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2022 FINANCIAL REVIEW

Portfolio positioning

Portfolio benefits from strong underlying fundamentals to generate earnings growth

\[
\begin{align*}
19\% & \quad \text{INCREASE IN EARNINGS per share in 2022} \\
10\% & \quad \text{INCREASE IN ANNUAL PASSING RENT since December 2021} \\
11\% & \quad \text{INCREASE IN ORDINARY DIVIDENDS PAID since December 2021} \\
97\% & \quad \text{ANNUAL DIVIDEND COVER} \\
5.6\% & \quad \text{DIVIDEND YIELD} \\
1.92\text{p} & \quad \text{SPECIAL DIVIDEND PAID in August 2022} \\
99\% & \quad \text{RENT COLLECTION} \\
98\% & \quad \text{OCCUPANCY RATE} \\
6.4\% & \quad \text{GEARING}^* \\
77\% & \quad \text{ENERGY PERFORMANCE CERTIFICATES (EPC) BY ESTIMATED RENTAL VALUE (ERV)} \\
13\% & \quad \text{GROUP GEARING £431M OF UNENCUMBERED PROPERTY} \\
14\% & \quad \text{RETAIL} \\
14\% & \quad \text{ALTERNATIVES} \\
19\% & \quad \text{INDUSTRIAL} \\
13\% & \quad \text{OFFICE} \\
14\% & \quad \text{ALTERNATIVES} \\
\end{align*}
\]

\[2022, 2021, 2020\]

\[
\begin{align*}
\text{EPRA EPF}^* & \quad 2022: 3.15\text{p}, \quad 2021: 2.90\text{p}, \quad 2020: 2.71\text{p} \\
\text{ORDINARY DIVIDEND} & \quad 2022: 2.92\text{p}, \quad 2021: 2.71\text{p}, \quad 2020: 2.30\text{p} \\
\text{RENT} & \quad 2022: 98.0\%, \quad 2021: 97.9\%, \quad 2020: 93.6\% \\
\text{OCCUPANCY} & \quad 2022: 79.7\text{p}, \quad 2021: 102.0\text{p}, \quad 2020: 86.7\text{p} \\
\text{GROUP GEARING} & \quad 2022: 79.7\text{p}, \quad 2021: 102.0\text{p} \\
\end{align*}
\]

\[\text{UK Commercial Property REIT’s high-quality, diversified portfolio, which is weighted towards sectors that benefit from strong underlying structural and societal drivers, coupled with our proactive approach to asset management.} \]

KEN MCCULLAGH, CHAIR OF UKCM
The Company has a Board of five experienced Non-Executive Directors who have significant expertise in property, accounting, risk and tax (see pages 50 to 51 for further details). UKCM is managed by abrdn, a top 10 European (inc. UK) real estate manager with over £42bn of assets under management across direct and indirect strategies. To learn more, visit our website at: ukcpreit.com

UK Commercial Property REIT Limited ("UKCM") is a listed Real Estate Investment Trust (REIT) with a net asset value of £1.0bn as at 31 December 2022. UKCM is one of the largest diversified REITs in the UK and is a component of the FTSE 350 index made up of the largest 350 companies with a primary listing on the London Stock Exchange.

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

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

### PERFORMANCE SUMMARY

<table>
<thead>
<tr>
<th>CAPITAL VALUES AND GEARING</th>
<th>31 December 2022</th>
<th>31 December 2021</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total assets less current liabilities (excl bank loan) £’000</td>
<td>1,327,410</td>
<td>1,573,554</td>
<td>-15.6%</td>
</tr>
<tr>
<td>IFRS Net asset value £’000</td>
<td>1,010,579</td>
<td>1,325,228</td>
<td>-23.8%</td>
</tr>
<tr>
<td>Net asset value per share (p)</td>
<td>97.9</td>
<td>120.2</td>
<td>-21.9%</td>
</tr>
<tr>
<td>Ordinary Share Price (p)</td>
<td>18.4</td>
<td>74.7</td>
<td>82.5%</td>
</tr>
<tr>
<td>Discount to net asset value (%)</td>
<td>(26.7)</td>
<td>(28.6)</td>
<td>n/a</td>
</tr>
<tr>
<td>Gearing (%) *</td>
<td>20.0</td>
<td>13.5</td>
<td>n/a</td>
</tr>
</tbody>
</table>

### COMPANY SUMMARY

An overview

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

### ABOUT US

Launched in FTSE

- **2006**
- **350**

### OBJECTIVE

Diversified Portfolio

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- Investing in a portfolio with a strong earnings and income focus.
- Delivering value through a proactive approach to acquisitions, sales and asset management.
- Selectively developing or funding developments, mostly pre-let.
- Considering Environmental, Social and Governance factors as integral parts of the investment process.

### PERFORMANCE SUMMARY

<table>
<thead>
<tr>
<th>EARNINGS AND DIVIDENDS</th>
<th>31 December 2022</th>
<th>31 December 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net (loss)/profit for the year £’000</td>
<td>(222,329)</td>
<td>249,233</td>
</tr>
<tr>
<td>EPRA Earnings per share (p)</td>
<td>3.15</td>
<td>2.65</td>
</tr>
<tr>
<td>IFRS Earnings per share (p)</td>
<td>(17.11)</td>
<td>18.38</td>
</tr>
<tr>
<td>Dividends paid per ordinary share (p)</td>
<td>2.25</td>
<td>2.923</td>
</tr>
<tr>
<td>Dividend Yield [%] #</td>
<td>5.6</td>
<td>3.9</td>
</tr>
<tr>
<td>MSCI Benchmark Yield [%]</td>
<td>4.8</td>
<td>4.1</td>
</tr>
<tr>
<td>FTSE Real Estate Investment Trusts Index Yield [%]</td>
<td>4.6</td>
<td>2.6</td>
</tr>
<tr>
<td>FTSE All-Shares Index Yield [%]</td>
<td>5.6</td>
<td>3.1</td>
</tr>
</tbody>
</table>

### ONGOING CHARGES AND VACANCY RATE

<table>
<thead>
<tr>
<th>31 December 2022</th>
<th>31 December 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>As a % of average net assets including direct property costs</td>
<td>1.2</td>
</tr>
<tr>
<td>As a % of average net assets excluding direct property costs</td>
<td>0.7</td>
</tr>
<tr>
<td>Vacancy rate [%]</td>
<td>2.0</td>
</tr>
</tbody>
</table>

* Calculated, under AIC guidance, as gross borrowings less cash divided by portfolio value. See alternative performance measures on page 120 for further details.

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

### BOARD & MANAGEMENT

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To learn more, visit our website at: ukcpreit.com
Dear Shareholder,

The high level of optimism last year as we emerged from COVID-19 restrictions dissipated following Russia’s invasion of Ukraine. As the year progressed, inflationary pressures led to a rapid rise in interest rates which ultimately resulted in a resetting of property values, particularly in the final quarter of the year. More positively, the year was also characterised by continued strong occupier momentum, which translated into rental growth. The high level of optimism last year as we emerged from COVID-19 restrictions dissipated following Russia’s invasion of Ukraine. As the year progressed, inflationary pressures led to a rapid rise in interest rates which ultimately resulted in a resetting of property values, particularly in the final quarter of the year. More positively, the year was also characterised by continued strong occupier momentum, which translated into rental growth.

Our continued focus on asset management has driven strong rental growth during the year, with leasing momentum continuing into the current year. It is testament to the Investment Manager and the underlying quality of UKCM properties that we have been able to consistently capture rental services while maintaining a very low void rate. The Company also expects to deliver further income growth in the next 12 months as we complete development projects in the student accommodation, industrial and hospitality sectors.

The prospect for good earnings potential over the next two years, combined with projections of more accommodative monetary policy to come, will be positive for investment in real estate. These sectors that benefit from longer-term growth drivers, such as the industrial and living sectors, will see greater demand return and at more attractive pricing levels.

The Board is very much aware of the discount at which the Company’s shares, and other diversified REIT’s shares, trade versus their net asset value and is actively considering with the Investment Manager options to redress this. This will be led by a focus on increased earnings, controlled gearing, and continuing to drive the strong operational performance of the Company.

The Company completed its student housing development at Gilmore Place, Edinburgh. We were pleased to secure a 20-year lease with the University of Edinburgh at an annual rent of £24.4 million, which is subject to annual CPIH increases. At the time of purchase we expected to operate and lease the asset directly, but on balance the Board believed the opportunity to do so the investment by fixing a long term guaranteed and growing income stream from a first-class tenant covenant, was in the best interests of shareholders.

The larger first phase of the Company’s student development at Exeter was completed and its 83 beds are now fully occupied. Phase 2 was achieved in July 2023, giving the Company a further 83 beds with the Company benefiting from a minimum guaranteed total annual income of £2.65 million for the 2023/24 academic year. Home for Students has been appointed to manage the asset and interest from students in Phase 2 has been strong.

Portfolio occupancy was 98% at year end and this low level of vacancy demonstrates the appeal of the assets to both current and prospective tenants and provides good visibility on income streams. The Board and the Investment Manager are focussed on driving earnings growth from the portfolio and capturing the reinvestment potential of the assets to deliver value for shareholders.

Dear Shareholder,

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

From the Chair

CHAIR’S STATEMENT

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

The portfolio weighting:

- Industrial: 59.1%
- Offices: 13.1%
- Retail: 13.8%
- Alternatives: 14.0%

Ken McCullagh
Chair

The 2022 NAV total return decline of -18.8% was driven by a sharp market-wide correction to real estate values, principally in Q4 2022 and primarily to the industrial sector to which UKCM is tilted. Due to the strong potential for rental growth, which your Company is now benefitting from, such stock was highly priced at low yields.

With a sudden correction to bank interest rates those low yields suddenly became unsustainable given the predominantly debt-driven market, and despite the ongoing strength of the occupational market, and so the market, led by industrial, corrected and industrial assets experienced their most sudden fall since MSCI records started in 1991.

Portfolios and Counter Performance

The Company’s strategic overweight position to the industrial sector (59.2% vs MSCI 15.9%) was the primary driver of portfolio under performance for the year against its MSCI benchmark, with a total return of -18.3% versus -6.6% for the benchmark.

Overall, over all longer term periods and since its inception, the portfolio continues to outperform its MSCI benchmark. Further details on the Company’s portfolio performance are given in the Investment Manager Review.
The portfolio benefits from strong underlying fundamentals to generate earnings growth. The Company’s EFA earnings per share increased 9% from 2.05 pence per share to 3.33 pence per share.

The following table provides an analysis of the movement in the NAV per share for the year:

<table>
<thead>
<tr>
<th>NAV as at 1 January 2022</th>
<th>101.0</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividend income to NAV per share of property portfolio</td>
<td>(20.4)</td>
</tr>
<tr>
<td>Realised gain on sale of properties</td>
<td>0.3</td>
</tr>
<tr>
<td>Income earned in year</td>
<td>2.2</td>
</tr>
<tr>
<td>Expenses for the year</td>
<td>(2.0)</td>
</tr>
<tr>
<td>Debt on balance sheet</td>
<td>(3.8)</td>
</tr>
<tr>
<td>Special Dividend</td>
<td>(1.8)</td>
</tr>
<tr>
<td>NAV as at 31 December 2022</td>
<td>79.7</td>
</tr>
</tbody>
</table>

Financial Resources

UKCM has a solid balance sheet, with a NAV as at 31 December of £4.0 billion and gearing at 20.5% (Group loan to value). The Company has maintained its position as one of the lowest geared companies in the AIC peer group and the wider REIT sector.

At the year end, the Company had fully invested its five cash balances and had available resources of £42.5 million after allowing for future capital commitments and repayment of February 2023 dividend, due to the £27.0 million remaining undrawn flexible revolving credit facility.

The Company continues to be comfortably within the covenants on its three debt facilities and has more than £451 million of uncommitted assets which provide further significant headroom and balance sheet flexibility. The year and helped interest rate of 3.66% per annum on drawn debt of which 68% at a fixed rate of 2.88%.

On 19 August 2022 the Group increased its revolving credit facility with Barclays Bank plc to £200 million (Dec 2022: £250 million) and on 10 January 2023 extended its duration from February 2023 to January 2026 with a new margin of 1.90%. £58 million of this facility was drawn at the year end. The new overall-based loan rate is 3.66% per annum with a weighted maturity of 5.2 years. Extending the maturity of our flexible revolving credit facility protects the Company from the risk of refinancing in a potentially volatile banking market.

The Company adopts a prudent approach to debt and continues to target a gearing level up to 25% (as calculated using the Gross Asset methodology)** at the time of drawdown or commitment and fund development expenditure.

The Company has a pipeline of four high quality developments due to complete over the course of 2023 and one in 2024 which will add further long-term income to the Group’s portfolio. If the £215.0 million of remaining development commitments are funded through the Barclays RCF facility this would move gearing to approximately 24.6**. It is reasonably foreseeable that this current level of gearing may be structurally sustainable and the market’s wide impact on valuations could take gearing slightly above, over the medium term, the Board’s target level of 25%.

The Board continues to ensure that borrowings are controlled and managed collectively taking into account the Company’s development plans.

Dividends, including Special Dividend

The Company paid four interim dividends totalling 3.25 pence per share during the period. This represents an 1% increase in ordinary distributions over the year, a level which is 97% covered.

In addition, the Company paid a special dividend of 1.92p per share in August 2022 to return some of the strong gains, realised over the year, a level which is 97% covered.

Environmental, Social and Governance (‘ESG’)

ESG is embedded within the processes of UKCM and underpins the investment strategy, well-structured portfolio and solid financial performance in 2022, the outlook is more positive for the industrial sector where the Company has a weighting of 50.1%. The size and spread of capital value correction in 2022 means the sector now bears less relative value to other real estate sectors.

The sector continues to benefit from structural tailwinds and a positive supply/demand dynamic, with the UK-wide vacancy rate at 4.3% (according to CoStar), a near historic low.

Overall, we expect recovery in UK real estate performance in 2023. The pace of recovery for UK real estate in 2022 means opportunities will arise over the course of 2023, particularly as the path of monetary policy moves more accommodative. The sectors that benefit from longer-term growth drivers, such as the industrial and logistics sectors, will see greater demand in rental value and rental value growth prospects. We believe that market pricing for these areas of the market, have improved materially. Inflationary pressures are expected to moderate as we move through 2023, with the BoE likely to commence its base rate cutting cycle in the latter part of the year which will provide a more supportive backdrop for real estate pricing.

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

Wii Fulton
Lead Manager

2022 Review

While the occupancy market remained robust, 2022 saw a considerable year of two halves for UK real estate valuations and investment activity. During the first six months of the year, UK real estate performed well, however, the narrative changed in the second half of the year as inflationary pressures and rising interest rates battered the Bank of England, alongside most central banks around the world, embarking on a monetary tightening cycle in order to tame inflation.

Since 2020, the increased prominence of hybrid working and the subsequent impact on office occupation, has resulted in higher vacancy rates across most UK office markets. Tenant demand is focused on the best buildings with strong sustainability credentials and amenity offer, for example 80% of central London take-up was focused on Grade A space. Indeed, we believe that occupier preference for the best quality space will create an increasing wedge in rents between best-in-class offices and the rest.

The UK real estate market recorded a total return of -9.8% in December 2022 according to the MSCI Quarterly Index, a deterioration on the 5.3% recorded in 2021. Performance for the sector was impacted by declining capital values as yields moved out in response to increasing interest rates and a narrowing spread over the UK 10-year gilt (risk free rate).

Capital values rose by a modest 0.9% during the first half of 2022, but declined by -13.5% in the second half of the year, according to values declining by -3.2% for the calendar year 2022. There was a big polarisation in performance within the sector, with London West End offices posting the strongest total return of 4.7% during 2022, versus total returns of -12.1% and -41.6% respectively for Rest of UK and Rest of South East offices.

In fact, UK real estate generated a positive total return of 7.8% in H1’22, but after June, there was a 4.2% fall in capital values through the third quarter of the year, as financing costs accelerated in the UK, with data showing that the yield curve has accelerated in the UK, particularly over the summer months.

This resulted in a considerable repricing of UK gilt, and increased financing costs for real estate, which acted as the catalyst for a broader UK gilts and increased financing costs for a broader cycle in order to tame inflation.

As a consequence, capital values fell 17.4% across the sector during 2022 according to the MSCI Quarterly Index, a deterioration on the 5.3% recorded in 2021. The office sector was more sensitive to the rising interest rate environment given its generally low yields.

A divergence between retail sales volumes and values in evident within the ONS retail sales data. When compared with the pre-Covid level in February 2020, total retail sales were 13% higher in value terms in December 2022, but 1.7% lower in volume terms.

The fortunes of the industrial and logistics sector worsened during the course of 2022, with the sector leading the repricing of UK real estate in response to rising debt costs and a weaker macro-economic environment. Yields within the sector reached historic lows in the first half of 2022, but investors have continued to favour the sector but, as investor demand weakened in response to rising debt costs, yields moved out by between 150 - 200 bps between June and December 2022.

In the lead up to the Christmas trading period, retailers suggested that consumers were cutting back on spending because of increased prices and affordability concerns. Indeed, despite easing slightly in December, inflation in the UK remains very high, with food and energy costs remaining elevated.

The retail sector delivered a total return of -4.8% in 2022 according to the MSCI Quarterly Index. In a similar vein to other UK real estate sectors, total returns turned negative due to weakening capital value growth. Capital values rose by 4.9% during the first six months of the year but this was unwound during the second half when values declined by -13.5%.

Most of the capital value decline was recorded in Q4 2022 at -10.5%.

Polonization across retail sub-sectors was acutely evident, with retail warehousing posting the best performance of the retail sub-sectors, delivering a total return of 0.6% and -0.2% capital growth. Well-positioned retail warehouse with essential and discount retailers as anchor tenants continued to attract investor interest at the expense of discretionary and non-essential retail. Shopping centres delivered a total return of -4.3%, whereas supermarkets delivered the lowest total returns of -13.4% and were heavily impacted by the -17.5% capital value decline in Q4 2022. The supermarket sector was more sensitive to the rising interest rate environment given its generally low yields.

The office sector delivered a total return of -4.8% in 2022 according to the MSCI Quarterly Index. In a similar vein to other UK real estate sectors, total returns turned negative due to declining capital value growth. Capital values rose by 4.9% during the first six months of the year but this was unwound during the second half when values declined by -13.5%.

Most of the capital value decline was recorded in Q4 2022 at -10.5%.

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Total non-food stores sales volumes fell by 10.5% in December, following a fall of -0.5% in November 2022. A divergence between retail sales volumes and values is evident within the ONS retail sales data. When compared with the pre-Covid level in February 2020, total retail sales were 13% higher in value terms in December 2022, but 1.7% lower in volume terms.

While the occupancy market remained robust, 2022 saw a considerable year of two halves for UK real estate valuations and investment activity. During the first six months of the year, UK real estate performed well, however, the narrative changed in the second half of the year as inflationary pressures and rising interest rates battered the Bank of England, alongside most central banks around the world, embarking on a monetary tightening cycle in order to tame inflation.

Since 2020, the increased prominence of hybrid working and the subsequent impact on office occupation, has resulted in higher vacancy rates across most UK office markets. Tenant demand is focused on the best buildings with strong sustainability credentials and amenity offer, for example 80% of central London take-up was focused on Grade A space. Indeed, we believe that occupier preference for the best quality space will create an increasing wedge in rents between best-in-class offices and the rest.

The UK real estate market recorded a total return of -9.8% in 2022 according to the MSCI Quarterly Index (this is different from the Company’s benchmark which is the MSCI UK Balanced Portfolios Quarterly Index benchmark), with the positive performance recorded in the first six months of the year being reversed during the second half of the year. In fact, UK real estate generated a positive total return of 3.0% in H1, but after June there was a 4.1% fall in capital values through Q3 which accelerated in Q4 with a 4.7% fall.

However, the all-property average total return of -9.8% in 2022 masked significant divergence in returns at a sector level. During the beneficiary of yield compression for a number of years, the UK industrial sector was the weakest performing sector, posting a total return of -14.0% over the course of 2022, while offices and retail recorded returns of -8.1% and -4.8% respectively over the same period.

Transaction volumes reached £62.8 billion over the course of the year, 16% down on 2021 and -4.8% respectively over the same period. Transaction volumes reached £62.8 billion over the course of the year, 16% down on 2021 and -4.8% respectively over the same period.

Following a very strong year of performance in 2021, the FTSE UK REIT Index registered a total return of -3.1% in 2022, underperforming the FTSE All Shares Index, which recorded a total return of 0.3% over the same timeframe. There was significant divergence in UK equity indices, with the more internationally focussed FTSE 100 Index recording a total return of 4.7% in 2022, helped by a sharp rise in performance from energy and mining companies.

Despite robust take up, supply levels have trended above the long term H2 average and ‘Big Box’ take up for the year reached 47.99 million sq ft, the third highest level on record for retail space.

Online retail sales also continued to slow in December, with values decreasing by 2.9% as a result of monthly falls across all areas except household goods and food stores. Online retail sales still account for 26.6% of all retail sales, which remained above pre-Covid levels, but they are slowing to more normalised levels. This trend corroborates the weaker set of results released from pureplay online retailers and evidence of a rise in in-store shopping over December, which was likely influenced by postal strikes over this period.

The office sector delivered a total return of -8.7% in 2022 according to the MSCI Quarterly Index, a deterioration on the 5.3% recorded in 2021. There was a big polarisation in performance within the sector, with London West End offices posting the strongest total return of 4.7% during 2022, versus total returns of -12.1% and -41.6% respectively for Rest of UK and Rest of South East offices.

The retail sector delivered a total return of -4.8% in 2022 according to the MSCI Quarterly Index. In a similar vein to other UK real estate sectors, total returns turned negative due to declining capital value growth. Capital values rose by 4.9% during the first six months of the year but this was unwound during the second half when values declined by -13.5%.

Most of the capital value decline was recorded in Q4 2022 at -10.5%.

The retail sector delivered a total return of -8.7% in 2022 according to the MSCI Quarterly Index, a deterioration on the 5.3% recorded in 2021. There was a big polarisation in performance within the sector, with London West End offices posting the strongest total return of 4.7% during 2022, versus total returns of -12.1% and -41.6% respectively for Rest of UK and Rest of South East offices.
Market Outlook

It is clear that 2022 was a year dominated by inflationary pressures. The monetary policy tightening phase, which began in earnest in order to tame inflation, saw interest rates increasing across all major economies. Whilst it appears that we are now past peak inflation globally, 2023 is likely to be another year dominated by growth and inflation for real estate, particularly for real estate, the subsequent path that central banks take in relative to interest rates will be important. The UK inflation unexpectedly jumped in February 2023 from 10.1% to 10.4%, ahead of both consensus and the Bank of England (BoE) forecasts. Wholesale gas prices have fallen from their highs in 2022 and global supply chain disruption has eased, which should place downward pressure on headline inflation in the UK. We forecast UK headline inflation to decline over the course of 2023.

However, core inflation, which strips out the impact of food, fuel, beverages and tobacco, is proving stickier and more challenging to bring under control. Core inflation is being driven by more domestically oriented forces, with the UK labour market playing a crucial role in this. The unemployment rate is currently 3.7%, with the labour market remaining extremely tight. Reflecting this tightness in the labour market, private sector wage growth is running above 7% year on year, with little sign in wage surveys that any meaningful slowdown is in the pipeline, to the extent that we expect headline CPI in the UK to moderate to 8-8.2% by the end of 2023 and reach 2.5-2.6% by 2024. There are risks that inflation could remain higher than anticipated due to the strength of the UK labour market, preventing core inflation from falling as quickly as the Bank of England (BoE) expects.

This has an important bearing on where interest rates will peak, before the BoE pauses its current monetary policy tightening cycle. It is our view that the burden of economic rebalancing will need to be shouldered by weaker labour demand. This means that further monetary tightening will be required even as the economy moves closer to the level of 6-7% unemployment at which we expect headline inflation to fall below 3% by the end of 2023 and reach 2.5-2.6% by 2024.

The largest deal in the PBSA sector last year was GIC and Greytax’s purchase of the Student Room portfolio from Brookfield for £3.3 billion. The continued investor interest in the sector helped provide support for pricing, with direct let PBSA assets moving out by 28bps over the second half of 2022, which was much less than other areas of the commercial real estate market.

However, despite the cost of living crisis placing pressure on disposable incomes, the leisure and hotel sectors still outperformed the wider market, returning 5.6% and 5.5% respectively over the course of 2022. Hotel trading improved significantly over the course of the year, and whilst room revenue was primarily driven by higher room rates, occupancy has improved and the recovery in performance, occupancy has also improved, supported by growing weekend leisure stays and a recovery in weekday business travel. With a weaker pound, there are tentative indications that the return of international visitors has aided the recovery.

Investor appetite for the living sectors continued on its strong trajectory. A total of £12.7 billion was invested in the living sector in 2022 according to Real Capital Analytics data, equating to 20% of all UK real estate transactions. However, of the £12.7 billion invested in the living sector last year, the Purpose Built Student Accommodation (PBSA) sector accounted for £8.5 billion, or 67% of all activity.

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Overall, we see interest rates peaking at the current level of 4.25% and after recent financial market volatility we likely see the BoE adopt a slightly more cautious approach. We then expect interest rates to remain elevated for longer than originally anticipated, to force down inflationary pressures in the UK, but we still see a rate cutting cycle beginning by the end of 2023, with a sustainable fall through 2024. We expect the UK interest rate to reach 3% by the end of 2023, before falling further in 2024, helping to cushion some of the impact of the recession.

Falling real household disposable incomes will unfortunately hit the retail sector, but it is important to highlight that this will support the case for further price reductions within the sector. Consumer spending habits will be driven by consumer cost considerations and, as such, retail assets which have a higher concentration of discount and value retailers are expected to be best placed in this regard.

Following a period of repricing in 2022, the retail warehouse sector is garnering more interest from investors, particularly for food anchored schemes with a discount oriented line-up, which will be more insulated from any slowdown in consumer spending.

Equally, the supermarket sector now looks more attractive following a broad re-pricing last year, but the sector will not be immune to increasingly price sensitive consumer, with supermarket operators adapting to changes in consumer behaviour. A divergence in performance between the supermarket sector is evident and therefore a focus on the quality of the underlying real estate will remain crucial. Given the economic backdrop and rising price sensitive consumer, we expect retail parks and supermarkets to be the beneficiaries of the re-pricing cycle.

In a similar vein to the retail sector, we expect the divergence in performance between best in class and secondary assets to continue into 2023. The COVID-19 pandemic acted as the catalyst for a fundamental change in working habits and, importantly, a re-evaluation of space requirements for offices. Instead, whilst tenant demand for best-in-class offices remains robust, the same cannot be said for secondary office space where demand has waned given changes to tenant requirements for space. Secondary office accommodation is at risk of accelerated obsolescence with the capital requirements to ensure assets meet minimum ESG requirements becoming increasingly prohibitive.

The office sector did not reprice as much as expected with large pockets of the office market remaining structurally tailwinds and a positive supply/demand dynamic, with the UK vacancy rate at 3.5% according to Color, a near historic low. While we anticipate the industrial vacancy rate to move higher this year, in part as a result of weaker economic performance in the first few months of the year, we do not expect occupational demand to remain positive.

The adven of ‘onshoring’ in the UK and demand from a broader variety of businesses for industrial space will provide support for take up in the sector. As a result, further initial rental growth is expected to drive performance in the medium term.

Whilst 2022 was a challenging year for UK commercial real estate as a whole, the Purpose Built Student Accommodation (PBSA) market once again demonstrated its resilience. The primary reason for the very supportive demand and supply dynamics that the sector享受 is. As the number of students enrolling to UK universities has increased, so too has the demand for student accommodation. This has placed significant pressure on existing supply, with the under/rented problem of accommodation forcing some students to seek housing in other cities, or to defer their plans for the following academic year. Applications reached their highest level in 2022, approximately 8.5% higher than in 2019 according to UCAS data, with over 760,000 applications. Student accommodation demand for accommodation shows no signs of abating and both student accommodation applications increased to anticipated to increase over the next decade, driven by both domestic and foreign sources. Domestically, university participation rates (the number of 18-year-olds applying to university) are anticipated to increase over the next decade, driven by both domestic and foreign sources. Domestically, university participation rates (the number of 18-year-olds applying to university) are anticipated to increase over the next decade.

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Looking forward, despite the poor performance in 2022, the outlook is more positive for the industrial sector and we look for the better quality assets in strong locations. The rate and speed of capital value correction in 2022 means the sector now looks better value relative to other real estate sectors. The sector continues to benefit from structural tailwinds and a positive supply/demand dynamic, with the UK vacancy rate at 3.5% according to Color, a near historic low.

While we anticipate the industrial vacancy rate to move higher this year, in part as a result of weaker economic performance in the first few months of the year, we do not expect occupational demand to remain positive.
In line with the wider UK real estate market, portfolio performance was impacted in the reporting period, especially with regards to office assets. A rapid increase in interest rates, firstly in the US, as governments sought to counter rising inflation and the impact of Russia’s invasion of Ukraine. This was further exacerbated in the UK by the policies of Liz Truss’s Conservative government, which caused a sharp spike in the UK gilt rate. Debt costs increased significantly as a result and many previous acquisitive investors temporarily withdrew from the market. These combined factors led to a general revaluing of property yields with the lowest yielding properties, which were predominantly industrial assets, experiencing rapid and significant yield expansion. CBRE’s prime industrial yields moved out 50bps from June 2022 until the end of Q4 2022.

As a result, the Company’s strategic overweight to the industrial sector was the primary driver of portfolio outperformance over the year against its MSCI benchmark, with a total return of -13.1% compared to the benchmark of -26.1%.

The performance of the Company’s retail portfolio was ahead of the benchmark delivering a total return of -4.9%, while the benchmark was -8.0%. UKCM has no shopping centres and no pure parks and is 59% invested in the office sector. This allows the Company’s portfolio to be less focused on retail and office, and instead be comprised of high-quality goods and services and alternative office superstores.

These assets have proven to be resilient in recent years and benefit from a diverse tenant base and robust income streams. The Company’s retail assets were not however immune to the impact of market yield rerating and experienced a 4.9% capital decline over the period, albeit this was less than the benchmark level of -7.0% over the year.

The Company’s retail warehouses form, which was the most recent component of the retail portfolio, strongly outperformed the benchmark, delivering a total return of 4.6% whilst the portfolio was negative at 4.1%, due to far stronger capital growth. UKCM’s retail parks recorded capital growth of 0.7% whilst the benchmark saw a decline of 6.3%.

