UK COMMERCIAL PROPERTY REIT
ANNUAL REPORT & ACCOUNTS

for the year ended 31 December 2022

abrdn

UK Commercial Property REIT

Portfolio benefits from strong underlying fundamentals to generate earnings growth

19% INCREASE IN EARNINGS *per share in 2022*

10% INCREASE IN ANNUAL PASSING RENT *since December 2021*

EPRA EPS#

Year	pence per share
2022	3.15p
2021	2.65p
2020	2.71p

11%† INCREASE IN ORDINARY DIVIDENDS PAID *since December 2021*

ORDINARY DIVIDEND†

Year	pence per share
2022	3.25p
2021	2.92p
2020	2.30p

97%† ANNUAL DIVIDEND COVER

5.6%† DIVIDEND YIELD

1.92p PER SHARE SPECIAL DIVIDEND PAID *in August 2022*

†Excluding payment of special dividend

99% RENT COLLECTION

98% OCCUPANCY RATE

OCCUPANCY

Year	Occupancy
2022	98.0%
2021	97.9%
2020	93.5%

Compares favourably to the MSCI benchmark occupancy rate of 92.0%

196 TENANCIES (2021: 213)

40 PROPERTIES (2021: 40)

8.3yrs AVERAGE WEIGHTED UNEXPIRED LEASE TERM (2021: 8.3years)

#EPRA Performance Measures (see pages 101 to 104 for further details)

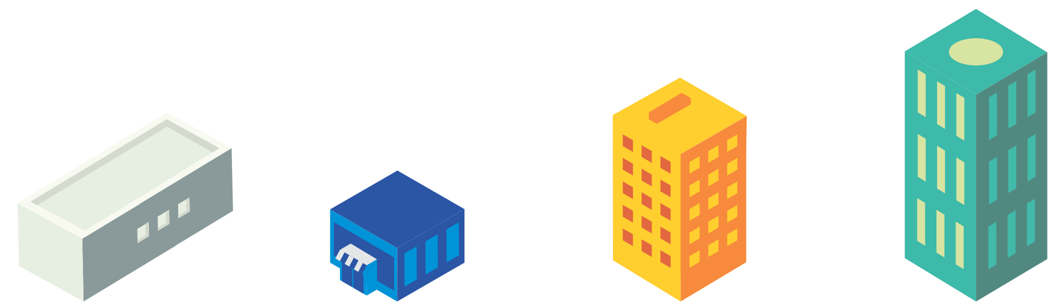
Portfolio positioning

Industrial weighting positions the portfolio towards earning growth

"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

£1.3bn TOTAL ASSETS as at 31 December 2022



59% INDUSTRIAL

14% RETAIL

14% ALTERNATIVES

13% OFFICE

Market yield re-rating resulting in annual NAV per share decline of

–21.9%

(–18.1% NAV total return)*

NAV

Year	pence per share
2022	79.7p
2021	102.0p
2020	86.7p

SHARE PRICE

Year	pence per share
2022	58.4p
2021	74.7p
2020	69.0p

GEARING*

Year	Gearing
2022	20.0%
2021	13.5%
2020	6.4%

20% GROUP GEARING

£431M OF UNENCUMBERED PROPERTY

All covenants well covered which provides further significant headroom and flexibility

EPC

Year	EPC
2022	77%
2021	75%
2020	66%

77% ENERGY PERFORMANCE CERTIFICATES (EPC) BY ESTIMATED RENTAL VALUE (ERV)

of the portfolio's ERV has an EPC of A, B or C

*Alternative Performance Measures (see pages 120 to 121 for further details)

PERFORMANCE SUMMARY

CAPITAL VALUES AND GEARING	31 December 2022	31 December 2021	% Change
Total assets less current liabilities (excl bank loan) £'000	1,327,405	1,573,554	–15.6%
IFRS Net asset value (£'000)	1,035,719	1,325,228	–21.8%
Net asset value per share (p)	79.7	102.0	–21.9%
Ordinary Share Price (p)	58.4	74.7	–21.8%
Discount to net asset value (%)	(26.7)	(26.8)	n/a
Gearing (%)*	20.0	13.5	n/a

TOTAL RETURN	1 year % return	3 year % return	5 year % return
NAV†	(18.1)	(1.3)	3.3
Share price†	(16.2)	(24.3)	(17.4)
UKCM Direct Portfolio	(13.3)	6.3	14.2
MSCI Balanced Portfolios Quarterly Property Index	(9.6)	4.4	13.4
FTSE Real Estate Investment Trusts Index	(31.6)	(25.8)	(15.0)
FTSE All-Share Index	0.3	7.1	15.5

EARNINGS AND DIVIDENDS	31 December 2022	31 December 2021
Net (loss)/profit for the year £'000	(222,329)	236,233
EPRA Earnings per share (p)	3.15	2.65
IFRS Earnings per share (p)	(17.11)	18.18
Dividends paid per ordinary share (p)	3.25	2.923
Dividend Yield (%)#	5.6	3.9
MSCI Benchmark Yield (%)	4.8	4.1
FTSE Real Estate Investment Trusts Index Yield (%)	4.6	2.6
FTSE All-Share Index Yield (%)	3.6	3.1

ONGOING CHARGES AND VACANCY RATE	31 December 2022	31 December 2021
As a % of average net assets including direct property costs	1.2	1.3
As a % of average net assets excluding direct property costs	0.7	0.8
Vacancy rate (%)	2.0	2.1

* 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.
\# Based on dividend paid in 2022 of 3.25p and the share price at 31 December 2022.

Alternative Performance Measures are defined in the glossary on pages 120 to 121, and include: Discount to net asset value, Gearing, NAV and Share price total returns, EPRA Earnings per share, Dividend yield, Ongoing charges and Vacancy rate.

Sources: abrdn, MSCI

COMPANY SUMMARY
An overview

ABOUT US

Launched in
2006

FTSE
350

£1.0bn
Net Asset Value
as at
31 December 2022

£1.3bn
Total Assets
as at
31 December 2022

UK Commercial Property REIT Limited ("UKCM") is a listed Real Estate Investment Trust (REIT) with a net asset value of £1.0 billion 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.

OBJECTIVE

Diversified Portfolio

Industrial
Offices
Retail
Alternatives

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.

BOARD & MANAGEMENT

abrdn manage
£42bn
assets

5
Non-executive Directors

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

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.
If you are in any doubt about the action you should take, you are recommended to seek your own independent financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 if you are in the United Kingdom or, if not, from another appropriately authorised financial adviser. If you have sold or otherwise transferred all your ordinary shares in UK Commercial Property REIT Limited, please forward this document, together with the accompanying documents, immediately to the purchaser or transferee, or to the stockbroker, bank or agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Ken McCullagh
Chair

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 rerating of property values, particularly in the final quarter of the year. More positively, the year was also characterised by continued strong occupier markets which translated into rental growth.

UK Commercial Property REIT has delivered robust earnings growth in the year from its high quality, diversified portfolio, which is weighted towards sectors that benefit from strong underlying structural and societal drivers, and from its proactive approach to asset management. It also gives me confidence that, at an operational level, and because of the Company's strong and lowly geared balance sheet, we are well placed to weather the current economic headwinds in this higher interest rate environment.

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 reversion 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. Those 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.

FROM THE CHAIR

"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."

Portfolio Weighting

59.1% Industrial

13.1% Offices

13.8% Retail

14.0% Alternatives

Portfolio Activity

In May 2022, the Company entered into an agreement to fund a high-quality hotel development in Leeds for a total commitment of £62.7 million. Aimbridge, a leading hotel operator will manage the hotel on UKCM's behalf under the renowned Hyatt brand, with the lease structured so the Company's income is solely derived from turnover and performance of the hotel. This is in line with UKCM's strategy to invest in operational real estate sectors that are expected to deliver resilient and elevated rental incomes in well-researched markets.

The 12-storey, 305 room hotel is scheduled to complete in Q3 2024, opening in an already undersupplied market which continues to enjoy a strong recovery since COVID-19. The hotel is targeting a BREEAM Excellent rating and EPC A, as well as positively impacting the local community with the creation of a number of new jobs.

In July 2022, the Company disposed of its 68,400 sq ft central Birmingham office, 9 Colmore Row, to Birmingham City Council at a price of £26.48 million, ahead of book cost and at a premium to the 30 June 2022 valuation. In addition to securing a strong sale price, the disposal reflects a continuation of UKCM's strategy to exit risk assets and those in need of capital expenditure which will not enhance value, with a particular focus on assets with weaker ESG credentials.

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 £1.24 million per annum, 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 de-risk 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 131 beds are now fully occupied. Phase 2 was completed in Q1 2023 and will provide a further 83 beds with the Company benefitting from a minimum guaranteed total annual income of £1.65 million for the 2022/23 academic year. Homes 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 reversionary potential of the assets to deliver value for shareholders. Rent collection rates have normalised and returned to pre-Covid levels.

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

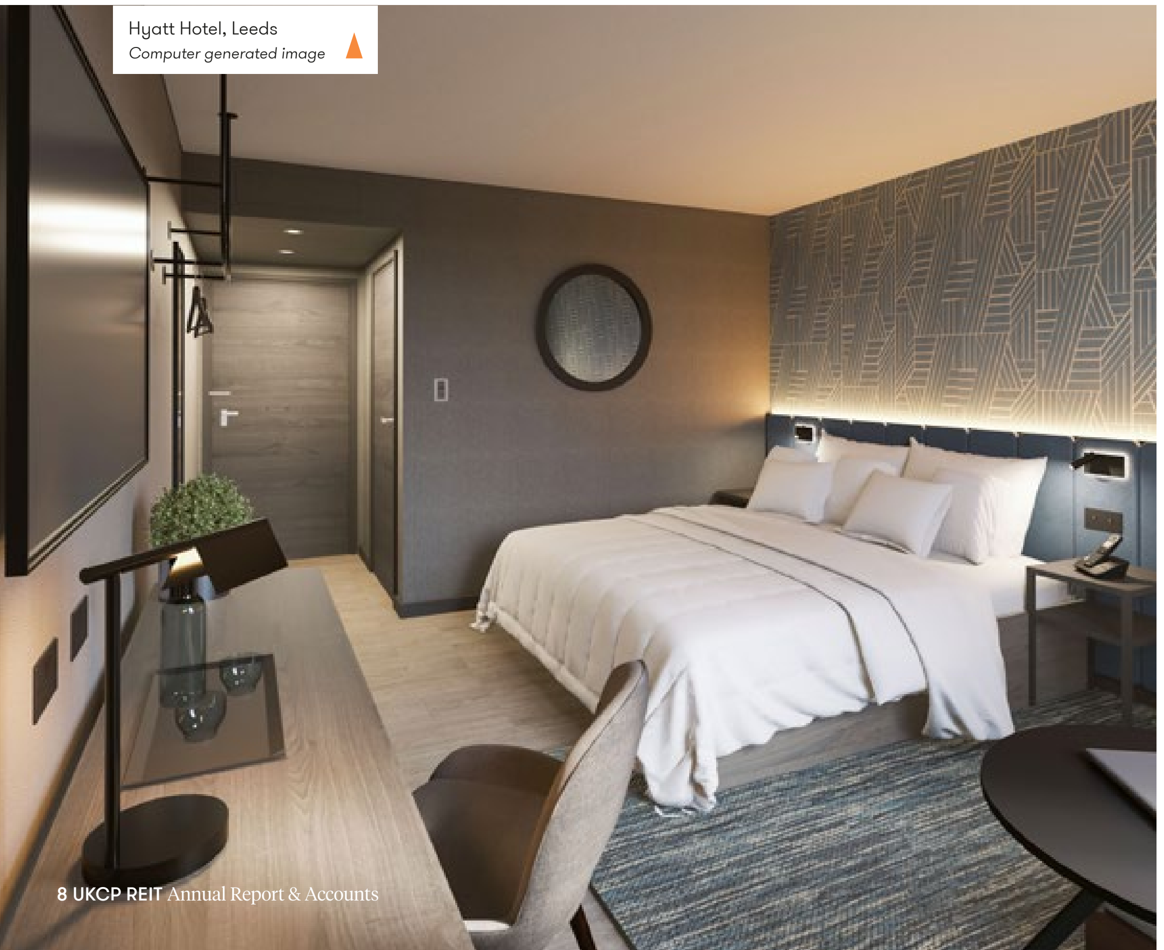
Portfolio and Corporate Performance

The 2022 NAV total return decline of -18.1% 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 1981.

Over the longer term, the Company has outperformed the AIC Sector – Property – UK Commercial peer group on both a NAV and share price total return basis, delivering 77.9% and 43.1% respectively over ten years, compared to the 52.6% and 17.8% returns from the peer group. The 2022 NAV and share price total return performance was -18.1% and -16.2%.

The Company's strategic overweight position to the industrial sector (59.1% v MSCI 35.9%) was the primary driver of portfolio under-performance over the year against its MSCI benchmark, with a total return of -13.3% versus -9.6% for the benchmark. Positively, 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.

XDock Magna Park, Lutterworth



Hyatt Hotel, Leeds
Computer generated image

The portfolio benefits from strong underlying fundamentals to generate earnings growth. The Company's EPRA earnings per share increased 19% from 2.65 pence per share to 3.15 pence per share.

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

NAV as at 1 January 2022	102.0
Unrealised decrease in valuation of property portfolio	(20.6)
Realised gain on sale of properties	0.3
Income earned in year	5.2
Expenses for the year	(2.0)
Dividends	(3.3)
Special Dividend	(1.9)
NAV as at 31 December 2022	79.7

Financial Resources

UKCM has a solid balance sheet, with a NAV as at 31 December of £1.0 billion and gearing at 20.0%* (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 free cash but still had available resources of £42.5 million after allowing for future capital commitments and payment of February 2023 dividend, due to the £87 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 £431 million of unencumbered assets which provide further significant headroom and balance sheet flexibility. The year end blended interest rate is 3.61% per annum on drawn debt of which 68% is at a fixed rate of 2.88%.

On the 19 August 2022 the Group increased its revolving credit facility with Barclays Bank plc to £180 million (Dec 2021: £150 million) and on 10 January 2023 extended its duration from February 2024 to January 2026 with a new margin of 1.90%. £93 million of this facility was drawn at the year end. The new overall blended interest rate is 3.68% 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 where borrowings are used to 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 rent roll. If the c.£55 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 the current economic and investment climate and its market wide impact on valuations could take gearing slightly above, over the medium term, the Board's target level of gearing of 25%. The Board, with the Investment Manager, will continue to ensure that borrowings are controlled and managed effectively 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 11% 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 last number of quarters from capital allocation and asset management initiatives for the benefit of all shareholders.

Environmental, Social and Governance ("ESG")

ESG is embedded within the processes of UKCM and underpins every Board discussion and decision. We fully appreciate not only its importance more broadly but also the vital role we believe it will play in both protecting and creating future value as well as income for shareholders.

In terms of the environment, where real estate has a large role to play, the Company has previously announced two significant Net Zero Carbon targets following a bottom-up asset-level review across the entire portfolio. By 2030, we aim to achieve Net Zero Carbon for landlord operational emissions and extend this to all emissions by 2040. These targets are in advance of the UK Government's target of 2050. Further details on all targets are outlined in the ESG Report.

Investment Management Fee

During the year the Board and Investment Manager agreed a reduction in the investment management fee. From 1 April 2022, the annual fee charged to the Company was reduced from a rate of 0.60% of Total Assets up to £1.75 billion, to 0.525% of Total Assets. The rate of 0.475% remains unchanged for Total Assets above £1.75 billion. In addition, the Company will not be charged for fees on cash balances over £50 million.

Board Composition

Having served on the Board for just over ten years, and as Chair for three years, I intend to retire as a Director later this year. It has been a pleasure to lead the Company through these interesting, and often very challenging times.

The Board and I, having discussed the timing of my retirement and succession planning, initiated a search for my successor. Following this successful search, the Board is delighted to announce the appointment of Peter Pereira Gray as a non-executive Director of the Company with effect from 3 April 2023. He will be put forward for election to the Board at the Company's AGM on 21 June 2023 and will take over as Chair later this year.

Peter has wide ranging experience of global institutional investment markets, having served Wellcome Trust's Investments team from February 2001, initially as Head of Property Investment and latterly as co-Lead of the Investment Division in the role of Managing Partner and Chief Executive Officer from September 2017 to his recent retirement from executive duties in September 2022.

Previously Peter was a Director of Property Fund Management with Prudential Portfolio Managers Ltd, and before that, an adviser with Drivers Jonas, Chartered Surveyors. He is Chair of Urban&Civic Plc., the UK's leading master-planner and strategic land development company, and of Premier Marinas Holdings Ltd., the UK's leading operator of Marinas and Boatyards on the South Coast. He is a fellow of the Royal Institution of Chartered Surveyors and the Royal Society of Arts and was the independent lead for the RICS Review of Investment Property Valuations published in January 2022.

Peter currently holds 100,000 shares in the capital of the Company.

The Board is cognisant of the Company's Tenure Policy and, the requirements of the AIC Code on Corporate Governance, and, to ensure a smooth handover of Chair responsibilities, the Board has asked that I remain on the Board for a period of no more than six months from the date of the Company's AGM. I will, therefore, be seeking re-election at the AGM but will stand down before the end of the financial year.

Outlook

2022 was a year dominated by inflationary pressures. The monetary policy tightening phase, which began in earnest 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 inflation and more importantly for real estate, by the interest rate policy of central banks.

Looking forward, and despite the poor performance in 2022, the outlook is more positive for the industrial sector where the Company has a weighting of 59.1%. The size 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-wide vacancy rate at 3.3% (according to CoStar), a near historic low.

Overall, we expect a recovery in UK real estate performance in 2023. The pace of repricing for UK real estate in 2022 means opportunities will arise over the course of 2023, particularly as the path of monetary policy turns more accommodative. Those sectors that benefit from longer-term growth drivers, such as the industrial and living sectors, will see greater demand return, attracted by re-based yields and rental value growth prospects. We believe that market pricing for these areas of UK real estate is finding a floor more quickly than we have seen in previous cycles. As such, our outlook, and forecasts 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.

Ken McCullagh
Chair
31 March 2023

* Calculated, under AIC guidance, as gross borrowings less cash divided by portfolio value
** Calculated as (Current Borrowings £293m / Gross Assets £1,359m).
*** Based on the assumption that development valuations change in line with project expenditure and calculated as (Current Borrowings £293m + Development Commitments £54.5m) / (Gross Assets £1,359m + Development Commitments £54.5m).

2022 Review

While the occupancy market remained robust, 2022 can be categorised as a 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 weakening economic sentiment led the Bank of England, alongside most central banks, to embark on a monetary tightening cycle in order to tame inflation.

This resulted in a considerable repricing of UK gilts and increased financing costs for real estate, which acted as the catalyst for a broader market repricing of UK real estate, and virtual closing of the investment markets.

The UK real estate market recorded a total return of -9.1% 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 unwound during the second half of the year. 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 Q3 which accelerated in Q4 with a 12% fall.

However, the all-property average total return of -9.1% in 2022 masks significant divergence in returns at a sector level. Having been the beneficiary of yield compression for a number of years, the UK industrial sector was the weakest performing sector, posting a total return of -14.6% over the course of 2022, while offices and retail recorded returns of -9.1% and -4.8% respectively over the same period. Transaction volumes reached £62.8 billion over the course of the year, 16% down on 2021 but 26% ahead of 2020 levels.

Following a very strong year of performance in 2021, the FTSE UK REIT Index registered a total return of -31.9% in 2022, underperforming the FTSE All Share Index, which recorded a total return of 0.3% over the same timeframe. There was a 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.

However, the more domestically focussed FSTE 250 Index returned -17.4% during the year. The FTSE UK REIT Index experienced a sharp sell-off in 2022, particularly over the third quarter of the year as financing costs increased, acting as the catalyst for a broad repricing. However, performance for the UK REIT Index did recover in the final quarter of the year, posting a positive return of 4.5% over this period.

Office

The office sector delivered a total return of -9.8% to 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 they declined by -13.9% in the second half of the year, resulting in values declining by -13.2% for the calendar year 2022. There was a big polarisation in performance within the office sector, with London West End offices posting the strongest total return of -4.5% during 2022, versus total returns of -12.1% and -11.6% respectively for Rest of UK and Rest of South East offices.

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 focussed on the best buildings with strong sustainability credentials and amenity offer; for example 80% of central London take-up was focussed 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.

Retail

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 in the second half when values declined by -13.9%. Most of the capital value decline was recorded in Q4 2022 at -10.5%.

Polarisation across retail sub sectors was acutely evident, with retail warehousing posting the best performance of the retail sub-sectors, delivering a total return of -0.8% and -6.2% capital growth. Well positioned retail warehouses with essential and discount retailers as anchor tenants continued to attract investor interest at the expense of discretionary and nonessential retail. Shopping centres delivered a total return of -5.3%, whereas supermarkets delivered the lowest total return 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.

Retail sales volumes fell by 1.0% 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 13.6% higher in value terms in December 2022, but 1.7% lower in volume terms.

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.

Total non-food stores sales volumes fell by -2.1% over the month. In the supermarket sector, 2022 saw the trend towards discount retailers accelerate in the UK, with data showing that sales for these retailers increased compared to traditional retailers.

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 remains 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 of in-store shopping over December, which was likely influenced by postal strikes over this period.

Industrial

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 as investors 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.

As a consequence, capital values fell 17.4% across the sector during 2022 according to the MSCI Quarterly Index, leading to the sector also recording the weakest performance across the UK real estate market, with a total return of -14.6% during the year, a stark change when compared to a return of 36.4% for the sector in 2021.

Lower yielding areas of the market, such as within London and the wider South East, were the most adversely impacted, with London industrial seeing the largest quarterly capital value decline in the history of the MSCI Index of 22.2% in Q4 2022. However, rental growth remained positive throughout the year, with UK industrial market rental growth significantly outperforming the market at 10.4% in 2022 – compared to 3.8% for all property – as occupational demand remained healthy and with supply still constrained.

Demand was principally driven by the third party logistics ('3PL') sector, while demand from the manufacturing sector saw continued growth, which helped offset the fall in take up from online retailers over the year. Although the level of take up fell in the second half of 2022, it still remained well 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 according to Savills.

Despite robust take up, supply levels have trended upwards during 2022, with the UK vacancy rate rising to 3.94%. However, this remains near historic lows and the existing development pipeline is unlikely to materially alter the strong supply/demand dynamic the sector currently enjoys.

Ocado Distribution Unit, Hatfield

Alternatives

The UK real estate alternative sector, or "Other Property" as it is categorised by MSCI, recorded a total return of -2.6% in 2022, outperforming the all property return of -9.1% over the same timeframe. The healthcare sector, which represents approximately 10% of the "Other Property" sector within the MSCI sample, was the standout performer, generating a total return of 3.5% over 2022.

Despite the cost of living crisis placing pressure on disposable incomes, the leisure and hotel sectors still outperformed the wider market, returning -3.8% and -5.3% respectively over the course of 2022. Hotel trading improved significantly over the course of the year and, whilst room rates were the primary driving force behind the recovery in performance, occupancy has also improved, supported by growing weekend leisure stays and a recovery in weekday business demand. 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.

The largest deal in the PBSA sector last year was GIC and Greystar's purchase of the Student Roost 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 25bps over the second half of 2022, which was much less than other areas of the commercial real estate market.

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 inflation and more importantly for real estate, the subsequent path that central banks take in relation to interest rates.

UK inflation unexpectedly jumped in February 2023 from 10.1% to 10.4%, ahead of both consensus and the Bank of England (BoE)'s 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 regard. The UK 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. So, whilst we expect headline CPI in the UK to moderate to 6.2% by the end of 2023 and reach 2.2% 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) would like.

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 enters recession as the result of the many shocks hitting the economy. In particular, we think the US economy is heading for recession which will also drag down the UK economy, combined with the UK's own higher interest rates hitting the housing market, and weak inflation-adjusted wages weighing on consumer spending. This will see unemployment increase which is ultimately the necessary condition for squeezing inflation down.

Despite our forecast for a mild and relatively short-lived recession, it is likely that UK household finances will continue to be under strain. In fact, at the UK Spring Budget, the Office for Budget Responsibility (OBR) forecast that real household disposable income will fall by 2.6% in 2023.

Overall, we see interest rates peaking at the current level of 4.25% and after recent financial market volatility will likely see the BoE adopt a slightly more cautious approach. We then expect rates to remain elevated for longer than originally anticipated, to bear down inflationary pressures in the UK, but we still see a rate cutting cycle beginning by the end of 2023, with a sustained 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 be more acutely felt in the retail sector, but it is important to highlight that this will support the case for further polarisation within the sector in our view. Consumer spending habits will be driven by consumer cost considerations and, as such, retail assets which have a higher concentration of discount or non-fashion-based 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 orientated 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 consumers, with supermarket operators adapting to changes in consumer behaviour. A divergence in performance between the supermarket operators is already evident and therefore a focus on the quality of the underlying real estate will remain crucial. Given the economic backdrop and a more price sensitive UK consumer, we expect retail parks and supermarkets to be the best performing retail sectors.

In a similar vein to the retail sector, we expect the divergence in performance between best in class and secondary assets to continue in the office sector. The COVID-19 pandemic acted as the catalyst for a fundamental change in working habits and importantly, a re-assessment of space requirements for occupiers. Indeed, 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 several other UK commercial real estate sectors in 2022, predominantly due to limited transactional evidence. However, we expect further price discovery over the course of 2023 and for secondary accommodation, this will likely result in large downward revisions to valuations. Supply of truly best-in-class office space remains extremely limited across the UK, which will provide more support for pricing and tenant demand.

Looking forward, and despite the poor performance in 2022, the outlook is more positive for the industrial sector, and particularly for better quality assets in strong locations. The size 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-wide vacancy rate at 3.3% according to CoStar, a near historic low.

