Annual Report and Accounts

for the year ended 31 December 2015

www.ukcpt.co.uk

UK COMMERCIAL
PROPERTY TRUST

Contents

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Front Cover Images: Cineworld Leisure Complex, Glasgow and Central Square, Newcastle, two of the Company's new acquisitions.

Company Summary

The Company

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

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

The Company has an indefinite life, subject to periodic continuation votes, and was incorporated on 24 August 2006.

The Group

The Group consists of the Company and its subsidiaries.

The subsidiaries are disclosed in note 9 to the audited financial statements and include, UK Commercial Property Finance Holdings Limited ("UKCPFH"), UK Commercial Property Holdings Limited ("UKCPH"), UK Commercial Property GP Limited ("The GP"), UK Commercial Property Nominee Limited ("UKCPN"), UK Commercial Property Estates Holdings Limited ("UKCPEH") and UK Commercial Property Estates Limited ("UKCPEL") are incorporated in Guernsey. Brixton Radlett Property Limited ("BRPL") is a company incorporated in the UK. The principal business of UKCPFH, UKCPEL, BRPL and the GP are that of an investment and property company. The principal business of UKCPN is that of a nominee company. The principal business of UKCPFH and UKCPEH are that of a holding company.

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

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

Objectives

The investment objective of the Company is to provide ordinary shareholders with an attractive level of income together with the potential for capital and income growth from investing in a diversified portfolio of UK commercial properties. The investment policy of the Company is set out on page 8.

Management

Ignis Fund Managers Limited was the Investment Manager of the Group up until 29 December 2015 when it was replaced by Standard Life Investments (Corporate Funds) Limited. Both companies are wholly owned by Standard Life Investments Limited.

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

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

- 4.5% rise in NAV per share to 86.7p as at 31 December 2015 (2014 – 83.0p), driven by capital value growth in the portfolio and the successful implementation of asset management initiatives;
- NAV total return of 9.1%, outperforming the FTSE All-Share Index of 1.0% and the ten year gilt index of 0.8% as commercial real estate continued to be the strongest performer of all the main asset classes in 2015;
- Over the longer term, the Company continues to deliver a strong performance with the NAV total return of 57.6% since inception ahead of both the MSCI IPD Balanced Monthly & Quarterly Funds benchmark ("IPD benchmark") of 48.4% and the FTSE REIT index of -8.4%;
- Following the successful refinancing in April 2015, gross gearing is 18.2% at a blended rate of 2.89% as at 31 December 2015, both rates being the lowest in the Company's Guernsey peer group;
- Significant resources remain available for new investment and further portfolio repositioning with £34 million in uncommitted cash, as well as a £50 million revolving credit facility agreed as part of the debt refinancing referred to above;
- Sustainable dividend of 3.68p per share paid in relation to the year ending 31 December 2015, resulting in a yield of 4.3%, higher than the FTSE REIT Index (3.0%) and the FTSE All-Share Index (3.7%)

Property Highlights

- Portfolio valued at £1.32 billion at the 31 December 2015 reflecting a 4.1% capital return for the year, with increases across all the main sectors but particularly in offices and industrials;
- Portfolio total return of 9.2% in the year (IPD benchmark 12.7%) and significant progress made in repositioning the portfolio, with assets to the value of over £300 million traded in the year;
- £164 million of sales, including two retail assets (Weston-super-Mare and Kensington High street), one office asset (Pall Mall Court, Manchester) and one industrial asset (Brackmills, Northampton) sold at above the most recent valuations, reducing exposure to the retail sector and aimed at removing future underperformance;
- In total £145 million of assets acquired including Eldon House, a City of London office building, an industrial estate at Ventura Park, Radlett on the M25, a city centre office building in Newcastle and a cinema leisure complex in Glasgow, boosting the income profile of the Company while also providing the opportunity for future asset management;
- A number of successful asset management initiatives undertaken during the year including:
  - Negotiated lease surrender of the ground and basement floors at Arlington Street in London's St James's and subsequent re-letting to the Skarstedt Gallery at a rent of £350,000 pa, significantly ahead of the former rental income for the unit;
  - Completed the redevelopment of surplus car park spaces at Junction 27, Leeds, into a new restaurant let to Zizzi on a 20 year lease adding an average £140,000 per annum to the rent roll over 5 years after lease incentives and a profit of £1 million;
  - Achieved full occupancy at the Newton's Court industrial estate in Dartford having secured new lettings ahead of ERV to Steinhoff UK Group and Worldstores Ltd helping to increase value by over 8.5% in 2015;
  - Renewal of the Adidas store lease in Market Street, Manchester, for a further 10 years delivering capital growth of 17% (£1.2 million);
  - The letting of a 30,300 sq ft (net sales area) store over two levels at the Charles Darwin Shopping Centre, Shrewsbury to international fashion retailer, Primark. The confirmation of the centre's new anchor tenant triggers a £13 million investment programme by the Company over the next year that will include a fit out of the new store and transform the shopping centre's public areas with new floors, ceilings and lighting;
- Void rate of 2.8% at 31 December 2015 (2.6% in 2014), significantly below the benchmark figure of 6.7%;
- Continuing strong rent collection rates of 98% within 28 days highlighting the continued strength of tenant covenants within the Company's ownership.

Performance Summary

Capital Values & Gearing	31 December 2015	31 December 2014	% Change
Total assets less current liabilities (excl Bank loan & swap) (£'000)	1,375,032	1,316,850	4.4
Net asset value per share (p)	86.7	83.0	4.5
Ordinary Share Price (p)	85.25	88.20	(3.3)
(Discount)/Premium to net asset value (%)	(1.7)	6.3	
Gearing (%): Gross*	18.2	17.5	
Net**	13.4	13.3	

Total Return %	1 year	3 year	5 year	Since Inception (Sep 2006)
NAV***	9.1	47.9	53.6	57.6
Share Price***	0.8	52.5	40.7	51.8
MSCI Investment Property Databank (IPD) Balanced Monthly & Quarterly Funds Benchmark	12.7	46.6	61.4	48.4
FTSE Real Estate Investment Trusts ("REIT") Index	10.6	63.6	94.8	(8.4)
FTSE All-Share Index	1.0	23.4	33.8	56.2

Earnings & Dividends	31 December 2015	31 December 2014
Dividends paid per ordinary share (p)	3.68	4.0725
Dividend Yield (%)****	4.3	4.2
IPD Benchmark Yield (%)	5.0	5.3
FTSE Real Estate Investment Trusts Index Yield (%)	3.0	3.0
FTSE All-Share Index Yield (%)	3.7	3.4
Ongoing Charges		
(as a % of average net assets) †	1.5	1.5
Void (%)	2.8	2.6

European Public Real Estate Association ("EPRA") NAV at 31 December 2015 (excluding swap asset) – 86.7p (2014 – 83.7p).

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

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

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

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

† Annualised costs including direct property costs expressed as % of average net assets.

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

Chairman's Statement

I am pleased to report that your Company continued to deliver steady growth in 2015 as the UK commercial property market index again outperformed the major equity and bond indices. UKCPT delivered a NAV total return of 9.1% over the 12 month period, outperforming the FTSE All-Share Index return of 1.0% and the ten year gilt index return of 0.8%. While this return from UKCPT was behind that of the IPD benchmark return, it was achieved against a background of significant ongoing portfolio repositioning, with the inevitable 'one-off' costs. The total value of assets traded was over £300 million resulting in a portfolio now valued at £1.32 billion.

Economic and Property Market Review

The performance of the UK economy in 2015 was unspectacular with GDP growing by 2.2%. However, compared to the other major developed economies, this was a good performance with only the United States bettering this figure. As in previous years, UK growth was predominantly fuelled by the services sector with the economy showing little sign of rebalancing away from the consumer.

One noticeable theme throughout the year was a shift in the risks faced by the economy both in the UK and worldwide. Arguably, the economy was held back in the first few months of 2015 by both the uncertainty surrounding the outcome of the UK general election and the flux in the Eurozone as Greece teetered on the brink of "Grexit". Following a decisive UK election result and a deal that avoided a Greek exit from the Euro, risk concerns began to focus on Emerging Markets, reflecting anxiety over the strength of the Chinese economy and the dramatic fall in commodity prices which has continued into 2016. These worries resulted in unusual movements in the Chinese markets and sharp volatility in financial markets more generally. Combined with the uncertainty caused by the EU referendum in June 2016, growth in the UK economy is forecast to remain unexceptional this year at 2.2% according to current International Monetary Fund estimates. One benefit of the continued risks facing the economy is that the expectation for any interest rate rise has moved out considerably as inflation has ceased to be a concern for the time being.

As with the overall economy the UK commercial property market continued to grow in the year, albeit with returns moderating as the year went on. Over the twelve months to 31 December 2015 All Property, as measured by the MSCI IPD Quarterly benchmark, recorded a 12.7% total return compared to 17.4% in 2014. This moderation in returns was attributable to a slowdown in the rate of capital growth as yield compression, while still evident in some sectors, became less prevalent and rental growth became more of a contributor to returns, something that should benefit the Company.

Significant Property Transactions

There was significant turnover in the portfolio in 2015. Over the course of the year, three retail properties were sold in Weston-super-Mare, Brighton and Kensington High Street, London. In addition, the Company also sold a Manchester office and an industrial unit in Brackmills, the latter as part of a swap transaction. In total these sales were above their most recent valuation. The majority of cash raised from these sales was deployed into the following properties:

- Eldon Street, a City of London office purchased for £27.5 million* which provides the Company with exposure to the vibrant City office market and a property in which some successful asset management has already been achieved by our Investment Manager.
- Ventura Park, Radlett, an industrial estate purchased for £67.1 million* within close proximity of the M25 and offering opportunities for rental growth.
- Central Square office complex purchased for £21.6 million* in Newcastle upon Tyne, located in the city centre and providing a secure income stream with a good tenant base.
- Cineworld leisure complex, Glasgow purchased for £29.2 million*; this is one of the UK's busiest cinemas with a strong anchor tenant on a long lease and the property also offers asset management opportunities.

*excluding costs & stamp duty

This historically high turnover of assets was undertaken in line with the portfolio strategy of removing assets that had limited future return prospects and reducing exposure to the retail sector, which is now below benchmark. The assets that have been purchased will provide strong, sustainable income returns but also offer the opportunity for capital growth from successful asset management initiatives in the future.

Further details on the portfolio can be found in the Investment Manager's report

Share price

The share price at the year end stood at 85.25p resulting in a share price total return of 0.8% in the year. In line with the peer group and the wider listed Real Estate sector, the shares now trade at a discount to NAV of 3.7% (as at 31 March 2016). While this is disappointing in the short term, since inception the Company's share price total return of 51.8% has outperformed the MSCI benchmark (48.4%) and the FTSE REIT Index (-8.4%), underlining the attractiveness of the Company as a longer term investment.

Chairman's Statement (continued)

Borrowing

Following the refinancing in April 2015, the Company continues to have both the lowest gearing levels and cost of debt in its Guernsey peer group. As at 31 December 2015 gross gearing stood at a prudent 18.2% (net gearing 13.4%) with an attractive blended rate of interest of 2.89%. In addition, the Company still has the ability to utilise a £50 million revolving credit facility. With the current £34 million uncommitted cash, the Company retains significant firepower for the Investment Manager to actively consider further investment opportunities.

Dividends

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

	Payment Date (2015)	Dividend per share (p)
4th interim for prior period	Feb	0.92
1st interim	May	0.92
2nd interim	Aug	0.92
3rd interim	Nov	0.92
Total		**3.68**

A fourth interim dividend of 0.92p was paid on 26 February 2016.

Based on an annual dividend of 3.68p and the share price at 31 March 2016 of 83.45p, the Company's shares produce a dividend yield of 4.4% which remains attractive when compared to equities (3.8%) and also the FTSE REIT Index (3.3%). Importantly, this yield is underpinned by a prime portfolio of UK commercial property that has strong income characteristics and a tenant base which compares favourably to the benchmark.

Base Erosion and Profit Shifting

The Company notes the recent announcement in the 2016 UK Budget proposing to limit interest deductibility, which was driven by the OECD guidance published in October 2015 on Base Erosion and Profit Shifting. This subject may be relevant to UKCPT as a result of the inter-company loans in place between its different subsidiaries. Whilst full details of the proposals have yet to be published, the Board along with its advisers is currently reviewing how this will impact the future taxation position of the Company, although it should be highlighted that the Company has significant tax losses to utilise should they be required. As previously stated the Board continues to keep the possibility of REIT conversion under review.

Investment Manager

Following the takeover of Ignis Asset Management by Standard Life plc in 2014, the Company formally appointed Standard Life Investments (Corporate Funds) Limited as the Company's Investment Manager and Alternative Investment Fund Manager on 29 December 2015 on existing terms. As previously indicated, this appointment will not impact the full protection that shareholders currently receive under the Alternative Investment Fund Managers Directive.

Board Changes

At the end of 2015, the Board had five directors, three of whom had held office since the establishment of the Company in September 2006, with the other two directors joining the Board during 2013. The Directors have carefully considered the appropriate balance between experience of the Company and the need to refresh the Board from time to time; continuity is important and succession planning for a relatively young company like UKCPT needs to recognise that shareholders will not be well-served if a large proportion of the Board retires at the same time. Bearing this in mind, the Board has established a policy of renewal whereby directors retired at the AGMs of 2013 and 2014 and new directors with appropriate skills were selected by an independent search.

As recently announced, having led the Company as Chairman since its launch, I have decided to step down at the Annual General Meeting in June 2016. It is the intention of the Board to appoint Mr Andrew Wilson, currently the Company's Senior Independent Director, to become Chairman upon my departure. His knowledge of the Company and of the property sector generally, combined with his leadership and energy, equip him particularly well for this role.

I am pleased to report the appointment of Mr Michael Ayre to the Board since the year end, taking the number of directors up to six for a short time. Mr Ayre, a Guernsey resident, is a qualified accountant and the skills he brings to the Board, particularly in relation to taxation matters, will complement the existing skill set of the Board.

The Board intend to continue with a phased programme to replace the long serving directors over the next few years; this ensures a gradual refreshment of the Board without sudden loss of collective experience.

Investment Outlook

Total returns for UK real estate appear to have peaked for this cycle and it is anticipated that more normalised returns are in prospect for the next few years. Further, income is likely to be the main component of returns relative to capital growth which has been a key element of returns over the past few years. Despite heightened global uncertainty, consensus projections for UK economic growth remain relatively firm and provide a reasonable backdrop for the UK commercial real estate outlook. Relative to longer term government bonds, the differential in yield between real estate and other asset classes remains significant by historic standards especially with the diminishing prospect of interest rate increases in the near future. The sector remains attractive from a fundamental point of view with robust economic drivers and a relatively limited pipeline of new developments. Our Investment Manager's forecasts point to positive total returns for investors on a three year hold period due to the elevated yield and improving income growth prospects.

If, as expected, income becomes the main driver of performance then the Company's portfolio, which is geared towards income generation and underpinned by a strong tenant base and low void rate, should continue to provide shareholders with relatively attractive returns. Combined with a low cost of debt, significant resources still available to invest and a portfolio that offers opportunities for successful asset management, your Company is well positioned to deliver attractive, income focused returns in the next phase of the real estate cycle.

Christopher M.W. Hill
Chairman
20 April 2016

Strategic Overview

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

Investment Strategy

The Company's investment strategy is set out in its investment objective and policy below.

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

Investment risks to the Company and its subsidiaries (the "Group") are managed by investing in a diversified portfolio of freehold and long leasehold UK commercial properties. The Group invests in income producing assets in four commercial property sectors: office, retail, industrial and leisure. The Group has not set any maximum geographic exposures within the UK nor any maximum weighting limits in the principal property sectors. No single property shall, however, exceed at the time of acquisition 15 per cent. of the gross assets of the Group.

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

At an EGM of the Company on 28 April 2011 the shareholders of the Company approved a revised gearing policy of the Group amended to read as follows: "Gearing, calculated as borrowings as a percentage of the Group's gross assets, may not exceed 65 per cent. The Board intends that borrowings of the Group at the time of draw down will not exceed 25 per cent. of the Total Assets of the Group. The Board receives recommendations on gearing levels from the Investment Manager and is responsible for setting the gearing range within which the Investment Manager may operate".

The Group's performance in meeting its objective is measured against key performance indicators as set out on page 4. A review of the Group's returns during the year, the position of the Group at the end of the year, and the outlook for the coming year is contained in the Chairman's Statement and the Investment Manager Review.

Board

The Board of Directors is responsible for the overall stewardship of the Company, including investment and dividend policies, corporate strategy, corporate governance, and risk management. Biographical details of the Directors, all of whom are non-executive, can be found on page 23 and indicate their range of property, investment, commercial and professional experience. The Company has no executive Directors or employees.

Management of Assets and Shareholder Value

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

The Company invests in properties which the Investment Manager believes will generate a combination of long-term growth in income and capital for shareholders. Investment decisions are based on analysis of, amongst other things, prospects for future capital growth, sector and geographic prospects, tenant covenant strength, lease length and initial yield.

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 2015 is contained on page 22 and further analysis can be found in the Investment Manager Review. At each Board meeting, the Board receives a detailed portfolio, financial, risk and shareholder presentation from the Investment Manager together with a comprehensive analysis of the performance of the portfolio during the reporting period.