The performance of the Company’s retail portfolio was ahead of the benchmark delivering a total return of -4.6%, while the benchmark was -8.0%. The Company’s retail warehouse parks, which also experienced significant capital yield expansion, add to the resilience of the portfolio.

Office

As stated above, the key driver of the portfolio’s underperformance over the last 12 months was its overweight position to the industrial sector. Whilst the sector benefited from continued structural tailwinds and low vacancy rates, by the middle of Q2 2022 it was the lowest yielding market sector having seen initial yields reduced to very low levels as investors effectively priced the sector off its market yield rerating. At Q2 2022 it was the lowest yielding market sector.

Across 2022, all the Company’s office assets were subject to a detailed review against strict criteria to ensure investments were sound. For this reason we are comfortable with a weighting of 39% at the end of Q4 2022, compared to 35% for the benchmark. Recent examples of positive income growth are outlined in the Asset Management Activity section.

The industrial assets total return was -26.0% over 2022, driven by a capital decline of 22.0%. This was a greater decrease than the benchmark, which recorded a total return of -24.6% and capital falls of 24.8%. This is due to the Company’s far heavier weighting to South Eastern industrials than the benchmark (186% vs. 21% at Q4 2022) with many of the Company’s assets located near London, which was the most heavily valued part of the wider industrial sector. As a result, UKCM’s portfolio was more affected by yield rerating.

Four of the five assets with the largest negative contribution to performance were industrial properties in and around London, and the only exception within the five assets being Emerald Park Bristol, a prime multi-let industrial estate, which also experienced significant capital yield expansion. In common with the London and South East assets, Emerald Park is highly reversionary with strong potential to grow rents.

Office

The Company has a maintained a deliberately underweight position to the office sector, which faces challenges from uncertain occupier demand as tenants continue to assess the long term impact of hybrid work patterns. This is set against a backdrop of increased pressures on landlords to accommodate changing occupier needs.

The office portfolio recorded a total return of -7.7% with a capital decline of 12.1%. Whilst this negative return is disappointing it is ahead of the benchmark office total return of -13.0% for the period, which also recorded a more pronounced capital decline at 13.5%.

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The Company has been diversifying its alternative exposure with the completion of its student housing development at Gilmore Place, Edinburgh and recent completions of its industrial housing development at Gilnathom Road, Exeter. Final completion of Gilnathom Road, was achieved in Q1 2023. Both are excellent quality developments that will offer differing income profiles.

The Edinburgh asset is let on a 20 year index linked lease to the University of Edinburgh whilst the Exeter property just directly to students themselves and offering a higher income returns.

In aggregate, the Company’s 14% weighting to the alternative sector in below the benchmark 17.5% but the portfolio weighting will increase with the final completion of the Exeter asset and the Company’s commitment to develop a new 305 bed Hyatt Hotel in central London.

The Hyatt development is scheduled to run until summer 2024 with the Company looking to secure a fixed lease directly to the trade of the hotel, given the quality of the underlying income and strong fundamentals of the dynamics of the Leeds market, we expect this to deliver above average and considerably above benchmark returns against a traditional leased hotel model.

Investment Activity

In line with the rest of the market, there was less transactional activity this year. This reflects the quality of the Company’s assets and the construction of the portfolio, which we believe is aligned towards sectors with strong long term structural growth drivers. Furthermore, the Company invested significant capital in progressing its developments which were committed to in 2020 and 2021.

Purchase

The only acquisition completed in the year was the construction of a new hotel in Leeds referred to previously. A 25-year franchise agreement is already in place with the Hyatt Hotels, one of the leading global hotel brands.

The development lies within Sovereign Square to the south of the city’s main railway station and will complete in summer 2024 with the Company having agreed a total commitment of £62.7 million. The hotel will be operated under a lease by Ambridge Hospitality, a global leader in hotel operation, with the Company’s rental income based on the income generated from the operation of the hotel. The acquisition is in line with UKCM’s strategy to invest in operational real estate sectors that are expected to deliver resilient rental incomes and are backed by both strong local fundamentals and high quality properties.

The 140,000 sq ft hotel’s 305 rooms will be split between the short stay Hyatt Place and the long stay Hyatt House brands. The upmarket hotel will provide meeting rooms, a gym and several food and beverage options, including a rooftop bar with its own 1000 square feet of glass and large electric doors that open to a square overlooking the market. The hotel’s design has progressed well throughout the period.

Sale

In July, the Company disposed of its £8.4 million multi-let office building 9 Colmore Row, which is situated in central Birmingham. In line with all UKCM’s office assets, the building had been subject to a rigorous review process and those were concerns over the asset’s ability to most increased tenant demands in relation to wellness and ESG against the wider backdrop of uncertain levels of future demand for older offices.

We therefore believed there was significant potential for income discipline and non-acquisitive expenditure. The asset was sold for £26.6m to Birmingham City Council, which represented a premium to valuation and book cost.

Asset Management Activity

Rent collection rates within the portfolio have returned to levels recorded prior to the onset of the COVID-19 pandemic with 99% of rents due across 2022 collected. Where arrears have accrued in past years, we remain in dialogue with tenants to minimise recovery.

The average weighted unexpired lease term of the portfolio has been maintained at 8.7 years, in line with the previous year. This compares to the benchmark unexpired term of 9.4 years. At 31 December 2022, 20% of portfolio rent is subject to a form of indexed-linked rent reviews or fixed increases, which provide an estimated blended annualised increase of 3.3% per annum.
The letting set a new record rent of £150.30 per sq ft on the estate, 15% up from the previous passing rent of £130.80 per sq ft per annum and 6% ahead of the unit’s previous ERV.

A lease renewal over Unit 109 was also agreed with Melsco Ltd, a supplier of equipment for care homes, schools and hospitals. The lease will now run to 2023, with a tenant break in 2022. The new rent of £150.20 per sq ft per annum, equals to £270,372 per annum which is 7% above the previous passing and 2% premium to ERV.

j) Ventura Park, Radlett

The strong leasing momentum within the industrial portfolio has continued outside of the period and into 2023 with the Company signing two significant lettings in January at its largest asset, the multi-let industrial estate Ventura Park in Radlett situated just off the M25 to the north of London.

Unit B, which extends to 31,801 sq ft has let to Aessence Global a maintenance supplier to the aerospace industry at a headline rent of £157,750 per annum, equating to £4.98 per sq ft per annum, 9% ahead of the unit’s previous ERV at £4.64 per sq ft per annum.

The collective new rent of £2,284,900 per annum is 11% higher than the previous passing rent and 4% above ERV.

k) Ocado, Hatfield

An open market rent review from September 2022 over the 298,400 sq ft automated distribution warehouse was agreed with the Company’s existing tenant, Ocado. The annual rental expenditure on the warehouse will increase to £20.88 per sq ft over the warehouse space.

The reviewed rent reflects a 22% increase on the previous rent passing and was 15% above of ERV at the time of review. Since the review, the unit has experienced further rental growth and remains reversionary with the prospect of a further rental uplift at the next review cycle.

l) Emerald Park, Bristol

Strong progress has been made throughout the year in capturing increased rents at this prime multi let industrial estate in Bristol. In September 2022, a new 10 year lease was secured over Unit 118 with sports supplier P&H Mark Group Ltd, incorporating a tenant-only break-in-year in the future.

The Company’s retail portfolio has been extremely well let throughout the period and at end of Q4 2022, is fully occupied, demonstrating the appeal of these assets. At St. George’s Retail Park in Lancaster, Agriland completed a new 10 year lease in June with a tenant break on the fifth anniversary, at a rent of £53,019 per annum in line with ERV. The park is now fully let following extensive work undertaken in previous years and boasts an impressive line-up of strong tenants including Next, Home Bargains, DNS and Iceland. Like the Company’s other two retail parks, Junction 27 in Stafford and Trafford Retail Park in Manchester the focus is now on completing lease renewals and rent reviews to secure and grow rents.

m) Glenthorne Road, Ender

The larger first phase of the student hall development close down to the University of Exeter was completed in November and its 511 beds were immediately occupied. Phase 2 of the development, 83 beds with the Company benefiting from a minimum guaranteed rental income of £4.65 million for the 2022/23 academic year. Homes for Students has been appointed to manage the asset and interest from students has been strong for the next academic year.

n) Nightotel, Leeds

As previously disclosed, the Company is developing a high-quality hotel in central Leeds which will complete in summer 2024 with a 25-year franchise agreement in place with Nightotel, one of the leading global hotel brands. UCRE’s rental income based on the income generated from the operation of the hotel which will be operated on a lease by Accor on UCRE’s behalf. The acquisition is in line with part of the Company’s strategy to invest in operational real estate sectors that are expected to deliver rental revenue incomes.

o) Leisure

The Company’s leisure assets have largely stabilised following the disruption caused by the COVID-19 pandemic. The assets are generally well let with occupation at 99% and rent collection has largely normalised. Key tenants such as Odeon, Cineworld and David Lloyd have consistently met their quarterly rental obligations since restrictions were lifted on their trade. Where historic arrears were accrued, we are in dialogue to recover these. There are concerns over some tenants’ underlying covenant strength, such as Cineworld who entered Chapter 11 proceedings in the US in September 2022, and we are therefore monitoring the loss of turnover on a trade at our individual assets which we believe are backed by strong underlying fundamentals.
Environmental, Social and Governance (ESG)

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

Given the significance, and at times quite technical content of ESG and its application, we have dedicated a separate section of our report to the topic: which follows.

- **2030 – Achieve Net Zero Carbon across all portfolio emissions under the control of the Company as landlord.**
- **2040 – Achieve Net Zero Carbon across all portfolio emissions – both those controlled by the Company as landlord and all the emissions of its tenants and embodied carbon from development activity.

Full details of our Net Zero Carbon Strategy can be found on page 22.

**Energy Performance Certificates (EPCs)**

**Energy Performance Certificates (EPCs),** which each property legally requires, form a powerful environmental tool and are different and there are currently no similar instances within the portfolio where there is no demand remains positive.

76% of the Company’s portfolio by EYV in England (it does not own in Wales) is currently rated A, B, or C. This is a positive position; however, every property is kept under review and where asset-related interventions are required we aim to do so at commercially sensible times such as lease expiries or during renewal discussions. There are also instances within the portfolio where there is no one measure to improve the asset to be delivered if this is not possible, as well as BREEAM ratings of Excellent, which is in line with the Company’s ESG expectations for its development portfolio.

As part of pre-purchase due diligence, a specialist consultant was commissioned to assess the ESG credentials of the development and to identify potential opportunities for improvements. Overall, the assessment was positive but highlighted that whilst heating is via electric air conditioning, the proposed specification envisages hot water being supplied into a gas boiler system. This presents a long-term challenge given pressures to decarbonise buildings in the UK, in line with a move away from burning fossil fuels for heating.

**Portfolio Strategy**

Despite the unprecedented adjustment to values, particularly in Q4 of 2022, as a result of macroeconomic challenges, the Company’s portfolio is firing on all cylinders on an operational basis, reporting strong earnings growth through 2022 and demonstrating with early 2023 leasing activity the real potential for continued rental growth. With debate in full flow as to the depth of the 2023 UK recessionary environment and likely inflation levels, as well as how the Bank of England will adjust interest rate policy, the portfolio is well placed with its emphasis on industrial stock, particularly in London, to benefit from one of the most under-supplied sectors in the country where demand remains positive.

The Company has the potential to benefit from both earnings growth and, in the future, capital values. Earnings growth would be generated through continuing to unlock the portfolio’s “reversion conversion potential”, whereby the higher rental values of asset are converted at lease events to cash rents received, as well as through development projects coming on stream. Following rises in interest rates, capital values have declined which presents an opportunity for valuations to increase as income grows and an expected interest rate cut. Increasing the attractiveness of the sector to investors. Of course, it would be naïve to assume there will be no tenant bumps along the way, however, the portfolio is relatively naïve to assume there will be no tenant bumps along the way, however, the portfolio is relatively protected from the riskiest areas such as F&B, leisure, fashion retail and the uncertainty around relating older, non-ESG compliant office stock. Conversely, some tenant failures on our industrial estates would offer the opportunity to enhance rental income by earlier reversion capture.

As such, we are comfortable with the current structure of the portfolio although will remain alert to the potential to prune assets where we see undue risk or limited potential. Proceeds from any such pruning would most likely, in the short term, be deployed to reduce the modest level of drawn “floating interest rate” debt before redeploying when we have more confidence on the expected future timing of interest rate cuts.

In essence, our strategy is very straightforward – maintain our robust balance sheet and focus on continuing the progress we have made to improve earnings through leasing activity and successful completion of our modest development pipeline, while remaining alert to market opportunities limited to an eye on future interest rates.

Will Fulton

**UCRM’s Net Zero Carbon commitments now Scope 1&2 by 2030 and full Net Zero Carbon Objective by 2040**

UKCM’s Net Zero Carbon commitments are Scope 1&2 by 2030 and full Net Zero Carbon Objective by 2040. The presence of a gas hot water system will be decarbonised by both reducing the gas boiler size through pressure reducing measures and replacing the gas boiler with industrial all-source heat pumps. At present the feasibility exercise has only been carried out for reducing the gas boiler size and where the recent changes to EPC calculation metrics, whilst new green gas systems, mean the previous specification may have been the building receive an EPC B rating at completion.

**INVESTMENT MANAGER REVIEW**

Continued

**Environmental, Social and Governance (ESG)**

**Continued**
The Investment Manager’s approach has been used as the basis for establishing the Company’s ESG objectives. The Investment Manager and Board have aligned ESG objectives with our investment, supply chain and industry partners. This Joint Process and Asset Management: integrating ESG into decision-making, governance, underwriting decisions and asset management approach. This includes the identification and management of material ESG risks and opportunities across the portfolio.

The Investment Manager’s ESG approach groups material sustainability indicators into four main categories: (i) Environment & Climate, (ii) Demographics, (iii) Governance & Engagement; and (iv) Technology & Infrastructure.

The Investment Manager has identified 21 different ESG indicators that sit beneath these four main categories. These 21 ESG indicators are considered by the Investment Manager to be the most material ESG topics applicable to real estate, and the risks and opportunities associated with each indicator are assessed as part of the Company’s investment decisions. This approach allows the identification and promotion (where relevant) of material ESG risks and opportunities relevant to a fund’s investment strategy and sectorography. These guide the Company’s prioritisation and integration of ESG factors at the fund and asset level, whilst providing a structure for engagement with, and reporting to, stakeholders.

The approach to ESG

1. Capability and Collaboration: drawing together and harnessing the capabilities and insights of platforms, with those of our investment, supply chain and industry partners.

2. Integrated Process and Asset Management: integrating ESG into decision-making, governance, underwriting decisions and asset management approach. This includes the identification and management of material ESG risks and opportunities across the portfolio.

- Transparency, Integrity and Reporting: ensuring transparency in the ways in which we communicate and discuss the strategy, approach and performance with investors and stakeholders.

- Approaches to ESG

(i) Environment & Climate,
(ii) Demographics,
(iii) Governance & Engagement; and
(iv) Technology & Infrastructure.

ESG Priorities and Commitments

The Company has previously outlined a number of key ESG indicators that are derived from the Investment Manager’s 21 material ESG indicators that are considered as part of the investment process.

The Company’s priorities fall under the four broad themes which form the basis for our actions at portfolio level. The four themes are:

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

As mentioned above, climate change represents one of the most material ESG risks and opportunities to the Company. With regard to managing climate risks (net-zero), the Company announced its pathway to achieving Net Zero Carbon in its annual report on 2023, following a baseline net-zero analysis completed earlier in 2022.

Approach to ESG

The Company adopts the Investment Manager’s policy and approach to integrating ESG and this has been used as the basis for establishing the Company’s ESG objectives. The Investment Manager and Board view ESG as a fundamental part of their business.

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2. Resilience and physical climate risk
3. Land and water contamination
4. Value to society

As mentioned above, climate change represents one of the most material ESG risks and opportunities to the Company. With regard to managing climate risks (net-zero), the Company announced its pathway to achieving Net Zero Carbon in its annual report on 2023, following a baseline net-zero analysis completed earlier in 2022.

Approach to ESG

The Company adopts the Investment Manager’s policy and approach to integrating ESG and this has been used as the basis for establishing the Company’s ESG objectives. The Investment Manager and Board view ESG as a fundamental part of their business.

ESG Priorities and Commitments

The Company has previously outlined a number of key ESG indicators that are derived from the Investment Manager’s 21 material ESG indicators that are considered as part of the investment process.

The Company’s priorities fall under the four broad themes which form the basis for our actions at portfolio level. The four themes are:

1. Carbon reduction and energy efficiency
2. Resilience and physical climate risk
3. Land and water contamination
4. Value to society

As mentioned above, climate change represents one of the most material ESG risks and opportunities to the Company. With regard to managing climate risks (net-zero), the Company announced its pathway to achieving Net Zero Carbon in its annual report on 2023, following a baseline net-zero analysis completed earlier in 2022.
Processors are in place to ensure operational sustainability performance is monitored and actions are implemented to drive continual improvement. We have reported against material EPRA sBPR indicators, which are included on pages 105 to 111. The sustainability data in the report includes that which the Company has direct operational control over (for example, landlord provided utilities and associated GHG emissions) and covers the entire calendar year of 2022, in full, which is compared against that of 2021 on both an absolute and like-for-like basis. The variance between absolute and like-for-like consumption/ GHGs is due to the Company’s acquisitions and disposals during 2021 and 2022.

Note that the data on pages 110 to 111 relates to a different time period (2022) to the data on pages 105 to 110 (2021). The change is due to the Company aligning its Scopes 1 and 2 emissions analysis to the EPRA in line with the revised Scopes 1 and 2 analysis which is based on 2021 data but at a time lag associated with the time needed to complete Scopes 3 data collection for net-zero analysis.

Like-for-like landlord-occupied electricity consumption, which excludes the impact of purchases, sales and developments year-on-year across the Company’s assets has increased by 8% from 2021 to 2022. An increase in consumption at the Company’s industrial portfolio and hotel in 2022 was offset by lower landlord consumption across offices, leisure and retail warehouses.

Like-for-like landlord gas consumption also decreased by 38%, primarily driven by reduced consumption at offices and industrial assets. These overall reductions in energy consumption resulted in a 54% reduction in Scope 1 emissions, and a 22% reduction in Scope 2 emissions. The reduction in Scopes 1 and 2 emissions was also driven by further decarbonisation of the UK’s energy grid in 2022, and the absence of any recorded data for landfill gas emissions from landlord managed landfill gas plants in 2022.

On an absolute basis, landlord-occupied electricity consumption increased by 4% year-on-year. Landlord-occupied gas consumption also increased by 4% year-on-year. Despite the increase in gas consumption due to a reduction in gas consumption reductions at industrial assets and retail warehouses the 54% reduction in Scope 1, and 22% reduction of 35% for Scope 1 emissions, and 24% for Scope 2 emissions are still significant.

Full details of performance against material EPRA sBPR indicators are included on in pages 105 to 111.

2.3 degrees of warming is based on a probability weighted 

Globally, 22 UKCP REIT, SCOP 3/EM 2040  

The revised 2019 carbon baseline is shown in the chart on page 24. The 2040 carbon footprint is calculated using the long-term target.

Our Net Zero Principles

We believe that setting our long term-target for 2040 is ambitious yet pragmatic. We will work closely with our interests are aligned on this issue.

It is the Company’s Policy to proactively forbid the offering, giving or receiving of bribes in any circumstances. This includes those instances where such an act might be perceived as a payment, grant or gift. Where any bribe is received, may be a bribe. The Company has adopted a Zero-Bribery and Compliance Policy to ensure robust compliance with The UK Bribery Act 2010. The Company has made relevant inquiries of its Investment Manager and has received assurances that applicable bribery and corruption policies have been followed. It is offence to communicate and to employ its employees. Any employee who has adopted an ethical policy which highlights the need for ethical considerations to be taken in the acquisition and management of both new and existing properties.

In this year’s net-zero pathway analysis, we took the opportunity to review our 2019 baseline upon receipt of improved data for the 2019 reporting year. The revisions to the 2019 carbon baseline are as follows:

4.0 Some tenants for fully managed assets which were previously accounted under Scope 1 and 2 have now been moved to Scope 3, to provide a more accurate representation of our emissions control.

This change was in accordance with a recommendation of the Company’s net-zero consultants’ accounting methodology.

Scope 3 emissions have also been updated following the receipt of revised tenant energy consumption data for the 2019 period from our Ocado tenant logistics site in Hertford.

The inclusion of refrigerant gas (F-gas) data into the baseline, to align with current best practice on net-zero reporting, to reflect the latest CRES data following the enforcement of their partnership with the Science Based Targets Initiative (SBTi)**.

As a result of these revisions, we now have a more accurate, representative 2019 baseline from which to measure our progress against.

The revised 2019 carbon baseline is shown in the chart on page 24, alongside the latest annual carbon footprint calculated during 2022’s net zero pathway analysis. The 2019 chart shows that total operational carbon footprint of 4,996 tonnes of carbon dioxide equivalent (tCO2e).

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$ SBTi & CRES – CRREM Project
**ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)**

**Continued**

Of this, approximately 4% is associated with Scope 1 and 2 emissions that are in direct control of the Company; and the remaining 96% are Scope 3 emissions from tenant procured energy. This is in comparison with 2021, where the total operational carbon footprint was 24,480 tCO₂e, of which 5% is associated with Scope 1 and 2 emissions, while 95% is associated with Scope 3 emissions from tenant procured energy.

It should also be noted that for 2019, we had actual energy consumption data for 20% of the portfolio by floor area, with representative industry standard benchmarks used to estimate the rest. In 2021, we increased our actual energy consumption data coverage to 45%, which contributes to a more accurate representation of the Company’s carbon emissions, and forecasts for the future. The bar chart below provides an overview of how data coverage has improved between 2019 and 2021.

Based on these revised assumptions for 2019, the energy intensity at the portfolio level was 2016 kWh/m² and the operational emissions intensity was 83 kgCO₂e/m² across Scopes 1, 2 and 3.

In comparison, the latest net-zero analysis using 2021 data yielded a 2011 portfolio level energy intensity of 237 kWh/m² and an operational emissions intensity of 43 kgCO₂e/m² across all emissions scopes. This represents a 17% improvement in energy intensity of the portfolio, and a 48% improvement in emissions intensity. These will be key metrics as we progress with our delivery strategy.

Overall, the Company remains on track in terms of progress towards its net-zero targets of 2030 and 2040 respectively. We will continue to monitor our progress against our net-zero pathway annually, and work to deliver on the actions outlined in our delivery strategy above, supported by the Investment Manager’s investment process, which ensures that net-zero thinking is integrated into all investment decisions.

**Physical Climate Risk**

Company Approach to Physical Climate Risks

Physical climate risks are those that relate to an asset’s vulnerability to factors such as increasing temperatures and extreme weather events as a result of climate change. Exposure to physical risks may result in, for example, direct damage to assets, rising insurance costs or supply chain disruption.

We must also consider the costs of adaptation (i.e. the infrastructure required to protect from physical damage).

Following our Company commitment to undertake scenario analysis to better understand the resilience of CRE assets and the extent to which they are exposed to physical climate risk, the Company has engaged in 3 rounds of analysis to evaluate the acute and chronic physical risks associated with the buildings owned by the Company.

The results of this assessment include (but are not limited to) an overview of how asset value at risk may change over time, as a result of chronic and acute physical risks.

**Results of Analysis**

In the first two rounds of analysis (concluded in 2021 and 2022 respectively), the Company’s assets were modelled under a “worst-case” climate change scenario (an increase of around 4 degrees Celsius, above pre-industrial levels) to identify any relevant physical risks.

The results of the next phase of physical risk assessment analysis against an increased number of climate scenarios are currently being finalised. The results of such analysis will be used to inform any subsequent required measures to limit our exposure to such risks. The intention of the third round of physical climate risk analysis (to be concluded in early 2023) is to obtain a more holistic view of the physical risks associated with our assets, under a broader range of climate scenarios.

More information on the abrdn approach to physical climate risk assessment analysis against an increased number of climate scenarios is currently being finalised. The results of such analysis will be used to inform any subsequent required measures to limit our exposure to such risks. The intention of the third round of physical climate risk analysis (to be concluded in early 2023) is to obtain a more holistic view of the physical risks associated with our assets, under a broader range of climate scenarios.

The Company continues to work with an external third-party data provider to analyse such risks, and their materiality. It should also be noted that no significant risks to the Company’s assets have been identified at this stage. In the event significant risks are identified by any subsequent physical climate risk analyses, the Company will take appropriate action to limit their exposure to such risks.

**Next Steps**

Physical climate risk assessment remains a fundamental part of the Investment Manager’s investment process, and are considered in detail during acquisition, asset-management and development/refurbishment.

The round of analysis completed in 2022 shows a marginal decrease in operational costs until 2031, driven by the decrease in heating costs, due to the climate change-related increase in average temperatures.

Cooling costs and costs associated with extreme wind and flooding do increase, but by less than the decrease in heating costs, resulting in a net decrease. From 2050 to 2065, operational costs appear to marginally increase, as the cooling and flooding costs intensify for a few assets, surpassing the savings from the reduced need to heat the assets.

It should be noted that data quality and methodologies in the physical climate risk space are continually evolving, and the Company continues to work with an external third-party data provider to analyse such risks, and their materiality. It should also be noted that no significant risks to the Company’s assets have been identified at this stage. In the event significant risks are identified by any subsequent physical climate risk analyses, the Company will take appropriate action to limit their exposure to such risks.
The Company is committed to implementing the recommendations of the TCFD to provide investors with information on climate risks and opportunities that are relevant to the business.

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

Transition risks are those that relate to an asset, portfolio or company's ability to decarbonize. An entity can be exposed to risks related to changes in carbon prices, regulation, technological change and shifts in demand related to the transition.

Physical risks are those that relate to an entity's vulnerability to factors such as increasing temperatures and extreme weather events as a result of climate change. Exposure to physical risks may result in higher insurance premiums for assets, physical asset damage, or decreased asset value.

The table below provides a brief overview of our implementation of the TCFD recommendations. Note that this disclosure aligns the recognition of transition and physical risks, but we are working towards a more comprehensive TCFD approach.

At an operational level, the Investment Manager is responsible for integrating consideration of climate risks and opportunities into the investment and asset management process. The Company adopts the Investment Manager’s approach to addressing climate risks and opportunities into the investment and asset management process. The Company considers its position as a portfolio manager to be in the remit of the Investment Manager. The Company acknowledges that the Investment Manager’s assessment of transition and physical risks is informed by industry benchmarks including industry guidance and ESG priorities of the Fund, to form a view of anticipated decarbonisation costs over the next 10-year period.

\[
\begin{align*}
\text{Risk Management section on pages } 38 \text{ to } 45. \\
\end{align*}
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The Company’s processes for identifying and assessing climate-related risks

High-level overview of the Company and Investment Manager’s processes for assessing and managing climate-related risks on “acquisition and 'standing investments'” included below:

Risk Management

Climate-related risks and opportunities are considered and assessed by the Company’s Risk Committee.

The Company employs the Investment Manager’s approach to assessing climate-related risks and opportunities as part of our due diligence process. This includes assessment of significant climate-related impacts (e.g. TCFD disclosures), risk management, and strategy and corporate governance. We consider climate-related risks and opportunities to be one of our priority ESG-related risks and opportunities to be prioritised for investment decision-making.

The Company discloses its greenhouse gas emissions (alongside other related performance metrics on pages 22 to 25). Data on emissions is set out on pages 105 to 111. The EPRA disclosure included on pages 105 to 111. The EPRA disclosure included on pages 105 to 111.

The metrics used by the organisation to assess climate-related risks and opportunities live with the strategy, planning and management process.

Scope 1 Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks

The metrics used by the organisation to assess climate-related risks and opportunities are reported in our strategy, planning and management process.

The targets used by the organisation to manage climate-related risks and opportunities and performance against targets

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The targets used by the organisation to manage climate-related risks and opportunities and performance against targets
Company approach to measuring societal value: The Company seeks to have a practical positive impact on the local communities where it invests. As previously indicated we have been working with a third party consultant to assess the economic value of the portfolio to society. Our study is based on the outputs of a proprietary 40-topic questionnaire which covers the 21 material ESG indicators that the Investment Manager assesses as part of its investment process.

To gauge effectiveness, we sampled five assets covering different sectors which were fed into a bespoke ‘Value to Society’ model, provided by our external consultant, along with associated environmental data, including energy and water consumption, GHG emissions and waste generation figures. The output seeks to attach a range of positive and negative economic values to the results of the questionnaire to arrive at an economic value to society for the asset. It also considers the impact on key stakeholders such as tenant employees, local groups and the Government.

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Wider Company ESG Action - Societal Value

Summary of Analysis

- The nature and type of the asset (directly managed vs tenant controlled) directly influence the Company’s ability to contribute to, and generate, societal value. It is clear that where there are substantial common parts, and where the Company has a greater element of management control at the asset, there is greater potential to drive programmes to enhance societal value. This can be through positive initiatives engaging with the community or charities. Whilst this greater control also means the Company has more scope to minimise the negative societal value impacts associated with the asset’s environmental footprint by initiatives like reducing emissions. Where assets are let in their entirety or largely controlled by tenants the Company normally has less influence in these areas. However, we know that there are still opportunities to work with our tenants to help manage their own social value impact, and we will continue to work with such tenants to support this.

- The largest stakeholder beneficiaries of the portfolio are the tenants’ employees through the provision of places of employment and opportunities to develop skills.

- Balancing our positive and negative contributions to societal value is important to us. It is clear that by continuing to implement our ESG investment process (see Approach to ESG) we are continuing to consider opportunities relating to social sustainability as part of our investment decisions, we can look to maximise the Company’s contribution to societal value wherever possible.

- Following this, by continuing to deliver on our environmental-focussed Company-defined ESG priorities (including carbon reduction and energy efficiency, physical climate risk and land/water contamination, alongside wider initiatives on biodiversity) we can mitigate the inherent negative social impacts of our investments as far as possible.

Practical Examples of Positive Societal Impact

- The Rotunda, Kingston. This leisure asset has a stunning mural and focal point. As well as hosting the KIFF festival in its inaugural year and a vacant unit was transformed into a Film Studio, where KIFF hosted interviews, workshops, and planning meetings. To pre-promote the festival and enliven the walkway into the building’s Odense cinema we commissioned a local artist SKY EHS to create a stunning mural and focal point. As well as hosting a children’s film-making workshop. The Rotunda sponsored the Best Documentary award and films were screened by key cinema tenant Odense.

