And then in the final quarter of the year, a letting of the 6,643 sq ft Unit 7 to Dartford & Gravesham NHS Trust Unit completed. The NHS Trust committed to a 10-year term with a break option at year five at a rent of £84,111 per annum.

Dolphin Trading Estate, Sunbury-on-Thames

Several significant deals completed in quarter four at Dolphin Industrial Estate, the Company's multi-let industrial estate in Sunbury-on-Thames. Trans Global Freight Management Limited let 10,000 sq ft at Unit A2 on a new 5-year lease at a rent of £140,000 per annum, ahead of the unit's ERV. At the same time Trans Global extended its existing lease over Units D1/2 (63,900 sq ft) on a coterminous basis with Unit A2 securing an annual rent of £704,000 until the new lease expiry in October 2026. The rent over Units D1/2 is subject to review in June 2023.

Howard Tenens Limited extended its lease over the 49,000 sq ft Unit B on a new 10-year lease, subject to a break option in year five, ahead of ERV at a rent of £628,702 per annum.

Unit C1 was relet to Goldstar Heathrow following the insolvency of the previous tenant. No void period occurred between the old and new tenant and Goldstar have signed a 10-year lease, subject to a break option in Year 5, at a rent of £306,733 per annum for the 21,000 sq ft unit.

Office
98% occupied

9 Colmore Row, Birmingham

The Company has a relatively low exposure to the office sector. In the first quarter, the completion of new cycle and shower facilities at this building helped facilitate a new 10-year lease to be signed with Clarke Wilmott. The lease covers the entire 4,222 sq ft 7th floor at a rate of £26.50 psf, with a five year break option and a £150,000 landlord capital contribution to complete fit out.

Network House, Hemel Hempstead

As mentioned under the section on sales, the successful disposal of the Company's 68,300 sq ft vacant office in Hemel Hempstead, Network House, removed what would otherwise have been a difficult vacancy allowing proceeds to be productively reallocated.

Retail & Leisure
Retail 99% occupied / Leisure 98% occupied

Encouraging progress was made over the year on both the leisure and retail elements of the portfolio. Focused on the first half of the year, but continuing into the second, the Company had a string of successes securing new tenants to its large-format leisure properties reflecting growing optimism of sustained recovery in the sector. This momentum moved into the retail park portion of the Company's portfolio in the second half of the year with multiple accretive new lettings reflecting the positioning of assets primarily in non-fashion and convenience-led segments of the market.

Regent Circus, Swindon

In the second quarter of the year 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. In addition, Unit 3 was let to DSM Holdings Limited 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.

Moving into the third quarter, Unit 1 was let to pizza restaurant Dough & Co on a 15-year lease at an annual rent of £75,000 per annum ahead of the unit's ERV.

As a result of this significant leasing activity the asset was 99% let by the final quarter of the year.

The Rotunda, Kingston upon Thames

In the second quarter the Company secured a new restaurant tenant for Unit 6 at the Rotunda signing Aegon Limited, trading as 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.

St George's Retail Park, Leicester

Next entered into a new five-year lease over Unit 3 in the third quarter agreeing a turnover based rent which is expected to provide the Company with approximately £150,000 of annual rent. The store, a Next clearance outlet, will further improve the Park's tenant mix and is expected to drive footfall.

Two new 10-year leases were signed in the fourth quarter. The first, which is subject to break options, was agreed to One Below, a discount retailer, over unit 8A at a rent of £100,000 per annum, exceeding the unit's ERV by over 5%. An Agreement for Lease was also exchanged over Unit 11 with Belron UK Limited, trading as Autoglass, at a rent of £52,000 per annum, again in excess of the unit's ERV.

Trafford Retail Park, Manchester

Shortly after purchase in September the Company completed a new 15-year lease with fast food operator Five Guys over a former Carphone Warehouse unit at an annual rent of £66,000 per annum. The restaurant will significantly enhance the already strong F&B offering this asset provides.

Junction 27 Retail Park, Leeds

In the final quarter of the year a new 10-year lease was agreed with existing tenant Currys Group Limited at a new rent of £806,440 per annum, more than 30% ahead of ERV. Currys is a key anchor tenant at this property, as well as its largest tenant by contracted rent, and its unbroken 10-year lease commitment reflects the retail park's strength and its importance to this valuable anchor.

Environmental, Social and Governance (ESG)

Whilst real estate investment provides valuable economic benefits and returns for investors it has – by its nature – the potential to affect environmental and social outcomes, both positively and negatively. The Company adopts the Investment Manager's expansive policy and approach to integrating ESG in all areas of its investment process, and this has been used as the basis for establishing the Company's ESG objectives. Both the Investment Manager and Board view ESG as a fundamental part of their business.

Given the significance, and at times quite technical content of ESG and its application, we have dedicated a separate section of our report to the topic which follows. This covers our commitments and process in detail together with some interesting practical examples of the application of our ESG principles.

Perhaps most significant is our response to climate change with our twin new commitments to achieve Net Zero Carbon following work completed in 2021:

- 2030 – Achieve Net Zero Carbon across all portfolio emissions under the control of the Company as landlord.

- 2040 – Achieve Net Zero Carbon across all portfolio emissions – both those controlled by the Company as landlord and all the emissions of its tenants and embodied carbon from development activity.

Further details of our Net Zero Carbon Strategy can be found on page 24.

Hannah Close
London

It is also worth noting that Energy Performance Certificates (EPCs), which each property receives, form a powerful regulatory stick by which government can encourage the UK property industry to decarbonise. Draft legislation applying to England and Wales indicates that by 2027 all property must have an EPC of class A, B, or C and A or B by 2030. The legislation and rating scale in Scotland is different and there are currently no similar minimum standards based on EPC rating. Currently 75% of the Company's portfolio by ERV in England (it does not own in Wales) attracts an A, B, or C rating and, whilst a good figure today, it is one which we, and the Board, keep under constant review to ensure we are on track to comply with the expected legislation. This statistic is anticipated to grow through the completion of the Company's developments in Exeter, Sussex Junction and Leamington Spa which are all being delivered throughout 2022 and to a high energy-efficiency standard, as well as through other ongoing refurbishment projects within the portfolio.

Gilmore Place
Edinburgh

KEY STRATEGIC GOALS

PURCHASE	DISPOSAL	PROTECT & CREATE VALUE
Use debt facility to purchase accretive assets	Exit risk assets	Grow income
Target basket of assets with range of investment characteristics and a variety of income and risk profiles	Potential to profit-take through selected sales	Generate outperformance
Lot size £30m–150m		Review quality of office assets

EMBEDDED ESG STRATEGY

Portfolio Strategy

Following significant reshaping over the last few years, the Company has a high conviction portfolio, heavily weighted to the industrial sector and underweight to the retail sector, in particular shopping centres and traditional high street, where the exposure is nil. Due to the extreme polarisation between the sectors in recent years, this portfolio positioning has been very beneficial to performance.

The bulk of the portfolio comprises a solid bedrock of assets with strong fundamentals, durable income streams and a low risk profile. This affords us the ability to purchase assets that have opportunities for the team to add value through active management and development, to help drive superior returns. The Company has available funds for further investment via its low-cost Revolving Credit Facility and will target a basket of assets with a range of income and risk profiles across sectors that are accretive and complementary to the existing portfolio. We anticipate that purchases will be opportunity led although they are likely to emerge from within the recovering hotel sector, discount and food-led retail warehousing and best-in-class offices.

Looking forward we expect the divergence in returns to narrow and, whilst we intend to maintain a strong weighting to the industrial sector, the focus of new investment will be in other areas of the market that are benefitting from the structural changes seen in the economy and society. We do, however, expect to continue to see polarisation within the sectors, much of which is being accelerated by the COVID-19 pandemic. A recent example of this is the considerable change in fortunes of retail warehousing, which saw significant yield compression last year, although not uniformly across the sector. We are attracted to those parks in strong locations with rebased rents, let to convenience and discount-led retailers, most of whom were open during lockdowns and are trading profitably, thereby delivering sustainable income streams.

Whilst the office sector is in a state of flux due to the changing ways in which businesses occupy buildings, bringing uncertainty over the impact on the various occupational markets, we see opportunity to invest in best-in-class offices with strong ESG and wellness credentials, as well as good technological capability. We believe that occupiers will be very discerning in their choice of building and demand will be focused on a very narrow area of the market, where high-quality product is scarce and the prospects for rental growth strong. In light of these changes, the Company is also rigorously reviewing its own office holdings to ensure they meet, or could economically meet, these high standards. If they cannot, we are likely to exit them alongside the small number of assets we consider pose risk to future performance or are at an optimal point in their life cycle to crystallise profits.

Given the increased demand from both occupiers and investors for the biomedical industry, which was further fuelled by the pandemic, we may seek to add to our life sciences exposure where we can do so in a manner that is prudent and accretive to the portfolio. We are seeing opportunities in the regions as well as the leading markets of Oxford, Cambridge and London.

With UK real estate becoming more operational, we are keen to continue to partner with reputable and experienced operators to widen the universe of investments available to us in the alternative sector, particularly student accommodation and hotels. In the operational space we can obtain enhanced returns versus traditional leasing models and have taken exposure through our student housing developments. We expect to grow this exposure in the short to medium term.

In tandem with execution of our ESG strategy, the key priorities within the current portfolio are to continue to grow income and to generate capital outperformance. At the end of 2021 the portfolio had a void rate of only 2.1% and so, in addition to letting the limited vacancy, the focus for income growth is on capturing the reversionary potential of the portfolio and to target future rental improvements.

This is particularly the case for the Company's industrial assets given that we believe there is limited scope for further yield compression across the sector in aggregate and that future returns will be driven by rental growth.

We believe the industrial sector is best placed in the current inflationary environment as we have seen rental growth significantly outstrip inflation in strong locations. Alongside this, 26% of the portfolio's income benefits from index-linked or fixed rental increases.

There are several opportunities being explored across the portfolio where asset management should drive outperformance, such as the development of the site acquired within Precision Park, Leamington Spa, which has consent for 68,000 sq ft of industrial space. At the end of the year the Company was also underway on three developments – student housing projects in Edinburgh and Exeter, and an industrial development at Sussex Junction, Bolney, south of Gatwick. We believe that selective development of high-quality real estate, which is well placed in its market, offers the opportunity for the Company to access best-in-class real estate whilst offering returns in excess of those received from standing investments. We will therefore continue to explore further such development opportunities.

The Company has invested the majority of its available funds over the last year and expects to utilise the remainder of its revolving bank facility to invest in accretive assets. Gearing is amongst the lowest in the context of the Company's peers. We believe that the Company's well-let portfolio of scale, heavily weighted towards performing sectors, and with good share liquidity, should have a broad reaching appeal and is well placed to continue delivering strong performance with good potential for future earnings growth.

Will Fulton & Kerri Hunter
abrdn
13 April 2022

XDock 377, Magna Park, Lutterworth

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

Approach to ESG

The Company adopts the Investment Manager's policy and approach to integrating ESG and this has been used as the basis for establishing the Company's ESG objectives. The Investment Manager and Board view ESG as a fundamental part of their business. Whilst real estate investment provides valuable economic benefits and returns for investors it has – by its nature – the potential to affect environmental and social outcomes, both positively and negatively.

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

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

A key element of the Investment Manager's approach is the employment of its ESG Impact Dial which is a proprietary research framework supporting investment strategies and asset management. Four major themes have been identified and provide the basis of the Dial – Environment & Climate, Governance & Engagement, Demographics and Technology & Infrastructure. Together with the Dial's scoring system, assessing each asset based on its ESG characteristics across 21 indicators, these provide a framework against which the Company can set its ESG objectives and monitor progress over time, as well as guiding the assessment of materiality.

Of particular focus is responding to climate change, both in terms of resilience to climate impacts and in reducing emissions from the Company's activities. The Company has recently announced its pathway to achieving Net Zero Carbon following work completed in 2021:

- 2030: achieve Net Zero Carbon across all portfolio landlord emissions (Scope 1 & 2)
- 2040: achieve Net Zero Carbon across all portfolio emissions (Scope 1, 2 & 3).

Scopes 1 and 2 cover emissions that directly result from the landlord's activities where there is operational control, either through the purchase and consumption of energy or refrigerant losses. Scope 3 emissions are those that occur in our supply chains and downstream leased assets (tenant spaces) over which we have a degree of influence but limited control.

The Company's strategy for achieving Net Zero Carbon is fully detailed under the heading, Net Zero Carbon – Energy efficiency and decarbonisation, on page 24.

THEME	COMMITMENT	CURRENT STATUS	NEXT STEPS
Carbon reduction and energy efficiency	Net Zero Carbon	Carbon baseline established. Target Net Zero Carbon in 2030 for landlord emissions and 2040 for all portfolio emissions.	Fully embed Net Zero Carbon across asset management, acquisition and development/ refurbishment processes.
	Improve tenant energy data coverage	25% data coverage in 2021	Seek to increase to at least 50% in 2022 through targeted engagement with key occupiers and 'smart meter' roll out.
	Maximise solar PV capacity	Numerous feasibility studies and surveys completed and key target assets identified. Renewables included within refurbishments and development projects where feasible.	Deliver on Company projects and continue dialogue with tenants for occupied buildings.
	EPC legislation – plan for minimum B rating by 2030	Detailed portfolio review has been completed and every asset has a plotted course to compliance.	Make asset-level interventions at appropriate lease events.
Resilience and physical climate risk	Undertake scenario analysis to better understand future risk	Study of all standing assets completed Q1 22 to establish value at risk under RCP8.5 climate scenario.	Review asset-level results in detail and define appropriate next steps to improve climate resilience.
Land and water contamination	Maintain low contamination risk	The environmental status of properties is reviewed as part of acquisition. Due diligence and records are maintained on current portfolio.	Continue to review environmental information as part of acquisition due diligence.
Value to society	Implement house methodology and report on progress by June 2022	Work is in progress to test and refine our methodology for social value based on the ESG Impact Dial. We now expect results to be available by H2 2022.	Review results and define actions to improve social value generated by the portfolio

ESG Commitments

Within the Company's 'Dialling up the Integration of ESG' paper published in 2020 a number of key commitments were outlined. These fall under four broad themes which form the basis for our actions at portfolio level. The four themes are:

- Carbon reduction and energy efficiency
- Reliance and physical climate risk
- Land and water contamination
- Value to society

The preceding table presents an update on progress against these commitments and ongoing activities.

EPC Legislation

Each property receives an Energy Property Certificate (EPC) ranging from A to G. Draft legislation applying to England and Wales indicates that by 2027 all properties must have an EPC of class A, B, or C and A or B by 2030. Currently 75% of the Company's portfolio by ERV in England (it does not own in Wales) attracts an A, B, or C rating and, whilst a good figure today, it is one which we and the Board keep under constant review to ensure we are on track to complying with the expected legislation. The percentage of portfolio ERV in England with an EPC of A-C is anticipated to grow through the completion of the Company's developments in Exeter, Bolney and Leamington Spa, which are all being delivered throughout 2022 and to a high energy-efficiency standard, as well as through other ongoing refurbishment projects within the portfolio.

NET ZERO CARBON TARGET

2030 for landlord operational emissions.

2040 for all emissions.

CASE STUDIES

CREATING BENEFITS FOR THE COMMUNITY

The White Building, Reading

We recognise the importance of maximising the impact of communal space within our multi-let assets and identified the opportunity to create a garden within the roof terrace of The White Building in Reading. Working with JLL and our landscaping contractor, the Tenant Community Garden was launched in 2021 to support habitat creation, biodiversity, carbon sequestration and other social benefits. We sought to give our tenants the opportunity to spend some time away from their desk during their lunch or free time and to tend to their own personal garden on the roof terrace with an aim to improving their mental health and general wellbeing. The tenants were encouraged to grow organic vegetables for their own consumption or to be donated to a local charity, to grow bee-friendly plants and to fertilise soil with grounds from the coffee machine. The project was extremely well received by the tenants and will be repeated in 2022.

A number of other biodiversity focussed initiatives have been completed throughout 2021 as we seek to make a positive impact through the portfolio. These include the installation of beehives at our multi-let industrial estate at Ventura Park, Radlett and installing bird boxes and 'bug hotels' at our retail park at Junction 27, Leeds.

IMPROVING ENERGY EFFICIENCY

Unit 12, Dartford

In June 2021 the 71,000 sq ft Unit 12 at Newton's Court, Dartford, fell vacant. The unit had been occupied as a headquarters building for a banana ripening firm since the 1990s and, as a result, the property had many bespoke fixtures and fittings requiring removal or upgrading. We therefore budgeted for a full refurbishment of the unit with a total net investment of £2.6 million.

As part of the refurbishment a number of ESG considerations have been included within the specification – installing a new energy-efficient air conditioning system, replacing lights with LED fittings, increasing the roof thermal insulation by over-cladding it entirely and installing a new ventilation system with heat recovery. We are also installing photo-voltaic (PV) solar panels on the roof. The works completed in late February 2022 and the unit has achieved an EPC of A, an improvement from the previous C rating. The refurbishment, incorporating ESG improvements, has enhanced our leasing rental expectations and with marketing underway the building is generating strong occupier interest.

EPRA Sustainability Best Practice Recommendations Guidelines

We have adopted the 2017 EPRA Sustainability Best Practice Recommendations Guidelines (sBPR) to inform the scope of indicators we report against and reported against all EPRA sBPR indicators that are material to the Company. We also report additional data not required by the EPRA sBPR where we believe it to be relevant, for example like-for-like greenhouse gas emissions.

A full outline of the scope of reporting and materiality review in relation to EPRA sBPR indicators is included on pages 101–107 which also provides disclosures required under Streamlined Energy and Carbon Reporting (SECR).

Operational Sustainability Performance Summary

Processes are in place to ensure operational sustainability performance is monitored and actions are implemented to drive continual improvement. The effect of COVID-19 on occupancy has had an impact on energy consumption and greenhouse gas emissions. It is unfortunately not possible to fully disaggregate this impact from improvement measures undertaken at assets and the performance figures for 2020 and 2021 should be viewed in this context.

Like-for-like landlord-obtained electricity consumption reduced year-on-year across the Company's assets by 8%. An increase at offices due to increased occupancy in 2021 was offset by lower landlord consumption for vacant industrial units. Landlord gas consumption increased due to an increase at office assets. This resulted in a 7% increase in like-for-like greenhouse gas emissions associated with landlord-procured energy. However, on an absolute basis, emissions from landlord-procured energy and refrigerants reduced by 10% in 2021.

Full details of performance against material EPRA sBPR indicators are included in on pages 101–107.

2021 GRESB Assessment

The Company has submitted data to GRESB (formerly the Global Real Estate Sustainability Benchmark) since 2014. It is the leading global sustainability benchmark for real estate vehicles. In its 2021 assessment the Company was rated second in its peer group, achieving a score of 73 and a three-star rating, an improvement on the two-star rating and overall score of 67, which were received in 2020.

Net Zero Carbon – Energy efficiency and decarbonisation

In 2021, COP26 served to further reinforce the need for the rapid decarbonisation of the global economy. The real estate sector has made some progress to date but the pace must accelerate from here.

The Company has an active approach to managing carbon emissions across the portfolio and has been implementing energy efficiency improvements and targeting renewable energy projects for several years. In 2021 we undertook work to establish the operational carbon footprint baseline of the portfolio and model our pathway to Net Zero. This involved benchmarking the performance of each asset, modelling our future footprint including embodied and operational carbon and identifying the types of measures necessary to fully decarbonise the portfolio.

Net Zero Strategy

Our Net Zero Principles

Although the goal may seem clear, definitions and standards on Net Zero and the policy mix to support it remain immature. In this context we have established several key principles that underpin our strategy to ensure it has integrity, robustness and delivers value:

Practical:

- **Asset-level action:** focusing on energy efficiency and renewables is our priority to ensure compliance with energy performance regulations. Our analysis shows that meeting proposed future Energy Performance Certificate standards is a sensible stepping stone towards Net Zero. This improves the quality of assets for occupiers and reduces exposure to regulatory and market risk.
- **Timing:** we aim to align improvements with existing plant replacement cycles and planned refurbishment activities wherever possible. This ensures functional equipment is not replaced well ahead of its end-of-life unless necessary which in turn reduces cost and embodied carbon.

Realistic:

- **Targets:** long-term targets must be stretching but deliverable and complimented by near-term targets and actions.
- **Policy support:** to fully decarbonise before 2050 the wider real estate sector requires a supportive policy mix to incentivise action and level the playing field.

GRESB ★★★ 2021

Collaborative:

- Occupiers: we recognise that Net Zero will not be achieved in isolation. We will work closely with occupiers on this journey, many of whom have their own decarbonisation strategies covering their leased space. Many of the Company's top 10 tenants have made their own Net Zero commitments already and our interests are aligned on this issue.
- Suppliers: we will work with the Company's suppliers including property managers and consultants in order that everyone is clear on their role in achieving Net Zero.

Measurable:

- Clear key performance indicators at the asset and portfolio level.

Health & Safety Policy

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

Bribery & Ethical Policy

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

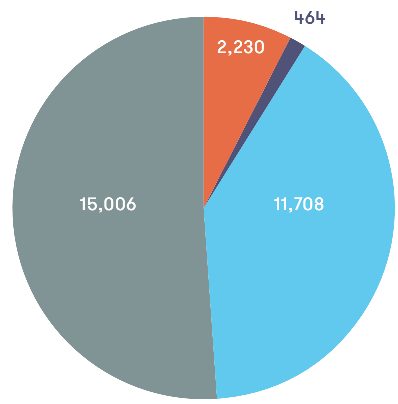
Our baseline

Our operational carbon footprint for 2019 is shown in the adjacent pie chart. We have used 2019 as a baseline for our work as it was unaffected by changes in occupancy due to COVID-19. This shows a total operational footprint of 29,451 tonnes of carbon dioxide equivalent (Co_2e). Of this, 9% is associated with Scope 1 and 2 emissions that are in the direct control of the Company and 91% is Scope 3 emissions from tenant-procured energy.

For 2019 we had actual energy consumption data for 20% of the portfolio by floor area with representative industry standard benchmarks used to estimate the rest. Based on these assumptions for 2019 the energy intensity at the portfolio level was 274kWh/m² and the operational emissions intensity was 46 kgCO_2e/m² across Scopes 1, 2 and 3. These will be key metrics as we progress with our delivery strategy.

Operational carbon footprint

Landlord Gas (7.5%)	Scope 1
Landlord Electricity (1.5%)	Scope 2
Tenant Gas (40%)	Scope 3
Tenant Electricity (51%)	Scope 3
Landlord Waste (<0.1%)	Scope 3
Landlord Water (<0.1%)	Scope 3



Note: Landlord Waste (17 tCO_2e) and Landlord Water (26tCO_2e) are included in the total but too small to be visible in the chart).

Our delivery strategy

	NEAR-TERM (TO 2030)	LONG-TERM (2030–2050)
Targets	Achieve net zero emissions for Scope 1 and 2 by 2030. Managing carbon intensity across all scopes in line with the long-term target.	Net zero across all emission scopes by 2040
Context	The 2030 targets are a sensible stepping stone towards long-term decarbonisation. In the near term our activities are focused on occupier engagement and compliance with energy performance regulations which will mean significant investment in energy efficiency, heat decarbonisation and renewable energy. We anticipate our actions to decarbonise heat before 2030 will mean the company has very low Scope 1 emissions at this date.	Buildings in the UK will have to fully decarbonise by 2050 through energy efficiency and the decarbonisation of heat and electricity. We will aim to reach our long term target through these measures with as little use of offsets as possible. We believe that setting our long term-target for 2040 is ambitious yet pragmatic. This date also aligns with that chosen by several of our largest occupiers. We will keep our long term target under review as policy measures and market drivers become clearer in the coming years.
Near-term delivery actions	STANDING PORTFOLIO: ▲ Increase coverage of tenant energy data through improved engagement, lease agreements and smart metering. ▲ Build improved understanding of tenant decarbonisation strategies and extent of tenant renewable energy procurement. ▲ Implement low-carbon refurbishments to ensure regulatory compliance focussing on energy efficiency and heat decarbonisation and start to quantify embodied carbon. ▲ Continue to implement solar PV projects and establish power purchase agreements with occupiers. ACQUISITIONS AND DEVELOPMENTS: ▲ Benchmark assets pre-acquisition, understand costs and build decarbonisation into asset management plan from the start of ownership. ▲ Direct development and development fundings to be designed to whole life net zero principles.	
Measurement indicators	▲ % data coverage ▲ Absolute portfolio emissions (tCO_2e) ▲ Energy and emissions intensity (kwh/m², year; kg CO_2e/m²/year) ▲ Installed solar capacity (MWp) ▲ Embodied carbon of development projects	

TASKFORCE FOR CLIMATE-RELATED FINANCIAL DISCLOSURES

Taskforce for Climate-Related Financial Disclosures (TCFD)

TCFD was established to provide a standardised way to disclose and assess climate-related risks and opportunities. Recommendations are structured around four key topics: Governance, Strategy, Risk Management and Metrics & Targets. The Company is committed to implementing the recommendations of the TCFD to provide investors with information on climate risks and opportunities that are relevant to the business.