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

Borrowings

As at 31 December 2015 the Group had total borrowing facilities drawn of £250 million, representing a gearing level of 18.2 per cent. of the year end total assets with a blended fixed interest rate of 2.89% per annum.

In April 2015, the Company repaid its £80 million facility with Lloyds and entered into a £100 million secured twelve year loan with Cornerstone Real Estate Advisors Europe LLP at an all-in rate of 3.03%. In addition, the Company obtained a £50 million revolving credit facility from Barclays at a margin of 1.5% over 1 month LIBOR, maturing in April 2020, and extended its existing £150 million facility with Barclays to April 2020 with the margin reduced to 1.5%.

Key Performance Indicators

The Company's benchmark is the MSCI Investment Property Databank (IPD) Monthly and Quarterly Funds. This benchmark incorporates all monthly and quarterly valued property funds and the Board believes this is the most appropriate measure to compare the performance of a quarterly valued property investment Company with a balanced portfolio.

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

- Net asset value and share price total return against the IPD benchmark and other selected comparators.
- Premium/(Discount) of share price to net asset value.
- Dividend per share and dividend yield.
- Ongoing Charges.

These indicators for the year ended 31 December 2015 are set out on page 4.

In addition the Board considers specific property KPIs such as void rates, rent collection levels and weighted average lease length on a regular basis. These are reported on pages 20 to 21.

Principal Risks and Risk Uncertainties

The Board confirms that it frequently carries out a robust assessment of the principal risks facing the Company. These risks and how they are mitigated are set out below.

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

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

- The Company and its objectives become unattractive to investors which may lead to a persistent discount and a continuation vote which may threaten the future solvency and liquidity of the Group. This is mitigated through regular performance reviews of the Company's portfolio, contact with shareholders, a regular review of share price performance and the level of discount at which the shares trade to NAV and regular meetings with the Company's broker to discuss these points and address any issues that arise. At an Extraordinary General Meeting ("EGM") held on 31 March 2015 shareholders approved the continuation of the Company by approving a special resolution to amend the Company's Articles of Association to replace the previous continuation vote with a vote in 2020 and at least seven yearly thereafter.
- Company indebtedness – The largest liabilities the Company has are the loan facilities. The Board recognises that being unable to service or indeed repay these debts would threaten the future solvency and liquidity of the Group. This risk is mitigated by two factors. First of all the Investment Policy of the Company limits gearing to 25 per cent. of total assets at the time of draw down. This low gearing limit means it is expected that, barring any unforeseen circumstances, the Group will have adequate assets to service and repay the debt if required. Secondly, the underlying assets themselves are mainly invested in a diversified, prime UK commercial property portfolio underpinned by a strong tenant base. This means that, even in a significant economic downturn, the Board is confident that the assets will still be of sufficient value and generate sufficient income to meet future liabilities.
- Tenant failure or inability to let property which would impact future performance. Due diligence work on potential tenants is undertaken before entering into new lease agreements. In addition, tenants are kept under constant review through regular contact and various reports both from managing agents and from the Manager's own reporting processes. Finally, contingency plans are put in place at units that have tenants that are believed to be in financial trouble.
- Taxation – The Group is currently structured in a tax efficient method which results in rental income the Group generates being offset by expenses and internal loan interest. The terms on the internal loan notes, namely interest rates and loan to value ratios, are crucial in preserving the tax efficiency of the group and any material change in these could pose a risk to future performance. To mitigate this risk the Group has agreed the terms of the vast majority of the loan notes in place with HMRC and also goes through a rigorous process when setting new loan notes to ensure they represent commercially available terms. The majority of these loan notes are due to expire in September 2016 and sensitivity analysis has been performed on the impact on the Group should these terms materially change bearing in mind that the Company currently has over £33 million of unutilised tax losses. The impact on the Company's performance will depend on the terms that these internal loan notes can be re-financed. Linked to this is the recently published OECD guidance relating to base erosion and profit shifting ("BEPS"). This subject may be relevant to the Group as a result of the inter-company loans the Group has in place between subsidiaries. With any UK legislation scheduled for 2017, it is too early to be definitive as to the impact, if any, that BEPS will have on the Group but it should be noted as a potential risk to future returns. No deferred tax asset has been recognised on the losses mentioned above as it is not certain that these losses will be utilised.

Other risks faced by the Company include the following:

- Economic – inflation or deflation, economic recessions and movements in interest rates could affect property valuations, and its bank borrowings.

- Strategic – incorrect strategy, including sector and property allocation and use of gearing, could lead to poor returns for shareholders.
- Regulatory – breach of regulatory rules could lead to suspension of the Company's London Stock Exchange Listing, financial penalties or a qualified audit report.
- Management and control – changes that cause the management and control of the Company to be exercised in the United Kingdom could lead to the Company becoming liable to United Kingdom taxation on income and capital gains.
- Financial – inadequate controls by the Investment Manager or third party service providers could lead to misappropriation of assets. Inappropriate accounting policies or failure to comply with accounting standards could lead to misreporting or breaches of regulations.
- Operational – failure of the Investment Manager's accounting systems or disruption to the Investment Manager's business, or that of third party service providers, could lead to an inability to provide accurate reporting and monitoring, leading to a loss of shareholders' confidence.

The Board seeks to mitigate and manage these risks through continual review, policy setting and enforcement of contractual obligations. It also regularly monitors the investment environment and the management of the Company's property portfolio and levels of gearing, and applies the principles detailed in the UK Corporate Governance Code. Details of the Company's internal controls are described in more detail in the Corporate Governance Report on page 29.

Viability Statement

The Board considers viability as part of its ongoing programme of monitoring risk. The Board considers five years to be a reasonable time horizon over which to review the continuing viability of the Company, although it does have regard to viability over the longer term, in particular to key points outside this time frame, such as the due dates for the repayment of long-term debt.

The Board has considered the nature of the Company's assets and liabilities and associated cash flows and has determined that five years is the maximum timescale over which the performance of the Company can be forecast with a material degree of accuracy and so is an appropriate period over which to consider the Company's viability.

The Board has also carried out a robust assessment of the principal risks faced by the Company, as detailed on page 9 including periodic continuation votes. The main risks which the Board consider will affect the business model, future performance, solvency, and liquidity are ongoing discounts leading to a continuation vote, company indebtedness, tenant failure and taxation. The Board takes any potential risks to the ongoing success of the Company, and its ability to perform, very seriously and works hard to ensure that risks are kept to a minimum at all times.

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

- Detailed NAV, cash resources and income forecasts, prepared by the Company's Manager, for a five year period under both normal and stressed conditions;
- The Company's ability to pay its operational expenses, bank interest, tax and dividends over a five year period;
- Future debt repayment dates and debt covenants, in particular those in relation to LTV and interest cover;
- Demand for the Company's shares and levels of premium or discount at which the shares trade to NAV and;
- The valuation and liquidity of the Company's property portfolio, the Manager's portfolio strategy for the future and the market outlook.

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

Environmental, Ethical & Bribery Policy

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

The Company was awarded a Green Star ranking from the Global Real Estate Sustainability Benchmark 2015.

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

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 Manager and has received assurances that appropriate anti-bribery and corruption policies have been formulated and communicated to their employees.

Approval of Strategic Report

The Strategic Report of the Company comprises the following on pages 3 to 22: Financial and Property Highlights, Performance Summary, Chairman's Statement, Strategic Overview, Investment Manager Review and Portfolio Information.

The Strategic Report was approved by the Board on 20 April 2016.

Christopher M.W. Hill
Director

Ken McCullagh
Director

Investment Management Team

Standard Life Investments Limited (SLI) is the ultimate Investment Manager of the Group.

SLI is a global asset manager and has approximately £253 billion of assets under management with £13.2 billion in real estate.

SLI has a long history of managing commercial property and over the years has built up a high level of knowledge and experience in this asset class. SLI has the advantage of a strong and well-resourced team that is dedicated to searching out value actively in the property sector and in the portfolios that it manages and a strong culture to deal with internal conflict.

The Group is managed by a dedicated property investment, finance and administration team within Standard Life which is set out below.

WILL FULTON BLE MRICS – Fund Manager (Real Estate)

Will 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 28 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. Most recently, from 2010, he oversaw a team managing the £2.3 billion Standard Life Heritage With Profits Real Estate Fund.

DAVID RODGER, BSc IPF MRICS BCSC – Portfolio Manager (Real Estate)

David graduated from the University of Paisley in 1996 with a BSc (Hons) degree in Land Economics. He began his career with DTZ Debenham Tie Leung in 1996 and thereafter joined Jones Lang LaSalle where he became Department Head of the Investor Property Management team. David joined Ignis Asset Management in 2010. He is a member of the Royal Institution of Chartered Surveyors and the British Council of Shopping Centres. David transferred over to SLI in October 2014.

DAVID FLEETWOOD, BSc (Hons), IPF MRICS – Portfolio Manager (Real Estate)

David graduated from Heriot Watt University in 1994 with a BSc Honours Degree in Estate Management becoming a chartered member of the Royal Institution of Chartered Surveyors in 1996. David initially worked in private practice before joining Scottish Widows Investment Partnership in 2000 and Standard Life Investments in 2004 to develop his career in Fund Management. David added value to Standard Life Investments £3.6 billion Pooled Pension Fund until September 2015 when he joined the team managing UKCPT. During his 22 year career he has been involved primarily with acquisitions, disposals, leasing and asset management. Other responsibilities have been in Fund analysis and formulating strategy and client presentations. David qualified with the IMC and the Investment Property Forum (IPF) Diploma.

JAMIE HORTON BA (Hons), MSc, MRICS – Portfolio Manager (Real Estate)

Jamie joined Ignis Asset Management as Asset Manager in January 2014 working on the UK Commercial Property Trust. He joined from DTZ, where he was an Associate Director responsible for covering all aspects of real estate investment advice. Jamie started his career in 2008 as a graduate in the Office Agency Team of Jones Lang LaSalle before moving to the Capital Markets Department post qualification. Jamie graduated from the University of Strathclyde in 2005 and gained an MSc in Property at the University of Aberdeen in 2008. He was elected a Member of the Royal Institution of Chartered Surveyors in 2010. Jamie transferred over to SLI in October 2014.

GRAEME MCDONALD, BA CA – Finance Manager (Real Estate)

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

Investment Manager Review

Market Review

The UK economic cycle continued to mature in 2015 with the economy recording reasonable GDP growth and at a level which, albeit marginally above trend, remains in a relatively strong position compared to many other developed countries. However, increased uncertainty in the global economy has latterly slowed the rate of GDP quarterly growth. Despite the continuation of low interest rates, falling unemployment and reasonable wage growth, the momentum of the recovery has softened due to the erosion of spare capacity. Weaker global growth is also impacting the UK's export capability. Households, however, have enjoyed the lower inflation environment as well as having a stronger pound against the Euro, with consumer spending up a significant 3% in 2015.

For UK real estate, despite the inward yield movement, pricing remains favourable on a relative basis. At 31 December 2015 the IPD initial yield for real estate was 4.8% which compared favourably to the yield on ten year government bonds of 2.0%, a margin of 280 basis points against this proxy for a risk-free rate. Recent sharpening of market pricing in gilts has widened this yield gap even further.

UK listed real estate investment trusts generated total returns of 10.6% in 2015, significantly outperforming the FTSE All Share, which barely returned 1% over the same period. Despite the heightened volatility emanating from the equity markets since last year, the expectation that interest rates will remain lower for longer is likely to ensure the relative margin remains at historically high levels for some time yet. Our main concern would be if financial markets were signalling a downturn in economic activity, which would impact real estate tenant demand and ultimately, therefore, income. While we remain positive on the return outlook, volatility is increasing. The upward progression in rents has, however, continued, with rental growth picking up over the course of 2015. Offices continue to lead, with Retail lagging at a broader sector level. Industrial estates in London and Offices in non-core London locations experienced the most significant rental growth in 2015. Encouragingly though for good Retail locations – where format is also important – rents are improving.

In a world of low yields on a range of assets, real estate remains very attractive. This is reflected in £71 billion of transactions recorded in 2015 by Property Data, which is significantly above the level of £63 billion achieved in 2014. Central London Offices continued to be the main focus, attracting nearly 30% of money invested, although leisure and other alternative assets, predominantly student accommodation, have increased their share of the market with large portfolio transactions having taken place over the course of the year. Overseas investors and UK institutions remained the driving force in 2015, investing £35 billion and £15 billion respectively.

Finally, after the year end and as a surprise to the market, the Government effectively reduced the value of commercial property in England and Wales by 1% when it raised the cost of purchase by 1% through an increase in the rate of Stamp Duty Land Tax in the March 2016 Budget.

Market Performance Review

The IPD benchmark delivered an impressive total return of 12.7% in 2015. Capital growth at 7.5%, driven by yield compression, was the principal component of return, with income adding a further 4.9%.

In response to the improved economic outlook, rental value growth gained momentum over the year, reaching a broad level of 3.7% and helping to fuel total returns. As has been the case for the last few years, Central London Office markets were the strongest performing sub-sector during 2015, delivering a 19.1% total return (11.1% rental growth), followed by South East Industrials at 17.3% (5.9% rental growth), and South East Offices at 17.2% (6.9% rental growth).

Regionally, Office rental growth picked up at 3.1% for 2015, contributing to a total return of 12.2%. Against a backdrop of increased demand and decreasing supply, rental growth in regional industrials was an encouraging 3.3% (15.0% total return).

Ongoing structural change within the Retail sector is reflected in a mixed picture for rental growth and total return. Only South East High Street Retail (including Central London) recorded any significant rental growth (2.9%) but saw a total return of 11.5% as yields compressed; Retail Warehouses generated a total return of 7.5% whilst Shopping Centres and rest of UK High Street delivered 7.9% and 6.4% respectively, both experiencing marginally negative rental growth.

Portfolio Performance

The Company's direct property portfolio provided a total return of 9.2% for the year 2015. Whilst positive compared to many other asset classes it was somewhat disappointing when compared to its IPD benchmark total return of 12.7%. The Company's income return matched the benchmark at 4.9%, but capital growth lagged at 4.1% versus 7.5%. Significant portfolio repositioning and ongoing asset management activity is underway aimed at improving performance as outlined below. Projecting forward to a period of slowing capital growth across the whole market, the more prime nature of the Company's portfolio should stand it in good stead to deliver sustainable income and capital appreciation through active asset management.

Investment Manager Review (continued)

All sectors of the portfolio increased in value. The external portfolio valuation as at 31 December 2015 was £1.32 billion (excluding lease incentive adjustment). The Company's relatively small exposure to High Street Retail outside the South East was its highest performing sub-sector. With more weight in the portfolio, the second best performers were the Company's clutch of South East Industrial assets, where the Company has benefited from its strategy of increasing exposure to that sector over the past few years.

The Company's Office investments, previously its strongest performing sector, fell behind its Industrial exposure as capital growth tailed off, combined with a lower income component from the London Office portfolio.

We reduced the Company's Retail exposure throughout the year and, whilst this sector has lagged, the value of the assets retained has grown with a positive impact from active asset management initiatives at, for example, St. Georges Retail Park, Leicester, and Market Street, Manchester.

The table below sets out the components of total return of the Company and of the benchmark in each sector for the year to 31 December 2015:

	Total Return		Income Return		Capital Growth	
	Fund %	Benchmark %	Fund %	Benchmark %	Fund %	Benchmark %
Industrials	12.8	16.3	5.1	5.3	7.4	10.5
Office	10.5	17.0	4.6	4.2	5.7	12.3
Retail	6.9	8.3	5.1	5.2	1.7	2.9
Other Commercial (incl Leisure)	6.6	12.2	4.6	5.2	2.0	6.7
Total	**9.2**	**12.7**	**4.9**	**4.9**	**4.1**	**7.5**

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

Industrial

In common with the wider market, the Industrial sector was the Company's strongest performer in 2015. For some time, we have recognised the strong income characteristics of the sector and, in recent times, this view has been supported by other investors. With an imbalance between strong demand and limited supply, both in the investment market and on the ground for tenants, yields have compressed further. Within occupier markets, strong demand, particularly from online businesses, led to healthy rental growth as well as to the return, in certain locations, of speculative development.

The Company has a good mix of predominantly London focused "big box" distribution warehouses and multi-let industrial estates which experienced early-cycle capital growth given the prime nature of the assets. This helped to deliver a total return of 12.8%. However, this is lower than the benchmark figure of 16.3% which was driven by significant yield compression over secondary assets. There are a number of asset management initiatives, notably at Sunbury, Wembley (Neasden) and Lutterworth, which should deliver value when completed.

Office

The Company has a well located portfolio of Office investments but performance has been restrained by its lack of exposure to the dynamic markets of the City of London and the South East and by the performance of its London West End portfolio. In the West End, capital growth significantly lagged the benchmark (6.3% v 14.7%) due to a lack of realised rental growth to which to apply strongly compressed West End yields. Business plans are in hand for 2016 aimed at redressing this position, particularly at Craven House, Carnaby Street and 6 Arlington Street, opposite the Ritz.

Outside London and the South East, the Company's Office portfolio outperformed the benchmark.

Retail

Although the prospects for some elements of the Retail sector remain uncertain, improving market sentiment and a far more positive, yet still polarised, occupier environment was reflected in a stabilisation of rents and reduction of voids within many principal locations in 2015. This provided a platform for an improved performance from the Company's Retail portfolio.