- Trafford Retail Park, Manchester. This retail park asset, comprising entirely tenant-leased units with minimal common parts, inherently harbours much less potential to create value for the local community beyond the provision of employment and quality retail space. Despite this, the Company is always looking for innovative ways to create societal value. The asset’s digital platforms have been used to support global causes, most recently supporting the Care the Children Appeal to raise funds to support those affected in both Turkey and Syria. The exercise was also replicated at St George’s Retail Park in Leicester. This has been a great base for a growing relationship with Save the Children.

- The Company will continue to use the Investment Manager’s material ESG indicators as part of its investment process, and continue to manage key social-related risks and opportunities. We consider that there is limited value in conducting further specific value to society calculations focused on attaching an economic value to initiatives at this stage but we remain focussed on a holistic ESG approach seeking to positively impact the communities where we invest.

Wider Company ESG Action - Biodiversity

Company approach to biodiversity: The Company is committed to exploring opportunities to increase biodiversity within its property portfolio and the Investment Manager has sought to implement practical steps to generate a positive impact. The approach to understanding the Company’s impact on biodiversity from its real estate investments, is based on two phases in the property lifecycle:

1. The Construction Phase – For construction/development sites, there are two aspects to consider the impact on biodiversity. The first is to focus directly on the existing site and target biodiversity net gain. The second is to actively engage with the supply chains of the materials used to construct the buildings to reduce the impact on biodiversity upstream.

2. The Use Phase – For buildings already standing, where we have management control and can be directly involved on site, the Company can optimise the site for biodiversity as much as possible (e.g. native species planting alongside installation of bird and bat boxes). Where our occupiers have control, we can engage and work together to improve the building’s environmental surroundings.

We have initiated a programme of best practice with our managing agents to ensure each asset is assessed with a view to optimising landscaping regimes to support greater biodiversity.

Biodiversity Initiatives

- The Company has installed several ‘bug hotels’ to provide shelter and refuge for insects within landscaped areas which often surround the properties. These have been successfully installed across a variety of assets such as the office building at Central Square, Newcastle and Ventura Park in Radlett. Ventura Park in Radlett is also home to a wild flower garden and bee hives. The bees had a productive year in 2022 and the honey they produced was sold to raise £115 for Peace Hospice care in nearby Watford.

- As part of the student housing development at Gilestone Road in Esher, 42 ‘beehives’ were included along the building elevations to provide nesting areas for bees and there are plans to install bat boxes on terraces within the landscaped surrounds. At St George’s Retail Park in Leicester a variety of wild flowers were also planted at the entrance to the park and a bespoke QR code was added to Park signage to provide information to customers in ways they can transform their own gardens in a wildlife haven.

Next Steps

- Working alongside its tenants and the property manager JLL, the Company will continue to provide opportunities to increase biodiversity within its portfolio and the Investment Manager has sought to implement practical steps to generate a positive impact.

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2022 PORTFOLIO & ANALYSIS
(all figures as at 31 December 2022)

TOP 10 TENANTS BY RENT

No. 1
OCADO RETAIL LIMITED
Industrial
5.8% of contracted rent

No. 2
PUBLIC SECTOR
Industrial & Office
4.9% of contracted rent

No. 3
WARNER BROS LIMITED
Industrial
4.2% of contracted rent

No. 4
AMAZON UK SERVICES LIMITED
Industrial
4.0% of contracted rent

No. 5
ARMSTRONG LOGISTICS
Industrial
3.5% of contracted rent

No. 6
TOTAL ESP UK LIMITED
Industrial
3.5% of contracted rent

No. 7
CINEWORLD ESTATES LIMITED
Alternatives
2.8% of contracted rent

No. 8
KANTAR
Office
2.7% of contracted rent

No. 9
BSG PLC
Retail/Wholesale
2.7% of contracted rent

No. 10
ODEON CINEMAS LIMITED
Alternatives
2.7% of contracted rent

SECTOR SPLIT V BENCHMARK

LEASE EXPIRY PROFILE

PORTFOLIO SPLIT BY SUB SECTOR

PORTFOLIO SPLIT BY GEOGRAPHY
<table>
<thead>
<tr>
<th>PROPERTY</th>
<th>Tenure</th>
<th>Sector</th>
<th>Principal Tenant</th>
<th>Value Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ventura Park, Radlett</td>
<td>Freehold</td>
<td>Industrial</td>
<td>Warner Bros Studios Ltd</td>
<td>Over £70m (representing 27.2% of the portfolio capital value)</td>
</tr>
<tr>
<td>Wrenth-Coe House, London, N12</td>
<td>Leasehold</td>
<td>Industrial</td>
<td>Amazon UK Services Ltd</td>
<td></td>
</tr>
<tr>
<td>Dolphin Estate, Sunbury-on-Thames</td>
<td>Freehold</td>
<td>Industrial</td>
<td>Trans Global Freight Management Ltd</td>
<td></td>
</tr>
<tr>
<td>Ocado Distribution Unit, Hatfield Business Area, Hatfield</td>
<td>Freehold</td>
<td>Industrial</td>
<td>Ocado Retail Ltd</td>
<td></td>
</tr>
<tr>
<td>Newton’s Court, Dartford</td>
<td>Freehold</td>
<td>Industrial</td>
<td>Vauestyle Ltd</td>
<td></td>
</tr>
<tr>
<td>Junction 27 Retail Park, Birstall, Leeds</td>
<td>Freehold</td>
<td>Retail Warehouse</td>
<td>Barker &amp; Stonehouse Ltd</td>
<td>£40m–£70m (representing 16.2% of the portfolio capital value)</td>
</tr>
<tr>
<td>KDock 37F, Mogno Park, Lutterworth</td>
<td>Leasehold</td>
<td>Industrial</td>
<td>Armstrong Logistics Ltd</td>
<td></td>
</tr>
<tr>
<td>The Retreat, Kingston-upon-Thames</td>
<td>Freehold</td>
<td>Alternatives</td>
<td>Odeon Cinemas Ltd</td>
<td></td>
</tr>
<tr>
<td>1 Ventura Park, Radlett</td>
<td>Freehold</td>
<td>Industrial</td>
<td>Kneer-Bremus Systems Ltd</td>
<td></td>
</tr>
<tr>
<td>The White Building, St Albans</td>
<td>Freehold</td>
<td>Office</td>
<td>Barracuda Networks Ltd</td>
<td></td>
</tr>
<tr>
<td>Molson Hotel, Newcastle</td>
<td>Leasehold</td>
<td>Alternatives</td>
<td>Data Group plc</td>
<td></td>
</tr>
<tr>
<td>Trafford Retail Park, Manchester</td>
<td>Freehold</td>
<td>Retail Warehouse</td>
<td>Dunelm (Soft Furnishings) Ltd</td>
<td></td>
</tr>
<tr>
<td>B&amp;O, Bowo Corner, Bermond</td>
<td>Freehold</td>
<td>Retail Warehouse</td>
<td>B&amp;Q PLC</td>
<td></td>
</tr>
<tr>
<td>Georgian Court, Hatfield</td>
<td>Freehold</td>
<td>Office</td>
<td>Karier UK Ltd</td>
<td></td>
</tr>
<tr>
<td>St George's Retail Park, Leicester</td>
<td>Freehold</td>
<td>Retail Warehouse</td>
<td>Aldi Stores Ltd</td>
<td></td>
</tr>
<tr>
<td>Gilmore Place, Edinburgh</td>
<td>Freehold</td>
<td>Alternatives</td>
<td>Edinburgh University</td>
<td></td>
</tr>
<tr>
<td>Tote, Aberdeen Gateway, Aberdeen</td>
<td>Freehold</td>
<td>Industrial</td>
<td>Total EAP UK Ltd</td>
<td></td>
</tr>
<tr>
<td>Centerum 260, Burton on Trent</td>
<td>Freehold</td>
<td>Industrial</td>
<td>Pallfieix plc</td>
<td></td>
</tr>
<tr>
<td>Glenarm Road, Easter</td>
<td>Freehold</td>
<td>Alternatives</td>
<td>Direct letting to university students</td>
<td></td>
</tr>
<tr>
<td>Gatwick Gate Industrial Estate, Crawley</td>
<td>Freehold</td>
<td>Industrial</td>
<td>International Logistics Group Ltd</td>
<td></td>
</tr>
<tr>
<td>30-40 George Street, Edinburgh</td>
<td>Freehold</td>
<td>Industrial</td>
<td>TK Maxx Ltd</td>
<td></td>
</tr>
<tr>
<td>Asston, Precision Park, Leamington Spa</td>
<td>Freehold</td>
<td>Industrial</td>
<td>Public Sector</td>
<td></td>
</tr>
<tr>
<td>Craven House, Faulder’s Place, London, W1</td>
<td>Freehold</td>
<td>Office</td>
<td>Molinare Ltd</td>
<td></td>
</tr>
<tr>
<td>Cineworld Complex, Glasgow</td>
<td>Freehold</td>
<td>Alternatives</td>
<td>Cineworld Group plc</td>
<td></td>
</tr>
<tr>
<td>St George’s, George Street, Edinburgh</td>
<td>Freehold</td>
<td>Office</td>
<td>Clydesdale Bank plc</td>
<td></td>
</tr>
<tr>
<td>Tenison Point, Swadlincote</td>
<td>Freehold</td>
<td>Industrial</td>
<td>Clipper Logistics plc</td>
<td></td>
</tr>
<tr>
<td>Sussex Junction, Bolney</td>
<td>Freehold</td>
<td>Industrial</td>
<td>CIGG (UK) Ltd</td>
<td></td>
</tr>
<tr>
<td>Integra, Precision Park, Leamington Spa</td>
<td>Freehold</td>
<td>Industrial</td>
<td>Iron Mountain (UK) Ltd</td>
<td></td>
</tr>
<tr>
<td>Whitfield Road, Stoke-on-Trent</td>
<td>Freehold</td>
<td>Industrial</td>
<td>Bestway Pharmacy NDC Ltd</td>
<td></td>
</tr>
<tr>
<td>Auro, Precision Park, Leamington Spa</td>
<td>Freehold</td>
<td>Office</td>
<td>Tata Technologies Europe Ltd</td>
<td></td>
</tr>
<tr>
<td>No 3 Temple Quay, Bristol</td>
<td>Freehold</td>
<td>Office</td>
<td>Public Sector</td>
<td></td>
</tr>
<tr>
<td>Interchange Way West, Bordon</td>
<td>Freehold</td>
<td>Industrial</td>
<td>Ricola</td>
<td></td>
</tr>
<tr>
<td>Capital Square Offices, Forth Street, Newcastle Upon Tyne</td>
<td>Freehold</td>
<td>Office</td>
<td>Ovo Agri &amp; Partners International Ltd</td>
<td></td>
</tr>
<tr>
<td>Asda, Torquay</td>
<td>Freehold</td>
<td>Industrial</td>
<td>Asda Stores Ltd</td>
<td></td>
</tr>
<tr>
<td>Regents Circus, Swindon</td>
<td>Freehold</td>
<td>Alternatives</td>
<td>WM Morrison Supermarkets plc</td>
<td></td>
</tr>
<tr>
<td>1A-22 West Street, Marlow</td>
<td>Freehold</td>
<td>High St, Retail</td>
<td>Sainsbury’s Supermarket Ltd</td>
<td></td>
</tr>
<tr>
<td>Connick Way Theatre</td>
<td>Freehold</td>
<td>Industrial</td>
<td>Rhemus Logistics Ltd</td>
<td></td>
</tr>
<tr>
<td>Hyatt Hotel, Leeds-Funding</td>
<td>Leasehold</td>
<td>Alternatives</td>
<td>Under Development (PC date–Q2 2024)</td>
<td></td>
</tr>
<tr>
<td>Tetra, Aberdeen Gateway, Aberdeen</td>
<td>Freehold</td>
<td>Industrial</td>
<td>Tetra Technologies UK Ltd</td>
<td></td>
</tr>
<tr>
<td>Development Site, Precision Park, Leamington Spa</td>
<td>Freehold</td>
<td>Industrial</td>
<td>Under Development (PC date–Q2 2023)</td>
<td></td>
</tr>
</tbody>
</table>

Overall number of properties: 42
Total number of tenancies: 104
Total average property value: £32.7 million
Total floor area: 7,830,000 sq ft
Freehold / Leasehold (leases over 100 years): 92% / 8%
STRATEGIC OVERVIEW

Investment Strategy

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

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

Investment Policy

The Company focuses on identifying and acquiring income-producing assets and looks to identify assets that benefit from wider infrastructure improvements delivered by others where possible. The Company also recognises that the experience of tenants is paramount and hence the Investment Manager works closely with tenants to understand their needs through engagement with all its stakeholders is set out in the Chair’s Statement and the Investment Manager Review.

In addition, members of the Board visit properties and where appropriate engage with tenants directly which enables the Board to have an enhanced understanding of such property and the tenants’ requirements. Further details of how the Company engages with all its stakeholders is set out in the Stakeholder Engagement section of the Annual Report accompanying section 12 of the UK Companies Act 2006 on page 47.

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

“Investment risks to the Group are managed by investing in a diversified portfolio of freehold and long leasehold UK commercial properties. The Group invests in income-producing assets across the commercial property sectors including industrial, offices, retail and other alternative commercial property sectors. The Group has not set any maximum geographic exposures within the UK or any maximum weighting limits in any of the principal property sectors. No single property shall, however, exceed at the time of acquisition 15 per cent of the gross assets of the Group.”

The Group’s performance in meeting its objective is measured against key performance indicators as set out on pages 36 to 37. A review of the Group’s returns during the year, the position of the Group at the end of the year, and the outlook for the coming year is contained in the Chair’s Statement and the Investment Manager Review.

The Board of Directors is responsible for the overall stewardship of the Group, including investment and dividend policies, corporate strategy, corporate governance, and risk management. Biographical details of the Directors, all of whom are non-executive, can be found on pages 50 to 51 and indicate their range of property, investment, commercial, professional, financial and governance experience. The Company has no executive Directors or employees.

Although not part of the Company’s formal investment policy, the Board intends to limit the Company’s investment into alternative sectors to 15 per cent of the gross assets of the Group at the time of acquisition.

The Group’s current gearing policy, as approved by shareholders, is as follows: “Gearing, calculated as borrowings as a percentage of the Group’s gross assets, may not exceed 15 per cent. The Board intends that borrowings at the time of drawdown will not exceed 25 per cent of the total assets of the Group. The Board receive recommendations on gearing levels from the Investment Manager and is responsible for setting the gearing range within which the Investment Manager may operate”.

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Management of Assets and Shareholder Value

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

The Group invests in properties in which the Investment Manager believes will generate returns during the year, the position of the Group at the end of the year, and the outlook for the coming year is contained in the Chair’s Statement and the Investment Manager Review.

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STRATEGIC OVERVIEW

Continued

Key Performance Indicators

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

<table>
<thead>
<tr>
<th>TOTAL RETURNS</th>
<th>1 year</th>
<th>3 year</th>
<th>5 year</th>
<th>Why we use this indicator</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Asset Value Total Return</td>
<td>–18.1</td>
<td>–1.3</td>
<td>3.3</td>
<td>We use NAV and share price total returns to measure the performance of the Investment Manager in terms of growth of the Company taking account of dividends paid to shareholders.</td>
</tr>
<tr>
<td>Share Price Total Return</td>
<td>–16.2</td>
<td>–8.9</td>
<td>–1.8</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>PORTFOLIO PERFORMANCE</th>
<th>1 year</th>
<th>3 year</th>
<th>5 year</th>
<th>Why we use this indicator</th>
</tr>
</thead>
<tbody>
<tr>
<td>UKCM Direct Portfolio Total Return</td>
<td>–13.3</td>
<td>2.1</td>
<td>2.7</td>
<td>We use portfolio performance because it shows the success of the portfolio strategy without the impact of gearing and corporate costs.</td>
</tr>
<tr>
<td>MSCI Benchmark Total Return</td>
<td>–9.6</td>
<td>1.4</td>
<td>2.6</td>
<td></td>
</tr>
<tr>
<td>UKCM Direct Portfolio Income Return</td>
<td>–3.7</td>
<td>3.9</td>
<td>4.0</td>
<td></td>
</tr>
<tr>
<td>MSCI Benchmark Income Return</td>
<td>4.0</td>
<td>4.3</td>
<td>4.4</td>
<td></td>
</tr>
<tr>
<td>UKCM Direct Portfolio Capital Return</td>
<td>–26.5</td>
<td>–1.7</td>
<td>–1.3</td>
<td></td>
</tr>
<tr>
<td>MSCI Benchmark Capital Return</td>
<td>–13.1</td>
<td>–2.7</td>
<td>–0.9</td>
<td></td>
</tr>
</tbody>
</table>

EARNINGS, EXPENSES AND DIVIDENDS

| EPRA earnings per share (Pence) | 3.15 | 2.65 | 2.71 | We use EPRA earnings per share because they measure the operating profit generated by the business from the core property rental business which underpins dividends. |
| Dividend paid per ordinary share (Pence) | 3.25 | 2.923 | 2.30 | We use dividend paid because it reflects the Company’s ability to deliver a sustainable income stream from its portfolio. |
| Dividend cover | 97 | 111 | 118 | We use dividend cover because it indicates the Company’s capacity to pay dividends from the rental business attributable to shareholders. |
| Ongoing charges excluding direct property costs [%] | 0.7 | 0.8 | 0.8 | We use ongoing charges because it shows how efficiently the business is being run, and the extent to which economies of scale are being achieved. |
| Vacancy rate [%] | 2.0 | 2.1 | 6.5 | We use vacancy rate because the Company’s aim is to minimise vacancy of the properties to help underpin dividends. |

NON-FINANCIAL KPIS

| EPC rating A-G [%] | 77 | 75 | 66 | Energy Performance Certificates (EPCs) indicate how energy efficient a building could be by assigning a rating from ‘A’ (very efficient) to ‘G’ (very inefficient). |
| Carbon emissions [Scope 1 & 2] (tonnes CO₂e) | 728 | 1,243 | 1,336 | This indicates the absolute amount of greenhouse gas emissions associated with the landlord’s operational activities across the portfolio. |
| Global Real Estate Sustainability Benchmark – GRESB [score] | 75 | 73 | 67 | This benchmark is the leading global sustainability benchmark for real estate vehicles. It is used by investors to understand and measure the performance against the most important ESG metrics. |

Given the structure of the Company and the Company’s knowledge of its underlying shareholder base, it is believed these measures are the most appropriate for shareholders to determine the performance of the Company. Commentary can be found in the Chair’s Statement, Investment Manager Review and Environmental, Social & Governance Report.
### Principal Risks

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

<table>
<thead>
<tr>
<th>Risk Category</th>
<th>Risk</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Risk</td>
<td>D</td>
<td>Macro-economic changes (e.g. levels of GDP, employment, inflation and interest rate movements), political changes (e.g. new legislation and regulation), structural changes (e.g. disruptive technology, demographically- or globo-events (e.g. pandemics, war, terrorist attacks, oil price disruptions) can all impact the commercial property market, both its capital value and income generation, its liquidity and access to finance and the underlying businesses of its tenants. This encompasses real estate market risk, interest rate risk, liquidity risk and credit risk, all of which are covered in more detail in note 18 to the accounts.</td>
</tr>
<tr>
<td>Mitigating Controls</td>
<td>A</td>
<td>The Risk Committee, with the help of the Investment Manager’s extensive research resources and market intelligence, surveys the full-risk landscape of the Company in order to identify increasing and emerging risks to which the Company may be exposed in the future. In particular, the Risk Committee questions which parts of the Company’s business may be vulnerable to disruption, including but not limited to the business models of its key tenants and its outsourced third-party suppliers. The Risk Committee not only reviews the existing portfolio of investments but also ensures that the Company may be exposed in the future.</td>
</tr>
<tr>
<td>Operations Risk</td>
<td>I</td>
<td>Poor service and inadequate control processes at the Company’s outsourcing suppliers may lead to disruption, error and fraud, and increasingly, cyberattacks. The Company’s key service providers are the Investment Manager, the Company Secretary, the Property Agreer, the Valuer and the Registrar and are assessed at least annually through the Management Engagement Committee, or more often during times of risk.</td>
</tr>
<tr>
<td>Governance Risk</td>
<td>C</td>
<td>The Risk Committee works closely with the Audit Committee to examine the effectiveness of the risk management systems and internal control systems upon which the Company relies to reduce risk. This monitoring covers all material controls, including financial, operational and compliance controls. All risks and mitigating measures are reviewed by the Risk Committee at least quarterly, and any significant changes to the Risk Matrix are presented to the Board.</td>
</tr>
</tbody>
</table>

### Risk Management

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

The Board recognises its responsibility to carry out a robust assessment of the Company’s principal risks and emerging risks. Principal risks are defined as those that could result in events or circumstances that might threaten the Company’s business model, future performance, solvency or liquidity and reputation. Emerging risks are those that have not yet occurred but are at an early stage of development or are current risks that are not yet rated. Ill-judged property investment decisions and associated redevelopment and refurbishment may lead to health and safety dangers and environmental issues, including climate change resilience, and ultimately to poor investment returns.

### Risk Appetite

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

Emerging risks have been identified by the Risk Committee through a process of evaluating emerging trends, forecasts, and new information that have increased materially in this year, and subsequently, or through market intelligence are expected to significantly impact and affect the Company. Any emerging risks are likely to cause disruption to the Company and could adversely affect the Company’s financial performance and prospects. Alternatively, if recognised, could also provide opportunities for transformation.

Economic and Geopolitical

Russia’s invasion of Ukraine is the largest, most dangerous military conflict in Europe since WWIII. Russian President Vladimir Putin failed in his initial attempt to destroy Ukrainian sovereignty and has since increased attacks on Ukraine’s energy and civilian infrastructure. A settlement or even a ceasefire is unlikely for now. Instead, an extended conflict is anticipated, alongside a long-term political, economic and social impact on the West and Russia. Intentional or accidental escalation between NATO and Russia remains a risk.

The Investment Manager expects global markets to remain volatile. From a macro-economic perspective, higher medium-term oil, gas, and food prices alongside financial market disruption and sanctions on Russia are likely to lead to an increase in already elevated inflationary pressures, which will in turn weaken the outlook for economic growth. There is also the risk of further interest rate increases. This period of prolonged uncertainty, with impacts for Europe in particular, is clearly a potential outcome.

Tensions are also increasing in the relationship between the United States and China which could lead to further protectionism and a decline in global trade. In particular, the future of Taiwan hangs in the balance and is one of the largest producers and exporters of microchips on which the world relies. Any conflict could cause considerable disruption to its independence and an instability in the supply of microchips.

The current economic and geopolitical environment is unpredictable and challenging. Any changes to the climate we may affect real estate valuations the Company’s portfolio.

Climate

Climate change is becoming more apparent and its impact on the environment and the economies is expected to continue to increase. The current science is clear; the increase in greenhouse gas emissions is leading to an increase in global temperatures and rising sea levels. A continued increase is predicted. More extreme weather events are also expected to increase. Climate change is expected to cause considerable disruption to the Company’s portfolio.

The Company expects its portfolio to be climatically resilient, with the Company’s strategy being focused on locations that will reduce the exposure of companies with high environmental impact. The Company’s focus is on reducing its carbon footprint and a net zero carbon target of 2040 for all carbon emissions.

The Company has recently set a net zero carbon target of 2040 for all carbon emissions, including sources of GHG emissions not directly held by the Company. It was awarded an ‘A’ score for Public Disclosure by GRESB against a peer group average of B and received an EPRA “Gold” rating for European Sustainability Benchmark (“GRESB”) since 2015. It has been recognised as a top performer in sustainability within its peer group.

The Company considers its impact on the environment and its local areas, and works closely with key stakeholders – investors, occupiers, neighbours and communities – to ensure that all parties have responsibility to achieve a more sustainable property performance.

The Investment Manager employs its own proprietary research framework, which is applied to all properties within the portfolio.

The Investment Manager also engages S2 Partnership Limited who provide an independent Health & Safety review and fire risk assessment of all multi- tenancy properties on a quarterly basis. This ensures that Health & Safety is a priority and any breaches are addressed in a timely manner.

The Company’s strategic objectives and performance, both absolute and relative, to its benchmark and its peer group. The Company’s performance is reviewed by the Board and compared against the Company’s benchmark and its peer group.

In-depth research is undertaken on each property at acquisition with a view to include the acquisition criteria. The Company’s team who will respond to any queries concerning the discount. Experienced advisers on environmental, social and governance matters are also consulted both internally at the Investment Manager and externally where required.

DISC rating benchmarks have been set to ensure compliance with Minimum Energy Efficiency Standards (MEES). The Company has recently set a net zero carbon target of 2040 for all carbon emissions, including sources of GHG emissions not directly held by the Company. It was awarded an ‘A’ score for Public Disclosure by GRESB against a peer group average of B and received an EPRA “Gold” rating for European Sustainability Benchmark (“GRESB”) since 2015. It has been recognised as a top performer in sustainability within its peer group.

The Investment Manager has adopted a thorough environmental policy which is applied to all properties within the portfolio.

INVESTMENT AND ASSET MANAGEMENT RISKS: HEALTH & SAFETY

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

- Health & safety checks are included as a key part of due diligence for any new acquisitions.
- For existing multi-tenancy properties, the Property’s Agent (Large Landlord) is responsible for managing and monitoring health & safety measures in the Portfolio.
- The Investment Manager monitors on an ongoing basis all identified Health & Safety issues with site managers and also with the Property Agent.
- The Investment Manager also engages S2 Partnership Limited who provide an independent Health & Safety review and fire risk assessment of all multi-tenant properties on an annual basis.
- The Risk Committee reviews the Company’s Health & Safety performance quarterly.

INVESTMENT AND ASSET MANAGEMENT RISKS: ENVIRONMENTAL

Properties could be negatively impacted by an extreme environmental event (e.g. flooding) or the Company’s own asset management activities could cause environmental damage. The Company’s changes have changed over time and could cause noise issues than anticipated, leading to legislative changes. Failure by the Company to achieve existing and future environmental standards could adversely affect the Company’s reputation, resulting in financial and increased costs and ultimately a reduction in the value of assets and loss of energy efficiency. The Company may have debugs during the construction process, which may require additional work and cost. The Property Agent must ensure that all landlords’ accounts are correct and that no landlord’s accounts are incorrect. A financial risk assessment of all multi-tenant properties on an annual basis. The Investment Manager’s policies are designed to achieve a more sustainable property performance.

The Company is involved in a pre-emptory research framework, which is applied to all properties within the portfolio. The Company’s benchmark and its peer group. The Company’s performance is reviewed by the Board and compared against the Company’s benchmark and its peer group. Experienced advisers on environmental, social and governance matters are also consulted both internally at the Investment Manager and externally where required.

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A full review of EPC ratings across the Group’s portfolio has been undertaken and a strategy put in place to ensure compliance with all the deadlines for significantly reducing standards between now and 2025. These units are reviewed and are being actively assessed and upgraded. A full review of EPC ratings across the Group’s portfolio has been undertaken and a strategy put in place to ensure compliance with all the deadlines for significantly reducing standards between now and 2025. These units are reviewed and are being actively assessed and upgraded. A full review of EPC ratings across the Group’s portfolio has been undertaken and a strategy put in place to ensure compliance with all the deadlines for significantly reducing standards between now and 2025. These units are reviewed and are being actively assessed and upgraded.

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STRATEGIC OVERVIEW

Continued

The property market is fluid and any changes in the economic environment, the level of interest rates, the levels of unemployment, inflation, interest rates, exchange rates, market sentiment and investor sentiment can have a significant impact on property values (not least because of the long lead times required to acquire and dispose of property investments). These factors may also impact the inflows and outflows of funds to property investments, which can in turn impact the underlying business (market risk and credit risk). This may be reflected in a decline in share prices, as Net Asset Value per share and earnings per share of the Company. While the inflows of investments into or outflows from the Company could fluctuate, in reaction to different macroeconomic and property market trends.

Risks & Impact

The ability of markets to react to macroeconomic conditions when calculating property forecasts. This necessitates that the Investment Manager is able to act quickly to take advantage of opportunities in the property market, and to mitigate against any risk concentration where possible.

The ability to assess and maintain the capital structure of the Group at the time of drawdown will not exceed 20% of the total assets of the Group.

A rigorous portfolio review is undertaken by the Investment Manager and presented to the Board on a regular basis.

Annual cash flows are developed for each property, ensuring that inherent value can be realised through active asset management.

Headline inflation looks to have peaked with the Consumer Price Index falling from 10.7% to 10.5% in December from 10.7% to 10.5%. Powerful base effects combining with global supply chain disruption could lead to inflation being higher than expected in the near term.

The Group has increased gearing levels to 20%, which is still relatively low for its peer group. The Investment Manager has relationships with multiple funders and wide support from current and potential new lenders, which provides flexibility in the way funds are sourced and invested.

The Group had also drawn down £93 million of its £180 million revolving credit facility, which is on a floating rate basis, and provides flexibility to meet capital requirements and project expenditures. The Group also has a £49 million line of credit, which can be drawn down to meet working capital requirements. The Group has a bad debt provision of £5.1m for ultimate non-payment of rent, which accounts for 0.6% of the total rent income.

The Board approves every material acquisition and disposal.

The Group has 196 tenants, with the top 10 tenants representing 37% of the occupancy of the Group’s capital commitments. The Group has 196 tenants, with the top 10 tenants representing 37% of the occupancy.

D  FINANCIAL RISKS: MACROECONOMIC

An inappropriate level of gearing, misjudging investment levels in a cyclical market, could result in losses to shareholders and therefore have a significant impact on the Company’s share price, Net Asset Value per share and earnings per share of the Company. Falls in the property market could also result in a fluctuation of share price and earnings per share.

The Board intends that borrowing of the Group at the time of drawdown will not exceed 20% of the total assets of the Group.

A low gearing limit means that the Company should, barring exceptional circumstances, have adequate resources to service and repay its debt.

The Group’s diversified, prime commercial property portfolio provides a sustainable and income-producing stream. The Group’s diversified, prime commercial property portfolio provides a sustainable and income-producing stream.

The Investment Manager has relationships with multiple funders and wide support from current and potential new lenders, which provides flexibility in the way funds are sourced and invested.

Market yield expansion following the peak in interest rates and macroeconomic uncertainty, increased the risk in general of potential loan covenant breaches and refinancing risk for some property companies with short-term debt. With debt levels unchanged, gearing has increased to 20%.

At year end, gearing was 20%, relatively low for its peer group. The Board is closely monitoring the levels of investment grade bonds and is taking proactive steps to ensure a smooth transition to a new issuer and to maintain access to the capital markets.