Whilst we anticipate the industrial vacancy rate to move higher this year, largely as a result of a weaker economic backdrop, we do expect occupational demand to remain positive.

The advent 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 rental value 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 is the very supportive demand and supply dynamics that the sector exhibits. As the number of students enrolling in UK universities has increased, so too has the demand for student accommodation. This has placed significant pressure on existing supply, with the under provision of first-year accommodation forcing some students to seek housing in other cities, or to defer their places 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 undergraduate applications to UK universities. Demand for accommodation shows no signs of abating as the number of university applicants is anticipated to increase over the next decade, driven by both domestic and foreign sources. Domestically, university participation rates (the number of 18-year-olds attending university) have been rising and this trend is expected to continue. At the same time the number of 18-year-olds in the UK is forecast to grow by approximately 20% by 2030.

Overall, we expect a recovery in UK real estate performance in 2023. The pace of repricing for UK real estate in 2022 will mean opportunities will arise over the course of 2023, particularly as the path of monetary policy turns more accommodative. Those sectors that benefit from longer-term growth drivers, such as the industrial and living sectors, will see greater demand return, attracted by re-based yields and rental value growth prospects. We believe that market pricing for these areas of UK real estate is finding a floor much more quickly than we have seen in previous cycles. As such, our outlook, and forecasts 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 portion of the year which provides a more supportive backdrop for real estate pricing.

	Exposure as at 31 December 2022		Total Return for the year to 31 December 2022		Income Return for the year to 31 December 2022		Capital Return for the year to 31 December 2022	
			UKCM %	Benchmark %	UKCM %	Benchmark %	UKCM %	Benchmark %
All	100.0%	£1,308.0m	–13.3	–9.6	3.7	3.9	–16.5	–13.1
Industrial	59.1%	£773.4m	–19.6	–14.6	3.1	3.3	–22.0	–17.4
Office	13.1%	£171.2m	–7.7	–10.3	4.9	3.6	–12.1	–13.5
Retail	13.8%	£180.3m	1.6	–4.9	5.1	5.2	–3.4	–9.7
Alternatives	14.0%	£183.1m	–1.0	–4.4	4.7	4.3	–5.4	–8.3

Source: MSCI UK Balanced Portfolios Quarterly Property Index

Portfolio Performance

In line with the wider UK real estate market, portfolio performance was impacted in the reporting period by external events. A rapid increase in interest rates, firstly in the U.S., as governments sought to grapple with 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 previously acquisitive investors temporarily withdrew from the market. These combined factors led to a general rerating 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 150 bps from June 2022 until end of December 2022.

As a result, the Company's strategic overweight position to the industrial sector was the primary driver of portfolio underperformance over the year against its MSCI benchmark, with a total return of -13.3% versus -9.6% for the benchmark. Positively, over all longer term periods and since its inception, the portfolio continues to outperform its MSCI benchmark.

The table above sets out the components of these returns for the year to 31 December 2022 with all valuations undertaken by the Company's external valuer, CBRE Limited.

Industrial

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 benefits 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 growth potential. The sector was therefore most exposed to rapid yield rerating.

Despite large capital value corrections in H2 2022 we anticipate the industrial portfolio will remain a key driver of portfolio income growth. For this reason we are comfortable with a weighting of 59% 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 -19.6% over 2022, driven by a capital decline of 22.0%. This was a greater decrease than the benchmark, which recorded a total return of -14.6% and capital falls of 17.4%. This is a result of the Company's far higher weighting to South East industrials than the benchmark (36% vs. 21% at end Q4 2022) with many of the Company's assets located near London, which was the most keenly 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, with the only exception within the five assets being Emerald Park in Bristol, a prime multi-let industrial estate which also experienced significant valuation 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 pressure on landlords for capital expenditure to both attract those tenants in the market and also to comply with forthcoming minimum energy standards legislation. At the end of Q4 2022 the Company has a weighting of 13.1% compared to the benchmark of 26.1%.

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 -10.3% for the period, which also recorded a more pronounced capital decline at 13.5%.

Across 2022, all the Company's office assets were subject to a detailed review against strict criteria to ensure they are future-proofed, can meet the discussed increased demands from occupiers and comply with ESG-related legislation. As a result of this exercise, 9 Colmore Row in Birmingham was sold to Birmingham City Council in July for £26.48m, reflecting a premium to its latest valuation and book cost.

Retail

The performance of the Company's retail portfolio was ahead of the benchmark delivering a total return of 1.6%, while the benchmark was -4.9%. UKCM has no shopping centres and no pure high street retail exposure within its retail portfolio, instead being comprised of bulky goods and discount-led retail warehouses and supermarkets.

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 3.4% capital decline over the period, albeit this was far less pronounced than the benchmark level of -9.7% over the year.

The Company's retail warehouse parks, which form the vast majority of the retail portfolio, strongly outperformed their benchmark, delivering a total return of 4.4% whilst the benchmark was negative at -1.1%, due to far stronger capital declines. UKCM's retail parks recorded capital fall of 0.7% whilst the benchmark saw a decline of 6.3%.

The Company's retail holdings should be less exposed to the forecast reduction in consumer discretionary spending. This is due to the fact that its retail parks and supermarkets are situated within strong locations with appropriate tenants and rental levels for their catchment areas. At the end of Q4, retail assets made up 13.8% of the Company's portfolio compared to 21.9% for the benchmark.

SOLD £26.5M

9 COLMORE ROW, BIRMINGHAM OFFICE

Sold at a premium to market and book value
Removes risk of non-accretive future capex
EPC rating of D

DISPOSING OF RISK ASSETS AND COMPLETING ACCRETIVE ACQUISITIONS

PURCHASE £63M

HYATT HOTEL, LEEDS HOTEL DEVELOPMENT
COMPLETION SCHEDULED FOR MID-2024

High quality hotel with international brand in an undersupplied city
Higher income yield than traditional lease market
Strong ESG credentials

Alternatives

The Company's alternative assets were significantly ahead of the benchmark return of -4.4%, delivering a return of -1.0%.

UKCM's alternatives portfolio has been dominated historically by three cinema-anchored leisure schemes: The Rotunda in Kingston, Cineworld in Glasgow and Regent Circus in Swindon. These assets have generally stabilised following the disruption of the COVID-19 pandemic, albeit there are concerns over the strength of some underlying tenants including Cineworld, which entered Chapter 11 proceedings in the USA in September 2022.

The Company has been diversifying its alternatives exposure with the completion of its student housing development at Gilmore Place, Edinburgh and partial completion of the second student housing development at Glenthorne Road, Exeter. Final completion of Glenthorne 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 while the Exeter property let directly to students themselves and offering a higher income return.

In aggregate, the Company's 14% weighting to the alternatives sector is below the benchmark 17.3% 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 Leeds.

The Hyatt development is scheduled to run until summer 2024 with the Company's rent linked directly to the trade of the hotel. Given the quality of the hotel, strength of the Hyatt brand and the dynamics of the Leeds market, we expect this to deliver an attractive elevated income return 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 agreement to develop a high quality hotel in central Leeds referred to previously. A 25-year franchise agreement is already in place with 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 Aimbridge 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 upscale hotel will provide meeting rooms, a gym and several food and beverage options, including a rooftop bar with its own dedicated entrance. The development has progressed well throughout the period.

Sale

In July, the Company disposed of its 68,400 sq ft 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 there were concerns over the asset's ability to meet 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 disruption and non-accretive expenditure. The asset was sold for £26.48m 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 maximise recovery.

The average weighted unexpired lease term of the portfolio has been maintained at 8.3 years, in line with the previous year. This compares to the benchmark unexpired term of 9.4 years. At 31st December 2022, 28% of portfolio rent is subject to a form of index-linked rent reviews or fixed increases, which provide an estimated blended annualised increase of 3.3% per annum.

The following asset management activity, grouped by sector with percentage occupancy shown as at 31 December 2022, represents a summary of noteworthy transactions:

Industrial / Logistics Distribution
97% Occupied

Newton's Court, Dartford

A significantly increased headline rent was achieved at this multi-let industrial estate in June, when a new tenant was secured for Unit 12 following a comprehensive refurbishment and environmental upgrade of the property. Paak Logistics UK Limited took a new 15 year lease without break over the 67,300 sq ft unit at a rent of £942,816 per annum, representing a 27% premium to the ERV at the start of the year and demonstrating the continued demand for high quality, well located logistics space. The lease incorporates five-yearly upwardly only open market rent reviews.

The achieved rent is significantly ahead of the original underwritten rental level when the refurbishment commenced, demonstrating the potential within the portfolio to capture strong rental growth. In line with the Company's ESG priorities, the building's EPC was improved from a rating of D to A through refurbishment works that included using energy efficient materials and installing PV panels.

Also, in the second quarter, Unit 6 was let to Rodenstock UK Ltd on a new 10 year lease with a tenant-only break option in year five over the 6,650 sq ft unit which had recently fallen vacant. The agreed annual rent of £89,775 per annum equates to £13.50 per sq ft per annum, which is 6% ahead of the unit's previous ERV at the start of 2022. Also within the year, a 10 year extension was completed for a lease renewal with Clear Channel over Unit 9, with a tenant break in year five. The lease was agreed at a new rent of £169,737 per annum, equating to £12.50 per sq ft per annum, 32% ahead of the previous passing rent and 2% ahead of ERV.

Ocado, Hatfield

An open market rent review from September 2021 over the 298,400 sq ft automated distribution warehouse was settled in Q3 2022 with leading online logistics solutions retailer Ocado at £4,000,000 per annum, equating to £11.88 per sq ft over the warehouse space.

The reviewed rent reflects a 32% increase on the previous rent passing and was 13% ahead 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.

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 108 with sports supplier Pitchmark Group Ltd, incorporating a tenant-only break in year five.

The letting set a new record rent of £10.50 per sq ft per annum on the estate, 11% up from the previous passing rent of £9.30 per sq ft per annum and 8% ahead of the unit's previous ERV.

A six year lease renewal over Unit 109 was also agreed with MedaCo Ltd, a supplier of equipment for care homes, schools and hospitals. The lease will now run to 2030, with a tenant break in 2027. The new rent of £96,200 per annum, equates to £9.75 per sq ft which is 10% above the previous passing rent and a 3% premium to ERV.

Ventura Park, Radlett

The strong leasing momentum within the industrial portfolio has continued outside 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 31,803 sq ft has been let to Aerospace Reliance a global maintenance supplier to the aerospace industry at a headline rent of £17.50 per sq ft, whilst at the larger 85,640 sq ft Unit 7 an Agreement for Lease is now in place with Location Collective, the UK's third largest film studio operator, on a new 15 year lease at £17.00 per sq ft. Both deals were agreed within two weeks of the units becoming vacant, demonstrating the appeal of Ventura Park, which offers a value proposition to occupiers in the tight South East market.

The collective new rent of £2.0 million per annum is £800,000 above the previous passing rent and equates to a 69% increase and is 63% ahead of ERV at Q4 2021. The Company is also currently comprehensively refurbishing Units G/H totalling 28,000 sq ft with promising initial tenant interest.

Industrial Development

Throughout the year the Company has progressed its committed industrial developments. At the Sussex Junction industrial property in Bolney, the Company is delivering 60,229 sq ft of new space for geological survey company, CGG, which has taken two 15 year leases at a combined rent of £780,875, equating to £12.50 per sq ft per annum.

There is one speculative unit totalling 46,500 sq ft, which is being marketed for lease, with advanced occupier discussions to let the unit on completion. Construction also continues at Precision Park, Leamington Spa to create a modern logistics facility of 67,700 sq ft with strong ESG credentials. Practical completion is scheduled to take place in early Q2 2023 with the unit also attracting encouraging levels of occupier interest.

Office
97% Occupied

2 Rivergate, Temple Quay, Bristol

In early 2022 the Company negotiated an agreement for the Secretary of State to extend its occupation of the Company's 70,000 sq ft office building in Bristol for a further three years with a 9% increase in rent to £1.72 million per annum.

The asset is in a prime location within Bristol's office core, directly opposite Temple Meads railway station and, as part of the negotiations, the Secretary of State agreed to move the lease outside of the Landlord & Tenant Act, providing improved flexibility for a future redevelopment or refurbishment. At present, detailed planning and feasibility work is continuing at the asset.

Craven House, London

At Craven House, the Company's 20,100 sq ft West End office, the rent review from June 2021 was settled 5% ahead of ERV at an increased rent equating to £54 per sq ft. The prominent building is situated adjacent to Carnaby Street and is let to film and television production company Molinaire until June 2026. This prime office building remains highly reversionary for its location.

Retail
100% Occupied

The Company's retail portfolio 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 Leicester, Autoglass completed a new 10 year lease in June, with a tenant break on the fifth anniversary, at a rent of £52,500 per annum in line with ERV. The park is now fully let following extensive work undertaken in previous years and boasts an attractive line-up of strong tenants including Next, Home Bargains, DSG and Iceland. Like the Company's other two retail parks, Junction 27 in Leeds and Trafford Retail Park in Manchester, the focus is now on completing lease renewals and rent reviews to secure and grow rents.

Alternatives
100% Occupied

Excellent progress has been made on completing the Company's two student housing developments in Edinburgh and Exeter.

Gilmore Place, Edinburgh

The Company's new 230 bed student housing development reached completion on 1 September. Prior to completion, a 20-year lease was agreed with the University of Edinburgh at an annual rent of £1.24 million per annum, which is subject to annual CPIH increases with a cap and collar of 1-4%.

The Company had originally expected to operate and lease the asset independently to generate a higher level of rent but decided that the opportunity to fix a long term guaranteed and growing income stream from a first-class tenant covenant was in the best interests of shareholders, particularly given that direct-let exposure would be maintained through the development in Exeter.

Ventura Park, Radlett

Glenthorne Road, Exeter

The larger first phase of the student hall development close to the University of Exeter was completed in November and its 131 beds were immediately occupied. Phase 2 completed in Q1 2023 to provide a further 83 beds with the Company benefitting from a minimum guaranteed total annual income of £1.65 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.

Hyatt Hotel, 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 Hyatt Hotels, one of the leading global hotel brands. UKCM's rental income based on the income generated from the operation of the hotel which will be operated on a lease by Aimbridge on UKCM'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 resilient rental incomes.

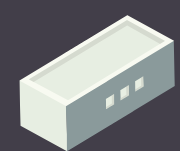
Leisure

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 closely monitoring their levels of trade at our individual assets which we believe are backed by strong underlying fundamentals.

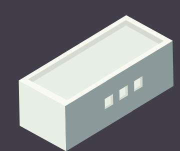
NEW INCOME DUE SOON

£6.8M
GENERATED FROM DEVELOPMENTS

6.6%
YIELD ON COST



SUSSEX JUNCTION, BOLNEY
INDUSTRIAL
PC date **Q1 2023**
Remaining expenditure **£5.4M**
ERV **£1.46M pa**



PRECISION PARK, LEAMINGTON SPA
INDUSTRIAL
PC date **Q2 2023**
Remaining expenditure **£1.8M**
ERV **£0.64M pa**

HYATT, LEEDS
HOTEL
PC date **Q2 2024**
Remaining expenditure **£43.8M**
Stabilised rent **£4.75M pa**

Hyatt, Leeds – ESG Case Study

At completion the hotel is targeting EPC A but allows a minimum B rating to be delivered if this is not possible, as well as a BREEAM rating of Excellent, which is in line with the Company's ESG expectations for a development of this nature.

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 identified that whilst heating is via electric air conditioning, the proposed specification envisages hot water being supplied via a gas boiler system. This presents a long-term challenge given pressures to decarbonise buildings as the UK aims to move away from burning fossil fuels for heating.

UKCM's Net Zero Carbon commitments are Scope 1&2 by 2030 and full Net Zero Carbon (Scopes 1, 2 & 3) by 2040 and the presence of a gas hot water system will be detrimental to this.

An extensive exercise was carried out by a joint team from abrdn, the developer and the contractor to assess the viability of replacing the gas powered system with an electric equivalent. This has proven that the same level of functionality can be provided by replacing gas boilers with industrial air-source heat pumps. As part of our feasibility exercise, it has been confirmed that replacing the gas boilers will ensure that the development secures a strong EPC A rating, whereas the recent changes to EPC calculation methods, which now penalise gas systems, mean the previous specification may have seen the building receive an EPC B rating at completion.

The UKCM Board has subsequently approved modest additional initial development expenditure to modify the specification, in the belief it is the correct approach to future-proof the asset at the development stage and that the extra expenditure will in likelihood be recouped through value preservation experienced throughout the hold period. Forecast returns are not materially affected by the increase in the development budget.

Environmental, Social and Governance (ESG)

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

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

- 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 regulatory measure by which government can encourage the UK property industry to decarbonise. Draft legislation applying to England and Wales indicates that all property must have an EPC of class A, B, or C by 2027 and A or B by 2030. The legislation and rating scale in Scotland are different and there are currently no similar minimum standards based on the EPC system.

76% of the Company's portfolio by ERV 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-level 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 need to make improvements as the asset will be entirely redeveloped to modern and fully compliant specification at lease expiry.

Our embedded approach to ESG is carried through to our approach to development where we target an EPC of A as well as strong BREEAM ratings. With the forthcoming development completions, we expect the percentage of the portfolio with an EPC rating of A-C to increase.

Portfolio Strategy

Despite the unprecedented adjustment to values, particularly in Q4 of 2022, as a result of macroeconomic challenges, your 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 debates 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, your 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 cutting cycle commences which expands the margin between property yields and the risk free rate, 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 protected from the riskiest areas such as F&B, leisure, fashion retail and the uncertainty around reletting older, non-ESG compliant office stock. Conversely, some tenant failure 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 linked to an eye on future interest rates.

Will Fulton
abrdn
31 March 2023

Hyatt Hotel, Leeds
Computer generated image

Approach to ESG

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

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

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

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, sector and geography. 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.

THEME	COMMITMENT	CURRENT STATUS	NEXT STEPS
Carbon reduction and energy efficiency	Net Zero Carbon	Carbon baseline established which supported the announcement of the Company's Net-Zero Carbon targets of 2030 for landlord emissions and 2040 for all portfolio emissions. The Company has since completed an annual net-zero pathway analysis to review progress against the baseline, and the findings of this analysis are included in page 23 of this report.	Continue to fully embed Net Zero Carbon across asset management, acquisition and development/ refurbishment processes.
	Improve tenant energy data coverage	45% 'useable' data coverage in 2021 (for the purposes of net-zero carbon reporting).	Seek to increase to at least 50% for 2022 through targeted engagement with key occupiers and the continued 'smart meter' roll out. In addition, we will continue to include green lease clauses into new leases issued by the Company, to encourage ESG collaboration and landlord-tenant sharing of ESG data.
	Maximise solar PV capacity	Numerous feasibility studies and surveys completed and key target assets identified. Renewables included within refurbishments and development projects where feasible.	Deliver on Company projects and continue dialogue with tenants for occupied buildings.
	EPC legislation – plan for minimum B rating by 2030	Detailed portfolio review has been completed and every asset has a plotted course to compliance. We have also identified assets which will fall below minimum levels but do not require interventions as they are likely to be redeveloped at lease expiry.	Make asset-level interventions at appropriate lease events.
Resilience and physical climate risk	Undertake scenario analysis to better understand future risk	Results of asset-level physical climate risk assessment results (which modelled a worst-case RCP8.5 climate scenario) complete, and analysis of 2022 portfolio under a further 4 climate scenarios is currently being finalised.	Review asset-level results in detail when finalised and define appropriate next steps to improve climate resilience of portfolio.
Land and water contamination	Maintain low contamination risk	The environmental status of properties continues to be reviewed as part of acquisition, using a new robust, standardised scope developed by the Investment Manager in 2022. Due diligence and records are maintained on current portfolio.	Continue to review environmental information as part of acquisition due diligence using Investment Manager's latest scope and process.
Value to society	Implement house methodology and report on progress by June 2022	Proprietary ESG questionnaire outputs for 5 assets (across varying sectors) in the portfolio have been included in a "Value to Society" model, and outputs have been outlined in on page 28.	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 believe there is more merit in a holistic approach to social value, seeking to positively influence the communities where we invest as opposed to focusing on attributing to the portfolio an economic value to society.

ESG Priorities and Commitments

The Company has previously outlined a number of key priorities, which 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 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 transition climate risks (net-zero), the Company announced its pathway to achieving Net Zero Carbon in its annual report on 2021, following a baseline net-zero analysis completed earlier in 2021.

The Company's commitments are as follows:

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

The following provides an overview of definitions of the different emissions scopes:

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

The Company's strategy for achieving Net Zero Carbon is fully detailed under the heading, Transition Climate Risks, on page 22.

For a full overview of the Company's wider ESG commitments, the table below provides an update on progress against these commitments and ongoing activities:

NET ZERO CARBON TARGET

2030 for landlord operational emissions.

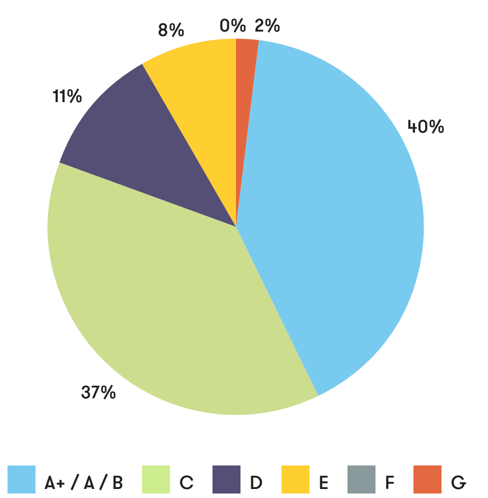
2040 for all emissions.

Transparency and Reporting

EPC Legislation

Each property receives an Energy Property Certificate (EPC) ranging from A to G. Draft legislation applying to England and Wales indicates that by 2027 all properties must have an EPC of class A, B, or C and A or B by 2030. Currently 77% of the Company's total portfolio by ERV (76% in England, it does not own in Wales) attracts an A, B, or C rating and, whilst a good figure today, it is one which we and the Board keep under constant review to ensure we are on track to complying with the expected legislation. The percentage of portfolio ERV in England with an EPC of A-C is anticipated to grow through ongoing refurbishment projects as well as the completion of the Company's developments, which are being delivered throughout H1 2023 and 2024 for the Leeds hotel and are being built to a high energy-efficiency standard.

EPC Ratings by ERV



EPRA Sustainability Best Practice Recommendations Guidelines

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

A full outline of the scope of reporting and materiality review in relation to EPRA sBPR indicators is included on pages 105 to 111 which also provides disclosures required under Streamlined Energy and Carbon Reporting (SECR). Note that this year, the performance data reported as part of the EPRA sBPR disclosures has been externally assured by an external third-party in accordance with the International Standard on Assurance Engagements (UK) 3000 (ISAE3000). The assurance statement can be viewed on the Company's website ukcpreit.com.

Operational Sustainability Performance Summary

Processes 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 procured 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 variation 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 reported on pages 105 to 111 relates to a different time period (2022) to the data reported under 'Company Net-Zero Strategy' which is based on 2021 data due to a time-lag associated with the time taken to complete Scope 3 data collection for net-zero analysis.

Like-for-like landlord-obtained electricity consumption, which excludes the impact of purchases, sales and developments reduced year-on-year across the Company's assets by 8% from 2021 to 2022. An increase in consumption at the Company's industrial properties and hotel in 2022 was offset by lower landlord consumption across leisure, offices 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 Scope 1 and 2 emissions was also driven by further decarbonisation of the UK's energy grid in 2022, and the absence of any recorded F-gas refrigerant leakages from landlord managed M&E plant in 2022.

On an absolute basis, landlord obtained electricity consumption reduced by 15% year-on-year. Landlord obtained gas consumption also reduced by 41%, driven mainly by significant gas consumption reductions at industrial assets and offices. This resulted in an absolute emissions reduction of 53% for Scope 1 emissions, and 24% for Scope 2 emissions.

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

* 2.3 degrees of warming is based on a probability weighted mean climate scenario. Read more on our investment manager's website here: *www.abrdn.com/en-gb/institutional/sustainable-investing/climate-change/climate-scenario-analysis*

2022 GRESB Assessment

The Company has submitted data to GRESB (the Global Real Estate Sustainability Benchmark) since 2014. It is the leading global sustainability benchmark for real estate vehicles. In its 2022 assessment (which utilises 2021 data) the Company was rated second in its peer group (out of 7 UK, diversified, listed real estate Funds), achieving a score of 75 and a three-star rating. This was an improvement on the overall score of 73 which was received in 2021.

Health & Safety Policy

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

Bribery & Ethical Policy

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

Company Net-Zero Strategy

Net Zero Carbon – Energy Efficiency and Decarbonisation

In 2021, COP26 served to reinforce the need for the rapid decarbonisation of the global economy. Conversely, the outcomes of COP27 in November 2022 centred more around the important issues of climate justice and climate adaptation, rather than carbon reduction. As a result, the world remains on trajectory towards 2.3* degrees of warming.

The real estate sector has made some progress to date but the pace must accelerate from here to mitigate the worst effects of climate change. The Company is also acutely aware of the increasing link between climate issues and investment performance, and the impact that inaction at the asset-level could have on valuations, returns and investment activity.

The Company has an active approach to managing carbon emissions across the portfolio and has been implementing energy efficiency improvements and targeting renewable energy projects for several years. In 2021 we undertook work to establish the operational carbon footprint baseline of the portfolio (using a baseline year of 2019) and model our pathway to Net Zero. We have since completed an annual update of the net-zero pathway for the portfolio, to review our progress towards our Company net-zero targets.

This process involved benchmarking the performance of each asset, modelling our future operational carbon footprint and identifying the types of measures necessary to fully decarbonise the portfolio, based on the latest available data (which in the case of this analysis, was data for the 2021 calendar year).