This sector was again the greatest source of divergence across subsectors, with Standard Retail within the Rest of the UK delivering the strongest total return of 23.0%, fuelled by asset management and capital growth of 15.9% and an income return of 6.1%. South East Standard Retail also benefited from further yield compression, producing 2.4% capital growth and the next best total return of 6.4% within the Retail portfolio.

The Company's Shopping Centre investments lagged the market, however we were able to dispose of the Sovereign Centre, Weston-super-Mare, at a price ahead of valuation earlier in the year. At Shrewsbury, we expect to improve Net Operating Income with the delivery of Primark in early 2017 and are analysing wider strategic options for the asset.

We were pleased to deliver a new H&M store and experience improved footfall at The Parade, Swindon, but rental values for other units remain under pressure. We have an exposure to a large BHS store (1.1% of annual portfolio rent, our only BHS exposure) which we have been monitoring closely following the sale of that company. After the year end, in March 2016, BHS received majority creditor approval to a Company Voluntary Arrangement (CVA) which it had filed. The CVA procedure allows a retailer the flexibility, with creditor backing, to close and cancel lease contracts on stores it deems unprofitable, or adjust the rent downwards. BHS categorised its stores into three pots – profitable, rent reduction required and unprofitable. They deemed 26%, or 46 of their 177 stores, as unprofitable which included UKCPT's Swindon unit – these leases are now expected to terminate early, after 10 months of paying a reduced rent. We are in discussion with a number of retailers to relet the space if that becomes necessary or prudent. This will regrettably have a negative impact on valuation although, in the medium term, there are plans for a new large-scale Office development opposite The Parade which, if delivered, would bring many shoppers, improving retail demand.

In the Retail Warehouse sector, investment yields remained relatively static during the year, resulting in the Retail Warehouse portfolio producing a total return of 7.4%, on a par with the benchmark.

Other Commercial – Leisure

The Company's Leisure investments – The Rotunda, Kingston-upon-Thames and Regent Circus, Swindon – suffered some stubborn vacancies amongst the food units which, together with the supermarket component at Swindon and an ex-growth rent on the Odeon cinema, Kingston, inhibited capital growth.

The acquisition of the Cineworld cinema and leisure complex in Glasgow increased the Company's exposure to the sector during the year but, with strong fundamentals underlying that purchase, combined with an attractive appraisal yield, this should prove accretive to the Company's income profile.

Investment Activity

Purchases

During the year the Company purchased assets worth £145 million.

Over the summer months, Eldon House in the City of London was acquired for £27.5 million in an off-market acquisition, based on an initial yield of 4.6% and an equivalent yield of 5.5%. The asset will benefit from the opening of the Elizabeth Line, as Crossrail 1 has been named, with the Liverpool Street station access just 150m away.

In addition, the £67.1 million acquisition of Ventura Park, Radlett took place. Ventura Park is a multi-let industrial estate in Hertfordshire on the M25 to the north of London. The transaction comprised a property swap – the sale of an Asda distribution centre in Northampton for £31.0 million and a balancing payment of £36.1 million from existing cash resources to complete the acquisition of Ventura Park. The Company benefited from a net positive investment and the transfer from a lower yielding investment to a higher yield (increased income).

In December, the Company acquired the Central Square Office building in Newcastle upon Tyne for £21.6 million, a price based off a yield of 6.4%. The 72,389 square feet grade A Office is multi-let to a range of corporate tenants, producing a combined contracted rent of £1.5 million per annum and an average unexpired lease term of 8.8 years. Located in central Newcastle's new Stephenson Quarter, opposite Newcastle Central railway station, it has a BREEAM "excellent" rating for sustainability and is expected to provide the Company with a strong, secure income return.

Also in December, the Company acquired off-market a Cineworld leisure scheme in Glasgow for £29.2 million. Located in Glasgow's city centre, the complex is anchored by an 18 screen multiplex Cineworld cinema on a long-term lease, with further leisure accommodation across three units. Purchased at an initial yield of 5.1%, the asset currently generates annual rent of £1.7 million with scope for further income growth through a range of asset management initiatives, including re-letting the vacant basement leisure unit and reconfiguring the first floor leisure unit.

Overall, these assets display good fundamental property attributes and support our strategy to reposition the portfolio for sustainable and growing income.

Sales

In line with the strategy to sell assets expected to underperform in the short to medium term or where non-accretive capital expenditure had the potential to undermine future performance, the Company sold five assets for £164 million, ahead of valuation.

At the start of the year, the Company completed the sale of the Pall Mall Court Office building in Manchester for £19.5 million and The Sovereign Shopping Centre, Weston-super-Mare for £29.9 million. Both sales allowed the Company to crystallise valuation uplifts from recent asset management activity and reduce exposure to both the regional Office and Retail sectors, in-line with strategy, while achieving an overall sale price ahead of valuation.

During the summer, terms were agreed for the sale of 176-206 Kensington High Street, London and also 134-138 North Street, Brighton in two separate transactions for a total consideration of £82.7 million, marginally ahead of their aggregate valuation as at 31 March 2015. The sale of Kensington High Street completed on 4 September 2015. In addition a logistics warehouse at Brackmills, Northampton, was sold for £31.0 million as part of the swap transaction mentioned above.

Investment Manager Review (continued)

Asset Management Activity

During the year we continued our drive to strengthen the Company's income streams, extend lease lengths and add value to the portfolio. A total of £4.6 million of annual income was generated after rent free periods and incentives through 47 new leases, fixed rental increases and rent reviews representing a net increase of £1.2 million per annum. The refinancing carried out earlier in the year, £250 million at an effective fixed rate of 2.89% for a further 6.9 years from the year end, has also boosted net income by lowering the cost of debt.

It was good to witness the majority of the 21 open market rent reviews within the portfolio that were agreed during the year generate uplifts. Notable increases took place with Furniture Village at Junction 27, Leeds, Fitness First on Great Marlborough Street, London and at the ASDA distribution warehouse in Northampton. In total, rent reviews helped to improve annualised income by over £734,000 per annum.

In addition, there were 19 instances of stepped or fixed increases in rent across the portfolio during the year at Dolphin Industrial Estate, Sunbury, The Parade, Swindon, The Charles Darwin and Pride Hill Centres in Shrewsbury and Emerald Park, Bristol all of which helped to improve rents by over £514,000 per annum.

Taking into account the lease expiry profile and recognising the strategic sales activity, it was pleasing to see the Company's continuing low void position at 31 December 2015 of 2.8% (of ERV), compared to 2.6% at the end of 2014. Allowing for tenant failures through administrations, the void rate increases to 2.9% (2014 – 3.1%); both figures comfortably below the IPD benchmark void rate of 6.7%.

The Company is pleased to report that on average 98% of rent was collected within 28 days of each quarterly payment date and a modest 0.7% of annual rent was written off as bad debt for the year.

At The Parade, Swindon, contracts were satisfied with H&M and a new fashion anchor store created for them at the north eastern entrance to the centre. H&M is now committed to The Parade on a new 15 year lease at a rent of £325,000 per annum.

The introduction of H&M helps improve The Parade's position within the town's retail hierarchy which is already resulting in encouraging discussions with other retailers interested in taking further space in the Centre.

H&M, The Parade, Swindon

In May 2015, the Company announced leasing a 30,300 square feet (net sales area) store over two levels at the Charles Darwin Shopping Centre, Shrewsbury, to international fashion retailer, Primark. Also during the year, new leases were completed with Claire's Accessories, Timezone Inc., Dorothy Perkins, Alan Turner, Burger King and Hawkins Bazaar. These lettings continue our strategy of rebuilding income and footfall in the shopping centres.

CGI Image of The Charles Darwin Centre, Shrewsbury

Within the Retail Warehouse portfolio, lease contracts were completed with Iceland, Mattressman and Maplin on St Georges Retail Park, Leicester. The ongoing external cladding works continue to improve the property and the lettings achieved full occupancy; this generated over £368,000 of additional rent per annum after lease incentives and added £2.9 million of value over the year.

St Georges Retail Park, Leicester

On Junction 27, Retail Park, Leeds a new restaurant unit was created for Azzurri Restaurants Ltd (trading as Zizzi), securing them on a new 20 year lease at an average rent of over £140,000 per annum after lease incentives.

Junction 27, Retail Park, Leeds

In St James's, London, we successfully negotiated a lease surrender of the ground and basement floors at Arlington Street and subsequent re-let the unit to the Skarstedt Gallery at a rent of £350,000 per annum, significantly ahead of the former rental income for the unit.

Arlington Street, London W1

Within the Industrial sector, lettings at Newton's Court, Dartford to Worldstores and Stienhoff helped to amplify income, secure 100% occupation and drive value during the year.

Newton's Court, Dartford

Investment Manager Review (continued)

During the year we renewed for a further 10 years the Company's lease with Adidas at Market Street, Manchester. The agreement secures a rent of £550,000 per annum and builds on the tenants new sponsorship arrangement with Manchester United football club. This piece of asset management delivered capital growth of 17% (£1.2 million).

Market Street, Manchester

At Tunbridge Wells we agreed to release DSG (PC World / Currys) from one of their two retail park units. Simultaneously we relet the unit to two new occupiers, Oak Furniture Land and Harvey's, on new 10 year leases at a combined rent of over £500,000 per annum after rent free periods. This also allowed the unit to be reconfigured with the installation of a mezzanine floor.

Great Lodge Retail Park, Tunbridge Wells

In Bristol, a sub-lease was granted to Ovo Energy at No. 1 Rivergate which may be helpful for the continued future occupation of this prime building.

No. 1 Rivergate, Bristol

Market Outlook

With robust UK economic fundamentals, despite the heightened global uncertainty, our projections are for a reasonably strong UK economic environment in 2016 with consumer spending expected to provide the majority of the impetus, alongside a further improvement in business investment. This provides a solid base for real estate occupier demand, the driver of rental growth. Key risks to our outlook are the forthcoming EU Referendum and weak global growth, particularly among Emerging Markets. Rising interest rates will be a risk at some stage in the future although yield curves suggest that potential interest rate rises have been pushed out further, a sentiment which is supported by recent comments from the Bank of England.

Total returns for UK real estate look to have peaked for this cycle and it is anticipated that more normalised returns are in prospect for the next few years. Income is likely to be the main component of returns, as opposed to the strong capital growth we have seen in the recent past, and it is the improvement in levels of rental growth, along with the ability of managers to work their direct property portfolio, which will provide upside for many investors. Despite heightened global uncertainty, projections for UK economic growth remain firm and provide a reasonable backdrop for the domestic real estate outlook. Relative to longer term government bonds, the yield gap of 280 bps remains significant by historical standards. The sector remains attractive from a fundamental point of view, with firm economic drivers and a limited pipeline of future developments – we expect positive total returns for investors on a three year hold period due to real estate's stable income profile and improving income growth prospects.

Portfolio Strategy

The Company is generally well positioned to enter this phase in the property market of modest capital growth with a greater focus on income and income-generating asset management; it plays to its strengths of diversification, low vacancy rates, internal investment opportunities and low cheap gearing.

Although higher yields can be achieved in the secondary market, in many cases these yields reflect the inherent risks within that sector. We believe that the Company's investment objective to pursue a sustainable and growing income stream with the potential for capital growth is best achieved by continuing its focus towards the prime end of the property spectrum. Having deployed the bulk of its cash during 2015, the Company has a modest surplus available for fresh investment with the ability to draw on additional revolving credit should a particular opportunity present itself. Our House view, together with the existing portfolio structure, support the case for selective acquisition of:

1. Offices in Greater London and the South East, particularly if let to multiple tenants where rental growth prospects continue to be strong;

2. Selective Retail High Street shops, but only in a limited number of the UK's best shopping towns and cities where supply is limited and retailer demand strong, driven by a good local economy and strong demographics supporting consumption growth; and

3. Income dominated sectors, which might include a right-sized, and, importantly, repriced supermarket with an element of index-linking in a location with limited competition and good demand from a vibrant local economy with strong demographics.

For new and existing investment, we aim to improve income yield and dividend cover and to maintain or extend the average lease length within the portfolio. In certain cases, given the Company's current low vacancy rate, in strong and improving locations we may accept a degree of letting risk to enhance income yield in the longer term.

We will seek to dispose of assets which we believe will not meet income or performance expectations, whether due to poor income growth expectations or increasing need for non-accretive capital expenditure. Currently, the Company has an investment programme to improve assets within its portfolio, mostly through refurbishment upgrades designed to increase the rental potential of these assets. There is an important distinction between non-accretive capital expenditure, required to stand still, and capital expenditure for growth. This ability to self-invest to upgrade assets is an important and rewarding facet of property investment.

With this move away from yield compression to a market where the fundamental attributes of property reassert themselves and income and income growth are likely to take prominence, we believe that the Company is well positioned to meet its objective of providing shareholders with an attractive level of income, together with the potential for capital and income growth for investment in a diversified portfolio of UK commercial property.

Will Fulton

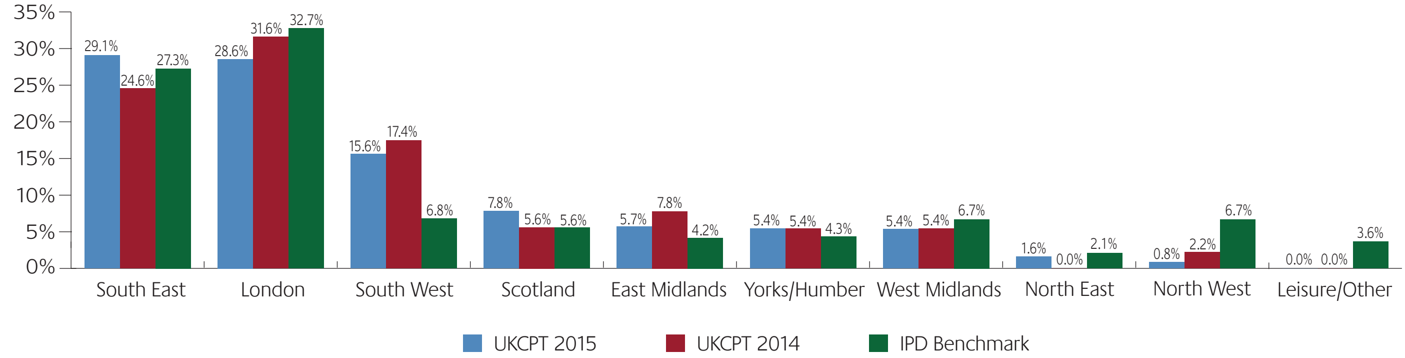
Fund Manager
Standard Life Investments

20 April 2016

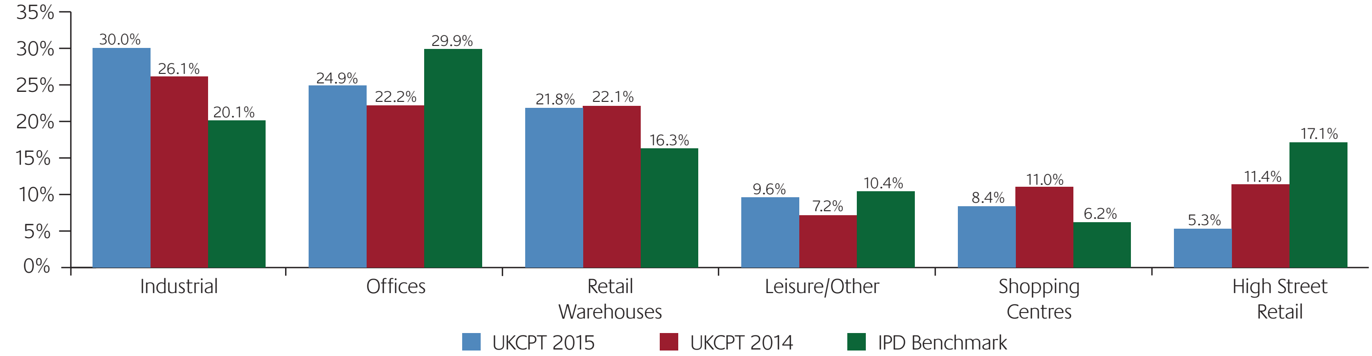
Portfolio Statistics and Key Performance Indicators