The Group’s contracted rental income, and no single tenant accounting for 10% of the total rental income. The Group’s contracted rental income, and no single tenant accounting for 10% of the total rental income.

Market rent market liquidity has decreased over the second half of 2022, as the macroeconomic environment weakened and political turmoil in Russia led to significant headwinds.

The Company has a bad debt provision of £5.1m for ultimate non-payment of rent, which accounts for 0.6% of the total rent income.

The Group’s contracted rental income, and no single tenant accounting for 10% of the total rental income.

The Board is closely monitoring the levels of investment grade bonds and is taking proactive steps to ensure a smooth transition to a new issuer and to maintain access to the capital markets.

The Group is listed on the London Stock Exchange and a component of the FTSE 350 Index made up of the largest 350 companies in the UK by market capitalisation.

After allowing for capital commitments on ongoing developments, the Group has £200 million with different expiry dates (April 2027 & February 2031). The Company has a bad debt provision of £5.1m for ultimate non-payment of rent, which accounts for 0.6% of the total rent income.

The Company’s contracted rental income, and no single tenant accounting for 10% of the total rental income.

RISKS & IMPACT

See further details on risk in note 10 to the accounts on pages 94 to 98.

See further details on risk in note 10 to the accounts on pages 94 to 98.

See further details on risk in note 10 to the accounts on pages 94 to 98.
OPERATIONAL OVERVIEW

Continued

H

OPERATIONAL RISKS: SERVICE PROVIDERS

Four performance and/or time-consuming procedures at key service providers are:
- Investment Manager, Company Secretary, Property Agent, Registrar.
- Reporting of key performance indicators, such as returns on property investments and
- Financial statements and dividend payments.
- Inaccurate or incomplete information provided by key service providers could result in:
- Misleading financial statements.
- Incorrect dividend payments.
- Mismanagement of key service providers’ responsibilities.

Risks & Impact

- The Company could fall to comply with current accounting standards and regulations.
- The Company could fail to communicate with its major shareholders.
- The Company could fail to meet the requirements of REIT legislation.
- The Company could fail to communicate with key stakeholders.

Mitigation

- The Company has a strong control culture that is also reflected in the work of its service providers.
- The Company monitors the effectiveness of its service providers and regularly reviews their performance.
- The Company has established procedures to ensure ongoing compliance with REIT regulations.
- The Company has appointed experienced external tax advisors to advise on tax compliance matters.

I

OPERATIONAL RISKS: ACCOUNTING & VALUATION

Accounting records and financial statements could be incorrect or incomplete if:
- The Investment Manager and the Property Agent are not in compliance with current accounting standards.
- The CBRE, the independent valuer, is not in compliance with current accounting standards.
- All properties within the portfolio are not independently valued by CBRE.
- The Property Valuation Committee (PVC) does not review all property data at least annually.

Risks & Impact

- The Company could fail to comply with current accounting standards and regulations.
- The Company could fail to communicate with its major shareholders.
- The Company could fail to meet the requirements of REIT legislation.
- The Company could fail to communicate with key stakeholders.

Mitigation

- The Investment Manager has also monitored regularly the ability of other service providers to conduct their business effectively.
- The Company has appointed experienced external tax advisors to advise on tax compliance matters.
- The Property Agent (RA) takes over responsibility for the collection of rent and service charges in 2020.
- The Company is in compliance with current energy efficiency standards and actively working towards meeting future emitter criteria.

J

REGULATORY RISKS: REGULATORY CHANGE

The Company could fail to comply with existing legislation or adapt to new legislative changes.

Risks & Impact

- The Company could fail to comply with current accounting standards and regulations.
- The Company could fail to communicate with its major shareholders.
- The Company could fail to meet the requirements of REIT legislation.
- The Company could fail to communicate with key stakeholders.

Mitigation

- The Board receives regular updates on relevant regulatory changes from its professional advisors.
- The Company maintains a list of all regulatory changes that may impact the Company.
- The Company has appointed experienced external tax advisors to advise on tax compliance matters.
- The Company engages specialist consultants to advise on environmental matters as part of acquisition due diligence.

K

STAKEHOLDER ENGAGEMENT RISKS: COMMUNICATION

A communication breakdown with key stakeholders, particularly shareholders and tenants, could prevent the Company from understanding and responding to their needs and concerns.

Risks & Impact

- The Company could fail to comply with current accounting standards and regulations.
- The Company could fail to communicate with its major shareholders.
- The Company could fail to meet the requirements of REIT legislation.
- The Company could fail to communicate with key stakeholders.

Mitigation

- The Investment Manager communicates regularly with shareholders and tenants.
- The Board of Directors visit properties, as part of a rolling programme to ensure ongoing compliance with REIT rules.
- The Company has a high level of communication and collaboration between both parties.
- The Company has continued to visit properties when possible to ensure ongoing compliance with REIT rules.

See further details on pages 47 to 49.
The Board considers the nature of the Group’s assets and liabilities and associated cash flows both in a normal environment and also in relation to the current environment as impacted by the emerging geopolitical and economic risks.

The Board has also carried out a robust assessment of the principal risks faced by the Group, as detailed on pages 56 to 40. The main risks which the Board considers will affect the business model, future performance, solvency, and liquidity, are macroeconomic and geopolitical uncertainties leading to a fall in the capital value of the Group’s property portfolio, tenant failure leading to a fall in dividend cover and on-going discounts leading to a continuation vote. The Board takes any potential risks to the ongoing success of the Group, and its ability to perform very seriously and works hard to ensure that risks are consistent with the Group’s risk appetite at all times. In assessing the Group’s viability, the Board has carried out thorough reviews of the following:

- Detailed NAV, cash resources and income forecasts, prepared by the Company’s Investment Manager, for a five year period under both normal and stressed conditions;
- The Group’s ability to pay its operational expenses, bank interest, tax and dividends over a five year period under both normal and stressed conditions;
- Future debt repayment dates and debt covenants, in particular those in relation to LTV and interest cover under both normal and stressed conditions;
- Demand for the Company’s shares and levels of premium or discount at which the shares trade to NAV;
- Views of shareholders;
- The valuation and liquidity of the Group’s property portfolio, the Investment Manager’s portfolio strategy for the future and the market outlook and;
- The potential for a further continuation vote in 2024 should the Company’s discount remain at over 5% for 90 business days following the second anniversary of the previous continuation vote (20 October 2022).

The assessment for stressed conditions used a foreseeable severe but plausible scenario which modelled using the following assumptions:

- 40 per cent capital fall in the next two years (based on the largest UK commercial property downturn experienced in 2007–2008) followed by zero growth for the next three years;
- Tenant defaults of 20 per cent for the first year, then 15, 10, 5 per cent for the second to fourth years respectively before returning to normal levels;
- Transfer £50 million of unencumbered properties to lenders to support loan covenants with continued passing of loan tests (£431 million currently available); and
- Current dividend is maintained although in the worst case the Group remains viable.

Despite the uncertainty in the UK regarding the impact of international conflict, the Board has a reasonable expectation, based on the information at the time of writing, that the Group will be able to continue in operation and meet its liabilities as they fall due over the next five years to March 2028. This assessment is based on the results of the reviews mentioned above and also the support of shareholders for the Company’s continuation.

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

The Board seeks to maintain a constructive working relationship with its stakeholders and prides itself on its transparent and collegiate culture. The Board operates in a manner which ensures it is meeting its obligations to stakeholders. The Board regularly reviews the performance of the Investment Manager, and its other service providers, to ensure they manage the Company and its stakeholders effectively and that their continued appointment is, over the long-term, in the best interests of the shareholders as a whole.

Viability Statement

The Board conducted this review over a five year horizon. A pivotal date in the Group’s strategic plan was in 2027, which was agreed with the next scheduled vote. In addition, under the discount control policy of the Company, a continuation vote may be required if the Company’s shares trade at a discount of over 5% for a continuous period of 50 trading days or more, beginning after the date of the second anniversary of the Company’s most recent continuation vote. The second anniversary of the most recent continuation vote was 25 October 2022. Further details on this are set out on page 56 of the Report of the Directors. This specific risk is assessed in light of the Company’s most recent continuation vote which was passed with the 98.6% of shareholders voting for continuation based on a 77.4% turnout.

In addition, feedback from shareholders in the last 12 months has not given rise to any concerns over future continuation votes should they arise.

The Board has considered the nature of the Group’s assets and liabilities and associated cash flows both in a normal environment and also in relation to the current environment as impacted by the geopolitical and economic risks.
The Board considers its stakeholders at every Board meeting and receives feedback on the Investment Manager’s interactions with the Company’s Shareholders, tenants and service providers. The Board also engages directly with its stakeholders.

**Shareholders**

The Board’s primary focus is to promote the long-term success of the Company for the benefit of all shareholders as a whole. The Board oversees the delivery of the investment objective, policy and strategy, as approved by the Company’s Shareholders and welcomes Shareholders’ views on the Company’s performance. The Board encourages shareholders to participate in the AGM. The last AGM took place on 26 October 2022, with 98.9% of votes cast in favour of continuation.

The Company’s Annual General Meeting (AGM) and the annual and interim results presentations provide a forum, both formal and informal, for shareholders to meet and discuss issues with the Directors and Investment Manager of the Company. The Board encourages as many shareholders as possible to attend the Company’s AGM in order to participate directly with the Board. The AGM will be held on Wednesday, 21 June 2023.

**Tenants**

The Board seeks to maintain constructive relationships with the Company’s tenants either directly or through the Investment Manager with regular communications and meetings. On behalf of the Company’s Shareholders, the Management Engagement Committee conducts annual reviews of the Company’s Service Providers and their respective fees to ensure they are performing in line with Board expectations and provide value for money. The Investment Manager is responsible for the prompt settlement of supplier invoices and the Investment Manager has a dedicated Accounts Payable team and monitors the payment statistics of the property agent, Jones Lang LaSalle, throughout the year.

**Service Providers**

The Board considers its stakeholders at every Board meeting to help it to exercise effective oversight of the Investment Manager and the Company’s Strategy. The Board formally reviews the performance of the Investment Manager at least annually.

Investment Manager

The Board has adopted the Investment Manager’s ESG Policy and associated operational procedures and is committed to environmental management in all phases of the investment process. The Company aims to invest responsibly, to achieve environmental and social benefits alongside returns. By integrating ESG factors into the investment process, the Company aims to maximise the performance of the assets and minimise exposure to risk. Please see our disclosure in the ESG section on pages 20 to 25 and within the Taskforce for Climate-Related Financial Disclosures on pages 20 to 29 and the EPRA Financial and Sustainability Reporting starting on page 82, for more information on the Company’s approach to ESG, including examples of Community Engagement during 2022.

**Approach to Strategic Report**

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

The Strategic Report of the Company comprises the following pages to 49 Financial and Portfolio Highlights, Performance Summary, Chair’s Statement, Investment Manager Review, Environmental, Social & Governance (ESG) Taskforce for Climate-Related Financial Disclosures, Property Portfolio Analysis and Strategic Overview incorporating the risk management and stakeholder overview section.

The Strategic Report was approved by the Board on 31 March 2023.

Ken McCullagh

Director

**Our Stakeholders**

How we engage with our stakeholders
BOARD OF DIRECTORS AND MANAGEMENT TEAM

Ken McCullagh, Chair of the Board, is a resident of Ireland. Since 1990, he has been Chief Executive Officer of LNC Property Group, a privately owned property company which held and managed $500 million of assets, and is also a Principal in the Fund Residential Equity Fund. Previously, he worked as a Director and Partner of Corporate Finance for RIM Farrel Graft Sparks, Chartered Accountants, and was also a Financial Controller of Guinness Estate Agents (IRE) Limited in the UK. Mr McCullagh is a graduate of the Institute of Chartered Accountants of Ireland. Mr McCullagh was appointed to the Board in February 2013 and, prior to his appointment as Chair on 1 January 2020, was Senior Independent Director and Chair of the Audit Committee.

Other public company directorships: None
Contribution: The Board, through the Nomination and Remuneration Committee, has reviewed the contribution of Ken McCullagh in light of his proposed re-election at the forthcoming AGM and has concluded that he continues to chair the Company effectively, ensuring strong relationships between the Board and Investment Manager while also ensuring that discussions as well as investment trust expertise.

Michael Ayre, Chair of the Audit Committee, is a resident of Guernsey. He joined IRO Realts, a Guernsey-chartered accountancy practice, from the London office of Price Waterhouse in February 1997, progressing to his appointment as a partner in 1999. Subsequent to the purchase of the fiduciary, investment and taxation division of IRO Realts by Banque Generale du Luxembourg in 1999, Mr Ayre was appointed in 2003 as the Group Managing Director of its successor, Fortis Guernsey – a position he held until 2009. He continued to work for its successor business, Informa, until June 2016. In addition, until its sale in July 2006, he was a selector of AIM Arno (Channel Islands) Limited. Mr Ayre is a fellow of the Association of Chartered Certified Accountants and is also a member of the Chartered Institute of Taxation. Mr Ayre was appointed to the Board in February 2016, and from 1 January 2020 is Chair of the Audit Committee, previously being Chair of the Property Valuation Committee.

Other public company directorships: None
Contribution: The Board, through the Nomination and Remuneration Committee, has reviewed the contribution of Michael Ayre in light of his proposed re-election at the forthcoming AGM and has concluded that he has chaired the Audit Committee effectively during the year.

Fionnuala Hogan, Chair of the Management Engagement Committee and Nomination and Remuneration Committee, is a resident of the UK. Ms Hogan’s wide ranging background incorporates more than 25 years’ experience of investment, corporate advisory, entrepreneurship and financing across various sectors including real estate, technology and the creative industries. Previous senior roles include at Kessworf, Bencom, RFG, omb group and most recently, Hyco Real Estate, where she spent 10 years, including as Joint Head of Global Werden. Ms Hogan currently heads early stage venture investing at Goldacre Ventures, an early stage VC, and is founder and Board of Radars, an ecosystem of entrepreneurs, corporates and investors focused on scaling innovation in the built world. Ms Hogan is a member of the Growth Advisory Board for JPM plc, and a Trustee of East London Dance and of Brixton House. She was previously a Trustee of the Southbank Centre and of Tomorrow’s Warriors. Ms Hogan was appointed to the Board on 5 August 2022.

Other public company directorships: None
Contribution: The Board, through the Nomination and Remuneration Committee, has reviewed the contribution of Fionnuala Hogan in light of her proposed re-election at the forthcoming AGM and has concluded that she has chaired the Risk Committee effectively and continues to provide significant risk management insight to Board discussions as well as investment trust expertise.

Jamie Horton has a B.A in History from the University of Strathclyde, and graduated from the University of Aberdeen in 2008 with an MSc in Property. He began his career at JLL in Glasgow working in the Capital Markets and Office Agency Services before being appointed Director at JLL and working with RFG on the Capital Markets team advising clients on asset sales and acquisitions. Mr Horton joined Hines in 2014 to work as a Portfolio Manager on UKCA, managing a mixed portfolio of real estate across the UK, as well as undertaking acquisitions and disposals with Hines’ European headquarters in Berlin. In 2019, he joined LaSalle Investment Management office to act as Deputy Fund Manager on the LaSalle European Property Income Trust and has been with the company for 4 years. Mr Horton is currently the Chief Executive Officer of Kingsbridge Estates, a privately owned real estate investment company which held and managed a £2.3 billion Standard Life Heritage With Profit Real Estate Fund.

Other public company directorships: None
Contribution: The Board, through the Nomination and Remuneration Committee, has reviewed the contribution of Jamie Horton in light of his proposed re-election at the forthcoming AGM and has concluded that he continues to chair the Company effectively, ensuring strong relationships between the Board and Investment Manager while also ensuring that discussions as well as investment trust expertise.

Margaret Littlejohns is a resident of the UK. Ms Littlejohns has 18 years’ experience in real estate investment management, with specific expertise in risk management (both market and credit risk). Between 2016 and 2019, following an MBA in Investment Management at Cass Business School, she founded two start-up ventures providing self-storage facilities in the Midlands, and acted as Finance Director until the businesses were successfully sold to a regional self-storage chain in 2018. She is also Chair of Formadale VCT plc. Previous appointments include Chair of Henderson High Income Trust plc and Non-Executive Director of JPMorgan Mid Cap Investment Trust plc. Ms Littlejohns was appointed to the Board on 1 January 2018.

Other public company directorships: None
Contribution: The Board, through the Nomination and Remuneration Committee, has reviewed the contribution of Margaret Littlejohns in light of her proposed re-election at the forthcoming AGM and has concluded that she continues to chair the Risk Committee, ensuring strong relationships between the Board and Investment Manager while also ensuring that discussions as well as investment trust expertise.

Chris Fry, Chair of the Property Valuation Committee, is a resident of the UK. Mr Fry is a Chartered Surveyor with more than 20 years’ experience in real estate investment management. He is currently Chief Executive Officer of Kingsbridge Estates, a privately owned property company, investing in and developing across the South of England. Prior to this he worked with Lindsells Investment Management as a Senior Fund Manager for 12 years (2005-2018), ultimately responsible for over £3 billion of assets under management and for Schroders plc as a Fund Manager (2000-2001). Mr Fry joined the Board on 1 January 2020, and is a Chair of the Property Valuation Committee.

The Directors, all of whom are non-executive and are independent of the Investment Manager, are responsible for the determination of the investment policy of the Group and its overall supervision.

MANAGEMENT TEAM

Will Fulton, Lead Manager, graduated from the University of Aberdeen in 1987 with a degree in Chemistry, before becoming a member of the Royal Institution of Chartered Surveyors. Since joining the company in 1990, he has had a variety of roles in the real estate sector, spanning buy-and-hold and open-ended, multi-disciplinary experience spanning development, acquisition, asset management and client reporting. Mr Fulton was seconded to the abrdn Paris office to act as Deputy Fund Manager on the abrdn Paris Property Income Trust. On returning to the UK, he worked in the Real Estate Valuation team of the UK’s largest independent valuer, before joining JLL in 2011 as an Associate Director at JLL in Glasgow working in the Capital Markets and Office Agency Services. Mr Fulton has held the role of Lead Manager for the £2.3 billion Standard Life Heritage With Profit Real Estate Fund since 2016.

Other public company directorships: None
Contribution: The Board, through the Nomination and Remuneration Committee, has reviewed the contribution of Chris Fry in light of his proposed re-election at the forthcoming AGM and has concluded that he continues to chair the Risk Committee effectively and continues to provide significant risk management insight to Board discussions as well as investment trust expertise.

Peter Taylor, Finance Manager, returned to abrdn in 2022 “Throughout his 23 year career, he has held a variety of real estate accounting positions gaining experience in open-ended and close-ended products. Prior to joining abrdn, he was accountant to the Investment Manager of a number of private open-ended funds in the UK. Subsequently, he has worked on private open-ended funds in the UK, as well as undertaking acquisitions and disposals whilst seconded to the start up venture fund in the Midlands. In his current role he is responsible for the accounting for the £2.3 billion Standard Life Heritage With Profit Real Estate Fund.”

Jenie Hogan, the Chief Investment Officer, is a resident of the UK. Ms Hogan is a member of the Institute of Chartered Accountants in England and Wales, a chartered financial accountant and a Certified Accountant and is also a member of the Chartered Institute of Taxation. Ms Hogan was appointed to the Board in February 1987, progressing to his appointment as Joint Head of Global Werden. Ms Hogan joined Hines in 2014 to work as a Portfolio Manager on UKCA, managing a mixed portfolio of real estate across the UK, as well as undertaking acquisitions and disposals with Hines’ European headquarters in Berlin. In 2019, she joined LaSalle Investment Management office to act as Deputy Fund Manager on the LaSalle European Property Income Trust and has been with the company for 4 years. Ms Hogan is currently the Chief Executive Officer of Kingsbridge Estates, a privately owned real estate investment company which held and managed a £2.3 billion Standard Life Heritage With Profit Real Estate Fund.

Other public company directorships: None
Contribution: The Board, through the Nomination and Remuneration Committee, has reviewed the contribution of Jenie Hogan in light of her proposed re-election at the forthcoming AGM and has concluded that she continues to chair the Risk Committee, ensuring strong relationships between the Board and Investment Manager while also ensuring that discussions as well as investment trust expertise.

Two female members of the Board are above the age of 50 and in the UK.

A Male 3
Diversity Number %
Female 2
40%
The Company was incorporated on 24 August 2006 in Guernsey under registration number 43087. The Company is a closed ended investment company registered under the Companies (Guernsey) Law, 2008 (as amended). The principal activity and status of the Company’s subsidiaries is set out in note 11 on page 90.

The Company migrated tax residence to the UK with effect from 1 July 2018.

Limited (“the Company”) present the Annual Report and Accounts for the year ended 31 December 2022 as follows:

The Company has paid interim dividends in the amount of £30.9 million (2021: £42.1 million). The Group paid out dividends totalling £67.2 million (2021: £84.8 million) to the Company’s shareholders.

Shore Capital, Voting Rights and Issue of Shares

The issued share capital at 31 December 2022 consisted of 1,299,624,048 ordinary shares of 2p each. At 31 March 2022 the issued share capital was unchanged. Each ordinary share of the Company carries one vote at all general meetings of the Company.

All ordinary shares rank equally for dividends and distributions and carry one vote each. There are no restrictions concerning the transfer of ordinary shares in the Company, no special rights with regard to control attached to the ordinary shares, no agreements between holders of ordinary shares regarding their transfer interests in the Company and no agreement which the Company is party to that affects its control following a takeover bid.

As required by the FCA’s Listing Rules, the Directors will only issue shares at prices which are not less than the net asset value of the ordinary shares unless such shares are first offered on a pre-emptive basis to existing shareholders or otherwise with the approval of shareholders.

Substantial Interests in Share Capital

At 31 December 2022 the following entities had notified the Company of a holding of 5% or more of the Company’s issued share capital.

<table>
<thead>
<tr>
<th>Holdings (%)*</th>
<th>31.12.2022</th>
<th>30.09.2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Phoenix Life Limited – Part of Phoenix Group</td>
<td>33.7</td>
<td>33.7</td>
</tr>
<tr>
<td>Phoenix Life Assurance Limited – Part of Phoenix Group</td>
<td>9.7</td>
<td>9.7</td>
</tr>
<tr>
<td>Investa Wealth &amp; Investment</td>
<td>13.4</td>
<td>12.5</td>
</tr>
<tr>
<td>BlackRock</td>
<td>4.5</td>
<td>4.5</td>
</tr>
<tr>
<td>Schroders House</td>
<td>3.3</td>
<td>3.0</td>
</tr>
</tbody>
</table>

The issued share capital at 31 December 2022 consisted of 1,299,624,048 ordinary shares of 2p each.

The Board has contractually delegated the administration functions to external firms.

The function of Alternative Investment Fund Manager, including management of the investment portfolio (delegated to abrdn Fund Managers Limited, see below) is carried out by a group of external firms.

The Board has considered the appropriateness of the continuing appointment of the Investment Manager to view in the performance of the Investment Manager, the fees payable to the Investment Manager and the notice period under the Management Agreement. The Board has concluded that the appointment of the Investment Manager remains the best interests of shareholders as a whole.

Directors

The names and short biographies of the Directors of the Company, as at the date of this Report, are shown on pages 90 to 91.

The Directors each hold the following number of shares in the Company.

<table>
<thead>
<tr>
<th></th>
<th>UKCP Ordinary Shares held</th>
<th>Phoenix Group Ordinary Shares held</th>
</tr>
</thead>
<tbody>
<tr>
<td>Michael Ayre</td>
<td>142,000</td>
<td>92,000</td>
</tr>
<tr>
<td>Chris Fry</td>
<td>81,604</td>
<td>44,445</td>
</tr>
<tr>
<td>Francis Matthews</td>
<td>26,207</td>
<td>—</td>
</tr>
<tr>
<td>Ken McCollough</td>
<td>120,000</td>
<td>80,000</td>
</tr>
<tr>
<td>Margaret Littlejohns</td>
<td>40,000</td>
<td>40,000</td>
</tr>
</tbody>
</table>

Investment Management Agreement

The Company appointed abrdn Fund Managers Limited (formerly Standard Life Investments Managers Limited) (the “Investment Manager”) as its alternative investment fund manager with effect from 30 September 2018.

Under the terms of the Investment Management Agreement between the Investment Manager and the Company (the “Management Agreement”), the Investment Manager is entitled to an annual fee equal to 0.525% of Total Assets up to £7.75 billion, excluding any cash held over £50 million and 0.475% of Total Assets above £7.75 billion, excluding any cash held over £50 million.

The Management Engagement Committee reviews the performance of, and contractual arrangements with, the Investment Manager as an annual exercise. The Board has considered the appropriateness of the continuing appointment of the Investment Manager to view in the performance of the Investment Manager, the fees payable to the Investment Manager and the notice period under the Management Agreement. The Board has concluded that the appointment of the Investment Manager remains the best interests of shareholders as a whole.

The Board has contractually delegated the following services to external firms:

- The administration functions to external firms.
- The function of Alternative Investment Fund Manager, including management of the investment portfolio (delegated to abrdn Fund Managers Limited, see below).

These contracts were entered into after full and proper consideration by the Directors of the quality and cost of services offered, including the financial control and reporting systems, so far as they relate to the Group. These contracts are reviewed regularly in the interests of shareholders.

Key members of staff from the Investment Manager and Company Secretary attend Board meetings to brief the Directors on issues pertinent to the services provided.

Between 31 December 2022 and 31 March 2023, the Company was notified that Michael Ayre purchased an additional 10,000 shares in the Company. Margaret Littlejohns has purchased an additional 20,000 shares in the Company and Chris Fry had purchased an additional 24,782 shares in the Company.

The function of Alternative Investment Fund Manager, including management of the investment portfolio (delegated to abrdn Fund Managers Limited, see below) is carried out by a group of external firms.

The Board has considered the appropriateness of the continuing appointment of the Investment Manager to view in the performance of the Investment Manager, the fees payable to the Investment Manager and the notice period under the Management Agreement. The Board has concluded that the appointment of the Investment Manager remains the best interests of shareholders as a whole.

Directors

The names and short biographies of the Directors of the Company, as at the date of this Report, are shown on pages 90 to 91.

The Directors each hold the following number of ordinary shares in the Company (audited):

<table>
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<tr>
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<th>Ordinary Shares in Company (of 1,299,624,048)</th>
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<tbody>
<tr>
<td>Michael Ayre</td>
<td>142,000</td>
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<tr>
<td>Chris Fry</td>
<td>81,604</td>
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<tr>
<td>Francis Matthews</td>
<td>26,207</td>
</tr>
<tr>
<td>Ken McCollough</td>
<td>120,000</td>
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<tr>
<td>Margaret Littlejohns</td>
<td>40,000</td>
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</table>
As set out in the Chair’s Statement, Peter Pereira Gray will be appointed as an additional Non-executive Director to the Board on 2 April 2023. At the date of this report, Peter Pereira Gray holds 103,000 ordinary shares in the Company.

Directors’ Insurance and Indemnities
The Group maintains insurance in respect of Directors’ & Officers’ liabilities in relation their acts on behalf of the Group.

The Company’s Articles of Association provide, subject to the provisions of Guernsey law, for the Group to indemnify Directors in respect of costs which they may incur relating to any proceedings brought against them arising out of their position as Directors in which judgement is given in their favour or they are acquitted.

Depository
The Company’s Depository is Citibank UK Limited in accordance with the AIFM Directive.

Going Concern
The Group’s strategy and business model, together with the factors likely to affect its future development, performance and position, including principal risks and uncertainties, are set out in the Strategic Report.

The Directors have reviewed detailed cash flow, income and expense projections in order to assess the Group’s ability to pay its operational expenses, interest and dividends for the foreseeable future. The Directors have examined significant income and expense projections in order to assess the Group’s ability to pay its operational expenses, interest and dividends for the foreseeable future. The Directors have examined significant cash and assets and the debt covenants, in particular those relating to LTV and interest cover.

The Group’s strategy and business model, together with the factors likely to affect its future development, performance and position, including principal risks and uncertainties, are set out in the Strategic Report.

Corporate Governance
The Directors have satisfied themselves that the Group has adequate resources to continue in operational existence for the foreseeable future and the Board believes it is appropriate to adopt the going concern basis in preparing the consolidated financial statements.

Criminal Finance Act
The Directors are fully committed to complying with all legislation and appropriate guidelines designed to prevent tax evasion and the facilitation of tax evasion in the jurisdictions in which the Group, its service providers and business partners operate.

Modern Slavery Act 2015
As an investment vehicle the Company does not provide goods or services in the normal course of business and does not have customers or employees. Accordingly, the Directors consider that the Company is not required to make any slavery or human trafficking statement under the Modern Slavery Act 2015. The Investment Manager, however, does provide goods and services and is required to make a statement under the Modern Slavery Act 2015. The Investment Manager’s Modern Slavery Act 2015 statement is detailed on pages 57 to 61 and forms part of the Directors’ Report.

Disclosure of Information to Auditor
In the case of Directors at the time when the Annual Report and Consolidated Financial Statements were approved, the following applies:

A) far as each Director is aware, there is no relevant audit information of which the Group’s auditor is unaware; and
B) they have taken all the steps that they could reasonably expected to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group’s auditor is aware of that information.

Independent Auditor (ordinary resolution 4)
A resolution to re-appoint Deloitte LLP as the Group’s auditor will be proposed to the shareholders at the Annual General Meeting on 21 June 2023.

Financial Instruments
The financial risk management objectives and policies arising from financial instruments and the exposure of the Company to risk are disclosed in note 10 to the financial statements.

Annual General Meeting
The notice of the Annual General Meeting, which will be held this year at FTI Consulting, 210 Aldersgate, Aldersgate Street, London EC1A 4HD on 21 June 2023 at 10.30am may be found on pages 112 to 115.

The Board hopes that as many shareholders as possible will be able to attend the Annual General Meeting, where there will be the opportunity to put questions to both the Board and Investment Manager.

The Board welcomes correspondence from shareholders in writing to the Company’s registered office (see page 119) by email to: commercial.property@abrdn.com.

The following resolutions are being proposed in relation to approval of the Company’s dividend, the Director’s ability to allot shares and buy back shares.

Dividend Policy (ordinary resolution 2)
As a result of the timing of the payment of the Company’s interim dividends in February, May, August and November, it is impractical for the Company’s shareholders to approve a final dividend each year. As an alternative, the Board puts forward the Company’s dividend policy to shareholders for approval at each Annual General Meeting.

