Interim Report and Accounts

for the half year ended 30 June 2016

UK COMMERCIAL PROPERTY TRUST

Contents

Front Cover images: Fully let industrial unit at Emersons Green, Bristol and The Rotunda, Kingston-upon-Thames, where there have been successful asset management initiatives.

Company Summary

The Company

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

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

The Company has an indefinite life and was incorporated on 24 August 2006.

The Group

The Group consists of the Company, its seven wholly owned subsidiaries, and a limited partnership.

The subsidiaries, UK Commercial Property Finance Holdings Limited ("UKCPFH"), UK Commercial Property Holdings Limited ("UKCPH"), UK Commercial Property GP Limited ("The GP"), UK Commercial Property Nominee Limited ("UKCPN"), UK Commercial Property Estates Holdings Limited ("UKCPEH") and UK Commercial Property Estates Limited ("UKCPEL") are incorporated in Guernsey. Brixton Radlett Property Limited ("BRPL") is a company incorporated in the UK. The principal business of UKCPH, UKCPEL, BRPL and the GP are that of an investment and property company. The principal business of UKCPN is that of a nominee company. The principal business of UKCPFH and UKCPEH are that of holding companies.

The limited partnership, UKCPT Limited Partnership, ("the GLP") is a Guernsey limited partnership. UK Commercial Property Holdings Limited and UK Commercial Property GP Limited have a partnership interest of 99% and 1% respectively in this entity.

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

Objectives

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

Benchmark

MSCI Investment Property Databank Balanced Monthly and Quarterly Funds.

Management

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

ISA Status

The Company's shares are eligible for ISA investment.

Website

The Company's website address is: www.ukcpt.co.uk

Financial and Property Highlights

Financial Highlights

- An NAV per share of 86.5p (31 December 2015: 86.7p) resulting in a NAV total return of 1.9% in the six month period to 30 June 2016;
- Strong and stable performance over the longer term with NAV total return since inception of 60.6% compared to the FTSE REIT Index (-19.2%) over the same period;
- Significant financial resources with cash of £114 million as at 30 June of which £70 million is available for investment after allowing for dividend and capital expenditure commitments, with further cash available in the form of a £50 million revolving credit facility;
- Low and prudent net gearing of 10.7% (gross gearing of 18.1%) as at 30 June, among the lowest in the peer group, with an attractive, blended fixed rate of interest of 2.89%;
- Attractive and secure dividend yield of 4.8%*, underpinned by a quality portfolio of diversified properties and a strong tenant base, compares favourably to the yield on the FTSE REIT Index (3.5%)* and the FTSE All-Share Index (3.5%)*.

Property Highlights

- Portfolio total return of 2.8%, driven mainly by the industrial and office sectors, which compares favourably to the IPD benchmark total return of 2.6%;
- The strategic sales of 6 Arlington Street, St James's, London and Dolphin House, Sunbury in Q2 for a combined price of £45.6 million, generating a premium of 14% above the 31 March 2016 valuation;
- Successful asset management activity across the portfolio in the period secured £3.2 million per annum of income and enhanced value including:
  - Following the acquisition of Ventura Park, Radlett in September 2015 two 10 year leases have been signed with rents secured at 3.5% ahead of ERV increasing the capital value of this asset by £2.7 million or 4.0% since acquisition;
  - A new 10 year lease with Joules Ltd at 83 George Street, Edinburgh at a rent of £320,000 per annum in line with ERV;
  - In line with the strategy for the asset, finalising a letting and lease re-gear at Eldon House, City of London at rents of £52 per square foot well above the £31 per square foot average rent passing at acquisition;
  - At St. Georges Retail Park, Leicester reconfigured existing units for Aldi and Pets at Home securing £487,000 per annum, in line with ERV, on 10 and 15 year leases respectively;
- A void rate of 2.8% at 30 June 2016 compared to a benchmark figure of 6.8%, plus a strong rent collection rate of 99% after 28 days, affirming the prime nature of the Company's portfolio and testament to successful asset management activity;
- Asset management momentum has been maintained post referendum with 14 leasing transactions with a combined rent roll of approximately £3.1 million completed or progressing on pre-vote terms, and new enquiry levels broadly in line with normal seasonal expectations.

*As at 11 August 2016.

Performance Summary

Capital Values & Gearing	30 June 2016	31 December 2015	% Change
Total assets less current liabilities (excl Bank Loan and Swap) (£'000)	1,378,311	1,375,032	0.2
Net asset value per share (p)	86.5	86.7	(0.2)
Ordinary Share Price (p)	72.15	85.25	(15.4)
Discount to net asset value (%)	(16.6)	(1.7)	–
Gearing (%): Gross*	18.1	18.2	–
: Net**	10.7	13.4	–

Total Return %	6 month	1 year	3 years	Since Inception (Sep 2006)
NAV***	1.9	5.7	46.6	60.6
Share Price***	(13.4)	(17.2)	9.9	31.5
Balanced Monthly & Quarterly Funds Benchmark	2.6	8.8	46.0	52.3
FTSE Real Estate Investment Trusts Index	(11.8)	(8.3)	35.7	(19.2)
FTSE All-Share Index	4.3	2.2	18.6	62.9

Earnings & Dividends	30 June 2016	30 June 2015
Dividends paid per ordinary share (p)	1.84	1.84
Dividend yield (%)****	5.1	4.0
IPD Benchmark Yield (%)	5.0	5.1
FTSE All-Share Index Yield (%)	3.7	3.5
FTSE Real Estate Investment Trusts Index Yield (%)	3.7	2.8

European Public Real Estate Association ("EPRA") NAV at 30 June 2016 (excluding swap asset) – 87.0p (31 Dec 2015 – 86.7p)

* Calculated as gross borrowings (excl swap valuations) divided by total assets less current liabilities (excl borrowings and swaps).

** Calculated as net borrowings (gross borrowings less cash, excl swap valuations) divided by total assets less current liabilities and cash (excl swaps).

*** Assumes re-investment of dividends excluding transaction costs.

**** Based on an annual dividend of 3.68p.

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

Chairman's Statement

I am pleased to present my first statement as Chairman of UKCPT following the recent retirement of Christopher Hill.

This year has been dominated by political and economic uncertainty due to a slowing economy and the EU Referendum. Despite this background, UKCPT had a creditable performance in the six months to 30 June 2016.

The Company's portfolio continued to generate strong income returns whilst also delivering a solid capital performance reflecting positive outcomes to asset specific initiatives and the timely sales of a mixed use holding in Arlington Street, London and of an office property in Sunbury, Surrey. These two sales realised a total of £45.6 million, some 14% above their combined March quarter end valuations. This performance was generated despite BHS going into administration which resulted in an £8.3 million valuation reduction in Q1 of the Company's holding at The Parade, Swindon, where BHS occupied one of the Company's retail units.

The NAV total return for the six months was 1.9% driven by a total return of 2.8% from the property portfolio which compares favourably to the IPD benchmark total return of 2.6%. The NAV performance was impacted by the movement in interest rate swaps as the yield curve flattened out significantly following the result of the referendum. It should be noted that the portfolio valuation for the second quarter of the year, having been finalised at the time of the referendum, was caveated by our valuers in line with current market practice.