As at 31 December 2015

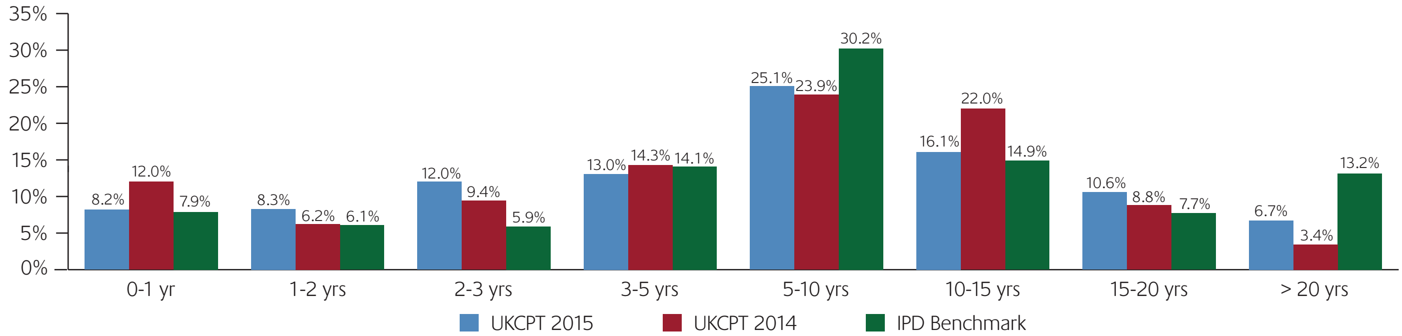
Capital Value Split by Location*



Capital Value Split by Sector*



Lease Expiry Profile*



Top 10 Tenants by Passing Rent

Rank	Company Name	Sector	% of Passing Rent	Weighted Expiry
1	B & Q PLC	Retail Warehouse	7.0	Mar 2026
2	PUBLIC SECTOR	Office	5.3	Apr 2021
3	SONY LIMITED	Office	4.5	Oct 2022
4	OCADO LIMITED	Industrial	3.8	Sep 2032
5	DSG RETAIL LIMITED	Retail Warehouse	2.9	Oct 2024
6	ARGOS LIMITED	Industrial	2.7	Dec 2017
7	ODEON CINEMAS LIMITED	Leisure	2.6	Sep 2027
8	TOTAL E&P UK LIMITED	Industrial	2.6	Dec 2034
9	MARKS & SPENCER PLC	Industrial	2.5	Mar 2018
10	CINE-UK LIMITED	Leisure	2.4	Jan 2037
			36.3	

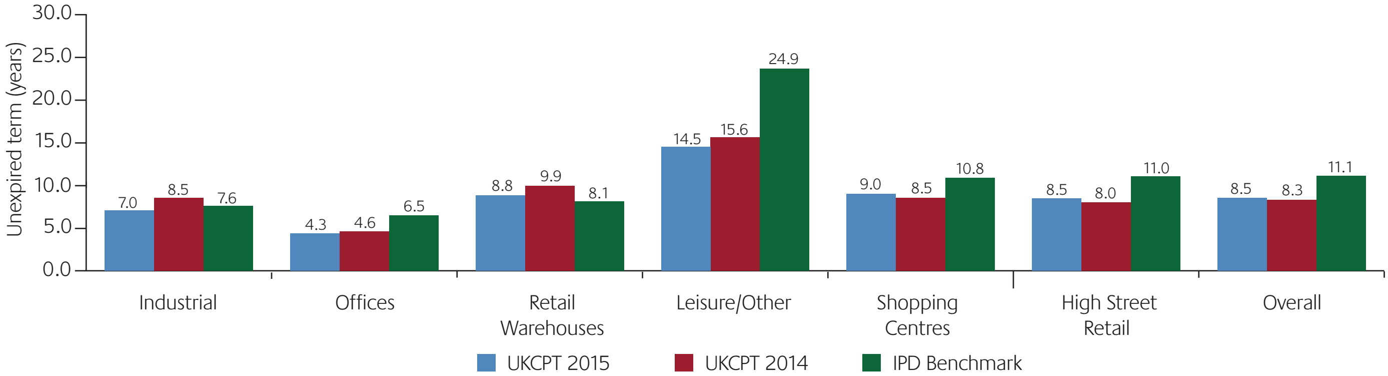
Portfolio Statistics and Key Performance Indicators (continued) – Sector Analysis

As at 31 December 2015

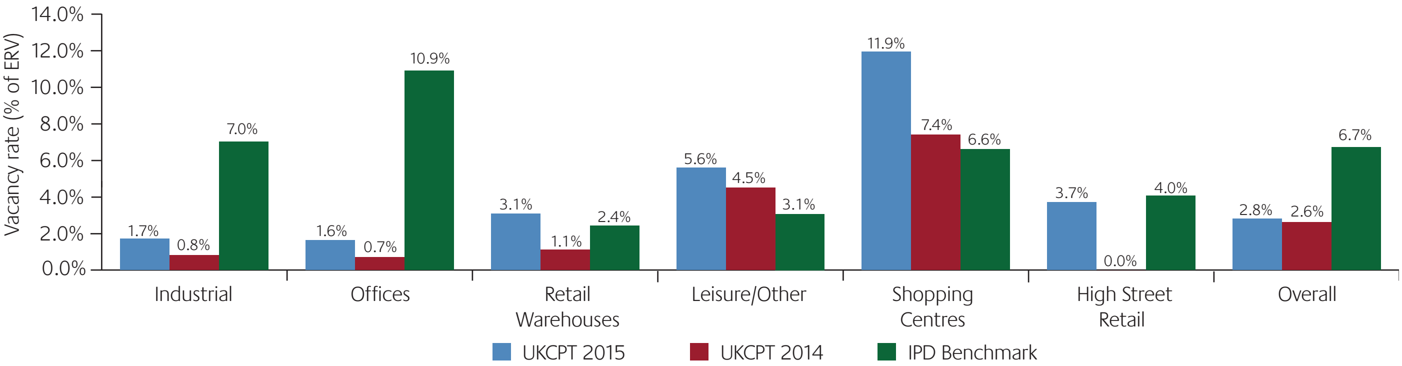
Performance by sector

	1 year Fund %	1 year Benchmark %	3 year (annualised returns) Fund %	3 year (annualised returns) Benchmark %	5 year (annualised returns) Fund %	5 year (annualised returns) Benchmark %
Industrial	12.8	16.3	17.9	17.2	13.1	12.3
Offices	10.5	17.0	17.4	17.7	12.7	12.8
Retail	6.9	8.3	8.9	9.8	6.4	7.4
Leisure/Other	6.6	12.2	10.5	11.7	n/a	10.2
Total	9.2	12.7	13.0	13.5	9.4	10.0

Unexpired Lease Term by sector*



Vacancy Rate by sector*



*Source: IPD, Standard Life Investments Limited

Property Portfolio

As at 31 December 2015

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)
The Parade, Swindon	Freehold	Shopping Centre	BHS Ltd	
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	
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 24% of the portfolio capital value)
St Georges Retail Park, Leicester	Freehold	Retail Warehouse	Toys R Us Ltd	
Regent Circus, Swindon	Freehold	Leisure	WM Morrison Supermarkets Plc	
Hannah Close, London, NW10	Leasehold	Industrial	Marks & Spencer Plc	
Argos Unit, Magna Park, Lutterworth	Leasehold	Industrial	Argos Ltd	
6 Arlington Street, London, SW1	Freehold	Office	Skarstedt Gallery	
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 29% 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	Pentagon Ltd	
Broadbridge Retail Park, Horsham	Freehold	Retail Warehouse	Homebase Ltd	
No 2 Temple Quay, Bristol	Freehold	Office	Public Sector	
81/85 George Street, Edinburgh	Freehold	Office	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	
Central Square Offices, Forth Street, Newcastle Upon Tyne	Freehold	Office	Ove Arup & Partners	
16/20 High Street & 1/3 Bedford Street, Exeter	Leasehold	High St, Retail	H&M Hennes & Mauritz UK Ltd	
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	

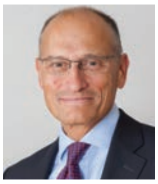
Overall number of properties	43
Total number of tenancies	346
Total average property value	£30.7m
Total floor area	4,538,054 sq.ft
Freehold/Leasehold (leases over 100 years)	91%/9%

Board of Directors

The Directors, all of whom are non-executive and, other than Mr Robertson, are independent of the Investment Manager, are responsible for the determination of the investment policy of the Group and its overall supervision. The Directors are as follows:

Christopher Hill (Chairman)

Christopher Hill is a resident of Guernsey. He is an Associate of the Chartered Institute of Bankers and was managing director of Guernsey International Fund Managers Limited, part of the Baring Financial Services Group, for 8 years prior to its sale in 2005 to Northern Trust. He has over 40 years' experience in the field of offshore banking and fund administration and is a past Chairman of the Guernsey Investment Funds Association. Mr Hill has been a Director of the Company since launch in September 2006.



Andrew Wilson (Senior Independent Director)

Andrew Wilson is a resident of the UK. He was formerly of Richard Ellis, Royal Insurance as Chief surveyor and he joined Rugby Securities as a director in 1987. He was a founder director of Rugby Estates plc in 1990 and chief executive officer through its official listing, move to the Alternative Investment Market and subsequent de-listing and sale. He was a non-executive director of Ipswich Building Society until July 2015 and is currently non executive Chairman of a London West End property agency and of a Family Office. He is a Chartered Surveyor. Mr Wilson has been a Director of the Company since launch in September 2006 and is Chairman of the Property Valuation Committee.

John Robertson

John Robertson is a resident of the UK. Mr Robertson spent his entire career in a range of roles in investment management, retiring in 2012 from Ignis Asset Management as Director – Funds and Corporate Governance, in which position he was a director of several fund companies. He is a Fellow of the Chartered Association of Certified Accountants. Mr Robertson has been a Director of the Company since launch in September 2006.

Ken McCullagh

(Chairman of the Audit Committee)

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

Sandra Platts

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

Michael Ayre

Michael Ayre is a resident of Guernsey. He is currently a consultant to the Guernsey taxation and private client business of Intertrust Group, Intertrust Reads Private Clients Limited. Mr Ayre is also currently a Director of ABN Amro (Guernsey) Limited and Brooks MacDonald Investment Funds plc which is listed in Ireland. Mr Ayre is member of the Chartered Association of Certified Accountants and is also a member of the Chartered Institute of Taxation. Mr Ayre was appointed to the Board in February 2016.

Report of the Directors

The Directors present the report and accounts of UK Commercial Property Trust Limited, ("the Company") for the year ended 31 December 2015.

Results and Dividends

The results for the year are set out in the attached accounts. The Company has paid interim dividends in the year ended 31 December 2015 as follows:

	Payment Date	Rate per share (p)
Fourth Interim for prior period	Feb 2015	0.92
First interim	May 2015	0.92
Second interim	Aug 2015	0.92
Third interim	Nov 2015	0.92
Total		3.68

On 29 January 2016 the Company declared a fourth Interim dividend of 0.92 pence per Ordinary Share with an ex-dividend date of 11 February 2016, which was paid on 26 February 2016.

Principal Activity and Status

The Company is a Guernsey company and during the year carried on business as a property investment company. The principal activity and status of the Company's subsidiaries is set out in Note 9 on page 54.

Listing Requirements

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

Share Capital

The issued Ordinary share capital at 31 December 2015 consisted of 1,299,412,465 Ordinary shares of 25p each. At 20 April 2016 these numbers were unchanged. Each Ordinary share of the Company carries one vote at general meetings of the Company. Save for the provision of the articles of association, there are no restrictions on the transfer of Ordinary shares in the Company other than certain restrictions which may from time to time be imposed by law (for example, insider trading law).

Directors

The Directors who held office during the period and their interests in the ordinary shares of the Company as at 31 December 2015 (all of which are beneficial) were:

	Date of Appointment	As at 31 December 2015	As at 31 December 2014
Christopher Hill	Sep 2006	20,000	20,000
John Robertson	Sep 2006	10,000	10,000
Andrew Wilson	Sep 2006	75,000	75,000
Ken McCullagh	Feb 2013	40,000	40,000
Sandra Platts	Dec 2013	-	-

There have been no changes in the above interests between 31 December 2015 and 31 March 2016. On 24 February 2016 the Board appointed Mr Michael Ayre as a Director.

The Directors are also Directors of UK Commercial Property Holdings Limited, UK Commercial Property GP Limited, UK Commercial Property Nominee limited, UK Commercial Property Estates Holdings Limited, UK Commercial Property Estates Limited and UK Commercial Property Finance Holdings Limited which are all wholly owned subsidiary undertakings. In addition the Group wholly owns Brixton Radlett Property Limited, a UK Limited Company, the Directors of which are Mr Andrew Wilson and Mr John Robertson.

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

As recommended by the AIC Code of Corporate Governance and the UK Corporate Governance Code, the Company's policy is for all Directors to retire and offer themselves for re-election at the Annual General Meeting ("AGM") immediately following their appointment and annually thereafter. Accordingly, Mr K McCullagh, Mrs S Platts, Mr J Robertson and Mr A Wilson will retire and offer themselves for re-election at the AGM. Mr M Ayre, having been appointed since the last Annual General Meeting, will offer himself for election. Mr C Hill will retire at the AGM and will be replaced as Chairman by Mr A Wilson.

Following formal performance evaluations for each individual Director and the Board as a whole, as well as a review of the performance of the Chairman by the other members of the Board, the performance of all of the Directors continues to be effective with each making a positive contribution to the performance of the Company. Therefore, the re-election and election of all the Directors who are being put forward is recommended to shareholders at the 2016 AGM. An external review of the Board was last carried out in 2014 and the action points arising from this review have been addressed and, where appropriate, revised practices have been adopted.

Alternative Investment Fund Manager ("AIFM")

Up until 29 December 2015, Ignis Fund Managers Limited (registered in the United Kingdom) was the appointed AIFM of the Company undertaking the management of the Company in accordance with the requirements of the Alternative Investment Fund Managers Directors ("AIFMD"). On 29 December 2015, Standard Life Investments (Corporate Funds) Limited was appointed as the Company's AIFM.

Depositary

In accordance with the requirements of AIFMD, the Board appointed Citibank International PLC as depositary to the Company on 18 July 2014. On 29 December 2015 this changed to Citibank International Limited.

Substantial Interests in Share Capital

At 31 December 2015 the following holdings, representing more than 3 per cent. of the Company's issued share capital, had been notified to the Company.

	Number of Ordinary Shares Held	% Held
Phoenix Life Limited	649,952,011	50.02
Investec Wealth Limited	140,797,236	10.84
Nestle Capital Management Limited	56,137,385	4.32
Brewin Dolphin Ltd	53,733,048	4.14
Schroders Plc	39,970,707	3.08

As at 31 March 2016 the Company had been notified that the Phoenix Life Limited holding had been reduced to 48.86% and the Investec Wealth Limited holding had been reduced to 10%.

No other changes to these holdings had been notified to the Company as at 31 March 2016.

As at 31 December the Company's ultimate parent entity was Phoenix Group Holdings and immediate parent company was Phoenix Life Limited.

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 8 to 11. In addition, Note 16 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 "Going Concern and Liquidity Risk: Guidance for Directors of UK Companies 2009" when performing their going concern assessments and also considered the recommendations on Risk Management and Control in the UK Corporate Governance Code (September 2014).

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

Having thoroughly considered the going concern assessment the Board has concluded that there are no material uncertainties that may cast significant doubt about the Company and Group's ability to continue as a going concern over the next twelve months from the date of the annual report, barring any unforeseen circumstances. The only qualification to this statement is that the shares of the Company may trade at a discount to NAV of over 5% for 90 consecutive dealing days, thereby leading to a continuation vote. This risk is considered, and mitigating actions addressed, in the Principal Risk and Risk Uncertainties Review on page 9. The Directors have a reasonable expectation that the Company and Group will be able to continue in operational existence and to have adequate resources to meet its liabilities as they fall due over the next twelve months. Therefore, the Board continue to adopt the going concern basis of accounting in 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 would qualify as an investment trust if the Company were based in the UK.

Annual General Meeting

Among the resolutions being put at the Annual General Meeting of the Company to be held on 15 June 2016, the following resolutions will be proposed.

Disapplication of Pre-emption Rights

Resolution 11 gives the Directors, for the period until the conclusion of the Annual General Meeting in 2016 or, if earlier, on the expiry of 15 months from the passing of resolution 11, 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 20 April 2016. 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 in no circumstances would this be done if it results in a dilution to the prevailing net asset value per share.

Directors' Authority to Buy Back Shares

The current authority of the Board granted to it by shareholders at the 2015 AGM to buy back shares in the Company expires at the end of AGM to be held in 2016. 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, if approved, will enable the Company to buy back up to 194,781,928 shares based on the current number of shares in issue (excluding any treasury shares). Any buy back of Ordinary Shares will be made subject to Guernsey law and within guidelines established from time to time by the Board, (which will take into account the income and cash flow requirements of the Company), and the making and timing of any buy backs will be at the absolute discretion of the Board.

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

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

It is the intention of Directors that the share buy back authority may be used to purchase Ordinary Shares, (subject to the income and cash flow requirements of the Company), if the share price of an Ordinary Share is more than 5 per cent. below the published net asset value for a continuous period of time. In the event that such discount is more than 5 per cent. for 90 dealing days or more, following the second anniversary of the Company's most recent continuation vote, (31 March 2015), the Directors will convene an Extraordinary General Meeting ("EGM") to be held within three months to consider an ordinary resolution for the continuation of the Company. If this continuation resolution is not passed, the Directors will convene a further extraordinary general meeting to be held within six months of the first extraordinary meeting to consider the winding up of the Company or a reconstruction of the Company which offers all Shareholders the opportunity to realise their investment. If any such continuation resolution is passed, this discount policy, save in respect of share buy backs, would not apply for a period of two years thereafter.

At an EGM of the Company held on 31 March 2015 a resolution was passed which effectively resulted in the following:

(a) The continuation vote required by the Company's Articles of Association was brought forward from 2016 to 2015;

(b) Approved the Continuation of the Company;

(c) Set the next continuation vote for 2020 and seven yearly thereafter.

The purpose of this change was to facilitate the new debt facilities described earlier in the report. It should be highlighted that the buyback authority and discount management policy described above, including the provision for continuation votes, will remain in place and are not affected by the changes to the Company's Articles of Association.