Net Zero Strategy

Our Net Zero Principles

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

Practical:

- Asset-level action: focusing on energy efficiency and renewables is our priority to ensure compliance with energy performance regulations. Our analysis shows that meeting proposed future Energy Performance Certificate standards is a sensible stepping stone towards Net Zero. This improves the quality of assets for occupiers and reduces exposure to regulatory and market risk.

Timing

- We aim to align improvements with existing plant replacement cycles and planned refurbishment activities wherever possible. This ensures functional equipment is not replaced well ahead of its end-of-life unless necessary which in turn reduces cost and embodied carbon.

Realistic

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

Collaborative:

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

Measurable:

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

Carbon Baseline and Net-Zero Pathway Annual Update

In last year's annual report, we disclosed our operational carbon footprint baseline for the year of 2019, from which we have committed to measuring our progress against. We used 2019 as a baseline for our work as it was unaffected by changes in occupancy due to COVID-19. In 2022, we completed an annual update of our net-zero pathway, the results of the analysis are disclosed below. Note that the analysis completed in 2022 uses data for the calendar year of 2021, due to this being the latest data available at the time of the analysis. ESG data for 2022 is included in this report in the EPRA tables on pages 105 to 111, but is not considered below as part of the net-zero analysis.

Carbon Footprint

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

- Some tenant emissions 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 emissions control. This change was driven by a refinement of the Company's net-zero consultants' accounting methodology;
- Scope 3 emissions have also been updated following the receipt of revised tenant utility consumption data for the 2019 period from our Ocado-tenanted logistics unit in Hatfield; and,
- The inclusion of refrigerant gas (F-gas) data into the baseline year, to align with current best practice on net-zero reporting, to reflect the latest CRREM requirements following the announcement of their partnership with the Science Based Targets Initiative (SBTi)**.

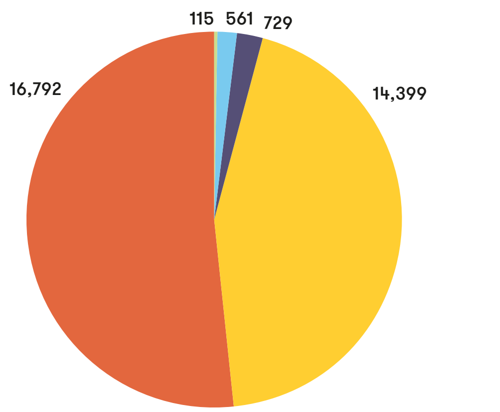
As a result of these revisions, we now have a more accurate, representative 2019 baseline from which to measure our progress against.

The revised 2019 carbon baseline is shown in the pie chart on page 24, alongside the latest annual carbon footprint calculated during 2022's net-zero pathway analysis. The 2019 pie chart shows a total operational carbon footprint of 32,596 tonnes of carbon dioxide equivalent (tCO_2e).

** SBTi X CRREM – CRREM Project

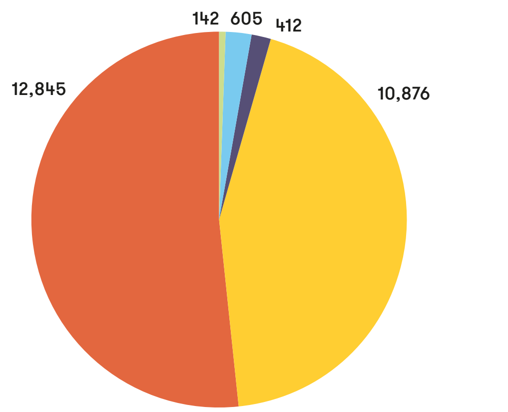
Our Delivery Strategy

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



2019 Carbon Baseline – 32,596 tCO_2e

- Landlord Refrigerants (<0.5%)
- Landlord Gas (<2%)
- Landlord Electricity (2%)
- Tenant Gas (44%)
- Tenant Electricity (52%)



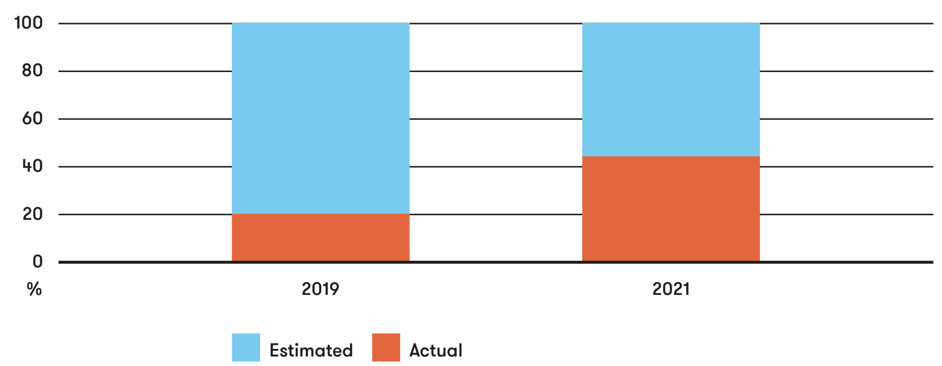
2022 Pathway Update (2021 data) – 24,880 tCO_2e

- Landlord Refrigerants (0.5%)
- Landlord Gas (2.5%)
- Landlord Electricity (2%)
- Tenant Gas (44%)
- Tenant Electricity (52%)

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 24,880 tCO_2e, 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.

Data Coverage by Floor Area (%) – 2019 vs 2021

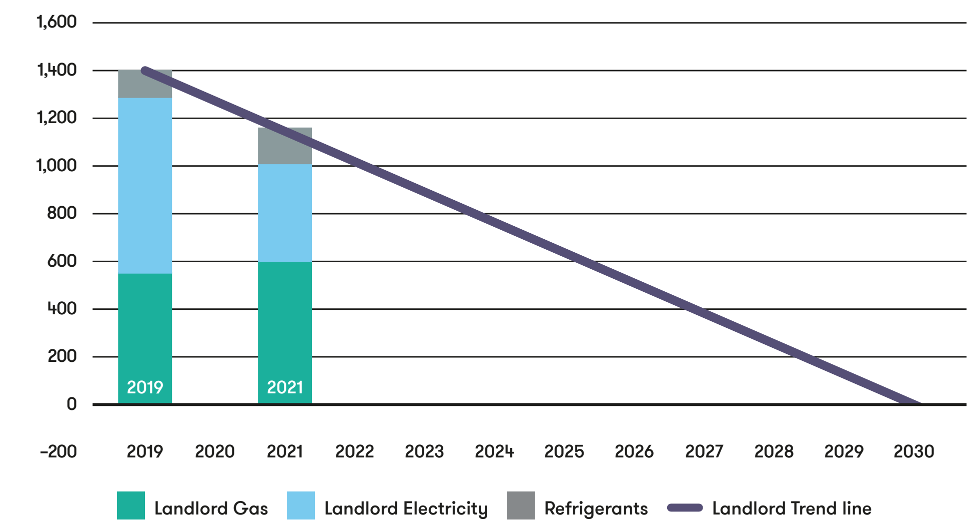


Based on these revised assumptions for 2019, the energy intensity at the portfolio level was 290kWh/m² and the operational emissions intensity was 63 $kgCO_2e/m^2$ across Scopes 1, 2 and 3.

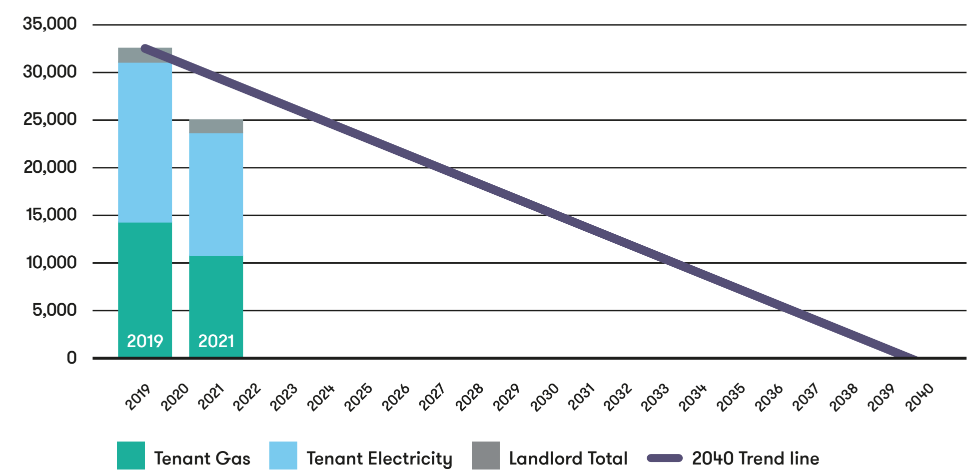
In comparison, the latest net-zero analysis using 2021 data yielded a 2021 portfolio level energy intensity of 237kWh/m² and an operational emissions intensity of 47 $kgCO_2e/m^2$ across all emissions scopes. This represents a 17% improvement in energy intensity of the portfolio, and a 25% improvement 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.

Scope 1 and 2 Total Landlord Carbon Footprint



Total Portfolio Carbon Footprint



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 UKCM 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 round of analysis completed in 2022 shows a marginal decrease in operational costs until 2050, 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 2080, 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 analysis, the Company will take appropriate action to limit its 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 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 abrdn assets, under a broader range of climate scenarios. More information on the abrdn approach to physical risks can be found in the Blueprint for net-zero carbon. At the time of writing, the updated version of this document is being published.

Taskforce for Climate-Related Financial Disclosures (TCFD)

TCFD was established to provide a standardised way to disclose and assess climate-related risks and opportunities. Recommendations are structured around four key topics: Governance, Strategy, Risk Management and Metrics & Targets.

The Company is committed to implementing the recommendations of the TCFD to provide investors with information on climate risks and opportunities that are relevant to the business.

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

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

There is still significant uncertainty and methodological immaturity in assessing climate risks and opportunities and there is not yet a widely-recognised net zero standard. Nonetheless, we have progressed already with work to model the implications of decarbonising the portfolio in line with a 1.5°C scenario and undertaken analysis to understand future physical climate risks.

The table below provides a brief overview of our Company approach to 10 of the 11 TCFD recommendations. Note that this disclosure against the TCFD recommendations is entirely voluntary, and we are working towards a more comprehensive TCFD disclosure in the coming years, towards being consistent against all 11 TCFD recommendations. We also expect that our reporting against TCFD recommendations will continue to evolve over time as industry methodologies improve and our own work develops further.

TCFD Recommendation	Company Approach	Further Information
Governance		
Board oversight of climate-related risks and opportunities	The Board consider climate-related risks and opportunities alongside all other Company risks which fall under the remit of the Risk Committee. In addition, the Board, alongside the Investment Manager, consider climate related issues as part of the Investment Process, such as during investment decisions involving acquisitions, disposals and fund strategic planning.	Risk Management section on pages 38 to 45.
Management's role in assessing and managing climate-related risks and opportunities	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 integrating ESG in the investment process, and climate related risks and opportunities are considered the most material ESG topic relating to the Company. As such, climate risk and opportunities are considered throughout the investment process, including during acquisitions, asset/property management, refurbishment/development and fund strategic planning. The Investment Manager reports a number of KPIs to the Board on a quarterly and annual basis.	The Company's approach is set out in the Environmental, Social & Governance (ESG) section on pages 20 to 25.
Strategy		
Climate-related risks and opportunities the organisation has identified over the short, medium, and long term	As part of our investment and asset management process we consider climate-related risks and opportunities over a range of timescales. A summary of our initial assessment over the short, medium and long term is as follows. In the short term (0–5 years) we anticipate regulations affecting the energy performance and emissions of buildings to tighten to align more closely with Government targets for economy-wide decarbonisation. Whilst this will provide clarity of direction to the sector, it is likely to increase development and refurbishment costs and will start to affect valuations. However, these trends will also create opportunities to benefit from shifting occupier and investor demand for low-carbon, future-fit assets. Over the medium term (5–15 years) these trends will continue and we expect regulations and market sentiment to further drive energy efficiency and decarbonisation. We anticipate significant technological change in this period particularly in relation to heat pump solutions which will improve the technical and financial feasibility of decarbonising heat in buildings. Over the long term (15+ years) we are likely to see climate-related extreme weather events increase in frequency and severity which may impact built environment assets depending on their location and characteristics. Note that the Company has already started assessing physical climate risks and opportunities based on geographical location of its assets.	An overview of the Company's approach to addressing net-zero (transition risks) and physical climate risks is on pages 25.
The impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where material	The Board recognises that climate change will affect the built environment, both through decarbonisation and increased physical risks. The trends summarised above are therefore expected to affect the Company's strategy and operations in the coming years. In recognition of the importance of decarbonisation, the Company has set its own net-zero targets for 2030 and 2040 respectively. Alongside our net zero planning, a detailed exercise has been completed by the Investment Manager to assess the portfolio's compliance with anticipated Minimum Energy Efficiency Standards legislation to ensure assets are capable of compliance and that any necessary interventions can be appraised and included with the individual asset plans. In 2022, the Company completed an assessment of value at risk as a result of physical climate risks under the RCP8.5 climate scenario which implies a 4.3° C temperature rise by 2100 (which are described above in Physical Climate Risk). We are currently finalising the results of the next phase of our climate scenario analysis, which includes the assessment of climate risks under a broader range of climate scenarios. While the Company is not yet in a position to disclose meaningful quantitative data on the impact of climate related issues on financial performance, the Company plans to account for appropriate costs in cash flow calculations, so that any costs associated with transition or physical climate risks are adequately accounted for in investment return calculations.	The EPC profile of the Company's properties is set out on page 111. An overview of the Company's approach to addressing net-zero (transition risks) and physical climate risks is on page 22.
The resilience of the organization's strategy, taking into consideration different climate related scenarios, including a 2°C or lower scenario	We have set out our long term aim to be a net zero Company by 2040 with an interim target for operational emissions within our direct control by 2030. We will track progress against our long term aim using interim energy and emissions intensity targets at the portfolio and asset levels. Our work to establish a net zero pathway for the company is informed by industry benchmarks including the Carbon Risk Real Estate Monitor (CRREM) 1.5°C Paris-aligned emissions trajectories. As part of this work, the Company have identified high-level cost estimates for transitioning assets to net zero. We consider that the portfolio and Company strategy is well-positioned to decarbonise in line with this trajectory assuming national energy and climate policy is also supportive of this goal. The Company will continue to engage with industry bodies such as the Better Building Partnership to standardise net zero definitions across the industry. We recognise that we cannot act in isolation and that achieving this level of decarbonisation will require supportive climate policy and the cooperation of our occupiers and suppliers. Our recent work on understanding value at risk as a result of physical climate risk has highlighted the importance of considering changes in wind speeds and flood risk over time as well as the implications of rising temperatures on cooling loads. Our initial assessment of these results is that in general under the RCP8.5 scenario, physical climate risks do not become material until after 2040 and that most potential cost is associated with additional cooling demand due to rising temperatures. We consider that our existing portfolio and Company strategy is resilient to physical climate risks in the short to medium term. We will however keep this under regular review as methodologies for physical risk assessment improve.	Our delivery strategy is set out on page 22.
Risk Management		
The Company's processes for identifying and assessing climate-related risks	Climate-related risks and opportunities are considered and assessed by the Company Risk Committee. The Company employs the Investment Manager's approach to addressing climate risks and opportunities as part of the investment process. This includes assessment of transition and physical climate risks during acquisition due diligence, asset management, refurbishment/development and portfolio-level strategic planning. The Company considers transition climate risks via net-zero carbon analysis, to determine the extent to which the portfolio aligns with the defined net-zero targets, and to define indicative high-level CAPEX figures to decarbonise the portfolio in line with a net-zero pathway. The Company also uses a third-party data provider to assess value at risk (amongst other indicators) associated with several climate hazards, over multiple time horizons and climate scenarios.	Risk Management section on pages 38 to 45, which includes information on environmental risk mitigation. Company approach to integration/assessment of ESG factors, including climate risks, is available on pages 20 to 25.
The Company's processes for managing climate-related risks	A high-level overview of the Company and Investment Manager's processes for assessing and managing climate risks on 'acquisition' and 'standing investments' is included below: On acquisition: Transition Risks: our current ESG due diligence process involves the assessment of transition risks at both the pre-bid and post-bid stage, with the aim of reducing a Fund's exposure to transitional climate risks going forward. At the pre-bid stage, we use all available information about the asset, its context and regulatory backdrop (including the use of EPC ratings and comparing against current and emerging legislation), alongside our in-house decarbonisation guidance and ESG priorities of the Fund, to form a view of anticipated decarbonisation costs over the next 10-year period. Where appropriate, such decarbonisation CAPEX is captured as part of the pre-bid screen and meeting; which subsequently feeds into the IC paper for review. When detailed DD is completed during exclusivity, the assumptions around decarbonisation for compliance and net-zero alignment (using a 1.5C CRREM pathway) are refined by an external consultant. This allows the Fund to better understand the costs that it may be responsible for in the future for decarbonisation. Such findings are included in our pre-signing checklist prior to deal completion. Physical Risks: As part of any pre-bid ESG screen/meeting, we use a mapping tool made available to us by a physical climate risk data provider to screen assets (based on their geographical location) against up to 8 different physical climate risks across different time horizons (current, 2030, 2050, 2100) under different climate scenarios including Low (RCP2.6), Intermediate (RCP4.5) and High (RCP8.5) scenarios. This tool is used alongside available online mapping provided by environmental regulators/authorities in the given country (where/if available). Such risks are considered at pre-bid stage in a "go/no-go" context. During exclusivity, as a minimum, flood risk will be assessed in more detail by an external third-party, alongside any other physical climate risks identified during the pre-bid screen. Standing Investments: Transition Risks: The Company has completed net-zero analysis with the support of a third-party consultant, to establish a carbon baseline for 2019, and a carbon footprint update for 2021. Such analysis allows the Company to review progress against its net-zero targets, and flag any high risk assets. Physical Risks: An exercise has been undertaken with an external consultant to assess the assets within the fund against 7 hazards which are expected to impact real estate due to climate change out to 2080. These have been modelled in a worst-case scenario (RCP8.5). The results of more recent analysis under a greater number of scenarios are currently being finalised.	An overview of the findings of the latest net-zero and physical climate risk analysis is provide above on pages 22 to 25.
Metrics and Targets		
The metrics used by the organisation to assess climate related risks and opportunities in line with its strategy and risk management process	The Company discloses its greenhouse gas emissions (alongside other related ESG performance metrics on energy and water consumption, waste generation and disposal routes) in line with EPRA Sustainability Best Practices Recommendations. As part of our decarbonisation strategy, the Company will track progress against our long-term aim using interim energy and emissions intensity targets at the portfolio and asset levels. Information on year-on-year performance is included in the net-zero pathway section above (on pages 22 to 25) and in the EPRA disclosures on pages 105 to 111. The metrics from the 2022 calendar year included in the EPRA disclosures will in part be used to inform future progress updates relating to the Company's net-zero pathway (alongside any additional Scope 3 data collected for the 2022 calendar year throughout the first half of 2023).	The EPRA disclosures included on pages 105 to 111 include the relevant climate-related performance data, including GHG emissions. Further information on our net-zero pathway are included above in pages 22 to 25.
Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks	The Company discloses its emissions in line with EPRA Sustainability Best Practices Recommendations (see pages 105 to 111). This covers Scope 1 and 2 emissions associated with landlord-procured energy as well as Scope 3 emissions from energy sub-metered to occupiers. Our revised 2019 baseline emissions including tenant consumption (actual and estimated) is presented on page 107. We have used 2019 data as a baseline for our measurements as this is prior to any disruption to measurement caused by the COVID-19 pandemic.	Data on emissions is set out on pages 105 to 111.
The targets used by the organisation to manage climate-related risks and opportunities and performance against targets	The Company has set out its long-term aim to be a net zero Company by 2040 with an interim target for operational emissions within our direct control by 2030. While the Company has not yet established specific targets around other climate related elements (for example percentage of EPC ratings by ERV), the Company continually looks to improve the portfolio's performance through implementation of the Investment Manager's investment process, and will look to set specific targets in the future where appropriate. Note that the Company also looks to maintain or improve its GRESB score year-on-year.	Our delivery strategy is set out on page 23.

Ventura Park, Radlett

Wider Company ESG Action – Societal Value

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 in to 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.

The assets included were:

- 41-45 Gilmore Place, Edinburgh (Student Housing)
- The Rotunda, Kingston (Leisure)
- The White Building, Reading (Office)
- Trafford Retail Park, Manchester (Retail Park)
- Ventura Park, Radlett (Industrial)

Summary of Analysis

- The nature and type of the asset (directly managed vs tenant controlled) directly influences 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 naturally 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 our 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, page 20), and considering opportunities relating to social sustainability as part of our investment decisions, we can look to maximise the Company's contribution to social 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 formed partnerships with local groups and service providers on inclusivity initiatives and events that involve the local community. In the summer of 2022, it partnered with Kingston International Film Festival (KIFF) 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 Odeon cinema we commissioned local artist SKY HIGH 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 Odeon.
- Trafford Retail Park, Manchester. This retail park asset, comprising entirely tenanted 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 Save 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 at both properties.

Next Steps

While the outputs have provided us with a good understanding of the assets' value to society which will remain a focus for the Company, it has also served to reinforce the need to focus on delivering our Company ESG priorities (see ESG Priorities and Commitments on Page 21), including carbon reduction and energy efficiency, physical climate risk and land/water contamination, alongside wider initiatives on biodiversity. Continuing to deliver on such elements will help us to minimise any negative impacts to society that are inherent to real estate investment such as carbon emissions and increased air pollution. In addition, by continuing to implement our investment process and approach to ESG integration, we can continue to capitalise on opportunities to enhance social sustainability at every opportunity.

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 focussed on attaching an economic value to initiatives at this stage but will 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 asset's lifecycle:

1. **The Construction Phase** – For construction/development sites, there are two ways 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 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 Glenthorne Road in Exeter, 42 'swift boxes' were included along the building elevations to provide nesting areas for birds and there are plans to install bat boxes on trees 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 to a wildlife haven.

Next Steps

Working alongside its tenants and the property manager JLL, the Company will continue to explore practical measures to positively improve biodiversity with the locations it has invested in.