The portfolio has a financially sound tenant mix, a spread of holdings both geographically and by sector, low voids, excellent rental payment history and a number of pending individual property management initiatives, all of which are highly supportive of our dividend.

Economic Background

It is too early to be definitive about how the leave vote will affect the UK economy and the real estate sector in particular; however, the pervading heightened uncertainty implies a weaker second half of the year for the economy. In financial markets, 10 year benchmark bonds are at historical low levels, sterling has weakened by circa 10%, interest rates have been cut and sentiment surveys suggest a challenged economic backdrop ahead. The Bank of England has cut its forecast for economic growth in 2017 from 2.3% to 0.8%. Until the position of the UK is clearer, particularly in regard to the detail of its exit from the European Union, it is hard to forecast outcomes with any accuracy.

A number of major UK open-ended property funds, concerned about an increase in the level of redemption requests, temporarily suspended or imposed exit penalties on their funds. Closed-ended funds and companies have not escaped unscathed, with the FTSE All-Share REIT Index falling by 8.2% since the day of the EU referendum to 11 August 2016. The Company's share price, underpinned by its dividend yield, has performed comparatively well having regained almost all of the ground lost in the immediate aftermath of the vote and now standing just 2.6% below the closing price on the 23 June, representing a discount of 9.7% to the ex-dividend NAV.

Borrowings and Cash

As at 30 June 2016 the Company had low net gearing of 10.7%, gross gearing of 18.1%, an attractive blended rate of interest of 2.89% and a weighted average expiry period of six and a half years. The Company also had cash of £114 million of which £70 million is available for investment after allowing for dividend and capital expenditure commitments. Additionally, the Company has access to a £50 million revolving credit facility which remains undrawn. Therefore, with its strong balance sheet, low leverage and significant cash resources, UKCPT is in a sound financial position at a time of market unease.

Dividends

The Company declared and paid the following dividends during the period:

	Payment Date (2016)	Dividend per share (p)
4th interim for prior period	Feb	0.92
1st interim	May	0.92
Total		**1.84**

A second interim dividend of 0.92p was declared on 26 July 2016 and is payable on 31 August 2016. This equates to a dividend yield of 4.8% based on the share price as at close on 11 August 2016. When compared to the yield on 10 year gilts (0.5%), the equity market (3.5%) and even the FTSE REITS (3.5%) at the same date, your Company offers a significant positive yield differential at a time when many investors are looking for stable, but attractive, income returns. The rental income of the Company is underpinned by a prime portfolio of well let assets located throughout the UK.

Chairman's Statement (continued)

Outlook

Whilst some political stability has been established in recent weeks, the outlook for the UK economy has weakened. It is too early to determine the level of impact that the increased uncertainty will have on the economy, the financial markets and the direct and indirect UK real estate market. However, UK commercial real estate continues to provide a significant yield premium to other assets. Compared to previous downturns the UK commercial property market has lower gearing levels, higher occupancy rates and muted levels of new supply, all of which should enhance the resilience of the asset class.

Set against this outlook, UKCPT, with its strong defensive characteristics, is well set. Unlike some other property funds, UKCPT is not a seller of assets to fund redemption requests. The Company's diversified portfolio should continue to provide a sustainable rental income stream supporting the attractive dividend yield paid to investors. This is crucial in an environment where the demand for certainty of income remains a key driver of investment decision making and allocation. The Company has a strong balance sheet, with low gearing levels and significant cash resources, which it can utilise if opportunities arise.

Overall, I am confident that for the reasons stated above, and due to the continued strong portfolio management work being undertaken on the Company's behalf by Standard Life Investments, UKCPT is well positioned in this uncertain environment to deliver value for shareholders.

Andrew Wilson
Chairman
17 August 2016

Manager's Review

For the half year ended 30 June 2016

Economic Review

The implications of the UK's Referendum on EU membership have caused a complex interaction between politics, economics and markets which makes the coming months very difficult to predict. Given the ongoing political uncertainty the UK economy is expected to be affected negatively, although as market volatility rises safe haven assets will benefit. Slowly but surely, we are starting to get some early data, which is helping shed some light on the initial fallout. These data points have tended to be survey-based 'soft' data, rather than official 'hard' statistics, which will be released with more of a lag. However, in most cases, we have seen signs of deterioration in activity. Some early indicators on retail sales by the Office for National Statistics (ONS) showed a fall in June, but stores suggested that bad weather rather than the vote to leave the European Union was to blame. More recent figures, released by the British Retail Consortium and KPMG for July, showed a rise in like for like sales, leaving open the question of how big the hit to the economy will be. Although survey data can sometimes be erratic and overreact to short-term shocks, persistent uncertainty is likely to spur action by policy makers. Based on an expected stalling of growth over the second half of this year, and a downgraded GDP forecast of 0.8% from 2.3% for next year, the Bank of England has delivered a significant monetary easing package in response to the EU Referendum result. It shows the Bank's willingness to respond forcefully, and its confidence that it still has the tools and ammunition to support the economy.

Commercial Property

Before the EU Referendum the UK real estate market was already at a mature phase of its cycle. Following the Referendum, a higher volume of sellers versus buyers is adversely impacting UK real estate capital values, although this is only just starting, as we go to print in August, to materialise significantly in index level data. Over the six months to end June, All Property recorded a 2.6% total return according to the IPD/MSCI Quarterly Benchmark, reflecting end-June valuations established prior to the EU Referendum result. This return was lower than the same period in 2015, led by marginally negative capital value growth which had already been expected by markets. Rental growth remained healthy at 1.2% in the six months to end June. The industrial sector generated the highest total returns across all sectors at 3.5%, helped by the positive capital gain for the six months to 30 June 2016. Office and Retail recorded 3.0% and 1.8%, respectively, in the same time period.

Portfolio Performance

The table below sets out the components of total return of the Company and benchmark in each sector for the six month period to 30 June 2016. In common with all valuations undertaken by the Company's valuer, CBRE Ltd, and indeed by other property valuers, CBRE caveated their 30 June 2016 valuation reflecting the uncertainty following the UK's Referendum decision to exit the EU.

	Total Return		Income Return		Capital Growth	
	Fund %	Benchmark %	Fund %	Benchmark %	Fund %	Benchmark %
Industrial	4.8	3.5	2.6	2.5	2.1	0.9
Office	4.2	3.0	2.3	2.0	1.8	1.0
Retail	0.5	1.8	2.4	2.6	-1.9	-0.8
Other Commercial	1.5	3.1	2.7	2.5	-1.2	0.6
Total	**2.8**	**2.6**	**2.4**	**2.4**	**0.3**	**0.2**

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

Whilst the EU Referendum has put a spotlight on the outlook for commercial property – and rightly so – it is both important and pleasing to report a robust performance from the Company with a total return from its portfolio of 2.8% versus 2.6% for the benchmark over the six month reporting period. It should be noted that whilst the 30 June valuation is caveated by CBRE due to the EU Referendum, as discussed earlier, the underlying valuations of the Company's benchmark will be equally caveated, thereby allowing a "like for like" comparison. The six month figures obscure the underlying strength of the portfolio where, with Q1 having been negatively affect by the BHS CVA (discussed later), Q2 was sufficiently strong to offset this and returned 2.0% versus 1.5% for the benchmark.