The City Code on Takeovers and Mergers ("the Takeover Code")

Under Rule 9 of the Takeover Code, any person who acquires an interest in shares which, taken together with shares in which he is already interested and in which persons acting in concert with him are interested, carry 30% or more of the voting rights of a company which is subject to the Takeover Code but less than 50%, is normally required to make a general offer to all the remaining shareholders to acquire their shares. Under Rule 37 of the Takeover Code, when a company purchases its own shares, any resulting increase in the percentage of shares carrying voting rights which a person or group of persons acting in concert is interested will be treated as an acquisition for the purposes of Rule 9 (although a shareholder who is neither a Director nor acting in concert with a Director will not normally incur an obligation to make an offer under Rule 9 of the Takeover Code). Under Rule 37, however, the holding of an investment manager of a company, together with the holdings of its concert parties, will be treated in the same way as a Director.

Phoenix Life Limited notified the Company on 24 February 2016 that following the sale of Ordinary Shares their holding in the Company had fallen below 50%. If the Company were to utilise its proposed share buy back authority and the Phoenix Concert Party's aggregate interest in the Ordinary Shares were to increase between 30% and 50%, an obligation for the Phoenix Concert Party to make a general offer to all shareholders in accordance with Rule 9 of the Takeover Code may be triggered. The Directors are aware that a waiver from the Panel on Takeovers and Mergers may be required to allow the Company to utilise the share buy back authority and are in consultation with the Panel.

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

Auditors

As detailed in the Corporate Governance Report, the Board have decided to appoint Deloitte LLP as the auditors of the Group for the year ended 31 December 2016 and a resolution proposing their appointment will be submitted at the Annual General Meeting.

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

Recommendations

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

Statement Regarding the Annual Report and Accounts

Following a detailed review of the Annual Report and Accounts by the Audit Committee (and by any Directors who are not members of the Audit Committee), full details of which can be found in the Audit Committee Report, the Board consider that when taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

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

Approved by the Board on 20 April 2016.

Christopher M.W. Hill

Director

Ken McCullagh

Director

Corporate Governance Report

Introduction

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

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

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

- the role of the chief executive;
- executive directors' remuneration;
- the need for an internal audit function.

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

The Board

The Board consists solely of non-executive Directors of which Mr Christopher Hill is Chairman and Mr Andrew Wilson is Senior Independent Director. All Directors, other than Mr John Robertson, are considered by the Board to be independent, with any potential conflicts considered at each Board meeting with reference to the AIC Code. The Board's policy on tenure is that continuity and experience are considered to add significantly to the strength of the Board and, as all Directors will be subject to re-election on an annual basis, it is not appropriate for the Board to have a limit on the overall length of service of any of the Company's Directors, including the Chairman. The Board also takes the view that independence is not compromised by length of tenure on the Board and Mr Hill, Mr Robertson and Mr Wilson, who have been Directors since 2006, have not been compromised by length of service. In considering this, the Board considered a number of factors including experience, integrity and judgement of character. However, the Board has a clear strategy in place to refresh the Board on an ongoing basis which is set out in the Chairman's Statement. The Board undertakes formal performance evaluations set out in the Report of the Directors.

The Company does not have a Remuneration Committee with the Board as a whole being responsible for Director and Board remuneration levels.

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

The Company has no executive Directors or employees. 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 four committees to cover specific operations: Audit Committee, Management Engagement Committee, Nominations Committee and Property Valuation Committee. Copies of the terms of reference of each committee are available on the Company's website, or upon request from the Company.

Audit Committee

Information regarding the composition, responsibilities and activities of the Audit Committee is set out in the Audit Committee Report on pages 31 to 33.

Management Engagement Committee

The Management Engagement Committee comprises all independent Directors of the Company and has been chaired by Mr Christopher Hill.

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

Ignis Fund Managers Limited was appointed as the Alternative Investment Fund Manager ("AIFM") of the Company from 18 July 2014. Following the takeover of Ignis Asset Management by

Standard Life Investments Limited in 2014, the Board appointed Standard Life Investments (Corporate Funds) Limited as AIFM on 29 December 2015. A summary of the current contract between the Company and Standard Life Investments (Corporate Funds) Limited in respect of management services provided is given in note 2 to the accounts.

The Management Engagement Committee has considered the investment performance of the Company and the capability and resources of the Investment Manager to deliver satisfactory investment performance. They also considered the length of the notice period of the investment management contract and the fees payable to the Investment Manager, together with the standard of the other services provided. It was noted that, last year, the Investment Manager had reduced the level of fees charged from 1 July 2014.

Following this review, it is the Directors' opinion that the continuing appointment of the Investment Manager on the terms agreed is in the interests of shareholders as a whole due to the strength and quality of the management team, performance achieved over the longer term and the Investment Manager's commitment to the sector. The Management Engagement Committee have also conducted reviews (where appropriate with the assistance of the Investment Manager) of the Company's other service providers. The outcome of those reviews has been satisfactory.

Nominations Committee

The Nominations Committee comprises all Directors of the Company and has been chaired by Mr Christopher Hill. The Nominations Committee considers appointments of new Directors, undertaking a thorough and open process involving, where appropriate, professional recruitment consultants and committee interviews with candidates whose skills have been identified as complementary to the existing Board. The Board and Committee are cognisant of the debate around the recommendations of the Davies Report on Women on Boards and recognises the benefits of diversity in its broadest sense and the value this brings to the Company in terms of skills, knowledge and experience. The Nominations Committee did not require to meet during the year but did meet in 2016 to consider the appointment of Mr Ayre.

Property Valuation Committee

The Property Valuation Committee comprises all of the Directors and is chaired by Mr Andrew Wilson, Chartered Surveyor.

Committee members meet CBRE, the independent valuer to the Company, and representatives of Standard Life Investments at least twice a year and report back to the Board on the process for arriving at independent valuations and on any issues that arise in relation to this process.

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 Board is provided with regular reports highlighting all material changes to the risk ratings and confirmation of the action which has been, or is being, taken. A formal annual review of these procedures is carried out by the Board and includes consideration of ISAE 3402 and similar reports issued by the Investment Manager and other service providers. In

Director Meetings Attendance Summary

	Board of Directors		Audit Committee		Management Engagement Committee		Property Valuation Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
C Hill	4	4	3	3	1	1	4	4
K McCullagh	4	4	3	3	1	1	4	4
S Platts	4	4	3	3	1	1	4	4
J Robertson	4	4	n/a	n/a	n/a	n/a	4	4
A Wilson	4	4	3	3	1	1	4	4

The table above sets out the number of Board and Committee meetings all held during the year and the number attended by each Director post their appointment date. In addition to the above, there were 57 ad hoc meetings held during the year. All meetings were held outside the UK.

addition, the Board also receives quarterly updates from both the Compliance and Internal Audit departments of the Investment Manager on areas that specifically affect the Company. Compliance reports are also received from the administrator on a quarterly basis.

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

The Company formerly appointed Ignis Fund Managers Limited (up until 29 December 2015) and now Standard Life Investments (Corporate Funds) Limited as its AIFM and formerly Citibank International PLC (up until 29 December 2015), now Citibank International Limited as its Depositary. The Depositary's responsibilities include cash monitoring, safe keeping of the Company's financial instruments and monitoring the Company's compliance with investment limits and leverage requirements. The AIFM has a permanent risk management function to ensure that effective risk management policies and procedures are in place to monitor compliance with risk limits. The AIFM has a risk policy which covers the risks associated with the management of the portfolio and the adequacy and appropriateness of this policy is reviewed at least annually.

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

Relations with Shareholders

The Company places great importance on communication with its shareholders and welcomes the views of shareholders. The Manager and Broker of the Company meet existing and potential shareholders on a regular basis and the Board receives regular reports on the views of shareholders from these meetings. In addition the Chairman, where possible, meets larger shareholders annually and other Directors are available to meet shareholders if required. The Annual General Meeting of the Company and also the annual and interim results presentations provides a forum, both formal and informal, for shareholders to meet and discuss issues with the Directors and Investment Manager of the Company.

Approved by the Board on 20 April 2016.

Christopher M.W. Hill

Director

Ken McCullagh

Director

Audit Committee Report

Composition

The Audit Committee, which is chaired by Mr Ken McCullagh, operates within well-defined written terms of reference, which are available on the Company's website. It comprises all of the Directors other than Mr John Robertson, who is invited to attend meetings of the Committee unless, as a non-independent director, a conflict of interest would exist. Given the non-executive nature of the Board, the Committee also believe it is appropriate for the Chairman of the Company to sit on the Audit Committee. Within the membership of the Committee, Mr Ken McCullagh, the Chairman, is a chartered accountant.

Responsibilities

The main responsibilities of the Audit Committee are as follows:

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

The Audit Committee is also the channel through which the auditor reports to the Board of Directors. It meets at least three times a year to take account of the requirements placed on audit committees by the 2014 UK Corporate Governance Code and AIC Code dated February 2015. The Audit Committee considers any matters which the auditor wishes to communicate to the Audit Committee and, through them, to the Board of Directors. This provides a forum for the external auditor to give their views about significant qualitative aspects of the Company's accounting practices and to draw to the attention of the Audit Committee any significant difficulties that they encountered during the audit, any substantial uncorrected misstatements, any disagreements with management and any other matters which they felt it appropriate to raise.

Significant Issues

At a planning meeting of the Audit Committee with the auditor, the scope and timing of the audit were agreed and it was confirmed that the Directors had no knowledge of any fraud within the Company; it was agreed that the significant issues in the audit should be the valuations of the properties and the accuracy of income recognition in the Company and 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 Manager, as part of the year end valuation process. The Chairman of this Committee reported to the Audit Committee in March 2016 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;
- 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 £1,311,695,000 was agreed as the valuation of the property portfolio as at 31 December 2015. The Audit Committee considered the report by the Chairman of the Property Valuation Committee along with a summary of the valuation and its key movements by the Investment Manager and agreed that this valuation was appropriate for the financial statements and that a robust process of analysis had been followed. In terms of existence of the properties, the Committee noted the procedures that the Manager has in place to ensure correct approval and title to all properties held which include any property 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 had been included as part of the audit work undertaken.

Recognition of Rental Income – How was the issue addressed?

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

Audit Committee Report (continued)

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;
- Detailed quarterly financial reporting detailing out the main reason for revenue movements in the quarter.

The Audit Committee concluded that, given the controls and reporting in place throughout the year, the rental income number included in the financial statements of £69,558,000 was appropriate.

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 Manager;
- Suitably qualified personnel involved in the audit;
- Cost effectiveness and the independence and objectivity of the auditors, with particular regard to non-audit fees.

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

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

The Company's auditor, Ernst & Young LLP, was first appointed for the year ended 31 December 2006. In accordance with regulatory requirements, Ernst & Young LLP rotates the senior statutory auditor responsible for the audit every five years and this was last changed in 2013. There are currently no contractual obligations that restrict the Company's choice of auditor. However, in light of recent FRC guidance on audit tenders, the requirement for a FTSE 350 Company to put its audit out to tender every ten years and EU rules on the provision of non-audit services, the Audit Committee conducted an audit tender process during 2015. This process involved the submission of a detailed tender document followed by Committee interviews with Audit firms invited to tender. Following the audit tender process, the Audit Committee recommended to the Board that Deloitte LLP should be appointed as the auditor for the group for the year ending 31 December 2016, subject to shareholders' approval. Details of the amounts paid to Ernst & Young LLP during the year for audit fees is set out in note 3 to the accounts.

In relation to non-audit fees, these amounted in aggregate to £60,250 (2014: £54,000) for the year ended 31 December 2015 and related principally to costs in connection with tax returns, tax structuring and due diligence on the purchase of Brixton Radlett Property Limited, a UK Company acquired during the year that owned the asset at Ventura Park, Radlett. All of these services were deemed by the Committee to be beneficial to the operational and tax position of the Group. Where any non-audit fee is expected to exceed £25,000, the Company operates a policy under which specific prior approval must be given by the Committee. Notwithstanding the provision of such non-audit services, the Audit Committee considers Ernst & Young LLP to be independent, given the safeguards put in place by Ernst & Young LLP to ensure independence.

Recommendation to the Board

Following its review of the Annual Report and Accounts for the year ended 31 December 2015, the Audit Committee has advised the Board that its considers that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders and other users to assess the Company's position, performance, business model and strategy.

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

Ken McCullagh

Chairman of the Audit Committee

20 April 2016

Directors' Remuneration Report

This Remuneration Report comprises two parts:

(i) Remuneration Policy, which is subject to a binding shareholder vote at each Annual General Meeting; and

(ii) An annual report on the implementation of remuneration, which provides information on how the policy has been applied during the year and which will be subject to an advisory vote on the level of remuneration paid during the year as set out in the Implementation Report.

Remuneration Policy

This part of the Remuneration Report provides details of the Company's Remuneration Policy for Directors of the Company. This policy takes into consideration the principles of the UK Corporate Governance Code and the AIC's recommendations regarding the application of those principles to investment companies. As the Company has no employees and the Board is comprised wholly of non-executive Directors and given the size and nature of the Company, the Board has not established a separate Remuneration Committee. Directors' remuneration is determined by the Board as a whole.

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

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

	31 December 2015 £	31 December 2014 £
Chairman	50,000	50,000
Chairman of Audit Committee	40,000	40,000
Director	35,000-37,500	35,000

Appointment

- The Company only intends to appoint non-executive Directors;
- All the Directors are non-executive appointed under the terms of Letters of Appointment;
- Directors must retire and be subject to election at the first AGM after their appointment, and annually thereafter;
- New appointments to the Board will be placed on the fee applicable to all Directors at the time of appointment (currently £35,000);
- No incentive or introductory fees will be paid to encourage a Directorship;
- The Directors are not eligible for bonuses, pension benefits, share options, long term incentive schemes or other benefits;
- The Company indemnifies its Directors for all costs, charges, losses, expenses and liabilities which may be incurred in the discharge of duties.

Performance, Service Contracts, Compensation and Loss of Office

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

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

The Remuneration Policy stated above was approved by shareholders at the 2015 Annual General Meeting. There have been no changes to the Policy since then. An ordinary resolution for the annual approval of the Policy will be put to shareholders at the 2016 Annual General Meeting

Implementation Report

Aggregate Fees

Article 79 of the Company's Articles of Association currently limits the aggregate fees payable to the Board of Directors to a total of £300,000 per annum. No change to this limit is proposed for the forthcoming year.

Directors' Remuneration Rates

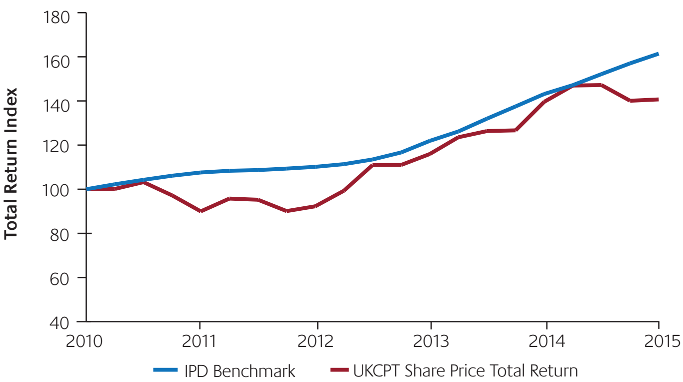
Based on the current annual level of fees, Directors' remuneration for the forthcoming financial year will be as follows:

	31 December 2016 £	31 December 2015 £
Chairman	50,000	50,000
Chairman of Audit Committee	40,000	40,000
Director	35,000-37,500	35,000-37,500

Following a review by the Board of Directors' remuneration which took into account the nature of their duties, responsibilities and the value of their time spent as well as a review of other comparable vehicles that are similar in size, the Board did not increase Directors' fees. However, following the acquisition of Brixton Radlett Property Limited ("BRPL"), a UK Limited Company, in September 2015 the Board recognised the additional responsibility placed on the two Board members who became Directors of BRPL, Mr Andrew Wilson and Mr John Robertson. Accordingly both Directors were awarded an additional fee of £2,500 starting from the date they became Directors of BRPL as is reflected in the table opposite. Rates for the entire Board will be reviewed again in June 2016.

Company Performance

Although the Company appointed Ignis Fund Managers Limited and subsequently Standard Life (Corporate Funds) Limited as an external investment manager pursuant to the terms of the investment management agreement set out in note 2 to the accounts, the Board is responsible for the Company's investment strategy and performance. The following graph compares the total return (assuming all dividends are reinvested) to ordinary shareholders compared with the total return on the IPD Benchmark over a five year period to 31 December 2015 (rebased to 100 at 31 December 2010).



Fees Payable

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.

	2015	2014
Christopher Hill	55,000	47,500
Christopher Fish*	–	16,168
Ken McCullagh	45,000	35,181
Sandra Platts	40,000	32,500
John Robertson	40,719	32,500
Andrew Wilson	40,719	32,500
Total	221,438	196,349

* retired 17 June 2014

Fees are pro-rated where a change or appointment takes place during a financial year. The 2015 payments include an additional fee of £5,000 paid to each Director in recognition of additional work undertaken in the debt restructuring in April 2015. There were no payments to third parties from the fees referred to in the table above.

Directors' Interests in the Company

The Directors are not required to have a shareholding in the Company. The Directors' interests in the share capital of the Company are shown in the Report of the Directors on page 24.