Ocado Distribution Unit, Hatfield

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 E&P UK LIMITED
Industrial
3.1% of contracted rent

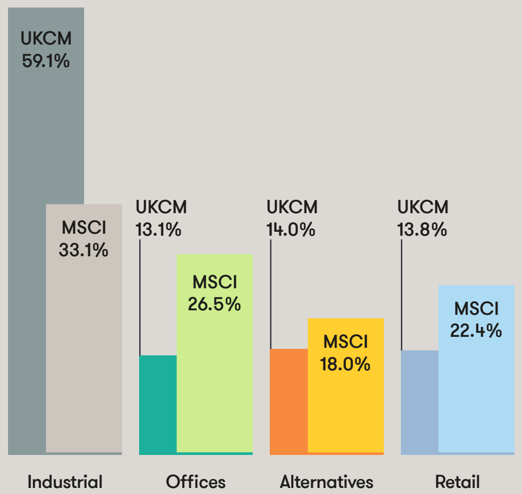
No. 7
CINEWORLD ESTATES LIMITED
Alternatives
2.8% of contracted rent

No. 8
KANTAR
Office
2.7% of contracted rent

No. 9
B&Q PLC
Retail Warehouse
2.7% of contracted rent

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

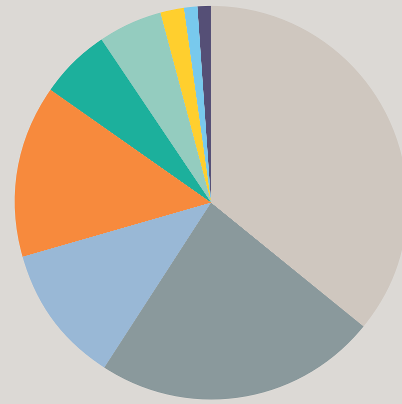
SECTOR SPLIT V BENCHMARK



LEASE EXPIRY PROFILE

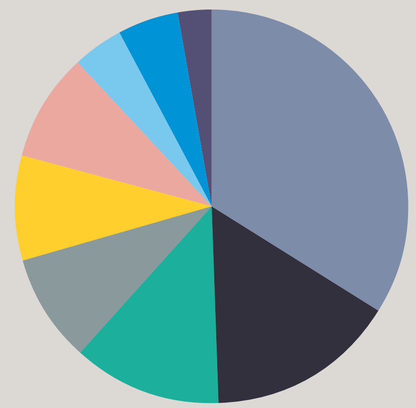
	UKCM	Benchmark
0–1 yr	5.5%	9.9%
1–2 yrs	7.5%	9.1%
2–3 yrs	10.0%	9.0%
3–5 yrs	20.5%	16.1%
5–10yrs	25.7%	19.8%
10–15 yrs	22.1%	9.5%
>15 yrs	8.7%	26.6%

PORTFOLIO SPLIT BY SUB SECTOR



Industrials — South East & London	35.9%
Industrials — Rest of UK	23.3%
Retail Warehouses	11.6%
Alternatives	14.0%
Offices — Rest of UK	5.9%
Offices — Rest of South East	5.2%
Offices — West End	1.9%
Retails — Rest of UK	1.2%
Retails — South East	1.0%

PORTFOLIO SPLIT BY GEOGRAPHY



South East	33.9%
London	15.7%
West Midlands	12.2%
East Midlands	8.9%
South West	8.7%
Scotland	8.9%
North East	4.0%
Yorks and Humber	5.0%
North West	2.7%

2022 PORTFOLIO & ANALYSIS
as at 31 December 2022

	PROPERTY	Tenure	Sector	Principal Tenant	Value Range
1	Ventura Park, Radlett	Freehold	Industrial	Warner Bros Studios Ltd	Over £70m (representing 27.2% of the portfolio capital value)
2	Hannah Close, London, NW10	Leasehold	Industrial	Amazon UK Services Ltd	
3	Dolphin Estate, Sunbury on Thames	Freehold	Industrial	Trans Global Freight Management Ltd	
4	Ocado Distribution Unit, Hatfield Business Area, Hatfield	Freehold	Industrial	Ocado Retail Ltd	
5	Newton's Court, Dartford	Freehold	Industrial	Veerstyle Ltd	£40m–£70m (representing 16.1% of the portfolio capital value)
6	Junction 27 Retail Park, Birstall, Leeds	Freehold	Retail Warehouse	Barker & Stonehouse Ltd	
7	XDock 377, Magna Park, Lutterworth	Leasehold	Industrial	Armstrong Logistics Ltd	
8	The Rotunda, Kingston upon Thames	Freehold	Alternatives	Odeon Cinemas Ltd	
9	Emerald Park East, Emersons Green, Bristol	Freehold	Industrial	Knorr-Bremse Systems Ltd	£20m–£40m (representing 43.4% of the portfolio capital value)
10	The White Building, Reading	Freehold	Office	Barracuda Networks Ltd	
11	Maldron Hotel, Newcastle	Leasehold	Alternatives	Dalata Group plc	
12	Trafford Retail Park, Manchester	Freehold	Retail Warehouse	Dunelm (Soft Furnishings) Ltd	
13	B&Q, Roneo Corner, Romford	Freehold	Retail Warehouse	B&Q Plc	
14	Kantar, London	Freehold	Office	Kantar UK Ltd	
15	St Georges Retail Park, Leicester	Freehold	Retail Warehouse	Aldi Stores Ltd	
16	Gilmore Place, Edinburgh	Freehold	Alternatives	Edinburgh University	
17	Total, Aberdeen Gateway, Aberdeen	Freehold	Industrial	Total E&P UK Ltd	
18	Centrum 260, Burton on Trent	Freehold	Industrial	Palletforce plc	
19	Glenthorne Road, Exeter	Freehold	Alternatives	Direct letting to university students	
20	Gatwick Gate Industrial Estate, Crawley	Freehold	Industrial	International Logistics Group Ltd	
21	Dalewood Road, Newcastle-under-Lyme	Freehold	Industrial	TK Maxx Ltd	
22	Axiom, Precision Park, Leamington Spa	Freehold	Industrial	Public Sector	
23	Craven House, Foubert's Place, London, W1	Freehold	Office	Molinaire Ltd	
24	Cineworld Complex, Glasgow	Freehold	Alternatives	Cineworld Group plc	
25	81/85 George Street, Edinburgh	Freehold	Office	Clydesdale Bank plc	
26	Tetron Point, Swadlincote	Freehold	Industrial	Clipper Logistics plc	
27	Sussex Junction, Bolney	Freehold	Industrial	CGG (UK) Ltd	
28	Integra, Precision Park, Leamington Spa	Freehold	Industrial	Iron Mountain (UK) Ltd	
29	Whittle Road, Stoke-on-Trent	Freehold	Industrial	Bestway Pharmacy NDC Ltd	Below £20m (representing 13.3% of the portfolio capital value)
30	Aura, Precision Park, Leamington Spa	Freehold	Office	Tata Technologies Europe Ltd	
31	No 2 Temple Quay, Bristol	Freehold	Office	Public Sector	
32	Interlink Way West, Bardon	Freehold	Industrial	Roca Ltd	
33	Central Square Offices, Forth Street, Newcastle Upon Tyne	Freehold	Office	Ove Arup & Partners International Ltd	
34	Asda, Torquay	Freehold	High St, Retail	Asda Stores Ltd	
35	Regent Circus, Swindon	Freehold	Alternatives	WM Morrison Supermarkets plc	
36	14–22 West Street, Marlow	Freehold	High St, Retail	Sainsbury's Supermarket Ltd	
37	Cannock Watling Street	Freehold	Industrial	Rhenus Logistics Ltd	
38	Hyatt Hotel, Leeds-Funding	Leasehold	Alternatives	Under Development (PC date–Q2 2024)	
39	Tetra, Aberdeen Gateway, Aberdeen	Freehold	Industrial	Tetra Technologies UK Ltd	
40	Development Site, Precision Park, Leamington Spa	Freehold	Industrial	Under Development (PC date–Q2 2023)	

Overall number of properties	40
Total number of tenancies	196
Total average property value	£32.7million
Total floor area	7,830,000 sq ft
Freehold / Leasehold (leases over 100 years)	92% / 8%

Industrial · Offices · Retail · Alternatives

Junction 27, Leeds

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 regular communication and visits to properties. Where required, and in consultation with tenants, the Company refurbishes and manages the owned assets to improve the tenants' experience with the aim being to generate greater tenant retention and hence lower voids, higher rental values and stronger returns.

In addition, members of the Board visit properties and where appropriate engage with tenants directly which enables the Board to have an enhanced understanding of each property and the tenants' requirements. Further details of how the Company engages with all its stakeholders is set out in the Stakeholder Engagement section of the Annual Report encompassing section 172 of the UK Companies Act 2006 on page 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 sector assets. The Group has not set any maximum geographic exposures within the UK nor any maximum weighting limits in any of the principal property sectors. No single property shall, however, exceed at the time of acquisition 15 per cent of the gross assets of the Group.

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

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

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

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

The White Building, Reading

Management of Assets and Shareholder Value

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

The Group invests in properties which the Investment Manager believes will generate a combination of long- term growth in income and capital for shareholders. Investment decisions are based on analysis of, amongst other things, prospects for future capital growth, sector and geographic prospects, tenant covenant strength, lease length and initial yield. In the year to 31 December 2022, the Group generated net cash outflows of £11.3 million (2021: net cash outflows of £80.6 million) following the deployment of capital to acquire investment properties.

The net loss for 2022 of £222.3 million contrasted against a net profit of £236.2 million for 2021, reflecting the market yield expansion following increased bank interest rates and macro-economic position. Revenue profits were £40.9 million for the year ended 31 December 2022, 19% increase compared to 2021 of £34.5 million.

Investment risks are spread through investing in a range of geographical areas and sectors, and through letting properties to low risk tenants. A list of all the properties held as at 31 December 2022 is contained on page 33 and further analysis can be found in the Investment Manager Review.

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

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

Key Performance Indicators

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

	1 year % return (p.a.)	3 year % return (p.a.)	5 year % return (p.a.)	Why we use this indicator
TOTAL RETURNS				
Net Asset Value Total Return	−18.1	−1.3	3.3	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.
Share Price Total Return	−16.2	−8.9	−3.8	
PORTFOLIO PERFORMANCE				
UKCM Direct Portfolio Total Return	−13.3	2.1	2.7	We use portfolio performance because it shows the success of the portfolio strategy without the impact of gearing and corporate costs.
MSCI Benchmark Total Return	−9.6	1.4	2.6	
UKCM Direct Portfolio Income Return	3.7	3.9	4.0	
MSCI Benchmark Income Return	4.0	4.3	4.4	
UKCM Direct Portfolio Capital Return	−16.5	−1.7	−1.3	
MSCI Benchmark Capital Return	−13.1	−2.7	−1.8	

Alternative Performance Measures are defined in the glossary on pages 120 to 121.

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.

	31 December 2022	31 December 2021	31 December 2020	Why we use this indicator
SHARE PRICE PREMIUM (DISCOUNT) TO NAV				
Discount to net asset values (%)	−26.7	−26.8	−20.4	This is the difference between the share price and the NAV per share. It can be an indicator of the imbalance between market supply and demand for the shares and their level attraction to investors.
GEARING				
Group gearing	20.0	13.5	6.4	This is a measure of financial risk. Gearing can magnify investment gains when values are rising but conversely can exaggerate investment losses when values are declining.
EARNINGS, EXPENSES AND DIVIDENDS				
EPRA earnings per share (Pence)	3.15	2.65	2.71	We use EPRA earnings per share because it measures 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-C (%)	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 CO_2e)	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.


Margaret Littlejohns
Chair of Risk Committee

Risk Management

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

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

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

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

Risks are identified and weighted according to their potential impact on the Company and to their likelihood of occurrence. The impact is evaluated in terms of the effect on the Company's business, finances and reputation, the three of which are usually interlinked. Each identified risk is assessed twice: first as a "gross risk" before taking into consideration any mitigating controls and secondly as a residual or "net risk" after reviewing the safeguards in place to manage and reduce either the severity of its impact or the probability of its event.

The Risk Committee uses a detailed Risk Matrix to prioritise the individual risks, allocating scores of 1 to 5 to each risk for both the likelihood of its occurrence (ranging from very unlikely to almost certain) and the severity of its impact (ranging from minimal to highly significant). The combined scores for both the gross risks and net risks are then colour coded, applying a traffic light system of green, amber and red to emphasise those posing the greatest threats to the Company. Those with the highest gross rating in terms of impact are highlighted as top risks within the matrix and are defined here as principal risks.

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

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

Principal Risks

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

Strategy — Risk: A

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

Investment & Asset Management — Risk: B C

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

Financial — Risk: D E F G

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

Operations — Risk: H I

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

Regulation — Risk: J

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

Stakeholder Engagement — Risk: K

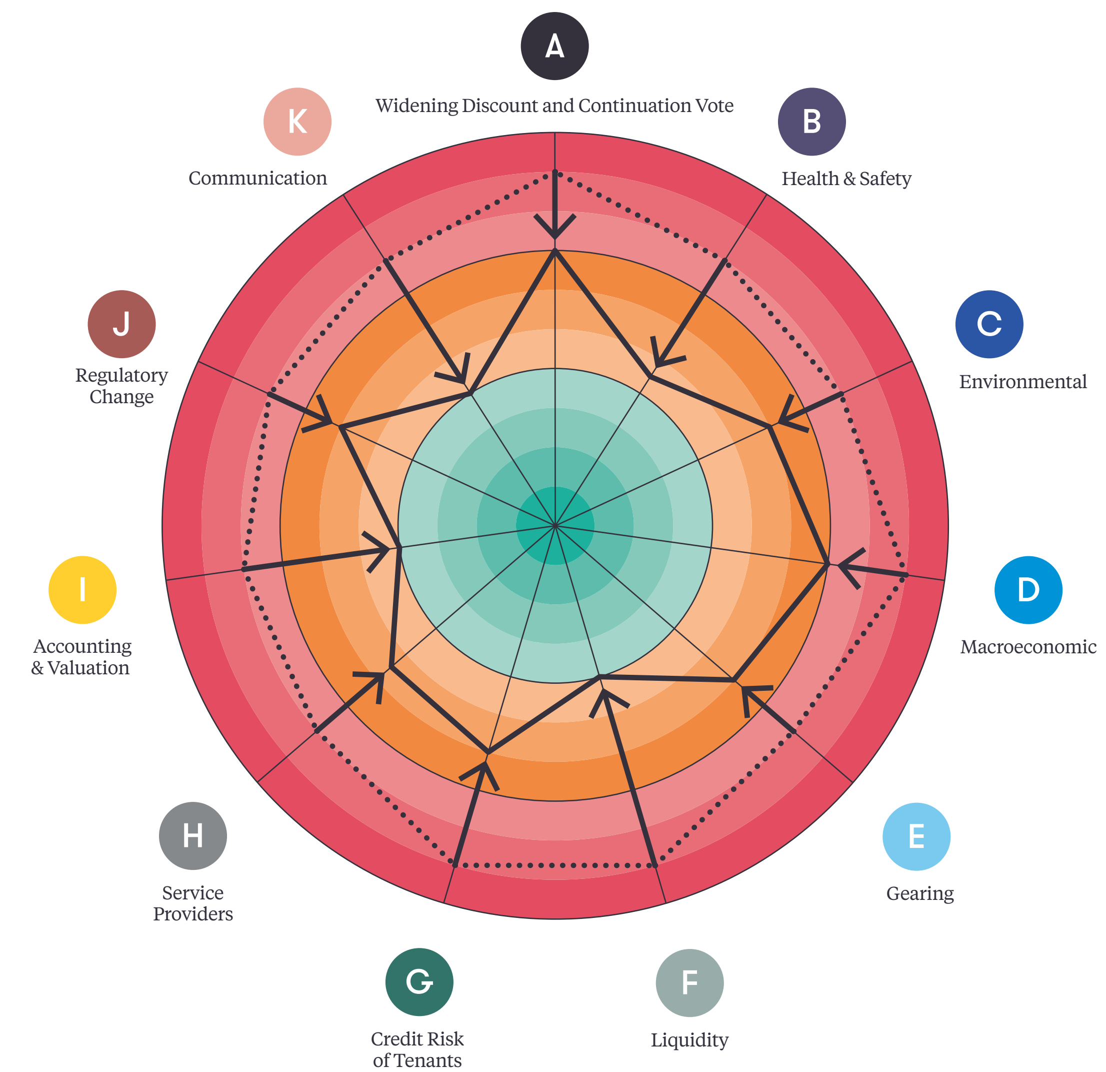
Failure to communicate effectively and consistently with the Company's key stakeholders, in particular shareholders and tenants, could prevent the Company from understanding and responding to their needs and concerns.

Principal Risks

······	Gross Risks
——	Net Risk through mitigating controls

Green	Low Risk	
Amber	Medium Risk	
Red	High Risk	

A	Strategic Risks
B, C	Investment & Asset Management Risks
D, E, F, G	Financial Risks
H, I	Operational Risks
J	Regulatory Risks
K	Shareholder Engagement Risks



Emerging Risks

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

Economic and Geopolitical

Russia's invasion of Ukraine is the largest, most dangerous military conflict in Europe since WWII. Russian President Vladimir Putin failed in his initial aim to destroy Ukrainian sovereignty and has since increased attacks on Ukraine's energy and civilian infrastructure. A settlement or even a ceasefire looks unlikely for now. Instead, an extended conflict is anticipated, alongside a long-term political, economic and military standoff between 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. A period of prolonged instability, with impacts for Europe in particular, is now clearly a potential outcome.

Tensions are also increasing in the relationship between the United States and China which could lead to greater protectionism and a decline in global trade. In particular, the future of Taiwan hangs in the balance and as one of the largest producers and exporters of microchips in the world could cause considerable disruption if its independence was threatened.

The current economic and geopolitical environment is unpredictable, and changing rapidly, and this may affect real estate valuations the Company's portfolio.

Climate

Climate change is happening now and its rate of change and impact on the environment will depend on the planet's success in controlling global emissions. The average surface temperature in the UK has risen by 1.2ºC since pre-industrial times, and further warming is predicted. More extreme weather events are also expected in future which could cause serious damage to infrastructure and property. The extent of climate change and the necessary regulation to control it are uncertain and will continue to be monitored.

The legacy of COVID-19

Although the direct impact of COVID-19 on our lives has receded, it has introduced or accelerated some structural changes to the ways that we live, work and consume and reformed our expectations of our environment and society. In particular, the trend towards flexible and home working is affecting the use of offices, with sustainability, health, wellbeing and the social impact of office use increasing in importance. COVID-19 has also impacted the way that we that we shop: social distancing measures in response to the pandemic have accelerated the increase in on-line shopping and decline in physical retailing. This has created challenging conditions for traditional retailers and their landlords. It is still uncertain how the role of offices and retail will develop and they both continue to be assessed in order to protect the portfolio but also to identify new investment opportunities.

Technology

Technology is also rapidly changing the habits of businesses and consumers which in turn is impacting occupiers' future requirements for property and leading to greater disparity in the performance of different property sectors and also within each sector itself. Advances in technology have enabled many of the behavioural changes in the use of real estate: for example, the increased use of video conferencing by businesses has facilitated a more permanent shift to home working and could also redefine the need for office space in the future.

Robotics and automation are also altering the specifications for industrial buildings and greater use of data and advanced analytics is driving the need the data storage and data centres. Technology is also increasingly contributing to improvements in the sustainability of properties. If landlords fail to embrace technology, they may face the risk of "stranded" assets in the future.

The principal risks, including their impact and the actions taken by the Company to mitigate them, are provided on pages 40 to 45. The Changes to Risk (Increased, Decreased or No Change) all relate to any material change from the reporting provided in the 2021 Annual report that was finalised in April 2022.

A STRATEGIC RISKS: WIDENING DISCOUNT AND CONTINUATION VOTE

Risks & Impact

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

Mitigation

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

Commentary

- Investors have access to the Board, the Investment Manager and the underlying team who will respond to any queries concerning the discount. The Investment Manager and Broker themselves arrange regular meetings with prospective and existing investors to try and improve demand for the Company's shares. The level of discount is kept under constant review but it is difficult to control.
- Shareholders overwhelmingly supported the Company's periodic continuation vote held in October 2022, with the next periodic continuation vote scheduled to be held in 2027 and seven yearly thereafter.
- There is a marked divergence in the performance of different real estate sectors, and also within each sector itself, due to changes in the behaviour of tenants and consumers, particularly in the office and retail sectors, a trend accelerated by COVID-19. This is focusing the Company's strategy on investing selectively in "future fit" properties.

Change

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

i See page 56 for details of the current discount control policy.

B INVESTMENT AND ASSET MANAGEMENT RISKS: HEALTH & SAFETY

Risks & Impact

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

Mitigation

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

Commentary

- No major Health and Safety issues were noted in the year.

Change

NET RISK: MEDIUM — NO SIGNIFICANT CHANGE IN RISK

i See page 22 for further information on the Group's Health & Safety policy.

C INVESTMENT AND ASSET MANAGEMENT RISKS: ENVIRONMENTAL

Risks & Impact

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

Mitigation

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

Commentary

- The Company has recently set a net zero carbon target of 2040 for all carbon emissions, including tenants' own emissions and also those embedded in the fabric and construction of buildings.
- An interim target of 2030 has also been set to reach net zero for all landlord generated emissions.
- The Company has submitted to the Global Real Estate Sustainability Benchmark ("GRESB") since 2015. It has been recognised as a top performer in ESG coming second in the GRESB UK Diversified (listed) peer group. It was awarded an 'A' score for Public Disclosure by GRESB against a peer group average of B and received an EPRA "Gold" rating for European Sustainability Best Practice Recommendations in 2022.
- A full review of EPC ratings across the Group's portfolio has been undertaken and a strategy put in place to ensure compliance with all the deadlines for increasingly strict standards between now and 2030. Three units are currently rated as below standard and these are being actively assessed and addressed.
- A number of asset management initiatives are underway to consider the feasibility of installing solar panels at some of the Company's properties

Change

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

i The 2022 Annual Report includes a dedicated section for ESG on pages 20 to 25 and also Taskforce for Climate-Related Financial Disclosures on pages 26 to 29.

D FINANCIAL RISKS: MACROECONOMIC

Risks & Impact

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

Mitigation

- The abrdn Research team takes into account macroeconomic conditions when collating property forecasts. This research is fed into the Investment Manager's decisions on purchases and sales and sector allocations.
- The portfolio is UK based and diversified across a number of different sectors and regions of the UK and also has a wide and diverse tenant base to reduce any risk concentration where possible.
- There is a wide range of lease expiry dates within the portfolio in order to minimise concentrated re-letting risk.
- The Board intends that borrowing of the Group at the time of draw down will not exceed 25% of the total assets of the Group.
- The Company has limited exposure to speculative development and is generally only undertaken on a forward funded and pre-let basis.
- Rigorous portfolio reviews are undertaken by the Investment Manager and presented to the Board on a regular basis.
- Annual asset plans are developed for each property, ensuring that inherent value can be realised through active asset management.
- Individual investment decisions are subject to robust risk versus return evaluation and approval. Each potential investment is scrutinised and rigorously assessed, taking into account location, legal title, local market dynamics, physical and environmental conditions and the quality and soundness of the projected income stream. The Board approves every material acquisition and disposal.
- Every building has comprehensive insurance to cover both the property itself and injury to associated third parties.

Commentary

- The UK economy has faced a period of significant volatility over the second half of 2022, as the macroeconomic environment weakened and political turmoil rocked financial markets. While greater political stability has returned to the UK, the economy is facing headwinds as we enter 2023. Although UK GDP edged up in November the ONS attributed this to a temporary World Cup-related services boost rather than evidence of a stronger underlying rate. abrdn Research Institute (aRI) currently forecasts UK GDP to decline by 1.3% in 2023, before recovering in 2024 with modest growth of 0.6%.
- Headline inflation looks to have peaked with the Consumer Price Index falling in December from 10.7% to 10.5%. Powerful base effects combining with global goods disinflation are expected to pull inflation down in 2023. However, costs remain high and underlying inflation pressures are still apparent, leading to the expectation that headline inflation will only moderate through 2023, not fall to pre-2022 levels. aRI anticipates inflation of 6.2% by the end of the year, before falling to 2.4% in 2024.
- The real estate investment market reacted quickly to increasing interest rates with a dramatic repricing of capital values in fourth quarter. As expected, the Bank of England continued its monetary policy tightening cycle in March 2023, with a further 25bps rise in response to the persistently high rate of UK inflation, taking the base rate to 4.25%. aRI forecasts base rate to peak at 4.5% before a sharp rate-cutting cycle begins towards the end of 2023 as the Bank of England attempts to stimulate the UK economy out of recession.
- Portfolio continues to be diversified with investments in the four main commercial property sectors and across a number of geographical regions, but now with a much higher weighting to the industrial sector, particularly logistics and distribution, which has benefited from the pandemic and, despite the falls in capital value in the fourth quarter of 2023, has outperformed the other sectors over the last 10 years.
- 196 tenancies at the year end with top ten tenants accounting for 36.4% of contracted rental income.
- Gearing of 20% at year end. Occupancy rate of 98% at year end.

Change

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

See further details on risk in note 18 to the accounts on pages 94 to 98.

E FINANCIAL RISKS: GEARING

Risks & Impact

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

Mitigation

- The Board intends that borrowing of the Group at the time of draw down will not exceed 25% of the total assets of the Group.
- This low gearing limit means that the Company should, barring exceptional circumstances, have adequate resources to service and repay its debt.
- The Company's diversified, prime UK commercial property portfolio, underpinned by its strong tenant base, should provide sufficient value and income in a challenging market to meet the Company's future liabilities.
- The Company's relatively modest level of gearing has attracted competitive terms and interest rates from lenders for the Company's loan facilities.
- The Investment Manager has relationships with multiple funders and wide access to different sources of funding on both a fixed and variable basis.
- Financial modelling is undertaken and stress tested annually as part of Company's viability assessment, whenever new debt facilities are being considered and whenever unusual events occur.
- Loan covenants are continually monitored and reported to the Board at least quarterly and also reviewed as part of the disposal process of any secured property.

Commentary

- Market yield expansion following bank interest rate hikes and macro-economic 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 as a result of falls in capital values of the underlying properties.
- At year end the Group had two fully drawn fixed rate facilities totalling £200 million with different expiry dates (April 2027 & February 2031). The Group had also drawn down £93 million of its £180 million revolving credit facility, which is on a floating rate basis, and provides flexibility to make timely acquisitions when opportunities arise. Together, the drawn down facilities had a weighted maturity profile of 5.2 years, and an overall blended interest of 3.68% per annum.
- At year end, gearing was 20%, relatively low for its peer group.
- During the year, the Group's bank covenants have been regularly monitored and stress tested under different value and revenue scenarios. There is considerable headroom before any loan covenants would be breached.
- Over £431 million of property remains unencumbered, providing additional cushion if needed.
- The Company benefits from good long-term relationships with supportive lenders and has engaged in constructive dialogue with them during this period.

Change

NET RISK: MEDIUM — INCREASED RISK

The Group has increased gearing levels to 20% which is still relatively low against its peers and has scope to increase further with an additional £87 million of undrawn revolving credit facility.

See further details on risk in note 18 to the accounts on 94 to 98.

F FINANCIAL RISKS: LIQUIDITY

Risks & Impact

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

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

Mitigation

- The Company has a diversified portfolio of good quality, marketable properties.
- After allowing for capital commitments on ongoing developments, the Company has significant capital resources at year end of £42 million due to the undrawn £87 million of its revolving credit facility. The closed ended structure of the Company ensures that it is not a forced seller of assets.
- The Company is listed on the London Stock Exchange and a component of the FTSE 350 Index made up of the largest 350 companies in the UK by market capitalisation.
- Financial commitments are limited by the Company's relatively low level of gearing.
- Liquidity risk is managed on an ongoing basis by the Investment Manager and reviewed at least quarterly by the Board.
- Cash is placed in liquid deposits and accounts with a high credit rating.

Commentary

- Real estate market liquidity has decreased over the second half of 2022, as the macroeconomic environment weakened and political turmoil rocked financial markets. Early indications are showing that market liquidity has improved during the first quarter of 2023.
- Having a closed-ended structure, the Company was better able to withstand market movements as it is not subject to investor redemptions and forced property disposals.
- All financial commitments were comfortably met during the year.
- 2.7m shares on average were traded daily in 2022 highlighting the ongoing liquidity of the Company's shares.
- Shareholders are able to sell their shares in a highly regulated and liquid secondary market.

Change

NET RISK: LOW — NO SIGNIFICANT CHANGE IN RISK

See further details on risk in note 18 to the accounts on pages 94 to 98.

G FINANCIAL RISKS: CREDIT RISK OF TENANTS

Risks & Impact

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

Mitigation

- Dividend cover is forecast and considered at each Board meeting.
- The property portfolio has a balanced mix of tenants and reflects diversity across business sectors, limiting reliance on a single tenant or industry.
- The Group has 196 tenants, with the top 10 tenants representing 37% of the Company's contracted rental income, and no single tenant accounting for more than 6%.
- Rigorous due diligence is undertaken on all prospective tenants and their financial performance continues to be monitored during their lease.
- Rent collection from tenants is closely monitored so that early warning signs can be detected.
- Contingency plans are put in place where tenants with financial difficulties have been identified.
- Board/Director approval is necessary for any material lettings.