Resolution 2 which is an ordinary resolution, relates to the approval of the Company’s dividend policy which is to pay four quarterly interim dividends with the ability to pay further interim dividends should the need arise, for example, to ensure compliance with the REIT rules.
The current authority of the Company granted to it by shareholders at the 2023 AGM to buy back shares in the Company continues at the end of the AGM to be held in 2023. The Board intends to renew such authority to buy back shares up to US$14.9 per cent of the number of ordinary shares in issue. This special resolution (18), if approved, will enable the Company to buy back up to 294,791,828 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 by the Board, and the making and timing of any buy backs will be at the absolute discretion of the Board.

The Board of Directors is responsible for determining the purchase of any shares in the market for cash at prices below the current level of discount represents an opportunity that will generate risk-adjusted returns in excess of that, which could be achieved by investing in real estate prospects at a particular time.

Discount Control Policy

The discount control policy of the Company provides that in the event that the share price is below the level of discount to prevailing published NAV (as last calculated, adjusted downwards for the amount of any dividend declared by the Company upon the shares going ex-dividend) is more than five per cent per 90 dealing days or more, following the second quarter quotations for the Company's shares for the five business days before the purchase is made and (ii) the higher of the last quoted price and the highest current independent bid on the London Stock Exchange. The minimum price (exclusive of expenses) that may be paid is 2 per cent.

The Company may retain any shares bought back under the treasury share facility for future re-issue, or transfer, or may cancel any such shares. During the period when the Company holds such 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 reissued, or transferred at prices which are not less than the published net asset value of an ordinary share.
CORPORATE GOVERNANCE REPORT

Board Diversity

The Board recognises the importance of having a range of skills, experiences, and viewpoints which are in line with the UK’s Code. The Board, in order to enable it to fulfill its obligations, recognizes the benefits of diversity and will give specific regard to the principle of diversity in its recruitment of new Board members. The Board will not display any bias for, or against, gender, race, sexual orientation, socio-economic background, religion, ethnic or national origin or disability in considering the appointment of directors. The Board will continue to ensure that all appointments are made on the basis of merit and meeting the specified criteria.

Chairman and Senior Independent Director

The Chairman is responsible for providing effective leadership to the Board, demonstrating objective judgment and promoting a culture of openness and debate. The Chairman facilitates the effective contribution, and encourages active engagement, by each Director. In conjunction with the Company Secretary, the Chairman ensures that Directors receive accurate, timely and clear information to assist them with effective decision-making.

The Board considers the evaluation of the Board and individual Directors, and acts upon the results of the evaluation process by recognising strengths and addressing any weaknesses. The Chairman also engages with major shareholders and ensures that all Directors understand shareholder views.

The Senior Independent Director acts as a sounding board for the Chairman and acts as an intermediary for other directors, when necessary. Working alongside the Chair of the Remuneration & Nomination Committee, the Senior Independent Director also leads the annual appraisal of the Chairman’s performance and supports the seniority succession process for the Chairman. The Senior Independent Director is also available to shareholders to discuss any concerns they may have.

Board Committees

The Board has a number of committees – the Audit Committee, the Management Engagement Committee and the Remuneration & Nomination Committee, the Property Valuation Committee.

The Audit Committee, chaired by Michael Ayre, is an independent body, which formally comes into effect for the Company. The Committee, the Property Valuation Committee, the Remuneration & Nomination Committee, and the Risk Committee. Copies of their terms of reference, which define the responsibilities and duties of each Committee, are available on the Company’s website (www.ukcpreit.com), or upon request from the Company Secretary.

Audit Committee

The Audit Committee, chaired by Michael Ayre throughout the year, comprises the full Board, apart from the Board Chair, and meets at least three times a year. Ken McCallagh, the Chairman of the Board, attends the Audit Committee by invitation of the Audit Committee Chair. The Audit Committee’s report is included on pages 62 to 64.

Nomination & Remuneration Committee

The Nomination & Remuneration Committee comprises the full Board, is chaired by Fionnuala Hogan. The Nomination & Remuneration Committee, the Remuneration & Nomination Committee, and the Risk Committee.

The Nomination & Remuneration Committee, which comprises the full Board, and is chaired by Fionnuala Hogan. The Nomination & Remuneration Committee is independent of the Company and is chaired by Fionnuala Hogan.

Risk Committee

The Risk Committee, a five-person board, was established at the beginning of the year, and its purpose is to oversee the review of the Board, and to engage with the Board in its search for an additional non-executive director. The Risk Committee now consists of five directors, including with the terms and conditions of their contracts with the Group.

The Remuneration & Nomination Committee recommendations to the Board, undertook an annual evaluation of the Board, the Chairman, the Senior Independent Director and the performance of Committees and the Company’s other key service providers. The Board decided to make changes to the Remuneration & Nomination Committee terms of reference, which define the responsibilities and duties of each Committee.

The results of the evaluation were analysed by Lintstock. The results showed that the Board is independent of the Company and is chaired by Fionnuala Hogan.
To ensure an orderly handover of chair responsibilities, the Independent Directors have asked that Ken McCullagh remains on the Board for a period of no more than six months from the date of the Company’s AGM. Ken McCullagh will, therefore, seek re-election at the Company’s AGM on 21 June 2023. The Board considers that, notwithstanding the length of his tenure, he remains independent of the Manager in character and judgment.

In making this decision, the Independent Directors considered the importance of maintaining continuity on the Board as well as an orderly handover of chair responsibilities. The Board believes that a short handover period between Ken and Peter is appropriate, and in the best interests of shareholders as a whole.

The Directors’ appointment dates are as follows: Ken McCullagh (1 February 2013), Michael Ayre (24 February 2016), Margaret Littlejohns (1 January 2016), Chris Fry (1 January 2020) and Fionnuala Horgan (5 August 2021). Peter Perry-Grey will be appointed to the Board on 4 April 2023 and will seek election to the Board at the AGM on 21 June 2023. Pursuant to the Articles of Association of the Company, one third, or the number nearest to but not exceeding one third, of the Directors are required to retire and stand for re-election at the Annual General Meeting each year, provided that each Director shall retire and stand for re-election at the Annual General Meeting immediately following their appointment then at intervals of no more than three years. However, in accordance with the recommendations of the AIC Code, the Board has agreed that all Directors will retire annually and, if eligible, will seek re-election.

All Directors will retire and, being eligible, stand for election or re-election at the forthcoming Annual General Meeting. The Board has reviewed the skills and expertise of each Director, as described in their individual biographies on pages 50 to 51 and believes that each contributes to the long-term sustainable success of the Company. The Board has no hesitation in recommending their individual election or re-election to shareholders.

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’s 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. The key risk matrix is updated by the Investment Manager and the Company’s external auditors, providing the Board with regular reports highlighting all material changes to the risk ratings and confirmation of the actions which have been, or are being, taken.

The Board monitors the policies and procedures in place to monitor compliance with risk limits. The AIFM has a 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 safeguards and appropriateness of this policy is reviewed at least annually.

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

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

Further detail on the Group’s risk management processes is detailed on pages 38 to 45. In addition, consideration of ESG 4.02 and similar reports issued by the Investment Manager, and other service providers where applicable, are considered. The Board also receives quarterly updates from both the Risk and Compliance and Internal Audit departments of the Investment Manager on areas that specifically affect the Company.

Internal control procedures have been in place throughout the period and up to the date of approval of this Report, and the Board is satisfied with the effectiveness of the control procedures as approved of this Report. These procedures are designed to minimise, 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 performance of the Investment Manager in comparison to its stated objectives and against the comparable returns of the other comparable companies. The Board also monitors the Company’s activities since the previous Board meeting to ensure that the Investment Manager adheres to the agreed investment policy and approved investment guidelines and, if necessary, approves changes to such policy and guidelines.

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

The Company’s AIFM is a Sured Fund Managers Limited and its Depositary is Citibank UK Limited. The Depositary’s responsibilities include cash monitoring, safeguarding 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 safeguards and appropriateness of this policy is reviewed at least annually.

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

Table of Attendance

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<td>Peter Perey-Grey</td>
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<tr>
<td>Fionnuala Horgan</td>
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<tr>
<td>Michael Ayre</td>
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<td>4</td>
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<tr>
<td>Margaret Littlejohns</td>
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</table>

A. The Chairmen of the Board are not members of the Audit Committee but may attend meetings at the invitation of the Audit Committee Chairman.

The Board’s policy on tenure is that continuity and experience are considered to add significantly to the strength of the Board. The Board also takes the view that independence is not compromised by length of tenure on the Board. However, in accordance with corporate governance best practice and the need for regular refreshment and diversity on the Board, the Board does not expect any of the Directors to serve on the Board for a period of more than ten years. The Corporate Governance Committee has, on the Board longer than the AGM following their third anniversary of appointment as a Director, except in exceptional circumstances.

The Board acknowledges that Ken McCullagh was appointed to the Board in January 2013, and as Chairman on 1 January 2020. The Independent Directors, excluding the Chairman, have agreed to Ken’s continued appointment to the Board in light of the Company’s current policy and corporate governance best practice.

As set out in the Chair’s Statement, the Board has announced the appointment of Peter Perry-Grey as an additional Non-executive Director with effect from 3 April 2023. Peter Perey-Grey will succeed Ken McCullagh as Chairman of the Board.

Further detail on the Group’s risk management processes is detailed on pages 38 to 45. In addition, consideration of ESG 4.02 and similar reports issued by the Investment Manager, and other service providers where applicable, are considered. The Board also receives quarterly updates from both the Risk and Compliance and Internal Audit departments of the Investment Manager on areas that specifically affect the Company.

Internal control procedures have been in place throughout the period and up to the date of approval of this Report, and the Board is satisfied with the effectiveness of the control procedures as approved of this Report. These procedures are designed to minimise, 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 performance of the Investment Manager in comparison to its stated objectives and against the comparable returns of the other comparable companies. The Board also monitors the Company’s activities since the previous Board meeting to ensure that the Investment Manager adheres to the agreed investment policy and approved investment guidelines and, if necessary, approves changes to such policy and guidelines.

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

The Company’s AIFM is Sured Fund Managers Limited and its Depositary is Citibank UK Limited. The Depositary’s responsibilities include cash monitoring, safeguarding 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 safeguards and appropriateness of this policy is reviewed at least annually.

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

An internal audit function specific to the Company is therefore considered unnecessary.
The terms of reference of the Audit Committee are each independent and free from any relationship that would interfere with their impartial judgments in carrying out the Audit Committee’s responsibilities, as set out in terms of reference which are available on the Company’s website.

Responsibilities

The Audit Committee reports to the Board and is responsible for:

- Monitors the integrity of the half-yearly and annual financial statements of the Company by reviewing, and challenging where necessary, the actions and judgments of the Investment Manager;
- Reviews, and reports to the Board, the significant financial reporting issues and judgments made in connection with the preparation of the Company’s financial statements, interim reports, announcements and related formal statements;
- Reviews the content of the Annual Report and financial statements and makes recommendations to the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company’s position and performance, business model and strategy;
- Meets with the auditor to review the proposed audit programme of work and the findings of the auditor. The Director also sees this as an opportunity to assess the effectiveness of the audit process;
- Meets in private with the auditor, without any representatives of the Investment Manager present;
- Develops and implements a policy on the retention of the audit files of the Company for a minimum of 10 years after the end of the financial year to which they relate;
- Reviews the performance of the Investment Manager, with particular regard to consistent performance with the objectives of the Company’s investment policy, and to the quality of the audit work as measured by Deloitte LLP.

Composition

During the year the Audit Committee comprised all the Directors except the chair of the Board, Ken McCallagh, who is not a member of the Audit Committee, but, as Chair of the Company, he has a standing invitation to attend meetings and typically attends each Audit Committee as an observer. The Audit Committee is chaired by Michael Ayre who is a Fellow of the Association of Chartered Certified Accountants and is also a member of the Chartered Institute of Taxation. The members of the Audit Committee are each independent and free from any relationship that would interfere with their impartial judgment in carrying out the Audit Committee’s responsibilities, as set out in terms of reference which are available on the Company’s website.

The objectives of the auditor are 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 acceptable 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 auditor including the following areas:

- Quality of audit work including ability to resolve issues in a timely manner;
- Working relationship with the Management;
- Suitably qualified personnel involved in the audit;
- Effectiveness and independence of the auditor, with particular regard to non-audit fees;
- The performance and effectiveness of the auditors in relation to the above points were considered through a formal evaluation template completed by the Audit Committee and the Investment Manager.

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

The Audit Committee meets at least once a year to discuss the Annual Report & Accounts document, which is circulated by the Company in advance to discuss the content of the document. The performance and effectiveness of the auditors in relation to the above points were considered through a formal evaluation template completed by the Audit Committee and the Investment Manager.

The Audit Committee notes the increase in fees charged by Deloitte LLP during the year, a trend that is being seen across the industry. The Committee continues to monitor the progression of fees charged to ensure they are in line with the peer group and representative of market. In relation to non-audit fees, these amounted in aggregate to £25,000, the Company operates a policy under which the external auditor is appointed to supply non-audit services, the Company’s independent auditor by shareholders at the AGM held on 15 June 2016 for the year ended 31 December 2016. The next audit tender of the Company is due to be completed by March 2023 in compliance with the EU regulations and FRC Guidance on auditor tenders.

The Audit Committee considers that the Annual Report & Accounts, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders and other users to assess the Company’s position and performance, business model and strategy. The Audit Committee is able to give this advice on the basis that it has carefully scrutinised the Annual Report & Accounts document, which has been compiled by the Company’s independent auditors, and has subsequently subjected 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 Company’s results are consistent with their overall performance of the Company during the period under consideration. Specifically, consideration has been given to the Financial and Property Highlights section to ensure that the points raised in this have been selected so as to give a fair picture of the Company’s position and that the performance data in the document has not been selected so as to give a misleadingly optimistic view of the Company. The Audit Committee has also critically reviewed the Investment Manager’s report to ensure that the comments made in this are consistent with their knowledge of the Company and with the figures in the accounts. As with any Company, there are some elements in the accounts that are inevitably more complex than others and the Audit Committee has been at pains to have these expressed in clear language so as to make them as understandable as possible.

Michael Ayre
Chair of the Audit Committee
31 March 2023

Recommendation to the Board

Following its review of the Annual Report & Accounts for the year ended 31 December 2022, the Audit Committee has advised the Board that it considers that the Annual Report & Accounts document, as previously reviewed, is fair, balanced and understandable and provides the information necessary for shareholders and other users to assess the Company’s position and performance, business model and strategy.

Following a tender process in 2015, Deloitte LLP was first appointed as the Company’s independent auditor by shareholders at the AGM held on 15 June 2016 for the year ended 31 December 2016. The next audit tender of the Company is due to be completed by March 2023 in compliance with the EU regulations and FRC Guidance on auditor tenders.

In accordance with present professional guidelines, the Statutory Auditor is required to be rotated after a period of five years. Sophian Durcan has been appointed as audit engagement partner and the 2022 audit is her second year.

The Audit Committee notes the increase in fees charged by Deloitte LLP during the year, a trend that is being seen across the industry. The Committee continues to monitor the progression of fees charged to ensure they are in line with the peer group and representative of market. In relation to non-audit fees, these amounted in aggregate to £25,000, the Company operates a policy under which specific prior approval must be given by the Audit Committee.

Following its review of the Annual Report & Accounts for the year ended 31 December 2022, the Audit Committee has advised the Board that it considers that the Annual Report & Accounts document, as previously reviewed, is fair, balanced and understandable and provides the information necessary for shareholders and other users to assess the Company’s position and performance, business model and strategy.

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

Michael Ayre
Chair of the Audit Committee
31 March 2023
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SIGNIFICANT MATTERS CONSIDERED BY THE AUDIT COMMITTEE IN RELATION TO 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(b) 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 meet the external valuer, along with the Investment Manager, as part of the year and valuation process. The Chair of the Property Valuation Committee reported to the Audit Committee in March 2023 and indicated that the following issues were discussed in the meeting with the external valuers:

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

Particular focus was given to the underlying yields applied to a number of the properties and whether they appropriately reflected the comparable evidence, letting activity and the property market as a whole.

Following this meeting and subsequent discussions with the Investment Manager, a value of £1,308,025,000 was agreed as the valuation of the properties, and reviewed on a quarterly basis during the year which included:

- The level of fees charged, and
- The level of fees charged to the portfolio.

The level of fees charged to the portfolio was identified and quantified by the Investment Manager to ensure the completeness and accuracy of the information.

The 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(b) to the accounts. The Audit Committee considered the processes and controls the Investment Manager has in place to ensure the completeness and accuracy of the income.

These include data input checks, rent demand reconciliations and year end rent reconciliations. In addition, the Audit Committee also considered the various reports provided by the Investment Manager and reviewed on a quarterly basis during the year which included the following:

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

The Remuneration Report

Nomination & Remuneration Committee

The Nomination & Remuneration Committee, comprising the full Board and chaired by Fionaudra Hogan, has prepared this Directors’ Remuneration Report which consists of two parts.

1. Remuneration Policy, which is subject to a shareholder vote every three years – most recently voted upon by the AGM on 8 June 2022 where the proxy votes on the relevant resolution were: For – 2,229,625,735 votes (99.96%), Dissentary – 105,162 votes (0.05%) Against – 262,166 votes (0.10%) and Withheld votes – 14,697 votes.

2. An annual Implementation Report, which is subject to an advisory vote by shareholders.

The level of fees for the year and the preceding year are set out in the table below. There are no further fees to disclose as the Company has no employees, Chief Executive or Executive Directors.

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The level of fees for the year and the preceding year are set out in the table below. There are no further fees to disclose as the Company has no employees, Chief Executive or Executive Directors.
The Directors are responsible for preparing the Annual Report and the Group Consolidated Financial Statements in accordance with applicable Guernsey law and IFRS as adopted by the European Union. They are also responsible for ensuring that the Annual Report includes information required by the Rules of the UK Listing Authority.

In preparing these Group Consolidated Financial Statements the Directors are required to:

1. Select suitable accounting policies in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
2. Make judgements and estimates that are reasonable and prudent;
3. Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
4. Provide additional disclosures when compliance with the specific requirements in IFRS as adopted by the European Union 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;
5. State that the Group has complied with IFRS as adopted by the European Union, subject to any material departures disclosed and explained in the Group Consolidated Financial Statements; and
6. Prepare the Group Consolidated Financial Statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business.

The maintenance and integrity of the Company’s website is the responsibility of the Directors. The work carried out by the auditors does not involve considerations of its matters and, accordingly, the auditors accept no responsibility for any change that may have occurred to the consolidated financial statements since they were initially presented on the website. Legislation in Guernsey governing the preparation and dissemination of the consolidated financial statements may differ from legislation in other jurisdictions.

Responsibility Statement of the Directors in respect of the Consolidated Annual Report under the Disclosure and Transparency Rules

The Directors each confirm to the best of their knowledge that:

1. The Group Consolidated Financial Statements, prepared in accordance with the IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and comply with The Companies (Guernsey) Law 2008; and
2. The management report, which is incorporated into the Strategic Report, Directors’ Report and Investment Manager's Review, includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that they face.

Statement under the UK Corporate Governance Code

The Directors each confirm to the best of their knowledge and belief that the Annual Report and Consolidated Financial Statements taken as a whole are fair, balanced and understandable and provide the information necessary to assess the Group’s position and performance, business model and strategy.

On behalf of the Board

Ken McCullogh
Director
31 March 2023

DIRECTORS’ RESPONSIBILITY STATEMENT

Fees Payable (pounded)

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.

<table>
<thead>
<tr>
<th>Director</th>
<th>2022</th>
<th>2021</th>
<th>% change in directors fees</th>
<th>Aggregate Directors’ Remuneration</th>
<th>Year to 31 December 2022</th>
<th>Year to 31 December 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ken McCullogh</td>
<td>70,000</td>
<td>70,000</td>
<td>0</td>
<td>£62,752</td>
<td>£325,225</td>
<td></td>
</tr>
<tr>
<td>Michael Agee</td>
<td>52,500</td>
<td>52,500</td>
<td>0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Robert Fowle1</td>
<td>8,975</td>
<td>26,556</td>
<td>n/a</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chris Fig</td>
<td>46,000</td>
<td>46,000</td>
<td>0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Margaret Littlejohns</td>
<td>46,000</td>
<td>46,000</td>
<td>0</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Sandra Platts2</td>
<td>8,975</td>
<td>46,000</td>
<td>n/a</td>
<td></td>
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</tr>
<tr>
<td>Fionnuala Hogan4</td>
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Directors’ Interests in the Company

The Directors’ interests in the Company’s ordinary shares are shown in the Directors’ Report on page 53.

An ordinary resolution for the approval of the Directors’ Remuneration Report will be put to shareholders at the Annual General Meeting on 21 June 2023.

Fionnuala Hogan
Director
31 March 2023

Statement of Proxy Voting at Annual General Meeting

At the Company’s latest Annual General Meeting, held on 16 June 2022, shareholders approved the Directors’ Remuneration Report (other than the Directors’ Remuneration Policy) in respect of the year ended 31 December 2022 and the proxy votes received on the relevant resolution were: For – 3,199,752,871 (99.97%); Against – 176,018 (0.02%); and Withhold votes – 16,949.

Fee 2022 £ 2021 £ % change in directors fees Aggregate Directors’ Remuneration Year to 31 December 2022 £325,225 Aggregate Shareholder Distribution £37,981,826

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Director
31 March 2023

DIRECTORS’ REMUNERATION REPORT

Continued

66 UKCP REIT Annual Report & Accounts ukcpireit.com
INDEPENDENT AUDITOR’S REPORT
TO THE MEMBERS OF UK COMMERCIAL PROPERTY REIT LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

1. OPINION

In our opinion the financial statements of UK Commercial Property REIT Limited (the ‘parent company’) and its subsidiaries (the ‘Group’):

give a true and fair view of the state of the Group’s affairs as at 31 December 2022 and of its profit for the year then ended;

have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and IFRSs as issued by the International Accounting Standards Board (IASB);

have been prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

We have audited the financial statements which comprise:

the consolidated statement of comprehensive income;
the consolidated balance sheet;
the consolidated statement of changes in equity;
the consolidated cash flow statement; and
the related notes 1 to 21.

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

2. BASIS FOR OPINION

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

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

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

The White Building,
Reading
3. SUMMARY OF OUR AUDIT APPROACH

Key audit matters

- The key audit matters that we identified in the current year were:
  - Key judgements in the valuation of investment property.
  - Materiality
  - Scoping
  - Significant changes in our approach

Materiality

- The materiality that we used for the Group financial statements in the current year was £9.1 million, which was determined on the basis of 1% of net asset value.

Scoping

- All audit work for the Group was performed directly by the Group engagement team. All of the Group’s subsidiaries are registered as Guernsey companies and are subject to full scope audits.

Significant changes in our approach

- There were no significant changes in our approach in the current year, except for the removal of the recognisability of rental income receivable as a key audit matter. This was removed as the impact of COVID-19 on the Group had significantly reduced during the period under audit.

4. CONCLUSIONS RELATING TO GOING CONCERN

Going concern

- In auditing the financial statements, we have concluded that the directors’ use of the going concern basis of accounting in the preparation of the financial statements is appropriate.
  - Our evaluation of the directors’ assessment of the Group’s and parent company’s ability to continue to adopt the going concern basis of accounting included:
    - Assessed the financial statements disclosures and assessed whether the going concern assessment is appropriately disclosed.
    - Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group’s and parent company’s ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.
    - Evaluated the maturity of Group debt and the effect of repayment dates on the going concern assumption and the longer term viability of the Group.
    - Evaluated the directors’ assessment of going concern and the assumptions, including income, expenditure and cash forecasts, used in their 12 month and 5 year forecast models.
    - Performed fair value and income sensitivity analysis, which we compared to the Group stress testing results.
    - Checked banking covenants to assess compliance as at the balance sheet date; and
  - Assessed the financial statements disclosures and assessed whether the going concern assumption is appropriately disclosed.

5. KEY AUDIT MATTERS

5.1 Key judgements in the valuation of investment property

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

These matters included those which had the greatest effect on:

- the overall audit strategy,
- the allocation of resources in the audit,
- and directing the efforts of the engagement team.

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

Key audit matter description

Valuation of investment properties is the key driver of the Group’s net asset value. Valuations are inherently complex and require significant judgement and estimation around the key inputs and assumptions. The main judgements are around equivalent yields and estimated market rent and thus this was the focus of our key audit matter.

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

Directors’ valuation is based on the external valuation provided by CBRE Limited, chartered surveyors. The valuation of the investment property portfolio at 31 December 2022 amounted to £1,276m (2021: £1,508m).

5.2 Scoping the audit

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

We performed the following:

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

Key observations

We concluded that the key assumptions used in determining the valuation of the Group’s investment property valuation are appropriate.
We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced.

We use materiality both in planning the scope of our audit work and in evaluating the results of our work. Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

6. OUR APPLICATION OF MATERIALITY

6.1 Materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. The performance materiality was set at 70% of Group materiality for the 2022 audit (2021: 95%). In determining performance materiality, we considered the following factors:

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

6.2 Performance Materiality

In addition to net assets, we consider EPRA Adjusted Profit After Tax as a critical performance measure for the Group and a measure which is widely used within the Real Estate industry. Adjusted Profit After Tax as a critical performance measure is consistent with the market approach for such measures, including trade receivables and trade payables.

6.3 Error Reporting Threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences below that threshold in, our view, warranting reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. AN OVERVIEW OF THE SCOPE OF OUR AUDIT

7.1 Scoping

The Group consists of the Company UK Commercial Property REIT Limited and its subsidiaries, which are all registered in Guernsey. Our Group audit was scoped by obtaining an understanding of the Group and its environment, including internal controls, and assessing the risks of material misstatement at the Group level. The Group is audited by one audit team, led by the Senior Statutory Auditor.

The audit is performed centrally, as the books and records for each entity within the Group are maintained at head office. All of the Group’s subsidiaries that are registered as Guernsey companies are subject to full scope audits. We also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the consolidated financial information.

7.2 Our Consideration of the Control Environment

The Board of Directors delegates management functions to Abrdn Fund Managers Limited as Investment Manager. As part of our risk assessment, we assessed the control environment in place at the Investment Manager, and obtained an understanding of the relevant controls, such as those related to the financial reporting cycle, and those in relation to our key audit matter.

We have obtained the Assurance Report on Controls at Service Organisations of the Investment Manager, which documents the suitability of the design and operating effectiveness of controls. We have reviewed the report and extracted relevant controls and have adopted a controls reliance approach with respect to the rental income and deferred income business area. We further obtained a bridging letter from the Investment Manager detailing that there have not been any material changes to the internal control environment.

There were no other balances where we planned to rely on controls, other than the balances noted above.

7.3 Our Consideration of Climate-Related Risks

As part of our risk assessment, we have considered the potential impact of climate change on the Group’s business and its financial statements. We have identified an understanding of the potential impact of climate-related risks, the processes and controls in place, as well as the determination of any mitigating actions.

The Group continues to develop its assessment of the potential impact of environmental, social and governance (“ESG”) related risks, including climate change. As outlined in the ESG disclosures on pages 105 to 111 and strategic overview on pages 20 to 29, the Group considers climate change to be a principal risk within the business, with particular impact on their investment properties. As part of our assessment of our key audit matter, we considered whether there was a heightened element of climate risk in relation to the key judgements in the valuation of investment properties. Whilst this did not have a material impact on the judgements, climate related risks were included as part of our overall challenge on investment properties.

The Directors have assessed that there is currently no material impact arising from climate change on the valuation of investment properties. This is disclosed in Note 10 to the financial statements.

We have assessed whether the risks identified by the entity are consistent with our understanding of the Group’s business and evaluated whether appropriate disclosures have been made in the financial statements in this regard. The Directors have adopted the Task Force for Climate Related Disclosures and therefore we engaged with our ESG assurance specialists to assist with assessing disclosures in the strategic overview. ESG and TCFD section to consider whether they are materially consistent with the guidelines.
11. EXTENT TO WHICH THE AUDIT WAS CONSIDERED CAPABLE OF DETECTING IRREGULARITIES, INCLUDING FRAUD

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

11.1 Identifying and Assessing Potential Risks Related to Irregularities

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

- The nature of the industry and sector, control environment and business performance including the design of the Group’s remuneration policy
- Key drivers for directors’ remuneration, bonus levels and performance targets
- Results of our enquiries of management, the directors and the audit committee about their own identification and assessment of the risks of irregularities, including those that are specific to the Group’s sector
- Any matters we identified having obtained and reviewed the Group’s documentation of their policies and procedures relating to:
  - Identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - Detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - Internal controls established to mitigate risks of fraud or non-compliance with laws and regulations.

We have nothing to report in this regard.

11.2 Audit Response to Risks Identified

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

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

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

We also conducted provisions of other laws and regulations that do not have a direct effect on the financial statement and compliance with which may be fundamental to the Group’s ability to operate or to avoid a material penalty. These included compliance with the REIT regime rules.

12. CORPORATE GOVERNANCE STATEMENT

The Listing Rules require us to review the directors’ statement in relation to going concern. Longer term viability and that part of the Corporate Governance Statement relating to the Group’s compliance with the provisions of the UK Corporate Governance Code are descriptions of the directors’ work.

Based on the work undertaken as part of our audit, we have concluded that each of the following is appropriate: the Directors’ statement of the Group’s prospects, the risks to the company’s business and any material uncertainties identified set out on page 54; the directors’ statement concerning the risks of material misstatement due to fraud; the board’s conclusion that it has carried out a robust assessment of the emerging and principal risks set out on page 50; and the board’s statement on fair, balanced and understandable set out on page 55.

13. OTHER MATTERS WHICH WE ARE REQUIRED TO ADDRESS

13.1 Auditor Tenure

Following the recommendation of the audit committee, we were appointed by the Board of Directors and engaged to audit the financial statements for the year ending 31 December 2016 and to express an opinion on those financial statements.

We have nothing to report in this regard.

13.2 Consistency of the Audit Report with the Additional Report to the Audit Committee

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

16. USE OF OUR REPORT

This report is made solely to the company’s members, as a body, in accordance with Section 262 of the Companies (Guernsey) Law 2008. Our audit work has been undertaken so that we might state to the company’s members these matters are as matters we are required to state to them in an auditor’s report and/or those matters we have expressly agreed to report to them in our engagement letter and for no other purpose.

To the fullest extent permitted by law, we do not accept any responsibility to anyone other than the company and the company’s members as a body, for our report, or for the opinions we have formed.