Approved by the Board on 20 April 2016.

Christopher M.W. Hill

Director

Directors' Responsibility Statement

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

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

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

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

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

We confirm that to the best of our knowledge:

- the Group financial statements, prepared in accordance with IFRS, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and comply with the Companies Law;
- that in the opinion of the Board, the Annual Report and Accounts taken as a whole, is fair, balanced and understandable and it provides the information necessary to assess the Group's 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

Christopher M.W. Hill

Chairman

20 April 2016

Independent Auditor's Report to the Members of UK Commercial Property Trust Limited

Our opinion on the financial statements

In our opinion:

- the consolidated financial statements give a true and fair view of the state of the Group's affairs as at 31 December 2015 and of the Group's profit for the year then ended;
- the consolidated financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- the consolidated financial statements have been prepared in accordance with the requirements of the Companies (Guernsey) Law 2008.

What we have audited

UK Commercial Property Trust Limited's financial statements comprise:

- Consolidated Statement of Comprehensive Income for the year ended 31 December 2015
- Consolidated Balance Sheet as at 31 December 2015
- Consolidated Statement of Changes in Equity for the year ended 31 December 2015
- Consolidated Cash Flow Statement for the year ended 31 December 2015
- Related notes 1 to 19 to the financial statements

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union ('EU').

Overview of our audit approach

Risks of material misstatement	• Fair valuation of the property portfolio • Recognition of rental income • Calculation of management fees
Audit scope	• We performed an audit of the financial statements of UK Commercial Property Trust Limited, and its subsidiaries (together 'the Group') for the year ended 31 December 2015
Materiality	• Materiality of £11.27 million which represents 1% of net assets (2014: £10.8 million).

Our assessment of risk of material misstatement

We identified the risks of material misstatement described below as those that had the greatest effect on our overall audit strategy, the allocation of resources in the audit and the direction of the efforts of the audit team. In addressing these risks, we have performed the procedures below which were designed in the context of the financial statements as a whole and, consequently, we do not express any opinion on these individual areas.

Independent Auditor's Report to the Members of UK Commercial Property Trust Limited (continued)

Risk	Our response to the risk	What we concluded to the Audit Committee
Fair valuation of the property portfolio (as described on page 31-33 in the Audit Committee Report). The valuation of the portfolio at 31 December 2015 was £1,312 million (2014: £1,216 million). The valuation of the properties held in the investment portfolio is the key driver of the Group's net asset value and total return. Incorrect property valuation could have a significant impact on the net asset value of the Group and, therefore, the return generated for shareholders.	We performed the following procedures: We identified and performed walk-throughs on controls over the valuation process operated by Standard Life Investments ("the Manager"), as described in their AAF 01/06 Internal Controls report dated 30 September 2015 ("the AAF"), in order to gain an understanding of the process and identify the key points in the process where the valuation of investment properties could be materially misstated. This report included the period 1 January 2015 to 30 September 2015. For the period 1 October 2015 to 31 December 2015 we enquired of the Manager and observed the month end valuation process, to confirm that no substantive changes had occurred in the valuation process since 30 September 2015. We engaged our own valuation experts to discuss and challenge the valuation of a sample of properties by assessing the reasonableness of the valuation methodologies used. We independently corroborated the key inputs and assumptions relating to equivalent yield and rental rates consistent with published market data and comparable transaction evidence through market activity. We read all third party valuation reports to agree the appropriateness and suitability of the reported values and confirmed that the changes in value from the previous accounting period were consistent with our expectations. We assessed the independence and competence of the valuers. We agreed the value of all the properties held at 31 December 2015, and as reported in the financial statements, to the open market valuations included in the valuation reports provided by the Group's independent valuers.	Based on the work performed, we have no matters to report.

Risk	Our response to the risk	What we concluded to the Audit Committee
Recognition of rental income (as described on pages 31-33 in the Audit Committee Report). During the year, the Group recognised £69.6 million (2014: £70.6 million) of rental income. Rental income received by the Group during the period directly drives the Group's ability to make a dividend payment to shareholders. Incomplete or inaccurate rental income recognition, taking into account any lease incentives, could have a significant impact on profit or loss of the Group, which could then impact the dividend paid to shareholders.	We performed the following procedures: We understood the rental income process through walk through procedures to identify any non-standard patterns arising as a result of discounted/rent free periods and other lease incentives We performed detailed substantive analytical review procedures on rental income to identify any items that did not meet our expectations and income budgets. On a sample basis, we agreed rental rates to tenancy agreements and bank statements. For a sample of tenancy agreements with lease incentives, we re-calculated the lease incentive and assessed the appropriateness of the accounting treatment in accordance with IFRSs as adopted by the EU.	Based on the work performed, we have no matters to report.
Calculation of management fees (as described on pages 31-33 in the Audit Committee Report). During the year, the Group paid £8.8 million (2014: £8.2 million) in management fees.	We performed the following procedures: We identified and performed walk-throughs on controls over the management fee process operated by the Manager, as described in their AAF in order to gain an understanding of the process and identify the key points in the process where the management fee could be materially misstated. This report included the period 1 January 2015 to 30 September 2015. For the period 1 October 2015 to 31 December 2015 we enquired of management and observed the quarter four management fee process, to confirm that no substantive changes had occurred since 30 September 2015. We performed a recalculation of the management fee for all four quarters in accordance with the Investment Management Agreement ('IMA'). We validated the inputs used in the calculations by using Board Papers/Interim Accounts and financial statements figures within the recalculation.	Based on the work performed, we have no matters to report.

Independent Auditor's Report to the Members of UK Commercial Property Trust Limited (continued)

The scope of our audit

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Group. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the Group and effectiveness of controls, including controls and changes in the business environment when assessing the level of work to be performed. The Group consists of the Company and its wholly owned subsidiaries.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined planning materiality for the Group to be £11.27 million which is 1% of net assets (2014: £10.8 million, 1% of net assets). This provided a basis for determining the nature, timing and extent of our risk assessment procedures, identifying and assessing the risks of material misstatement and determining the nature, timing and extent of further audit procedures. We derived our materiality calculation from a proportion of net assets as we consider that to be the most important financial metric on which shareholders judge the performance of the Group.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgment was that overall performance materiality (i.e. our tolerance for misstatement in an individual account or balance) for the Group should be 75% of planning materiality, being £8.5 million (2014: 75% of materiality, namely £8.1 million). We have set performance materiality at this percentage due to our past experience of the audit that indicates a lower risk of misstatements, both corrected and uncorrected.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the audit committee that we would report all audit differences in excess of £0.56 million (2014: £0.54 million) as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in the light of other relevant qualitative considerations in forming our opinion.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 36, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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 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.

Matters on which we are required to report by exception

ISAs (UK and Ireland) reporting	We are required to report to you if, in our opinion, financial and non-financial information in the annual report is: • materially inconsistent with the information in the audited financial statements; or • apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or • otherwise misleading. In particular, we are required to report whether we have identified any inconsistencies between our knowledge acquired in the course of performing the audit and the directors' statement that they consider the annual report and accounts taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the entity's performance, business model and strategy; and whether the annual report appropriately addresses those matters that we communicated to the audit committee that we consider should have been disclosed.	We have no exceptions to report.
Companies (Guernsey) Law 2008 reporting	We are required to report to you if, in our opinion: • adequate accounting records have not been kept; or • the Group financial statements are not in agreement with the accounting records and returns; or • we have not received all the information and explanations we require for our audit.	We have no exceptions to report.
Listing Rules review requirements	We are required to review: • the directors' statement in relation to going concern, set out on page 25, and longer-term viability, set out on page 10; and • the part of the Corporate Governance Statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for our review.	We have no exceptions to report.

Independent Auditor's Report to the Members of UK Commercial Property Trust Limited (continued)

Statement on the Directors' Assessment of the Principal Risks that Would Threaten the Solvency or Liquidity of the Entity

ISAs (UK and Ireland) reporting	We are required to give a statement as to whether we have anything material to add or to draw attention to in relation to: • the directors' confirmation in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity; • the disclosures in the annual report that describe those risks and explain how they are being managed or mitigated; • the directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; and • the directors' explanation in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.	We have nothing material to add or to draw your attention to.

David Robert John Moore, ACA

for and on behalf of Ernst & Young LLP

Guernsey, Channel Islands

Date: 20 April 2016

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2015

	Notes	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Revenue			
Rental income		69,558	70,576
Gains on investment properties	8	49,937	124,771
Interest income		606	456
Total income		120,101	195,803
Expenditure			
Investment management fee	2	(8,832)	(8,168)
Direct property expenses	3	(3,915)	(3,653)
Other expenses	3	(3,669)	(1,947)
Total expenditure		(16,416)	(13,768)
Net operating profit before finance costs		103,685	182,035
Finance costs			
Finance costs	4	(8,441)	(9,327)
Loss on derecognition of interest rate swaps		(7,403)	-
		(15,844)	(9,327)
Net profit from ordinary activities before taxation		87,841	172,708
Taxation on profit on ordinary activities	5	(206)	-
Net profit for the year		87,635	172,708
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	12	7,403	-
Gain/(loss) arising on effective portion of interest rate swap	12	1,023	(1,348)
Other comprehensive income		8,426	(1,348)
Total comprehensive income for the year		96,061	171,360
Basic and diluted earnings per share	7	6.74p	13.96p

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.

The accompanying notes are an integral part of this statement.

Consolidated Balance Sheet

As at 31 December 2015

	Notes	2015 £'000	2014 £'000
Non-current assets			
Investment properties	8	1,311,695	1,215,861
Interest rate swap	12	3,038	-
		1,314,733	1,215,861
Current assets			
Investment properties held for sale	8	-	49,370
Trade and other receivables	10	11,379	10,626
Cash and cash equivalents		75,786	63,379
		87,165	123,375
Total assets		1,401,898	1,339,236
Current liabilities			
Trade and other payables	11	(23,828)	(22,386)
Interest rate swap	12	(2,879)	(3,573)
Bank Loan	12	-	(80,700)
		(26,707)	(106,659)
Long Term Liabilities			
Bank Loan	12	(248,004)	(148,937)
Interest rate swap	12	-	(4,694)
		(248,004)	(153,631)
Total liabilities		(274,711)	(260,290)
Net assets		1,127,187	1,078,946
Represented by:			
Share capital	13	539,872	539,872
Treasury shares	13	-	-
Special distributable reserve		587,284	597,406
Capital reserve		(128)	(50,065)
Revenue reserve		-	-
Interest rate swap reserve		159	(8,267)
Equity shareholders' funds		1,127,187	1,078,946
Net asset value per share	14	86.7p	83.0p

The accounts on pages 43 to 62 were approved and authorised for issue by the Board of Directors on 20 April 2016 and signed on its behalf by:

Christopher M.W. Hill
Director

Ken McCullagh
Director

The accompanying notes are an integral part of this statement.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

	Share Capital £'000	Treasury Shares £'000	Special Distributable Reserve £'000	Capital Reserve £'000	Revenue Reserve £'000	Interest Rate Swap Reserve £'000	Total £'000
At 1 January 2015	539,872	-	597,406	(50,065)	-	(8,267)	1,078,946
Net profit for the year	-	-	-	-	87,635	-	87,635
Other comprehensive income	-	-	-	-	-	8,426	8,426
Dividends paid	-	-	-	-	(47,820)	-	(47,820)
Transfer in respect of gains on investment properties	-	-	-	49,937	(49,937)	-	-
Transfer from special distributable reserve	-	-	(10,122)	-	10,122	-	-
At 31 December 2015	539,872	-	587,284	(128)	-	159	1,127,187

For the year ended 31 December 2014

	Share Capital £'000	Treasury Shares £'000	Special Distributable Reserve £'000	Capital Reserve £'000	Revenue Reserve £'000	Interest Rate Swap Reserve £'000	Total £'000
At 1 January 2014	482,703	(25,264)	600,069	(174,836)	-	(6,919)	875,753
Issue of Ordinary Shares	49,776	-	-	-	-	-	49,776
Issue of Treasury Shares	7,393	25,264	-	-	-	-	32,657
Issue costs	-	-	-	-	(824)	-	(824)
Net profit for the year	-	-	-	-	172,708	-	172,708
Other comprehensive income	-	-	-	-	-	(1,348)	(1,348)
Dividends paid	-	-	-	-	(49,776)	-	(49,776)
Transfer in respect of gains on investment properties	-	-	-	124,771	(124,771)	-	-
Transfer from special distributable reserve	-	-	(2,663)	-	2,663	-	-
At 31 December 2014	539,872	-	597,406	(50,065)	-	(8,267)	1,078,946

The accompanying notes are an integral part of this statement.

Consolidated Cash Flow Statement

For the year ended 31 December 2015

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Cash flows from operating activities		
Net profit for the year before taxation	87,841	172,708
Adjustments for:		
Gains on investment properties	(49,937)	(124,771)
Movement in lease incentive	(776)	(1,106)
Movement in provision for bad debts	(132)	(790)
Decrease in operating trade and other receivables	155	172
Increase in operating trade and other payables	790	1,885
Finance costs	8,280	9,345
Loss on derecognition of interest rate swaps	7,403	–
Net cash inflow from operating activities	53,624	57,443
Cash flows from investing		
Purchase of investment properties	(149,379)	(97,033)
Sale of investment properties	163,999	3,610
Capital expenditure	(11,147)	(4,309)
Net cash inflow/(outflow) from investing activities	3,473	(97,732)
Cash flows from financing activities		
Issue of Ordinary Shares	-	49,776
Reissue of Treasury Shares	-	32,657
Issue costs	-	(824)
Net Proceeds from utilisation of bank loan	18,177	-
Dividends paid	(47,820)	(49,776)
Bank loan interest paid	(5,285)	(4,303)
Payments under interest rate swap arrangement	(2,359)	(4,596)
Swap breakage costs	(7,403)	
Net cash (outflow)/inflow from financing activities	(44,690)	22,934
Net increase/(decrease) in cash and cash equivalents	12,407	(17,355)
Opening balance	63,379	80,734
Closing cash and cash equivalents	75,786	63,379
Represented by:		
Cash at bank	20,379	20,042
Short term deposits	-	2,149
Money market funds	55,407	41,188
	75,786	63,379

Notes to the Accounts

1. Accounting Policies

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

(a) Basis of Accounting

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

New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year. There have been other new and amended standards issued or have come into effect in the European Union from 1 January 2015 but either these were not applicable or did not have a material impact on the annual consolidated financial statements of the Group and hence not discussed and are detailed below:

– Annual Improvements to IFRSs 2010-2012 Cycle

– Annual Improvements to IFRSs 2011-2013 Cycle

(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.

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 8 to these accounts.

The determination of the fair value of investment properties requires the use of estimates such as future cash flows from the assets. The estimate of future cash flows includes consideration of the repair and condition of the property, lease terms, future lease events, as well as other relevant factors for the particular asset.

These estimates are based on local market conditions existing at the balance sheet date.

Fair value of interest rate swaps: The fair value of the interest rate swaps are determined using mathematical models. The inputs to these models are taken from observable market data where possible, but where this is not possible a degree of judgement is required in estimating fair value. Changes in assumptions used in the model could affect the reported fair value.

(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 entity operates ("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 Statement of Comprehensive Income on a straight line basis over the lease term. Surrender lease premiums paid and rent free periods granted, are recognised as assets and are amortised over the period from the date of the lease commencement to the lease termination date.

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

(g) Taxation

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date. Current income tax relating to items recognised directly in equity is recognised in equity and not in profit or loss. Positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation are periodically evaluated and provisions established where appropriate.

Deferred income tax is provided using the liability method on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which deductible temporary differences, carried forward tax credits or tax losses can be utilised. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities. In determining the expected manner of realisation of an asset the directors consider that the Group will recover the value of investment property through sale. Deferred income tax relating to items recognised directly in equity is recognised in equity and not in profit or loss.

(h) Investment Properties

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

After initial recognition, investment properties are measured at fair value, with the movement in fair value recognised in the Statement of Comprehensive Income and transferred to the Capital Reserve. Fair value is based on the open market valuation provided by CBRE Limited, chartered surveyors, at the Balance Sheet date. The assessed market 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 on the unconditional exchange of signed contracts between a willing buyer and a willing seller.

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

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

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

(i) Operating Lease Contracts – the Group as Lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements that it retains all the significant risks and rewards of ownership of these properties and so accounts for leases as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

(j) Share Issue Expenses

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

(l) Cash and Cash Equivalents

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

(m) Trade and Other Receivables

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

(n) Trade and Other Payables

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

(o) Reserves

Special Distributable Reserve

The special reserve is a distributable reserve to be used for all purposes permitted under Guernsey law, including the buyback of shares and the payment of dividends.

Capital Reserve

The following are accounted for in this reserve:

- gains and losses on the disposal of investment properties
- increases and decreases in the fair value of investment properties held at the year end

Revenue Reserve

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

Interest Rate Swap Reserve

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

Treasury Share Reserve

This represents the cost of shares bought back by the Company and held in Treasury.

(p) Interest-bearing borrowings

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

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

(q) Derivative financial instruments

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

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

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

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

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

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

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

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

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

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

(r) New standards, amendments and interpretation not yet effective

There are a number of new standards, amendments and interpretations that have been issued but are not yet effective for this accounting year and have not been adopted early. The impact of these standards has not yet been assessed by the Group but will be in due course. Those standards which may affect the Group are listed below.