TCFD covers risks and opportunities associated with two overarching categories of climate risk; transition and physical:

- Transition risks are those that relate to an asset, portfolio or company's ability to decarbonise. An entity can be exposed to risks as a result of carbon pricing, regulation, technological change and shifts in demand related to the transition.
- Physical risks are those that relate to an asset's vulnerability to factors such as increasing temperatures and extreme weather events as a result of climate change. Exposure to physical risks may result in, for example, direct damage to assets, rising insurance costs or supply chain disruption.

There is still significant uncertainty and methodological immaturity in assessing climate risks and opportunities and there is not yet a widely-recognised net zero standard. Nonetheless, we have progressed already with work to model the implications of decarbonising the portfolio in line with a 1.5°C scenario and undertaken analysis to understand potential future physical climate risks. This is the first year that the Company is reporting against TCFD recommendations and we expect our disclosures to evolve over time as methodologies improve and our work develops further.

TCFD RECOMMENDATION	COMPANY APPROACH	FURTHER INFORMATION
Governance		
Board oversight of climate-related risks and opportunities	The Board consider climate-related risks and opportunities alongside all other Company risks which fall under the remit of the Risk Committee.	Risk Management section on pages 34–41.
Management's role in assessing and managing climate-related risks and opportunities	At an operational level, the Manager is responsible for integrating consideration of climate risks and opportunities into the investment and asset management process. The Manager reports a number of KPIs to the Board on a quarterly and annual basis.	The Company's approach is set out in the Environmental, Social & Governance (ESG) section on pages 22–25.
Strategy		
Climate-related risks and opportunities the organisation has identified over the short, medium, and long term	As part of our investment and asset management process we consider climate-related risks and opportunities over a range of timescales. A summary of our initial assessment over the short, medium and long term is as follows. In the short term (0–5 years) we anticipate regulations affecting the energy performance and emissions of buildings to tighten to align more closely with Government targets for economy-wide decarbonisation. Whilst this will provide clarity of direction to the sector, it is likely to increase development and refurbishment costs and will start to affect valuations. However, these trends will also create opportunities to benefit from shifting occupier and investor demand for low-carbon, future-fit assets. Over the medium term (5–15 years) these trends will continue and we expect regulations and market sentiment to further drive energy efficiency and decarbonisation. We anticipate significant technological change in this period particularly in relation to heat pump solutions which will improve the technical and financial feasibility of decarbonising heat in buildings. Over the long term (15+ years) we are likely to see climate-related extreme weather events increase in frequency and severity which may impact built environment assets depending on their location and characteristics.	
The impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where material	The Board recognises that climate change will affect the built environment, both through decarbonisation and increased physical risks. The trends summarised above are therefore expected to affect the Company's strategy and operations in the coming years. Alongside our net zero planning, a detailed exercise has been completed by the Manager to assess the portfolio's compliance with anticipated Minimum Energy Efficiency Standards legislation to ensure assets are capable of compliance and that any necessary interventions can be appraised and included with the individual asset plans. We have also recently completed an assessment of value at risk as a result of physical climate risks under the RCP8.5 climate scenario which implies a 4.3° C temperature rise by 2100. Initial results are described on page 27.	The EPC profile of the Company's properties is set out on page 107.

TCFD RECOMMENDATION	COMPANY APPROACH	FURTHER INFORMATION
Strategy (continued)		
The resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	We have set out our long term aim to be a net zero Company by 2040 with an interim target for operational emissions within our direct control by 2030. We will track progress against our long term aim using interim energy and emissions intensity targets at the portfolio and asset levels. Our work to establish a net zero pathway for the company is informed by industry benchmarks including the Carbon Risk Real Estate Monitor (CRREM) 1.5°C Paris-aligned emissions trajectories. As part of this work we have identified high-level cost estimates for transitioning assets to net zero. We consider that the portfolio and Company strategy is well-positioned to decarbonise in line with this trajectory assuming national energy and climate policy is also supportive of this goal. We will continue to engage with industry bodies such as the Better Building Partnership to standardise net zero definitions across the industry. We recognise that we cannot act in isolation and that achieving this level of decarbonisation will require supportive climate policy and the cooperation of our occupiers and suppliers. Our recent work on understanding value at risk as a result of physical climate risk has highlighted the importance of considering changes in wind speeds and flood risk over time as well as the implications of rising temperatures on cooling loads. Our initial assessment of these results is that in general under the RCP8.5 scenario, physical climate risks do not become material until after 2040 and that most potential cost is associated with additional cooling demand due to rising temperatures. We consider that our existing portfolio and Company strategy is resilient to physical climate risks in the short to medium term. We will however keep this under regular review as methodologies for physical risk assessment improve.	Our delivery strategy is set out on page 25.
Risk Management		
The Company's processes for identifying and assessing climate-related risks	Climate-related risks and opportunities are considered and assessed by the Company Risk Committee.	Risk Management section on pages 34–41.
Metrics and Targets		
The metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	We disclose our emissions in line with EPRA Sustainability Best Practices Recommendations. As part of our decarbonisation strategy we will track progress against our long-term aim using interim energy and emissions intensity targets at the portfolio and asset levels.	Data on emissions is set out on pages 101–106.
Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks	We disclose our emissions in line with EPRA Sustainability Best Practices Recommendations (see pages 101–107). This covers Scope 1 and 2 emissions associated with landlord-procured energy as well as Scope 3 emissions from energy sub-metered to occupiers. Our 2019 baseline emissions including tenant consumption (actual and estimated) is presented on page 25. We have used 2019 data as a baseline for our measurements as this is prior to any disruption to measurement caused by the COVID-19 pandemic.	Data on emissions is set out on pages 101–106.
The targets used by the organisation to manage climate-related risks and opportunities and performance against targets	We have set out our long term aim to be a net zero Company by 2040 with an interim target for operational emissions within our direct control by 2030.	Our delivery strategy is set out on page 25.

Craven House, London

2021 PORTFOLIO & ANALYSIS
(all figures as at 31 December 2021)

TOP 10 TENANTS BY RENT

No. 1
OCADO RETAIL LIMITED
Industrial
5.1% of contracted rent
MSCI risk band: Low

No. 2
PUBLIC SECTOR
Industrial & Office
5.0% of contracted rent
MSCI risk band: Negligible

No. 3
WARNER BROS LIMITED
Industrial
4.6% of contracted rent
MSCI risk band: Negligible

No. 4
AMAZON UK SERVICES LIMITED
Industrial
4.4% of contracted rent
MSCI risk band: Negligible

No. 5
TOTAL E&P UK LIMITED
Industrial
3.4% of contracted rent
MSCI risk band: Low/Medium

No. 6
CINEWORLD ESTATES LIMITED
Alternatives
3.1% of contracted rent
MSCI risk band: Medium High

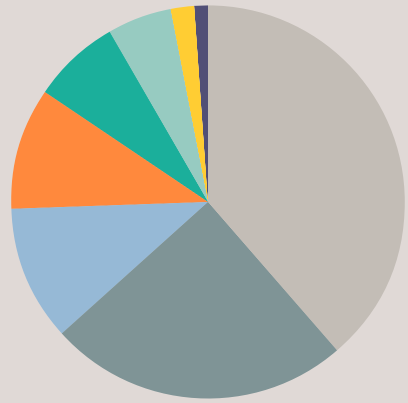
No. 7
KANTAR
Office
3.0% of contracted rent
MSCI risk band: Low

No. 8
B & Q PLC
Retail Warehouse
3.0% of contracted rent
MSCI risk band: Low

No. 9
DALATA CARDIFF LIMITED
Alternatives
2.5% of contracted rent
MSCI risk band: Maximum

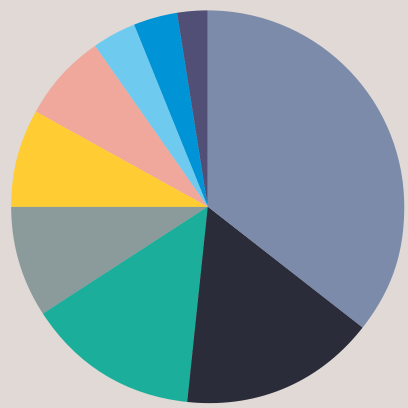
No. 10
PALLETFORCE LIMITED
Industrial
2.3% of contracted rent
MSCI risk band: Low/Medium

PORTFOLIO SPLIT BY SUB SECTOR



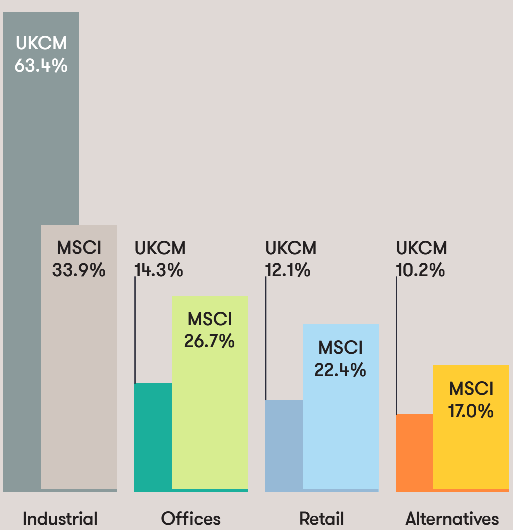
Industrials — South East & London	38.7%
Industrials — Rest of UK	24.7%
Retail Warehouses	11.1%
Alternatives	10.2%
Offices — Rest of UK	7.1%
Offices — Rest of South East	5.3%
Offices — West End	1.9%
Retails — South East	1.0%

PORTFOLIO SPLIT BY GEOGRAPHY



South East	35.8%
London	16.1%
West Midlands	14.2%
East Midlands	8.9%
South West	8.1%
Scotland	7.3%
North East	3.7%
Yorks and Humber	3.5%
North West	2.4%

SECTOR SPLIT V BENCHMARK



LEASE EXPIRY PROFILE

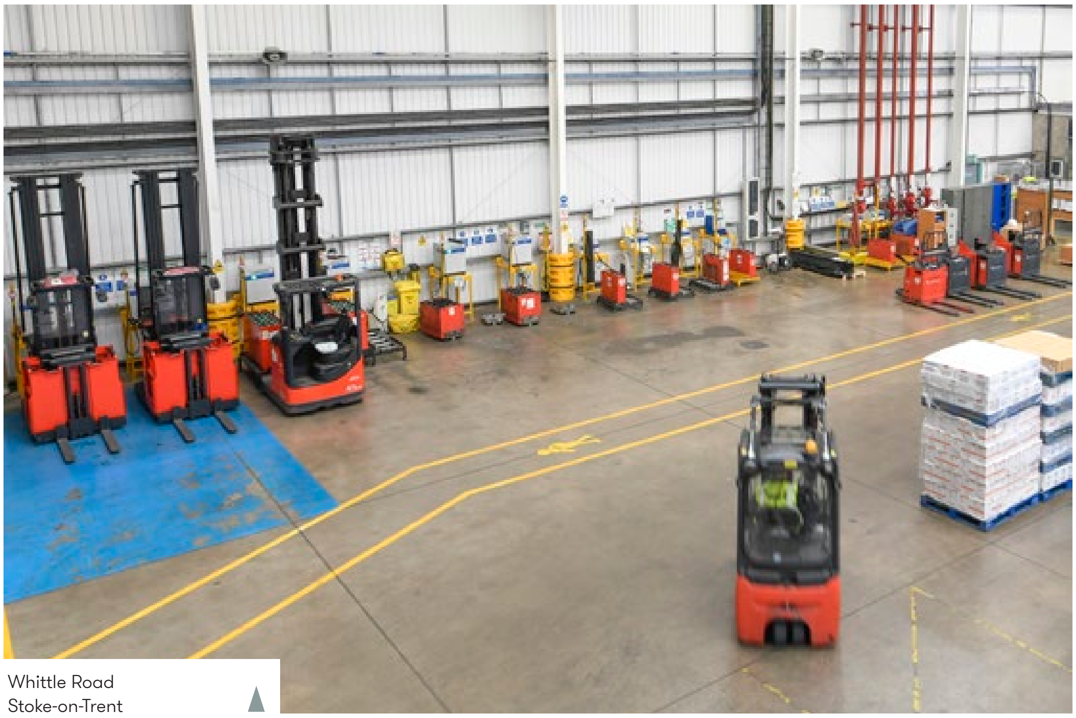
	UKCM	Benchmark
0–1 yr	8.2%	10.8%
1–2 yrs	5.4%	8.8%
2–3yrs	7.8%	8.8%
3–5 yrs	19.1%	16.0%
5–10yrs	26.3%	20.4%
10–15 yrs	21.4%	9.1%
>15 yrs	11.8%	26.1%

2021 PORTFOLIO & ANALYSIS
as at 31 December 2021

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

Overall number of properties	40
Total number of tenancies	213
Total average property value	£38.4 million
Total floor area	8,043,000 sq ft
Freehold/Leasehold (leases over 100 years)	85%/15%

Industrial Offices Retail Alternatives



Whittle Road
Stoke-on-Trent

Investment Strategy

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

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

Investment Policy

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

In addition, members of the Board visit properties and where appropriate engage with tenants directly which enables the Board to have an enhanced understanding of each property and the tenants' requirements. Further details of how the Company engages with all its stakeholders is set out in the Stakeholder Engagement section of the Annual Report encompassing section 172 of the UK Companies Act 2006 on page 44.

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

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

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

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

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

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

The Group's performance in meeting its objective is measured against key performance indicators as set out on page 33. A review of the Group's returns during the year, the position of the Group at the end of the year, and the outlook for the coming year is contained in the Chair's Statement and the Investment Manager Review.

The Board of Directors is responsible for the overall stewardship of the Company, including investment and dividend policies, corporate strategy, corporate governance, and risk management. Biographical details of the Directors, all of whom are non-executive, can be found on pages 48–49 and indicate their range of property, investment, commercial, professional, financial and governance experience. The Company has no executive Directors or employees.

Tetron Point, Swadlincote

The White Building
Reading

Management of Assets and Shareholder Value

The Board has contractually delegated the management of the investment portfolio and other services to Aberdeen Standard Fund Managers Limited.

The Group invests in properties which the Investment Manager believes will generate a combination of long-term growth in income and capital for shareholders. Investment decisions are based on analysis of, amongst other things, prospects for future capital growth, sector and geographic prospects, tenant covenant strength, lease length and initial yield. In the year to 31 December 2021, the Group generated net cash outflows of £80.6 million (2020: net cash inflows of £73.8 million) following the deployment of capital to acquire investment properties. The net profit for 2021 of £236.2 million contrasted against a net loss of £10.3 million for 2020, reflecting the recovery of the UK commercial real estate sector in sectors where the Company is well positioned. Revenue profits were £34.5 million for the year ended 31 December 2021, broadly in line with £35.2 million for the 2020.

Investment risks are spread through investing in a range of geographical areas and sectors, and through letting properties to low risk tenants. A list of all the properties held as at 31 December 2021 is contained on page 31 and further analysis can be found in the Investment Manager Review.

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

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

Key Performance Indicators/Alternative Performance Measures

The Company's benchmark is the MSCI UK Balanced Portfolios Quarterly Index. This benchmark incorporates all monthly and quarterly valued property funds and the Board believes this is the most appropriate measure to compare against the performance of a quarterly valued property investment company with a diversified portfolio. The Board uses a number of performance measures to assess the Company's success in meeting its objectives. The key performance indicators/alternative performance measures are as follows:

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

Given the structure of the Company and the Company's knowledge of its underlying shareholder base, it is believed the above measures are the most appropriate for shareholders to determine the performance of the Company. These indicators for the year ended 31 December 2021 are set out on pages 4–6. In addition, the Board considers specific property KPIs such as void rates, rent collection levels and weighted average lease length on a regular basis.

Risk Management

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

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

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

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

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

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

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

Principal Risks

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

Strategy — Risk: A

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

Investment & Asset Management — Risk: B C

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

Financial — Risk: D E F G

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

Operations — Risk: H I

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

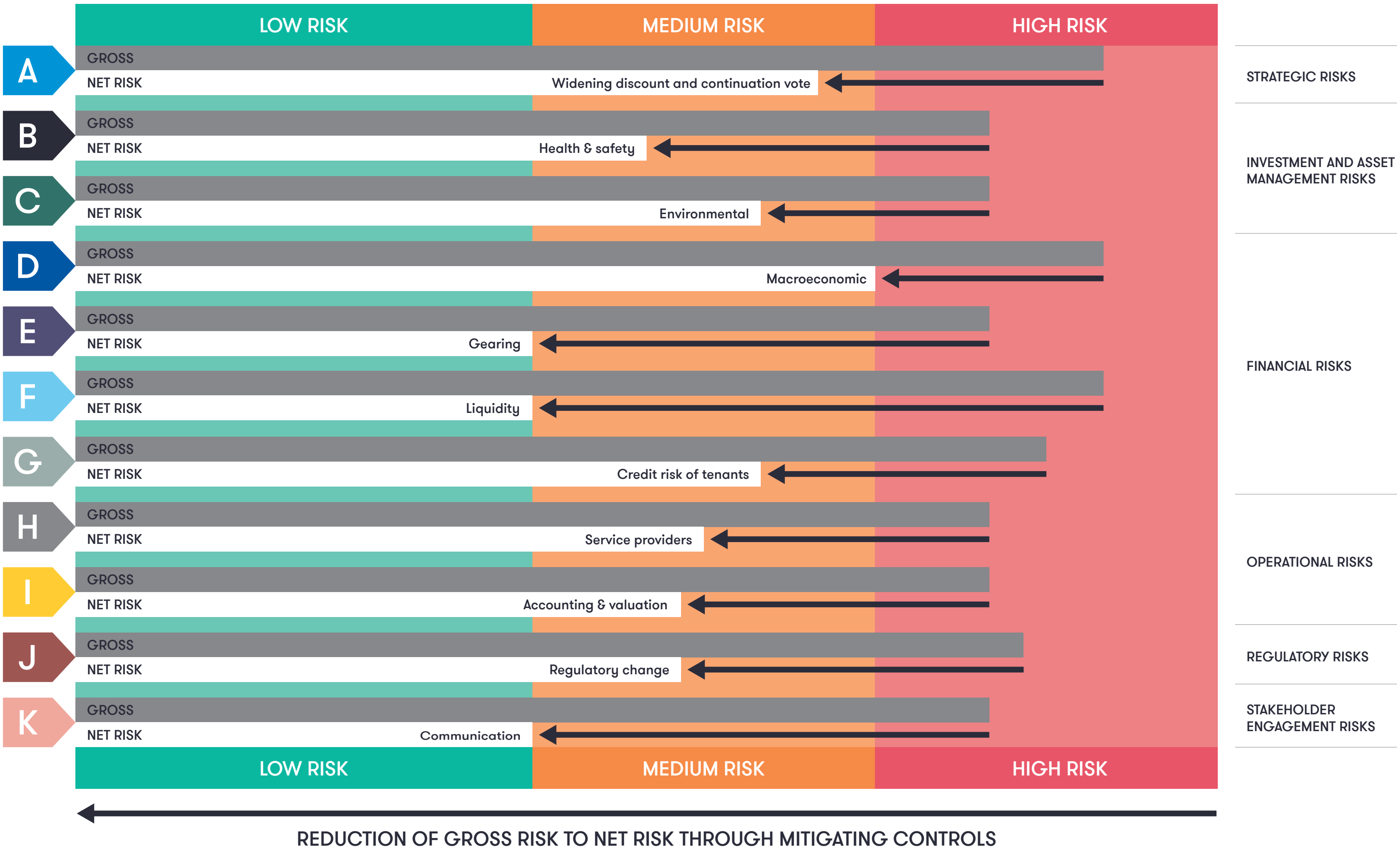
Regulation — Risk: J

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

Stakeholder Engagement — Risk: K

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

PRINCIPAL RISKS



Emerging Risks

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

COVID-19

COVID-19, identified in 2020 as the overarching emerging risk, has now fully emerged in the form of a global pandemic causing significant loss of life and global economic disruption. While remarkable progress has been made in developing and rolling out effective vaccinations, offering the prospect of a return to more normal times, there is still considerable uncertainty about the repercussions of evolving variants of the virus and potential setbacks on the road to recovery. The emerging risk is now COVID-19's legacy such as the resulting economic damage and possible permanent structural changes to the way that we work, live and consume. Labour, energy and material shortages, manufacturing and transportation difficulties and supply chain disruptions have all fuelled inflation and concerns about its future persistence and strength have increased.

COVID-19 has affected to differing degrees all areas of risk to which the Company is exposed, but particularly those relating to strategic risk, macroeconomic risk, credit risk and accounting and valuation risk. COVID-19's impact and the Company's response are provided in more detail in the Commentary section of each of the following risk descriptions (pages 36 to 41).

Geopolitical Conflict

Russia's recent invasion of Ukraine and the subsequent refugee crisis has sent shockwaves through the world and challenged the assumptions about the stability of the post 1945 world order and Russia's territorial ambitions. The sanctions imposed in response to Russia's aggression are likely to increase energy costs and further disrupt international trade and supply chains, already under strain from COVID-19, thereby adding to inflationary pressures and market volatility.

Technology

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

The principal risks, including their impact and the actions taken by the Company to mitigate them, are provided on pages 36–41. The Changes to Risk (Increased, Decreased or No Change) all relate to any material change from the reporting provided in the 2020 Annual report that was finalised in April 2021.

A STRATEGIC RISKS: WIDENING DISCOUNT AND CONTINUATION VOTE

Risks & Impact

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

Mitigation

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

Commentary

- COVID-19 caused considerable market uncertainty and declining property values and revenues, in those sectors most severely impacted by the pandemic, namely certain parts of retail, leisure and hospitality. However, the MSCI All Property Quarterly index performance has improved considerably from a negative return of −0.9% in 2020 to deliver 16.8% in 2021. This resulted in a significant increase in the Company's net asset value of 17.6% but a widening of its discount from 20.4% to 26.8% at year end.
- The number of transactions effected in the property market overall were limited in the year by social distancing restrictions and general market uncertainty and disruption. Nonetheless, the Company continued to execute its investment strategy with £180 million of purchases and £74 million of sales in 2021.
- The property market has become even more polarised as a result of COVID-19 with increased demand for property in the industrial sector, particularly distribution and warehousing and with an oversupply of retail premises. This trend supports the Company's evolving strategy of investment in "future fit" properties in the modern economy that can adapt and benefit from these current structural shifts in society.
- Shareholders overwhelmingly supported the Company's periodic continuation vote held in March 2020, with the next periodic continuation vote scheduled to be held in 2027 and seven yearly thereafter.
- In addition, a continuation vote will be required if, after 18 March 2022 (being the second anniversary of the Company's most recent continuation vote), the shares trade at a discount of over 5 per cent for a continuous period of 90 dealing days or more.

Change

NET RISK: MEDIUM — NO SIGNIFICANT CHANGE IN RISK BUT TRENDING UP

The severity and duration of the direct impact of COVID-19 on the global economy, followed by the Russian invasion of Ukraine, are unclear. The after-effects on the UK real estate sector and hence the Company's ongoing strategy still remain uncertain.

i See page 54 for details of the current discount control policy.