It is also worth noting that both the Company's and the benchmark's performance figures were impacted by the unexpected increase in SDLT which was introduced in the Chancellor of the Exchequer's budget on 16 March 2016.

As has been the case for some years, the Company's strong income profile provided a stable and reliable element of the portfolio return, 2.4% for the six month period, whilst capital growth accelerated to 0.3% (0.8% for Q2). The main drivers for this performance were growth from the West End office portfolio, including a significant St James's sale in mid-June, and from the South East industrial portfolio, which also included a part sale in June. Over the period this growth was partially offset by falls in the shopping centre portfolio, principally due to the Company's sole BHS store.

Industrial

The strongest performance during the first half came from the Company's industrial portfolio, with a total return of 4.8% against 3.5% for the benchmark. Generally, the market continues to reward the strong income characteristics of the industrial sector and investment demand remains robust with a scarcity of stock, particularly for London and South East, underpinning performance. Within this period the Company benefited from the accretive sale of a redundant office property on one of its London industrial estates to a residential developer. The Company's industrial portfolio is well located and split approximately 45:55 between single-let 'big box' logistics assets and well-located multi-let industrial estates. The prime characteristics of the Company's portfolio will stand it in good stead with both 'big box' and 'multi-let estate' well placed to continue providing sustainable income while offering some growth opportunities.

Office

Boosted by the profitable sale of a low-yielding 'trophy' office investment in London's St James's, 6 Arlington Street, the return posted by the Company's office portfolio was a close second to the industrial performance at 4.2% for the period against 3.0% for the benchmark.

The Company's underexposure to the South East office sub-sector, at 1.7% of capital employed versus the benchmark's 11.1%, has not materially hurt it this period reflecting capital growth coming off the bulk of that market. On the other hand the Company's 2015 acquisition of Eldon House, in the City of London close to the imminent Liverpool Street Crossrail/Elizabeth Line station, generated a total return of 4.3% against the benchmark for the City of 2.6%, as the Company's asset management programme increased rental income as anticipated at the time of acquisition.

During the first six months, we also witnessed continuing investment demand for both core London and regional offices. Overseas demand has been particularly strong for the former whilst the latter saw more focus from UK institutional investors, many of whom have been attracted by a more generous yield. It is important to observe that, after the EU Referendum, demand for City of London office investments has declined, reflecting uncertainty over future levels of cross-border financial services operations.

Retail

Whilst it has been common to read of retail underperforming the other major property sectors in recent periods, and the last six months is no exception, on this occasion the Company's retail performance was disrupted by the BHS debacle. In Q1 its filing for a CVA procedure and with it the expected closure of its store in the Company's Swindon shopping centre, The Parade, led to a one-off £8 million value write-down. With this impact the Company's retail total return was 0.5% against 1.8% for the benchmark. The ongoing strategy for the Company's shopping centres, which account for less than 8% of portfolio value, is to maintain and, where possible, improve the net operating income at each centre. In particular the Company is pleased to have commenced work to refurbish the main mall of the Charles Darwin Centre, Shrewsbury, creating a new anchor unit for Primark. Aside from improving net operating income in its own right, the new Primark anchor store will significantly improve the attractiveness of this shopping centre for other tenants, creating, we expect, a snowball of interest further improving net operating income in what is the Company's largest current void. We attribute an early new letting to Costa Coffee directly to the Primark announcement.

The Company's standard regional shops in Manchester and Exeter delivered a strong performance recording a total return of 9.5% – the best across all sub-sectors over the last six months. However, with only 2.5% of the Company's portfolio invested here, the impact at the aggregate level was muted. It was also positive to note the Company's retail warehouse portfolio, representing 21.8% of the portfolio against 16.1% for the benchmark, out-performed the benchmark sub-sector return at 2.3% versus 1.8%, whilst also providing an income return of 2.6% – ahead of the all property income return of 2.4%. This is reflective of the quality of the Company's retail warehouse portfolio and the active management carried out to enhance value during the period.

St Georges Retail Park, Leicester (cgi of proposed extension)

The retail market has been polarised towards the prime and good secondary spectrum whilst significant risk remains in the poor secondary and tertiary locations. After the EU Referendum we continue to witness positive signals from the retail occupational market in good locations although, as before, rental growth in all but the best locations remains subdued.

Leisure

The Company has approximately 10% of its portfolio invested in leisure investments which, amongst other attributes, extend the portfolio's average unexpired lease term. MSCI/IPD groups leisure in its 'Other' designation which includes student housing, hotels, etc. Over the period the Company's leisure assets produced a superior income return but lost a little value at Regent Circus, Swindon, reflecting a reducing risk appetite and that asset's residual restaurant vacancy.

Manager's Review (continued)

Investment Activity

Following the repositioning of the portfolio in 2015, during which the Company completed £308 million of acquisitions and disposals, two further tactical property sales took place during the first half of this year.

In June, prior to the UK's Referendum decision to leave the EU, the Company completed the sale to a private buyer of 6 Arlington Street, St James's, London, its 'trophy' low-yielding office and gallery investment. It also sold Dolphin House, a redundant office on its Sunbury Industrial Estate, south of Heathrow airport, to a UK residential development company.

The sales were completed in two separate transactions for a total sum of £45.6 million, a 14% premium on the 31 March 2016 valuations. Although very different assets, both took advantage of the strong London investment demand for 'office to residential' conversion.

Dolphin House, Sunbury – sold during Q2 2016

Asset Management Activity

It was pleasing to see the Company maintain its low void position of 2.8% (of ERV) at 30 June 2016, comfortably below the MSCI/IPD benchmark void rate of 6.8%.

During the year the Company continued its drive to strengthen income streams, extend lease lengths and add value to the portfolio. A total of £2.3 million of annual income was generated from 25 new lettings, after rent free periods and incentives; a further £0.8 million per annum came from 14 lease renewals.

With the exception of one small case, all open market rent reviews agreed during the period saw increases and settlements ahead of rental value. Kew Retail Park saw most rent review activity helping improve the portfolio's annualised income by over £75,000 per annum.

Across the portfolio, a number of fixed rental increases were triggered over the first six months of the year that now provide an additional rent of over £500,000 per annum. In the Company's 31 March 2016 NAV announcement we reported on the BHS CVA, which will reduce the contracted rent by £820,000 per annum representing c.1% of the Company's total rent roll. There are a number of opportunities we are considering to relet this unit to generate income. Excluding this unexpected impact, rent on a like for like basis remained marginally positive over the period.

In line with the strategy of improving rental income, as outlined at the time of the acquisition of Eldon House in the City of London, we successfully let a vacant office suite to Proclinical Ltd at an annual rent of £266,000 per annum after lease incentives. We also completed a lease renewal with Triglyph Building Consultancy Ltd for five years. Both lettings were secured at a rate of £52 per square foot, well above the average passing rental level of £31 per square foot at the time of acquisition.