As at the date of authorisation of these financial statements IFRS 9 IFRS 15 and IFRS 16 have not yet been endorsed or adopted by the EU.

IFRS 9 Financial Instruments

IFRS 9, as issued in 2010, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013. In November 2013, Chapter 6 of IFRS 9 on hedge accounting was published. At the same time, Chapter 7 containing the effective date and transition provisions was amended to remove the mandatory effective date of IFRS 9. This was intended to provide sufficient time for preparers to make the transition to the new requirements. Entities may still choose to apply IFRS 9 immediately, but are not required to do so with the effective date of 1 January 2018.

IFRS 15 – Revenue from Contracts

IFRS 15 Revenue from Contracts with Customers (effective 1 January 2017) specifies how and when an entity should recognise revenue and enhances the nature of revenue disclosures.

IFRS 16 – Leases

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

Annual Improvements to IFRS

In addition to the above, Annual Improvements to IFRS 2012-2014 Cycle (effective 1 January 2016) have not been adopted early.

Notes to the Accounts (continued)

2. Fees

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Investment management fee	8,832	8,168

The Group's Investment Manager for the majority of the year was Ignis Fund Managers Limited, who received an aggregate annual fee from the Group at an annual rate of 0.65 per cent. of the Total Assets. On 29 December 2015 a new Investment Management Agreement was entered into with Standard Life (Corporate Funds) Limited on the same fee basis. The Investment Manager is also entitled to an administration fee which was reduced from £172,000 per annum to £100,000 per annum from 30 June 2015. The total paid in relation to this fee in the year was £136,000 (2014: £172,000). Both fees are payable quarterly in arrears. The Investment Management agreement is terminable by either of the parties to it on 12 months' notice.

3. Expenses

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Direct Property Expenses		
Direct operating expenses arising from investment property that generated rental income during the period;	3,915	3,653
Other Expenses		
Professional fees (incl valuation fees)	2,886	1,984
Movement in bad debt provision	(132)	(790)
Directors' fees	196*	196
Administration fee	136	172
Administration and company secretarial fees	85	85
Regulatory fees	318	140
Auditor's remuneration for:		
Statutory audit	71	55
Non audit services	60	54
Other expenses	49	51
	3,669	1,947

* This figure excludes £25,000 (2014: Nil) payable to directors for additional work undertaken in relation to the debt refinancing. This cost has been allocated to loan set up fees and will be amortised over the lifetime of the loans.

4. Finance costs

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Interest on principal loan amount	5,677	4,281
Amounts payable in respect of interest rate swap arrangement	1,972	4,600
Facility fees	282	-
Amortisation of loan set up fees	510	446
	8,441	9,327

5. Taxation

UK Commercial Property Trust Limited owns five Guernsey tax exempt subsidiaries, UK Finance Holdings Limited (UKFH), UK Commercial Property GP Limited (GP), UK Commercial Property Holdings Limited (UKCPH), UK Commercial Property Estates Limited (UKCPEL) and UK Commercial Property Estates Holdings Limited (UKCPEH). GP and UKCPH are partners in a Guernsey Limited Partnership ("the Partnership") and own five Jersey Property Unit Trusts. UKCPEL owns three Jersey Property Unit Trusts. The Partnership, UKCPH and UKCPEL own a portfolio of UK properties and derived rental income from those properties. As the Partnership, GP, UKCPH, UKFH, UKCPEL and UKCPEH are considered tax transparent in the UK, their taxable results are liable to UK income tax at the rate of 20 per cent. on their respective net rental income.

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

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Net profit before tax	87,841	172,708
UK income tax at a rate of 20 per cent.	17,568	34,542
Effect of:		
Capital gains on investment properties not taxable	(9,436)	(25,143)
Lease incentive adjustment not allowable for tax purposes	155	221
Capital gains realised not taxable	(706)	(32)
Income not taxable	(121)	(91)
Intercompany loan interest	(13,373)	(12,862)
Expenditure not allowed for tax purposes	3,169	1,865
Deferred tax asset not provided for	2,950	1,500
Total tax charge	206	-

During the year the Group purchased a UK Limited Company, Brixton Radlett Property Limited ("BRPL"). As the losses of the Group cannot be used to offset the profits of BRPL, the profits of this Company are subject to corporation tax in the UK. In addition, as the inter-company debt in BRPL is payable to a Guernsey entity, withholding tax is suffered on the payment of this interest. It is estimated that for the Group's period of ownership until the year end the total amount payable in corporation tax and withholding tax is £206,000.

The Group has unused tax losses carried forward of £33,204,000 (2013/2014: £30,047,000) based on the 2014/2015 tax returns.

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

6. Dividends

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Dividends on Ordinary Shares:		
2014 Fourth interim of 0.92p per share paid 26 February 2015 (2013 Fourth interim: 1.3125p)	11,955	15,715
2015 First interim of 0.92p per share paid 29 May 2015 (2014 First interim: 0.92p)	11,955	11,016
2015 Second interim of 0.92p per share paid 28 August 2015 (2014 Second interim: 0.92p)	11,955	11,390
2015 Third interim of 0.92p per share paid 30 November 2015 (2014 Third interim: 0.92p)	11,955	11,655
	47,820	49,776

A fourth interim dividend of 0.92p was paid on 26 February 2016 to shareholders on the register on 12 February 2016. Although this payment relates to the year ended 31 December 2015, under International Financial Reporting Standards it will be accounted for in the year ending 31 December 2016.

7. Basic and diluted Earnings per Share

The earnings per share (EPS) are based on the net profit for the year of £87,635,000 (2014: profit £172,708,000) and on 1,299,412,465 (2014: 1,236,787,497) Ordinary Shares, being the weighted average number of shares in issue during the year. As there are no dilutive instruments outstanding, basic and diluted earnings per share are identical.

The EPRA EPS for the year ended 31 December 2015 is 2.33p per share (2014: 3.88p). This is calculated after excluding any gain/loss on investment properties and losses arising on ineffective portions of interest rate swaps from the Net profit/loss position for the year.

8. Investment Properties

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Freehold and Leasehold properties		
Opening valuation	1,265,231	1,042,728
Purchases at cost	149,379	97,033
Capital expenditure	11,147	4,309
Gain on revaluation to market value	47,185	125,717
Disposals at prior year valuation	(160,471)	(3,450)
Adjustment for lease incentives	(776)	(1,106)
Total Fair value at 31 December	1,311,695	1,265,231
Less: reclassified as held for sale	-	(49,370)
Fair value as at 31 December	1,311,695	1,215,861
Gains on investment properties at fair value comprise		
Valuation gains	47,185	125,717
Movement in provision for lease incentives	(776)	(1,106)
Gain on disposal	3,528	160
	49,937	124,771
Losses on investment properties sold		
Original cost of investment properties sold	(152,457)	(10,100)
Sale proceeds	163,999	3,610
Profit/(loss) on investment properties sold	11,542	(6,490)
Recognised in previous periods	8,013	(6,650)
Recognised in current period	3,529	160
	11,542	(6,490)

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, Chartered Surveyors (the "Property Valuer") completed a valuation of Group investment properties at 31 December 2015 on an open market basis in accordance with the requirements of the Valuation Standards issued by the Royal Institution of Chartered Surveyors, which is deemed to equate to market value (one asset was valued by Knight Frank LLP). The Property Valuer, in valuing the portfolio, is acting independently and external to it. Market value is determined by reference to market based evidence, which is the amount for which each asset could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arms length transaction as at the valuation date. The market value of these investment properties amounted to £1,319,555,000 (2014 – £1,272,315,000). The difference between the market value and the fair value at 31 December 2015 consists of accrued income relating to the pre-payment for rent-free periods recognised over the life of the lease totalling £7,860,435 (2014 – £7,084,000) which is separately recorded in the accounts as a current asset.

The Group has entered into leases on its property portfolio as lessor (See note 18 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. Property and property related assets are inherently difficult to value due to the individual nature of such property. As a result, valuations are subject to substantial uncertainty. There is no assurance that the estimates resulting from the valuation process will reflect the actual sales price even where the actual sales occur shortly after the valuation date.

In addition to the above, the property portfolio market value as at 31 December 2015 is based on the following:

- The Estimated Net Annual Rent for each property, which is based on the current rental value of each of the properties, which reflects the terms of the leases where the property, or part of the property, are let 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 valuer considers would be obtainable on an open market letting as at the date of valuation.
- The valuer has assumed that all rent reviews are to be assessed by reference to estimated rental value. 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 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 however, normal acquisition costs are included in the valuation.
- The valuer assumes an initial yield in the region of 3 to 7 per cent. for the majority of the properties, with the reversionary yield being in the region of 4 to 7 per cent.
- The property valuer takes account of deleterious materials included in the construction of the investment properties in arriving at its estimate of open market valuation 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. The fair value of completed investment property is determined using a yield methodology. Under this method, a property's fair value is estimated using explicit assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. As an accepted method within the income approach to valuation, this method involves the projection of a series of cash flows on a real property interest. To this projected cash flow series, an appropriate, market-derived discount rate (capitalisation rate) is applied to establish the present value of the cash inflows associated with the real property. The duration of the cash flow and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related lease up periods, re-letting, redevelopment, or refurbishment. The appropriate duration is typically driven by market behaviour that is a characteristic of the class of property. In the case of investment properties, periodic cash flow is typically estimated as gross income less vacancy, non- recoverable expenses, collection losses, lease incentives, maintenance cost, agent and commission costs and other operating and management expenses. The series of periodic net cash inflows, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted. Set out below are the valuation techniques used for each property sector plus a description and quantification of the key unobservable inputs relating to each sector. There has been no change in valuation technique in the year.

Sector	Fair Value at 31/12/15 (£m)	Valuation techniques	Unobservable inputs	Range (weighted average)
Retail	464.2	Yield methodology	Annual rent per sq ft	£3-£324 (£67)
			Capitalisation rate	3.6%-11.7% (5.4%)
Office	326.6	Yield methodology	Annual rent per sq ft	£13-£78 (£38)
			Capitalisation rate	3.9%-7.5% (5.0%)
Industrial	394.1	Yield methodology	Annual rent per sq ft	£5-£19 (£8)
			Capitalisation rate	4.8%-7.3% (5.6%)
Leisure	126.8	Yield methodology	Annual rent per sq ft	£12-£35 (£24)
			Capitalisation rate	5.1%-5.9% (5.3%)

Notes to the Accounts (continued)

Sensitivity analysis

The table below presents the sensitivity of the valuation to changes in the most significant assumptions underlying the valuation of investment property.

Sector	Assumption	Movement	Effect on valuation
Retail	Capitalisation rate	+50 basis points -50 basis points	Decrease £42.2m Increase £51.5m
Office	Capitalisation rate	+50 basis points -50 basis points	Decrease £34.6m Increase £43.0m
Industrial	Capitalisation rate	+50 basis points -50 basis points	Decrease £33.7m Increase £40.4m
Leisure	Capitalisation rate	+50 basis points -50 basis points	Decrease £11.6m Increase £14.1m

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 Managers such as current rents, terms and conditions of lease agreements, service charges and capital expenditure. This information is derived from the Investment Managers financial and property management systems and is subject to the Investment Managers 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 Managers. This includes a review of fair value movements over the period.

9. Investment in Subsidiary Undertakings

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

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

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

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

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

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

In addition the Group controls 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.

10. Trade and other receivables

	2015 £'000	2014 £'000
Rents receivable (net of provision for bad debts – see below)	1,163	960
Lease Incentive	7,860	7,084
Other debtors and prepayments	2,356	2,274
VAT receivable	-	308
	11,379	10,626
Provision for Bad Debts as at 31 December 2014/2013	718	1,508
Movement in the year	(132)	(790)
Provision for Bad Debts as at 31 December 2015/2014	586	718

Other debtors include tenant deposits of £2,323,000 (2014 – £1,891,000). All other debtors are due within one year. No other debts past due are impaired.

11. Trade and other payables

	2015 £'000	2014 £'000
Rental income received in advance	12,062	14,016
Investment Manager fee payable	2,266	2,153
VAT payable	1,230	-
Other payables	8,270	6,217
	23,828	22,386

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

12. Bank Loan and Interest rate swaps

	2015 £'000	2014 £'000
Total Facilities available	300,000	230,000
Drawn down:		
Lloyds facility	-	80,000
Barclays facility	150,000	150,000
Cornerstone facility	100,000	-
Set up costs incurred	(4,627)	(2,541)
Accumulated amortisation of set up costs	1,964	1,454
Accrued variable interest rate on bank loan	667	724
Total due	248,004	229,637

(i) Lloyds Facility

The Company had a seven year £80 million facility with Lloyds Banking Group plc which was repaid in April 2015. The bank loan was secured on a proportion of the property portfolio of the Group. Under bank covenants related to the loan the Company was to ensure that at all times:

- The loan to value percentage does not exceed 50 per cent. (this is defined as the ratio of the loan compared to the aggregate of the open market property valuations plus any cash deposits);
- The qualifying adjusted net rental income for any calculation period (any 3 month period) is not less than 175 per cent. of the projected finance costs for that period;
- No single tenant accounts for more than 30 per cent. of the total net rental income;
- The five largest tenants do not account for more than 50 per cent. of total net rental income;
- No single property accounts for more than 25 per cent. of the gross secured asset value (this is defined as the sum of the value of the properties as stated in the latest valuations plus any cash deposits).

The Company met all the covenant tests during the period the Company held the loan.

Interest rate exposure was hedged by the purchase of two interest rate swap contracts. The hedge was achieved by matching the notional amount of the swaps with the loan principal and matching the swap term to the loan term. The hedge was repaid in April 2015 when the loan was repaid. The sum paid in relation to the swap was £361,000.

(ii) Barclays Facility

The Group also had a seven year £150 million facility which was due to mature in May 2018, with Barclays Bank plc taken out in May 2011. In April 2015, the loan was extended out to April 2020. As at 31 December 2015 this entire loan was drawn down. The bank loan is secured on the property portfolio held by UKCPEL. Under bank covenants related to the loan UKCPEL is to ensure that at all times:

- The loan to value percentage does not exceed 60 per cent.
- Interest cover at the relevant payment date is not less than 160 per cent. UKCPEL met all covenant tests during the year.

Interest rate exposure was hedged by the purchase of three interest rate swap contracts. These swaps were repaid in April 2015 at a cost of £7.04 million and replaced by one interest rate swap. The notional amount of the swap and the swap term matches the loan principal and the loan term.

As at 31 December 2015 the Group had in place one interest rate swap totalling £150 million with Barclays bank plc (2014: £150 million). The interest rate swap effectively hedges the current drawn down loan with Barclays Bank plc.

Interest on the swap is receivable at a variable rate calculated on the same LIBOR basis as for the bank loan (as detailed below but excluding margins) and payable at a fixed rate of 1.30per cent. per annum on the £150 million swap. The fair value of the asset in respect of the interest rate swap contracts at 31 December 2015 is £159,000 (2014: Liability of £7.5 million) which is based on the marked to market value.

Interest is payable by UKCPEL at a rate equal to the aggregate of LIBOR, mandatory costs of the Bank and a margin. The applicable margin depends on the ratio of all loans made available to the Company (under the Bank Facility or otherwise) to the market value of the property portfolio in UKCPEL expressed as a percentage (the "LTV Percentage") as well as any cash generated from the sale of one of these properties. Up until April 2015 the following rates applied: If the LTV percentage is equal to or less than 25 per cent., the margin is 1.60 per cent. per annum. If the LTV Percentage is greater than 25 per cent. and does not exceed 35 per cent., the margin is 1.70 per cent. per annum. If the LTV Percentage is greater than 35 per cent. and does not exceed 40 per cent., the margin is 1.85 per cent. per annum. If the LTV Percentage is greater than 40 per cent. and does not exceed 45 per cent., the margin is 1.95 per cent. per annum. If the LTV Percentage is greater than 45 per cent. and does not exceed 60 per cent., the margin is 2.0 per cent. per annum.

Following the refinancing in April 2015 the margin was fixed at 1.5 per cent. per annum and this was the applicable margin as at 31 December 2015 (2014- 1.70per cent.).

In addition to the above UKPCPEL secured a £50million revolving credit facility ("RCF") from Barclays at a margin of 1.50 per cent. above LIBOR available for five years but cancellable at any time. The RCF has a non-utilisation fee of 0.6 per cent. per annum charged on the proportion of the RCF not utilised on a pro-rata basis. At 31 December 2015 the RCF remained unutilised.

(iii) Cornerstone Facility

In April 2015 the Group took out a twelve year £100 million loan which is due to mature in April 2027 with Cornerstone Real Estate Advisers LLP, a member of the MassMutual Financial Services Group. The loan was taken out by UK Commercial Property Finance Holdings Limited (UKCFH). As at 31 December 2015 this entire loan was drawn down. The bank loan is secured on the portfolio of eight properties held within the wider Group. Under bank covenants related to the loan UKCFH is to ensure that at all times:

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

UKCFH met all covenant tests during the year.

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

Swap Instruments

As at 31 December 2015 the Group had in place an interest rate swap instrument totalling £150 million which was deemed to be an effective hedge as per note 1(q).