Commentary

- For the four key rent invoicing dates for quarterly payment in advance in 2022 (March, June, Sept, Dec 2021) 99% of rent had been collected by the end of February 2023.
- Retail sector continues to be of concern but with fewer administrations in this sector in the last 12 months, compared to the previous year.
- Ongoing reduction in Company's retail holdings which now represent 14% of the portfolio at the year end.
- The Company has a bad debt provision of £5.1m for ultimate non-payment of rent by some tenants but still continues its concerted efforts to recover outstanding amounts due.
- Reflecting the net acquisitions undertaken by the Company, improving rent collection rates, dividends were increased by 11% in 2022.
- There are concerns over some tenants' underlying covenant strength, such as Cineworld, and we are therefore closely monitoring their levels of trade.

Change

NET RISK: MEDIUM — NO SIGNIFICANT CHANGE IN RISK

See further details on risk in note 18 to the accounts on pages 94 to 98.

H OPERATIONAL RISKS: SERVICE PROVIDERS

Risks & Impact

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

Mitigation

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

Commentary

- Key service providers put their business continuity plans into practice quickly during the pandemic and adapted successfully to working remotely from their business premises and many have now adopted more permanently a hybrid model of home and office working.
- The Investment Manager updated the Board on a regular basis on its own contingency arrangements and has demonstrated its operational resilience throughout.
- The Investment Manager has also monitored regularly the ability of other key service providers to conduct their business effectively. Service quality has been maintained despite changes in working practices and no material issues of concern have been raised.
- Key service providers are on heightened alert of cyber attacks following Russia's invasion of Ukraine and are monitoring intelligence updates of potential threats and strengthening their cyber security defences if needed.
- Section 172 statement in the accounts (pages 47 to 49) provides details on the Company's collegial approach to stakeholders. No material issues noted from the reviews of service providers in the year.
- Key service providers have not changed during 2022.

Change

NET RISK: MEDIUM — NO SIGNIFICANT CHANGE IN RISK

i See further details on pages 47 to 49.

I OPERATIONAL RISKS: ACCOUNTING & VALUATION

Risks & Impact

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

Mitigation

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

Commentary

- The Property Agent (JLL) took over responsibility for the collection of rent and service charges in 2020. This process is operating smoothly and a high level of communication and collaboration between both parties has continued during 2022.

Change

NET RISK: LOW — DECREASED RISK

i See further details on valuations in note 1(h) on page 80 and note 10 to the accounts on pages 87 to 90.

J REGULATORY RISKS: REGULATORY CHANGE

Risks & Impact

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

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

Mitigation

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

Commentary

- The Property Income Distributions (PIDs) announced for 2022 are in compliance with REIT rules.
- The Company is in compliance with current energy efficiency standards and is actively working towards meeting future stricter criteria.

Change

NET RISK: MEDIUM — NO SIGNIFICANT CHANGE IN RISK

i —

K STAKEHOLDER ENGAGEMENT RISKS: COMMUNICATION

Risks & Impact

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

Mitigation

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

Commentary

- Communication with all stakeholders has continued.
- Many meetings with shareholders and analysts are a hybrid of face-to-face or virtual meetings and presentations to ensure clear messaging of strategy and to provide accurate and timely updates.
- The continuation vote was overwhelmingly passed by proxy votes in October 2022.
- Investment Managers have continued to visit properties when possible to engage with tenants.
- The Board of Directors visit properties, as part of a rolling programme to visit all properties over a four-year period.
- Section 172 report highlights the collaborative nature of interaction between the Company and its key stakeholders.

Change

NET RISK: LOW — NO SIGNIFICANT CHANGE IN RISK

i See further details on pages 47 to 49.

Viability Statement

The Board conducted this review over a five year time horizon, a period thought to be appropriate for a Group investing in commercial property with a long-term investment outlook and is a reasonable timescale over which performance of the Group can be forecast with a degree of accuracy.

The Board also considers viability over the longer term, in particular to key points outside this time frame, such as the due dates for the repayment of long-term debt. In addition, the Board considers viability in relation to continuation votes. A periodic continuation vote held in October 2022 was passed with the next one scheduled for 2027 and seven yearly thereafter. In addition, under the discount control policy of the Company, a continuation vote may be required if the Company's shares trade at a discount of over 5% for a continuous period of 90 dealing days or more, beginning after the date of the second anniversary of the Company's most recent continuation vote. The second anniversary of the most recent continuation vote is 25 October 2024. 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 98.9% 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 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 38 to 45. 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 Company's property portfolio, tenant failure leading to a fall in dividend cover and ongoing 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 (25 October 2022).

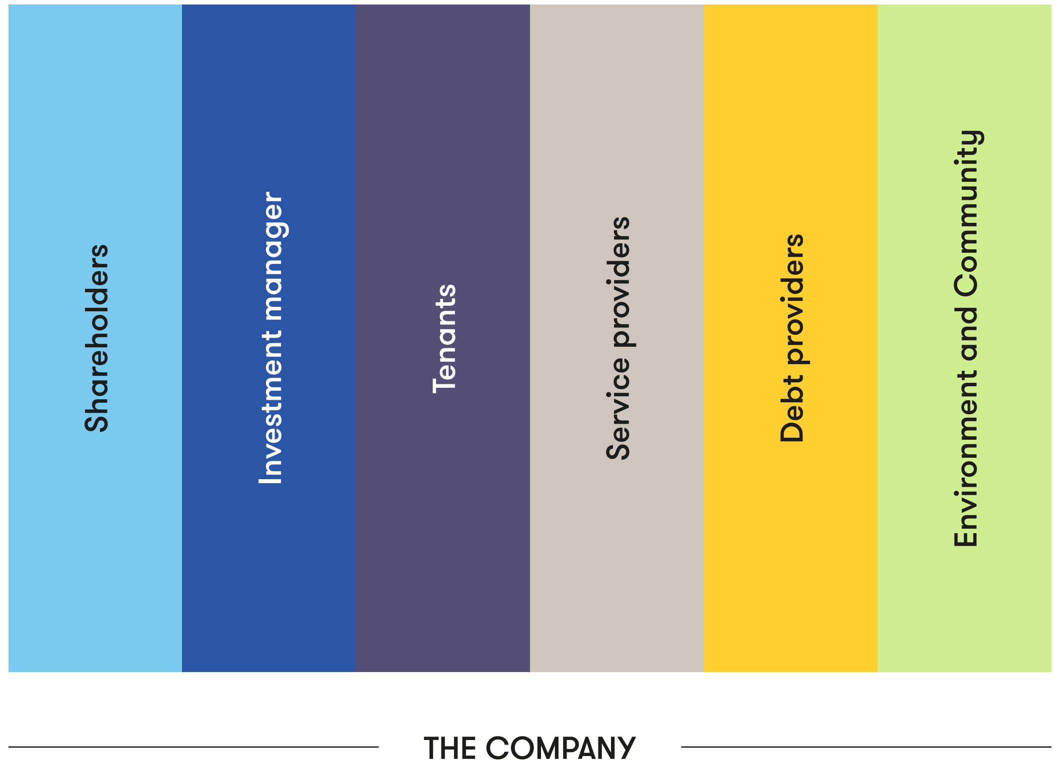
The assessment for stressed conditions used a foreseeable severe but plausible scenario which modelled using the following assumptions:

- 46 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 £326 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 an uncovered dividend position.

Even under this extreme model 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.

STAKEHOLDER ENGAGEMENT



Board's Obligations under Section 172 of the Companies Act

This section explains how the Directors have promoted the success of the Company for the benefit of its members as a whole during the financial year to 31 December 2022, taking into account the likely long-term consequences of decisions, the need to foster relationships with all stakeholders and the impact of the Company's operations on the environment.

The Role of the REIT Board

The Company is a REIT which is governed by an independent Board of Non-executive Directors.

The Board considers the Company's main stakeholders to be Shareholders, the Investment Manager, Tenants, Service Providers, Debt Providers and the Environment and Community.

The Board recognises the important of acting fairly between stakeholders and fosters a culture where all of the Company's stakeholders are treated fairly and with respect. The Board considers Stakeholder Engagement as one of the Company's principal risks with the mitigating actions are set out on page 45.

The Board is responsible for taking all decisions relating to the Group's investment objective and policy, dividend policy, gearing, corporate governance and strategy.

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

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

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

OUR STAKEHOLDERS' INTERESTS

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

Shareholders

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

Investment Manager

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

Tenants

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

Service Providers

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

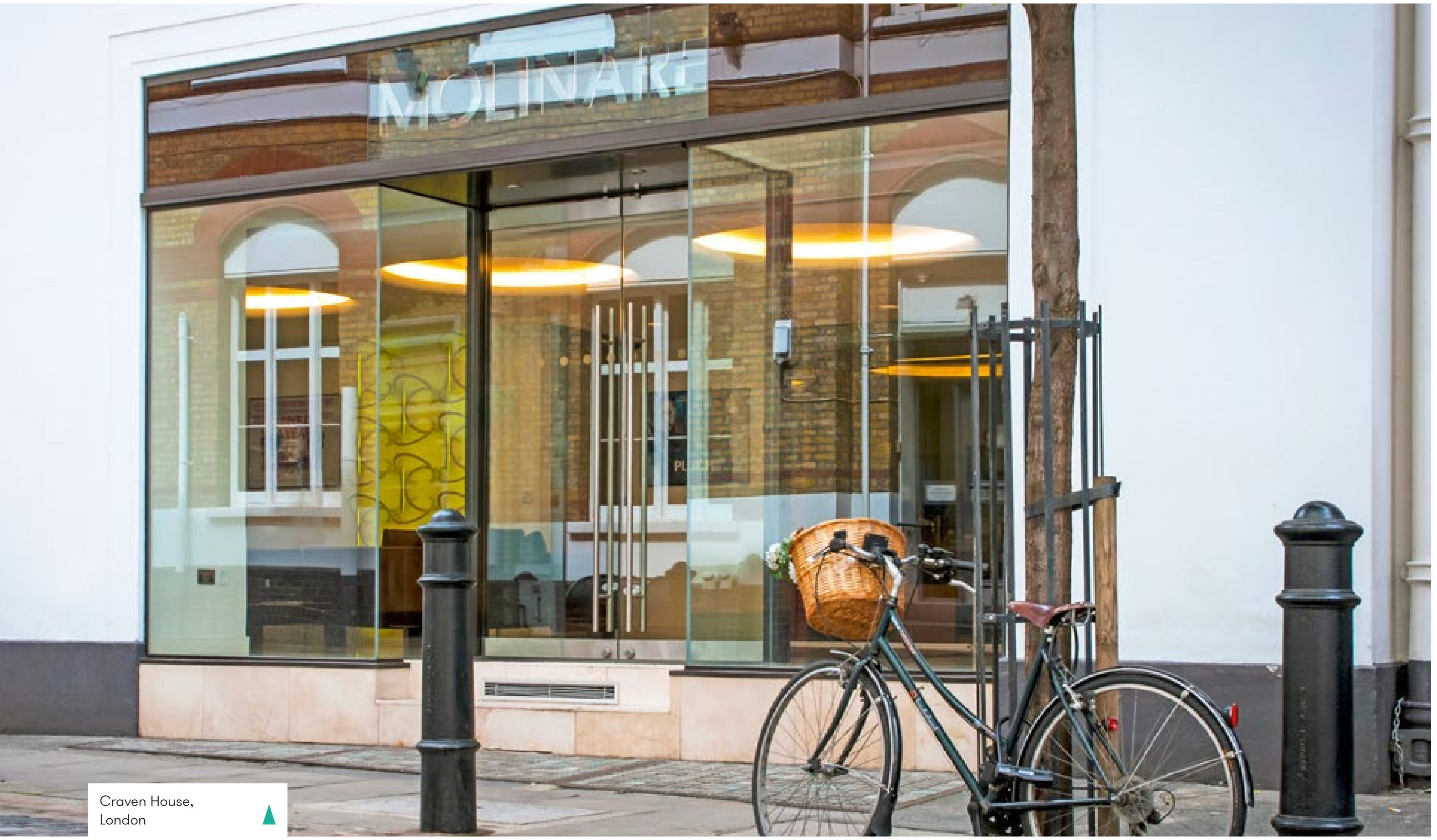
Debt Providers

- Responsible portfolio management
- Compliance with loan covenants

Environment and Community

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

HOW WE ENGAGE WITH OUR STAKEHOLDERS



Craven House, London

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 its shareholders as a whole. The Board oversees the delivery of the investment objective, policy and strategy, as agreed by the Company's Shareholders and welcomes shareholders' views on the Company and its performance. The Board welcomes all shareholders' views and aims to act fairly between all shareholders.

The Investment Manager and Company's Broker regularly meet with shareholders, and prospective shareholders, to discuss Company initiatives and seek feedback, which is then shared with the Board. The Investment Manager provides regular updates to shareholders and the market through the Annual Report, Interim Report, Quarterly Net Asset Value announcements and Company Factsheets.

The Chair meets with key shareholders at least annually, and other Directors are available to meet shareholders as required. This allows the Board to hear feedback directly from Shareholders. Shareholders are also invited to vote on the continuation of the Company at regular intervals and the Board encourages shareholders to participate in this vote. The last continuation vote took place on 25 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 to engage directly with the Board.

The AGM will be held on Wednesday, 21 June 2023.

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

Investment Manager

The Chair's Statement and Investment Manager's Review on pages 6 to 19 detail the key investment decisions taken during the year and subsequently. The Investment Manager has continued to manage the Company's assets in accordance with the mandate approved by shareholders and overseen by the Board. The Company regularly reviews its performance against its investment strategy by reference to its rolling five-year business plan to ensure it remains fit for purpose. The Board undertakes a strategy meeting, at least annually, to consider whether its strategy is fit for purpose and to ensure the Company is positioned well for the future delivery of its objective for its stakeholders. The Board receives presentations from the Investment Manager at every Board meeting to help it to exercise effective oversight of the Investment Manager and the Company's Strategy. The Board formally reviews the performance of the Investment Manager at least annually.

Tenants

Board members regularly visit properties and, where appropriate, engage with tenants directly to enhance their understanding of each property and the tenants' requirements.

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

Service Providers

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

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

Debt Providers

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

Environment and Community

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

The Board has adopted the Investment Manager's ESG Policy and associated operational procedures and is committed to environmental management in all phases of the investment process. The Company aims to invest responsibly, to achieve environmental and social benefits alongside returns. By integrating ESG factors into the investment process, the Company aims to maximise the performance of the assets and minimise exposure to risk. Please see our disclosures in the ESG section on pages 20 to 25 and within the Taskforce for Climate-Related Financial Disclosures on pages 26 to 29 and the EPRA Financial and Sustainability Reporting starting on page 101, for more information on the Company's approach to ESG, including examples of Community Engagement during 2022.

Approval of Strategic Report

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

The Strategic Report of the Company comprises the following pages 2 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

BOARD OF DIRECTORS

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

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, fostering a collaborative spirit between the Board and Investment Manager while ensuring that meetings remain focused on the key areas of stakeholder relevance.

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

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

Other public company directorships: None

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

MANAGEMENT TEAM

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

Will Fulton

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

Other public company directorships: Foresight VCT plc

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

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

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 provide significant property and investment insight to the Board as well as effectively chairing the Property Valuation Committee.

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

Diversity	Number	%
Male	3	60%
Female	2	40%

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

Jamie Horton

Peter Taylor

Peter Taylor, Finance Manager, returned to abrdn in 2022. Throughout his 22-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 Balance Commercial Property Trust Limited (FTSE 250 company) and Investment Secretarial Executive to CT Property Growth & Income Feeder Fund for 7 years, companies managed by Columbia Threadneedle Investments.

His real estate career started with Standard Life Investments (now abrdn) working as an accountant on global real estate products gaining multi-disciplinary experience spanning debt facility management, consolidated financial reporting, supplier management and client reporting. Mr Taylor also gained further close-ended experience on Standard Life Investments Property Income Trust Limited (now abrdn Property Income Trust Limited) for 4 years.

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

The Directors of UK Commercial Property REIT Limited ("the Company") present the Annual Report and Audited Consolidated Financial Statements for the year ended 31 December 2022.

Principal Activity and Status

The Company was incorporated on 24 August 2006 in Guernsey under registration number 45387. The Company is a closed ended investment company registered under the provisions of 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 and elected to be treated as a UK REIT with effect from 1 July 2018.

Strategy

The Company's purpose, objective and strategy is set out in detail in the Strategic Report on page 34.

Listing Requirements

The Company's ordinary shares are admitted to trading on the premium segment of the London Stock Exchange.

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

Results and Dividends

The Group generated an IFRS loss of £222.3 million (2021: profit of £236.2 million) in the year equating to an earnings per share loss of 17.11p (2021: 18.18p). The Company had cash at the year end of £30.9 million (2021: £42.1 million). The Group paid out dividends totalling £67.2 million (2021: £38.0 million) in the year.

The Company has paid interim dividends in the year ended 31 December 2022 as follows:

	Payment date	Rate per share (p)
Fourth interim for prior period	February 2022	0.75
First interim	May 2022	0.80
Second interim	August 2022	0.85
Special	August 2022	1.92
Third interim	November 2022	0.85
TOTAL		5.17

On 1 February 2023 the Company declared a fourth interim dividend of 0.85p per ordinary share in respect of the quarter ended 31 December 2022 with an ex-dividend date of 9 February 2023, which was paid on 28 February 2023.

Share Capital, Voting Rights and Issue of Shares

The issued share capital at 31 December 2022 consisted of 1,299,412,465 ordinary shares of 25p each. At 31 March 2023 the issued share capital was unchanged. Each ordinary share of the Company carries one vote at 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 known to 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 3% or more of the Company's issued share capital.

Holdings (%)*	31.12.2022	28.02.2023
Phoenix Life Limited – Part of Phoenix Group	33.7	33.7
Phoenix Life Assurance Limited – Part of Phoenix Group	9.7	9.7
Investec Wealth & Investment	12.4	12.5
BlackRock	4.5	4.5
Saunderson House	3.3	3.0

*Based on 1,299,412,465 Ordinary Shares in issue as at 31 December 2022.

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

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

As at 31 March 2023, the Company had not been notified of any changes to the information above.

The Takeover Code

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

On 22 July 2020, the Phoenix Group completed the acquisition of the ReAsssure Group.

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

External Agencies

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

- The function of Alternative Investment Fund Manager, including management of the investment portfolio (delegated to abrdn Fund Managers Limited, see below)
- Company secretarial and administration services (delegated to Northern Trust International Fund Administration Services (Guernsey) Limited)
- Shareholder registration services (Computershare Investor Services (Guernsey) Limited)

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 systems in operation in so far as they relate to the Group. These contracts are reviewed regularly by the Management Engagement Committee.

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.

Investment Management Agreement

The Company appointed abrdn Fund Managers Limited (formerly Aberdeen Standard Fund Managers Limited) (the "Investment Manager") as its alternative investment fund manager with effect from 10 December 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 £1.75 billion, excluding any cash held over £50 million and 0.475% for Total Assets above £1.75 billion, excluding any cash held over £50 million.

The Management Engagement Committee reviews the performance of, and contractual arrangements with, the Investment Manager on an annual basis. The Board has considered the appropriateness of the continuing appointment of the Investment Manager in view of 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 on the terms agreed continues to be in 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 50 to 51.

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

	2022	2021
Michael Ayre[A]	142,000	92,000
Chris Fry[B]	81,664	46,445
Fionnuala Hogan[C]	26,207	—
Ken McCullagh	120,000	80,000
Margaret Littlejohns	40,000	40,000

A Held jointly with Mrs Ayre.
B Includes an indirect interest over 6,445 shares held through a pension fund over which Chris Fry has discretion.
C Appointed on 5 August 2021.

Between 31 December 2022 and 31 March 2023, the Company was notified that Michael Ayre purchased an additional 50,000 shares in the Company, Margaret Littlejohns has purchased an additional 20,000 shares in the Company and Chris Fry had purchased an additional 24,781 shares in the Company.

REPORT OF DIRECTORS
Continued

As set out in the Chair's Statement, Peter Pereira Gray will be appointed as an additional Non-executive Director to the Board on 3 April 2023. At the date of this report, Peter Pereira Gray holds 100,000 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 the defence of any proceedings brought against them arising out of their position as Directors in which judgement is given in their favour or they are acquitted.

Depositary

The Company's Depositary 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, bank interest and dividends for the foreseeable future. The Directors have examined significant areas of possible financial risk including cash and cash requirements and the debt covenants, in particular those relating to LTV and interest cover.

The Directors have not identified any material uncertainties, including risks related to the war in Ukraine or to the current inflationary environment, which might cast significant doubt on the ability of the Group to continue as a going concern for a period of not less than 12 months from the date of the approval of this Annual Report.

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.

Corporate Governance

The Directors' report on Corporate Governance is detailed on pages 57 to 61 and forms part of the Directors' Report.

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 Modern Slavery Act 2015 which is available on the Investment Manager website at abrdn.com.

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:

- so far as each Director is aware, there is no relevant audit information of which the Group's auditor is unaware; and
- 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 18 to the financial statements.

Annual General Meeting

The notice of the Annual General Meeting, which will be held this year at FTI Consulting, 200 Aldersgate, Aldersgate Street, London EC1A 4HD on 21 June 2023 at 10:30am may be found on pages 112 to 113.

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.

Central Square, Newcastle

Disapplication of Pre-emption Rights (special resolution 12)

Resolution 12 gives the Directors, for the period until the conclusion of the AGM in 2024 or, if earlier, on the expiry of 15 months from the passing of resolution 12, the necessary authority either to allot securities or sell shares held in treasury, otherwise than to existing shareholders on a pro-rata basis, up to an aggregate nominal amount of £32,485,312. This is equivalent to approximately 10 per cent of the issued ordinary share capital of the Company as at 31 March 2023. There are no shares currently held in treasury.

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

Directors' Authority to Buy Back Shares (special resolution 13)

The current authority of the Board granted to it by shareholders at the 2022 AGM to buy back shares in the Company expires at the end of the AGM to be held in 2023. The Board intends to renew such authority to buy back shares up to 14.99 per cent of the number of ordinary shares in issue. This special resolution (resolution 13), if approved, will enable the Company to buy back up to 194,781,928 shares based on the current number of shares in issue (excluding any treasury shares). Any buy back of ordinary shares will be made subject to Guernsey law and within guidelines established from time to time by the Board, which will take into account the income and cashflow requirements of the Company, and the making and timing of any buy backs will be at the absolute discretion of the Board.

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

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

Trafford Retail Park, Manchester

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

Discount Control Policy

The discount control policy of the Company provides that in the event that the share price discount to prevailing published NAV (as last calculated, adjusted downwards for the amount of any dividend declared by the Company upon the shares going ex-dividend) is more than five per cent for 90 dealing days or more, following the second anniversary of the Company's most recent continuation vote, the Directors will convene an Extraordinary General Meeting ("EGM") to be held within three months to consider an ordinary resolution for the continuation of the Company. If this continuation resolution is not passed, the Directors will convene a further EGM to be held within six months of the first EGM to consider the winding up of the Company or a reconstruction of the Company which offers all shareholders the opportunity to realise their investment. If any such continuation resolution is passed, this discount policy, save in respect of share buy backs, would not apply for a period of two years thereafter. The last continuation vote was held on 25 October 2022.

Recommendations

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

Statement Regarding the Annual Report and Accounts

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

Approved by the Board on 31 March 2023.

Ken McCullagh
Director

CORPORATE GOVERNANCE REPORT

Introduction

The Company is committed to high standards of corporate governance.

The Board has considered the Principles and Provisions of the AIC Code on Corporate Governance 2019 (the "AIC Code"). The AIC Code addresses the Principles and Provisions set out in the UK Corporate Governance Code (the "UK Code"), as well as setting out additional provisions on issues that are of specific relevance to the Company. The UK Code is available on the Financial Reporting Council's (the "FRC") website: frc.org.uk. The AIC Code is available on the AIC website (www.theaic.co.uk). It includes an explanation of how the AIC Code adapts the Principles and Provisions set out in the UK Code to make them relevant for investment companies.

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

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

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

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

The Board

The Board consists solely of Non-Executive Directors with Mr McCullagh as Chairman. Ms Littlejohns is the Senior Independent Director. Biographical details of each Director who served during the financial year may be found on pages 50 to 51. All Directors are considered by the Board to be independent of the Investment Manager and free of any relationship which could materially interfere with the exercise of their independent judgement on issues of strategy, performance, resources and standards of conduct.

Matters Reserved for the Board

The Board sets the Company's objectives and ensures that its obligations to its shareholders are met. It has formally adopted a schedule of matters which are required to be brought to it for decision, thus ensuring that it maintains full and effective control over appropriate strategic, financial, operational and compliance issues.

These matters include:

- the maintenance of clear investment objectives and risk management policies;
- the monitoring of the business activities of the Company ranging from analysis of investment performance through to review of quarterly management accounts;
- monitoring requirements such as approval of the Half-Yearly Report and Annual Report and financial statements and approval and recommendation of any dividends;
- setting the range of gearing in which the Manager may operate;
- major changes relating to the Company's structure including share buy-backs and share issuance;
- Board appointments and removals and the related terms;
- authorisation of Directors' conflicts or possible conflicts of interest;
- terms of reference and membership of Board Committees;
- appointment and removal of the Manager and the terms and conditions of the Management Agreement relating thereto; and
- London Stock Exchange/Financial Conduct Authority – responsibility for approval of all circulars, listing particulars and other releases concerning matters decided by the Board.

Full and timely information is provided to the Board to enable it to function effectively and to allow the Directors to discharge their responsibilities.

At least once a year, the Board also holds a meeting specifically to review the Group's strategy.

Individual Directors are entitled to have access to independent professional advice at the Group's expense where they deem it necessary to discharge their responsibilities as Directors. The Group maintains appropriate Directors and Officers liability insurance.

The Directors have access to the company secretarial and administration services of the Company Secretary, Northern Trust International Administration Services (Guernsey) Limited, through its appointed representatives. The Company Secretary is responsible to the Board for:

- Ensuring that Board procedures are complied with;
- Under the direction of the Chairman, ensuring good information flows to the Board and its Committees; and
- Liaising, through the Chairman, on all corporate governance matters.