B INVESTMENT AND ASSET MANAGEMENT RISKS: HEALTH & SAFETY

Risks & Impact

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

Mitigation

- Health & Safety checks are included as a key part of due diligence for any new property acquisition.
- For existing multi-tenancy properties, the Group's Managing Agent (Jones Lang LaSalle) is responsible for managing and monitoring Health & Safety matters of each building.
- The Investment Manager monitors on an ongoing basis all identified Health & Safety issues with strict deadlines for resolution by the Managing Agent.
- The Investment Manager also engages S2 Partnership Limited who provide an independent Health & Safety review and fire risk assessment of all multi-let properties on an annual basis.
- The Risk Committee reviews the Company's Health & Safety performance quarterly.

Commentary

- COVID-19 increased focus on the safety and wellbeing of employees, tenants and their customers within the Company's buildings.
- The Investment Manager worked closely with the Managing Agent to ensure that each multi-let property operated securely, following advice and complying with all the government restrictions relating to COVID-19.
- New procedures were introduced to ensure that tenants and their customers could return safely to the Company's multi-let buildings when permitted.
- All annual independent H&S audits due in 2021 were completed by S2 Partnership Ltd with minimal interruption and delays.
- No other major Health & Safety issues were noted in the year.

Change

NET RISK: MEDIUM — NO SIGNIFICANT CHANGE IN RISK

i

See page 24 for further information on the Group's Health & Safety policy.

C INVESTMENT AND ASSET MANAGEMENT RISKS: ENVIRONMENTAL

Risks & Impact

Properties could be negatively impacted by an extreme environmental event (e.g. flooding) or the Company's own asset management activities could create environmental damage. Climate change could accelerate more quickly than anticipated, leading to legislative changes. Failure by the Company to achieve existing or future environmental targets could adversely affect the Company's reputation, resulting in penalties and increased costs and ultimately in a reduction in the value of assets that are less energy efficient. Access to capital could be restricted: investors might avoid shareholdings in companies that do not meet their environmental expectations and banks could limit funding only to borrowers who fulfil pre-set environmental criteria.

Mitigation

- The Company considers its impact on the environment and its local communities in all its activities and works in partnership with its key stakeholder groups – investors, occupiers, suppliers and communities – to ensure that all parties share responsibility to achieve a more sustainable property performance.
- In-depth research is undertaken on each property at acquisition with a detailed environmental survey.
- The Investment Manager employs its own proprietary research framework, the ESG Impact Dial, which assesses 4 major forces: Environment & Climate, Governance & Engagement, Demographics & Technology and Infrastructure.
- Experienced advisers on environmental, social and governance matters are also consulted both internally at the Investment Manager and externally where required.
- The Investment Manager has adopted a thorough environmental policy which is applied to all properties within the portfolio.
- EPC rating benchmarks have been set to ensure compliance with Minimum Energy Efficiency Standards (MEES).

Commentary

- The Company has recently set a net zero carbon target of 2040 for all carbon emissions, including tenants' own emissions and also those embedded in the fabric and construction of buildings. An interim target of 2030 has also been set to reach net zero for all landlord generated emissions.
- The Company has submitted to the Global Real Estate Sustainability Benchmark ("GRESB") since 2015. It has been recognised as a top performer in ESG coming second in the GRESB UK Diversified (listed) peer group. It was awarded an 'A' score for Public Disclosure by GRESB against a peer group average of B and received an EPRA "Gold" rating for European Sustainability Best Practice Recommendations in 2021.
- A full review of EPC ratings across the Group's portfolio has been undertaken and a strategy put in place to ensure compliance with all the deadlines for increasingly strict standards between now and 2030. Three units are currently rated as below standard and these are being actively assessed and addressed.
- A number of asset management initiatives are underway to consider the feasibility of installing solar panels at some of the Company's properties.

Change

NET RISK: MEDIUM — NO SIGNIFICANT CHANGE IN RISK BUT TRENDING UP

The rapid emergence of COVID-19 as an unanticipated global disaster has concentrated attention more acutely on other imminent dangers such as climate change and the need for urgent response. Tenants and shareholders now have greater expectations of their landlords to address environmental issues and to set measurable targets and to report progress against them regularly.

i

The 2021 Annual Report now includes a dedicated section for ESG on pages 22–25 and also Taskforce for Climate-Related Financial Disclosures on pages 26–27.

D FINANCIAL RISKS: MACROECONOMIC

Risks & Impact

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

Mitigation

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

Commentary

- The outlook for the UK economy and the UK real estate market is still uncertain. Although the economy started to rebound in 2021 following the effective roll-out of a vaccine programme in the UK, it is still difficult to predict the extent of any lasting economic damage, particularly if further variants of the virus emerge in the future.
- Concerns over more persistent inflation have increased due to continued labour, supplies and energy shortages caused by the disruption of COVID-19. This may affect consumer demand and corporate profit margins and investment. Interest rate rises are more likely if inflation is no longer considered transitory.
- The unprovoked Russian invasion of Ukraine in February 2022 has now introduced further uncertainty and instability into the global economy, increasing inflationary pressures and creating more turbulence in the financial markets.
- The Bank of England and UK government have continued to provide significant monetary and fiscal stimulus to insulate the economy which grew by 7.5% over the year, above the levels seen prior to the pandemic. Our investment manager's forecast for UK GDP growth for 2022 is lower, initially at 4.4% reduced to 3.8% following the Russian invasion of Ukraine.
- Portfolio continues to be diversified with investments in the four main commercial property sectors and across a number of geographical regions, but now with a much higher weighting to the industrial sector, particularly logistics and distribution, which has benefitted from the pandemic and outperformed the other sectors.
- 213 tenancies at the year end with top ten tenants accounting for 36.4% of contracted rental income. Although consumer facing businesses suffered, particularly from the intermittent "lockdowns" imposed by government, rent collection rates had begun to normalise by Q4 2021.
- Gearing of 13.5% at year end.
- Occupancy rate of 97.9% at year end.

Change

NET RISK: MEDIUM — NO SIGNIFICANT CHANGE IN RISK BUT TRENDING UP

The roll-out of the COVID-19 vaccine programme has given cause for economic optimism but the Company remains vigilant against likely future strains of the virus.

In response to its invasion of Ukraine, significant sanctions have been imposed on Russia, as punishment and to deter future acts of aggression and isolate it globally. These are likely to have far reaching repercussions on the global economy as sources of energy become more restricted and the international transportation of goods and materials suffer disruption in unexpected ways.

The UK has formally withdrawn from the EU, and some of the political and economic uncertainty has been removed. However, much of the detail relating to the terms of trade, particularly in the service industries, still has to be finalised and the full impact of Brexit on the economy and on the UK commercial property market is still unclear.

See further details on risk in note 18 to the accounts on pages 90–93.

E FINANCIAL RISKS: GEARING

Risks & Impact

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

Mitigation

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

Commentary

- COVID-19's disruption on the property market, with declining capital values in some business segments and reduced rental income, increased the risk in general of potential loan covenant breaches and refinancing risk for some property companies with short-term debt.
- At year end the Group had two fully drawn fixed rate facilities totalling £200 million with different expiry dates (April 2027 & February 2031). The Group had also drawn down £50 million of its £150 million revolving credit facility, which is on a floating rate basis, and provides flexibility to make timely acquisitions when opportunities arise. Together, the drawn down facilities had a weighted maturity profile of 6.2 years, and an overall blended interest of 2.68% per annum.
- At year end, gearing was 13.5%, relatively low for its peer group.
- During COVID-19, the Group's bank covenants have been regularly monitored and stress tested under different value and revenue scenarios. There is considerable headroom before any loan covenants would be breached.
- Over £462 million of property remains unencumbered, providing additional cushion if needed.
- The Company benefits from good long-term relationships with supportive lenders and has engaged in constructive dialogue with them during this period.

Change

NET RISK: LOW — DECREASED RISK

The Group has increased gearing levels to 13.5% which is still relatively low against its peers and has scope to increase further with an additional £100 million of undrawn revolving credit facility.

Improved rent collection and recovering asset valuations provide significant headroom on loan covenants and minimise the possibility of loan breaches. The Company's level of gearing is low and there is a comfortable cushion of unpledged property should current valuations fall.

See further details on risk in note 18 to the accounts on pages 90–94.

F FINANCIAL RISKS: LIQUIDITY

Risks & Impact

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

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

Mitigation

- The Company has a diversified portfolio of good quality, marketable properties.
- After allowing for capital commitments on ongoing developments, the Company has significant capital resources at year end of £88 million due to the undrawn £100 million of its revolving credit facility. The closed ended structure of the Company ensures that it is not a forced seller of assets.
- The Company is listed on the London Stock Exchange and a component of the FTSE 350 Index made up of the largest 350 companies in the UK by market capitalisation.
- Financial commitments are limited by the Company's relatively low level of gearing.
- Liquidity risk is managed on an ongoing basis by the Investment Manager and reviewed at least quarterly by the Board.
- Cash is placed in liquid deposits and accounts with a high credit rating.

Commentary

- Real estate market liquidity has decreased as a result of COVID-19 but nonetheless the Company implemented its investment strategy by completing four sales and five purchases during 2021.
- Having a closed-ended structure, the Company was better able to withstand market movements as it is not subject to investor redemptions and forced property disposals.
- All financial commitments were comfortably met during the year.
- £1.8m shares on average were traded daily in 2021 highlighting the ongoing liquidity of the Company's shares.
- Shareholders are able to sell their shares in a highly regulated and liquid secondary market.

Change

NET RISK: LOW — NO SIGNIFICANT CHANGE IN RISK

i See further details on risk in note 18 to the accounts on pages 90–94.

G FINANCIAL RISKS: CREDIT RISK OF TENANTS

Risks & Impact

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

Mitigation

- Dividend cover is forecast and considered at each Board meeting.
- The property portfolio has a balanced mix of tenants and reflects diversity across business sectors, limiting reliance on a single tenant or industry.
- The Group has 213 tenants, with the top 10 tenants representing 36.4% of the Company's contracted rental income, and no single tenant accounting for more than 5.1%.
- Rigorous due diligence is undertaken on all prospective tenants and their financial performance continues to be monitored during their lease.
- Rent collection from tenants is closely monitored so that early warning signs can be detected.
- Contingency plans are put in place where tenants with financial difficulties have been identified.
- Board approval is necessary for any material lettings.

Commentary

- As anticipated, COVID-19's intermittent lockdowns have affected some tenants' ability to pay their rent. In particular, retail and leisure have been severely impacted by COVID-19, but some businesses in other sectors have also suffered depending on their business models, customers, workforce and suppliers.
- For the four key rent invoicing dates for quarterly payment in advance in 2021 (March, June, Sept, Dec 2020) 97% of rent had been collected by the end of February 2022.
- The Investment Manager has engaged closely with all tenants to understand better their financial positions and where possible has responded to requests for rental assistance. This has resulted in some rent deferrals, monthly payment plans and, in some instances, commercial regear arrangements with rent-free periods in return for longer leases.
- Retail sector continues to be of concern with further administrations in this sector in the last 12 months and more likely to follow the longer the pandemic continues.
- Ongoing reduction in Company's retail holdings which now represent 12% of the portfolio at the year end.
- The Company has a bad debt provision of £5.3m for ultimate non-payment of rent by some tenants but still continues its concerted efforts to recover outstanding amounts due.
- Reflecting the net acquisitions undertaken by the Company, improving rent collection rates and reduced market uncertainty, dividends were increased twice during the year with 0.46p per share paid for Q4 2020 and 0.75p announced for Q4 2021.

Change

NET RISK: MEDIUM — NO SIGNIFICANT CHANGE IN RISK

Rent collection has improved from the levels experienced in 2020 and continues to rise as the economy opens up again as the Company starts to see a normalisation of collection rates. Although further tenant defaults may occur, if new lockdowns are imposed and as a result of international sanctions linked to the Ukraine conflict, the Company has already made prudent provisioning for bad debts.

i See further details on risk in note 18 to the accounts on pages 90–94.

H OPERATIONAL RISKS: SERVICE PROVIDERS

Risks & Impact

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

Mitigation

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

Commentary

- Key service providers put their business continuity plans into practice quickly during the pandemic and adapted successfully to working remotely from their business premises.
- The Investment Manager updated the Board on a regular basis on its own contingency arrangements and has demonstrated its operational resilience throughout.
- The Investment Manager has also monitored regularly the ability of other key service providers to conduct their business effectively. Service quality has been maintained despite the restrictions and no material issues of concern have been raised.
- Key service providers are on heightened alert of cyber attacks following Russia's invasion of Ukraine and are monitoring intelligence updates of potential threats and strengthening their cyber security defences if needed.
- Section 172 statement in the accounts (pages 45–47) provides details on the Company's collegial approach to stakeholders. No material issues noted from the reviews of service providers in the year.
- Key service providers have not changed during 2021.

Change

NET RISK: MEDIUM — NO SIGNIFICANT CHANGE IN RISK

i See further details on pages 46–47.

I OPERATIONAL RISKS: ACCOUNTING & VALUATION

Risks & Impact

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

Mitigation

- All properties within the portfolio are independently valued by CBRE Limited on a quarterly basis and their year-end valuations recorded in the Company's accounts. This is a rigorous assessment process to which the Investment Manager also contributes information.
- CBRE, the independent valuer, is required to carry out a physical inspection of each property at least annually.
- The Property Valuation Committee reviews thoroughly each quarter this independent valuation process.
- Accounting control and reconciliation processes are in place at the Investment Manager. These are subject to regular independent assessment for their suitability and operating effectiveness by an external auditor.
- Financial statements are subject to a year end audit by Deloitte LLP.

Commentary

- The Managing Agent (JLL) took over responsibility for the collection of rent and service charges in 2020. This process is operating smoothly and a high level of communication and collaboration between both parties has continued during 2021.
- While there has been an increasing number of property transactions completed during 2021, there are certain subsegments of the leisure market where there is limited liquidity and a lack of sufficient evidence of current pricing which can make asset valuations more difficult.

Change

NET RISK: MEDIUM — NO SIGNIFICANT CHANGE IN RISK

i See further details on valuations in note 1(h) on page 77 and note 10 to the accounts on pages 83–86.

J REGULATORY RISKS: REGULATORY CHANGE

Risks & Impact

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

Increased regulation and legislation concerning the environment is likely as the climate continues to change. This could lead to increased compliance costs for the Company and a revaluation of its less energy efficient assets if they become less attractive to investors and tenants.

Mitigation

- The Board receives regular updates on relevant regulatory changes from its professional advisors.
- The highest corporate governance standards are required from all key service providers and their reputation and performance are reviewed at least annually by the Management Engagement Committee.
- The Company has appointed experienced external tax advisors to advise on tax compliance matters.
- Processes have been put in place to ensure ongoing compliance with REIT rules following the Company's conversion to a REIT on 1 July 2018.
- The Board reviews quarterly a REIT dashboard confirming compliance with REIT regulations.
- The Company engages specialist consultants to advise on environmental matters as part of acquisition due diligence and when considering significant redevelopment work. Consultants are also engaged to monitor environmental credentials throughout the ownership of each property.

Commentary

- The Property Income Distributions (PIDs) announced for 2021 are in compliance with REIT rules.
- The government's ongoing withdrawal of forfeiture in favour of commercial property tenants during the pandemic may have encouraged a small minority of tenants to withhold rent and avoid engagement with the Investment Manager. This is scheduled to cease in March 2022 however the vast majority of tenants continued to pay rent or agreed rent concessions.

Change

NET RISK: MEDIUM — NO SIGNIFICANT CHANGE IN RISK

i

—

K STAKEHOLDER ENGAGEMENT RISKS: COMMUNICATION

Risks & Impact

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

Mitigation

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

Commentary

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

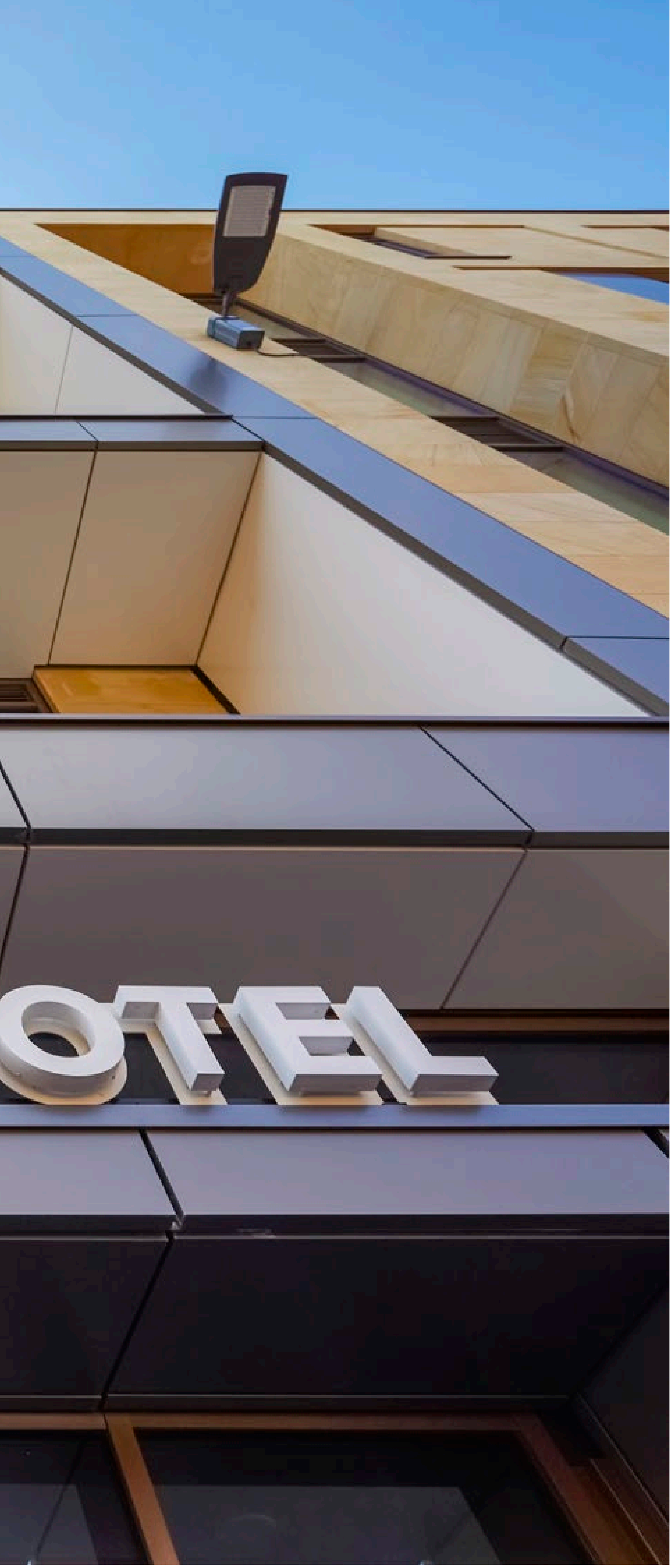
Change

NET RISK: LOW — NO SIGNIFICANT CHANGE IN RISK.

i

See further details on pages 46–47.

Maldron Hotel
Newcastle



Viability Statement

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

The Board also considers viability over the longer term, in particular to key points outside this time frame, such as the due dates for the repayment of long-term debt. In addition, the Board considers viability in relation to continuation votes. A periodic continuation vote held in March 2020 was passed with the next one scheduled for 2027 and seven yearly thereafter. In addition, under the discount control policy of the Company, a continuation vote may be required if the Company's shares trade at a discount of over 5% for a continuous period of 90 dealing days or more, beginning after the date of the second anniversary of the Company's most recent continuation vote. The second anniversary of the most recent continuation vote is 18 March 2022. Further details on this are set out on page 54 of the Report of the Directors. This specific risk is assessed in light of the Company's most recent continuation vote which was passed with 99.9% of shareholders voting for continuation based on a 76% turnout. In addition, feedback from shareholders in the last 12 months has not given rise to any concerns over future continuation votes should they arise.

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

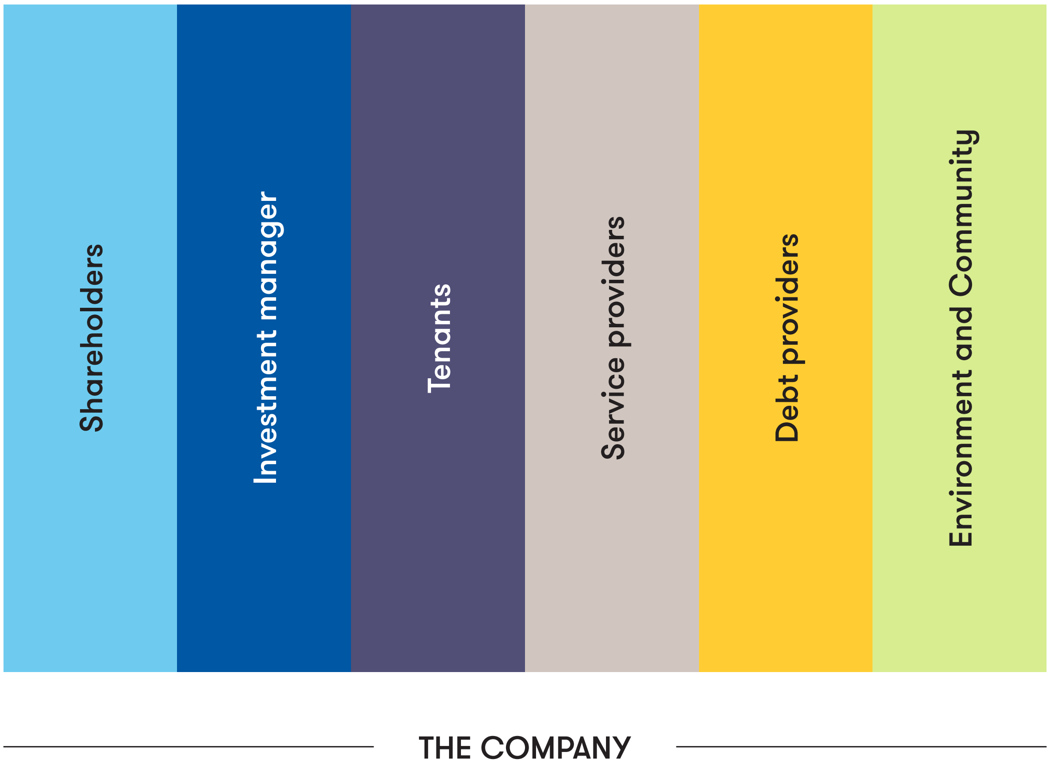
The Board has also carried out a robust assessment of the principal and emerging risks faced by the Group, as detailed on pages 34–41. The main risks which the Board considers will affect the business model, future performance, solvency, and liquidity, are tenant failure leading to a fall in dividend cover, macroeconomic uncertainty and ongoing discounts leading to continuation votes. These risks along with other reported risks have also been considered in relation to the COVID-19 pandemic and geopolitical landscape. The Board takes any potential risks to the ongoing success of the Group, and its ability to perform very seriously and works hard to ensure that risks are consistent with the Group's risk appetite at all times.

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

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

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

STAKEHOLDER ENGAGEMENT



Board's Obligations under Section 172 of the Companies Act

This section explains how the Directors have promoted the success of the Company for the benefit of its members as a whole during the financial year to 31 December 2021, taking into account the likely long term consequences of decisions, the need to foster relationships with all stakeholders and the impact of the Company's operations on the environment, in accordance with the provisions of the AIC Code on Corporate Governance.

The Role of the REIT Board

The Company is a REIT and has no executive directors or employees and is governed by the Board of Directors. The Board considers the main stakeholders in the Company are Shareholders, the Investment Manager, Tenants, Service Providers, Debt Providers and the Environment and the Community. The Board maintains that the Company should foster a culture where all of the Company's stakeholders are treated fairly and with respect. The Board also recognises the importance of acting fairly between stakeholders, which is a key consideration in the Board's decision-making process. The Board also considers relations with stakeholders very seriously and has cited Stakeholder Engagement as one of the Company's principal risks. The mitigating actions to address the Stakeholder Engagement risk are set out on page 41.

The Board, which comprises five independent Non-Executive Directors, whose skills, experience and diversity are set out on pages 48 and 49, retains responsibility for taking all decisions relating to the Group's investment objective and policy, dividend policy, gearing, corporate governance and strategy.