The revaluation of this swap at the year end resulted in a gain on interest rate swaps of £1.0 million (2014: loss £1.3 million). Of the total gain arising on interest rate swaps, £1.0 million related to effective hedge instruments (2014: loss £1.3 million) which is credited through Other Comprehensive Income in the Statement of Comprehensive Income.

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

The fair value of the interest rate swaps as at 31 December 2015 amounted to an asset of £159,000 (2014: Liability of £8.3 million). Based on current yield curves and non-performance risk, £2.9 million of this value is a liability which relates to the next 12 months and is therefore classified as a current liability. The remainder is classified as a long term asset.

13. Share capital accounts

	2015 £'000	2014 £'000
Share capital		
Opening balance	539,872	482,703
18,999,527 Treasury Shares of 25 pence each reissued on 7 May 2014	-	3,333
21,755,495 Treasury Shares of 25 pence each reissued on 20 May 2014	-	3,925
690,120 Treasury Shares of 25 pence each reissued 29 August 2014	-	135
17,694,149 Ordinary Shares of 25 pence each issued 29 August 2014	-	14,244
10,320,260 Ordinary Shares of 25 pence each issued 9 September 2014	-	8,308
32,604,056 Ordinary Shares of 25 pence each issued 14 November 2014	-	27,224
Share Capital as at 31 December 2015	539,872	539,872

(number of shares in issue and fully paid at the year end being 1,299,412,465 (2014: 1,299,412,465))

Treasury shares		
Opening balance	-	(25,264)
18,999,527 Treasury Shares of 25 pence each reissued on 7 May 2014	-	11,581
21,755,495 Treasury Shares of 25 pence each reissued on 20 May 2014	-	13,262
690,120 Treasury Shares of 25 pence each reissued 29 August 2014	-	421
Share Capital as at 31 December 2015	-	-

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. There are no restrictions on the shares in issue.

Notes to the Accounts (continued)

14. Net Asset Value per Share

The net asset value per ordinary share is based on net assets of £1,127,187,000 (2014: £1,078,946,000) and 1,299,412,465 (2014: 1,299,412,465) Ordinary Shares, being the number of Ordinary Shares in issue at the year end.

15. 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.

Ignis Fund Managers Limited, as the Manager of the Group for the majority of the period and, as of 29 December 2015, Standard Life (Corporate Funds) Limited, received fees for their services as investment managers. Further details are provided in notes 2 and 3. The total management fee charged to the Statement of Comprehensive Income during the year was £8,832,000 (2014: £8,168,000) of which £2,266,000 (2014: £2,110,000) remained payable at the year end. The Investment Manager also received an administration fee of £136,000 (2014: £172,000), of which £25,000 (2014: £43,000) remained payable at the year end.

The Directors of the Company are deemed as key management personnel and received fees for their services. Further details are provided in the Directors' Remuneration Report (unaudited) on page 35. Total fees for the year were £221,000 (2014: £196,000) none of which remained payable at the year end (2014: nil).

The Group invests in the Standard Life Investments Liquidity Fund which is managed by Standard Life Investments Limited. As at 31 December 2015 the Group had invested £55.4 million in the Standard Life Investments Liquidity Fund (2014: £41.2 million). No additional fees are payable to Standard Life as a result of this investment.

As at 31 December 2015 the Company's immediate parent was Phoenix Life Limited and ultimate parent entity was Phoenix Group Holdings.

16. Financial Instruments and Investment Properties

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

Consistent with that objective, the Group holds UK commercial property investments. The Group's financial instruments consist of cash, receivables and payables that arise directly from its operations and loan facilities and swap instruments.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk, market risk and interest rate risk. The Board reviews and agrees policies for managing its risk exposure. These policies are summarised below and remained unchanged during the year.

Fair values

The fair value of financial assets and liabilities is not materially different from the carrying value in the financial statements.

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:

31 December 2015	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total fair value £'000
Investment properties	-	-	1,311,695	1,311,695

31 December 2014	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total fair value £'000
Investment properties	-	-	1,265,231	1,265,231

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 2015	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total fair value £'000
Bank loans	-	245,009	-	245,009

31 December 2014	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total fair value £'000
Bank loans	-	229,591	-	229,591

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

31 December 2015	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total fair value £'000
Interest rate swap	-	159	-	159

31 December 2014	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total fair value £'000
Interest rate swap	-	(8,267)	-	(8,267)

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

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 note 8.

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

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

Real Estate Risk

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

- The cost of any development schemes may increase if there are delays in the planning process. The Group uses advisers who are experts in the specific planning requirements in the scheme's location in order to reduce the risks that may arise in the planning process;
- A major tenant may become insolvent causing a significant loss of rental income and a reduction in the value of the associated property (see also credit risk below). 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.

Notes to the Accounts (continued)

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 2015	3 months or less £'000	More than 3 months but less than one year £'000	More than one year £'000	Total £'000
Cash	75,786	-	-	75,786
Rent receivable	1,163	-	-	1,163
Other debtors	2,356	-	-	2,356
	79,305	-	-	79,305

Financial Assets 2014	3 months or less £'000	More than 3 months but less than one year £'000	More than one year £'000	Total £'000
Cash	63,379	-	-	63,379
Rent receivable	960	-	-	960
Other debtors	2,232	-	-	2,232
	66,571	-	-	66,571

In the event of default by a tenant, the Group will suffer a rental shortfall and incur additional costs, including legal expenses, in maintaining, insuring and re-letting the property until it is re-let. The Board receives regular reports on concentrations of risk and any tenants in arrears. The Investment Manager monitors such reports in order to anticipate and minimise the impact of defaults by tenants.

The Company has a diversified tenant portfolio. The maximum credit risk from the rent receivables of the Group at 31 December 2015 is £1,163,00 (2014: £960,000). The Group holds rental deposits of £2,323,000 (2014: £1,891,000) as collateral against tenant arrears/defaults. All tenant deposits are in line with market practice. There is no residual credit risk associated with the financial assets of the Group. Other than those included in the provision for bad debts, no financial assets past due are impaired.

All of the cash is placed with financial institutions with a credit rating of A or above. £55.4 million (2014: £41.2 million) of the year end cash balance is held in the Standard Life Investments Liquidity Fund, which is a money market fund and has a triple A rating. Bankruptcy or insolvency of a financial institution may cause the Group's ability to access cash placed on deposit to be delayed or limited. Should the credit quality or the financial position of the banks currently employed significantly deteriorate, the Investment Manager would move the cash holdings to another financial institution subject to restrictions under the loan facility.

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 2015 the cash balance was £75,786,000 (2014: £63,379,000).

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

Financial Liabilities 2015	3 months or less £'000	More than 3 months but less than one year £'000	More than one year £'000	Total £'000
Bank loans	1,803	5,423	292,390	299,616
Other creditors	22,324	-	-	22,324
	24,127	5,423	292,390	321,940

Financial Liabilities 2014	3 months or less £'000	More than 3 months but less than one year £'000	More than one year £'000	Total £'000
Bank loans	2,234	85,296	164,769	252,299
Other creditors	22,386	-	-	22,386
	24,620	85,296	164,769	274,685

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

Interest rate risk

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

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

An increase of 1 per cent. in interest rates as at the reporting date would have increased the reported profit by £758,000 (2014: increased the reported profit by £634,000). A decrease of 1 per cent. would have reduced the reported profit by £758,000 (2014: decreased the reported profit by £634,000). The effect on equity is nil (excluding the impact of a charge in retained earnings as a result of a change in net profit).

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

As at 31 December 2015 the Group had in place a total of £150 million of interest rate swap instruments (2014: £230 million). The values of these instruments are marked to market and will change if interest rates change. It is estimated that an increase of 1 per cent. in interest rates would result in the swap asset increasing by £6.0 million (2014: £5.2 million) which would increase the reported other comprehensive income by the same amount. A decrease of 1 per cent. in interest rates would result in the swap asset decreasing by £6.3 million (2014: £5.2 million) which would decrease the reported other comprehensive income by the same amount.

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

Foreign Currency Risk

There was no foreign currency risk as at 31 December 2015 or 31 December 2014 as assets and liabilities of the Group are maintained in pounds Sterling.

Capital Management Policies

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

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

Notes to the Accounts (continued)

The Group monitors capital primarily through regular financial reporting and also through a gearing policy. Gearing is defined as gross borrowings divided by total assets less current liabilities. The Group's gearing policy is set out in the Investment Policy section of the Report of the Directors. The Group is not subject to externally imposed regulatory capital requirements but does have banking covenants on which it monitors and reports on a quarterly basis. Included in these covenants are requirements to monitor loan to value ratios which is calculated as the amount of outstanding debt divided by the market value of the properties secured. The Group's Loan to value ratio is shown below.

The Group did not breach any of its loan covenants, nor did it default on any other of its obligations under its loan arrangements in the year to 31 December 2015.

	2015 £'000	2014 £'000
Carrying amount of interest-bearing loans and borrowings	248,004	229,637
External valuation of completed investment property (excluding lease incentive adjustment)	1,319,555	1,272,315
Loan to value ratio	18.8%	18.05%

The Group's capital balances are set out on page 45 and are regarded as the Group's equity and net debt.

17. Capital Commitments

The Group had contracted capital commitments as at 31 December 2015 of £13 million (31 December 2014 – nil) for capital works required relating to an agreement for lease with Primark Stores Ltd at Shrewsbury.

18. Lease Length

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):

	2015 £000	2014 £000
Less than one year	68,413	67,477
Between one and five years	224,019	209,661
Over five years	341,092	341,578
Total	633,524	618,716

The largest single tenant at the year end accounted for 6.98 per cent. (2014: 3.74 per cent.) of the current annual rental income.

The unoccupied property expressed as a percentage of annualised total rental value was 2.8 per cent. (2014: 2.6 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 'Portfolio Statistics' on page 20.

19. Service charge

The Group's managing agents Jones Lang LaSalle manage service charge accounts for all the Group's properties. The Group pays the service charge on any vacant units. Service charges on rental properties are recharged to tenants. The total service charge incurred in the year to 31 December 2015 was £5.4 million (2014: £7.1 million). Of this figure, the service charge paid by the Group in respect of void units was £1.4 million (2014: £1.7 million) and is included in direct property expenses.

Notice of Annual General Meeting

Notice is hereby given that the ninth Annual General Meeting of UK Commercial Property Trust Limited will be convened at the offices of Northern Trust International Fund Administration Services (Guernsey) Limited, Trafalgar Court, Les Banques, St Peter Port, Guernsey, Channel Islands, GY1 3QL on 15 June 2016 at 10.00 a.m. for the following purposes.

Ordinary Resolutions

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

1. To approve and adopt the Report of the Directors and auditor and the financial statements for the year ended 31 December 2015.
2. To receive and adopt the Directors' Remuneration Report (other than the Directors' Remuneration Policy) for the year to 31 December 2015.
3. To receive and adopt the Directors' Remuneration Policy.
4. To appoint Deloitte LLP as Auditor to the Company until the conclusion of the next Annual General Meeting.
5. To authorise the Directors to determine the Auditor's remuneration.
6. To elect Mr Ayre as a Director of the Company.
7. To re-elect Mr McCullagh as a Director of the Company.
8. To re-elect Mrs Platts as a Director of the Company.
9. To re-elect Mr Robertson as a Director of the Company.
10. To re-elect Mr Wilson as a Director of the Company.

Special Resolutions

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

11. That the Directors of the Company be and they are hereby generally empowered, to allot ordinary shares in the Company or grant rights to subscribe for, or to convert securities into, ordinary shares in the Company ("equity securities"), for cash including by way of a sale of ordinary shares held by the Company as treasury shares, as if any pre-emption rights in relation to the issue of shares as set out in the listing rules made by the Financial Conduct Authority under Part VI of the Financial Services and Markets Act 2000 (as amended) did not apply to any such allotment of equity securities, provided that this power:

(a) expires at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or on the expiry of 15 months from the passing of this resolution, whichever is the earlier, save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement as if the power conferred hereby had not expired; and

(b) shall be limited to the allotment of equity securities up to an aggregate nominal value of £32,485,312 being approximately 10 per cent. of the nominal value of the issued share capital of the Company (including treasury shares), as at 20 April 2016.

12. That the Company, be authorised in accordance with section 315 of The Companies (Guernsey) Law, 2008, as amended, (the 'Law') to make market acquisitions within the meaning of section 316(I) of the law of its own ordinary shares of 25p each ("shares") (either for retention as treasury shares for future resale of transfer or cancellation), provided that:

(i) 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;

(ii) the minimum price (exclusive of expenses) which may be paid for a Share is 25p, being the nominal value per share;

(iii) 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;

(iv) the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2017 or, if earlier, on the expiry of 15 months from the passing of this resolution, unless such authority is renewed prior to such time; and

(v) 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.

Notice of Annual General Meeting (continued)

Notes:

1. A member who is entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend, speak and vote instead of him or her. A proxy need not be a member of the Company.

2. More than one proxy may be appointed provided each proxy is appointed to exercise the rights attached to different shares held by him or her.

3. A form of proxy is enclosed for use at the Meeting. The form of proxy should be completed and sent, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, so as to reach Computershare Investor Services (Jersey) Limited, The Pavilions, Bridgwater Road, Bristol BS99 6ZY, not later than 10.00 a.m. on 13 June 2016.

4. Completing and returning a form of proxy will not prevent a member from attending in person at the Meeting. If you have appointed a proxy and attend the meeting in person your proxy appointment will remain valid and you may not vote at the meeting unless you have provided a hard copy notice to revoke the proxy to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY no less than 48 hours (excluding any part of a day that is not a working day) prior to the commencement of the meeting as set out above.

5. To have the right to attend and vote at the Meeting (and also for the purposes of calculating how many votes a member may cast on a poll) a member must first have his or her name entered on the register of members at the close of business on the day which is two days before the date of the meeting. Changes to entries in the register after that time shall be disregarded in determining the rights of any member to attend and vote at such Meeting.

6. The Directors' letters of appointment will be available for inspection for fifteen minutes prior to the Annual General Meeting and during the meeting itself.

7. As at 20 April 2016, the latest practicable date prior to publication of this document, the Company had 1,299,412,465 ordinary shares in issue with a total of 1,299,412,465 voting rights.

8. Any person holding 3 per cent. of the total voting rights in the Company who appoints a person other than the Chairman as his proxy will need to ensure that both he and such third party complies with their respective disclosure obligations under the Disclosure and Transparency Rules.

By order of the Board
Northern Trust International Fund Administration Services (Guernsey) Limited
Secretary
Trafalgar Court
Les Banques
St Peter Port
Guernsey GY1 3QL
Date: 20 April 2016

Shareholder Information

Dividends

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

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

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

Share Price

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

Change of Address

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

Shareholder Enquiries

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

Financial Calendar 2016/17

21 April 2016	Announcement of annual results
31 May 2016	Payment of 2016 first interim dividend
15 June 2016	Annual General Meeting
August 2016	Payment of 2016 second interim dividend
August 2016	Posting of Interim Report
November 2016	Payment of 2016 third interim dividend
February 2017	Payment of 2016 fourth interim dividend

Shareholder Information (continued)

Alternative Investment Fund Managers ('AIFM') Directive

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

Leverage

The Company's maximum and average actual leverage levels at 31 December 2015 are shown below:

Leverage Exposure	Gross Method	Commitment Method
Maximum Limit	250%	250%
Actual	137%	124%

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

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

Remuneration

The Company's AIFM, Standard Life Investments (Corporate Funds) Limited (SLI(CF)), is subject to the Remuneration requirements of the AIFM Directive on a proportionate basis in respect of its activities as AIFM for a range of Alternative Investment Funds (AIFs). Total assets under management of SLI (CF) were £12.04 billion at 31 December 2015, of which £4.58 billion of assets were AIFs subject to the AIFM Directive. The NAV of the Company was £1.13 billion as at 31 December 2015.

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

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

As noted above, the AIFM does not employ any staff, however, the board of the AIFM has three individuals who are AIFM Remuneration Code Staff "AIFM Code Staff", i.e. individuals whose activities have a material impact on the risk profile of the AIFM, or the AIFs that it manages. The aggregate remuneration for these three individuals, apportioned for the AIFM duties they have performed for the year 2015 is £429,512.

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

http://www.standardlife.com/about/governance-remuneration-code.html

Corporate Information

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

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

Registered Number
45387

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

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

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

Independent Auditors
Ernst & Young LLP
Royal Chambers
St Julian's Avenue
St Peter Port
Guernsey GY1 4AF

Guernsey Legal Advisors
Mourant Ozannes
1 Le Marchant Street
St Peter Port
Guernsey GY1 4HP

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

Maples Teesdale LLP
30 King Street
London EC2V 8EE

Registrar
Computershare Investor Services (Guernsey) Limited
NatWest House
Le Truchot
St Peter Port
Guernsey GY1 1WD

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

Cornerstone Real Estate Advisors Europe LLP
Southwest House
11a Regent Street
London
SW1Y 4LR

Corporate P.R. Advisor
FTI Consulting Limited
200 Aldersgate
Aldersgate Street
London
EC1A 4HD

Corporate Broker
JP Morgan Cazenove
25 Bank Street
Canary Wharf
London E14 5JP

Depositary
Citibank International PLC
Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB

Website
www.ukcpt.co.uk

Contact:

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

Call: **0131 245 5131**
Web: **www.ukcpt.co.uk**

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