Management of Conflicts of Interest, Anti-Bribery Policy and Tax Evasion Policy

The Board has a procedure in place to deal with a situation where a Director has a conflict of interest. As part of this process, the Directors prepare a list of other positions held and all other conflict situations that may need authorising either in relation to the Director concerned or their connected persons. The Board considers each Director's situation and decides whether to approve any conflict, taking into consideration what is in the best interests of the Group and whether the Director's ability to act in accordance with his or her wider duties is affected. Each Director is required to notify the Company Secretary of any potential or actual conflict situations which require authorising by the Board. Any authorisations given by the Board are reviewed at each Board meeting.

The Board takes a zero-tolerance approach to bribery and has adopted appropriate procedures designed to prevent bribery. abrdn also takes a zero-tolerance approach and has its own detailed policy and procedures in place to prevent bribery and corruption. It is the Company's policy to conduct all of its business in an honest and ethical manner. The Company takes a zero-tolerance approach to facilitation of tax evasion, whether under UK law or under the law of any foreign country. abrdn also takes a zero-tolerance approach to tax evasion and has its own detailed policy which may be found on its website.

Board Diversity

The Board recognises the importance of having a range of skilled, experienced individuals with the right knowledge represented on the Board in order to allow it to fulfil its obligations. The Board also recognises the benefits and is supportive of, and will give due regard to, the principle of diversity in its recruitment of new Board members. The Board will not display any bias for age, gender, race, sexual orientation, socio-economic background, religion, ethnic or national origins or disability in considering the appointment of Directors. The Board will continue to ensure that all appointments are made on the basis of merit against the specification prepared for each appointment.

In doing so, the Board will seek to meet the targets set out in the FCA's Listing Rule 9.8.6R (9)(a), which are set out below. Although the Company is not required to report against these targets until the 2023 Annual Report, the Board has resolved to do so on a voluntary basis this year.

As shown in the table below, the Company has not as yet met the target set out in LR 9.8.6R (9)(a)(iii), which formally comes into effect for the Company during the financial year ending 31 December 2023, in relation to the ethnic background of the Board. It is the Board's intention that achieving the target as set out in LR 9.8.6R (9)(a)(iii) continues to be a priority during the Board's next succession appointments.

The information included below in relation to the gender and ethnic background of the Board has been obtained following confirmation from the individual Directors.

Chairman and Senior Independent Director

The Chairman is responsible for providing effective leadership to the Board, demonstrating objective judgement 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 Chairman leads 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 leads the annual appraisal of the Chairman's performance and supports the orderly 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 appointed a number of committees – the Audit Committee, the Management Engagement Committee, the Nomination & Remuneration Committee, the Property Valuation 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 Chairman, and meets at least three times a year. Ken McCullagh, 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.

Board Gender as at 31 December 2022

	Number of Board members	Percentage of the Board	Number of senior positions on the Board	Number in executive management	Percentage of executive management
Men	3	60%	2[B]	n/a	n/a
Women	2	40%[A]	1[C D]	n/a	n/a

A meets target of 40% as set out in LR 9.8.6R (9)(a)(i).
B the positions of Chair of the Board and Audit Committee Chair are held by men.
C the position of Chair of the Risk Committee and the Senior Independent Director is held by a woman.
D meets target of 1 as set out in LR 9.8.6R (9)(a)(ii).

Board Ethnic Background as at 31 December 2022[A]

	Number of Board members	Percentage of the Board	Number of senior positions on the Board	Number in executive management	Percentage of executive management
White British or other White (including minority-white groups)	4	80%	3	n/a	n/a
Prefer Not to Say	1	20%	0	n/a	n/a

A does not meet the target of 1 as set out in LR 9.8.6R (9)(a)(iii).

Management Engagement Committee

The Management Engagement Committee, which comprises the full Board, is chaired by Fionnuala Hogan.

The Management Engagement Committee met once during the year to review the performance of the Investment Manager and other service providers, including with the terms and conditions of their contracts with the Group.

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

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

Nomination & Remuneration Committee

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

The Nomination & Remuneration Committee considers appointments of new Directors, undertaking a thorough and open process involving, where appropriate, professional recruitment consultants and committee interviews with candidates whose skills have been identified as complementary to the existing Board. During the financial year, the Board appointed an external search consultant, Sapphire Partners, to support the Board in its search for an additional non-executive director, which resulted in the appointment of Peter Pereira Gray, as set out in the Chair's Statement.

The Nomination & Remuneration Committee was impressed by the quality of the candidates produced by Sapphire Partners and the resulting appointment of Peter Pereira Gray. Sapphire Partners is independent of the Company and Board of Directors.

New Directors appointed to the Board receive a formal induction and appropriate training is arranged for new and current Directors, as required.

The Nomination & Remuneration Committee also considers the level of fees payable to the Directors and the Company's remuneration policy. The Nomination and Remuneration Committee met twice during the year to consider Board succession and the level of Directors' fees, taking into account the level of fees paid to the Company's comparators as well as other factors such as inflation. The results of the fee review is set out in the Directors' Remuneration Report. The Committee also undertakes the annual Board and Director evaluation process. See the Performance of the Board for more detail on the outcome of the effectiveness reviews.

Property Valuation Committee

The Property Valuation Committee, comprises the full Board, and is chaired Chris Fry. It met four times during the financial year. The chair prepares a report to the Committee that ties in with the quarterly NAV announcements and members of the Committee meet CBRE Limited, the independent valuer to the Company, and representatives of the Investment Manager at least twice a year and report back to the Board on the process for arriving at independent valuations and on any issues that arise in relation to this process.

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

Risk Committee

The Risk Committee, comprises the full Board, and is chaired by Margaret Littlejohns. The Board established the Risk Committee, which meets at least four times per year, to ensure that proper consideration of risk is undertaken in all aspects of the Company's business on a regular basis.

The duties of the Risk Committee include the consideration of matters relating to the risk profile of the Company, including an assessment of risk appetite, risk tolerance and risk strategy, and the regular review of principal and emerging risks, seeking assurance that these risks are appropriately rated and ensuring that appropriate risk mitigation is in place.

This is done via a risk matrix that the Committee reviews on a quarterly basis which identifies the gross risks relating to the Group, considers how the risk has been addressed and mitigated and then considers what the net risk is post mitigation. Further details are shown on pages 38 to 45 of the report. The Risk Committee ensures that all risks applying to property acquisitions and disposals are fully considered at the time. It also reviews the Investment Manager's processes related to health and safety.

Performance of the Board

The Remuneration & Nomination Committee, at the request of the Board, undertook an annual evaluation of the Chairman of the Board, individual Directors and the performance of Committees and the Board as a whole with respect to the year ended 31 December 2022. The aim of the review was to assess the effectiveness of the Board and Committees and to identify actions which would improve these.

The Company engaged Lintstock Ltd, an independent external service provider which has no other connection to the Company, to support the Remuneration & Nomination Committee to undertake the evaluation. The evaluation took the form of online questionnaires, and the results were analysed by Lintstock. The results of the Board and Committee evaluation were considered at a Board Meeting held in March 2023. The questionnaires covered a number of topics including Board Composition and Expertise, Board Dynamics, Management and Focus of Meetings, Board Support, Board Committees, Investment Strategy and Performance, External Relations, Risk Management, Succession Planning and Priorities for Change.

The results of the evaluation were considered at a Board Meeting held in March 2023 with Directors reviewing the feedback and sharing their views in an open and constructive conversation. Overall, the evaluation concluded that the Board is operating effectively. The evaluation highlighted the diversity of the board in terms of gender and skills, and the open and collaborative culture on the Board. All directors are comfortable to contribute and to challenge appropriately, while recognising and respecting each others attributes and contributions. The Board assessed that it had in place the appropriate balance of skills, experience, length of service and knowledge of the Company, while also recognising the advantages of diversity. No major weaknesses were identified.

Minor recommendations to improve the Company's processes were identified and action plans to address those findings have been agreed including a better use of executive summaries in Board and Committee papers and reducing time spent in meetings on business as usual items.

In accordance with the AIC Code, the Board's intention is that the annual evaluation is externally facilitated at least every three years with the next such review expected to be conducted for the year ending 31 December 2025.

	Board of Directors		Audit Committee		Property Valuation Committee		Management Engagement Committee		Remuneration & Nomination Committee		Risk Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Michael Ayre	4	4	3	3	4	4	2	2	1	1	4	4
Chris Fry	4	4	3	3	4	4	2	2	1	1	4	4
Fionnuala Hogan	4	4	3	3	4	4	2	2	1	1	4	4
Ken McCullagh (A)	4	4	—	—	4	4	2	2	1	1	4	4
Margaret Littlejohns	4	4	3	3	4	4	2	2	1	1	4	4

A The Chairman of the Board is not a member of the Audit Committee but may attend meetings at the invitation of the Audit Committee Chairman.

Table of Attendance

The table above sets out the Directors' attendance at each scheduled quarterly Board and Committee meetings. The number of meetings which the Directors were eligible to attend are shown in brackets. In addition to the scheduled meetings detailed below, there were a further 13 ad hoc Board and Committee meetings held during the year.

Tenure Policy and Re-Election of Directors at the Annual General Meeting

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 Group's Directors, including the Chairman, to serve on the Board longer than the AGM following their ninth 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 Chair, have considered Ken's continued appointment to the Board in light of the Company's tenure policy and corporate governance best practice.

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

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 judgement.

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 2018), Chris Fry (1 January 2020) and Fionnuala Hogan (5 August 2021). Peter Pereira Gray will be appointed to the Board on3 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 experience 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 publication 'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting'.

The process is based principally on the Investment Manager's existing risk-based approach to internal control whereby a risk matrix is created that identifies the key functions carried out by the Investment Manager and other service providers, the individual activities undertaken within those functions, the risks associated with each activity and the controls employed to minimise those risks. A residual risk rating is then applied. The risk matrix is regularly updated, and the Risk Committee is provided with regular reports highlighting all material changes to the risk ratings and confirmation of the action which has been, or is being, taken.

Further detail on the Group's risk management processes is detailed on pages 38 to 45. In addition, consideration of ISAE 3402 and similar reports issued by the Investment Manager, and other service providers where applicable, are considered. The Board also receives quarterly updates from both the Risk and Compliance and Internal Audit departments of the Investment Manager on areas that specifically affect the Company.

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

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

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

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

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

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

Relations with Shareholders

As set out in the Stakeholder Engagement Section, the Board welcomes correspondence from shareholders, addressed to the Company's registered office or by email to commercial.property@abrdn.com. This year's AGM is being held at FTI Consulting, 200 Aldersgate, Aldersgate Street, London EC1A 4HD, United Kingdom on Wednesday, 21 June 2023 at 10:30am.

To promote a clear understanding of the Group, its objectives and financial results, the Board aims to ensure that information relating to the Group is disclosed in a timely manner and once published, quarterly factsheets, the interim report and annual report are available on the Company's website which can be found at: www.ukcpreit.com.

The Chairman and the Investment Manager continue to offer individual meetings to the largest institutional and private client manager shareholders and they report back to the Board on these meetings.

Accountability and Audit

The Statement of Directors' Responsibilities in respect of the Consolidated Financial Statements is on page 67 and the Statement of Going Concern is included in the Directors' Report on page 54 and the Viability Statement can be found on page 46. The Independent Auditor's Report is on pages 69 to 75.

Approved by the Board on 31 March 2023.

Ken McCullagh
Director

Composition

During the year the Audit Committee comprised all the Directors except the chair of the Board. Ken McCullagh 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 judgement 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 terms of reference of the Audit Committee are reviewed and re-assessed for their adequacy on an annual basis. In accordance with those terms of reference, the Audit Committee:

- Reviews and monitors the internal control systems and risk management systems including review of non-financial risks and the Manager's policy on information security on which the Company is reliant. The Directors' statement on the Company's internal controls and risk management is set out in the Directors' Report;
- Considers whether there is a need for the Company to have its own internal audit function;
- Monitors the integrity of the half-yearly and annual financial statements of the Company by reviewing, and challenging where necessary, the actions and judgements of the Investment Manager;
- Reviews, and reports to the Board on, the significant financial reporting issues and judgements made in connection with the preparation of the Company's financial statements, interim reports, announcements and related formal statements;
- Reviews the content of the Annual Report and financial statements and makes recommendations to the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy;
- Meets with the auditor to review the proposed audit programme of work and the findings of the auditor. The Directors also use this as an opportunity to assess the effectiveness of the audit process;
- Meets in private with the auditor, without any representatives of the Investment Manager being present;
- Develops and implements a policy on the engagement of the auditor to supply non-audit services. There were no non-audit fees (2021: £Nil) paid to the auditor during the year under review;
- Reviews a statement from the Investment Manager detailing the arrangements in place within abrdn whereby staff may, in confidence, escalate concerns about possible improprieties in matters of financial reporting or other matters;
- Makes recommendations in relation to the appointment of the auditor and to approve the remuneration and terms of engagement of the auditor; and
- Monitors and reviews the auditor's independence, objectivity, effectiveness, resources and qualification.

The Audit Committee is also the channel through which the auditor reports to the Board of Directors. It meets at least three times a year and addresses all of the requirements placed on audit committees by the AIC Code. The Audit Committee considers any matters which the auditor wishes to communicate to the Audit Committee and, through them, to the Board of Directors. This provides a forum for the external auditor to give their views about significant qualitative aspects of the Company's accounting practices and to draw to the attention of the Audit Committee of any significant differences that they encountered during the audit, any substantial uncorrected misstatements, any disagreements with management and any other matters which they felt it appropriate to raise. The auditor attends at least two Audit Committee Meetings per year and meets with the Audit Committee Members in private too. At the conclusion of the audit, Deloitte LLP did not highlight any issues to the Audit Committee which would cause it to qualify its audit report, nor did it highlight any fundamental internal control weaknesses. Deloitte LLP issued an unqualified audit report which is included on pages 69 to 75.

Audit Committee Evaluation

The activities of the Audit Committee were considered as part of the Board appraisal process completed in accordance with standard governance arrangements as noted as page 59. A full evaluation was undertaken on the effectiveness, roles and responsibilities of the Audit Committee in accordance with the Financial Reporting Council's current guidance.

The evaluation found that the Audit Committee functioned well with the right balance of membership and skills.

Auditor Assessment, Independence, and Appointment

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

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

The performance and effectiveness of the auditors in relation to the above points were considered through a formal evaluation template completed by the 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 external auditor in order for it to compile the necessary disclosures. The Committee noted the full co-operation of all parties in producing the Annual Report and no difficulties or disagreements were observed. Following the completion of the audit, the Audit Committee and Board followed a systematic approach to evaluate the auditor and the effectiveness of the audit process and found this to be satisfactory.

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

Following a tender process in 2015, Deloitte LLP was first appointed as the Company's independent auditor by shareholders at the AGM held on 15 June 2016 for the year ended 31 December 2016. The next audit tender of the Company is due to be completed by March 2026 in compliance with the EU regulations and FRC Guidance on audit tenders.

In accordance with present professional guidelines, the Senior Statutory Auditor requires to be rotated after a period of five years. Siobhan 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 will continue to monitor the progression of the fees charged to ensure they are in line with the peer group and represent value for money. In relation to non-audit fees, these amounted in aggregate to £Nil (2021: £Nil) for the year ended 31 December 2022. Where any non-audit fee is expected to exceed £25,000, the Company operates a policy under which specific prior approval must be given by the Audit Committee.

The continued appointment of Deloitte LLP as independent auditor for the year ending 31 December 2023 will be subject to approval by shareholders. A resolution proposing the re-appointment of Deloitte LLP will be put to shareholders at the AGM to be held on 21 June 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, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders and other users to assess the Company's position and performance, business model and strategy.

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

Michael Ayre
Chair of the Audit Committee
31 March 2023

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(h) to the accounts. The process adopted in the valuation of the portfolio and the valuations themselves are considered by the Property Valuation Committee, representatives of which met the external valuer, along with the Investment Manager, as part of the year end valuation process. The Chair of the Property Valuation Committee reported to the Audit Committee in March 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 property portfolio as at 31 December 2022. The Audit Committee considered the report by the Chair of the Property Valuation Committee along with a summary of the valuation and its key movements by the Investment Manager and agreed that this valuation was appropriate for the financial statements and that a robust process of analysis had been followed.

In terms of existence of the properties, the Audit Committee noted the procedures that the Investment Manager has in place to ensure correct approval and title to all properties held, which include any property investment transaction documentation having to be approved and signed by the Board irrespective of its value and the obligations on the Company's solicitors to ensure good and marketable title. In addition, as part of the external audit, the Audit Committee sought assurance from the auditor prior to sign off of the financial statements that the confirmation of all titles has been included as part of the audit work undertaken.

As part of the auditors planned procedures, it performed an analysis on the valuation of every property in the portfolio. Where a property is identified as a property of audit interest as per the criteria below, the property valuation was tested in detail by Deloitte Real Assets Advisory (DRAA) specialists, part of Deloitte LLP.

- Consider material tenants in the sectors that have either gone or planning to go into administration (identified by online research);
- Properties with tenants in a high risk sector;
- Properties where the fair value has fluctuated significantly since the prior year or remained stable against expectation;
- Properties where movements in yields over the year compared against an assessed average movement over the year taken from independent sources is greater than a determined threshold;
- Identify properties where large value tenants are in arrears; and
- New acquisitions of properties made during the year.

The auditor did not highlight any issues with the Audit Committee the property valuations as at 31 December 2022.

Recognition of Rental Income: How was the issue addressed?

The recognition of rental income is undertaken in accordance with the accounting policy disclosed in note 1(e) to the accounts. The Audit Committee considered the processes and controls the Investment Manager has in place to ensure the completeness and accuracy of income.

These include data input checks, rent demand reconciliations and rent arrear reconciliations. In addition, the 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;
- Rental arrears; and
- Detailed quarterly financial reporting detailing the main reason for revenue movements in the quarter.

The Audit Committee concluded that, given the controls and reporting in place throughout the year, the rental income number included in the financial statements of £66,930,000 was appropriate.

The provision for bad debts (effectively unpaid rent and service charge), and referred to under International Accounting Standards as the provision for expected credit losses, has reduced in the year but only after the formal write-off of specific debts in the period.

The Committee has reviewed the processes in place at the Investment Manger to identify and quantify this number, which involves a thorough process of reviewing every tenant that has rent outstanding. The Board also receives regular updates on rent collection, outstanding debtors and the related provision for bad debts.

The Audit Committee concluded that, given the controls and reporting in place throughout the year, the provision for bad debts number included in the financial statements of ££5,071,000 was appropriate as is the trade receivables figure of £18,534,000.

The Remuneration Report

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

- a Remuneration Policy, which is subject to a shareholder vote every three years – most recently voted upon at the AGM on 16 June 2022 where the proxy votes on the relevant resolution were: For – 1,029,897,131 votes (99.97%); Discretionary – 10,150 votes (0.01%); Against – 176,223 votes (0.02%); and Withheld votes – 14,497 votes. The Remuneration Policy will next be put to a shareholder vote at the AGM in 2025; and
- an annual Implementation Report, which is subject to an advisory vote by shareholders.

The law requires the Company's auditor to audit certain of the disclosures provided in this report. Where disclosures have been audited, they are indicated as such. The independent auditor's opinion is included on pages 69 to 75.

The fact that the Remuneration Policy is subject to a shareholder vote at least every three years does not imply any change on the part of the Company. The principles remain the same as for previous years. There have been no changes to the Directors' Remuneration Policy during the period of this Report.

Remuneration Policy

This part of the Remuneration Report provides details of the Company's Remuneration Policy for the Directors of the Company, which takes into consideration corporate governance principles. No shareholder views were sought in setting the Remuneration Policy although any comments received from shareholders are considered on an ongoing basis.

The Directors are non-executive and it is the Board's policy that the remuneration of Directors be reviewed annually, although such review may not necessarily result in any change. The annual review should ensure remuneration reflects Directors' duties and responsibilities, expected time commitment, the level of skills and experience required and the need for Directors to maintain on an ongoing basis an appropriate level of knowledge of regulatory and compliance requirements in an industry environment of increasing complexity. Remuneration should be fair and comparable to that of similar real estate investment companies. The level of fees should also be sufficient to attract and retain the high calibre of Directors needed to oversee the Group properly and to reflect its specific circumstances.

Appointment

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

Performance, Service Contracts, Compensation and Loss of Office

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

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

Articles Limit on Directors' Fees

The Company's Articles of Association limit to £400,000 the aggregate annual fees payable to Directors. The limit can be amended by shareholder resolution from time to time and was last increased at the Annual General Meeting in 2019.

Implementation Report

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.

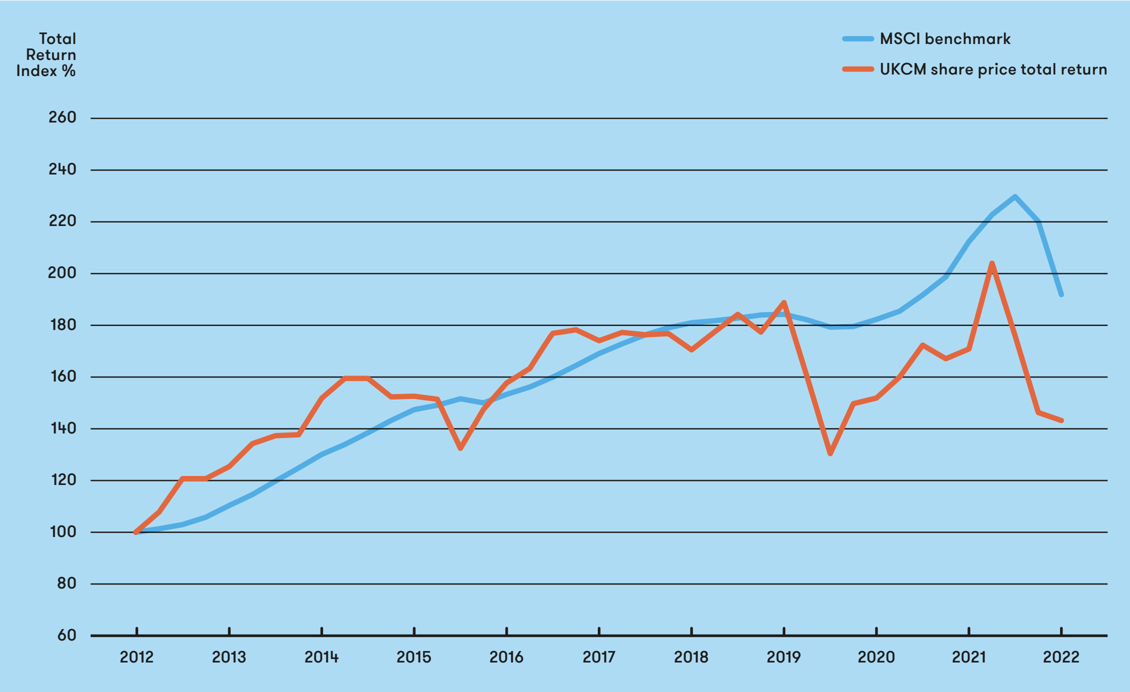
	2022 £	2021 £
Chair	70,000	70,000
Chair of Audit Committee	52,500	52,500
Chair of Risk Committee	46,000	46,000
Chair of Management Engagement Committee[1]	46,000	46,000
Chair of Property Valuation Committee	46,000	46,000
Director	44,500	44,500

1 Fee covers responsibilities as Chair of Management Engagement Committee and Chair of Nomination & Remuneration Committee

Directors' fees were last revised on 1 January 2019. The Nomination & Remuneration Committee carried out a review of Directors' annual fees during the year. Following the review, it was agreed that no changes to the fees would be made, although a further review would take place in June 2023.

Company Performance

The graph on page 66 compares the share price total return (assuming all dividends are reinvested) to ordinary shareholders compared with the total return on the Company's MSCI benchmark for the ten year period ended 31 December 2022 (rebased to 100 at 31 December 2012).



Source: MSCI, abrdn

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 – 1,029,782,871 (99.97%); Discretionary – 171,650 (0.01%); Against – 176,031 (0.02%); and Withheld votes – 13,949.

Fees Payable (audited)

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

	2022 £	2021 £	% change in directors fees
Ken McCullagh	70,000	70,000	0
Michael Ayre	52,500	52,500	0
Robert Fowlds [1]	n/a	26,556	n/a
Chris Fry	46,000	46,000	0
Margaret Littlejohns	46,000	46,000	0
Sandra Platts [2]	n/a	46,000	n/a
Fionnuala Hogan [3]	46,000	18,063	n/a
Directors National Insurance and expenses	2,232	20,106	—
Total	262,732	325,225	—

1 Retired as Director on 5 August 2021
2 Retired as a Director on 31 December 2021
3 Appointed as a Director on 5 August 2021

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

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

	Year to 31 December 2022	Year to 31 December 2021
Aggregate Directors' Remuneration	£262,732	£325,225
Aggregate Shareholder Distributions	£67,179,624	£37,981,826

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

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for preparing the Annual Report and the Group Consolidated Financial Statements in accordance with applicable Guernsey law and those International Financial Reporting Standards ("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 those Group Consolidated Financial Statements the Directors are required to:

- Select suitable accounting policies in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- Make judgement and estimates that are reasonable and prudent;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Provide additional disclosures when compliance with the specific requirements in IFRS 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;
- 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
- 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 Directors confirm that they have complied with the above requirements in preparing the Group Consolidated Financial Statements.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain, the Group's transactions and disclose with reasonable accuracy at any time, the financial position of the Group and enable them to ensure that the Group Consolidated Financial Statements comply with The Companies (Guernsey) Law 2008.