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

Sidkhan Duncan
Senior Statutory Auditor
For and on behalf of Deloitte LLP
Recognised Auditor
St Peter Port, Guernsey
31 March 2017
## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

**For the year ended 31 December 2022**

<table>
<thead>
<tr>
<th>Notes</th>
<th>Year ended 31 December 2022 £’000</th>
<th>Year ended 31 December 2021 £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUE</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rental income</td>
<td>2</td>
<td>66,930</td>
</tr>
<tr>
<td>Impairment reversal on trade receivables</td>
<td>3</td>
<td>256</td>
</tr>
<tr>
<td>Service charge income</td>
<td>3</td>
<td>6,431</td>
</tr>
<tr>
<td>(Losses)/Gain on investment properties</td>
<td>10</td>
<td>(263,090)</td>
</tr>
<tr>
<td><strong>Total (expense) / income</strong></td>
<td></td>
<td>(189,570)</td>
</tr>
<tr>
<td><strong>EXPENDITURE</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment management fee</td>
<td>4</td>
<td>(8,617)</td>
</tr>
<tr>
<td>Direct property expenses</td>
<td>5</td>
<td>(6,522)</td>
</tr>
<tr>
<td>Service charge expenses</td>
<td>5</td>
<td>(6,451)</td>
</tr>
<tr>
<td>Other expenses</td>
<td>5</td>
<td>(2,299)</td>
</tr>
<tr>
<td><strong>Total expenditure</strong></td>
<td></td>
<td>(23,889)</td>
</tr>
<tr>
<td><strong>Operating (loss)/profit before finance costs</strong></td>
<td></td>
<td>(213,459)</td>
</tr>
<tr>
<td><strong>FINANCE COSTS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finance costs</td>
<td>6</td>
<td>(9,181)</td>
</tr>
<tr>
<td>Interest income</td>
<td></td>
<td>311</td>
</tr>
<tr>
<td>Net finance costs</td>
<td></td>
<td>(9,870)</td>
</tr>
<tr>
<td><strong>Operating (loss)/profit after finance costs</strong></td>
<td></td>
<td>(222,329)</td>
</tr>
<tr>
<td><strong>Net (loss)/profit from ordinary activities before taxation</strong></td>
<td></td>
<td>222,329</td>
</tr>
<tr>
<td><strong>Taxation on profit on ordinary activities</strong></td>
<td>7</td>
<td>—</td>
</tr>
<tr>
<td><strong>Net (loss)/profit for the year</strong></td>
<td></td>
<td>222,329</td>
</tr>
<tr>
<td><strong>Total comprehensive (deficit) / income for the year</strong></td>
<td></td>
<td>222,329</td>
</tr>
<tr>
<td><strong>Basic and diluted earnings per share</strong></td>
<td>9</td>
<td>(17.11)p</td>
</tr>
<tr>
<td><strong>EPRA earnings per share</strong></td>
<td>9</td>
<td>3.15p</td>
</tr>
</tbody>
</table>

All of the profit and total comprehensive deficit for the year is attributable to the owners of the Company. All items in the above statement derive from continuing operations. Additional EPRA performance measures are on pages 101 to 104.

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## CONSOLIDATED BALANCE SHEET

**As at 31 December 2022**

<table>
<thead>
<tr>
<th>Notes</th>
<th>Year ended 31 December 2022 £’000</th>
<th>Year ended 31 December 2021 £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>NON-CURRENT ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment properties</td>
<td>10</td>
<td>1,275,610</td>
</tr>
<tr>
<td><strong>CURRENT ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>12</td>
<td>52,848</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td></td>
<td>83,509</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td></td>
<td>1,359,119</td>
</tr>
<tr>
<td><strong>CURRENT LIABILITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>13</td>
<td>(32,714)</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td></td>
<td>(323,400)</td>
</tr>
<tr>
<td><strong>non-CURRENT LIABILITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank loans</td>
<td>14</td>
<td>(291,686)</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td></td>
<td>(323,400)</td>
</tr>
<tr>
<td><strong>Net assets</strong></td>
<td></td>
<td>1,035,719</td>
</tr>
<tr>
<td><strong>REPRESENTED BY</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share capital</td>
<td>15</td>
<td>539,872</td>
</tr>
<tr>
<td>Special distributable reserve</td>
<td></td>
<td>542,472</td>
</tr>
<tr>
<td>Capital reserve</td>
<td></td>
<td>(46,425)</td>
</tr>
<tr>
<td>Revenue reserve</td>
<td></td>
<td>—</td>
</tr>
<tr>
<td>Equities shareholders’ funds</td>
<td></td>
<td>1,035,719</td>
</tr>
<tr>
<td><strong>Net asset value per share</strong></td>
<td>16</td>
<td>79.7p</td>
</tr>
</tbody>
</table>

The accounts on pages 76 to 99 were approved and authorised for issue by the Board of Directors on 31 March 2023 and signed on its behalf by:

Ken McCullagh
Director

The accompanying notes are an integral part of this statement.

Company Registration Number: 45387

Ken McCullagh
Director
For the year ended 31 December 2022

### CONSOLIDATED STATEMENT

#### CHANGES IN EQUITY

For the year ended 31 December 2022

<table>
<thead>
<tr>
<th>Notes</th>
<th>Share Capital £’000</th>
<th>Special Distributable Reserve £’000</th>
<th>Capital Reserve £’000</th>
<th>Revenue Reserve £’000</th>
<th>Equity Shareholders’ Funds £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 1 January 2022</td>
<td>539,872</td>
<td>568,891</td>
<td>216,465</td>
<td>—</td>
<td>1,325,228</td>
</tr>
<tr>
<td>Total comprehensive deficit</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(222,329)</td>
<td>(222,329)</td>
</tr>
<tr>
<td>Dividends paid</td>
<td>B</td>
<td>—</td>
<td>—</td>
<td>(67,180)</td>
<td>(67,180)</td>
</tr>
<tr>
<td>Transfer in respect of loss on investment property</td>
<td>10</td>
<td>—</td>
<td>—</td>
<td>(263,090)</td>
<td>263,090</td>
</tr>
<tr>
<td>Transfer from special distributable reserve</td>
<td>—</td>
<td>(26,419)</td>
<td>—</td>
<td>26,419</td>
<td>—</td>
</tr>
<tr>
<td>As 31 December 2022</td>
<td>539,872</td>
<td>542,472</td>
<td>(46,625)</td>
<td>—</td>
<td>1,035,719</td>
</tr>
</tbody>
</table>

### CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2022

<table>
<thead>
<tr>
<th>Year ended 31 December 2022</th>
<th>£’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>CASH FLOWS FROM OPERATING ACTIVITIES</td>
<td></td>
</tr>
<tr>
<td>Net (loss)/profit for the year before taxation</td>
<td>(222,329)</td>
</tr>
<tr>
<td>Adjustments for:</td>
<td></td>
</tr>
<tr>
<td>Loss/(gains) on investment properties</td>
<td>10</td>
</tr>
<tr>
<td>Loss on liquidation of subsidiaries</td>
<td>—</td>
</tr>
<tr>
<td>Movement in lease incentives</td>
<td>10</td>
</tr>
<tr>
<td>Movement in provision for bad debts</td>
<td>—</td>
</tr>
<tr>
<td>Increase in operating trade and other receivables</td>
<td>—</td>
</tr>
<tr>
<td>Decrease in operating trade and other payables</td>
<td>—</td>
</tr>
<tr>
<td>Finance costs</td>
<td>—</td>
</tr>
<tr>
<td>Cash generated by operations</td>
<td>—</td>
</tr>
<tr>
<td>Tax paid</td>
<td>—</td>
</tr>
<tr>
<td>Net cash inflow from operating activities</td>
<td>—</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year ended 31 December 2021</th>
<th>£’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>CASH FLOWS FROM INVESTING ACTIVITIES</td>
<td></td>
</tr>
<tr>
<td>Purchase of investment properties</td>
<td>10</td>
</tr>
<tr>
<td>Sale of investment properties</td>
<td>—</td>
</tr>
<tr>
<td>Capital expenditure</td>
<td>10</td>
</tr>
<tr>
<td>Net cash outflow from operating activities</td>
<td>—</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year ended 31 December 2021</th>
<th>£’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>CASH FLOWS FROM FINANCING ACTIVITIES</td>
<td></td>
</tr>
<tr>
<td>Facility fee charges from bank financing</td>
<td>—</td>
</tr>
<tr>
<td>Dividends paid</td>
<td>B</td>
</tr>
<tr>
<td>Bank loan drawdown</td>
<td>14</td>
</tr>
<tr>
<td>Bank loan interest paid</td>
<td>—</td>
</tr>
<tr>
<td>Loan facility set up costs</td>
<td>—</td>
</tr>
<tr>
<td>Net cash (outflow)/inflow from financing activities</td>
<td>—</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year ended 31 December 2021</th>
<th>£’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net decrease in cash and cash equivalents</td>
<td>—</td>
</tr>
<tr>
<td>Opening cash and cash equivalents</td>
<td>—</td>
</tr>
<tr>
<td>Closing cash and cash equivalents</td>
<td>—</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year ended 31 December 2022</th>
<th>£’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>REPRESENTED BY</td>
<td></td>
</tr>
<tr>
<td>Cash at bank</td>
<td>—</td>
</tr>
<tr>
<td>Money market funds</td>
<td>—</td>
</tr>
<tr>
<td>Net cash &amp; equivalents</td>
<td>—</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of this statement.
1. ACCOUNTING POLICIES

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

(a) Basis of Accounting

The consolidated accounts comprise the accounts of the Company and its subsidiaries as set out in note 1(h) and note 10 to these accounts. The consolidated accounts are presented in sterling.

(b) Functional and Presentation Currency

The preparation of the Group’s financial statements is made to make judgements, estimates and assumptions that affect the amounts reported in the financial statements. The preparation of the Group’s financial statements are presented in Pound Sterling. The financial statements are also presented in Sterling.

(c) Scope of Consolidation

The consolidated accounts comprise the accounts of the Company and its subsidiaries as set out in note 1(h) and note 10 to these accounts. The consolidated accounts are presented in sterling.

(d) Financial and Regulatory

The Group’s investment management and regulatory requirements of Guernsey law and the financing arrangements with the banks. The consolidated Financial Statements of the Group have been prepared on a going concern basis.

(e) Segmental Reporting

The Directors have considered the basis of preparation of the accounts which is appropriate for the Group’s business as a whole.

(f) Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Group’s financial statements is made to make judgements, estimates and assumptions that affect the amounts reported in the financial statements. The preparation of the Group’s financial statements are presented in Pound Sterling. The financial statements are also presented in Sterling.

(g) Revenue Recognition

Items included in the financial statements of the Group are measured using one of the primary economic environment in which the Company and its subsidiaries operate (“the functional currency”) which is pounds sterling. The financial statements are also presented in Sterling.

(h) Recognition

Rental income, excluding VAT, arising from operating leases (including those containing a bargain purchase option) is recognised in the Consolidated Statement of Comprehensive Income on a straight-line basis over the lease term. Lease premiums paid and rent free periods granted, plus any costs incurred as assets and are amortised over the non-cancellable lease term.

(i) Investment Properties

Investment properties are recognised when the Group has the ability to create outputs.

(j) Utilities

The Group applies the IFRS simplified approach to measuring expected credit losses which uses the probate matrix to determine expected credit losses. The Group applies the IFRS simplified approach to measuring expected credit losses which uses the ‘life of loan’ approach.

(k) Segmental Reporting

The Directors consider whether the transaction represents an asset or a liability, or a combination, management consider whether the transaction.

(l) Investment Properties

The Group’s investment properties are capitalised in the period during which construction is to be completed as a leasehold.

(m) Trade and Other Receivables

Trade receivables are initially recognised at their transaction price unless they contain a significant financing component.

(n) Segmental Reporting

The Group recognises the proceeds from issuing ordinary shares.

(o) Revaluation of Property

The Group has invested in the United Kingdom. Investment properties are capitalised in the period during which construction is to be completed as a leasehold.

(p) Interest-bearing Borrowings

This represents the proceeds from issuing ordinary shares.

(q) Trade and Other Payables

Trade receivables are initially recognised at their transaction price unless they contain a significant financing component.

(r) Segmental Reporting

The Group as a whole.

(s) Revenue Recognition

The Group’s investment properties are capitalised in the period during which construction is to be completed as a leasehold.

(t) Investment Properties

The Group’s investment properties are capitalised in the period during which construction is to be completed as a leasehold.

(u) Segmental Reporting

The Group recognises the proceeds from issuing ordinary shares.

(v) Revaluation of Property

The Group has invested in the United Kingdom. Investment properties are capitalised in the period during which construction is to be completed as a leasehold.

(w) Investment Properties

The Group’s investment properties are capitalised in the period during which construction is to be completed as a leasehold.

(x) Utilities

The Group applies the IFRS simplified approach to measuring expected credit losses which uses the ‘life of loan’ approach.

(y) Investment Properties

The Group’s investment properties are capitalised in the period during which construction is to be completed as a leasehold.

(z) Utilities

The Group applies the IFRS simplified approach to measuring expected credit losses which uses the probate matrix to determine expected credit losses. The Group applies the IFRS simplified approach to measuring expected credit losses which uses the ‘life of loan’ approach.

References

The Group as a whole.

The Group’s investment properties are capitalised in the period during which construction is to be completed as a leasehold.

The Group recognises the proceeds from issuing ordinary shares.

Trade receivables are initially recognised at their transaction price unless they contain a significant financing component.

Trade receivables are initially recognised at their transaction price unless they contain a significant financing component.

Trade receivables are initially recognised at their transaction price unless they contain a significant financing component.

Trade receivables are initially recognised at their transaction price unless they contain a significant financing component.
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.

[a] New and revised IFRS Accounting Standards

In issue but not yet effective

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRS Accounting Standards that have been issued but are not yet effective.

Amendments to IFRS 16 ‘Lease’ Financial Statements and IAS 28 Investments in Associates and Joint Ventures — Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 16 and IAS 26 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent’s profit or loss only to the extent of the unrelated investors’ interests in the associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary that has become an associate or a joint venture (that is accounted for using the equity method) that fair value are recognised in the former parent’s profit or loss only to the extent of the unrelated investors’ interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted.

The directors of the Group anticipate that the application of these amendments may have an impact on the Group’s consolidated financial statements in future periods should such transactions arise.

Amendments to IAS 1 Presentation of Financial Statements — Classification of Liabilities as Current or Non-current

The amendments, which were published in January 2020 affect only the presentation of liabilities as current or non-current, the definition of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights in existence if covenants are complied with at the end of the reporting period, and introduce a definition of ‘settlement’ to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted. The IASB is currently considering further amendments to the requirements in IAS 1 on classification of liabilities as current or non-current, including deferring the application of the January 2020 amendments.

The directors of the Group anticipate that the application of these amendments may have an impact on the Group’s consolidated financial statements in future periods.

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgments — Disclosure of Accounting Policies

The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term ‘significant accounting policies’ with ‘material accounting policy information’. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of these financial statements.

The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is immaterial.

The IASB has also developed guidance and examples to explain and demonstrate the application of the ‘four-step materiality process’ described in IFRS Practice Statement 2.

The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023, with earlier application permitted and are applied prospectively. The amendments to IFRS Practice Statement 2 do not contain an effective date or transition requirements.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors — Definition of Accounting Estimates

The amendments redefine the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".

The definition of a change in accounting estimates was deleted. However, the IASB retained the concept of changes in accounting estimates in the Standard with the following clarifications:

A change in accounting estimate that results from new information or new developments is not the correction of an error; and

the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

The IASB added two examples (Examples 4–5) to the Guidance on implementing IAS 8, which accompanies the Standard. The IASB has deleted one example (Example 3) as it could cause confusion in light of the amendments.

The amendments are effective for annual periods beginning on or after 1 January 2023 to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period, with earlier application permitted.

IFRS: Lease: Forfeiture of lease payments (IFRS 9 ‘Financial Instruments’ and IFRS 16 ‘Leases’)

Concessions might take a variety of forms, including payment holidays and deferral of lease payments. In May 2021, IASB issued an amendment to IFRS 16 which provides lessors with an option to treat qualifying rent concessions in the same way as they would if they were lease modifications. However, the amendments do not apply to lessees. In October 2022, the IFRS Interpretations Committee issued an Agenda Decision that clarified the accounting for rent concessions by lessors.

Lessees must apply IFRS 9 to a rent concession, or a part of a rent concession, that is a forgiveness of rent payments that are recognised in an operating lease receivable on the balance sheet. This includes applying the expected credit loss model to the operating lease receivables in periods prior to the forgiveness, considering expectations around any forgiveness of these amounts. Lessors must apply IFRS 16 lease modifications accounting to a rent concession, or a part of a rent concession, that forgives lease payments not yet recognized as an operating lease receivable. The amendment is effective immediately, the directors of the Group are determining the impact but don’t expect it to be material.

Annual Improvements to IFRS

The Group has adopted the amendments included in the Annual Improvements to IFRS Accounting Standards 2018–2020 Cycle for the first time in the current year. The Annual improvements include amendments to four standards.

The amendment is effective immediately, the directors of the Group are determining the impact but don’t expect it to be material.

IFRS 9 Financial Instruments

The amendment clarifies that in applying the ‘all or none’ test to assess whether to derecognise a financial asset sold or paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other’s behalf

IFRS 16 Leases

The amendment removes the illustration of the remeasurement of leasehold improvements.
5. EXPENSES

<table>
<thead>
<tr>
<th></th>
<th>Year ended 31 December 2022</th>
<th>Year ended 31 December 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>DIRECT PROPERTY EXPENSES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct property expenses of let rental units</td>
<td>£ 4,951</td>
<td>£ 4,927</td>
</tr>
<tr>
<td>Direct property expenses of vacant units</td>
<td>£ 675</td>
<td>£ 670</td>
</tr>
<tr>
<td>Bad debts recognised during the year, net</td>
<td>£ 896</td>
<td>£ 1,192</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>£ 6,822</td>
<td>£ 6,789</td>
</tr>
<tr>
<td>Service charge expenses</td>
<td>£ 6,681</td>
<td>£ 6,063</td>
</tr>
</tbody>
</table>

| **OTHER EXPENSES** | | |
|-------------------|-----------------------------|
| Professional fees  | £ 705                        |
| Abusive transaction costs | —                             |
| Valuation fees*  | £ 152                        |
| Directors’ fees and expenses** | £ 263                        |
| Marketing fees    | £ 296                        |
| Administration and company secretarial fees | £ 161                        |
| Regulating fees   | £ 92                         |
| Auditor’s remuneration for: | |
| Statutory audit   | £ 150                        |
| Non audit services | —                             |
| **Total**          | £ 2,299                      |

* Valuation fees are charged at the agreed basis being: 0.0022% of valuation plus a cash flow fee of £75 per property. Fees are billed quarterly in line with the valuation cycle. The independent valuation agreement is effective from November 2016, initially for 5 years, moving to a quarterly rolling basis.

** Composition and analysis of Director fees is provided within the Directors Remuneration report on page 65.

6. FINANCE COSTS

<table>
<thead>
<tr>
<th></th>
<th>Year ended 31 December 2022</th>
<th>Year ended 31 December 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest on principal loan amount</td>
<td>£ 7922</td>
<td>£ 5,635</td>
</tr>
<tr>
<td>Facility fees</td>
<td>£ 725</td>
<td>£ 961</td>
</tr>
<tr>
<td>Amortisation of loan set up fees</td>
<td>£ 524</td>
<td>£ 465</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>£ 9,161</td>
<td>£ 7,263</td>
</tr>
</tbody>
</table>

7. TAXATION

<table>
<thead>
<tr>
<th></th>
<th>Year ended 31 December 2022</th>
<th>Year ended 31 December 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>NET (LOSS)/PROFIT FROM ORDINARY ACTIVITIES BEFORE TAX</strong></td>
<td>£ (222,329)</td>
<td>£ 236,233</td>
</tr>
<tr>
<td>UK Corporation tax at a rate of 19 per cent (2021: 19%)</td>
<td>(42,243)</td>
<td>(44,884)</td>
</tr>
<tr>
<td>Effect of:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital losses/gains on investment properties not taxable</td>
<td>£ (49,997)</td>
<td>(38,333)</td>
</tr>
<tr>
<td>Income not taxable, including interest receivable</td>
<td>(39)</td>
<td>(22)</td>
</tr>
<tr>
<td>UK REIT exemption on net income</td>
<td>(7,685)</td>
<td>(6,529)</td>
</tr>
<tr>
<td><strong>Total tax charge</strong></td>
<td>—</td>
<td>—</td>
</tr>
</tbody>
</table>
8. DIVIDENDS AND PROPERTY INCOME DISTRIBUTIONS (PID) GROSS OF INCOME TAX

DIVIDENDS ON ORDINARY SHARES

<table>
<thead>
<tr>
<th>Year ended 31 December 2022</th>
<th>Year ended 31 December 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weighted average number of shares</td>
<td>1,299,412,465</td>
</tr>
<tr>
<td>(PID) gross of share tax</td>
<td>1,299,412,465</td>
</tr>
<tr>
<td>Cost per share (pence)</td>
<td>(222,329,000)</td>
</tr>
<tr>
<td>Basic earnings per share (pence)</td>
<td>3.15</td>
</tr>
<tr>
<td>EPRA earnings per share (pence)*</td>
<td>2.65</td>
</tr>
</tbody>
</table>

* A breakdown of the calculation is detailed in the table A. EPRA Earnings on page 40.

A fourth interim, PID of 0.660p per share, Non-PID of 0.170p per share was paid on 28 February 2023 to shareholders on the register on 10 February 2023. Although this payment relates to the year ended 31 December 2022, under International Financial Reporting Standards it will be accounted for in the year ending 31 December 2023.

9. BASIC AND DILUTED EARNINGS PER SHARE

<table>
<thead>
<tr>
<th>Year ended 31 December 2022</th>
<th>Year ended 31 December 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interim dividends paid per ordinary share:</td>
<td></td>
</tr>
<tr>
<td>2021 Fourth interim: PID of 0.464p per share, Non-PID of 0.284p per share paid 25 February 2022</td>
<td>1,299,412,465</td>
</tr>
<tr>
<td>2020 Fourth interim: PID of 0.464p per share</td>
<td>1,299,412,465</td>
</tr>
<tr>
<td>2021 Fifth interim of nil (2020 Fifth interim: PID of 0.537p per share)</td>
<td>—</td>
</tr>
<tr>
<td>2022 First interim: PID of 0.800p paid 27 May 2022 (2021 First interim: PID of 0.464p per share)</td>
<td>10,395</td>
</tr>
<tr>
<td>2021 Fourth interim: PID of 0.466p per share, Non-PID of 0.284p per share paid 25 February 2022</td>
<td>8,368</td>
</tr>
<tr>
<td>2022 Second interim: PID of 0.850p per share paid 31 August 2022 (2021 Second interim: PID of 0.464p per share)</td>
<td>11,045</td>
</tr>
<tr>
<td>2022 Special dividend: 1.92p per share paid 31 August 2022</td>
<td>24,949</td>
</tr>
<tr>
<td>2022 Third interim: PID of 0.500p per share, Non-PID of 0.350p per share paid 30 November 2022 (2021 Third interim: PID of 0.462p per share, Non-PID of 0.229p per share)</td>
<td>11,045</td>
</tr>
<tr>
<td>Fair value as at 31 December 2022</td>
<td>67,180</td>
</tr>
</tbody>
</table>

10. INVESTMENT PROPERTIES

FREESTAND AND LEASEHOLD PROPERTIES

<table>
<thead>
<tr>
<th>Year ended 31 December 2022</th>
<th>Year ended 31 December 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening valuation</td>
<td>1,808,368</td>
</tr>
<tr>
<td>Purchase at cost</td>
<td>6,934</td>
</tr>
<tr>
<td>Capital expenditure</td>
<td>48,517</td>
</tr>
<tr>
<td>(Loss)/gain on revaluation to market value</td>
<td>(264,295)</td>
</tr>
<tr>
<td>Disposals at prior year valuation</td>
<td>(21,554)</td>
</tr>
<tr>
<td>Lease incentive movement</td>
<td>(2,360)</td>
</tr>
<tr>
<td>Fair value as at 31 December</td>
<td>1,276,410</td>
</tr>
</tbody>
</table>

LOSSES/GAINS ON INVESTMENT PROPERTIES AT FAIR VALUE COMPRISE

<table>
<thead>
<tr>
<th>Year ended 31 December 2022</th>
<th>Year ended 31 December 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valuation (losses)/gains</td>
<td>(264,295)</td>
</tr>
<tr>
<td>Movement in provision for lease incentives</td>
<td>(2,360)</td>
</tr>
<tr>
<td>Gain/(loss) on disposal</td>
<td>3,565</td>
</tr>
<tr>
<td>Gain/(loss) on investment properties sold</td>
<td>(263,090)</td>
</tr>
</tbody>
</table>

GAIN/(LOSS) ON INVESTMENT PROPERTIES SOLD

<table>
<thead>
<tr>
<th>Year ended 31 December 2022</th>
<th>Year ended 31 December 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Original cost of investment properties</td>
<td>(22,972)</td>
</tr>
<tr>
<td>Sale proceeds less sale costs</td>
<td>25,119</td>
</tr>
<tr>
<td>Gain/(loss) on investment properties sold</td>
<td>2,147</td>
</tr>
<tr>
<td>Recognised in previous periods</td>
<td>(1,415)</td>
</tr>
<tr>
<td>Recognised in current period</td>
<td>3,565</td>
</tr>
<tr>
<td>Fair value as at 31 December 2022</td>
<td>2,147</td>
</tr>
</tbody>
</table>

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.

REIT Limited, (the “Property Valuer”) completed a valuation of Group investment properties as at 31 December 2022 on the basis of fair value in accordance with the requirements of the Royal Institution of Chartered Surveyors (RICS) RICS Valuation — Global Standards (incorporating the International Valuation Standards) and the UK national supplement (the ‘Red Book’).

The Property Valuer, in valuing the portfolio, is acting as an ‘External Valuer’, as defined in the Red Book, exercising independence and objectivity. The Property Valuer’s opinion of Fair Value has been primarily derived using comparable recent market transactions in order to determine the price that would be received to sell an asset in an orderly transaction between market participants at the valuation date. The fair value of these investment properties amounted to £4,399,023,000 (2021: £4,527,400,000). The difference between the fair value and the value per the consolidated balance sheet at 31 December 2022 consists, in the main, to accrued income relating to the pre-payment for rent-free periods recognised over the life of the lease totalling £32,415,000 (2021: £29,860,000) which is separately recorded in the accounts as a current asset. In addition a balance of £2,366,000 (2021: £4,483,000) has been offset against the lease incentive representing the reduction in the lease incentive provided for as part of the provision for bad debts giving a net lease incentive balance of £30,050,000 (2021: £27,171,000).

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

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

9,746  5,977

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

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

There are no restrictions on the realisability of the Group’s investment properties or on the remittance of income or proceeds of disposal.

However, the Group’s investments comprise UK commercial property, which may be difficult to realise.
The property portfolio’s fair value as at 31 December 2022 has been prepared adopting the following assumptions:

1. That, where let, the Estimated Net Annual Rent (after void and rent free period assumptions) for each property, or part of a property, reflects the terms of the lease as at the date of valuation. If the property, or part thereof, are vacant at the date of valuation, the rental value reflects the rent the Property Valuer considers would be obtainable on an open market letting as at the date of valuation.

2. The Property Valuer has assumed that, where let, all rent reviews are to be assessed by reference to the estimated rental value calculated in accordance with the terms of the lease. Also there is the assumption that all tenants will meet their obligations under their leases and are responsible for insurance, payment of business rates, and all repairs, whether directly or by means of a service charge.

3. The Property Valuer has not made any adjustments to reflect any liability to taxation that may arise on disposal, nor any costs associated with disposals incurred by the owner.

4. The Property Valuer assumes an initial yield in the region of 3.89 to 13.87 per cent, based on market evidence. For the majority of properties, the Property Valuer assumes a reversionary yield of properties, the Property Valuer assumes a reversionary yield in the region of 3.89 to 13.87 per cent.

5. The Property Valuer takes account of deleterious materials included in the construction of the investment properties in arriving at its estimate of Fair Value when the Investment Manager advises of the presence of such materials.

The majority of the leases are on a full repairing basis and as such the Property Valuer assumes that all tenants will meet their obligations under their leases and are responsible for maintenance cost, agent and commission costs and other operating and management expenses. The series of periodic net cash inflows, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted. Set out below are the valuation techniques used for each property sector plus a description and quantification of the key unobservable inputs relating to each sector. There has been no change in valuation technique in the year.