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

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

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

OUR STAKEHOLDERS' INTERESTS

Based on interactions with stakeholders, we consider the following interests to be particularly salient:

Shareholders

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

Investment Manager

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

Tenants

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

Service Providers

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

Debt Providers

- Responsible portfolio management
- Compliance with loan covenants

Environment and Community

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

Ocado Distribution Unit,
Hatfield

HOW WE ENGAGE WITH OUR STAKEHOLDERS

Centrum 260
Burton upon Trent

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

Shareholders

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

The Chair meets with key shareholders at least annually, and other Directors are available to meet shareholders as required. This allows the Board to hear feedback directly from Shareholders. During the financial year to 31 December 2021, the Investment Manager, undertook several virtual meetings with large shareholders to provide reports on the progress of the Company and receive feedback, which was then provided to the full Board. Shareholders are also invited to vote on the continuation of the Company at regular intervals and the Board encourages shareholders to participate in this vote.

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

The AGM will be held on Thursday, 16 June 2022.

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

Investment Manager

The Chair's Statement and Investment Manager's Review on pages 8–20 detail the key investment decisions taken during the year and subsequently. The Investment Manager has continued to manage the Company's assets in accordance with the mandate provided by shareholders, with the oversight of the Board. The Company regularly reviews its performance against its investment strategy by reference to its rolling five-year business plan to ensure it remains fit for purpose. The Board undertakes an annual strategy meeting to test itself and ensure the Company is positioned well for the future delivery of its objective for its stakeholders. The Board receives presentations from the Investment Manager at every Board meeting to help it to exercise effective oversight of the Investment Manager and the Company's Strategy. The Board formally reviews the performance of the Investment Manager at least annually.

Tenants

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

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

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

Service Providers

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

The Investment Manager is responsible for the prompt settlement of supplier invoices and the Investment Manager have a dedicated Accounts Payable team and monitor the payment statistics of the managing agent, JLL, throughout the year.

Debt Providers

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

Ventura Park
Radlett

Environment and Community

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

The Board has adopted the Investment Manager's ESG Policy and associated operational procedures and is committed to environmental management in all phases of the investment process. The Company aims to invest responsibly, to achieve environmental and social benefits alongside returns. By integrating ESG factors into the investment process, the Company aims to maximise the performance of the assets and minimise exposure to risk. Please see our disclosures in the ESG section on pages 22–25 and within the Taskforce for Climate-Related Financial Disclosures on pages 26 and 27 and the EPRA Financial and Sustainability Reporting starting on page 97, for more information on the Company's approach to ESG, including examples of Community Engagement during 2021.

Specific examples of stakeholder consideration during 2021

While the importance of giving due consideration to the Company's stakeholders is not new, and is considered during every Board decision, the Board were particularly mindful of stakeholder considerations during the following strategic decisions undertaken during the financial year to 31 December 2021.

Payment of the Company's Dividend

The Company continued to pay interim dividends during the height of the pandemic, despite the economic impact of COVID-19. As set out in the Chair's Statement on page 10 and 11, the Company, as a responsible landlord, has worked closely with tenants where they faced clear financial difficulties. The benefits of this are now being seen, with rent collection rates normalising, and the Board have taken this into account when announcing two dividend increases this year in recognition of the importance placed by investors upon income.

Examples of Tenant Interaction During 2021

Throughout the COVID-19 pandemic the Company offered support to many of its tenants to assist them through this period of sustained disruption. However as the economy has reopened and conditions have normalised our interactions have refocused around mutually beneficial commercial opportunities. At two of our large leisure assets The Rotunda, Kingston, and Regent Circus, Swindon, the Company contributes towards the cost of a marketing company, Bewonder, to promote tenant services via social media and the assets' own websites to drive footfall at the properties and maximise tenant revenue.

Bewonder hold regular meetings with local representatives of the tenants as well as discussions with their respective head offices to agree where we can support our tenants and where appropriate to offer direct support from the Company. A recent example is a promotion agreed with Cineworld at Regent Circus, Swindon, to promote recovery of their business which was severely impacted by government lockdown restrictions. We have agreed that customers attending the cinema will be able to claim free car parking within the Landlord's otherwise paid car park during their visit after validating their parking ticket within the cinema.

Approval of Strategic Report

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

The Strategic Report of the Company comprises the following on pages 4–47 Financial and Portfolio Highlights, Performance Summary, Chair's Statement, Investment Manager Review, Environmental, Social & Governance (ESG), Taskforce for Climate-Related Financial Disclosures, Property Portfolio & Analysis and Strategic Overview incorporating the risk management and stakeholder overview section.

The Strategic Report was approved by the Board on 13 April 2022.

Ken McCullagh
Director

BOARD OF DIRECTORS AND MANAGEMENT TEAM

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.

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

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

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

Fionnuala Hogan, Chair of the Management Engagement Committee and Nomination and Remuneration Committee, 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.

Contribution: The Board, through the Nomination and Remuneration Committee, has reviewed the contribution of Fionnuala Hogan since her appointment in light of her proposed election at the forthcoming AGM and has concluded that she provides significant investment insight to the Board and knowledge of the real estate sector.

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. Ms Hunter 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 abrdn, Ms Hunter 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, Ms Hunter was managing three funds on behalf of Lloyds Banking Group, totalling £3.8 billion.

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.

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

Chris Fry, Chair of the Property Valuation Committee, is a resident of the UK. Mr Fry is a Chartered Surveyor with 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.

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

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.

Diversity	Number	%
Male	3	60%
Female	2	40%

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. Mr Horton joined abrdn in 2014 to work as a Portfolio Manager on UKCM, managing a mixed portfolio of assets throughout the UK, as well as undertaking acquisitions and disposals on behalf of the company. In 2018, Mr Horton was seconded to the abrdn 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, Mr Horton 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.

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. Mr Carswell 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 abrdn. He has worked on UKCM since June 2021.

The Directors present the report and accounts of UK Commercial Property REIT Limited, ("the Company") for the year ended 31 December 2021.

Results and Dividends

The Group generated an IFRS profit of £236.2 million (2020: loss of £10.3 million) in the year equating to an earnings per share of 18.18p (2020: −0.79p). The Company had cash at the year end of £42.1 million (2020: £122.7 million). The Group paid out dividends totalling £38.0 million (2020: £29.9 million) in the year.

The Company has paid interim dividends in the year ended 31 December 2021 as follows:

	Payment date	Rate per share (p)
Fourth interim for prior period	February 2021	0.460
Fifth interim for prior period	May 2021	0.531
First interim	May 2021	0.644
Second interim	August 2021	0.644
Third interim	November 2021	0.644
TOTAL		2.923

On 3 February 2022 the Company declared a fourth interim dividend of 0.75p per ordinary share with an ex-dividend date of 11 February 2022, which was paid on 25 February 2022.

Principal Activity and Status

The Company is a Guernsey company and during the year carried on business as a property investment company. The Group migrated tax residence to the UK and elected to be treated as a UK REIT with effect from 1 July 2018. The principal activity and status of the Company's subsidiaries is set out in note 11 on page 86.

Strategy

The Company's purpose, objective and strategy is set out in detail in the Strategic Report on page 32.

	Date of Appointment	Shares as at 31 December 2021	Shares as at 31 December 2020
Chris Fry	January 2020	46,445*	46,445*
Fionnuala Hogan	August 2021	—	n/a
Ken McCullagh	February 2013	80,000	80,000
Margaret Littlejohns	January 2018	40,000	40,000
Michael Ayre (held jointly with Mrs Ayre)	February 2016	92,000	42,000
Robert Fowlds retired 5 August 2021	April 2018	n/a	50,000
Sandra Platts retired 31 December 2021	December 2013	—	—

Including an indirect interest over 6,445 shares held through a pension fund over which Mr Fry has discretion.

Between 31 December 2021 and 31 March 2022, Mr McCullagh has bought an additional 30,000 shares, Mr Fry an additional 35,219 shares and Ms Hogan 26,207 shares.

Listing Requirements

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

Share Capital

The issued share capital at 31 December 2021 consisted of 1,299,412,465 ordinary shares of 25p each. At 31 March 2022 the issued share capital was unchanged. Each ordinary share of the Company carries one vote at general meetings of the Company. Save for the provision of the articles of association, there are no restrictions on the transfer of ordinary shares in the Company other than certain restrictions which may from time to time be imposed by law (for example, insider trading law).

Directors

The Directors who held office during the period and their interests in the ordinary shares of the Company as at 31 December 2021 are shown in the audited table above.

The Directors are also Directors of UK Commercial Property Holdings Limited, UK Commercial Property Estates Holdings Limited, UK Commercial Property Estates Limited and UK Commercial Property Finance Holdings Limited which are all wholly owned Guernsey-domiciled subsidiary undertakings.

The Group also wholly owns Duke Distribution Centres S.a.r.l. and Duke Offices and Development S.a.r.l. both of which are Luxembourg resident entities.

2021

Fionnuala Hogan appointed as a Director

These entities were acquired as part of the transaction to purchase the Leamington Spa properties and the intention is to transfer the assets within the Group and dissolve these entities. The Directors of these entities are based in Luxembourg.

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

As recommended by the AIC Code on Corporate Governance the Company's policy is for all Directors to retire and offer themselves for election at the AGM immediately following their appointment and for re-election annually thereafter. Accordingly, the whole Board, with the exception of Ms Fionnuala Hogan, will retire and offer themselves for re-election at the AGM. Ms Fionnuala Hogan, having been appointed by the Board on 1 August 2021 and being eligible, will stand for election by shareholders at the forthcoming AGM.

The Board, through the Nomination and Remuneration Committee, has carried out an evaluation of the performance of the Board, the Committees and the individual Directors. Led by the Chair of the Nomination and Remuneration Committee, this review sought to identify whether the Board demonstrates sufficient collective skill and expertise, independence and knowledge of the Company and whether each Director exhibits the commitment required for the Company to achieve its objective. The evaluation, which was a desk-based review using online questionnaires, concluded that the performance of the Board and Committees and the individual Directors continues to be effective with each Director making a positive contribution to the performance and long-term sustainable success of the Company. No changes to Board composition were recommended. The action points arising from the review have been addressed and, where appropriate, revised policies have been adopted. Based on the results of the evaluation of the performance of the individual Directors, and their individual skills and expertise, as reflected in their biographies on pages 48–49, and contribution to the long-term success of the Company, the re-election, or election, of all the Directors who are being put forward is recommended to shareholders at the 2022 AGM. The Board last engaged and met with an external consultant, Boardroom Review Limited, to undertake an external evaluation in March 2020.

Alternative Investment Fund Manager ("AIFM")

The Company's AIFM is Aberdeen Standard Fund Managers Limited.

Depositary

Up to 23 October 2021, Citibank Europe Plc were appointed as Depositary in accordance with the requirements of AIFMD. On 23 October 2021, the contract was novated to Citibank UK Limited. This novation arose as a result of UK regulatory changes brought about by the UK's decision to leave the European Union.

SHARE CAPITAL AT 31 DECEMBER 2021

Substantial Interests in Share Capital

At 31 December 2021 the above entities had a holding of 3% or more of the Company's share capital.

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

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

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

As at 31 March 2022, the shareholdings of PLL and PLAL remain the same. Investec Wealth Limited is now 11.3%, Saunderson House 4.7% and BlackRock 4.3%. Baillie Gifford & Co Ltd now hold below 3.0%. There are no new holders of 3.0% or more.

The Takeover Code

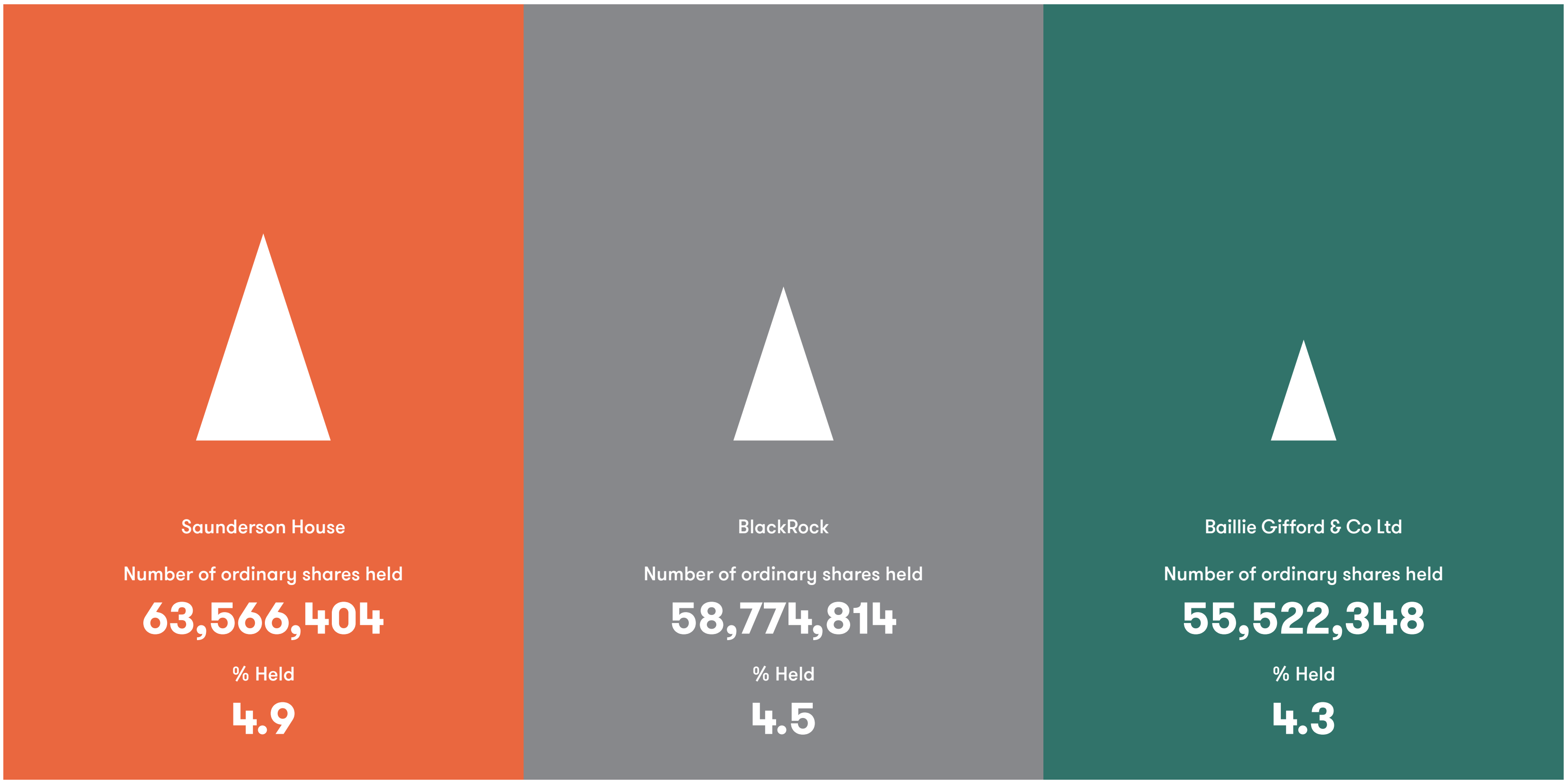
In previous years, following the sale of abrdn's insurance business to the Phoenix Group, in order to undertake share buybacks, a waiver from the Takeover Panel was required as the Investment Manager was deemed to be part of the Phoenix concert party under Rule 27 of the Takeover Code.

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

Going Concern

The Company's business activities, together with the factors likely to affect its future development, performance and financial position are set out in the Strategic Overview on pages 32–47. In addition, note 18 to the financial statements includes the Company's objectives, policies and processes for: managing its capital, its financial risk management objectives, details of its financial instruments, and its exposure to credit risk and liquidity risk. At both the Company and Group levels comprehensive going concern assessments have been performed. The Board has followed the Financial Reporting Council's 'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting 2014' when performing their going concern assessments and also considered the AIC Code on Corporate Governance.

Specific consideration to the likelihood of a continuation vote in 2022 is considered in the viability section on page 43.



The assessments performed include review of the valuation and liquidity of investments as at the balance sheet date and forecasts of NAV, cash resources and income under both normal and stressed conditions.

Having thoroughly considered the going concern assessment, the Board recognise that there is undoubtedly an increase in risk in relation to the economy and outlook for property arising from the COVID-19 pandemic and geopolitical conflict. However, based on the information available to the Directors, the Board do not believe there is significant doubt about the Company and Group's ability to continue as a going concern over the next 12 months from the date of the annual report. The Directors have a reasonable expectation that the Company and Group will be able to continue in operational existence and to have adequate resources to meet its liabilities as they fall due over the next 12 months. Therefore, the Board continues to adopt the going concern basis of accounting when preparing the annual financial statements.

Non-Mainstream Pooled Investments

The Company currently conducts its affairs so that the shares issued by the Company can be recommended by IFAs to ordinary retail investors in accordance with the FCA's rules in relation to non-mainstream investment products, and intends to continue to do so for the foreseeable future. The shares are excluded from the FCA's restrictions which apply to non-mainstream investment products because the Company has UK REIT status.

Annual General Meeting

At the AGM, to be held on 16 June 2022, the following resolutions will be proposed:

Dividend policy

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

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

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

Disapplication of Pre-emption Rights

Resolution 12 gives the Directors, for the period until the conclusion of the AGM in 2023 or, if earlier, on the expiry of 15 months from the passing of resolution 12, the necessary authority either to allot securities or sell shares held in treasury, otherwise than to existing shareholders on a pro-rata basis, up to an aggregate nominal amount of £32,485,312. This is equivalent to approximately 10 per cent of the issued ordinary share capital of the Company as at 31 March 2022. There are no shares currently held in treasury.

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

Directors' Authority to Buy Back Shares

The current authority of the Board granted to it by shareholders at the 2021 AGM to buy back shares in the Company expires at the end of the AGM to be held in 2022. The Board intends to renew such authority to buy back shares up to 14.99 per cent of the number of ordinary shares in issue. This special resolution (resolution 13), if approved, will enable the Company to buy back up to 194,781,928 shares based on the current number of shares in issue (excluding any treasury shares). Any buy back of ordinary shares will be made subject to Guernsey law and within guidelines established from time to time by the Board, which will take into account the income and cashflow requirements of the Company, and the making and timing of any buy backs will be at the absolute discretion of the Board.

Purchases of ordinary shares will only be made through the market for cash at prices below the prevailing published net asset value of an ordinary share (as last calculated, adjusted downwards for the amount of any dividend declared by the Company upon the shares going ex-dividend), where the Directors believe such purchases will enhance shareholder value. Such purchases will also only be made in accordance with the rules of the UK Listing Authority which provide that the price to be paid must not be more than the higher of (i) five per cent above the average of the middle market quotations for the ordinary shares for the five business days before the purchase is made and (ii) the higher of the last independent trade and the highest current independent bid on the London Stock Exchange. The minimum price (exclusive of expenses) that may be paid is 25p a share.

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

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

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

Dolphin Estate
Sunbury-on-Thames

Auditors

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

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

Recommendations

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

Statement Regarding the Annual Report and Accounts

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

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

commercial.property@abrdn.com

Approved by the Board on 13 April 2022.

Ken McCullagh
Director

Introduction

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

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

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

- Interaction with the workforce (provisions 2, 5 and 6);
- The role and responsibility of the Chief Executive (provisions 9 and 14);
- Previous experience of the Chair of a Remuneration Committee (provision 32); and
- Executive Directors' remuneration (provisions 33 and 36 to 40).

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

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

The Board

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

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

It is the policy of the Board that the Chair of the Company ordinarily should retire once he or she has served as a Director for nine years in line with the current best practice of the AIC code. In the light of Mr McCullagh having served nine years on the Board, the Independent Directors, excluding the Chair, have reviewed the Company's policy on the tenure of the Chair, to consider if it would be appropriate to ask the Chair to continue to serve for a limited period.

The Independent Directors considered the independence of the Chair from the Manager and concluded that, notwithstanding the length of tenure, he remains independent of the Manager in character and judgement.

In forming this conclusion, the Independent Directors were able to draw on the Chair's demonstrable track record overseeing the affairs of the Company through a number of significant investment cycles, including the current COVID-19 pandemic which started immediately after his appointment as Chair of the Company.

The Independent Directors also considered the importance of maintaining continuity and 'board memory' and observed that, in addition to the changes in the Board in the last 12 months with the retirement of two directors, there have been changes within the Manager at senior levels. The Chair has also overseen the negotiation of a reduction in the management fee, effective from 1st April 2022.

The Chair's experience and in-depth knowledge of the Company is extremely beneficial to the Directors, shareholders and all stakeholders alike.

Therefore, the Independent Directors proposed that Mr McCullagh will continue as Chair following the forthcoming AGM.

The Board however are conscious of succession planning which is regularly reviewed and will seek to identify a suitable Chair to succeed Mr McCullagh in line with additional board appointments.

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

A management agreement between the Company and its Investment Manager sets out the matters over which the Investment Manager has authority and the limits beyond which Board approval must be sought. All other matters, including strategy, investment and dividend policies, gearing, and corporate governance procedures, are reserved for the approval of the Board of Directors. The Board currently meets at least quarterly and receives full information on the Company's investment performance, assets, liabilities and other relevant information in advance of Board meetings. In addition the Board has many ad hoc meetings and an annual strategy day.

Board Committees

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

Audit Committee

Information regarding the composition, responsibilities and activities of the Audit Committee is set out in the Audit Committee Report on pages 58–60.

Management Engagement Committee

The Management Engagement Committee comprises all independent Directors of the Company and is chaired by Ms Fionnuala Hogan.

The Management Engagement Committee met once in 2021. The purpose of the Committee is to review the terms of the agreements with the Investment Manager and the Company's other service providers.

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

Following this review, it is the Directors' opinion that the continuing appointment of the Investment Manager on the revised terms outlined in note 4 of the accounts is in the interests of shareholders as a whole due to the strength and quality of the management team, performance achieved and the Investment Manager's commitment to the sector.

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

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

Nomination and Remuneration Committee

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

The Nomination and Remuneration Committee considers appointments of new Directors, undertaking a thorough and open process involving, where appropriate, professional recruitment consultants and committee interviews with candidates whose skills have been identified as complementary to the existing Board. In respect of the appointment of Ms Fionnuala Hogan, who was appointed as an independent Non-Executive Director on 5 August 2021, the Board used the services of an external search consultant, Tyzack Partners. Tyzack Partners is independent of the Company and Board of Directors.

The Board and Committee are supportive of the debate around the recommendations of the Davies Report on Women on Boards, the Hampton Alexander Review and the Parker Review on ethnic diversity and recognise the benefits of diversity in its broadest sense and the value this brings to the Company in terms of skills, knowledge and experience.

Women make up 40% of the Company's Board composition. As the Company has no employees, it does not maintain a formal policy on diversity and inclusion and has therefore not reported further in respect of gender representation within the Company.

Consideration of Directors' fees and remuneration policy is also undertaken by the Nomination and Remuneration Committee where the fees are compared against a number of different comparators. The Committee also undertakes the annual Board and Director evaluation process. The Nomination and Remuneration Committee met three times during the year to consider Board succession and the level of Directors' fees.

Property Valuation Committee

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

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

Risk Committee

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

The duties of the Risk Committee include the consideration of matters relating to the risk profile of the Company, including an assessment of risk appetite, risk tolerance and risk strategy, and the regular review of principal and emerging risks, seeking assurance that these risks are appropriately rated and ensuring that appropriate risk mitigation is in place. This is done via a risk matrix that the Committee reviews on a quarterly basis which identifies the gross risks relating to the Group, considers how the risk has been addressed and mitigated and then considers what the net risk is post mitigation. Further details are shown on pages 34–41 of the report. The Risk Committee also reviews the Investment Manager's risk processes related to health and safety, and ensures that health and safety risks applying to property acquisitions are fully considered.

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

Directors Meeting Attendance Summary

The table on the prior page sets out the number of Board and Committee meetings all held during the year and the number attended by each Director. The Board has met in between scheduled quarterly Board meetings to address ad hoc matters as they have arisen. All meetings were held in the UK and for the past 12 months were held both virtually and in person.