Eldon House, Eldon Street, City of London

At St Georges Retail Park, Leicester, lease renewals took place with Pets at Home and Aldi securing £487,000 per annum, in line with rental value, on new 10 and 15 year leases respectively. This initiative ensured both occupiers had appropriately sized units for their retail operations and allowed the opportunity to re-clad the front elevations.

St Georges Retail Park, Leicester

Following completion of landlord works, leases completed with Oak Furniture Land and Harveys on Great Lodge Retail Park, Tunbridge Wells, following a lease surrender with DSG Ltd (trading as Currys). These lettings improved rental income by 10%, payable under the 10 year leases, and also increased

Manager's Review (continued)

customer choice on the park. Part of the transaction allowed planning consent to be successfully obtained for mezzanine floor installation which should help improve future occupational and investment demand for this asset.

Harveys, Great Lodge Retail Park, Tunbridge Wells

In Yorkshire, at Junction 27 Retail Park Leeds, contracts were satisfied with Azzurri Restaurants Ltd (trading as Zizzi) and the new restaurant opened for trade in February. In addition, a new 15 year lease was completed with Harveys on improved rental terms and, as part of the agreement, the unit occupied by Harveys was extended and refurbished.

Within the Company's multi-use office and retail investment at 83/85 George Street, Edinburgh, progress has been made on the delivery of Clydesdale Bank's new flagship branch with the commencement (in August) of landlord works. The adjacent retail unit has been let by the Company on a new ten year lease to Joules Ltd at an annual rent of £320,000, in line with ERV; this helped increase the capital value of the asset by 1.7% over the last six months.

The new shop is expected to open, after fit out, on 24 August, during the annual Edinburgh Festival.

George Street, Edinburgh

Evidence of our asset management capability was further demonstrated at Ventura Park, Radlett, and Dolphin Industrial Estate, Sunbury, where letting activity and lease re-gears in this reporting period have resulted in additional income, longer lease lengths and physical improvements to the properties. Improving rental values have provided a platform for improved capital value within the popular industrial sector.

Following the acquisition of Ventura Park, Radlett in September 2015, lettings have taken place with Pangaea Laboratories and Wylie Environmental Ltd and the estate is now fully occupied. New 10 year leases have been signed, rents secured at 3.5% ahead of ERV and the capital value of this asset increased by £2.7 million or 4.0% since acquisition. In May this year B&Q served notice to terminate its lease from November 2016, which accounts for 23% of the asset's rental value. Interest is good in this low-cost warehouse, very well located on the M25 north of London, and we are confident the space will let well.

Dolphin Industrial Estate, Sunbury is now also fully occupied following the letting of Unit A2 to Arthur J. Gallagher on a new ten year lease. This letting helped deliver a 16.3% total return for this asset during the first half of the year.

Value improved by 3.0% on the Company's car showroom investment, Motor Park, Portsmouth, in the first half of the year. The increase followed a successful lease surrender negotiated with Porchester Micro Tools Ltd whilst simultaneously entering into a new lease with Harwoods Ltd, an Audi dealership.

Motor Park, Portsmouth

Within the leisure sector letting activity has taken place at The Rotunda, Kingston upon Thames, to reposition the restaurant offer to ensure that this popular location continues to provide a modern family dining, fitness and cinema destination. HJ Tenger Holdings Ltd (trading as Kung Fu) and Fifth Floor F&B Ltd (Sugar Dumplin) have been introduced to the property on new 15 year turnover leases at a combined base rent of £207,500 per annum in line with ERV.

Manager's Review (continued)

The Rotunda, Kingston upon Thames

We were pleased to have agreed healthy rent review uplifts on three units at Kew Retail Park, Richmond, where over £75,000 per annum of additional rent added over £1.2 million of value.

At the Charles Darwin Centre, Shrewsbury, building contractor McLaughlin and Harvey has been appointed to create and deliver the new anchor store for Primark, which is due to open in Spring 2017. Agreements to Lease have also been signed with Australian stationery and card retailer, Smiggle, and Costa Coffee. Smiggle subsequently opened in July and Costa is due to open in October, following works undertaken by UKCPT as part of its contractual commitments. It is encouraging to see new retail tenants entering into leases at the Charles Darwin Shopping Centre, encouraged by the pre-let Primark anchor store.

Charles Darwin, Shrewsbury

Rent Collection, Voids and Leasing Tone

Tenant covenants are monitored on a quarterly basis. The Company's average rent collection efficiency over the past 12 months shows that 99% of rent was collected within 28 days of the due date, indicative of the high quality of the Company's tenant profile.

It was pleasing to see the Company maintain its low void position of 2.8% (of ERV) at 30 June 2016; having started the year at the same figure it increased to 3.4% at 31 March 2016 and then, with leasing activity and the sale of the largely vacant Dolphin House office, reverted to its low of 2.8%. If tenants in administration are assumed to fail the void rate increases to 3.5% (Dec 2015: 2.9%); all figures comfortably below the MSCI/IPD benchmark void rate of 6.8%.

Despite the recent uncertainty caused by the UK vote to leave the European Union, occupier demand remains encouraging in most sectors. This is an observation reflected in the Company's portfolio activity after the vote where, on 23 June 2016, the day of the EU Referendum vote, there were 16 transactions under offer within the portfolio with a combined rent roll of approximately £4.5 million per annum. Of these transactions, 14 have either already completed or are continuing to progress on the same terms agreed pre-vote, representing a potential rent roll of approximately £3.1 million per annum. In most of its markets UKCPT has experienced new enquiry levels broadly in line with expectations accounting for normal seasonal fluctuations and, following the Referendum, a further two transactions have progressed into solicitors' hands ahead of ERV.

Market Outlook

A slowdown in UK real estate was materialising prior to the EU Referendum. The economic outlook is being impacted by heightened uncertainty following the result, with lower business and consumer confidence. Given its direct correlation to economic activity, this is affecting UK real estate. We therefore anticipate increased pressure on UK commercial real estate capital values due to elevated investor caution and the expected weaker economic environment; the magnitude of decline will depend on the Referendum's actual impact on the domestic economy. From a sector perspective, we expect Central London offices to be the most negatively impacted over the medium term given the linkages to European markets. We expect industrial and retail assets to be comparatively resilient, although not immune, given their higher yields. We expect long income assets with good tenants to provide most resilience in this environment.

UK real estate continues to provide an elevated yield compared to other asset classes. Looking forward there are a number of important fundamental measures which should help stabilise the market – this cycle's experience of a more conservative real estate lending environment, below average existing vacancy rates in most markets, and relatively constrained development holding back supply. The current "lower for even longer" interest rate environment, coupled with an increasing investor global search for yield and the retention of the UK's standing as a transparent market with a robust legal framework, should all ensure the asset class is well placed for the longer term.

Manager's Review (continued)

Portfolio Strategy

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

UKCPT is in the fortunate position, having planned and executed pre-Referendum sales, of having a generous cash position with which to survey an uncertain market for prime investments that fit the Company's investment policy. With cash of £114 million (30 June), £70 million is available for investment after allowing for dividend and capital expenditure commitments. If opportunities arise, the Company has a further £50 million of capital available to be drawn down tactically from its revolving credit facility.