Fair Value by sector as at 31 December 2022

<table>
<thead>
<tr>
<th>Sector</th>
<th>Fair Value as at 31 December 2022 (£m)</th>
<th>Valuation techniques</th>
<th>Unobservable inputs</th>
<th>Range</th>
<th>Weighted average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industrial</td>
<td>775.4</td>
<td>Yield methodology</td>
<td>Annual rent per sq ft Capitalisation rate</td>
<td>£0 – £18 (£15)</td>
<td>£0 – £18 (£15)</td>
</tr>
<tr>
<td>Office</td>
<td>171.2</td>
<td>Yield methodology</td>
<td>Annual rent per sq ft Capitalisation rate</td>
<td>£12 – £30 (£19)</td>
<td>£12 – £30 (£19)</td>
</tr>
<tr>
<td>Retail</td>
<td>193.3</td>
<td>Yield methodology</td>
<td>Annual rent per sq ft Capitalisation rate</td>
<td>£7 – £53 (£23)</td>
<td>£7 – £53 (£23)</td>
</tr>
<tr>
<td>Alternatives</td>
<td>163.1</td>
<td>Yield methodology</td>
<td>Annual rent per sq ft Capitalisation rate</td>
<td>£0 – £15 (£7)</td>
<td>£0 – £15 (£7)</td>
</tr>
</tbody>
</table>

Fair Value by sector as at 31 December 2021

<table>
<thead>
<tr>
<th>Sector</th>
<th>Fair Value as at 31 December 2021 (£m)</th>
<th>Valuation techniques</th>
<th>Unobservable inputs</th>
<th>Range</th>
<th>Weighted average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industrial</td>
<td>961.6</td>
<td>Yield methodology</td>
<td>Annual rent per sq ft Capitalisation rate</td>
<td>£4 – £49 (£49)</td>
<td>£4 – £49 (£49)</td>
</tr>
<tr>
<td>Office</td>
<td>215.9</td>
<td>Yield methodology</td>
<td>Annual rent per sq ft Capitalisation rate</td>
<td>£4 – £19 (£12)</td>
<td>£4 – £19 (£12)</td>
</tr>
<tr>
<td>Retail</td>
<td>163.7</td>
<td>Yield methodology</td>
<td>Annual rent per sq ft Capitalisation rate</td>
<td>£0 – £53 (£23)</td>
<td>£0 – £53 (£23)</td>
</tr>
<tr>
<td>Alternatives</td>
<td>168.4</td>
<td>Yield methodology</td>
<td>Annual rent per sq ft Capitalisation rate</td>
<td>£0 – £19 (£7)</td>
<td>£0 – £19 (£7)</td>
</tr>
</tbody>
</table>

Sensitivity Analysis

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

As at 31 December 2022

<table>
<thead>
<tr>
<th>Sector</th>
<th>Assumption</th>
<th>Movement</th>
<th>Effect on valuation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industrial</td>
<td>Capitalisation rate</td>
<td>+ 50 basis points</td>
<td>Decrease £6.7 million</td>
</tr>
<tr>
<td>Office</td>
<td>Capitalisation rate</td>
<td>+ 50 basis points</td>
<td>Decrease £18.8 million</td>
</tr>
<tr>
<td>Retail</td>
<td>Capitalisation rate</td>
<td>+ 50 basis points</td>
<td>Decrease £15.6 million</td>
</tr>
<tr>
<td>Alternatives</td>
<td>Capitalisation rate</td>
<td>+ 50 basis points</td>
<td>Decrease £20.5 million</td>
</tr>
</tbody>
</table>

As at 31 December 2021

<table>
<thead>
<tr>
<th>Sector</th>
<th>Assumption</th>
<th>Movement</th>
<th>Effect on valuation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industrial</td>
<td>Capitalisation rate</td>
<td>+ 50 basis points</td>
<td>Decrease £122.3 million</td>
</tr>
<tr>
<td>Office</td>
<td>Capitalisation rate</td>
<td>+ 50 basis points</td>
<td>Decrease £22.3 million</td>
</tr>
<tr>
<td>Retail</td>
<td>Capitalisation rate</td>
<td>+ 50 basis points</td>
<td>Decrease £20.6 million</td>
</tr>
<tr>
<td>Alternatives</td>
<td>Capitalisation rate</td>
<td>+ 50 basis points</td>
<td>Decrease £14.7 million</td>
</tr>
</tbody>
</table>

This represents the Group’s best estimate of a reasonable possible shift in capitalisation rate, having regard to historical volatility of the value.
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:

1. Information provided by the Investment Manager such as current rents, terms and conditions of lease agreements, service charges and capital expenditure. This information is derived from the Investment Manager’s financial and property management systems and is subject to the Investment Manager’s overall control environment.

2. Assumptions and valuation models used by the valuers — the assumptions are typically market related, such as yields. These are based on their professional judgment and market observation.

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

11. SUBSIDIARY UNDERTAKINGS

The Company owns 100 per cent of the issued share capital of UK Commercial Property Estates Holdings Limited (UKCPEHL), a company incorporated in Guernsey whose principal business is to hold and manage investment properties for rental income. UKCPEHL owns 100 per cent of the issued share capital of UK Commercial Property Finance Holdings Limited (UKCPFHL), a company incorporated in Guernsey whose principal business is to hold and manage investment properties for rental income. UKCPEHL also owned 100 per cent of the issued ordinary share capital of UK Commercial Property Finance Holdings Limited (UKCPFHL), a company incorporated in Guernsey whose principal business was that of an investment and property company. UKCPFHL successfully completed the dissolution of both of these companies during the year, effective dissolution date 9 July 2022.

The Company owns 100 per cent of the issued ordinary share capital of UK Commercial Property Finance Holdings Limited (UKCPFHL), a company incorporated in Guernsey whose principal business is to hold and manage investment properties for rental income. UKCPFHL owns 100 per cent of the issued ordinary share capital of UK Commercial Property Holdings Limited (UKCPEHL), a company incorporated in Guernsey whose principal business is to hold and manage investment properties for rental income. UKCPFHL owned 100 per cent of the issued share capital of UK Commercial Property Nominees Limited, a company incorporated in Guernsey whose principal business was that of a nominee company. During the year UKCPFHL successfully completed the liquidation of UK Commercial Property Nominees Limited, effective 21 December 2022.

UKCPT Limited Partnership, (LP), was a Guernsey limited partnership, whose principal business was to hold and manage investment properties for rental income. UKCPFHL and the GP, had a partnership interest of 99 and 1 per cent respectively in the LP. The GP was the general partner and UKCPFHL was a limited partner of the LP. During the year UKCPFHL successfully completed the dissolution of UKCPT Limited Partnership, effective 31 March 2021 and the liquidation of the GP, effective 28 December 2022.

In addition, the Group controls three JPUTs namely Junction 27 Retail Unit Trust, 31 George’s Lane Unit Unit Trust, and Etonwood Kingston Property Unit Trust. The principal business of the Unit Trusts is that of investment in property.

During the year the Group successfully completed the voluntary liquidation of Kew Retail Park, effective 10 June 2022, a JPUT whose principal business prior to liquidation was that of investment in property.

12. TRADE AND OTHER RECEIVABLES

The ageing of these receivables is as follows:

<table>
<thead>
<tr>
<th></th>
<th>Year ended 31 December 2022</th>
<th>Year ended 31 December 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£’000</td>
<td>£’000</td>
</tr>
<tr>
<td>Rental debtors</td>
<td>20,605</td>
<td>17,978</td>
</tr>
<tr>
<td>Rental deposits</td>
<td>3,000</td>
<td>2,439</td>
</tr>
<tr>
<td>Provision for bad debts</td>
<td>(5,071)</td>
<td>(5,327)</td>
</tr>
<tr>
<td>Lease incentives</td>
<td>32,541</td>
<td>30,181</td>
</tr>
<tr>
<td>VAT receivable</td>
<td>—</td>
<td>2,549</td>
</tr>
<tr>
<td>Other debtors and prepayments</td>
<td>1,573</td>
<td>2,943</td>
</tr>
<tr>
<td>Total receivables</td>
<td>52,648</td>
<td>50,763</td>
</tr>
</tbody>
</table>

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

Continued

14. BANK LOANS

The Group has a £100 million facility, maturing in April 2027, with Barings Real Estate Advisers, a member of the MassMutual Financial Services Group. The loan was taken out by UKCPEHL. As at 31 December 2022, the facility was fully drawn (31 December 2021: Fully drawn). The bank loan is secured on the portfolio of seven properties held within UKCPEHL. Under bank covenants related to the loan UKCPEHL is to ensure that at all times:

a. The loan to value percentage does not exceed 75 per cent.

b. Interest cover at the relevant payment date and also projected over the course of the proceeding 12 months is not less than 175 per cent.

The loan was taken out by UKCPEHL, as at 31 December 2022, the facility was fully drawn (31 December 2021: Fully drawn). The bank loan is secured on the portfolio of seven properties held within UKCPEHL. This facility has the same covenant tests as the 2027 facility outlined above. UKCPEHL met all covenant tests during the year for this facility.

Interest is payable by UKCPEHL 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.

In the event that the Barings facilities were repaid in advance of their maturity date, the Company would incur an early repayment charge. Although the Company has no intention of doing so, as at 31 December 2022, the charge would be £nil (2021: £20,509,000).

15. SHARE CAPITAL ACCOUNTS

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

(a) Barings Facility £200 million

The Group took out a second £200 million facility in February 2019, maturing in February 2026, with Barings Real Estate Advisers. The loan was taken out by UKCPEHL. As at 31 December 2022, the facility was fully drawn (31 December 2021: Fully drawn). The bank loan is secured on the portfolio of seven properties held within UKCPEHL. This facility has the same covenant tests as the 2027 facility outlined above. UKCPEHL met all covenant tests during the year for this facility.

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

Barings Facility £180 million

The Group has a £150 million revolving credit facility ("RCF"), maturing in February 2024, with Barclays Bank plc. The RCF was transitioned to a risk-free rate (RFR), (SONIA) interest basis. As part of the interest rate reform guidelines this facility has increased to £180 million on 19 August 2022. Initially this facility was granted at a margin of 1.70 per cent above LIBOR, however as of 31 December 2022, the loan is now interest-free on a pro-rata basis.

As at 31 December 2022, £47 million (2021: £40 million) remained unutilised. The RCF is secured on the property portfolio held by UKCPEHL. Under bank covenants related to the RCF, UKCPEHL is to ensure that at all times:

a. The loan to value percentage does not exceed 68 per cent.

b. Interest cover at the relevant payment date is not less than 175 per cent and projected over the course of the proceeding 12 months is not less than 175 per cent.

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

In the event that the Barclays facilities were repaid in advance of their maturity date, the Company would incur an early repayment charge. Although the Company has no intention of doing so, as at 31 December 2022, the charge would be £nil (2021: £20,509,000).

Number of shares in issue and fully paid at the year end being 1,299,412,465 (2021: 1,299,412,465) of 25p each.

[Barclays Facility £180 million table]

<table>
<thead>
<tr>
<th>Movements in bank loans arising from financing activities</th>
<th>Cash and cash equivalents (£’000)</th>
<th>Interest-bearing loans (£’000)</th>
<th>Cash and cash equivalents (£’000)</th>
<th>Interest-bearing loans (£’000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening balance</td>
<td>42,121</td>
<td>(248,326)</td>
<td>(206,205)</td>
<td>122,742</td>
</tr>
<tr>
<td>Cash movement</td>
<td>(12,280)</td>
<td>(42,836)</td>
<td>(54,096)</td>
<td>(80,621)</td>
</tr>
<tr>
<td>Amortisation of arrangement costs</td>
<td>—</td>
<td>(523)</td>
<td>(524)</td>
<td>(477)</td>
</tr>
<tr>
<td>Closing balance</td>
<td>30,861</td>
<td>(291,686)</td>
<td>(248,326)</td>
<td>(206,205)</td>
</tr>
</tbody>
</table>

[Barings Facility £180 million]

The Group has a £150 million revolving credit facility (“RCF”), maturing in February 2024, with Barclays Bank plc. The RCF was transitioned to a risk-free rate (RFR), (SONIA) interest basis. As part of the interest rate reform guidelines this facility has increased to £180 million on 19 August 2022. Initially this facility was granted at a margin of 1.70 per cent above LIBOR, however as of 31 December 2022, the loan is now interest-free on a pro-rata basis.

As at 31 December 2022, £47 million (2021: £40 million) remained unutilised. The RCF is secured on the property portfolio held by UKCPEHL. Under bank covenants related to the RCF, UKCPEHL is to ensure that at all times:

a. The loan to value percentage does not exceed 68 per cent.

b. Interest cover at the relevant payment date is not less than 175 per cent and projected over the course of the proceeding 12 months is not less than 175 per cent.

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

In the event that the Barclays facilities were repaid in advance of their maturity date, the Company would incur an early repayment charge. Although the Company has no intention of doing so, as at 31 December 2022, the charge would be £nil (2021: £20,509,000).
Continued

The Group invests in the abrdn Liquidity Fund which is managed by abrdn. As at 31 December 2022 the Group had invested £9.5 million in the Liquidity Fund (2021: £19.2 million).

No additional fees are payable to abrdn as a result of this investment.

As at 31 December 2022 the Group had managed by abrdn. The Directors of the Company are deemed as key management personnel and received fees for their services as investment managers. Further details are provided in note 4. The total management fee charged to the Statement of Comprehensive Income during the year was £8,617,342 (2021: £8,617,342). The Investment Manager also received £325,225 (2021: £325,225) none of which remained payable at the year end.

The total management fee charged to the Group from 10 December 2018, received fees for their services as investment managers. Further details are provided in the Directors’ Remuneration Report (unaudited) on pages 65 to 66. Total fees for the year were £262,732 (2021: £396,000) for marketing services incurred of which £nil (2021: £396,000) remained payable at the year end. The Investment Manager also received £8,500,385 (2021: £7,184,994) of which £3,819,104 (2021: £2,326,894) remained payable at the year end.

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.

17. RELATED PARTY TRANSACTIONS

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

abrdn Fund Managers Limited, as the Investment Manager of the Group from 10 December 2018, received fees for their services as investment managers. Further details are provided in note 4. The total management fee charged to the Statement of Comprehensive Income during the year was £8,617,342 (2021: £8,617,342). 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.

The Directors of the Company are deemed as key management personnel and received fees for their services. Further details are provided in the Directors’ Remuneration Report (unaudited) on pages 65 to 66. Total fees for the year were £262,732 (2021: £396,000) for marketing services incurred of which £nil (2021: £396,000) remained payable at the year end.

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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:

<table>
<thead>
<tr>
<th>Item</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Total fair value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment properties</td>
<td>—</td>
<td>—</td>
<td>1,308,025</td>
<td>1,308,025</td>
</tr>
<tr>
<td>Bank loans</td>
<td>—</td>
<td>293,000</td>
<td>—</td>
<td>293,000</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>—</td>
<td>52,648</td>
<td>—</td>
<td>52,648</td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>—</td>
<td>31,714</td>
<td>—</td>
<td>31,714</td>
</tr>
</tbody>
</table>

The lowest level of input is the daily SONIA rate, which is a directly observable input.

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

<table>
<thead>
<tr>
<th>Item</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Total fair value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment properties</td>
<td>—</td>
<td>—</td>
<td>1,308,025</td>
<td>1,308,025</td>
</tr>
<tr>
<td>Bank loans</td>
<td>—</td>
<td>293,000</td>
<td>—</td>
<td>293,000</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>—</td>
<td>52,648</td>
<td>—</td>
<td>52,648</td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>—</td>
<td>31,714</td>
<td>—</td>
<td>31,714</td>
</tr>
</tbody>
</table>

The lowest level of input is the daily SONIA rate, which is a directly observable input.
The carrying amount of trade and other receivables and payables is equal to their fair value, due to the short-term maturities of these instruments. Expected maturities are estimated to be the same as contractual maturities.

The fair value of investment properties is calculated using unobservable inputs as described in note 11.

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

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 has a credit department which has set out policies and procedures for managing exposure to credit. Some of the processes and policies include:

- An assessment of the credit worthiness of the lessee and the ability to pay is performed before credit is granted.
- Where appropriate, guarantees and collateral are held against such receivables.
- After granting the credit, the credit department assesses monthly the age analysis and follows up on all outstanding payments.
- Management of the credit department determines the appropriate provision, which receivables should be handed over for collection and which amounts should be written off.
- An assessment of the credit worthiness of the lessee and its ability to pay is performed before credit is granted.
- Where appropriate, guarantees and collateral are held against such receivables.
- After granting the credit, the credit department assesses monthly the age analysis and follows up on all outstanding payments.
- Management of the credit department determines the appropriate provision, which receivables should be handed over for collection and which amounts should be written off.
- An assessment of the credit worthiness of the lessee and its ability to pay is performed before credit is granted.
- Where appropriate, guarantees and collateral are held against such receivables.
- After granting the credit, the credit department assesses monthly the age analysis and follows up on all outstanding payments.
- Management of the credit department determines the appropriate provision, which receivables should be handed over for collection and which amounts should be written off.

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 tenure of the Group’s bank loan entitles the lender to require early repayment, and in such circumstances the Group’s ability to access cash placed on deposit to be delayed or restricted.

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

**Liquidity Risk**

Liquidity risk is the risk that the Group will encounter difficulty in meeting its obligations to finance assets or raise 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 tenure of the Group’s bank loan entitles the lender to require early repayment, and in such circumstances the Group’s ability to access cash placed on deposit to be delayed or restricted.

At 31 December 2022 the cash balance was £30,861,000 (2021: £42,121,000).

**Real Estate Risk**

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

1. The cost of any development schemes may increase if there are delays in the planning process given the inflationary environment.
2. The presence of economic downturns and changes in requirements in the scheme’s location in order to reduce the risks that may arise in the planning process.
3. A 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). 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.
4. The exposure of the fair values of the portfolio to market and occupier fundamentals such as tenants’ financial position.

Bankruptcy or insolvency of a financial institution may cause the Group’s ability to access cash placed on deposit to be delayed or limited. Should the credit quality or the financial position of the banks currently employed significantly deteriorate, the Investment Manager would move the cash holdings to another financial institution subject to restrictions under the loan facilities.

Fair value of trade and other receivables and payables are materially equivalent to their amortised cost.
Foreign Currency Risk
There was no foreign currency risk as at 31 December 2022 or 31 December 2021 as the assets and liabilities of the Group are maintained in pounds Sterling.

Interest Rate Risk
The cash balance as shown in the Consolidated 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 0.9 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 £0.42 million. A decrease of 1 per cent in interest rates as at the reporting date would have reduced the reported profit by £0.42 million.

The effect on equity is nil (excluding the impact of a change in retained earnings as a result of a change in net profit).

Interest rate risk arises on the interest payable on the RCF only, as the interest payable on the other facilities are at fixed rates. At 31 December 2022, the draw down on the RCF was £93 million (2021: £50 million) as a result of a change in net profit).

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

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

The Group monitors capital primarily through regular financial reporting and also through 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 2022.

The Group’s capital balances are set out on page 77 and are regarded as the Group’s equity and net debt.

The Group has entered into commercial property leases on its investment property portfolio. These properties, held under operating leases, are measured under the fair value model as the properties are held to earn rentals. The majority of these non-cancellable leases have remaining non-cancellable lease terms of between 5 and 15 years. Analysis of the nature of investment properties and leases are provided in the UKCP Portfolio in Numbers’ pages 34 to 35.

The largest single tenant at the year end accounted for 5.8 per cent (2021: 5.1 per cent) of the annualised rental income at 31 December 2022. The unoccupied property expressed as a percentage of annualised total rental value was 2.5 per cent (2021: 3.1 per cent) at the year end.

The Group has entered into commercial property leases on its investment property portfolio. These properties, held under operating leases, are measured under the fair value model as the properties are held to earn rentals. The majority of these non-cancellable leases have remaining non-cancellable lease terms of between 5 and 15 years. Analysis of the nature of investment properties and leases are provided in the UKCP Portfolio in Numbers’ pages 34 to 35.

21. EVENTS AFTER THE BALANCE SHEET DATE
On 10 January 2023, UKCPFEL extended the rolling credit facility with Barclays for a period of three years, the facility remains at £210 million and is now due to expire in January 2026 and at a slightly increased margin of 1.95%.

A fourth interim, PID of 0.680p per share, Non-PID of 0.170p per share was paid on 28 February 2023 to shareholders on the register on 10 February 2023.
EPRA PERFORMANCE MEASURES
Unaudited

The European Public Real Estate Association (EPRA) is the industry body representing listed companies in the real estate sector. EPRA publishes Best Practice Recommendations (BPR) to establish consistent reporting by European property companies. Further information on the EPRA BPR can be found at epra.com.

EPRA performance measures: Summary Table

<table>
<thead>
<tr>
<th>Measure</th>
<th>Notes</th>
<th>31 December 2022 Total £’000</th>
<th>31 December 2021 Total £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>EPRA earnings</td>
<td>A</td>
<td>40,761</td>
<td>34,480</td>
</tr>
<tr>
<td>EPRA earnings per share (pence per share)</td>
<td>A</td>
<td>3.15</td>
<td>2.65</td>
</tr>
<tr>
<td>EPRA Net Tangible Assets (“NTA”) £’000</td>
<td>B</td>
<td>1,035,719</td>
<td>1,325,228</td>
</tr>
<tr>
<td>EPRA NTA per share (pence per share)</td>
<td>B</td>
<td>79.7</td>
<td>102.0</td>
</tr>
<tr>
<td>EPRA Net Reinstatement Value (“NRV”) £’000</td>
<td>C</td>
<td>1,124,665</td>
<td>1,429,775</td>
</tr>
<tr>
<td>EPRA NRV per share (pence per share)</td>
<td>C</td>
<td>86.6</td>
<td>103.0</td>
</tr>
<tr>
<td>EPRA Net Disposable Value (“NDV”) £’000</td>
<td>D</td>
<td>1,034,405</td>
<td>1,316,068</td>
</tr>
<tr>
<td>EPRA NDV per share (pence per share)</td>
<td>D</td>
<td>79.6</td>
<td>101.3</td>
</tr>
<tr>
<td>EPRA Net Initial Yield</td>
<td>E</td>
<td>4.7%</td>
<td>3.6%</td>
</tr>
<tr>
<td>EPRA Vacancy Rate</td>
<td>E</td>
<td>2.0%</td>
<td>2.1%</td>
</tr>
<tr>
<td>EPRA Cost Ratios - including direct vacancy costs</td>
<td>F</td>
<td>26.5%</td>
<td>29.3%</td>
</tr>
<tr>
<td>EPRA Cost Ratios - excluding direct vacancy costs</td>
<td>F</td>
<td>25.0%</td>
<td>28.1%</td>
</tr>
<tr>
<td>EPRA LTV</td>
<td>I</td>
<td>20.3%</td>
<td>13.6%</td>
</tr>
</tbody>
</table>

Notes

31 December 2022
Total

Earnings per IFRS income statement
(222,329) 236,233

Adjustments to calculate EPRA Earnings, exclude:

Net changes in value of investment properties 266,655 (203,758)
(Gain)/Loss on disposal of Investment properties (3,565) 2,005

EPRA Earnings 40,761 34,480

Weighted average number of shares (000’s) 1,299,412 1,299,412

EPRA Earnings per share (pence per share) 3.15 2.65
## EPRA PERFORMANCE MEASURES

### Unaudited

#### B. EPRA Net Tangible Assets

<table>
<thead>
<tr>
<th></th>
<th>31 December 2022 £'000</th>
<th>31 December 2021 £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>IFRS NAV</td>
<td>1,035,719</td>
<td>1,325,228</td>
</tr>
<tr>
<td>Fair value of financial instrument (assets)/liabilities</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>EPRA NTA</td>
<td>1,035,719</td>
<td>1,325,228</td>
</tr>
<tr>
<td>Shares in issue (000’s)</td>
<td>1,299,412</td>
<td>1,299,412</td>
</tr>
<tr>
<td>EPRA NTA per share (pence per share)</td>
<td>79.7</td>
<td>102.0</td>
</tr>
</tbody>
</table>

#### C. EPRA Net Reinstatement Value

<table>
<thead>
<tr>
<th></th>
<th>31 December 2022 £'000</th>
<th>31 December 2021 £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>IFRS NAV</td>
<td>1,035,719</td>
<td>1,325,228</td>
</tr>
<tr>
<td>Real Estate Transfer Tax and other acquisition costs</td>
<td>86,236</td>
<td>101,633</td>
</tr>
<tr>
<td>EPRA NRV</td>
<td>1,121,955</td>
<td>1,426,861</td>
</tr>
<tr>
<td>Shares in issue (000’s)</td>
<td>1,299,412</td>
<td>1,299,412</td>
</tr>
<tr>
<td>EPRA NRV per share (pence per share)</td>
<td>86.3</td>
<td>109.8</td>
</tr>
</tbody>
</table>

#### D. EPRA Net Disposal Value

<table>
<thead>
<tr>
<th></th>
<th>31 December 2022 £'000</th>
<th>31 December 2021 £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>IFRS NAV</td>
<td>1,035,719</td>
<td>1,325,228</td>
</tr>
<tr>
<td>Fair value of debt</td>
<td>(1,304)</td>
<td>(9,160)</td>
</tr>
<tr>
<td>EPRA NAV</td>
<td>1,134,415</td>
<td>1,326,068</td>
</tr>
<tr>
<td>Shares in issue (000’s)</td>
<td>1,299,412</td>
<td>1,299,412</td>
</tr>
<tr>
<td>EPRA NAV per share (pence per share)</td>
<td>79.8</td>
<td>101.4</td>
</tr>
<tr>
<td>Fair value of debt per financial statements</td>
<td>285,690</td>
<td>277,689</td>
</tr>
<tr>
<td>Cashing value</td>
<td>291,686</td>
<td>248,326</td>
</tr>
<tr>
<td>Fair value of debt adjustment</td>
<td>1,514</td>
<td>9,380</td>
</tr>
</tbody>
</table>

#### G. Like-for-like Rental Growth Reporting

<table>
<thead>
<tr>
<th>Sector</th>
<th>Rental growth £’000</th>
<th>Portfolio value by sector £’000</th>
<th>Rental growth £’000</th>
<th>Portfolio value by sector £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>2022</td>
<td>2023</td>
<td>2021</td>
<td>2021</td>
<td></td>
</tr>
<tr>
<td>Industrial</td>
<td>9,947</td>
<td>773,450</td>
<td>6,081</td>
<td>975,020</td>
</tr>
<tr>
<td>Offices</td>
<td>479</td>
<td>171,200</td>
<td>4,055</td>
<td>229,300</td>
</tr>
<tr>
<td>Retail</td>
<td>40</td>
<td>181,325</td>
<td>2,376</td>
<td>186,225</td>
</tr>
<tr>
<td>Alternatives</td>
<td>3,075</td>
<td>183,650</td>
<td>1,286</td>
<td>187,305</td>
</tr>
<tr>
<td>Total portfolio value</td>
<td>15,541</td>
<td>1,306,025</td>
<td>11,386</td>
<td>1,537,450</td>
</tr>
</tbody>
</table>

### Notes:

- Rental growth figures have been computed based on the movement in estimated rental values from prior to current year-end.
- All properties held within the portfolio are located within the UK.
**EPRA PERFORMANCE MEASURES**

**Unaudited**

<table>
<thead>
<tr>
<th>31 December 2022</th>
<th>31 December 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>£’000</td>
<td>£’000</td>
</tr>
<tr>
<td><strong>LTV</strong></td>
<td></td>
</tr>
<tr>
<td>Acquisitions</td>
<td>6,934</td>
</tr>
<tr>
<td>Development</td>
<td>47,332</td>
</tr>
<tr>
<td><strong>Total capital expenditure incurred</strong></td>
<td><strong>30,861</strong></td>
</tr>
<tr>
<td>Investment properties:</td>
<td></td>
</tr>
<tr>
<td>Incremental lettable space</td>
<td>—</td>
</tr>
<tr>
<td>No incremental lettable space</td>
<td>—</td>
</tr>
<tr>
<td>Tenant incentives</td>
<td>1,221</td>
</tr>
<tr>
<td>Other material non-allocated types of expenditure</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total Property Value (b)</strong></td>
<td><strong>1,235,760</strong></td>
</tr>
<tr>
<td>LTV (a/b)</td>
<td>20.2%</td>
</tr>
</tbody>
</table>

**H. Property-related CapEx**

<table>
<thead>
<tr>
<th>31 December 2022</th>
<th>31 December 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>£’000</td>
<td>£’000</td>
</tr>
<tr>
<td><strong>Acquisitions</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Development</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Total capital expenditure incurred</strong></td>
<td><strong>30,861</strong></td>
</tr>
</tbody>
</table>

**Investment properties:**

- Incremental lettable space: £’000
- No incremental lettable space: £’000
- Tenant incentives: £’000
- Other material non-allocated types of expenditure: £’000

**Total Property Value (b):** £’000

**LTV (a/b):**

- 31 December 2022: 20.2%
- 31 December 2021: 13.6%

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**ESG PERFORMANCE**

**Unaudited**

**Sustainability Performance**

This section details the Company’s sustainability performance using the EPRA Sustainability Best Practice Recommendations Guidelines (sBPR). It also meets the requirements for Streamlined Energy and Carbon Reporting (SECR) under the Companies (Directors’ Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2023.

**Explanatory Notes on Methodology**

**Reporting Period**

Sustainability data in this report covers the calendar years of 2021 and 2022.

**Organisational Boundary and Data Coverage**

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

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

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

**Emissions Calculation**

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

**Normalization**

Not lettable area (NLA) is used as the denominator for all intensities reported in this section. This is the most appropriate choice for the Company’s portfolio as it is the most widely available metric. It enables year-on-year comparisons within the portfolio to be made.

**Renewable Energy**

Several industrial assets in the portfolio have solar PV installed which is demised to the tenant. There is currently no landlord self-generated renewable electricity across the portfolio although we are at the feasibility with a number of large landlord-led schemes.

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

**Auditing and Assurance**

Our utilities data which feeds into our sustainability reporting is validated by our Utilities Bureau Consultant. The ESG data (including energy, GHGs, water and waste data) in this disclosure has also been subject to limited assurance by an external third-party consultant, in accordance with the International Standard on Assurance Engagements (UK) 3000 (ISAE3000).

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**Materiality**

We have undertaken a review of materiality against each of the EPRA sBPR indicators. The table below indicates the outcome of the review.