Internal Controls

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

The process is based principally on the Investment Manager's existing risk-based approach to internal control whereby a risk matrix is created that identifies the key functions carried out by the Investment Manager and other service providers, the individual activities undertaken within those functions, the risks associated with each activity and the controls employed to minimise those risks. A residual risk rating is then applied. The risk matrix is regularly updated and the Risk Committee is provided with regular reports highlighting all material changes to the risk ratings and confirmation of the action which has been, or is being, taken. Further detail on the Group's risk management processes are detailed on pages 90–94. In addition, consideration of ISAE 3402 and similar reports issued by the Investment Manager, and other service providers where applicable, are considered. The Board also receives quarterly updates from both the Risk and Compliance and Internal Audit departments of the Investment Manager on areas that specifically affect the Company.

Internal control procedures have been in place throughout the period and up to the date of approval of this Report, and the Board is satisfied with their effectiveness up to the date of approval of this Report. These procedures are designed to manage rather than eliminate risk and, by their nature, can only provide reasonable, but not absolute, assurance against material misstatement or loss. At each Board meeting, the Board monitors the investment performance of the Company in comparison to its stated objective and against comparable companies. The Board also reviews the Company's activities since the previous Board meeting to ensure that the Investment Manager adheres to the agreed investment policy and approved investment guidelines and, if necessary, approves changes to such policy and guidelines.

In addition, at each Board meeting, the Board receives reports from the Company Secretary in respect of compliance matters and duties performed on behalf of the Company including conflicts of interest.

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

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

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

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

Relations with Shareholders

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

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

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

Approved by the Board on 13 April 2022.

Ken McCullagh
Director

AUDIT COMMITTEE REPORT

Composition

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

Responsibilities

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

- Reviews and monitors the internal control systems and risk management systems including review of non-financial risks and the Manager's policy on information security on which the Company is reliant. The Directors' statement on the Company's internal controls and risk management is set out in the Directors' Report;
- Considers whether there is a need for the Company to have its own internal audit function;
- Monitors the integrity of the half-yearly and annual financial statements of the Company by reviewing, and challenging where necessary, the actions and judgements of the Manager;
- Reviews, and reports to the Board on, the significant financial reporting issues and judgements made in connection with the preparation of the Company's financial statements, interim reports, announcements and related formal statements;
- Reviews the content of the Annual Report and financial statements and makes recommendations to the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy;
- Meets with the auditor to review the proposed audit programme of work and the findings of the auditor. The Directors also use this as an opportunity to assess the effectiveness of the audit process;
- Meets in private with the auditor, without any representatives of the Manager being present;
- Develops and implements a policy on the engagement of the auditor to supply non-audit services. There were no non-audit fees (2020: £Nil) paid to the auditor during the year under review;
- Reviews a statement from the Manager detailing the arrangements in place within abrdn whereby staff may, in confidence, escalate concerns about possible improprieties in matters of financial reporting or other matters;
- Makes recommendations in relation to the appointment of the auditor and to approve the remuneration and terms of engagement of the auditor; and
- Monitors and reviews the auditor's independence, objectivity, effectiveness, resources and qualification.

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

Significant Issues

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

Valuation of Properties: How was the issue addressed?

The valuation of properties is undertaken in accordance with the accounting policy disclosed in note 1(h) to the accounts. The process adopted in the valuation of the portfolio and the valuations themselves are considered by the Property Valuation Committee, representatives of which met the external valuer, along with the Investment Manager, as part of the year end valuation process. The Chair of the Property Valuation Committee reported to the Audit Committee in March 2022 and indicated that the following issues were discussed in the meeting with the external valuers:

- Market review and outlook;
- The level of yields on properties within the portfolio;
- Letting activity within the portfolio;
- Rental value and void changes; and
- Comparable evidence relating to the valuation of the properties.

Particular focus was given to the underlying yields applied to a number of the properties and whether they appropriately reflected the comparable evidence, letting activity and the property market as a whole. Following this meeting and subsequent discussions with the Investment Manager, a value of £1,537,450,000 was agreed as the valuation of the property portfolio as at 31 December 2021. The Audit Committee considered the report by the Chair of the Property Valuation Committee along with a summary of the valuation and its key movements by the Investment Manager and agreed that this valuation was appropriate for the financial statements and that a robust process of analysis had been followed. In terms of existence of the properties, the Committee noted the procedures that the Investment Manager has in place to ensure correct approval and title to all properties held, which include any property investment transaction documentation having to be approved and signed by the Board irrespective of its value and the obligations on the Company's solicitors to ensure good and marketable title. In addition, as part of the external audit, the Committee sought assurance from the auditor prior to sign off of the financial statements that the confirmation of all titles has been included as part of the audit work undertaken.

Recognition of Rental Income: How was the issue addressed?

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

- Portfolio yield summaries;
- Movement in annualised contracted rent;
- Quarterly income changes with details of lease activity in the quarter;
- Rent collection percentages;
- Rental arrears; and
- Detailed quarterly financial reporting detailing the main reason for revenue movements in the quarter.

The Audit Committee concluded that, given the controls and reporting in place throughout the year, the rental income number included in the financial statements of £58,307,000 was appropriate.

Provision for Bad Debts How was the issue addressed?

As a result of COVID-19, rent collection levels have been below what has historically been collected. The provision for bad debts (effectively unpaid rent and service charge), and referred to under International Accounting Standards as the provision for expected credit losses, has reduced in the year but only after the formal write-off of specific debts in the period. The Committee has reviewed the processes in place at the Investment Manger to identify and quantify this number, which involves a thorough process of reviewing every tenant that has rent outstanding. The Board also receives regular updates on rent collection, outstanding debtors and the related provision for bad debts. The Audit Committee concluded that, given the controls and reporting in place throughout the year, the provision for bad debts number included in the financial statements of £5,327,000 was appropriate as is the trade receivables figure of £15,090,000.

Review of Auditor

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

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

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

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

Details of the amounts paid to Deloitte LLP during the year for audit fees is set out in note 5 to the accounts. The Company has complied with the provisions of The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014.

Following a tender process in 2015, Deloitte LLP was first appointed as the Company's independent auditor by shareholders at the AGM held on 15 June 2016 for the year ended 31 December 2016. The next audit tender of the Company is due to take place by 2025 in compliance with the EU regulations and FRC Guidance on audit tenders.

In accordance with present professional guidelines, the Senior Statutory Auditor from Deloitte has rotated after a period of five years, with John Clacy replaced by Siobhan Durcan for the 2021 audit.

The Committee notes the increase in fees charged by Deloitte LLP during the year, a trend that is being seen across the industry. The Committee will continue to monitor the progression of the fees charged to ensure they are in line with the peer group and represent value for money. In relation to non-audit fees, these amounted in aggregate to £Nil (2020: £Nil) for the year ended 31 December 2021. Where any non-audit fee is expected to exceed £25,000, the Company operates a policy under which specific prior approval must be given by the Committee.

The continued appointment of Deloitte LLP as independent auditor for the year ending 31 December 2022 will be subject to approval by shareholders. A resolution proposing the re-appointment of Deloitte LLP will be put to shareholders at the AGM to be held on 16 June 2022.

Recommendation to the Board

Following its review of the Annual Report & Accounts for the year ended 31 December 2021, the Audit Committee has advised the Board that it considers that the Annual Report & Accounts, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders and other users to assess the Company's position and performance, business model and strategy.

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

Michael Ayre
Chair of the Audit Committee
13 April 2022

The Remuneration Report

This Remuneration Report comprises two parts:

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

Remuneration Policy

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

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

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

Fees are annually reviewed against comparable vehicles and if considered appropriate, increased accordingly. Following a review of the Board of Directors' remuneration which took into account the nature of their duties, responsibilities and the value of their time spent, as well as a review of other comparable vehicles that are similar in size, it was agreed that no changes to the fees would be made for the year ending 31 December 2022. Directors are entitled to the following fees during the year to 31 December 2022, subject to a further review in June 2022.

	2022 £	2021 £
Chair	70,000	70,000
Chair of Audit Committee	52,500	52,500
Chair of Risk Committee	46,000	46,000
Chair of Management Engagement Committee	46,000	46,000
Chair of Property Valuation Committee	46,000	46,000
Director	44,500	44,500

Appointment

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

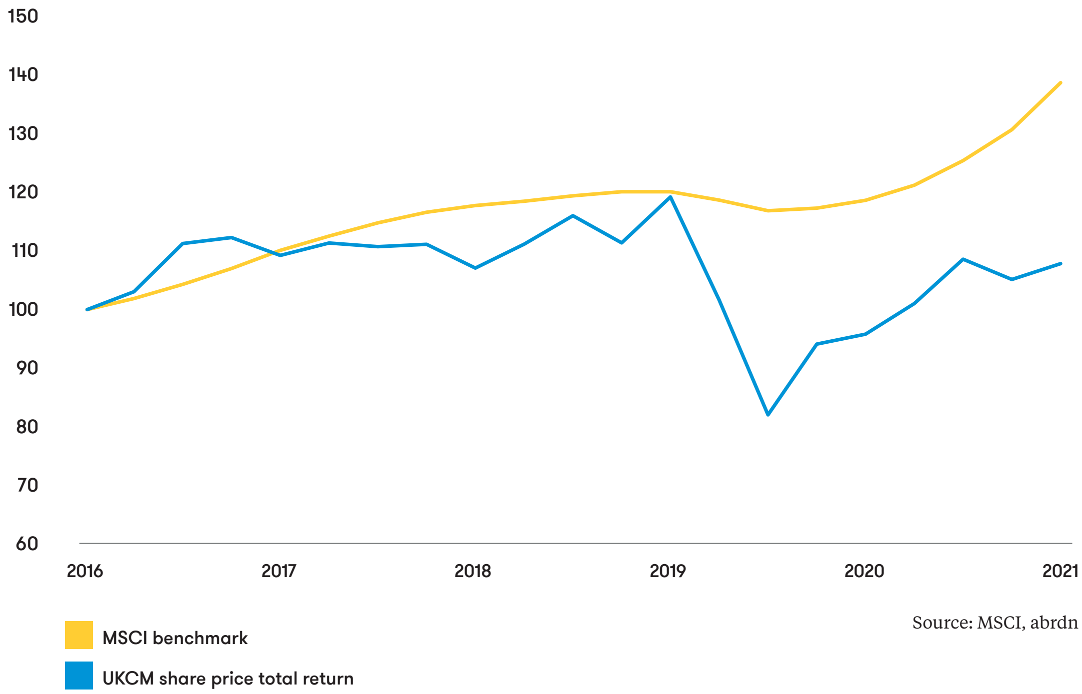
Performance, Service Contracts, Compensation and Loss of Office

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

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

The Remuneration Policy stated across was approved by shareholders at the 2019 AGM. There have been no changes to the Policy since then, and an ordinary resolution in this regard will be proposed at the AGM in 2022.

TOTAL RETURN INDEX %



Source: MSCI, abrdn

Implementation Report

Aggregate Fees

Article 79 of the Company's Articles of Association currently limits the aggregate fees payable to the Board of Directors to a total of £400,000 per annum as approved by the Company's shareholders at the AGM in 2019. Details of fee levels are set out on page 61.

Company Performance

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

The above graph compares the total return (assuming all dividends are reinvested) to ordinary shareholders compared with the total return on the Company's MSCI benchmark over a five-year period to 31 December 2021 (rebased to 100 at 31 December 2016).

Fees Payable (audited)

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

The fees of Sandra Platts, who retired as a Director on 31 December 2021, were paid to Altair Guernsey Limited, a Director services business based in the Channel Islands of which she is a Director.

	2021	2020	% change in directors fees
Ken McCullagh	70,000	55,250	26.7
Michael Ayre	52,500	44,625	17.6
Robert Fowlds Retired 5 August 2021	26,556	37,825	–29.8
Christopher Fry	46,000	39,100	17.6
Margaret Littlejohns	46,000	39,100	17.6
Sandra Platts	46,000	39,100	17.6
Fionnuala Hogan Appointed 5 August 2021	18,063	—	n/a
Directors National Insurance and expenses	20,106	17,226	—
Total	**325,225**	**272,226**	—

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

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

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

	Year to 31 December 2021	Year to 31 December 2020
Aggregate Directors' Remuneration	£325,225	£272,226
Aggregate Shareholder Distributions	£37,981,826	£29,886,488

REMUNERATION REPORT 2021

99.99%

Shareholder votes in favour

The graphic above shows the results in respect of the resolution to approve the Directors' Remuneration Report at the AGM in June 2021.

Directors' Interests in the Company

The Directors are not required to have a shareholding in the Company. The audited Directors' interests in the share capital of the Company are shown in the Report of the Directors on page 51. Approved by the Board on 13 April 2022.

Ken McCullagh
Director
13 April 2022

DIRECTORS' RESPONSIBILITY STATEMENT

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

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

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

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

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

We confirm that to the best of our knowledge:

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

On behalf of the Board

Ken McCullagh
Director
13 April 2022

Independent Auditor's Report and Financial Statements

UK Commercial Property REIT

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

In our opinion the financial statements of UK Commercial Property REIT Limited (the 'parent company') and its subsidiaries (the 'Group'):
give a true and fair view of the state of the Group's affairs as at 31 December 2021 and of its profit for the year then ended;
have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and IFRSs as issued by the International Accounting Standards Board (IASB); and
have been prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

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

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

BASIS FOR OPINION

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

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

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

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

SUMMARY OF OUR AUDIT APPROACH

Key audit matters	The key audit matters that we identified in the current year were: ▲ Investment property valuation; and ▲ Recoverability of rental income receivable. Within this report, key audit matters are identified as follows: ! Newly identified ↑ Increased level of risk ⟷ Similar level of risk ↓ Decreased level of risk
Materiality	The materiality that we used for the Group financial statements in the current year was £13.2m which was determined on the basis of 1% of Net Asset Value.
Scoping	All audit work for the Group was performed directly by the Group engagement team. All of the Group's subsidiaries are registered as Guernsey companies and are subject to full scope audits.
Significant changes in our approach	There were no significant changes in our approach in the current year.

CONCLUSIONS RELATING TO GOING CONCERN

Going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

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

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

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

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

Key audit matters

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

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

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

Investment property valuations (⟷)

Key audit matter description

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

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

Management's valuation is based on the external valuation provided by CBRE Limited, chartered surveyors. The valuation of the investment property portfolio at 31 December 2021 amounted to £1,508m (2020: £1,173m).

Refer to notes 1(b), 1(h) of Accounting policies on pages 76–77 and note 10 on pages 83–86 of the Notes to the Financial Statements. Also refer to the Audit Committee Report pages 58–60.

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

We performed the following:

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

Key observations

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

Recoverability of rental income receivable

Key audit matter description	How the scope of our audit responded to the key audit matter	Key observations
As a result of COVID-19, rent collection levels are below what has historically been collected and this has resulted in an increase in the bad debt provision. There is a risk that the Group's revenue has not been recognised correctly due to inadequate impairment of the rental income receivable. The impact of the COVID-19 pandemic and associated lockdowns and social restrictions on certain tenants may result in rental payments no longer being made due to cash flow difficulties. We therefore identified a key audit matter in relation to the recoverability of rental income and the impairment assessment on rental income receivable for the Group as at the reporting date. Given the high level of judgement and estimation uncertainty involved, we have determined there is the potential for management bias. Management perform a bottom up process of reviewing every tenant that has rent outstanding to identify and quantify the provision related to bad debts due from rental debtors. The provision for bad debts included in the financial statements at 31 December 2021 is £5.33m (2020: £5.74m). Refer to notes 1(b), 1(m) of Accounting policies on pages 76–77 and note 12 on pages 86–87 of the Notes to the Financial Statements. Also refer to the Audit Committee Report pages 58–60.	We performed the following: ▲ Obtained an understanding of the management's processes and obtained an understanding of relevant controls relating to the recoverability of rental income; ▲ Tested the considerations used by management to recalculate the rent receivable amount and assess the provisions applied; ▲ Assessed the ageing of income accrued and tested the recoverability for a sample of balances with regard to cash received after the balance sheet date; ▲ To address the ongoing risks around recoverability, reviewed the Group's Expected Credit Loss workings, which should correspond to the assessed recoverability of accrued rental income recognised at year end, and assessed whether these align to IFRS 9; and ▲ Assessed whether any critical judgement or sources of estimation uncertainty were applied and appropriately disclosed.	We concluded that the bad debt provision as determined by management is appropriate.

OUR APPLICATION OF MATERIALITY

Materiality

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

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

Group materiality

£13.2 million (2020: £11.3 million)

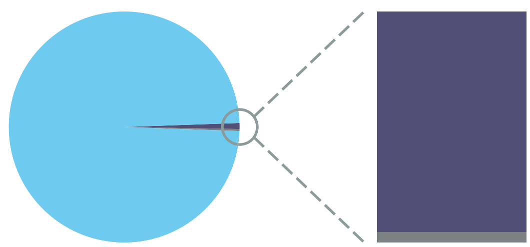
Basis for determining materiality

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

Rationale for the benchmark applied

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

In addition to net assets, we consider EPRA Adjusted Profit After Tax as a critical performance measure for the Group and a measure which is widely used within the Real Estate industry. We applied a lower level materiality of £1.7m (2020: £1.8m), which equates to 5% (2020: 5%) of that measure for testing all balances impacting that measure.



NAV £1,325 million

Group materiality £13.2 million

Audit Committee reporting threshold £0.7 million

Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Group performance materiality was set at 60% of Group materiality for the 2021 audit (2020: 60%). In determining performance materiality, we considered the following factors:

A. The impact of COVID-19 on the Group's operations in the year and on the wider real estate sector;
B. The fact that we have not identified any significant changes in business structure; and
C. Our experience from previous audits has indicated a low number of corrected and uncorrected misstatements identified in prior periods.

Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.7m (2020: £0.6m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Scoping

The Group consists of the Company UK Commercial Property REIT Limited and its subsidiaries, which are all registered in Guernsey. Our Group audit was scoped by obtaining an understanding of the Group and its environment, including internal controls, and assessing the risks of material misstatement at the Group level. The Group is audited by one audit team, led by the Senior Statutory Auditor. The audit is performed centrally, as the books and records for each entity within the Group are maintained at head office. All of the Group's subsidiaries that are registered as Guernsey companies are subject to full scope audits. We also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information.

Our consideration of the control environment

As part of our risk assessment, we assessed the control environment in place at the Investment Manager to the extent relevant to our audit. As part of this we relied upon the controls report of the Investment Manager and adopted a controls reliance approach with respect to the processing and review of rental income.

Our consideration of the control environment

In planning our audit, we have considered the potential impact of climate change on the Group's business and its financial statements. The Group continues to develop its assessment of the potential impacts of environmental, social and governance ("ESG") related risks, including climate change, as outlined on pages 22–27. As a part of our audit, we held discussions to understand the process of identifying climate-related risks, the determination of mitigating actions and the impact on the Group's financial statements. We performed our own qualitative risk assessment of the potential impact of climate change on the Group's account balances and classes of transactions and did not identify any additional risks of material misstatement.

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

Continued

OTHER INFORMATION

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

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

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

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

We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

www.frc.org.uk/auditorsresponsibilities

This description forms part of our auditor's report.

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

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

Identifying and assessing potential risks related to irregularities

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

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

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

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

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

Audit response to risks identified

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

OPINION ON OTHER MATTER PRESCRIBED BY OUR ENGAGEMENT LETTER

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

CORPORATE GOVERNANCE STATEMENT

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

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

- The directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 52;
- The directors' explanation as to its assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on page 43;
- The directors' statement on fair, balanced and understandable set out on page 54;
- The board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 56;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on pages 57; and
- The section describing the work of the audit committee set out on pages 58–60.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Adequacy of explanations received and accounting records

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

- We have not received all the information and explanations we require for our audit; or
- Proper accounting records have not been kept by the parent company; or
- The financial statements are not in agreement with the accounting records.

We have nothing to report in respect of these matters.

OTHER MATTERS WHICH WE ARE REQUIRED TO ADDRESS

Auditor tenure

Following the recommendation of the audit committee, we were appointed by the board of directors on 16 August 2016 to audit the financial statements for the year ending 31 December 2016 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is six years, covering the years ending 31 December 2016 to 31 December 2021.

Consistency of the Audit Report with the additional report to the Audit Committee

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

USE OF OUR REPORT

This report is made solely to the company's members, as a body, in accordance with Section 262 of the Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and/or those matters we have expressly agreed to report to them on in our engagement letter and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

As required by the Financial Conduct Authority (FCA) Disclosure Guidance and Transparency Rule (DTR) 4.1.14R, these financial statements form part of the European Single Electronic Format (ESEF) prepared Annual Financial Report filed on the National Storage Mechanism of the UK FCA in accordance with the ESEF Regulatory Technical Standard (('ESEF RTS'). This auditor's report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS.

Siobhan Durcan
Senior Statutory Auditor
For and on behalf of Deloitte LLP
Recognised Auditor,
St Peter Port, Guernsey

13 April 2022

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
REVENUE			
Rental income	2	58,307	64,656
Impairment reversal/(loss) on trade receivables		412	(4,784)
Service charge income	3	6,063	6,500
Gains/(losses) on investment properties	10	201,753	(45,485)
Interest income		116	236
Total income		**266,651**	**21,123**
EXPENDITURE			
Investment management fee	4	(8,500)	(8,063)
Direct property expenses	5	(5,343)	(4,845)
Service charge expenses	5	(6,063)	(6,500)
Other expenses	5	(3,229)	(3,800)
Total expenditure		**(23,135)**	**(23,208)**
Operating profit/(loss) before finance costs		**243,516**	**(2,085)**
FINANCE COSTS			
Finance costs	6	(7,283)	(8,197)
Operating profit/(loss) after finance costs		**236,233**	**(10,282)**
Net profit/(loss) from ordinary activities before taxation		236,233	(10,282)
Taxation on profit/(loss) on ordinary activities	7	—	—
Net profit/(loss) for the year		**236,233**	**(10,282)**
Total comprehensive income/(deficit) for the year		**236,233**	**(10,282)**
Basic and diluted earnings per share	9	**18.18p**	**(0.79)p**

All of the profit and total comprehensive income for the year is attributable to the owners of the Company. All items in the above statement derive from continuing operations. Additional EPRA performance measures are on pages 97–99.

The accompanying notes are an integral part of this statement.

CONSOLIDATED BALANCE SHEET
As at 31 December 2021

	Notes	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
NON-CURRENT ASSETS			
Investment properties	10	1,508,368	1,172,812
		1,508,368	**1,172,812**
CURRENT ASSETS			
Investment properties held for sale	10	—	10,000
Trade and other receivables	12	50,763	47,432
Cash and cash equivalents		42,121	122,742
		92,884	**180,174**
Total assets		**1,601,252**	**1,352,986**
CURRENT LIABILITIES			
Trade and other payables	13	(27,698)	(28,161)
		(27,698)	**(28,161)**
NON-CURRENT LIABILITIES			
Bank loan	14	(248,326)	(197,849)
Total liabilities		**(276,024)**	**(226,010)**
Net assets		**1,325,228**	**1,126,976**
REPRESENTED BY			
Share capital	15	539,872	539,872
Special distributable reserve		568,891	572,392
Capital reserve		216,465	14,712
Revenue reserve		—	—
Equity shareholders' funds		**1,325,228**	**1,126,976**
Net asset value per share	16	**102.0p**	**86.7p**

The accounts on pages 72–95 were approved and authorised for issue by the Board of Directors on 13 April 2022 and signed on its behalf by:

Ken McCullagh
Director

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	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
Total comprehensive income		—	—	—	236,233	236,233
Dividends paid	8	—	—	—	(37,981)	(37,981)
Transfer in respect of gains on investment property	10	—	—	201,753	(201,753)	—
Transfer from special distributable reserve		—	(3,501)	—	3,501	—
As 31 December 2021		539,872	568,891	216,465	—	1,325,228

For the year ended 31 December 2020

	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
Total comprehensive income		—	—	—	(10,282)	(10,282)
Dividends paid	8	—	—	—	(29,886)	(29,886)
Transfer in respect of losses on investment property	10	—	—	(45,485)	45,485	—
Transfer from special distributable reserve		—	5,317	—	(5,317)	—
As 31 December 2020		**539,872**	**572,392**	**14,712**	—	**1,126,976**

The accompanying notes are an integral part of this statement.