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

The maintenance and integrity of the Company's website is the responsibility of the Directors through its Investment Manager; the work carried out by the auditors does not involve considerations of these 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:

- 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;
- 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 McCullagh
Director
31 March 2023

The White Building, Reading

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 those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

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

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

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. Within this report, key audit matters are identified as follows: ! Newly identified ↑ Increased level of risk ⟷ Similar level of risk ↓ Decreased level of risk
Materiality	The materiality that we used for the Group financial statements in the current year was £9.1million 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 recoverability 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:

- Evaluated director's assessment of going concern and the assumptions, including income, expenditure and cash forecasts, used in their 12 month and 5 year forecast models;
- Evaluated the maturity of Group debt and the effect of repayment dates on the going concern assumption and the longer term viability of the Group;
- Performed fair value and income sensitivity analysis, which we compared to 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 assessment is appropriately disclosed.

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

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

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

5. KEY AUDIT MATTERS

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

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

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

5.1 Key judgements in the valuation of investment property

Key audit matter description	How the scope of our audit responded to the key audit matter	Key observations
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). Refer to notes 1(b) and 1(h) of accounting policies on page 80 and note 10 on page 87 of the notes to the financial statements. Also refer to the audit committee report pages 62 to 64.	We performed the following: ▲ Obtained an understanding of the relevant controls in relation to the valuation process; ▲ Evaluated the competence, capability and objectivity of the external valuer in order to obtain an understanding of the work of that expert; ▲ With the involvement of our real estate specialists we challenged the external valuer on their valuation process and assumptions, performance of the portfolio, significant assumptions and significant judgements, by benchmarking the valuation assumptions, in particular the equivalent yields and estimated market rates, to relevant market evidence including specific property transactions and other external data; ▲ 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.	We concluded that the key assumptions used in determining the valuation of the Group's investment property valuation are appropriate.

6. OUR APPLICATION OF MATERIALITY

6.1 Materiality

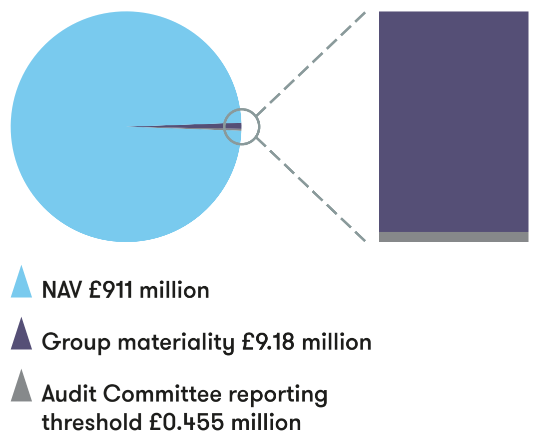
We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced.

We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

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

Group Materiality	£9.18million (2021: £13.2million)
Basis for determining materiality	1% of the net asset value, in line with prior year.
Rationale for the benchmark applied	Net assets is the key balance considered by the users of the financial statements which is consistent with the market approach for such entities. Net assets was selected as investors are seeking capital appreciation in addition to dividend streams and the net asset value per share is an important indicator of performance to investors.

In addition to net assets, we consider EPRA Adjusted Profit After Tax as a critical performance measure for the Group and a measure which is widely used within the Real Estate industry. We applied a lower level materiality of £2.01m (2021: £1.7m), which equates to 5% (2021: 5%) of that measure for testing all balances impacting that measure, including trade receivables and trade payables.



6.2 Performance Materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Group performance materiality was set at 70% of Group materiality for the 2022 audit (2021: 60%). 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.

6.3 Error Reporting Threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.455m (2021: £0.7m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

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 aggregated 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 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 obtained an understanding of the process for identifying 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 property. 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.

8. OTHER INFORMATION

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

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

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

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

We have nothing to report in this regard.

9. RESPONSIBILITIES OF DIRECTORS

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

www.frc.org.uk/auditorsresponsibilities

This description forms part of our auditor's report.

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

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

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 policies, 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;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations.
- the matters discussed among the audit engagement team and relevant internal specialists, including tax, real estate valuation specialists and ESG assurance specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

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

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

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

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;
- enquiring of management, the audit committee and external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance and correspondence with the Guernsey Financial Services Commission; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

12. OPINION ON OTHER MATTER PRESCRIBED BY OUR ENGAGEMENT LETTER

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

13. CORPORATE GOVERNANCE STATEMENT

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

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

- the directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 54;
- the directors' explanation as to its assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on page 46;
- the directors' statement on fair, balanced and understandable set out on page 56;
- the board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 59;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 60; and
- the section describing the work of the audit committee set out on pages 62 to 64.

14. MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

14.1 Adequacy of explanations received and accounting records

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

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

We have nothing to report in respect of these matters.

15. OTHER MATTERS WHICH WE ARE REQUIRED TO ADDRESS

15.1 Auditor Tenure

Following the recommendation of the audit committee, we were appointed by the Board of Directors on 16 August 2016 to audit the financial statements for the year ending 31 December 2016 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 7 years, covering the years ending 31 December 2016 to 31 December 2022.

15.2 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 those matters we are required to state to them in an auditor's report and/or those matters we have expressly agreed to report to them on in our engagement letter and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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

Siobhan Durcan
Senior Statutory Auditor

For and on behalf of Deloitte LLP
Recognised Auditor,
St Peter Port, Guernsey

31 March 2023

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2022

	Notes	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
REVENUE			
Rental income	2	66,930	58,307
Impairment reversal on trade receivables		256	412
Service charge income	3	6,451	6,063
(Losses)/Gains on investment properties	10	(263,090)	201,753
Loss on liquidation of subsidiaries		(117)	—
Total (expense) / income		(189,570)	266,535
EXPENDITURE			
Investment management fee	4	(8,617)	(8,500)
Direct property expenses	5	(6,522)	(6,789)
Service charge expenses	5	(6,451)	(6,063)
Other expenses	5	(2,299)	(1,783)
Total expenditure		(23,889)	(23,135)
Operating (loss)/profit before finance costs		(213,459)	243,400
FINANCE COSTS			
Finance costs	6	(9,181)	(7,283)
Interest income		311	116
Net finance costs		(8,870)	(7,167)
Operating (loss)/profit after finance costs		(222,329)	236,233
Net (loss)/profit from ordinary activities before taxation		(222,329)	236,233
Taxation on profit on ordinary activities	7	—	—
Net (loss)/profit for the year		(222,329)	236,233
Total comprehensive (deficit) / income for the year		(222,329)	236,233
Basic and diluted earnings per share	9	(17.11)p	18.18p
EPRA earnings per share	9	3.15p	2.65p

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.

The accompanying notes are an integral part of this statement.

CONSOLIDATED BALANCE SHEET
As at 31 December 2022

	Notes	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
NON-CURRENT ASSETS			
Investment properties	10	1,275,610	1,508,368
		1,275,610	1,508,368
CURRENT ASSETS			
Trade and other receivables	12	52,648	50,763
Cash and cash equivalents		30,861	42,121
		83,509	92,884
Total assets		1,359,119	1,601,252
CURRENT LIABILITIES			
Trade and other payables	13	(31,714)	(27,698)
		(31,714)	(27,698)
NON-CURRENT LIABILITIES			
Bank loans	14	(291,686)	(248,326)
Total liabilities		(323,400)	(276,024)
Net assets		1,035,719	1,325,228
REPRESENTED BY			
Share capital	15	539,872	539,872
Special distributable reserve		542,472	568,891
Capital reserve		(46,625)	216,465
Revenue reserve		—	—
Equity shareholders' funds		1,035,719	1,325,228
Net asset value per share	16	79.7p	102.0p

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Notes	Share Capital £'000	Special Distributable Reserve £'000	Capital Reserve £'000	Revenue Reserve £'000	Equity Shareholders' Funds £'000
At 1 January 2022		539,872	568,891	216,465	—	1,325,228
Total comprehensive deficit		—	—	—	(222,329)	(222,329)
Dividends paid	8	—	—	—	(67,180)	(67,180)
Transfer in respect of loss on investment property	10	—	—	(263,090)	263,090	—
Transfer from special distributable reserve		—	(26,419)	—	26,419	—
As 31 December 2022		**539,872**	**542,472**	**(46,625)**	**—**	**1,035,719**

For the year ended 31 December 2021

	Notes	Share Capital £'000	Special Distributable Reserve £'000	Capital Reserve £'000	Revenue Reserve £'000	Equity Shareholders' Funds £'000
At 1 January 2021		539,872	572,392	14,712	—	1,126,976
Total comprehensive income		—	—	—	236,233	236,233
Dividends paid	8	—	—	—	(37,981)	(37,981)
Transfer in respect of gains on investment property	10	—	—	201,753	(201,753)	—
Transfer from special distributable reserve		—	(3,501)	—	3,501	—
As 31 December 2021		**539,872**	**568,891**	**216,465**	**—**	**1,325,228**

The accompanying notes are an integral part of this statement.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2022

	Notes	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net (loss)/profit for the year before taxation		(222,329)	236,233
Adjustments for:			
Losses/(gains) on investment properties	10	263,090	(201,753)
Loss on liquidation of subsidiaries		116	—
Movement in lease incentives	10	(2,360)	(5,877)
Movement in provision for bad debts	12	256	412
Increase in operating trade and other receivables		219	2,134
Increase/(decrease) in operating trade and other payables		4,016	(464)
Finance costs	6	9,181	7,283
Cash generated by operations		52,189	37,968
Tax paid		—	—
Net cash inflow from operating activities		**52,189**	**37,968**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investment properties	10	(8,304)	(179,861)
Sale of investment properties		25,609	74,181
Capital expenditure	10	(48,517)	(18,077)
Net cash outflow from operating activities		**(31,212)**	**(123,757)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Facility fee charges from bank financing		(727)	(1,020)
Dividends paid	8	(67,180)	(37,981)
Bank loan drawndown	14	43,000	50,000
Bank loan interest paid		(7,166)	(5,831)
Loan facility set up costs		(164)	—
Net cash (outflow)/inflow from financing activities		**(32,237)**	**5,168**
Net decrease in cash and cash equivalents		**(11,260)**	**(80,621)**
Opening cash and cash equivalents		**42,121**	**122,742**
Closing cash and cash equivalents		**30,861**	**42,121**
REPRESENTED BY			
Cash at bank		21,321	22,879
Money market funds		9,540	19,242
		30,861	**42,121**

The accompanying notes are an integral part of this statement.

1. ACCOUNTING POLICIES

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

(a) Basis of Accounting

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

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

(b) Significant Accounting Judgements, Estimates and Assumptions

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

Key Estimation Uncertainties

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

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

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

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

Each individual rental income debtor is reviewed to assess whether it is believed there is a probability of default and expected credit loss given the knowledge and intelligence of the individual tenant and an appropriate provision made. Further analysis with respect to the bad debt position has been set out in notes 1(m),18 (credit risk) and 12 to these accounts.

(c) Basis of Consolidation

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

(d) Functional and Presentation Currency

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

(e) Revenue Recognition

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

IFRS15 requires the Group to determine whether it is a principal or an agent when goods or services are transferred to a customer. An entity is a principal if the entity controls the promised good or service before the entity transfers the goods or services to a customer.

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

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

(f) Expenses

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

(g) Taxation

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

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

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

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

(h) Investment Properties

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

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

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

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

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

The Group has entered into forward funding agreements with third party developers in respect of certain properties. Under these agreements the Group will make payments to the developer as construction progresses. The value of these payments is assessed and certified by an expert. Investment properties are recognised for accounting purposes upon completion of contract. Properties purchased under forward funding contracts are recognised at the lower of the certified value to date or a corresponding residual appraisal valuation. The residual appraisal method estimates the fair value of the completed property less estimated costs to completion and a risk premium. As a development approaches completion, within three to six months of practical completion, an income capitalisation method will be used at that stage with any remaining cost commitments being deducted to give the fair value.

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

(i) Operating Lease Contracts

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

The Group as Lessor

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

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

The Group as intermediate lessor

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

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

(j) Share Issue Expenses

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

(k) Segmental Reporting

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

(l) Cash and Cash Equivalents

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

(m) Trade and Other Receivables

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

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

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

The Group loss allowance is based on expected credit losses as calculated using the "provision matrix" approach and a forward looking component based on individual tenant profiles. The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full. The Group writes off trade receivables when there is no reasonable expectation of recovery.

A provision for impairment of trade receivables is established where the Investment Manager has indicated concerns over the recoverability of arrears based upon their individual assessment of all outstanding balances which incorporates forward looking information. Given this detailed approach, a collective assessment methodology applying a provision matrix to determine expected credit losses is not used.

The amount of the provision is recognised in the Consolidated Balance Sheet and any changes in provision recognised in the Statement of Comprehensive Income.

(n) Trade and Other Payables

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

(o) Reserves

Share Capital

This represents the proceeds from issuing ordinary shares.

Special Distributable Reserve

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

Capital Reserve

The following are accounted for in this reserve:

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

Revenue Reserve

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

Treasury Share Reserve

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

(p) Interest-bearing Borrowings

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

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

(q) 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 10 Consolidated 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 10 and IAS 28 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 that 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) to 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 to IAS 1 published in January 2020 affect only the presentation of liabilities as current or non-current in the statement 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 are 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 Judgements — 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 can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those 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 itself material.

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 replace 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.

IFRIC: Lessor forgiveness 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, the IASB issued an amendment to IFRS 16 which provided lessees with an option to treat qualifying rent concessions in the same way as they would if they were not lease modifications. However, the amendments do not apply to lessors. In October 2022, the IFRS Interpretations Committee issued an Agenda Decision that clarified the accounting for rent concessions by lessors.

Lessors 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 as 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 modification 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 is 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 is determining the impact but don't expect it to be material.

- IFRS 9 Financial Instruments

The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognise a financial liability, an entity includes only fees 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 reimbursement of leasehold improvements.

2. RENTAL INCOME

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Rental income	66,930	58,307

3. SERVICE CHARGE INCOME

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Service charge income	6,451	6,063

Service charges on rented properties are detailed in note 5.

Service charge expenses, are recharged to tenants.

The service charge paid by the Group in respect of void units was £0.7 million (2021: £0.7 million) and is included within note 5 Direct Property Expenses.

4. INVESTMENT MANAGEMENT FEES

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Investment management fee	8,617	8,500

The Group's Investment Manager is abrdn Fund Managers Limited.

From 1 April 2022, the Investment Manager received an annual fee from the Group at a revised rate of 0.525 per cent (2021: 0.60 per cent) on Total Assets up to £1.75 billion, excluding any cash held over £50 million. The fee rate for Total Assets over £1.75 billion, adjusted for the £50 million cash tier, will remained at 0.475 per cent.

In 2022, the Company paid the Investment Manager £396,000 (2021: £396,000) for marketing services which is included in other expenses.

The Investment Management agreement is terminable by either of the parties to it on 12 months' notice.

5. EXPENSES

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
DIRECT PROPERTY EXPENSES		
Direct property expenses of let rental units	4,951	4,927
Direct property expenses of vacant units	675	670
Bad debts recognised during the year, net	896	1,192
	6,522	6,789

Service charge expenses	6,451	6,063

OTHER EXPENSES		
Professional fees	705	605
Abortive transaction costs	380	—
Valuation fees*	152	131
Directors' fees and expenses**	263	326
Marketing fees	396	396
Administration and company secretarial fees	161	115
Regulatory fees	92	80
Auditor's remuneration for:		
Statutory audit	150	130
Non audit services	—	—
	2,299	1,783

* Valuation fees are charged at the agreed basis being, 0.0022% of valuation plus a cash flow fee per property of £75 per quarter. Fees are billed quarterly consistent 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 the Director fees is provided within the Directors Renumeration report on page 65.

6. FINANCE COSTS

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Interest on principal loan amount	7,922	5,835
Facility fees	735	963
Amortisation of loan set up fees	524	485
	9,181	7,283

7. TAXATION

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
NET (LOSS)/PROFIT FROM ORDINARY ACTIVITIES BEFORE TAX	(222,329)	236,233
UK Corporation tax at a rate of 19 per cent (2021: 19%)	(42,243)	44,884
Effect of:		
Capital losses/(gains) on Investment properties not taxable	49,987	(38,333)
Income not taxable, including interest receivable	(59)	(22)
UK REIT exemption on net income	(7,685)	(6,529)
Total tax charge	—	—

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

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

The Company and its subsidiaries are exempt from Guernsey taxation under the Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989. No charge to Guernsey taxation will arise on capital gains.

8. DIVIDENDS AND PROPERTY INCOME DISTRIBUTIONS (PID) GROSS OF INCOME TAX

DIVIDENDS ON ORDINARY SHARES	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Interim dividends paid per ordinary share:		
2021 Fourth interim: PID of 0.466p per share, Non-PID of 0.284p per share paid 25 February 2022 (2020 Fourth interim: PID of 0.460p per share)	9,746	5,977
2021 Fifth interim of nil (2020 Fifth interim: PID of 0.531p per share)	—	6,900
2022 First interim: PID of 0.800p paid 27 May 2022 (2021 First interim: PID of 0.644p per share)	10,395	8,368
2022 Second interim: PID of 0.850p per share paid 31 August 2022 (2021 Second interim: PID of 0.644p per share)	11,045	8,368
2022 Special dividend: 1.92p per share paid 31 August 2022	24,949	—
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 0.423p per share, Non-PID of 0.221p per share)	11,045	8,368
	67,180	**37,981**

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. 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

	Year ended 31 December 2022	Year ended 31 December 2021
Weighted average number of shares	1,299,412,465	1,299,412,465
Net (loss)/profit (£)	(222,329,000)	236,233,000
Basic and diluted Earnings per share (pence)	(17.11)	18.18
EPRA earnings per share (pence)*	3.15	2.65

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

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

* A breakdown of the calculation is detailed in the table A. EPRA Earnings on page 101.

10. INVESTMENT PROPERTIES

FREEHOLD AND LEASEHOLD PROPERTIES	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Opening valuation	1,508,368	1,182,812
Purchase at cost	6,934	179,861
Capital expenditure	48,517	18,077
(Loss)/gain on revaluation to market value	(264,295)	209,635
Disposals at prior year valuation	(21,554)	(76,140)
Lease incentive movement	(2,360)	(5,877)
Fair value as at 31 December	**1,275,610**	**1,508,368**

(LOSSES)/GAINS ON INVESTMENT PROPERTIES AT FAIR VALUE COMPRISE		
Valuation (losses)/gains	(264,295)	209,635
Movement in provision for lease incentives	(2,360)	(5,877)
Gain/(loss) on disposal	3,565	(2,005)
	(263,090)	**201,753**

GAIN/(LOSS) ON INVESTMENT PROPERTIES SOLD		
Original cost of investment properties	(22,972)	(76,483)
Sale proceeds less sales costs	25,119	74,478
Gain/(loss) on investment properties sold	2,147	(2,005)
Recognised in previous periods	(1,418)	(2,285)
Recognised in current period	3,565	280
	2,147	**(2,005)**

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

CBRE Limited, (the "Property Valuer") completed a valuation of Group investment properties as at 31 December 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'). For most practical purposes there would be no difference between Fair Value (as defined in IFRS 13) and Market Value.

The Property Valuer, in valuing the portfolio, is acting as an 'External Valuer', as defined in the Red Book, exercising independence and objectivity. The Property Valuer's opinion of Fair Value has been primarily derived using comparable recent market transactions in order to determine the price that would be received to sell an asset in an orderly transaction between market participants at the valuation date. The fair value of these investment properties amounted to £1,308,025,000 (2021: £1,537,450,000).

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 £32,541,000 (2021: £30,181,000) which is separately recorded in the accounts as a current asset. In addition a balance of £126,000 (2021: £321,000) 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 £32,415,000 (2021: £29,860,000).

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

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

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

The property portfolio's fair value as at 31 December 2022 has been prepared adopting the following assumptions:

- That, where let, the Estimated Net Annual Rent (after void and rent free period assumptions) for each property, or part of a property, reflects the terms of the leases as at the date of valuation. If the property, or parts thereof, are vacant at the date of valuation, the rental value reflects the rent the Property Valuer considers would be obtainable on an open market letting as at the date of valuation.
- The Property Valuer has assumed that, where let, all rent reviews are to be assessed by reference to the estimated rental value calculated in accordance with the terms of the lease. Also there is the assumption that all tenants will meet their obligations under their leases and are responsible for insurance, payment of business rates, and all repairs, whether directly or by means of a service charge.
- The Property Valuer has not made any adjustments to reflect any liability to taxation that may arise on disposal, nor any costs associated with disposals incurred by the owner.
- The Property Valuer assumes an initial yield in the region of 2.33 to 9.90 per cent, based on market evidence. For the majority of properties, the Property Valuer assumes a reversionary yield in the region of 3.89 to 13.87 per cent.
- The Property Valuer takes account of deleterious materials included in the construction of the investment properties in arriving at its estimate of Fair Value when the Investment Manager advises of the presence of such materials.

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

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

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

Fair Value by sector as at 31 December 2022

Sector	Fair Value at 31 December 2022 (£m)	Valuation techniques	Unobservable inputs	Range (weighted average)
Industrial	773.4	Yield methodology	Annual rent per sq ft Capitalisation rate	£5 – £15 (£7) 4.9% – 7.7% (5.6%)
Office	171.2	Yield methodology	Annual rent per sq ft Capitalisation rate	£7 – £53 (£23) 4.0% – 8.5% (6.6%)
Retail	180.3	Yield methodology	Annual rent per sq ft Capitalisation rate	£12 – £30 (£19) 4.8% – 6.5% (5.8%)
Alternatives	183.1	Yield methodology	Annual rent per sq ft Capitalisation rate	£0 – £19 (£16) 6.3% – 10.5% (4.7%)

Fair Value by sector as at 31 December 2021

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

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

Sector	Assumption	Movement	Effect on valuation
Industrial	Capitalisation rate	+50 basis points −50 basis points	Decrease £67.2 million Increase £80.4 million
Office	Capitalisation rate	+50 basis points −50 basis points	Decrease £14.3 million Increase £16.8 million
Retail	Capitalisation rate	+50 basis points −50 basis points	Decrease £14.1 million Increase £18.8 million
Alternatives	Capitalisation rate	+50 basis points −50 basis points	Decrease £12.7 million Increase £14.7 million

As at 31 December 2021

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

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

Investment Property Valuation Process

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

These reports are based on both:

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

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

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

11. SUBSIDIARY UNDERTAKINGS

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

UKCPEHL also owned 100% of Brixton Radlett Property Limited and UK Commercial Property Estates (Reading) Limited, both were UK companies, whose principal business was that of an investment and property company. UKCPEHL 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 (UKCPHL), 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 Nominee 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 Nominee 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. UKCPHL and the GP, had a partnership interest of 99 and 1 per cent respectively in the LP. The GP was the general partner and UKCPHL was a limited partner of the LP. During the year UKCPHL 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, St George's Leicester Unit Trust, and Rotunda 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

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Rental debtors	20,605	17,978
Rental deposits	3,000	2,439
Provision for bad debts	(5,071)	(5,327)
Lease incentives	32,541	30,181
VAT receivable	—	2,549
Other debtors and prepayments	1,573	2,943
	52,648	**50,763**

Provision for bad debts as at 1 January	5,327	5,739
Bad debts recognised during the year, net	896	1,192
Bad debts written off during the year as uncollectable	(1,152)	(1,604)
Provision for bad debts as at 31 December	**5,071**	**5,327**

The ageing of these receivables is as follows:	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Less than 6 months	697	953
Between 6 and 12 months	578	1,403
Over 12 months	3,796	2,971
	5,071	**5,327**

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

13. TRADE AND OTHER PAYABLES

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Rental income received in advance	14,223	12,161
Investment Manager fee payable	3,819	2,327
Rental deposits	3,000	2,439
Bank loan interest	2,402	1,637
Transaction costs	798	4,120
VAT payable	3,622	—
Other payables	3,850	5,014
	31,714	**27,698**

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

14. BANK LOANS

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Total facilities available	380,000	350,000
Drawn down:		
Barclays facility	93,000	50,000
Barings facility	200,000	200,000
Set up costs incurred	(6,792)	(6,628)
Accumulated amortisation of set up costs	5,478	4,954
	291,686	248,326

Movements in bank loans arising from financing activities	Cash and cash equivalents £'000	Interest-bearing loans £'000	2022 net debt £'000	Cash and cash equivalents £'000	Interest-bearing loans £'000	2021 net debt £'000
Opening balance	42,121	(248,326)	(206,205)	122,742	(197,849)	(75,107)
Cash movement	(11,260)	(42,836)	(54,096)	(80,621)	(50,000)	(130,621)
Amortisation of arrangement costs	—	(524)	(524)	—	(477)	(477)
Closing balance	30,861	(291,686)	(260,825)	42,121	(248,326)	(206,206)

(i) Barclays Facility £180 million

The Group has a £150 million revolving credit facility ("RCF"), maturing in February 2024, with Barclays Bank plc. The RCF was 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 part of the interest rate reform guidelines this facility has transitioned to a risk-free rate (RFR), (SONIA) interest basis. The RCF was taken out by UKCPEHL and is cancellable at any time. As at 31 December 2022 UKCPEHL drew down a further £43 million from the facility (2021: £50 million). The RCF has a non-utilisation fee of 0.68 per cent per annum (2021: 0.68 per cent per annum) charged on the proportion of the RCF not utilised on a pro-rata basis.

As at 31 December 2022, £87 million (2021: £100 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:

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

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

On 10 January 2023, UKCPEHL extended the facility with Barclays for a period of three years, the facility is now due to expire in January 2026 and at a slightly increased margin of 1.90 per cent.

(ii) Barings Facility £200 million

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 UKCFHL. 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 UKCFHL. Under bank covenants related to the loan UKCFHL is to ensure that at all times:

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

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

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

The Group took out a second £100 million facility in February 2019, maturing in February 2031, with Barings Real Estate Advisers. The loan was taken out by UKCFHL. 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 UKCFH. This facility has the same covenant tests as the 2027 facility outlined above. UKCFHL met all covenant tests during the year for this facility.