When looking at opportunities to deploy these resources, we have increased our focus on long-term secure income, often found in alternative sectors which we will look to access such that they would be accretive to recurring dividend cover; examples might include well-located hotels, funding the construction of 'pre-let' student housing in the best cities, and re-priced right-sized supermarkets in vibrant economies with strong demographics.

We will continue to review opportunities in South East offices – modern, well-let properties in strong locations to limit the impact of depreciation on returns – but only if an element of 're-pricing' has occurred to offset lower rental growth expectations.

Importantly we are also open to exploiting pricing opportunity in the market, across most sectors, with a large team and the resource to react quickly. The property market has been experiencing an immediate post-Referendum bout of pessimism together with a liquidity pinch and we expect there will be other points of stress over the next 6-12 months as 'Brexit' sentiment waxes and wanes.

Turning to asset management it is noticeable, when compared with the benchmark, that the Company's portfolio has low vacancy (2.8%). Whilst we are very pleased this low rate continues we aim to augment net income through a focused strategy on leasing activity within the shopping centre assets of Swindon and Shrewsbury.

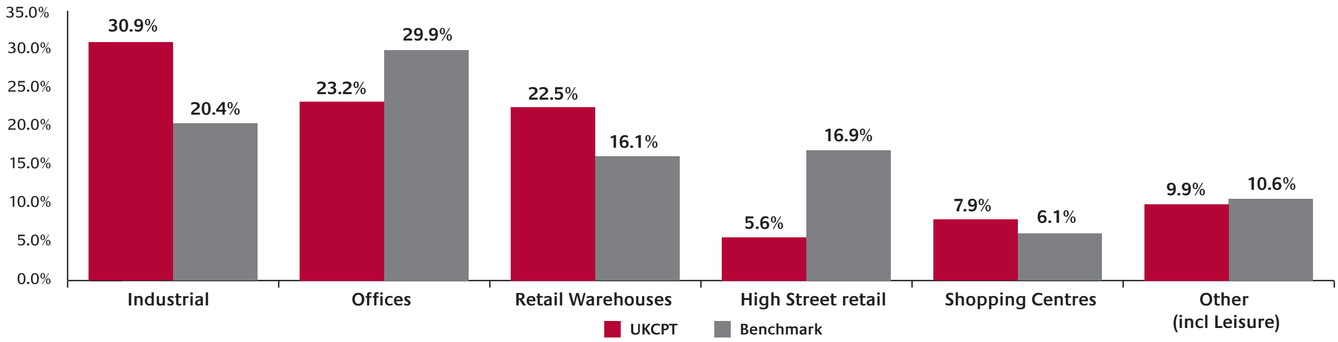
In our 2015 year-end report we stated our belief that the Company was generally well positioned to enter a new phase of the property cycle focused on income return rather than capital growth as returns slowed. That income return component has now come into even sharper focus after the UK's EU Referendum decision and, we believe, the Company remains generally well positioned to face this new environment with a strong balance sheet, a well-diversified portfolio, low gearing and a low vacancy rate.