CONSOLIDATED
CASH FLOW STATEMENT
For the year ended 31 December 2021

	Notes	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit/(loss) for the year before taxation		236,233	(10,282)
Adjustments for:			
(Gains)/losses on investment properties	10	(201,753)	45,485
Movement in lease incentives	10	(5,877)	(4,805)
Movement in provision for bad debts	12	412	(4,784)
Decrease/(increase) in operating trade and other receivables		2,134	(7,582)
(Decrease)/increase in operating trade and other payables		(464)	5,321
Finance costs	6	7,283	8,197
Cash generated by operations		37,968	31,550
Tax paid		—	(293)
Net cash inflow from operating activities		**37,968**	**31,257**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investment properties	10	(179,861)	(24,669)
Sale of investment properties		74,181	158,194
Capital expenditure	10	(18,077)	(3,570)
Net cash (outflow)/inflow from investing activities		**(123,757)**	**129,955**
CASH FLOWS FROM FINANCING ACTIVITIES			
Facility fee charges from bank financing		(1,020)	(864)
Dividends paid	8	(37,981)	(29,886)
Bank loan drawndown/(repaid)	14	50,000	(50,000)
Bank loan interest paid		(5,831)	(6,704)
Net cash inflow/(outflow) from financing activities		**5,168**	**(87,454)**
Net (decrease)/increase in cash and cash equivalents		**(80,621)**	**73,758**
Opening cash and cash equivalents		**122,742**	**48,984**
Closing cash and cash equivalents		**42,121**	**122,742**
REPRESENTED BY			
Cash at bank		22,879	39,599
Money market funds		19,242	83,143
		42,121	**122,742**

The accompanying notes are an integral part of this statement.

1. ACCOUNTING POLICIES

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

(a) Basis of Accounting

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

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

(b) Significant Accounting Judgements, Estimates and Assumptions

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

Key estimation uncertainties

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

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

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

Due to the impact of COVID-19 on collection rates there remains a high assessed credit risk, albeit rent collection rates were beginning to normalise at the end of the reporting period. Each individual rental income debtor is reviewed to assess whether it is believed there is a probability of default and expected credit loss given the knowledge and intelligence of the individual tenant and an appropriate provision made. Further analysis with respect to the bad debt provision has been set out in note 12 to these accounts.

(c) Basis of Consolidation

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

(d) Functional and Presentation Currency

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

(e) Revenue Recognition

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

IFRS 15 requires the Group to determine whether it is a principal or an agent when goods or services are transferred to a customer. An entity is a principal if the entity controls the promised good or service before the entity transfers the goods or services to a customer.

An entity is an agent if the entity's performance obligation is to arrange for the provision of goods and services by another party. Any leases entered into between the Group and a tenant require the Partnership to provide ancillary services to the tenant such as maintenance works etc, therefore these service charge obligations belong to the Group. However, to meet this obligation the Group appoints a Managing Agent, Jones Lang Lasalle Inc "JLL" and directs it to fulfil the obligation on its behalf. The contract between the Group and the Managing Agent creates both a right to services and the ability to direct those services. This is a clear indication that the Group operates as a principal and the Managing Agent operates as an agent. Therefore it is necessary to recognise the gross service charge revenue and expenditure billed to tenants as opposed to recognising the net amount.

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

(f) Expenses

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

(g) Taxation

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

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

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

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

(h) Investment Properties

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

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

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

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

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

The Group has entered into forward funding agreements with third party developers in respect of certain properties. Under these agreements the Group will make payments to the developer as construction progresses. The value of these payments is assessed and certified by an expert.

Investment properties are recognised for accounting purposes upon completion of contract. Properties purchased under forward funding contracts are recognised at certified value to date.

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

(i) Operating Lease Contracts

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

The Group as lessor

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

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

The Group as intermediate lessor

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

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

(j) Share Issue Expenses

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

(k) Segmental Reporting

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

(l) Cash and Cash Equivalents

Cash and cash equivalents are defined as cash in hand, demand deposits, and other short-term highly liquid investments readily convertible within three months or less to known amounts of cash and subject to insignificant risk of changes in value. Cash invested in the abrdn global liquidity fund can be accessed on the same business day.

(m) Trade and Other Receivables

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

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

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

The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full. The Group writes off trade receivables when there is no reasonable expectation of recovery.

A provision for impairment of trade receivables, principally in relation to rent and service charge billings, is established where the Property Manager has indicated concerns over the recoverability of arrears based upon their individual assessment of all outstanding balances which incorporates forward looking information. Given this detailed approach, a collective assessment methodology applying a provision matrix to determine expected credit losses is not used. The amount of the provision is recognised in the Statement of Financial Position and any changes in provision recognised in the Statement of Comprehensive Income.

(n) Trade and Other Payables

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

(o) Reserves

Share Capital

This represents the proceeds from issuing ordinary shares.

Special Distributable Reserve

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

Capital Reserve

The following are accounted for in this reserve:

- Gains and losses on the disposal of investment properties;
- Increases and decreases in the fair value of investment properties held at the year end.

Revenue Reserve

Any surplus arising from the net profit on ordinary activities after taxation and payment of dividends is taken to this reserve, with any deficit charged to the special distributable reserve.

Treasury Share Reserve

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

(p) Interest-bearing Borrowings

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

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

The Group has applied the following amendments for the first time for their annual reporting period commencing 1 January 2021:

Interest Rate Benchmark Reform (Phase 2).

Phase 1 of these reforms pertain to hedge accounting and is not relevant to the Company which does not have any derivative instruments.

In the current year, the Group adopted the Phase 2 amendments Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. Adopting these amendments enables the Group to reflect the effects of transitioning from interbank offered rates (IBOR) to alternative benchmark interest rates (also referred to as ‘risk free rates’ or RFRs) without giving rise to accounting impacts that would not provide useful information to users of financial statements.

The Group has not restated the prior period. Instead, the amendments have been applied retrospectively with any adjustments recognised in the appropriate components of equity as at 1 January 2021.

The Group amended its contracts that referenced IBORs prior to the year end and further information is available in note 14.

Annual Improvements to IFRS

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

2. RENTAL INCOME

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Rental income	58,307	64,656

3. SERVICE CHARGE INCOME

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Service charge income	6,063	6,500

Service charges on rented properties are detailed in note 5.

Service charge expenses, are recharged to tenants.

The service charge paid by the Group in respect of void units was £0.7 million (2020: £0.8 million) and is included within note 5 Direct Property Expenses.

4. INVESTMENT MANAGEMENT FEES

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Investment management fee	8,500	8,063

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

The Investment Manager received an aggregate annual fee from the Group at an annual rate of 0.60 (2020: 0.60) per cent of the Total Assets.

From 1 April 2022, the Investment Manager will receive an annual fee from the Group at a revised rate of 0.525 per cent on Total Assets up to £1.75 billion, excluding any cash held over £50 million. The fee rate for Total Assets over £1.75 billion, adjusted for the £50 million cash tier, will remain at 0.475 per cent.

In 2021, the Company paid the Investment Manager £396,000 (2020: £240,000) for marketing services which is included in other expenses. The Investment Management agreement is terminable by either of the parties to it on 12 months' notice.

5. EXPENSES

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Direct property expenses	5,343	4,845
Service charge expenses	6,063	6,500
OTHER EXPENSES		
Professional fees (including valuation fees)	2,182	2,919
Directors' fees and expenses	326	272
Marketing fee	396	240
Administration and company secretarial fees	115	85
Regulatory fees	80	156
Auditor's remuneration for:		
Statutory audit	130	128
Non-audit services	—	—
	3,229	**3,800**

6. FINANCE COSTS

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Interest on principal loan amount	5,835	6,952
Facility fees	963	842
Amortisation of loan set up fees	485	403
	7,283	**8,197**

7. TAXATION

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES BEFORE TAX	236,233	(10,282)
UK Corporation tax at a rate of 19 per cent (2020: 19%)	44,884	(1,953)
Effect of:		
Capital (gains)/losses on Investment properties not taxable	(38,333)	8,642
UK REIT exemption on net income	(6,551)	(6,689)
Total tax charge	—	—

The Group migrated tax residence to the UK and elected to be treated as a UK REIT with effect from 1 July 2018. As a UK REIT, the income profits of the Group's UK property rental business are exempt from corporation tax as are any gains it makes from the disposal of its properties, provided they are not held for trading or sold within three years of completion of development. The Group is otherwise subject to UK corporation tax at the prevailing rate. From 1 April 2023, the rate of UK Corporation Tax will increase to 25%.

As the principal company of the REIT, the Company is required to distribute at least 90% of the income profits of the Group's UK property rental business. There are a number of other conditions that also are required to be met by the Company and the Group to maintain REIT tax status. These conditions were met in the period and the Board intends to conduct the Group's affairs such that these conditions continue to be met for the foreseeable future. Accordingly, deferred tax is no longer recognised on temporary differences relating to the property rental business or income tax losses previously built up.

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

On the 21 December 2021 the Company purchased two Luxembourg resident companies, Duke Distribution Centres Sarl and Duke Offices & Developments Sarl. On acquisition these companies automatically fall within the REIT group exemption, as such there is no UK corporation tax liabilities associated with these companies.

8. DIVIDENDS

DIVIDENDS ON ORDINARY SHARES	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Interim dividends paid per ordinary share:		
2020 Fourth interim: property income dividend ("PID") of 0.46p per share paid 26 February 2021 (2019 Fourth interim: PID of 0.506p and Ordinary dividend ("Non-PID") of 0.414p)	5,977	11,955
2020 Fifth interim: PID of 0.531p per share paid 21 May 2021 (2020 Fifth interim: nil)	6,900	—
2021 First interim: PID of 0.644p paid 28 May 2021 (2020 First interim: PID of 0.46p)	8,368	5,977
2021 Second interim: PID of 0.644p paid 27 August 2021 (2020 Second interim: PID of 0.46p)	8,368	5,977
2021 Third interim: PID of 0.423p and Non-PID of 0.221p paid 26 November 2021 (2020 Third interim: PID of 0.46p)	8,368	5,977
	37,981	**29,886**

A fourth interim, PID of 0.466p, Non-PID of 0.284p was paid on 25 February 2022 to shareholders on the register on 11 February 2022. Although this payment relates to the year ended 31 December 2021, under International Financial Reporting Standards it will be accounted for in the year ending 31 December 2022.

9. BASIC AND DILUTED EARNINGS PER SHARE

	Year ended 31 December 2021	Year ended 31 December 2020
Weighted average number of shares	1,299,412,465	1,299,412,465
Net profit/(Loss) (£)	236,232,720	(10,281,506)
Basic and diluted earnings per share (pence)	18.18	(0.79)
EPRA earnings per share (pence)[1]	**2.65**	**2.71**

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

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

1 A breakdown of the calculation is detailed in the table A. EPRA Earnings on page 97.

10. INVESTMENT PROPERTIES

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
FREEHOLD AND LEASEHOLD PROPERTIES		
Opening valuation	1,182,812	1,358,391
Purchase at cost	179,861	24,669
Capital expenditure	18,077	3,570
Gain/(loss) on revaluation to market value	209,635	(39,187)
Disposals at prior year valuation	(76,140)	(159,826)
Lease incentive movement	(5,877)	(4,805)
Total fair value at 31 December	**1,508,368**	**1,182,812**
Less: reclassified as held for sale	—	(10,000)
Fair value as at 31 December	**1,508,368**	**1,172,812**

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
GAINS/(LOSSES) ON INVESTMENT PROPERTIES AT FAIR VALUE COMPRISE		
Valuation gains/(losses)	209,635	(39,187)
Movement in provision for lease incentives	(5,877)	(4,805)
Loss on disposal	(2,005)	(1,493)
	201,753	**(45,485)**

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
LOSS ON INVESTMENT PROPERTIES SOLD		
Original cost of investment properties	(76,483)	(161,109)
Sale proceeds less sales costs	74,478	158,194
Loss on investment properties sold	(2,005)	(2,915)
Recognised in previous periods	(2,285)	(8,623)
Recognised in current period	280	5,708
	(2,005)	**(2,915)**

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

CBRE Limited, (the "Property Valuer") completed a valuation of Group investment properties as at 31 December 2021 on the basis of fair value in accordance with the requirements of the Royal Institution of Chartered Surveyors (RICS) 'RICS Valuation — Global Standards 2017 (the 'Red Book'). For most practical purposes there would be no difference between Fair Value (as defined in IFRS 13) and Market Value. The Property Valuer, in valuing the portfolio, is acting as an 'External Valuer', as defined in the Red Book, exercising independence and objectivity. The Property Valuer's opinion of Fair Value has been primarily derived using comparable recent market transactions in order to determine the price that would be received to sell an asset in an orderly transaction between market participants at the valuation date. The fair value of these investment properties amounted to £1,537,450,000 (2020: £1,206,780,000).

The difference between the fair value and the value per the consolidated balance sheet at 31 December 2021 consists, in the main, to accrued income relating to the pre-payment for rent-free periods recognised over the life of the lease totalling £30,181,000 (2020: £24,304,000) which is separately recorded in the accounts as a current asset. In addition a balance of £321,000 (2020: £336,000) has been offset against the lease incentive representing the reduction in the lease incentive provided for as part of the provision for bad debts giving a net lease incentive balance of £29,860,000 (2020: £23,968,000). In addition, an accrued development sum of £778,000 (2020: nil) is recognised in arriving at the total fair value of £1,508,368,000 (2020: £1,182,812,000).

The Group has entered into leases on its property portfolio as lessor (See note 20 for further information).

- No one property accounts for more than 15 per cent of the gross assets of the Group.
- All leasehold properties have more than 60 years remaining on the lease term.
- There are no restrictions on the realisability of the Group's investment properties or on the remittance of income or proceeds of disposal.

However, the Group's investments comprise UK commercial property, which may be difficult to realise.

The property portfolio's fair value as at 31 December 2021 has been prepared adopting the following assumptions:

- That, where let, the Estimated Net Annual Rent (after void and rent free period assumptions) for each property, or part of a property, reflects the terms of the leases as at the date of valuation. If the property, or parts thereof, are vacant at the date of valuation, the rental value reflects the rent the Property Valuer considers would be obtainable on an open market letting as at the date of valuation.
- The Property Valuer has assumed that, where let, all rent reviews are to be assessed by reference to the estimated rental value calculated in accordance with the terms of the lease. Also there is the assumption that all tenants will meet their obligations under their leases and are responsible for insurance, payment of business rates, and all repairs, whether directly or by means of a service charge.
- The Property Valuer has not made any adjustments to reflect any liability to taxation that may arise on disposal, nor any costs associated with disposals incurred by the owner.
- The Property Valuer assumes an initial yield in the region of 1.48 to 7.73 per cent, based on market evidence. For the majority of properties, the Property Valuer assumes a reversionary yield in the region of 3.11 to 11.70 per cent.
- The Property Valuer takes account of deleterious materials included in the construction of the investment properties in arriving at its estimate of Fair Value when the Investment Manager advises of the presence of such materials.

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

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

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

Fair Value by sector as at 31 December 2021

Sector	Fair Value at 31 December 2021 (£m)	Valuation techniques	Unobservable inputs	Range (weighted average)
Industrial	960.4	Yield methodology	Annual rent per sq ft Capitalisation rate	£4 – £19 (£9) 3.0% – 7.0% (3.7%)
Office	215.9	Yield methodology	Annual rent per sq ft Capitalisation rate	£21 – £51 (£29) 3.4% – 7.3% (5.8%)
Retail	163.7	Yield methodology	Annual rent per sq ft Capitalisation rate	£11 – £25 (£17) 4.4% – 6.9% (5.5%)
Alternatives	168.4	Yield methodology	Annual rent per sq ft Capitalisation rate	£0 – £18 (£15) 6.2% – 7.8% (5.5%)

Fair Value by sector as at 31 December 2020

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

Sensitivity analysis

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

As at 31 December 2021

Sector	Assumption	Movement	Effect on valuation
Industrial	Capitalisation rate	+ 50 basis points − 50 basis points	Decrease £122.3 million Increase £163.4 million
Office	Capitalisation rate	+ 50 basis points − 50 basis points	Decrease £20.5 million Increase £24.8 million
Retail	Capitalisation rate	+ 50 basis points − 50 basis points	Decrease £15.6 million Increase £18.8 million
Alternatives	Capitalisation rate	+ 50 basis points − 50 basis points	Decrease £6.7 million Increase £7.8 million

As at 31 December 2020

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

Investment property valuation process

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

These reports are based on both:

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

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

Asset held for sale

At the current year end there are no assets categorised as held for sale. At the prior year end, there was one asset held for sale, 140–145 King's Road, London. The asset was shown at Fair Value in the Balance Sheet as a held for sale asset and included within the investment property table shown in this note.

11. SUBSIDIARY UNDERTAKINGS

The Company owns 100 per cent of the issued share capital of UK Commercial Property Estates Holdings Limited (UKCPEHL), a company incorporated in Guernsey whose principal business is to hold and manage investment properties for rental income. UKCPEHL 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. UKCPEHL also owns 100% of Brixton Radlett Property Limited and UK Commercial Property Estates (Reading) Limited, both are UK companies, whose principal business is that of an investment and property company. During the financial year UKCPEHL purchased 100 per cent of the issued share capital of Duke Distribution Centres Sarl and Duke Offices & Developments Sarl, both companies are incorporated in Luxembourg with the principal business being to hold and manage investment properties for rental income.

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

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

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

As at 31 March 2021, Brixton Radlett Property Limited, UK Commercial Property Estates (Reading) Limited, the GP, Nominee and the Limited Partnership were all placed in the hands of liquidators as part of a solvent liquidation process and the conclusion of this process is due to conclude in the first half of 2022.

12. TRADE AND OTHER RECEIVABLES

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Trade receivables	15,090	20,634
Lease incentives	30,181	24,304
Other debtors and prepayments	5,492	2,494
	50,763	**47,432**
Provision for bad debts as at 31 December 2020/2019	5,739	955
Movement in the year	(412)	4,784
Provision for bad debts as at 31 December 2021/2020	**5,327**	**5,739**

The ageing of these receivables is as follows:	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Less than 6 months	953	2,725
Between 6 and 12 months	1,403	2,192
Over 12 months	2,971	822
	5,327	**5,739**

Other debtors include tenant deposits of £2,439,000 (2020: £2,518,000) and a net VAT receivable position of £2,549,000 (2020: VAT payable), a direct result of the VAT refund due on the purchase of Kantar House, London.

All other debtors are due within one year. No other debts past due are impaired in either year.

13. TRADE AND OTHER PAYABLES

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Rental income received in advance	12,161	13,512
Investment Manager fee payable	2,327	1,993
Other payable	13,210	12,656
	27,698	**28,161**

Other payables include tenant deposits of £2,439,000 (2020: £2,518,000), bank loan interest payments of £1,637,000 (2020: £1,646,000) and transaction cost accruals totalling £4,120,000 (2020: £482,000). The level of accrued transaction costs reflect the timing of portfolio acquisitions near the end of 2021.

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

14. BANK LOAN AND INTEREST RATE SWAPS

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Total facilities available	350,000	350,000
Drawn down:		
Barclays facility	50,000	—
Barings facility	200,000	200,000
Set up costs incurred	(6,628)	(6,628)
Accumulated amortisation of set up costs	4,954	4,477
Total due	**248,326**	**197,849**

As at 31 December 2021

Movements in bank loan and interest rates swaps arising from financing activities	At 1 Jan 2020 £'000	Cash flows £'000	Other changes £'000	At 31 Dec 2021 £'000
Bank Loan	197,849	50,000	477	248,326

(i) Barclays Facility

The Group has a £150 million revolving credit facility ("RCF"), maturing in April 2024, with Barclays Bank plc. Initially this facility was granted at a margin of 1.70 per cent above LIBOR, however as part of the interest rate reform guidelines this facility transitioned to a risk-free rate (RFR), SONIA, interest basis prior to the financial year end. The RCF was taken out by UKCPEH and is cancellable at any time. The RCF was initially taken out by UKCPEL as a £50 million RCF in April 2015 at a margin of 1.50 per cent above LIBOR and was increased and extended in February 2019. On the 16 December 2021 UKCPEL drew down £50 million from the facility (2020: a repayment of £50 million was made). The RCF has a non-utilisation fee of 0.68 per cent per annum (0.60 per cent per annum prior to February 2019) charged on the proportion of the RCF not utilised on a pro-rata basis.

As at 31 December 2021, £100 million (2020: £150 million) remained unutilised. The RCF is secured on the property portfolio held by UKCPEH. Under bank covenants related to the RCF, UKCPEH is to ensure that at all times:

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

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

Transition to SONIA from LIBOR

The London Interbank Offer Rate (LIBOR) was one of the main interest rate benchmarks used in financial markets to determine interest rates for financial contracts globally. The low volume of underlying transactions since the global financial crisis in 2008/2009 made LIBOR unsustainable and as a result, and in line with announcements from the Financial Conduct Authority (FCA), 24 of the 35 LIBOR settings ceased from 1 January 2022. Various risk-free rates are available as an alternative to LIBOR including the Sterling Overnight Index Average (SONIA) benchmark.

The Directors have taken steps, before the deadline date for transition, to ensure that any exposure to LIBOR was identified and actions taken to rebase and redocument any financial contracts where LIBOR was previously used. This led to minor amendments to operational processes to cater for this change but there is no material impact on the assets and liabilities of the Group as a result of the phasing out of LIBOR.

(ii) Barings Facility

The Group has a £100 million facility, maturing in April 2027, with Barings Real Estate Advisers, a member of the MassMutual Financial Services Group. The loan was taken out by UKCFH. As at 31 December 2021, the facility was fully drawn (31 December 2020: Fully drawn). The bank loan is secured on a portfolio of seven properties held within UKCFH. Under bank covenants related to the loan UKCFH is to ensure that at all times:

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

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

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

The Group took out a second £100 million facility in February 2019, maturing in February 2031, with Barings Real Estate Advisers. The loan was taken out by UKCFH. As at 31 December 2021, the facility was fully drawn (31 December 2020: Fully drawn). The bank loan is secured on a portfolio of seven properties held within UKCFH. This facility has the same covenant tests as the 2027 facility outlined above. UKCFH met all covenant tests during the year for this facility.

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

In the event that the Barings facilities were repaid in advance of their maturity date would incur an early repayment charge. Although the Company has no intention of doing so, as at 31 December 2021, the charge would be £20,509,000.

15. SHARE CAPITAL ACCOUNTS

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
SHARE CAPITAL		
Opening balance	539,872	539,872
Share capital as at 31 December	539,872	539,872

Number of shares in issue and fully paid at the year end being 1,299,412,465 (2020: 1,299,412,465) of 25p each.

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

16. NET ASSET VALUE PER SHARE

	Year ended 31 December 2021	Year ended 31 December 2020
Ordinary Shares	1,299,412,465	1,299,412,465
Net assets (£'000)	1,325,228	1,126,976
NAV per share (pence)	**102.0**	**86.7**
EPRA Net Tangible Assets per share[1]	102.0	86.7

1 A breakdown of the calculation is detailed in the table B. EPRA Net Tangible Assets on page 98.

17. RELATED PARTY TRANSACTIONS

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

Aberdeen Standard Fund Managers Limited, as the Manager of the Group from 10 December 2018, previously Standard Life Investments (Corporate Funds) Limited, received fees for their services as investment managers. Further details are provided in note 4. The total management fee charged to the Statement of Comprehensive Income during the year was £8,500,385 (2020: £8,062,742) of which £2,326,894 (2020: £1,993,4550) remained payable at the year end. The Investment Manager also received £396,000 (£330,000 plus VAT) for marketing services incurred during the year of which £396,000 (2020: £240,000) remained payable at the year end.

The Directors of the Company are deemed as key management personnel and received fees for their services. Further details are provided in the Directors' Remuneration Report (unaudited) on pages 61–62. Total fees for the year were £325,225 (2020: £272,226) none of which remained payable at the year end (2020: nil). As a result of COVID-19, Directors reduced their fees by 20% from 1 April 2020–31 December 2020.