<table>
<thead>
<tr>
<th>Code</th>
<th>Performance Measures</th>
<th>Review Outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td>Elec-Ab</td>
<td>Total electricity consumption</td>
<td>Material</td>
</tr>
<tr>
<td>Elec-LfL</td>
<td>Like-for-like total electricity consumption</td>
<td>Material</td>
</tr>
<tr>
<td>DElec-Ab</td>
<td>Total district heating &amp; cooling consumption</td>
<td>Not material – none of the Company’s assets are connected to district energy supplies</td>
</tr>
<tr>
<td>DElec-LfL</td>
<td>Like-for-like district heating &amp; cooling consumption</td>
<td>Not material – none of the Company’s assets are connected to district energy supplies</td>
</tr>
<tr>
<td>Fuels-Ab</td>
<td>Total fuel consumption</td>
<td>Material</td>
</tr>
<tr>
<td>Fuels-LfL</td>
<td>Like-for-like total fuel consumption</td>
<td>Material</td>
</tr>
<tr>
<td>Energy-Int</td>
<td>Building energy intensity</td>
<td>Material</td>
</tr>
<tr>
<td>GSG-Dir Ab</td>
<td>Total direct greenhouse gas (GHG) emissions</td>
<td>Material</td>
</tr>
<tr>
<td>GSG-Ind Ab</td>
<td>Total indirect greenhouse gas (GHG) emissions</td>
<td>Material</td>
</tr>
<tr>
<td>GSG-Int</td>
<td>Greenhouse gas (GHG) emissions intensity from building energy consumption</td>
<td>Material</td>
</tr>
<tr>
<td>Water-Ab</td>
<td>Total water consumption</td>
<td>Material</td>
</tr>
<tr>
<td>Water-LfL</td>
<td>Like-for-like total water consumption</td>
<td>Material</td>
</tr>
<tr>
<td>Water-Int</td>
<td>Building water intensity</td>
<td>Material</td>
</tr>
<tr>
<td>Waste-Ab</td>
<td>Total weight of waste by disposal route</td>
<td>Material</td>
</tr>
<tr>
<td>Waste-LfL</td>
<td>Like-for-like total weight of waste by disposal route</td>
<td>Material</td>
</tr>
<tr>
<td>Com-Tot</td>
<td>Type and number of sustainably certified assets</td>
<td>Material</td>
</tr>
</tbody>
</table>

**SOCIAL**

| Diversity-Eng | Employee gender diversity | Material |
| Diversity-Dev | Gender pay ratio | Material |
| Emp-Traning   | Employee training and development | Not material – the Company does not have any employees |
| Emp-Dev       | Employee performance appraisals | Material |
| Emp-Turnover  | New hires and turnover | Material |
| H&S-Emp      | Employee health and safety | Material |
| H&S-Asset    | Asset health and safety assessments | Material |
| H&S-Comp     | Asset health and safety compliance | Material |

**Governing Body**

- Gov-Board: Composition of the highest governance body
- Gov-Sel: Process for nominating and selecting the highest governance body
- Gov-Coll: Process for managing conflicts of interest

[ukcpreit.com](http://ukcpreit.com)
Landlord Electricity (kWh)
Occupier Electricity (kWh) i.e. sub-metered to occupiers
Total landlord-obtained Electricity (kWh)
Landlord-obtained Gas (kWh)
Energy Intensity (kWh/m²)

<table>
<thead>
<tr>
<th>Indicator references</th>
<th>Landlord Electricity (kWh)</th>
<th>Occupier Electricity (kWh)</th>
<th>Total landlord-obtained Electricity (kWh)</th>
<th>Landlord-obtained Gas (kWh)</th>
<th>Energy Intensity (kWh/m²)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sector</td>
<td>2021</td>
<td>2022</td>
<td>Change (%)</td>
<td>2021</td>
<td>2022</td>
</tr>
<tr>
<td>Industrial, Business Parks</td>
<td>5 of 5</td>
<td>128,736</td>
<td>177,087</td>
<td>38%</td>
<td>423,526</td>
</tr>
<tr>
<td>Leisure</td>
<td>2 of 3</td>
<td>436,943</td>
<td>385,545</td>
<td>–11%</td>
<td>1,913</td>
</tr>
<tr>
<td>Offices</td>
<td>2 of 4</td>
<td>376,847</td>
<td>350,464</td>
<td>–7%</td>
<td>1,564,732</td>
</tr>
<tr>
<td>Retail, Warehouses</td>
<td>3 of 4</td>
<td>198,938</td>
<td>92,391</td>
<td>–54%</td>
<td>No sub-metered consumption</td>
</tr>
<tr>
<td>Hotels</td>
<td>1 of 1</td>
<td>24,036</td>
<td>20,977</td>
<td>–16%</td>
<td>No sub-metered consumption</td>
</tr>
<tr>
<td>Retail, High Street</td>
<td>1 of 1</td>
<td>56,080</td>
<td>49,665</td>
<td>–12%</td>
<td>No sub-metered consumption</td>
</tr>
<tr>
<td>Totals</td>
<td>14 of 30</td>
<td>1,532,447</td>
<td>1,307,330</td>
<td>–15%</td>
<td>1,165,227</td>
</tr>
</tbody>
</table>

Note: For assets for which there is no landlord procurement of electricity (e.g. Industrial Distribution Warehouses and development projects) have been excluded from the table, but are included in the total possible coverage number.

Energy Intensity (kWh/m²)

<table>
<thead>
<tr>
<th>Indicator references</th>
<th>Energy Intensity (kWh/m²)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sector</td>
<td>2021</td>
</tr>
<tr>
<td>Industrial, Business Parks</td>
<td>6.07</td>
</tr>
<tr>
<td>Leisure</td>
<td>4.07</td>
</tr>
<tr>
<td>Offices</td>
<td>4.07</td>
</tr>
<tr>
<td>Retail, Warehouses</td>
<td>4.07</td>
</tr>
<tr>
<td>Hotels</td>
<td>4.07</td>
</tr>
<tr>
<td>Retail, High Street</td>
<td>4.07</td>
</tr>
<tr>
<td>Totals</td>
<td>4.07</td>
</tr>
</tbody>
</table>

Note: Scope 1 greenhouse gas (GHG) emissions reduced by 54% in 2022, driven by reduced gas consumption at office and industrial assets. Further reductions were driven by the fact that no F-gas leakages were recorded at any of the assets in 2022, while in 2021 there was one F-gas leak (offices assets) at Central Square, Newcastle which resulted in a higher Scope 1 emission figure.

Scope 2 emissions from landlord electricity consumption reduced by 22% due to the combination of a general reduction in electricity consumption apart from at the industrial assets, alongside improvements in the emissions intensity of grid electricity.

Scope 3 emissions from energy sub-metered to occupiers and grid transmission and distribution losses reduced by 9%; again, supported by ongoing decarbonisation of the UK’s energy grid.
**Absolute Energy Consumption**

Absolute landlord electricity and gas consumption reduced for 17% and 48% respectively in 2022 as a result of reduced consumption across offices and retail warehouses, albeit offset by increases at the hotel and industrial assets. Absolute occupier energy consumption also reduced by 12%, driven primarily by industrials and offices, albeit offset by increased consumption at leisure assets.

The variation from like-for-like consumption is due to the Company’s acquisitions and disposals during 2021 and 2022. In the reporting period, all landlord-procured electricity was from 100% renewable sources. Gas consumed was not from renewable sources.

The variation from like-for-like consumption is not from renewable sources.

Due to the Company’s acquisitions and disposals during 2021 and 2022, in the reporting period, all landlord-procured electricity was from 100% renewable sources. Gas consumed was not from renewable sources.

**Absolute and Like-for-like Water Consumption**

Water consumption at like-for-like assets increased by 17% in 2022, but reduced by 8% across the whole portfolio. Note that data coverage is lower for water than for energy as it is uncommon to have landlord meters at assets with no internal common parts or shared services.

**Absolute Greenhouse Gas Emissions**

Absolute Scope 1 GHG emissions decreased by 53%. Total Scope 2 and Scope 3 emissions reduced by 24% and 19% respectively.

Asset for which there is no landlord procurement of electricity (e.g. Industrial Distribution Warehouses and Development projects) have been excluded from the table, but are included in the total possible coverage number.
We are responsible for waste management at a number of multi-let assets. Our Waste Management Consultant undertakes regular waste audits and works closely with our Property Manager to implement interventions to improve segregation of materials and ultimately increase recycling rates.

In total across the six assets for which waste is managed, 298 tonnes of non-hazardous waste was generated in 2022, with 56% recovered via energy from waste, and 44% recycled. There was no waste sent to landfill. Note that like-for-like and absolute waste generation is very similar, the only difference being associated with the sale of an office asset in 2022 (Colimore Court).

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>2021</td>
<td>2022</td>
<td>2021</td>
<td>2022</td>
</tr>
<tr>
<td>Leisure</td>
<td>2 of 1</td>
<td>96</td>
<td>155</td>
<td>0</td>
</tr>
<tr>
<td>Offices</td>
<td>3 of 1</td>
<td>14</td>
<td>146</td>
<td>0</td>
</tr>
<tr>
<td>Retail, Warehouses</td>
<td>1 of 3</td>
<td>21</td>
<td>21</td>
<td>0</td>
</tr>
<tr>
<td>Totals</td>
<td>5 of 5</td>
<td>176</td>
<td>274</td>
<td>0</td>
</tr>
</tbody>
</table>

**EPC Performance Metrics**

For the purposes of SECR, Total Scope 1 and 2 emissions are also summarised in the following table. Total Landlord Energy Consumption (TEL) used to calculate Scope 1 and 2 emissions is also outlined in the table below, and a breakdown of energy types includes the Total Energy Consumption table above. Note that the Total Scope 1 and 2 Emissions reported below include emissions associated with refrigerant losses as well as energy consumption. Please note that data has been included back to 2019, which has been chosen as the baseline year for reporting primarily given that it was not influenced by COVID-19 restrictions.

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Scope 1 Emissions</th>
<th>Total Scope 2 Emissions</th>
<th>Total Scope 1 &amp; 2 Emissions</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>213</td>
<td>298</td>
<td>511</td>
</tr>
<tr>
<td>2022</td>
<td>174</td>
<td>260</td>
<td>434</td>
</tr>
</tbody>
</table>

**Energy Performance Certificates (EPCs)**

Energy Performance Certificate (EPC) ratings for assets in England owned by the Company are shown in the right.

There are currently 8 BREEAM-rated assets in the portfolio, which accounts for 11.9% of the portfolio by gross asset value. These are detailed on the far right:

<table>
<thead>
<tr>
<th>Asset</th>
<th>Rating</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sussex Junction, Bolney</td>
<td>Very Good</td>
<td>Sussex Junction, Bolney</td>
</tr>
<tr>
<td>Bicester</td>
<td>Very Good</td>
<td>Bicester</td>
</tr>
<tr>
<td>Hill View Place, Glenborne Road</td>
<td>Very Good</td>
<td>Hill View Place, Glenborne Road</td>
</tr>
<tr>
<td>Central Square</td>
<td>Excellent</td>
<td>Central Square</td>
</tr>
<tr>
<td>Regents Circus</td>
<td>Excellent</td>
<td>Regents Circus</td>
</tr>
<tr>
<td>Palletforce</td>
<td>Very Good</td>
<td>Palletforce</td>
</tr>
<tr>
<td>White Building</td>
<td>Very Good</td>
<td>White Building</td>
</tr>
<tr>
<td>White Horse Hotel</td>
<td>Very Good</td>
<td>White Horse Hotel</td>
</tr>
</tbody>
</table>

**Social Indicators**

Health & Safety

Every asset in the portfolio (or a 100% coverage) is subject to a health and safety inspection during the reporting year, with no incidents of non-compliance with regulations identified.

Community Engagement

A variety of community engagement activities were undertaken at leisure assets. This has included partnerships with local charities on fundraising activities. A recent example is the creation of The Summer Garden at Regents Circus in Swindon which ran during August and September 2021 and offered the community an enviable space to relax and for children to play. The venue hosted live music and also was also used by InSwindon, the local BID, for their activities.

Social Indicators

At the Rotunda, Kingston, we converted a vacant former restaurant unit to be used for the press launch of the inaugural Kingston International Film Festival, with the launch itself taking place in January 2022. This included the commission of a mural in support of the Film Festival. We expect to offer further support and engagement in the run up to the event in July 2022.

More broadly, community impacts are assessed as part of any major development or construction projects the Company undertakes.

**Governance Indicators**

The Company has a Board comprised of five independent, Non-Executive Directors as detailed on pages 50 to 51 of this document. The average tenure of the board members is approximately 4.3 years with the longest serving Director being the Chairman Ken McCollough and the shortest being Fiamma Hogan who was appointed in the late summer of 2022.

The Directors bring a broad range of experience to their roles and all members have a keen focus on ESG-related topics and are engaged in discussing what the Company does its obligations. Alongside the Manager, Margaret Littlejohn, as Chair of the Risk Committee, considers the potential risk posed by environmental factors as part of their role while Chris Fry, as Chair of the Property Valuation Committee, has considered the impact of all ESG-related topics to the value of the property portfolio. All Directors are also members of these Committees and collectively contribute to the focus upon environmental and social matters.
NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the sixteenth Annual General Meeting of UK Commercial Property REIT Limited will be held at EY Consulting, 200 Aldersgate, Aldersgate Street, London EC2A 4HD, United Kingdom on Wednesday, 21 June 2023 at 10:30am for the following purposes:

Ordinary Resolutions:

1. To approve and adopt the Report of the Directors and auditors and the financial statements for the year ended 31 December 2022.
2. To approve the dividend policy of the Company as set out in the Annual Report.
3. To receive and adopt the Directors’ Remuneration Report for the year ended 31 December 2022 (excluding the Directors’ Remuneration Policy).
4. To re-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 re-elect Mr. Peninra Gray as a Director of the Company.
7. To re-elect Mr. Pereira Gray as a Director of the Company.
8. To re-elect Ms. Hogan as a Director of the Company.
9. To re-elect Mr. McCullagh as a Director of the Company.
10. To approve and adopt the Report of the Directors and auditor and the financial statements for the year ended 31 December 2022.
11. That the Directors of the Company be and they are hereby generally empowered, to allot ordinary shares in the Company (“equity securities”), for cash including by way of a sale or subscription for, or to convert securities into, ordinary shares in the Company or grant rights to subscribe for, or to convert such securities into, ordinary shares in the Company or to purchase such shares under the authority conferred prior to the expiry of such authority and may make a purchase of Shares pursuant to any such contract.
(a) by way of a sale or subscription for, or to convert such securities into, ordinary shares in the Company or to purchase such shares under the authority conferred prior to the expiry of such authority and may make a purchase of Shares pursuant to any such contract.

Notes:
1. A form of proxy is enclosed with this notice. A Shareholder entitled to attend, speak and vote is entitled to appoint one or more proxies to exercise all or any of their rights to attend, speak and vote at the Meeting. A Proxy need not be a Shareholder of the Company. If you wish to appoint a person other than the Chairman of the Meeting, please insert the name of your chosen proxy holder in the space provided on the enclosed form of proxy.
2. In the case of joint holders such persons shall not have the right to vote individually in respect of an ordinary share but shall elect one person to represent them and vote in person or by proxy in their name. In default of such an election, the vote of the person first named in the register of members of the Company tendering a vote will be accepted to the exclusion of the votes of the other joint holders.
3. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different ordinary shares. You may not appoint more than one proxy to exercise rights attached to any one ordinary share. To appoint more than one proxy you may photocopy the enclosed form of proxy. Please indicate the proxy holder’s name and the number of ordinary shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of ordinary shares held by you). Please also indicate if the proxy instruction is one of multiple instructions given by you. All hand copies of proxy must be signed and should be returned together in the same envelope.
4. The form of proxy should be completed and sent, together with the power of attorney or authority (if any) under which it is signed, or a notarially certified copy of such power or authority, so as to reach Computershare Investor Services (Guernsey) Limited, The Pavilions, Bridgewater Road, Bristol BS9 6ZV no later than 10:30 on Monday, 26 June 2023.
5. Compiling 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 hand copy notice to revoke the proxy to Computershare Investor Services (Guernsey) Limited, The Pavilions, Bridgewater Road, Bristol BS9 6ZV no later than 48 hours (excluding any part of a day that is not a working day) prior to the commencement of the Meeting.
6. You have the right to attend and vote at the Meeting (and also for the purposes of calculating how many votes a member may cast at a poll) and for this purpose, each person acting as your proxy must first have his or her name entered on the register of members of the Company at the commencement of the Meeting.
7. The Directors’ letters of appointment will be available for inspection for fifteen minutes prior to the Annual General Meeting and during the adjourned meeting. Those Shareholders present in person or by proxy, and holding five percent or more of the voting rights are required for the Meeting. If, within fifteen minutes after the time appointed for the Meeting, a quorum is not present the Meeting shall be adjourned for seven days at the same time and place or to such other day and at such other time and place as the Board may determine and no notice of adjournment need be given to any such Shareholders present in person or by proxy shall constitute the quorum at any such adjourned meeting.
8. As at 31 March 2023, the latest practicable date prior to publication of this document, the Company had 1,299,412,651 ordinary shares in issue with a total of 1,299,412,651 voting rights.
9. Any person holding 0.5 per cent of the total voting rights in the Company appoints a person other than the Chair as his proxy who will need to ensure that both his/her and such third party comply with their respective disclosure obligations under the Disclosure and Transparency Rules.
SHAREHOLDER INFORMATION

a) has been contacted by notification informing them that they have received telephone calls and emails from people offering to sell them investment shares in the Registrars in writing. Calls may be recorded and monitored randomly for security and training purposes. Details of the Company may also be found on the Investment Manager or performance, or suspend participation by instructing abrdn in writing or by telephone to the Registrar on 0370 707 4040 or by writing to the Registrar at PO Box 11020, Chelmsford, Essex CM99 2DB.

b) has been notified of claims that certain investment companies under its management have issued claims in the courts against individuals. These may be scams which attempt to gain your personal information in order that they commit fraud or could be “broom” scams where a payment from you is required to release the supposed payment for shares. These calls or emails do not work for abrdn and any third party making such offers/requests has no link with abrdn.

c) does not “cold call” investors in this way. If you have any doubt over whether a caller is genuine, do not offer any personal information, and call the Registrar's customer service department on 0370 707 4040 for further information.

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

SHARE REGISTER ENQUIRIES

If you have any questions about your account, the Investment Manager or performance, please telephone the Customer Services Department (direct private investor) on 0800 500 0045. Alternatively, please email an email to inv.trusts@abrdn.com or write to abrdn, PO Box 11020, Chelmsford, Essex CM99 2DB.

In the event of queries regarding holding of shares, lost certificates, dividend payments, or registered details, shareholders holding their shares in the Company directly should contact the registrars, Computershare Investor Services (Guernsey) Limited on 0370 767 4040 or by writing to the address on page 119. Calls may be recorded and monitored randomly for security and training purposes. Changes of address must be notified to the registrars in writing.

HOW TO INVEST IN THE COMPANY

Individual investors can buy and sell shares in the Company directly through an agent indirectly through a lawyer, accountant or other professional adviser. Alternatively, for retail clients, shares can be bought directly through abrdn’s Investment Plan for Children, Investment Trust Share Plan or Investment Trust ISA.

INDEXED SHARE PLAN

abrdn runs an Indexed Share Plan (“the Plan”) through which shares in the Company can be purchased. There are no dealings charges on the initial purchase of shares, although investors will suffer the bid-offer spread, which can, on some occasions, be a significant amount. Lump sum investments start at £250 per month, while regular savers may invest from £25 per month. Selling costs are £25 + VAT. There is no restriction on how long an investor may hold shares in the Plan, and regular savers can stop or suspend participation by instructing abrdn in writing at any time. In common with other schemes of this type, all investments are held in nominee accounts. Investors have full voting and other rights of share ownership.

ISA SHARE PLAN

abrdn runs a Share Plan (the “Plan”) through which shares in the Company can be purchased. There are no dealings charges on the initial purchase of shares, although investors will suffer the bid-offer spread, which can, on some occasions, be a significant amount. Lump sum investments start at £250, while regular savers may invest from £25 per month. Selling costs are £25 + VAT. There is no restriction on how long an investor need invest in a Plan, and regular savers can stop or suspend participation by instructing abrdn in writing at any time. In common with other schemes of this type, all investments are held in nominee accounts. Investors have full voting and other rights of share ownership.

ISA TRANSFER

You can choose to transfer previous tax advantages to the abrdn Investments Trust ISA which can be invested in the Company while retaining your ISA wrapper. The minimum lump sum for an ISA transfer is £2,500 and is subject to a minimum per trust of £250.

LITERATURE REQUEST SERVICE

For literature and information on the Investment Plan for Children, Share Plan, ISA or ISA Transfer including application forms for the Company and the Manager’s investment trust products, please contact:
abrdn Investment Trust Trust PO Box 11020 Chelmsford Essex CM99 2DB

Telephone: 0800 500 0040 (free when dialling from a UK landline)

Terms and conditions for the abrdn managed savings products can also be found in the literature section of www.investtrusts.co.uk.

abrdn ISA

abrdn operates an ISA (“ISA”) through which an investment may be made up to £20,000 in the tax year 2022/2023.

There are no breaks or initial charges for the ISA, although investors will suffer the bid-offer spread, which can, on some occasions, be a significant amount. Selling costs are £25 + VAT. The normal ISA administration charge is £24 + VAT, calculated annually and applied on 31 March (or the last business day in March) and collected sometime thereafter by direct debit or, if there is no valid direct debit mandate in place, from the available cash in the Plan prior to the distribution or re-investment of any income, or, where there is insufficient cash in the Plan, from the sale of investments held in the Plan. Investors have full voting and other rights of share ownership.

Under current legislation, investments in ISA can grow free of capital gains tax.

ISA TRANSFER

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

Independent Financial Advisers

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

Regulation of Stockbrokers

Before dealing with a stockbroker, always check that they are regulated by the Financial Conduct Authority.

Tel: 0800 111 6760 or at register.fca.org.uk

Email: register@fca.org.uk

Suitable for Retail/NMPI Status

Company’s shares are intended for investors, primarily in the UK, including retail investors, professionally-advised private clients and institutional investors who are seeking exposure to UK commercial property, and who understand and are willing to accept the risks of exposure to this asset class.

Investors should consider consulting a financial adviser who specialises in property investment, particularly in the acquisition of shares and other securities before acquiring shares. Investors will be capable of evaluating the risks and merits of such an investment and should have sufficient resources to bear any loss that may result.

The Company currently conducts its affairs, and intends to continue to do so for the foreseeable future, in order that its ordinary shares may be changed by future legislation.

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

REITs do not pay UK corporation tax in respect of rental profits and charge gains relating to property rental business. However, REITs are required to distribute at least 90% of their qualifying income (broadly calculated using the UK tax rules) as a Property Income Distribution (“PID”). Certain categories of shareholder may be able to receive the PID element of their dividends gross, without deduction of withholding tax. Categories which may claim this exemption include companies, companies with capital in charity, local authorities, UK pension schemes and managers of PEPs, Isa, Child Trust Funds and ISAs and adult trust schemes.

Further information and the forms for completion for APIs to be paid in gross funds are available from the Registrar.

In the coming year, the FCA introduced rules relating to the restrictions on the retail distribution of unregulated collective investment schemes and close-subdivision (non-mainstream investment products). UK REITs are excluded from these restrictions therefore, the FCA’s restrictions on retail distribution do not apply.

NOTE

Please remember that past performance is not a guide to the future. Stock market and currency movements may cause the value of shares and the income from them to fall as well as rise and investors should not get too excited about the growth they originally invested in.

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

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

Online Share Dealing

www.ukcpreit.com

UKCP REIT Limited is authorised and regulated by the Financial Conduct Authority (FCA) for the provision of investment business and corporate finance services.
AIFMD Disclosures (unaudited)

The Company has appointed Abrdn Fund Managers Limited as its alternative investment fund manager with Citibank UK Limited, as its depositary under AIFMD. The AIFM and the Company are required to make certain disclosures available to investors in accordance with the Alternative Investment Fund Managers Directive ("AIFMD"). These disclosures that are required to be made pre-investment are included within a pre-investment disclosure document ("PIDD") which can be found on the Company’s website www.ukcpreit.com. There have been no material changes to the disclosures contained within the PIDD since its last publication in June 2022.

The periodic disclosures as required under the AIFMD to investors are made below:

- Information on the investment strategy, geographic and sector investment focus and principal exposures are included in the Strategic Report.
- None of the Company’s assets are subject to special arrangements arising from their illegal nature.
- The Strategic Report, note 18 to the Financial Statements and the PIDD together set out the risk profile and risk management systems in place. There have been no changes to the risk management systems in place in the period under review and no breaches of any of the risk limits set, with no breach expected.
- There are no new arrangements for managing the liquidity of the Company or any material changes to the liquidity management systems and procedures employed by ASFML.
- All authorised Alternative Investment Fund Managers are required to comply with the AIFMD Remuneration Code. In accordance with the Remuneration Code, the AIFM’s remuneration policy is available from Abrdn Fund Managers Limited on request (see contact details on page 119) and the remuneration disclosures in respect of the AIFM’s reporting period for the period ended 31 December 2022 are available on the Company’s website.
- There have been no breaches of the maximum level during the period and no changes to the maximum level of leverage employed by the Company. There is no right of re-use of collateral or any guarantee granted under the leveraging arrangement. Changes to the information contained either within this Annual Report or the PIDD, in relation to any special arrangements in place, the maximum level of leverage which ASFML may employ on behalf of the Company, the right of use of collateral or any guarantee granted under any leveraging arrangement; or any change to the position in relation to any discharge of liability by the Depositary will be notified via a regulatory news service without undue delay in accordance with the AIFMD.

Leverage

The table below sets out the current maximum permitted limit and actual level of leverage for the Company:

<table>
<thead>
<tr>
<th></th>
<th>Gross Method</th>
<th>Current Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maximum level</td>
<td>250%</td>
<td>250%</td>
</tr>
<tr>
<td>Actual level at</td>
<td>128%</td>
<td>128%</td>
</tr>
<tr>
<td>31 December 2022</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The information on pages 114 to 116 has been approved for the purposes of Section 21 of the Financial Services and Markets Act 2000 (as amended by the Financial Services Act 2012) by Abrdn Fund Managers Limited which is authorised and regulated by the Financial Conduct Authority.
CORPORATE INFORMATION

Directors (all non-executive)
- Ken McCullagh
  Chair
- Michael Ayre
  Chair of Audit Committee
- Chris Fry
  Chair of Property Valuation Committee
- Fionnuala Hogan
  Chair of the Management Engagement Committee and Nomination and Remuneration Committee
- Margaret Littlejohns
  Chair of the Risk Committee and Senior Independent Director
- Peter Pereira Gray
  (with effect from 3 April 2023)

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

Investment Manager and Alternative Investment Fund Manager
- abrdn Fund Managers Limited
  280 Bishopsgate
  London
  EC2M 4AG

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

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

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

UK Legal Advisors and Sponsor
- Dickson Minto W.S.
  16 Charlotte Square
  Edinburgh
  EH2 2HF

Property Legal Advisors
- Maples Teesdale LLP
  30 King Street
  London
  EC2V 8EE

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

Principal Bankers and Lenders
- Barclays Bank plc
  Quay 2
  20 Fountainbridge
  Edinburgh
  EH1 2XS

Depositary
- Citibank UK Limited
  11a Regent Street
  London
  W1Y 4LR

Corporate Broker
- FTI Consulting Limited
  201 Aldergate
  Aldergate Street
  London
  EC1A 4HD

Corporate P.R. Advisor
- FTI Consulting Limited
  16 Charlotte Square
  Edinburgh
  EH2 2HF

FINANCIAL CALENDAR 2023/24

- May 2023: Payment of 2023 first interim dividend
- August 2023: Payment of 2023 second interim dividend
- November 2023: Payment of 2023 third interim dividend
- December 2023: Payment of 2023 fourth interim dividend
- March 2024: Payment of 2023 fourth interim dividend

2023

2024
GLOSSARY AND ALTERNATIVE PERFORMANCE MEASURES

**Glossary**

**Benchmark** which includes data relevant to all properties held by funds included in the MSCI UK Balanced Portfolios

**Lease incentive** The practice of linking the review of a tenant’s payments under a lease to a published index, most commonly the Retail Price Index (RPI), but also the Consumer Price Index (CPI).

**Group** UK Commercial Property REIT and its subsidiaries.

**Financial resources** Cash balances less financial commitments plus amounts of revolving credit facility.

**Gearing**

<table>
<thead>
<tr>
<th>2022</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross borrowings</td>
<td>240,005</td>
</tr>
<tr>
<td>Interest expenses</td>
<td>(30,860)</td>
</tr>
<tr>
<td>Profit</td>
<td>201,145</td>
</tr>
<tr>
<td>Net loan to NAV</td>
<td>28.9%</td>
</tr>
</tbody>
</table>

**Dividend cover**

<table>
<thead>
<tr>
<th>2022</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividend paid in the period</td>
<td>£316,741</td>
</tr>
<tr>
<td>Dividend cover</td>
<td>48%</td>
</tr>
<tr>
<td>Dividend cover [including special dividend / top-up dividend]</td>
<td>97%</td>
</tr>
</tbody>
</table>

**Dividend yield**

Annual dividend expressed as a percentage of share price.

**Earnings per share (EPS)**

Profit for the period attributable to shareholders divided by the average number of shares in issue during the period.

**EpRA Earnings per share**

Profit for the period, as defined within EPRA Best Practices Recommendation Guidelines February 2022, divided by the average number of shares in issue during the period.

**EPRA**

European Public Real Estate Association. The industry body representing listed companies in the real estate sector. See pages 101 to 104 for further details.

**ERV**

The estimated rental value of a property, provided by the property valuers.

**European Public Real Estate Association.**

The industry body representing listed companies in the real estate sector. See pages 101 to 104 for further details.

**Fair value**

The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

**Fair value movement**

The movement in the accounting reference to change the book value of an asset or liability to its market value, and subsequent changes in market value.

**Financial resources**

Cash balances less financial commitments plus amounts of revolving credit facility.

**Gearing**

- **2022**
  - Gross borrowings: 240,005
  - Interest expenses: (30,860)
  - Profit: 201,145
- **2021**
  - Gross borrowings: 230,005
  - Interest expenses: (46,320)
  - Profit: 203,685

**Gearing** calculated under AIC guidelines as gross borrowings less cash divided by portfolio valuation.

<table>
<thead>
<tr>
<th>Portfolio valuation</th>
<th>Portfolio valuation</th>
</tr>
</thead>
<tbody>
<tr>
<td>£'000</td>
<td>£'000</td>
</tr>
<tr>
<td>2022</td>
<td>2021</td>
</tr>
<tr>
<td>1,485,022</td>
<td>1,567,018</td>
</tr>
</tbody>
</table>

**Group**

UK Commercial Property REIT and its subsidiaries.

**IFRS**

International Financial Reporting Standards.

**Index linked** The practice of linking the review of a tenant’s payments under a lease to a published index, most commonly the Retail Price Index (RPI), but also the Consumer Price Index (CPI).

**MSCI**

An independent organisation requiring an expansive range of regional and global indices, research, performance modelling, data mining and risk analytics across direct property, listed and unlisted vehicles, joint ventures, separate accounts and debt.

**Lease incentive**

A payment used to encourage a tenant to take on a new Lease, for example by a landlord paying a tenant even if they do not re-enter the property or by altering rent free periods.

**MSCI benchmark**

Benchmark which includes data relevant to all properties held by funds included in the MSCI UK Balanced Portfolios (Quarterly Property Index Benchmark).

**NAV**

Net Asset Value is the equity attributable to shareholders calculated under IFRS.

**Net profit**

The return to shareholders, expressed as a percentage of opening NAV, calculated net of any changes to the Group’s capital structure in the period.

**Ongoing charges**

A measure, expressed as a percentage of NAV, reflecting ongoing costs of running an investment company, calculated in line with AIC (Association of Investment Companies) methodology.

**Ongoing charges**

Space where the passing rent is above the ERV.

**Portfolio fair value**

The market value of the company’s property portfolio, which is based on the external valuations provided by CRES Limited.

**Portfolio total return**

Combining the Portfolio Capital Returns (the changes in property values after taking account of property sales, purchases and capital expenditure in the period) and the Net Property Income (net income before deducting direct property expenditure), assuming portfolio dividends are re-invested.

**Premium/Discount to NAV**

The difference between the share price and NAV per share, expressed as a percentage of NAV. Premium representing a higher share price compared to NAV per share, discount the opposite.

**Property Income Distribution (‘PID’)**

Dividends are assumed to have been reinvested in the quarter they are paid, share price. Dividends are assumed to have been reinvested in the quarter they are paid, share price.

**Share price total return**

The quantum of return relating to property which are net of any reinvested income. Stated as a percentage of Estimated Rental Value.