Will Fulton
Fund Manager
17 August 2016

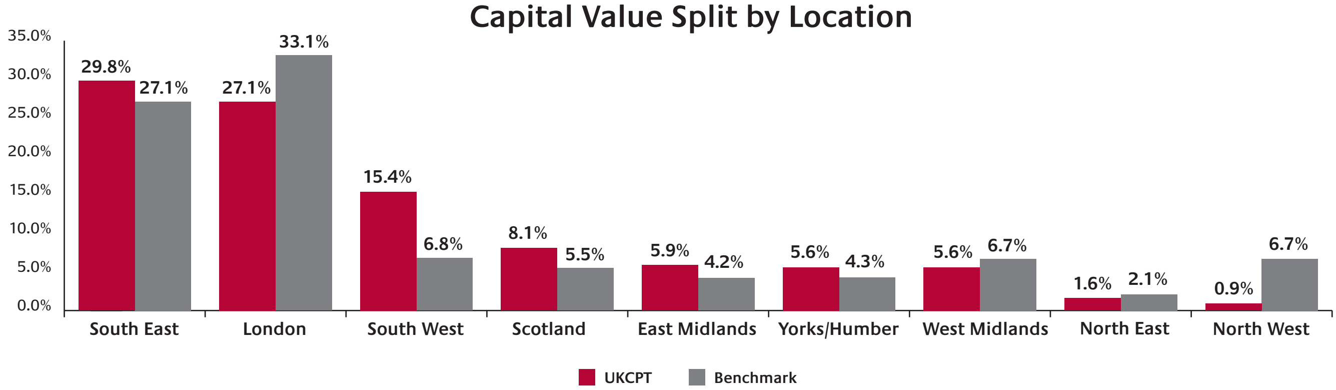
Portfolio Statistics

As at 30 June 2016

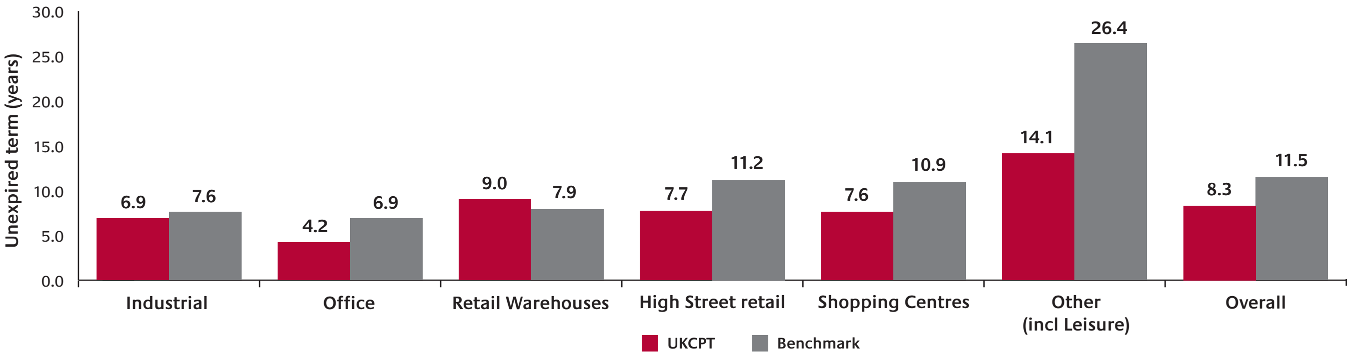
Capital Value Split by Sector



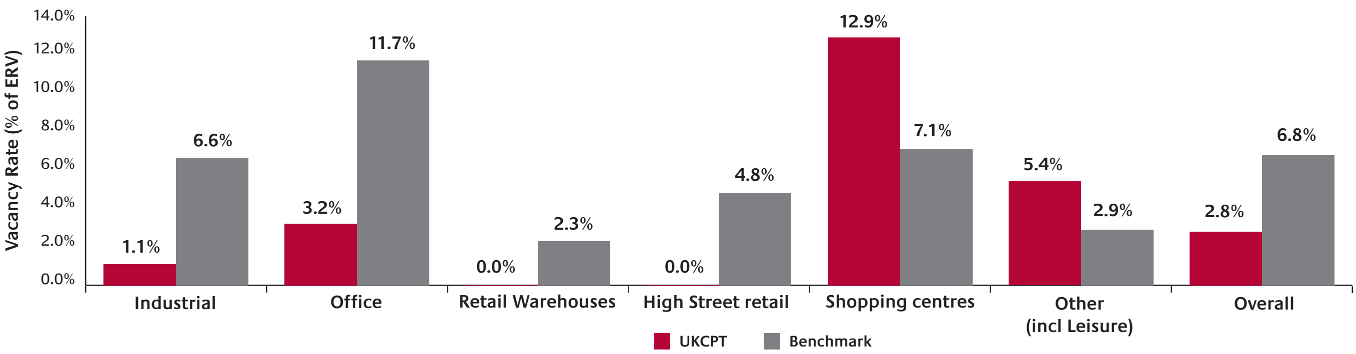
Capital Value Split by Location



Unexpired Lease Term by Sector



Vacancy Rate by Sector



Property Portfolio

As at 30 June 2016

Property	Tenure	Sector	Principal Tenant	Value Range
Junction 27 Retail Park, Birstall, Leeds	Freehold	Retail Warehouse	DSG Retail Ltd	Over £50m (representing 39% of the portfolio capital value)
Ventura Park, Radlett	Freehold	Industrial	B & Q Plc	
Great Lodge Retail Park, Tunbridge Wells	Freehold	Retail Warehouse	B & Q Plc	
15 Great Marlborough Street, London, W1	Freehold	Office	Sony Ltd	
The Rotunda, Kingston upon Thames	Freehold	Leisure	Odeon Cinemas Ltd	
The Parade, Swindon	Mixed	Shopping Centre	Debenhams	
Kew Retail Park, Richmond	Freehold	Retail Warehouse	Mothercare (UK) Ltd	
Ocado Distribution Unit, Hatfield Business Area, Hatfield	Freehold	Industrial	Ocado Ltd	
Dolphin Estate, Sunbury on Thames	Freehold	Industrial	Access Self Storage Properties Ltd	£30m-£50m (representing 23% of the portfolio capital value)
St Georges Retail Park, Leicester	Leasehold	Retail Warehouse	Toys R Us Ltd	
Regent Circus, Swindon	Freehold	Leisure	WM Morrison Supermarkets Plc	
Hannah Close, London, NW10	Freehold	Industrial	Marks & Spencer Plc	
Argos Unit, Magna Park, Lutterworth	Leasehold	Industrial	Argos Ltd	
Newton's Court, Dartford, Kent	Freehold	Industrial	Gisela Graham Ltd	
Total, Aberdeen Gateway, Aberdeen	Freehold	Industrial	Total E&P UK Ltd	
Emerald Park East, Emersons Green, Bristol	Freehold	Industrial	Knorr-Bremse Systems Ltd	
Colmore Court, 9 Colmore Row, Birmingham	Leasehold	Office	BNP Paribas	£20m-£29.9m (representing 30% of the portfolio)
Cineworld Complex, Glasgow	Freehold	Leisure	Cineworld	
13 Great Marlborough Street, London, W1	Freehold	Office	Sony Ltd	
Eldon House, City of London, EC2	Freehold	Office	Stace LLP	
B&Q, Roneo Corner, Romford	Freehold	Retail Warehouse	B & Q Plc	
Motor Park, Eastern Road, Portsmouth	Freehold	Industrial	Volkswagen Group UK Ltd	
Broadbridge Retail Park, Horsham	Mixed	Retail Warehouse	Homebase Ltd	
No 2 Temple Quay, Bristol	Freehold	Office	Public Sector	
81/85 George Street, Edinburgh	Freehold	High St, Retail	Waterstones	
Darwin Shopping Centre, Shrewsbury	Freehold	Shopping Centre	H&M Hennes & Mauritz UK Ltd	
Craven House, Fouberts Place, London, W1	Freehold	Office	WH Smith Retail Holdings Ltd	
No 1 Temple Quay, Bristol	Freehold	Office	British Telecommunications Plc	
Network House & Meadowside House, Hemel Hempstead	Freehold	Office	Public Sector	
16/20 High Street & 1/3 Bedford Street, Exeter	Leasehold	High St, Retail	H&M Hennes & Mauritz UK Ltd	
Central Square Offices, Forth Street, Newcastle upon Tyne	Freehold	Office	Ove Arup & Partners	
140/144 Kings Road, London, SW3	Freehold	High St, Retail	French Connection UK Ltd	Below £20m (representing 8% of the portfolio)
14-22 West Street, Marlow	Freehold	High St, Retail	Sainsbury's Supermarket Ltd	
Gatwick Gate Industrial Estate, Crawley	Freehold	Industrial	Signet Group Ltd	
Pride Hill Shopping Centre, Shrewsbury	Freehold	Shopping Centre	Next plc	
52/56 Market Street, Manchester	Freehold	High St, Retail	Adidas (UK) Ltd	
Tetra, Aberdeen Gateway, Aberdeen	Freehold	Industrial	Tetra Technologies UK Ltd	
Crossways Cargo Depot, Dartford	Freehold	Industrial	Veerstyle Ltd	
Ensco, Aberdeen Gateway, Aberdeen	Freehold	Office	Ensco Services Ltd	
Knaves Beech Industrial Estate, Loudwater	Freehold	Industrial	Dreams Ltd	
Riverside Shopping Centre, Shrewsbury	Leasehold	Shopping Centre	Wilkinson Hardware Stores Ltd	
146 Kings Road, London SW3	Freehold	High St, Retail	Telefonica O2 UK Ltd	

Overall number of properties	42
Total number of tenancies	323
Total average property value	£30.5m
Total floor area	5,569,814 sq.ft.
Freehold/Leasehold (leases over 100 years)	90%/10%

Half Yearly Condensed Consolidated Income Statement

For the half year ended 30 June 2016

	Notes	Half year ended 30 June 2016 (unaudited) £'000	Half year ended 30 June 2015 (unaudited) £'000	For year ended 31 December 2015 (audited) £'000
Income				
Rental income		33,792	34,615	69,558
Gains on investment properties	2	4,389	29,514	49,937
Interest revenue receivable		199	268	606
Total income		38,380	64,397	120,101
Expenditure				
Investment management fee	8	(4,462)	(4,363)	(8,832)
Direct property expenses		(1,453)	(1,548)	(3,915)
Other expenses		(1,117)	(2,206)	(3,669)
Total expenditure		(7,032)	(8,117)	(16,416)
Net operating profit before finance costs		31,348	56,280	103,685
Net finance costs				
Finance costs		(4,020)	(4,329)	(8,441)
Loss on derecognition of interest rate swaps		-	(7,403)	(7,403)
		(4,020)	(11,732)	(15,844)
Net profit from ordinary activities before taxation		27,328	44,548	87,841
Taxation on profit on ordinary activities		(492)	-	(206)
Net profit for the period		26,836	44,548	87,635
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				
Net change in fair value of swap reclassified to profit and loss		-	7,403	7,403
(Loss)/Gain arising on effective portion of interest rate swap	10	(5,506)	2,419	1,023
Other comprehensive income		(5,506)	9,822	8,426
Total comprehensive income for the period		21,330	54,370	96,061
Basic and diluted earnings per share (p)	3	2.07p	3.43p	6.74p