The Group invests in the abrdn Liquidity Fund which is managed by abrdn. As at 31 December 2021 the Group had invested £19.2 million in the Fund (2020: £83.1 million). No additional fees are payable to abrdn as a result of this investment.

18. FINANCIAL INSTRUMENTS AND INVESTMENT PROPERTIES

The Group's investment objective is to provide ordinary shareholders with an attractive level of income together with the potential for income and capital growth from investing in a diversified UK commercial property portfolio. Consistent with that objective, the Group holds UK commercial property investments. The Group's financial instruments consist of cash, receivables and payables that arise directly from its operations and loan facilities. The main risks arising from the Group's financial instruments are credit risk, liquidity risk, market risk and interest rate risk. The Board reviews and agrees policies for managing its risk exposure. These policies are summarised below and remained unchanged during the year.

Fair value hierarchy

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

Explanation of the fair value hierarchy:

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

31 December 2021	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total fair value £'000
Investment properties	—	—	1,537,450	1,537,450

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

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

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

31 December 2021	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total fair value £'000
Bank loans	—	257,486	—	257,486

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

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

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

31 December 2021	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total fair value £'000
Trade and other receivables	—	50,763	—	50,763
Trade and other payables	—	27,698	—	27,698

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

The lowest level of input was the three-month LIBOR yield curve, which has now changed to SONIA for 31 December 2021, both of which are a directly observable input.

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

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

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

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

Real Estate Risk

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

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

Credit risk

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

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

Financial Assets 2021	3 months or less £'000	More than 3 months but less than one year £'000	More than one year £'000	Total £'000
Cash	42,121	—	—	42,121
Trade receivables	15,090	—	—	15,090
Other debtors	5,492	—	—	5,492
	62,703	**—**	**—**	**62,703**

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

In the event of default by a tenant, the Group will suffer a rental shortfall and incur additional costs, including legal expenses, in maintaining, insuring and reletting the property until it is relet. The Board receives regular reports on concentrations of risk and any tenants in arrears. The Investment Manager monitors such reports in order to anticipate and minimise the impact of defaults by tenants and provides for rent due by tenants that are assessed to be unlikely to pay through the process set out on page 59.

The Company has a diversified tenant portfolio. The maximum credit risk from the trade receivables of the Group at 31 December 2021 is £15,090,000 (2020: £20,634,000). The Group holds rental deposits of £2,439,000 (2020: £2,518,000) as potential collateral against tenant arrears/defaults. All tenant deposits are in line with market practice. There is no residual credit risk associated with the financial assets of the Group. Other than those included in the provision for bad debts, no financial assets which are due for settlement are impaired. COVID-19 has impacted the ability of tenants to pay rents and hence the credit risk associated with trade receivables has increased during this time. The provision for bad debts is adjusted, on a tenant-by-tenant basis, to reflect the evolving risk position. During the year this provision decreased by £0.412 million to £5.327 million (2020: increased £4.78 million to £5.739 million).

All of the cash is placed with financial institutions with a credit rating of A or above. £19.2 million (2020: £83.1 million) of the year end cash balance is held in the abrdn Liquidity Fund, which is a money market fund and has a triple A rating. Bankruptcy or insolvency of a financial institution may cause the Group's ability to access cash placed on deposit to be delayed or limited. Should the credit quality or the financial position of the banks currently employed significantly deteriorate, the Investment Manager would move the cash holdings to another financial institution subject to restrictions under the loan facilities.

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

Liquidity Risk

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

The Group's liquidity risk is managed on an ongoing basis by the Investment Manager investing in a diversified portfolio of prime real estate and placing cash in liquid deposits and accounts. This is monitored on a quarterly basis by the Board. In certain circumstances, the terms of the Group's bank loan entitles the lender to require early repayment, and in such circumstances the Group's ability to maintain dividend levels and the net asset value attributable to the ordinary shares could be adversely affected.

As at 31 December 2021 the cash balance was £42,121,000 (2020: £122,742,000).

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

Financial Liabilities 2021	3 months or less £'000	More than 3 months but less than one year £'000	More than one year £'000	Total £'000
Bank loans	51,438	4,313	236,351	292,102
Other creditors	25,371	—	—	25,371
	76,809	**4,313**	**236,351**	**317,473**

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

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

Interest rate risk

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

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

Reflecting current expectations around interest, an increase of 1 per cent in interest rates as at the reporting date would have increased the reported profit by £0.42 million (2020: increased the reported profit by £1.2 million). A decrease of 1 per cent would have reduced the reported profit £0.42 million (2020: decreased the reported profit by £1.2 million). The effect on equity is nil (excluding the impact of a change in retained earnings as a result of a change in net profit).

Interest rate risk arises on the interest payable on the RCF only, as the interest payable on the other facilities are at fixed rates. At 31 December 2021, the drawdown on the RCF was £50 million (2020: Nil) so an increase of 1% on the year-end SONIA rate would have a £500,000 decrease on the reported profit (2020: Nil). A decrease of 1% on the year-end SONIA rate would have a £500,000 increase on the reported profit (2020: Nil). Assumptions are based on the RCF drawdown remaining at £50 million for the full year (2020: Nil), based on the exposure to interest rates at the reporting date, and all other variables being constant. During the year, the Group amended its bank facilities in line with Interest Rate Benchmark Reform with the RCF now referencing SONIA and further details are provided in note 1(p).

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

Foreign currency risk

There was no foreign currency risk as at 31 December 2021 or 31 December 2020 as assets and liabilities of the Group are maintained in pounds sterling.

Capital management policies

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

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

The Group monitors capital primarily through regular financial reporting and also through a gearing policy. Gearing is defined as gross borrowings divided by total assets less current liabilities. The Group's gearing policy is set out in the Investment Policy section of the Report of the Directors. The Group is not subject to externally imposed regulatory capital requirements but does have banking covenants which it monitors and reports on a quarterly basis. Included in these covenants are requirements to monitor loan to value ratios which is calculated as the amount of outstanding debt divided by the market value of the properties secured. The Group's loan-to-value ratio is shown below. The Group did not breach any of its loan covenants, nor did it default on any other of its obligations under its loan arrangements in the year to 31 December 2021.

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Carrying amount of interest-bearing loans and borrowings	248,326	197,849
External valuation of completed investment property and assets held for sale (excluding lease incentive adjustment)	1,537,450	1,206,780
Loan-to-value ratio	16.2%	16.4%

The Group's capital balances are set out on page 73 and are regarded as the Group's equity and net debt.

19. CAPITAL COMMITMENTS

The Group had contracted capital commitments as at 31 December of £41.8 million in relation to three developments.

The Company has committed to forward fund a new 230-bed student accommodation development in Edinburgh together with a student residential development in Exeter. The completion of both is expected to match the start of the 2022/23 academic year.

The Company also acquired, during 2021, a forward funding three warehouse unit site known as "Sussex Junction". This development is fully underway and completion is expected towards the end of 2022.

20. LEASE ANALYSIS

The Group leases out its investment properties under operating leases.

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

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Within one year	68,672	51,523
Between one and two years	66,842	57,149
Between two and three years	62,038	53,776
Between three and four years	55,589	49,168
Between four and five years	50,049	43,923
Over five years	316,141	316,534
Total	619,331	572,073

The largest single tenant at the year end accounted for 5.1 per cent (2020: 5.4 per cent) of the annualised rental income at 31 December 2021. The unoccupied property expressed as a percentage of annualised total rental value was 2.1 per cent (2020: 6.5 per cent) at the year end. The Group has entered into commercial property leases on its investment property portfolio. These properties, held under operating leases, are measured under the fair value model as the properties are held to earn rentals. The majority of these non-cancellable leases have remaining non-cancellable lease terms of between 5 and 15 years. Analysis of the nature of investment properties and leases are provided in the Property Portfolio & Analysis section on pages 29–31.

21. EVENTS AFTER THE BALANCE SHEET DATE

A fourth interim dividend comprised of, PID of 0.466p and Non-PID of 0.284p was paid to shareholders on the 25 February 2022.

EPRA Performance Measures

UK
Commercial
Property
REIT

EPRA PERFORMANCE MEASURES

Unaudited

In October 2019, EPRA issued new best practice recommendations (BPR) for financial guidelines on its definitions of NAV measures: EPRA net tangible assets (NTA), EPRA net reinvestment value (NRV) and EPRA net disposal value (NDV). The rationale behind each of these measures is set out below. abrdn consider EPRA Net Tangible Assets (NTA) to be the most relevant NAV measure for the Group and report this as our primary non-IFRS NAV measure.

Rationale:

EPRA Net Tangible Assets:

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

EPRA Net Reinstatement Value:

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

EPRA Net Disposal Value:

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

EPRA performance measures: Summary Table

	31 December 2021 Total £'000	31 December 2020 Total £'000
EPRA earnings	34,480	35,203
EPRA earnings per share (pence per share)	2.65	2.71
EPRA Net Tangible Assets ("NTA")	1,325,228	1,126,976
EPRA NTA per share	102.0	86.7
EPRA Net Reinstatement Value ("NRV")	1,429,775	1,209,037
EPRA NRV per share	110.0	93.0
EPRA Net Disposal Value ("NDV")	1,316,068	1,104,341
EPRA NDV per share	101.3	85.0
EPRA Net Initial Yield	3.5%	4.0%
EPRA topped-up Net Initial Yield	3.8%	4.5%
EPRA Vacancy Rate	2.1%	6.5%
EPRA Cost Ratios – including direct vacancy costs	28.6%	33.2%
EPRA Cost Ratios – excluding direct vacancy costs	23.2%	26.7%

	31 December 2021 £'000	31 December 2020 £'000
A. EPRA Earnings		
Earnings per IFRS income statement	236,233	(10,282)
Adjustments to calculate EPRA Earnings, exclude:		
Net changes in value of investment properties	(203,758)	43,992
Loss on disposal of investment properties	2,005	1,493
EPRA Earnings	34,480	35,203
Basic number of shares	1,299,412	1,299,412
EPRA Earnings per share (pence per share)	2.65	2.71

EPRA PERFORMANCE MEASURES
Unaudited

	31 December 2021 £'000	31 December 2020 £'000
B. EPRA Net Tangible Assets		
IFRS NAV	1,325,228	1,126,976
EPRA NTA	1,325,228	1,126,976
EPRA NTA per share	102.0	86.7

	31 December 2021 £'000	31 December 2020 £'000
C. EPRA Net Reinstatement Value		
EPRA NTA	1,325,228	1,126,976
Real Estate Transfer Tax and other acquisition costs	104,547	82,061
EPRA NRV	1,429,775	1,209,037
EPRA NRV per share	110.0	93.0

	31 December 2021 £'000	31 December 2020 £'000
D. EPRA Net Disposal Value		
EPRA NTA	1,325,228	1,126,976
Fair value of debt	(9,160)	(22,635)
	1,316,068	1,104,341
EPRA NDV per share	101.3	85.0
Fair value of debt per financial statements	257,486	220,484
Carrying value	248,326	197,849
Fair value of debt adjustment	9,160	22,635

	31 December 2021 £'000	31 December 2020 £'000
E. EPRA Net Initial Yield and 'topped up' NIY disclosure		
Investment property — wholly owned	1,537,450	1,206,780
Completed property portfolio	1,537,450	1,206,780
Allowance for estimated purchasers' costs	104,547	82,061
Gross up completed property portfolio valuation	1,641,997	1,288,841
Annualised cash passing rental income	62,900	56,277
Property outgoings	(4,883)	(4,456)
Annualised net rents	58,017	51,821
Add: notional rent expiration of rent free periods or other lease incentives	4,366	6,014
Topped-up net annualised rent	62,383	57,835
EPRA NIY	3.5%	4.0%
EPRA "topped-up" NIY	3.8%	4.5%

F. EPRA Cost Ratios	31 December 2021 £'000	31 December 2020 £'000
Administrative/Impairment on trade receivables/Property operating expense lines per IFRS income statement	16,660	21,492
EPRA Costs (including direct vacancy costs)	16,660	21,492
Direct vacancy costs	(3,128)	(4,255)
EPRA Costs (excluding direct vacancy costs)	13,532	17,237
Gross Rental income less ground rent costs	58,307	64,656
EPRA Cost Ratio (including direct vacancy costs)*	28.6%	33.2%
EPRA Cost Ratio (excluding direct vacancy costs)*	23.2%	26.7%

* Large decrease predominantly due to the movement in bad debt provisioning and write-offs.

G. Like-for-like rental growth reporting	Rental growth £'000 2021	Portfolio value by sector £'000 2021	Rental growth £'000 2020	Portfolio value by sector £'000 2020
Sector:				
Industrial	6,081	975,020	795	697,075
Offices	4,055	219,100	303	198,325
Retail	2,376	186,225	(425)	158,950
Alternatives	(126)	157,105	373	152,430
Total portfolio value	12,386	1,537,450	1,046	1,206,780

Rental growth figures have been computed based on the movement in estimated rental values from prior to current year-end.

All properties held within the portfolio are located within the UK.

H. Property-related CapEx	31 December 2021 £'000	31 December 2020 £'000
Acquisitions	179,861	24,669
Development	15,274	1,066
Investment properties:		
Incremental lettable space	—	—
No incremental lettable space	2,803	2,504
Tenant incentives	2,128	1,815
Other material non-allocated types of expenditure	—	—
Total capital expenditure incurred	200,066	30,054

Environmental, Social, and Governance

UK Commercial Property REIT

Sustainability Performance

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

Explanatory notes on methodology

Reporting period

Sustainability data in this report covers the calendar years of 2020 and 2021.

Organisational boundary and data coverage

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

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

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

Emissions calculation

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

Normalisation

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

Renewable energy

Several industrial assets in the portfolio have solar PV installed which is demised to the tenant including the two recently purchased industrial units at Precision Park, Leamington Spa. We remain in dialogue with a number of our tenants around further landlord-led PV schemes.

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

Auditing and assurance

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

Materiality

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

Code	Performance measures	Review outcome
ENVIRONMENTAL		
Elec-Abs	Total electricity consumption	Material
Elec-LfL	Like-for-like total electricity consumption	Material
DH&C-Abs	Total district heating & cooling consumption	Not material – none of the Company's assets are connected to district energy supplies
DH&C-LfL	Like-for-like total district heating & cooling consumption	
Fuels-Abs	Total fuel consumption	Material
Fuels-LfL	Like-for-like total fuel consumption	Material
Energy-Int	Building energy intensity	Material
GHG-Dir-Abs	Total direct greenhouse gas (GHG) emissions	Material
GHG-Indir-Abs	Total indirect greenhouse gas (GHG) emissions	Material
GHG-Int	Greenhouse gas (GHG) emissions intensity from building energy consumption	Material
Water-Abs	Total water consumption	Material
Water-LfL	Like-for-like total water consumption	Material
Water-Int	Building water intensity	Material
Waste-Abs	Total weight of waste by disposal route	Material
Waste-LfL	Like-for-like total weight of waste by disposal route	Material
Cert-Tot	Type and number of sustainably certified assets	Material
SOCIAL		
Diversity-Emp	Employee gender diversity	Not material – the Company does not have any employees
Diversity-Pay	Gender pay ratio	
Emp-Training	Employee training and development	
Emp-Dev	Employee performance appraisals	
Emp-Turnover	New hires and turnover	
H&S-Emp	Employee health and safety	
H&S-Asset	Asset health and safety assessments	Material
H&S-Comp	Asset health and safety compliance	Material
Comty-Eng	Community engagement, impact assessments and development programs	Material – see pages 23 and 107
GOVERNANCE		
Gov-Board	Composition of the highest governance body	Material – see main body of report (page 55–57 for content related to Governance)
Gov-Selec	Process for nominating and selecting the highest governance body	
Gov-CoI	Process for managing conflicts of interest	

ENVIRONMENTAL INDICATORS

Unaudited

Like-for-like energy consumption

Landlord electricity consumption across like-for-like assets decreased by 16% in 2021. Alongside energy efficiency improvements, continued reduced occupancy associated with COVID-19 in office assets during 2021 has affected consumption. Despite this, there was a 5% increase in the overall electricity sub-metred to occupiers, driven primarily by small increases in sub-metred usage in Business Parks and Offices.

In terms of overall landlord electricity procurement, the overall 8% decrease in electricity consumption was attributable to business parks, offices and leisure assets; albeit partially offset by a 28% increase in landlord procured electricity at Retail Warehouse assets, which was mainly driven by the presence of vacant (void) units in 2021.

The overall increase in landlord-obtained gas consumption in 2021 is due to increased gas use at office assets (particularly Central Square in Newcastle); albeit this was partially offset by a reduction in the energy procured by the landlord for vacant units at Ventura Park.

The increase in gas consumption at Central Square is the result of COVID-19-driven reconfiguration of the fresh-air intake system, which required additional heating of colder air, in turn resulting in increased gas consumption. We have implemented a number of energy saving initiatives across the portfolio and identified more for future roll-out as part of asset five year plans. These include, in both 2020 and 2021, lighting upgrades, BMS optimisation and plant replacement.

		Landlord Electricity (kWh)			Occupier Electricity i.e. sub-metered to occupiers (kWh)			Total landlord-obtained Electricity (kWh)			Landlord-obtained Gas (kWh)			Energy Intensity (kWh/m²)		
Indicator references		**Elec-LfL**			**Elec-LfL**			**Elec-LfL**			**Fuels-LfL**			**Energy-Int**		
Sector	**Coverage** (assets)	**2020**	**2021**	**Change (%)**	**2020**	**2021**	**Change (%)**	**2020**	**2021**	**Change (%)**	**2020**	**2021**	**Change (%)**	**2020**	**2021**	**Change (%)**
Industrial, Business Parks	5 of 7	283,840	122,318	–57%	262,504	283,526	8%	546,344	405,844	–26%	168,201	30,025	–82%	5.23	3.19	–39%
Industrial, Distribution Warehouses	1 of 7	212,489	0	–100%	No sub–metered consumption		N/A	212,489	0	–00%	No landlord consumption		N/A	6.0	0.0	–100%
Leisure	2 of 3	570,328	434,944	–24%	2,172	1,913	–12%	572,500	436,857	–24%	No landlord consumption		N/A	23.1	17.6	–24%
Offices	4 of 6	1,295,795	1,345,238	4%	1,194,459	1,249,227	5%	2,490,254	2,594,465	4%	2,441,201	3,305,301	35%	178.6	213.7	20%
Retail, Warehouses	2 of 4	150,655	192,821	28%	No sub–metered consumption		N/A	150,655	192,821	28%	No landlord consumption		N/A	5.5	7.1	28%
Hotels	1 of 1	23,570	28,806	22%	No sub–metered consumption		N/A	23,570	28,806	22%	No landlord consumption		N/A	2.3	2.8	22%
Totals	**15 of 31**	**2,536,677**	**2,124,127**	**–16%**	**1,459,135**	**1,534,666**	**5%**	**3,995,812**	**3,658,793**	**–8%**	**2,609,402**	**3,335,326**	28%	**25.2**	**26.7**	**6%**

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

Like-for-like greenhouse gas emissions

Scope 1 greenhouse gas (GHG) emissions increased by 57% in 2021. This increase was driven primarily by increase gas consumption and refrigerant losses at Central Square (as detailed in the like-for-like energy consumption section on page 102), alongside small increases in gas consumption at office assets in general in 2021. This Scope 1 GHG increase was partially offset by reduced gas consumption associated with reduced vacancy at Ventura Park.

Scope 2 emissions from landlord electricity consumption reduced by 22% due to the combination of a reduction in consumption at Business Park, Leisure and Office assets, alongside improvements in the emissions intensity of grid electricity. Scope 3 emissions from energy sub-metered to occupiers and grid transmission and distribution losses reduced by 6%.

		Scope 1 Emissions (tCO_2)			Scope 2 Emissions (tCO_2)			Scope 3 Emissions (tCO_2)			Emissions Intensity Scopes 1, 2 & 3 ($kgCO_2/m^2$)		
Indicator references		No relevant EPRA indicator											
Sector	Coverage (assets)	2020	2021	% Change	2020	2021	Change (%)	2020	2021	Change (%)	2020	2021	Change (%)
Industrial, Business Parks	5 of 7	31	5	–82%	66	26	–61%	72	68	–6%	1.2	0.7	–41%
Industrial, Distribution Warehouses	1 of 7	No landlord consumption		N/A	50	No landlord consumption	N/A	4	No landlord consumption	N/A	1.5	No landlord consumption	N/A
Leisure	2 of 3	No landlord consumption		N/A	133	92	–31%	12	9	–28%	5.8	4.1	–30%
Offices	4 of 6	449	747	67%	331	314	–5%	328	314	–4%	40	50	24%
Retail, Warehouses	2 of 4	No landlord consumption		N/A	35	41	17%	3.0	3.6	20%	1.4	1.6	17%
Hotels	1 of 1	No landlord consumption		N/A	5.5	6.1	11%	0.47	0.54	15%	0.6	0.7	12%
Totals	**15 of 31**	**480**	**753**	**57%**	**615**	**479**	**–22%**	**420**	**395**	**–6%**	**5.8**	**6.2**	**7%**

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

ENVIRONMENTAL INDICATORS

Unaudited

Absolute energy consumption

Absolute landlord electricity reduced by 28% in 2021 as a result of reduced consumption across Leisure and Office assets, alongside reduced vacancy at Business Parks and Distribution Warehouses. In addition, continued reduced occupancy in 2021 as a result of COVID-19 was a contributing factor to such decreases.

The variation from like-for-like consumption is due to the Company's acquisitions and disposals during 2020 and 2021. In the reporting period, all landlord-procured electricity was from 100% renewable sources. Gas consumed was not from renewable sources.

			Landlord Electricity (kWh)			Occupier Electricity i.e. sub-metered to occupiers (kWh)			Total landlord-obtained Electricity (kWh)			Landlord-obtained Gas (kWh)			Energy Intensity (kWh/m²)		
Indicator references			Elec-Abs			Elec-Abs			Elec-Abs			Fuels-Abs			Energy-Int		
Sector	Coverage 2020 (assets)	Coverage 2021 (assets)	2020	2021	Change (%)	2020	2021	Change (%)	2020	2021	Change (%)	2020	2021	Change (%)	2020	2021	Change (%)
Industrial, Business Parks	7 of 9	5 of 7	287,102	122,318	–57%	262,504	283,526	8%	549,606	405,844	–26%	168,201	30,025	–82%	4.0	3.2	–21%
Industrial, Distribution Warehouses	1 of 9	0 of 11	212,489	No landlord consumption	N/A	No sub–metered consumption		N/A	212,489	No landlord consumption	N/A	No landlord consumption		N/A	6.0	No landlord consumption	N/A
Leisure	2 of 3	2 of 3	570,328	434,944	–24%	2,172	1,913	–12%	572,500	436,857	–24%	No landlord consumption		N/A	23.1	17.6	–24%
Offices	6 of 9	5 of 10	1,674,551	1,362,264	–19%	1,288,065	1,249,227	–3%	2,962,616	2,611,491	–12%	2,879,743	3,307,625	15%	138.8	155.9	12%
Retail, Warehouses	4 of 8	2 of 6	188,654	192,821	2%	No sub–metered consumption		N/A	188,654	192,821	2%	No landlord consumption		N/A	3.8	7.1	85%
Hotels	1 of 1	1 of 1	23,570	28,806	22%	No sub–metered consumption		N/A	23,570	28,806	22%	No landlord consumption		N/A	2.3	2.8	22
Totals	**21 of 41**	**15 of 44**	**2,956,694**	**2,141,153**	**–28%**	**1,552,741**	**1,534,666**	**–1%**	**4,509,435**	**3,675,819**	**–18%**	**3,047,944**	**3,337,650**	**10%**	**22.2**	**29.6**	**33%**

Note: Retail Unit Shops and any development projects are excluded from the table as there is no landlord consumption but are included in the total possible coverage number.

Absolute and like-for-like water consumption

Water consumption at like-for-like assets increased by 14% in 2021 and by 20% across the whole portfolio. These increases were primarily attributable to water consumption in vacant units at Newton's Court in 2021, alongside slight increases in water consumption at leisure assets; likely associated with increased use compared with 2020, due to slight relaxation of COVID-19 related restrictions. Note that data coverage is lower for water than for energy as it is uncommon to have landlord meters at assets with no internal common parts or shared services. It should also be noted that water consumption data includes estimates associated with account billing, and will be updated once actual consumption data becomes available.