Half Yearly Condensed Consolidated Balance Sheet

As at 30 June 2016

	Notes	30 June 2016 (unaudited) £'000	30 June 2015 (unaudited) £'000	31 December 2015 (audited) £'000
Non-current assets				
Investment properties	2	1,274,457	1,166,804	1,311,695
Interest rate swap valuation	10	-	2,522	3,038
		1,274,457	1,169,326	1,314,733
Current assets				
Investment properties held for sale		-	67,500	-
Trade and other receivables		12,423	13,229	11,379
Cash and cash equivalents		114,353	132,140	75,786
		126,776	212,869	87,165
Total assets		1,401,233	1,382,195	1,401,898
Current liabilities				
Trade and other payables		(22,922)	(23,433)	(23,828)
Interest rate swaps	10	(2,449)	(967)	(2,879)
		(25,371)	(24,400)	(26,707)
Long term liabilities				
Loan facilities		(248,357)	(248,389)	(248,004)
Interest rate swaps	10	(2,898)	-	-
		(251,255)	(248,389)	(248,004)
Total liabilities		(276,626)	(272,789)	(274,711)
Net assets		1,124,607	1,109,406	1,127,187
Represented by:				
Share capital		539,872	539,872	539,872
Special distributable reserve		585,821	588,530	587,284
Capital reserve		4,261	(20,551)	(128)
Interest rate swap reserve		(5,347)	1,555	159
Equity Shareholders' funds		1,124,607	1,109,406	1,127,187
Net asset value per share	6	86.5p	85.4p	86.7p

Half Yearly Condensed Consolidated Statement of Changes in Equity

For the half year ended 30 June 2016

	Share Capital £'000	Special Distributable Reserve £'000
Half year ended 30 June 2016 (unaudited)		
At 1 January 2016	539,872	587,284
Net profit for the period	-	-
Other comprehensive income	-	-
Dividends paid	-	-
Transfer in respect of gains on investment properties	-	-
Transfer from special distributable reserve	-	(1,463)
At 30 June 2016	539,872	585,821
Half year ended 30 June 2015 (unaudited)		
At 1 January 2015	539,872	597,406
Net profit for the period	-	-
Other comprehensive income	-	-
Dividends paid	-	-
Transfer in respect of gains on investment properties	-	-
Transfer from special distributable reserve	-	(8,876)
At 30 June 2015	539,872	588,530
For the year ended 31 December 2015 (audited)		
At 1 January 2015	539,872	597,406
Net profit for the period	-	-
Other comprehensive income	-	-
Dividends paid	-	-
Transfer in respect of gains on investment properties	-	-
Transfer from special distributable reserve	-	(10,122)
At 31 December 2015	539,872	587,284

	Capital Reserve £'000	Revenue Reserve £'000	Interest Rate Swap Reserve £'000	Total £'000
	(128)	-	159	1,127,187
	-	26,836	-	26,836
	-	-	(5,506)	(5,506)
	-	(23,910)	-	(23,910)
	4,389	(4,389)	-	-
	-	1,463	-	-
	4,261	-	(5,347)	1,124,607
	(50,065)	-	(8,267)	1,078,946
	–	44,548	-	44,548
	-	-	9,822	9,822
	-	(23,910)	-	(23,910)
	29,514	(29,514)	-	-
	-	8,876	-	-
	(20,551)	-	1,555	1,109,406
	(50,065)	-	(8,267)	1,078,946
	-	87,635	-	87,635
	-	-	8,426	8,426
	-	(47,820)	-	(47,820)
	49,937	(49,937)	-	-
	-	10,122	-	-
	(128)	-	159	1,127,187

Half Yearly Condensed Consolidated Cash Flow Statement

For the half year ended 30 June 2016

	Half year ended 30 June 2016 (unaudited) £'000	Half year ended 30 June 2015 (unaudited) £'000	For year ended 31 December 2015 (audited) £'000
Cash flows from operating activities			
Net operating profit for the period before taxation	27,328	44,548	87,841
Adjustments for:			
Gains on investment properties	(4,389)	(29,514)	(49,937)
Movement in lease incentive	(113)	(268)	(776)
Movement in provision for bad debt	(262)	(212)	(132)
(Increase)/decrease in operating trade and other receivables	(669)	(2,123)	155
(Decrease)/increase in operating trade and other payables	(1,311)	806	790
Finance costs	4,040	4,570	8,280
Loss on derecognition of interest rate swaps	-	7,403	7,403
Net cash inflow from operating activities	24,624	25,210	53,624
Cash flows from investing activities			
Purchase of investment properties	-	(1,745)	(149,379)
Sale of investment properties	45,600	65,499	163,999
Capital expenditure	(3,973)	(3,313)	(11,147)
Net cash inflow/outflow from investing activities	41,627	60,441	3,473
Cash flows from financing activities			
Dividends paid	(23,910)	(23,910)	(47,820)
Net proceeds from utilisation of bank loan after set up costs	-	18,177	18,177
Bank loan interest paid	(3,237)	(1,938)	(5,285)
Payments under interest rate swap arrangement	(537)	(1,816)	(2,359)
Swap breakage costs	-	(7,403)	(7,403)
Net cash (outflow)/inflow from financing activities	(27,684)	(16,890)	(44,690)
Net increase/(decrease) in cash and cash equivalents	38,567	68,761	12,407
Cash balance brought forward	75,786	63,379	63,379
Closing cash and cash equivalents	114,353	132,140	75,786
Cash at bank	18,729	38,508	20,379
Money market funds	95,624	93,632	55,407
	114,353	132,140	75,786

Notes to the Accounts

For the half year ended 30 June 2016

1. The condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standard ('IFRS') IAS 34 'Interim Financial Reporting' and, except as described below, the accounting policies set out in the statutory accounts of the Group for the year ended 31 December 2015. The condensed consolidated financial statements do not include all of the information required for a complete set of IFRS financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2015, which were prepared under full IFRS requirements.

2. Investment properties

	Half year ended 30 June 2016 £'000
Freehold and leasehold properties	
Opening valuation	1,311,695
Purchases at cost	-
Sale proceeds	(45,600)
Capital expenditure	3,973
Gain on revaluation to fair value	4,389
Fair value at 30 June 2016	1,274,457

The market value provided by CBRE Limited at the period end was £1,282,430,000 however an adjustment has been made for lease incentives of £7,973,000 that are already accounted for as an asset.

The Company's valuer, CBRE Limited, issued a caveat in relation to their valuation for the quarter ended 30 June 2016. The caveat is set out in the Principal Risks and Uncertainties section of this report on page 22.