			Absolute Water Consumption (m^3)						LfL Water Consumption (m^3)					
Indicator references			Water-Abs; Water-Int						Water-LfL; Water-Int					
Sector	**Coverage 2020** (assets)	**Coverage 2021** (assets)	**2020** (m^3)	**2020 Intensity** (litres/m^2)	**2021** (m^3)	**2021 Intensity** (litres/m^2)	**Change** (%)	**Coverage** (assets)	**2020** (m^3)	**2020 Intensity** (litres/m^2)	**2021** (m^3)	**2021 Intensity** (litres/m^2)	**Change** (%)
Industrial, Business Parks	2 of 9	2 of 7	765	9	3,598	48	370%	3 of 7	765	7	3,598	35	370%
Leisure	2 of 3	2 of 3	514	21	642	26	25%	2 of 3	514	21	642	26	25%
Offices	6 of 9	5 of 10	11,300	268	10,479	276	–7%	4 of 6	10,007	362	9,990	362	0%
Retail Warehouses	2 of 7	2 of 6	1,166	43	375	14	–68%	2 of 4	1,166	43	375	14	–68%
Totals	**12 of 41**	**11 of 44**	**12,579**	**85**	**15,094**	**91**	**20%**	**11 of 31**	**12,452**	**80**	**14,230**	**78**	**14%**

Absolute and like-for-like waste generation and treatment

We are responsible for waste management at a number of multi-let assets. Our Waste Management Consultant undertakes regular waste audits and works closely with our Property Manager to implement interventions to improve segregation of materials and ultimately increase recycling rates. In total across the seven assets for which waste is managed, 215 tonnes of non-hazardous waste was generated in 2021, with 56% recovered via energy from waste, and 44% recycled.

There was no waste sent to landfill. Continued COVID-19-related occupancy levels in 2021 have resulted in continued low waste generation figures. Note that like-for-like and absolute waste generation is very similar, the only difference being associated with the sale of a retail warehouse asset (Great Lodge Retail Park) in late 2020; for which landlord managed waste was low in 2020 (2 tonnes).

Sector	Coverage (assets)		Total Waste (tonnes)		Waste to Landfill (tonnes)		Waste Recovered (tonnes)		Waste Recycled (tonnes)	
Indicator reference	Waste-LfL									
	2021		2020	2021	2021		2021		2021	
Leisure	2 of 3		118	101	0%	0	47%	47	53%	54
Offices	3 of 6		74	93	0%	0	57%	53	43%	40
Retail, Warehouse	1 of 4		20	21	0%	0	100%	21	0%	0
Totals	**6 of 31**		**212**	**215**	**0%**	**0**	**56%**	**121**	**44%**	**94**
Indicator reference	Waste-Abs									
	2020	2021	2020	2021	2021		2021		2021	
Leisure	2 of 3	2 of 3	118	101	0%	0	47%	47	53%	54
Offices	3 of 9	3 of 9	74	93	0%	0	57%	53	43%	40
Retail, Warehouse	2 of 6	1 of 7	20	21	0%	0	100%	21	0%	0
Totals	**7 of 41**	**6 of 44**	**212**	**215**	**0%**	**0**	**56%**	**121**	**44%**	**94**

ENVIRONMENTAL INDICATORS
Unaudited

Absolute greenhouse gas emissions

Absolute Scope 1 GHG emissions increased by 17%, driven primarily by gas consumption and refrigerant losses at Central Square (office), as mentioned in the like-for-like GHG comparison above. Note that emissions associated with refrigerants are included in this figure alongside natural gas. Total Scope 2 and Scope 3 emissions reduced by 34% and 13% respectively. Overall, emissions associated with landlord-procured energy and refrigerant losses reduced by 10%. When considered on an intensity basis an increase is reported due to the effect of consumption associated with vacant units.

			Scope 1 Emissions (tCO_2)			Scope 2 Emissions (tCO_2)			Scope 3 Emissions (tCO_2)			Emissions Intensity Scopes 1, 2 & 3 ($kgCO_2/m^2$)		
Indicator references			GHG-Dir-Abs			GHG-Indir-Abs			GHG-Indir-Abs			GHG-Int		
Sector	Coverage 2020 (assets)	Coverage 2021 (assets)	2020	2021	Change (%)	2020	2021	Change (%)	2020	2021	Change (%)	2020	2021	Change (%)
Industrial, Business Parks	7 of 9	5 of 7	31	5.5	–82%	67	26	–61%	72	68	–6%	1.0	0.7	–24%
Industrial, Distribution Warehouses	1 of 9	0 of 11	No landlord consumption		N/A	50	No landlord consumption	N/A	4.3	No landlord consumption	N/A	1.5	No landlord consumption	N/A
Leisure	2 of 3	2 of 3	No landlord consumption		N/A	133	92	–31%	12	8.6	–28%	5.8	4.1	–30%
Offices	6 of 9	5 of 10	615	748	22%	390	289	–26%	360	314	–13%	32.4	35.6	10%
Retail, Warehouses	4 of 8	2 of 6	No landlord consumption		N/A	44	41	–7%	3.8	3.6	–4%	1.7	1.6	–7%
Hotels	1 of 1	1 of 1	No landlord consumption		N/A	5.5	6.1	11%	0.5	0.5	15%	0.6	0.7	12%
Totals	**21 of 41**	**15 of 44**	**646**	**753**	**17%**	**689**	**455**	**–34%**	**452**	**395**	**–13%**	**5.3**	**6.8**	**29%**

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

For the purposes of SECR, total Scope 1 and 2 emissions are also summarised in the following table. Total Landlord Energy Consumption (kWh) used to calculate Scope 1 and 2 emissions is also outlined in the table below, and a breakdown of energy type is includes in the Absolute Energy Consumption table above. Note that the Total Scope 1 and 2 Emissions reported below include emissions associated with refrigerant losses as well as energy consumption. Please note that data has been included back to 2019, which has been chosen as the baseline year for reporting (primarily given that it was not influenced by energy/carbon reductions associated with COVID-19 restrictions).

Percentage change has been provided on a 2021 vs 2020 basis, and 2021 vs 2019 basis. Emissions intensity has increased over time due to the inclusion of landlord consumption associated with vacant units. It is important to include this data given it forms part of the Company's Scope 1 and 2 emissions but when included in intensity calculations it has the effect of skewing the outcome at the portfolio level.

Data Type	2019	2020	2021	% Change 2021 vs 2020	% Change 2021 vs 2019 (base year)
Total Scope 1/2 Emissions (tCO_2e)	1,603	1,330	1208	–10%	–25%
Emissions intensity ($kgCO_2e/m^2$ Net Lettable Area)	4.5	4.0	5.1	30%	13%
Total Landlord Energy Consumption (kWh)	**6,861,568**	**6,004,638**	**5,478,803**	**–9%**	**–20%**

Sustainability certifications

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

There are currently six BREEAM-rated assets in the portfolio. The White Building in Reading and Central Square in Newcastle have a BREEAM Excellent ratings. Palletforce in Burton upon Trent, Regent Circus in Swindon, The Maldron Hotel in Newcastle and Hannah Close in Neasden all have Very Good ratings. These assets account for 17% of the portfolio by gross asset value. The Company is currently committed to develop two industrial developments at Precision Park, Leamington Spa and Sussex Junction, Bolney which are also expected to achieve a Very Good rating, as will the student housing development at Glenthorne Road, Exeter.

EPC RATING	% ESTIMATED RENTAL VALUE
A+	2%
A	9%
B	29%
C	35%
D	15%
E	10%
F	0.02%
G	0.38%

Social Indicators

Health & Safety

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

Community Engagement

A variety of community engagement activities were undertaken at leisure assets. This has included partnerships with local charities on fundraising activities. A recent example is the creation of The Summer Garden at Regent Circus in Swindon which ran during August and September 2021 and offered the community an enlivened space to relax and for children to play. The venue hosted live music and also was also used by InSwindon, the local BID, for their activities.

At the Rotunda, Kingston, we converted a vacant former restaurant unit to be used for the press launch of the inaugural Kingston International Film Festival, with the launch itself taking place in January 2022. This included the commission of a mural in support of the Film Festival. We expect to offer further support and engagement in the run up to the event in July 2022.

More broadly, community impacts are assessed as part of any major development or construction projects the Company undertakes.

Governance Indicators

The Company has a Board comprised of five independent/Non-Executive Directors as detailed on pages 48–49 of this document. The average tenure of the Board members is approximately 4.3 years with the longest serving Director being the Chairman Ken McCullagh at nine years and the shortest being Fionnuala Hogan who was appointed in the late summer of 2021.

The Directors bring a broad range of experience to their roles and all members have a keen focus on ESG-related topics and in ensuring that the Company meets its obligations. Alongside the Manager, Margaret Littlejohns, as Chair of the Risk Committee, considers the potential risk posed by environmental factors as part of her role while Chris Fry, as Chair of the Property Valuation Committee, has consideration to the impact of all ESG-related topics to the value of the property portfolio. All Directors are also members of these Committees and collectively contribute to the focus upon environmental and social matters.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the fifteenth Annual General Meeting of UK Commercial Property REIT Limited will be held at the offices of abrdn, Bow Bells House, 1 Bread Street, London EC4M 9HH on Thursday, 16 June 2022 at 11:00 for the following purposes.

Ordinary Resolutions

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

1. To approve and adopt the Report of the Directors and auditor and the financial statements for the year ended 31 December 2021.
2. To approve the dividend policy of the Company as set out in the Annual Report.
3. To approve the Directors' Remuneration Policy.
4. To receive and adopt the Directors' Remuneration Report for the year to 31 December 2021 (excluding the Directors' Remuneration Policy).
5. To re-appoint Deloitte LLP as Auditor to the Company until the conclusion of the next Annual General Meeting.
6. To authorise the Directors to determine the Auditor's remuneration.
7. To re-elect Mr Ayre as a Director of the Company.
8. To elect Ms Fionnuala Hogan as a Director of the Company.
9. To re-elect Mr Fry as a Director of the Company.
10. To re-elect Mr McCullagh as a Director of the Company.
11. To re-elect Ms Littlejohns as a Director of the Company.

Special Resolutions

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

12. That the Directors of the Company be and they are hereby generally empowered, to allot ordinary shares in the Company or grant rights to subscribe for, or to convert securities into, ordinary shares in the Company ("equity securities"), for cash including by way of a sale of ordinary shares held by the Company as treasury shares, as if any pre-emption rights in relation to the issue of shares as set out in the listing rules made by the Financial Conduct Authority under Part VI of the Financial Services and Markets Act 2000 (as amended) did not apply to any such allotment of equity securities, provided that this power:

(a) expires at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or on the expiry of 15 months from the passing of this resolution, whichever is the earlier, save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement as if the power conferred hereby had not expired; and

(b) shall be limited to the allotment of equity securities up to an aggregate nominal value of £32,485,312 being approximately 10 per cent of the nominal value of the issued share capital of the Company (including treasury shares), as at 13 April 2022.

13. That the Company, be authorised in accordance with section 315 of The Companies (Guernsey) Law, 2008, as amended,(the 'Law') to make market acquisitions within the meaning of section 316(I) of the Law of its own ordinary shares of 25p each ("shares") (either for retention as treasury shares for future resale of transfer or cancellation), provided that:

(a) the maximum number of shares hereby authorised to be acquired shall be equal to 14.99 per cent of the Company's issued share capital on the date on which this resolution is passed;

(b) the minimum price (exclusive of expenses) which may be paid for a share is 25p, being the nominal value per share;

(c) the maximum price (exclusive of expenses) which may be paid for a share shall not be more than the higher of (i) an amount equal to 105 per cent of the average of the middle market quotations for a share taken from the London Stock Exchange's Daily Official List for the five business days immediately preceding the day on which the share is purchased and (ii) the higher of the last independent trade and the highest current independent bid on the London Stock Exchange;

(d) the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or on the expiry of 15 months from the passing of this resolution, whichever is the earlier, unless such authority is renewed prior to such time; and

(e) the Company may make a contract to purchase Shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of Shares pursuant to any such contract.

By order of the Board
Northern Trust International Fund Administration Services (Guernsey) Limited
Company Secretary
Trafalgar Court
Les Banques
St Peter Port
Guernsey GY1 3QL

Date: 13 April 2022

Notes

1. A member who is entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend, speak and vote instead of him or her. A proxy need not be a member of the Company.

2. More than one proxy may be appointed provided each proxy is appointed to exercise the rights attached to different shares held by him or her.

3. A form of proxy is enclosed for use at the Meeting. The form of proxy should be completed and sent, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, so as to reach Computershare Investor Services (Guernsey) Limited, The Pavilions, Bridgwater Road, Bristol BS99 6ZY, not later than 11.00 on Tuesday, 14 June 2022.

4. Completing and returning a form of proxy will not prevent a member from attending in person at the Meeting. If you have appointed a proxy and attend the Meeting in person your proxy appointment will remain valid and you may not vote at the Meeting unless you have provided a hard copy notice to revoke the proxy to Computershare Investor Services (Guernsey) Limited, The Pavilions, Bridgwater Road, Bristol BS99 6ZY no less than 48 hours (excluding any part of a day that is not a working day) prior to the commencement of the Meeting as set out above.

5. To have the right to attend and vote at the Meeting (and also for the purposes of calculating how many votes a member may cast on a poll) a member must first have his or her name entered on the register of members at the close of business on the day which is two days before the date of the Meeting. Changes to entries in the register after that time shall be disregarded in determining the rights of any member to attend and vote at such Meeting.

6. The Directors' letters of appointment will be available for inspection for fifteen minutes prior to the Annual General Meeting and during the Meeting itself.

7. As at 13 April 2022, the latest practicable date prior to publication of this document, the Company had 1,299,412,465 ordinary shares in issue with a total of 1,299,412,465 voting rights.

8. Any person holding 3 per cent of the total voting rights in the Company who appoints a person other than the Chair as his proxy will need to ensure that both he/she and such third party complies with their respective disclosure obligations under the Disclosure and Transparency Rules.

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

The Company has appointed Aberdeen Standard Fund Managers Limited as its alternative investment fund manager and Citibank UK Limited 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 112.

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

abrdn 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 abrdn.

abrdn 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 abrdn and any third party making such offers/claims has no link with abrdn.

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

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

KEEPING YOU INFORMED

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

Details of the Company may also be found on the Company's own dedicated website at: ukcpreit.com. This provides information on the Company's share price performance, capital structure, stock exchange announcement and an Investment Manager's monthly factsheet. Alternatively you can call 0808 500 0040 (free when 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@abrdn.com or write to abrdn, 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 115. 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 abrdn Investment Plan for Children, Investment Trust Share Plan or Investment Trust ISA.

abrdn INVESTMENT PLAN FOR CHILDREN

abrdn 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 abrdn 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.

abrdn INVESTMENT TRUST SHARE PLAN

abrdn 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 abrdn 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.

abrdn INVESTMENT TRUST ISA

abrdn operates an Investment Trust ISA ("ISA") through which an investment may be made of up to £20,000 in the tax year 2022/2023.

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 abrdn 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:

abrdn Investment Trusts Trust
PO Box 11020
Chelmsford
Essex, CM99 2DB
Telephone: 0808 500 00 40
(free when dialling from a UK landline)

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

ONLINE DEALING DETAILS

Investor information

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

Online dealing

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

AJ Bell Youinvest; Barclays Stockbrokers/Smart Investor; Charles Stanley Direct; Equiniti; Halifax Share Dealing; Hargreaves Lansdown; iDealing; Interactive Investor; The Share Centre; Stocktrade.

Discretionary private client stockbrokers

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

Independent Financial Advisers

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

Regulation of Stockbrokers

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

Tel: 0800 111 6768 or at register.fca.org.uk
Email: register@fca.org.uk

EFFECT OF REIT STATUS ON PAYMENT OF DIVIDENDS

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

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

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

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

RETAIL DISTRIBUTION

On 1 January 2014, the FCA introduced rules relating to the restrictions on the retail distribution of unregulated collective investment schemes and close substitutes (non-mainstream investment products). UK REITs are excluded from these restrictions therefore, the FCA's restrictions on retail distribution do not apply.

Note

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

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

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

AIFMD Disclosures (unaudited)

The Company has appointed Aberdeen Standard Fund Managers Limited as its alternative investment fund manager with Citibank UK Limited, replacing Citibank Europe Plc on 23 October 2021, as its depositary under AIFMD. The AIFM and the Company are required to make certain disclosures available to investors in accordance with the Alternative Investment Fund Managers Directive ("AIFMD"). Those disclosures that are required to be made pre-investment are included within a pre-investment disclosure document ("PIDD") which can be found on the Company's website www.ukcpreit.com. There have been no material changes to the disclosures contained within the PIDD since its last publication in October 2021.

The periodic disclosures as required under the AIFMD to investors are made below:

- Information on the investment strategy, geographic and sector investment focus and principal exposures are included in the Strategic Report.
- None of the Company's assets are subject to special arrangements arising from their illiquid nature.
- The Strategic Report, note 18 to the Financial Statements and the PIDD together set out the risk profile and risk management systems in place. There have been no changes to the risk management systems in place in the period under review and no breaches of any of the risk limits set, with no breach expected.
- There are no new arrangements for managing the liquidity of the Company or any material changes to the liquidity management systems and procedures employed by ASFML.
- All authorised Alternative Investment Fund Managers are required to comply with the AIFMD Remuneration Code. In accordance with the Remuneration Code, the AIFM's remuneration policy is available from Aberdeen Standard Fund Managers Limited on request (see contact details on page 115) and the remuneration disclosures in respect of the AIFM's reporting period for the period ended 31 December 2021 are available on the Company's website.

Leverage

The table below sets out the current maximum permitted limit and actual level of leverage for the Company:

	Gross Method	Commitment Method
Maximum level of leverage	250%	250%
Actual level at 31 December 2021	118%	118%

There have been no breaches of the maximum level during the period and no changes to the maximum level of leverage employed by the Company. There is no right of re-use of collateral or any guarantees granted under the leveraging arrangement. Changes to the information contained either within this Annual Report or the PIDD in relation to any special arrangements in place, the maximum level of leverage which ASFML may employ on behalf of the Company; the right of use of collateral or any guarantee granted under any leveraging arrangement; or any change to the position in relation to any discharge of liability by the Depositary will be notified via a regulatory news service without undue delay in accordance with the AIFMD.

The information on pages 110 to 112 has been approved for the purposes of Section 21 of the Financial Services and Markets Act 2000 (as amended by the Financial Services Act 2012) by Aberdeen Standard Fund Managers Limited which is authorised and regulated by the Financial Conduct Authority.

9 Colmore Row
Birmingham

FINANCIAL CALENDAR 2022/23

2022

13 April 2022
Announcement of annual results

May 2022
Payment of 2022 first interim dividend

16 June 2022
Annual General Meeting

July 2022

August 2022
Payment of 2022 second interim dividend

September 2022
Release of 2022 Interim Report

October 2022

November 2022
Payment of 2022 third interim dividend

December 2022

2023

January 2023

February 2023
Payment of 2022 fourth interim dividend

March 2023

CORPORATE INFORMATION

Directors (all non-executive)

Ken McCullagh
Chair

Michael Ayre
Chair of Audit Committee

Margaret Littlejohns
Chair of the Risk Committee
Senior Independent Director

Chris Fry
Chair of Property Valuation Committee

Fionnuala Hogan
Chair of the Management
Engagement Committee and
Nomination and Remuneration Committee

Registered Office

PO Box 255
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Registered Number

45387

Administrator and Company Secretary

Northern Trust International Fund
Administration Services
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Investment Manager and Alternative Investment Fund Manager

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Property Valuer

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Registrar

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Depositary

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Citigroup Centre
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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.

	2021 £'000	2020 £'000
Total comprehensive income/(loss) for the year	236,233	(10,282)
Add back:		
(Gains)/losses on investment properties	(201,753)	45,485
Profit for dividend cover	34,480	35,203
Dividend paid in the period	37,981	29,886
Dividend cover	91%	118%
Dividend cover (excluding top-up dividend)	111%	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 October 2019, divided by the average number of shares in issue during the period.

ERV
The estimated rental value of a property, provided by the property valuers.

Fair value
Fair value is defined by IFRS 13 as 'the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date'.

Fair value movement
Fair value movement is the accounting adjustment to change the book value of an asset or liability to its market value, and subsequent changes in market value.

Financial resources
Cash balance less financial commitments plus undrawn amount of revolving credit facility.

Gearing
Calculated under AIC guidance as gross borrowing less cash divided by portfolio valuation.

	2021 £'000	2020 £'000
Gross borrowings	250,000	200,000
Less cash	(42,121)	(122,742)
	207,879	77,258
Portfolio valuation	1,537,450	1,206,780
Gearing	13.5%	6.4%

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.

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.

	2021	2020
Opening NAV	86.7	89.8
Closing NAV	102.0	86.7
Movement in NAV	15.3	(3.1)
% Movement in NAV	17.6%	(3.5%)
Impact of reinvested dividends	3.9%	2.6%
NAV total return	21.5%	(0.9%)

Net initial yield (NIY)	The net initial yield of a property is the initial net income at the date of purchase, expressed as a percentage of the gross purchase price including the costs of purchase.
Ongoing charges	A measure, expressed as a percentage of NAV, of the regular, recurring costs of running an investment company, calculated in line with AIC ongoing charge methodology.
Over-rented	Space where the passing rent is above the ERV.
Passing rent	The rent payable at a particular point in time.
Portfolio fair value	The market value of the company's property portfolio, which is based on the external valuation provided by CBRE Limited.
Portfolio total return	Combining the Portfolio Capital Return (the change in property value after taking account of property sales, purchases and capital expenditure in the period) and Portfolio Income Return (net property income after deducting direct property expenditure), assuming portfolio income is re-invested.
Portfolio yield	Passing rent as a percentage of gross property value.
Premium/Discount to NAV	The difference between the share price and NAV per share, expressed as a percentage of NAV. Premium representing a higher share price compared to NAV per share, discount the opposite.
Property Income Distribution	UK REITs are required to distribute a minimum of 90% of the income from their qualifying property rental business. This distribution is known as a Property Income Distribution ("PID"). PIDs are taxable as UK property income in the hands of tax-paying shareholders.
Rack-rented	Space where the passing rent is the same as the ERV.
REIT	A Real Estate Investment Trust (REIT) is a single company REIT or a group REIT that owns and manages property on behalf of shareholders. In the UK, a company or group of companies can apply for 'UK-REIT' status, which exempts the company from corporation tax on profits and gains from their UK qualifying property rental businesses.
Rent collection	The percentage of rents paid compared to the rents invoiced over a specified period.
Rent free	A period within a lease (usually from the lease start date on new leases) where the tenant has been granted that they do not have to pay any rent.
Rent review	A rent review is a periodic review (usually five yearly) of rent during the term of a lease. The vast majority of rent review clauses require the assessment of the open market, or rack rental value, at the review date, in accordance with specified terms, but some are geared to other factors, such as the movement in an Index.
Reversionary yield	Estimated rental value as a percentage of the gross property value.
Revolving Credit Facility ("RCF")	A bank loan facility from which funds can be withdrawn, repaid and redrawn again any number of times until the facility expires. As at date of this report UKCM had a RCF facility of £150 million.
RICS	The Royal Institution of Chartered Surveyors, the global professional body promoting and enforcing the highest international standards in the valuation, management and development of land, real estate, construction and infrastructure.
Share price	The value of each of the company's shares at a point in time as quoted on the Main Market of the London Stock Exchange.
Share price total return	The return to shareholders, expressed as a percentage of opening share price, calculated on a per share basis by adding dividends paid in the period to the increase or decrease in share price. Dividends are assumed to have been reinvested in the quarter they are paid, excluding transaction costs.

	2021	2020
Opening share price	69.0	88.8
Closing share price	74.7	69.0
Movement in share price	5.7	(19.8)
% Movement in share price	8.3%	(22.3%)
Impact of reinvested dividends	4.2%	2.6%
Share price total return	12.5%	(19.7%)

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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