3. The earnings per Ordinary Share are based on the net profit for the period of £26,836,000 (30 June 2015 net profit of £44,548,000) and 1,299,412,465 (30 June 2015: 1,299,412,465), Ordinary Shares, being the weighted average number of shares in issue during the period.

4. Earnings for the period to 30 June 2016 should not be taken as a guide to the results for the year to 31 December 2016.

5. As at 30 June 2016 the total number of shares in issue is 1,299,412,465 (30 June 2015: 1,299,412,465).

6. The net asset value per ordinary share is based on net assets of £1,124,607,000 (30 June 2015: £1,109,406,000) and 1,299,412,465 (2015: 1,299,412,465) ordinary shares.

7. Dividends

	Period to 30 June 2016	
	Rate (pence)	£'000
Dividend for the period 1 October 2015 to 31 December 2015, paid 26 February 2016	0.92	11,955
Dividend for the period 1 January 2016 to 31 March 2016, paid 31 May 2016	0.92	11,955
		23,910

A dividend of 0.92p per share for the period 1 April 2016 to 30 June 2016 is payable on 31 August 2016.

Under International Financial Reporting Standards, these unaudited financial statements do not reflect this dividend.

Notes to the Accounts (continued)

8. No Director has an interest in any transactions which are, or were, unusual in their nature or significance to the Group. The Directors of the Company received fees for their services totalling £114,000 (30 June 2015: £124,000) for the six months ended 30 June 2016, none of which was payable at the period end (30 June 2015: nil). Standard Life Investments (Corporate Funds) Limited received fees for its services as Investment Managers. The total charge to the Income Statement during the period for these fees was £4,512,000 (30 June 2015: £4,450,000) of which £50,000 was administration fees (30 June 2015: £87,000). £2,262,000 (30 June 2015: £2,254,000) of this total charge remained payable at the period end.

9. Financial Instruments and investment properties fair values

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:

30 June 2016	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total fair value £'000
Investment properties	-	-	1,274,457	1,274,457

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

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

30 June 2016	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total fair value £'000
Loan Facilities	-	260,883	-	260,883

The lowest level of input is the interest rate payable on each borrowing which is a directly observable input.

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

30 June 2016	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total fair value £'000
Interest rate swap	-	5,347	-	5,347

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

There were no transfers between levels of the fair value hierarchy during the six months ended 30 June 2016.
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.

The fair value of investment properties is calculated using unobservable inputs as described in the annual report and accounts for the year ended 31 December 2015.

Sensitivity of measurement to variance of significant unobservable inputs:

A decrease in the estimated annual rent will decrease the fair value.

An increase in the discount rates and the capitalisation rates will decrease the fair value.

There are interrelationships between these rates as they are partially determined by the market rate conditions.

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

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

10. Financing

The Company has fully utilised all of the £150 million facility in place with Barclays Bank plc.

The Company has in place interest rate swaps with Barclays Bank plc totalling £150 million. The fair value in respect of these interest rate swaps as at 30 June 2015 is a liability of £5,347,000 (June 2015: Asset of £1,555,000).

The Company has fully utilised all of the £100 million facility in place with Cornerstone Real Estate Advisors Europe LLP.

The Company has in place a £50 million revolving credit facility with Barclays Bank plc none of which was utilised at the period end.

11. The Company owns 100 per cent. of the issued ordinary share capital of UK Commercial Property Finance Holdings Limited (UKCFH), a company incorporated in Guernsey whose principal business is that of a holding company.

The Company owns 100 per cent. of the issued share capital of UK Commercial Property Estates Holdings Limited (UKCPEH), a company incorporated in Guernsey whose principal business is that of a holding company. UKCPEH Limited owns 100 per cent. of the issued share capital of UK Commercial Property Estates Limited, a company incorporated in Guernsey whose principal business is that of an investment and property company. UKCPEH also owns 100% of Brixton Radlett Property Limited, a UK company, whose principal business is that of an investment and property company.

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

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

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

UKCFH owns 100 per cent. of the issued share capital of UK Commercial Property Nominee Limited, a company incorporated in Guernsey whose principal business is that of a nominee company.

In addition the Group controls eight Jersey Property Unit Trusts (JPUTs) namely 176-206 High Street Kensington Unit Trust, Junction 27 Retail Unit Trust, Charles Darwin Retail Unit Trust, St Georges Leicester Unit Trust, Kew Retail Park Unit Trust, Pride Hill Retail Unit Trust, Riverside Mall Retail Unit Trust and Rotunda Kingston Property Unit Trust. The principal business of the Unit Trusts is that of investment in property.

UKCFH and UKCPEH also have various inter-company loans in place between themselves and the various subsidiary companies and JPUTS. These loans have interest rates attached to them at rates ranging from 5.39% per annum to 6.65% per annum and have maturity dates that range from September 2016 to March 2027.

Principal Risks and Uncertainties

The Company's assets consist of direct investments in UK commercial property. Its principal risks are therefore related to the UK commercial property market in general, but also the particular circumstances of the properties in which it is invested and their tenants. Other risks faced by the Company include economic, strategic, regulatory, management and control, financial and operational. These risks, and the way in which they are mitigated and managed, are described in more detail under the heading Principal Risks and Uncertainties within the Report of the Directors in the Company's Annual Report for the year ended 31 December 2015.

The majority of the Company's principal risks and uncertainties have not changed materially since the date of that report. However, as a result of market conditions, including the EU referendum negatively impacting sentiment towards the UK commercial property market, the Company's share price has maintained a discount of over 5% since the date of the referendum. It should be highlighted that if the share price trades at a discount of over 5% to the prevailing published net asset value (as last calculated, adjusted downwards for the amount of any dividend declared by the Company upon the shares going ex-dividend) for 90 dealing days or more an EGM will be called within three months to consider an ordinary resolution for the continuation of the Company. 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.

In addition to the above, again as a result of uncertainty following the UK's referendum decision to exit the EU, the Company's valuer, CBRE Ltd, included the following caveat with its valuation for the quarter ended 30 June 2016, as it did for all valuations it undertook at this date:

"Following the Referendum held on 23 June 2016 concerning the UK's membership of the EU, a decision was taken to exit. We are now in a period of uncertainty in relation to many factors that impact the property investment and letting markets. Since the Referendum date it has not been possible to gauge the effect of this decision by reference to transactions in the market place. The probability of our opinion of value exactly coinciding with the price achieved, were there to be a sale, has reduced. We would, therefore, recommend that the valuation is kept under regular review and that specific market advice is obtained should you wish to effect a disposal."

The Company is aware that CBRE Ltd, in undertaking more current valuations for other organisations, continues to apply a similarly worded caveat based on a continued shortage of comparable evidence of arm's length transactions since the Referendum.

Statement of Directors' Responsibilities in Respect of the Half Yearly Financial Report to 30 June 2016

We confirm that to the best of our knowledge:

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

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

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

On behalf of the Board

Andrew Wilson
Chairman
17 August 2016

Corporate Information

Directors (all non-executive)
Andrew Wilson (Chairman)
Ken McCullagh (Chairman of Audit Committee)
Sandra Platts
John Robertson
Michael Ayre (appointed 24 February 2016)
Christopher Hill (retired 15 June 2016)

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