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

In the event that the Barings facilities were repaid in advance of their maturity date, 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

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
SHARE CAPITAL		
Opening balance	539,872	539,872
Share capital as at 31 December	539,872	539,872

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

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

16. NET ASSET VALUE PER SHARE

	Year ended 31 December 2022	Year ended 31 December 2021
Ordinary Shares	1,299,412,465	1,299,412,465
Net assets (£'000)	1,035,719	1,325,228
NAV per share (pence)	79.7	102.0
EPRA Net Tangible Assets per share[1]	79.7	102.0

[1] A breakdown of the calculation is detailed in the table B. EPRA Net Tangible Assets on page 102.

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: £8,500,385) of which £3,819,104 (2021: £2,326,894) remained payable at the year end. The Investment Manager also received £396,000 (£396,000 plus VAT) for marketing services incurred during the year of which £nil (2021: £396,000) remained payable at the year end.

The Directors of the Company are deemed as key management personnel and received fees for their services. Further details are provided in the Directors' Remuneration Report (unaudited) on pages 65 to 66. Total fees for the year were £262,732 (2021: £325,225) none of which remained payable at the year end (2021: nil).

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.

18. FINANCIAL INSTRUMENTS AND INVESTMENT PROPERTIES

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

Fair Value Hierarchy

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

Explanation of the Fair Value Hierarchy:

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

31 December 2022	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total fair value £'000
Investment properties	—	—	1,308,025	1,308,025

31 December 2021	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total fair value £'000
Investment properties	—	—	1,508,368	1,508,368

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

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

31 December 2022	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total fair value £'000
Bank loans	—	293,000	—	293,000

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

The lowest level of input is the gilt yields (Note 14(ii)) applicable to each borrowing as at the balance sheet date which is a directly observable input.

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

31 December 2022	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total fair value £'000
Trade and other receivables	—	52,648	—	52,648
Trade and other payables	—	31,714	—	31,714

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

The lowest level of input was 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 10.

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

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

Real Estate Risk

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

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

Credit Risk

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

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

Financial Assets 2022	3 months or less £'000	More than 3 months but less than one year £'000	More than one year £'000	Total £'000
Cash and cash equivalents	30,861	—	—	30,861
Rent receivable and provision for bad debts	15,534	—	—	15,534
Other debtors	1,573	—	—	1,573
	47,968	—	—	47,968

Financial Assets 2021	3 months or less £'000	More than 3 months but less than one year £'000	More than one year £'000	Total £'000
Cash and cash equivalents	42,121	—	—	42,121
Rent receivable and provision for bad debts	12,651	—	—	12,651
Other debtors	5,492	—	—	5,492
	60,264	—	—	60,264

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 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 Company has a diversified tenant portfolio. The maximum credit risk from the rent receivables of the Group at 31 December 2022 is £23,605,000 (2021: £15,090,000). The Group holds rental deposits of £3,000,000 (2021: £2,439,000) as potential collateral against tenant arrears/defaults. All tenant deposits are in line with market practice. There is no residual credit risk associated with the financial assets of the Group. Other than those included in the provision for bad debts, no financial assets past due are impaired. The provision for bad debts is adjusted, on a tenant by tenant basis, to reflect the evolving risk position. During the year this provision decreased by £256,000 to £5,071,000 (2021: to £5,327,000).

All of the cash is placed with financial institutions with a credit rating of A-1 or above £9,540,000 (2021: £19,242,000) of the year end cash balance is held in the abrdn Liquidity Fund, which is a money market fund and has a A-1 rating.

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

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

Liquidity Risk

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

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

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

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

Financial Liabilities 2022	3 months or less £'000	More than 3 months but less than one year £'000	More than one year £'000	Total £'000
Bank loans	95,505	4,332	235,047	334,884
Other creditors	31,714	—	—	31,714
	127,219	4,332	235,047	366,598

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

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

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 0.6 per cent at the year end and deposits are re-priced at intervals of less than one year.

An increase of 1 per cent in interest rates as at the reporting date would have increased the reported profit by £0.30 million (2021: increased the reported profit by £0.42 million). A decrease of 1 per cent would have reduced the reported profit £0.30 million (2021: decreased 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 202, the draw down on the RCF was £93 million (2021: £50million) so an increase of 1% on the year-end SONIA rate would have a £0.93 million decrease on the reported profit (2021: £0.50 million). A decrease of 1% on the year-end SONIA rate would have a £0.93 million increase on the reported profit (2021: £0.50 million). Assumptions are based on the RCF drawdown remaining at £93 million for the full year (2021: £50 million), based on the exposure to interest rates at the reporting date, and all other variables being constant.

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

Foreign Currency Risk

There was no foreign currency risk as at 31 December 2022 or 31 December 2021 as assets and liabilities of the Group are maintained in pounds Sterling.

Capital Management Policies

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

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

The Group monitors capital primarily through regular financial reporting and also through a gearing policy. Gearing is defined as gross borrowings divided by total assets less current liabilities. The Group's gearing policy is set out in the Investment Policy section of the Report of the Directors. The Group is not subject to externally imposed regulatory capital requirements but does have banking covenants 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.

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Carrying amount of interest-bearing loans and borrowings	291,686	248,326
External valuation of completed investment property and assets held for sale (excluding lease incentive adjustment)	1,308,025	1,537,450
Loan-to-value ratio	22.3%	16.2%

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

19. CAPITAL COMMITMENTS

The Group had contracted capital commitments as at 31 December 2022 of £54.2 million in relation to five developments.

The Group committed to forward fund a new 230-bed student accommodation development in Edinburgh together with a student residential development in Exeter. Gilmore Place, both developments are complete and in retention phase.

The Group continued to forward fund the development of a three warehouse unit site known as "Sussex Junction", completion took place in Q1-23.

Immediately prior to the 2021 year-end the Group acquired a multi asset site in Leamington Spa, Warwick. Precision Park is a multi asset site which includes, two industrial distribution units, office accommodation and land for development. Contractors commenced work on site during 2022 to develop the land into a third industrial distribution site, completion is expected during Q2-23.

During 2022 the Group acquired land located at Sovereign Square, Leeds, with the purpose to forward fund the development of a Hyatt Hotel. Total commitment is expected to be £62.7m, with £43.3m of that commitment outstanding at the year end. Completion is targeted during 2024.

20. LEASE ANALYSIS

The Group leases out its investment properties under operating leases.

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

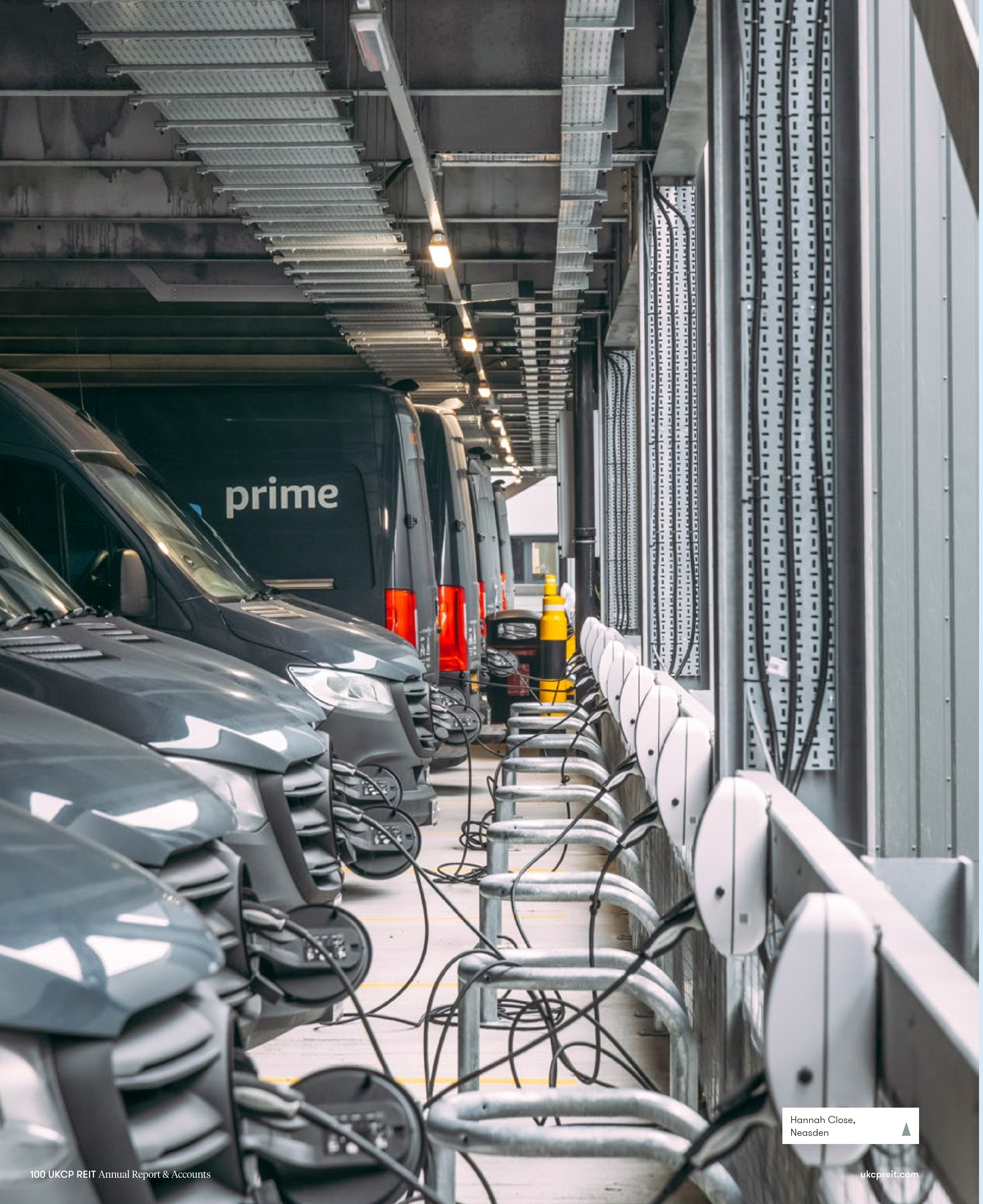
	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Within one year	71,373	68,672
Between one and two years	67,990	66,842
Between two and three years	61,523	62,038
Between three and four years	54,581	55,589
Between four and five years	46,519	50,049
Over five years	308,269	316,141
Total	**610,254**	**619,331**

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 2.0 per cent (2021: 2.1 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 'UKCM Portfolio in Numbers' pages 31 to 33.

21. EVENTS AFTER THE BALANCE SHEET DATE

On 10 January 2023, UKCPEHL extended the rolling credit facility with Barclays for a period of three years, the facility remains at £180 million and is now due to expire in January 2026 and at a slightly increased margin of 1.90%.

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

	Notes	31 December 2022 Total	31 December 2021 Total
EPRA earnings £'000	A	40,761	34,480
EPRA earnings per share (pence per share)	A	3.15	2.65
EPRA Net Tangible Assets ("NTA") £'000	B	1,035,719	1,325,228
EPRA NTA per share (pence per share)	B	79.7	102.0
EPRA Net Reinstatement Value ("NRV") £'000	C	1,124,665	1,429,775
EPRA NRV per share (pence per share)	C	86.6	110.0
EPRA Net Disposable Value ("NDV") £'000	D	1,034,405	1,316,068
EPRA NDV per share (pence per share)	D	79.6	101.3
EPRA Net Initial Yield	E	4.7%	3.6%
EPRA topped-up Net Initial Yield	E	5.0%	3.9%
EPRA Vacancy Rate		2.0%	2.1%
EPRA Cost Ratios – including direct vacancy costs	F	26.1%	29.3%
EPRA Cost Ratios – excluding direct vacancy costs	F	25.0%	28.1%
EPRA LTV	I	20.2%	13.6%

	31 December 2022 £'000	31 December 2021 £'000
A. EPRA Earnings		
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	31 December 2022 £'000	31 December 2021 £'000
IFRS NAV	1,035,719	1,325,228
Fair value of financial instrument (assets)/liabilities	—	—
EPRA NTA	1,035,719	1,325,228
Shares in issue (000's)	1,299,412	1,299,412
EPRA NTA per share (pence per share)	79.7	102.0

C. EPRA Net Reinstatement Value	31 December 2022 £'000	31 December 2021 £'000
IFRS NAV	1,035,719	1,325,228
Real Estate Transfer Tax and other acquisition costs	86,236	101,633
EPRA NRV	1,121,955	1,426,861
Shares in issue (000's)	1,299,412	1,299,412
EPRA NRV per share (pence per share)	86.3	109.8

D. EPRA Net Disposal Value	31 December 2022 £'000	31 December 2021 £'000
IFRS NAV	1,035,719	1,325,228
Fair value of debt	(1,314)	(9,160)
EPRA NDV	1,034,405	1,316,068
Shares in issue (000's)	1,299,412	1,299,412
EPRA NDV per share (pence per share)	79.6	101.3
Fair value of debt per financial statements	293,000	257,486
Carrying value	291,686	248,326
Fair value of debt adjustment	1,314	9,160

E. EPRA Net Initial Yield and 'topped up' NIY Disclosure Completed Property Portfolio	31 December 2022 £'000	31 December 2021 £'000
Investment property — wholly owned	1,268,175	1,494,600
Allowance for estimated purchasers' costs	86,236	101,633
Gross up completed property valuation	1,354,411	1,596,233
Annualised cash passing rental income	69,353	62,900
Property outgoings	(5,626)	(5,597)
Annualised net rents	63,727	57,303
Add: notional rent expiration of rent free periods or other lease incentives	4,505	4,366
Topped-up net annualised rent	68,232	61,669
EPRA NIY	4.7%	3.6%
EPRA "topped-up" NIY	5.0%	3.9%

F. EPRA Cost Ratios	31 December 2022 £'000	31 December 2021 £'000
Administrative / property operating expense line per IFRS income statement	17,438	17,072
EPRA Costs (including direct vacancy costs)	17,438	17,072
Direct vacancy costs	(675)	(670)
EPRA Costs (excluding direct vacancy costs)	16,763	16,402
Gross Rental income less ground rent costs	66,930	58,307
EPRA Cost Ratio (including direct vacancy costs)	26.1%	29.3%
EPRA Cost Ratio (excluding direct vacancy costs)	25.0%	28.1%

No operating costs or overheads were capitalised in 2022 (2021: nil).

G. Like-for-like Rental Growth Reporting	Rental growth £'000 2022	Portfolio value by sector £'000 2023	Rental growth £'000 2021	Portfolio value by sector £'000 2021
Sector:				
Industrial	9,947	773,450	6,081	975,020
Offices	479	171,200	4,055	219,100
Retail	40	180,325	2,376	186,225
Alternatives	3,075	183,050	(126)	157,105
Total portfolio value	13,541	1,308,025	12,386	1,537,450

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.

	31 December 2022 £'000	31 December 2021 £'000
H. Property-related CapEx		
Acquisitions	6,934	179,861
Development	47,332	15,274
Investment properties:		
Incremental lettable space	—	—
No incremental lettable space	1,221	2,803
Tenant incentives	(911)	2,128
Other material non-allocated types of expenditure	—	—
Total capital expenditure incurred	54,576	200,066

	31 December 2022 £'000	31 December 2021 £'000
I. LTV		
Borrowings from Financial Institutions	293,000	250,000
Exclude Cash and cash equivalents	30,861	42,121
Net Debt (a)	262,139	207,879
Investment properties at fair value	1,235,760	1,465,518
Properties under development	39,850	42,850
Net Receivables	20,934	23,065
Total Property Value (b)	1,296,544	1,531,433
LTV (a/b)	20.2%	13.6%

Sustainability Performance

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

Explanatory Notes on Methodology

Reporting Period

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

Organisational Boundary and Data Coverage

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

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

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

Emissions Calculation

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

Normalisation

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

Renewable Energy

Several industrial assets in the portfolio have solar PV installed which is demised to the tenant. 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).

Materiality

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

Code	Performance Measures	Review Outcome
ENVIRONMENTAL		
Elec-Abs	Total electricity consumption	Material
Elec-LfL	Like-for-like total electricity consumption	Material
DH&C-Abs	Total district heating & cooling consumption	Not material – none of the Company's assets are connected to district energy supplies
DH&C-LfL	Like-for-like total district heating & cooling consumption	
Fuels-Abs	Total fuel consumption	Material
Fuels-LfL	Like-for-like total fuel consumption	Material
Energy-Int	Building energy intensity	Material
GHG-Dir-Abs	Total direct greenhouse gas (GHG) emissions	Material
GHG-Indir-Abs	Total indirect greenhouse gas (GHG) emissions	Material
GHG-Int	Greenhouse gas (GHG) emissions intensity from building energy consumption	Material
Water-Abs	Total water consumption	Material
Water-LfL	Like-for-like total water consumption	Material
Water-Int	Building water intensity	Material
Waste-Abs	Total weight of waste by disposal route	Material
Waste-LfL	Like-for-like total weight of waste by disposal route	Material
Cert-Tot	Type and number of sustainably certified assets	Material
SOCIAL		
Diversity-Emp	Employee gender diversity	Not material – the Company does not have any employees
Diversity-Pay	Gender pay ratio	
Emp-Training	Employee training and development	
Emp-Dev	Employee performance appraisals	
Emp-Turnover	New hires and turnover	
H&S-Emp	Employee health and safety	
H&S-Asset	Asset health and safety assessments	Material
H&S-Comp	Asset health and safety compliance	Material
Comty-Eng	Community engagement, impact assessments and development programs	Material – see main body of report (page 21 for content related to Governance)
GOVERNANCE		
Gov-Board	Composition of the highest governance body	Material – see main body of report (page 57 to 61 for content related to Governance)
Gov-Selec	Process for nominating and selecting the highest governance body	
Gov-CoI	Process for managing conflicts of interest	

Like-for-like Energy Consumption

Landlord electricity consumption across like-for-like assets decreased by 15% in 2022, as we look to maximise efficiencies across the portfolio. Despite this, there was a 1% increase in the overall electricity sub-metred to occupiers, driven primarily by small increases in sub-metred usage in Leisure and Office assets; likely as a result of increased operation following the relaxation of UK government COVID-19 lockdown measures early in 2022.

In terms of overall landlord electricity procurement, the overall 8% decrease in electricity consumption was attributable to office, leisure and retail assets; albeit partially offset by a 9% and 4% increase in landlord procured electricity at industrial assets and the hotel.

The 38% decrease in landlord-obtained gas consumption in 2022 is primarily driven by office assets and industrials (the latter primarily as a result of reduced void space in 2022 at Ventura Park, which resulted in reduced landlord gas consumption at the asset).

We have implemented a number of energy saving initiatives across the portfolio and identified more for future roll-out as part of asset five year plans. These include lighting upgrades, BMS optimisation and plant replacement.

		Landlord Electricity (kWh)			Occupier Electricity i.e. sub-metered to occupiers (kWh)			Total landlord-obtained Electricity (kWh)			Landlord-obtained Gas (kWh)			Energy Intensity (kWh/m²)		
Indicator references		Elec-LfL			Elec-LfL			Elec-LfL			Fuels-LfL			Energy-Int		
Sector	Coverage (assets)	2021	2022	Change (%)	2021	2022	Change (%)	2021	2022	Change (%)	2021	2022	Change (%)	2021	2022	Change (%)
Industrial, Business Parks	5 of 5	128,736	177,087	38%	283,526	273,841	-3%	412,262	450,928	9%	30,025	2,756	-91%	4.07	4.17	3%
Leisure	2 of 3	434,943	385,545	-11%	1,913	2,953	54%	436,856	388,498	-11%	No landlord obtained gas		N/A	11.73	10.43	-11%
Offices	2 of 4	684,944	573,164	-16%	879,788	901,491	2%	1,564,732	1,474,655	-6%	2,281,109	1,402,649	-39%	243.25	181.99	-25%
Retail, Warehouses	3 of 4	198,938	92,391	-54%	No sub-metered consumption		N/A	198,938	92,391	-54%	No landlord obtained gas		N/A	16.33	7.58	-54%
Hotels	1 of 1	28,806	29,977	4%	No sub-metered consumption		N/A	28,806	29,977	4%	No landlord obtained gas		N/A	2.44	2.54	4%
Retail, High Street	1 of 1	56,080	49,165	-12%	No sub-metered consumption		N/A	56,080	49,165	-12%	49,607	58,984	19%	28.51	29.17	2%
Totals	14 of 30	1,532,447	1,307,330	-15%	1,165,227	1,178,285	1%	2,697,674	2,485,615	-8%	2,360,740	1,464,389	-38%	26.7	20.8	-22%

Note: 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.

Like-for-like Greenhouse Gas Emissions

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 the office asset 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.

		Scope 1 Emissions (tCO_2)			Scope 2 Emissions (tCO_2)			Scope 3 Emissions (tCO_2)			Emissions Intensity Scopes 1, 2 & 3 ($kgCO_2/m^2$)		
Indicator references		No relevant EPRA indicator											
Sector	Coverage (assets)	2021	2022	Change (%)	2021	2022	Change (%)	2021	2022	Change (%)	2021	2022	Change (%)
Industrial, Business Parks	5 of 5	5	0.5	-91%	27	34	25%	68	61	-10%	0.9	0.9	-5%
Leisure	2 of 3	No Scope 1 emissions		N/A	92	75	-19%	9	7	-14%	2.7	2.2	-19%
Offices	2 of 4	560	252	-55%	145	111	-24%	216	200	-7%	58.3	35.7	-39%
Retail, Warehouses	3 of 4	No Scope 1 emissions		N/A	42	18	-58%	4	2	-56%	3.8	1.6	-58%
Hotels	1 of 1	No Scope 1 emissions		N/A	6	6	-5%	0.5	0.5	-2%	0.6	0.5	-5%
Retail, High Street	1 of 1	9	11	17%	11.9	9.5	-20%	1	0.9	-17%	5.9	5.7	-5%
Totals	14 of 30	574	264	-54%	325	253	-22%	298	272	-9%	6.3	4.2	-34%

Note: Scope 3 also includes emissions associated with transmission and distribution losses for all landlord-procured electricity.

Absolute Energy Consumption

Absolute landlord electricity and gas consumption reduced by 17% and 41% 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.

			Landlord Electricity (kWh)			Occupier Electricity i.e. sub-metered to occupiers (kWh)			Total landlord-obtained Electricity (kWh)			Landlord-obtained Gas (kWh)			Energy Intensity (kWh/m²)		
Indicator references			Elec-Abs			Elec-Abs			Elec-Abs			Fuels-Abs			Energy-Int		
Sector	Coverage 2021 (assets)	Coverage 2022 (assets)	2021	2022	Change (%)	2021	2022	Change (%)	2021	2022	Change (%)	2021	2022	Change (%)	2021	2022	Change (%)
Industrial, Business Parks	5 of 5	5 of 5	128,736	177,087	38%	283,526	273,841	–3%	412,262	450,928	9%	30,025	2,756	–91%	4.1	4.2	3%
Leisure	2 of 3	3 of 3	434,943	388,887	–11%	1,913	2,953	54%	436,856	391,840	–10%	No landlord obtained gas		N/A	17.6	10.5	–40%
Offices	5 of 9	5 of 7	1,460,075	1,187,688	–19%	1,258,557	1,088,334	–14%	2,718,631	2,276,022	–16%	3,258,018	1,914,279	–41%	183.7	91.9	–50%
Retail, Warehouses	3 of 6	3 of 5	198,938	92,391	–54%	No sub–metered consumption		N/A	198,938	92,391	–54%	No landlord obtained gas		N/A	7.8	4.3	–45%
Hotels	1 of 1	1 of 1	28,806	29,977	4%	No sub–metered consumption		N/A	28,806	29,977	4%	No landlord obtained gas		N/A	2.4	2.5	4%
Retail, High Street	1 of 2	1 of 1	56,080	49,165	–12%	No sub–metered consumption		N/A	56,080	49,165	–12%	49,607	58,984	19%	28.5	29.2	2%
Land	0 of 1	1 of 1	—	0	N/A	No sub–metered consumption		N/A	0	0	N/A	No landlord obtained gas	1,301	N/A	0.0	0.2	N/A
Totals	**17 of 43**	**19 of 41**	**2,307,578**	**1,925,195**	**-17%**	**1,543,996**	**1,365,128**	**-12%**	**3,851,573**	**3,290,324**	**-15%**	**3,337,649**	**1,977,320**	**-41%**	**33.7**	**22.4**	**-33%**

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.

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.

			Scope 1 Emissions (tCO_2)			Scope 2 Emissions (tCO_2)			Scope 3 Emissions (tCO_2)			Emissions Intensity Scopes 1, 2 & 3 ($kgCO_2/m^2$)		
Indicator references			GHG-Dir-Abs			GHG-Indir-Abs			GHG-Indir-Abs			GHG-Int		
Sector	Coverage 2021 (assets)	Coverage 2022 (assets)	2021	2022	Change (%)	2021	2022	Change (%)	2021	2022	Change (%)	2021	2022	Change (%)
Industrial, Business Parks	5 of 5	5 of 5	5	0.5	–91%	27	34	25%	68	61	–10%	0.9	0.9	–5%
Leisure	2 of 3	3 of 3	No Scope 1 emissions		N/A	92	75	–19%	9	8	–13%	4.1	2.2	–45%
Offices	5 of 9	5 of 7	739	345	–53%	310	230	–26%	318	251	–21%	42.0	18.1	–57%
Retail, Warehouses	3 of 6	3 of 5	No Scope 1 emissions		N/A	42	18	–58%	4	2	–56%	1.8	0.9	–50%
Hotels	1 of 1	1 of 1	No Scope 1 emissions		N/A	6	6	–5%	0.5	0.5	–2%	0.6	0.5	–5%
Retail, High Street	1 of 2	1 of 1	9	11	17%	12	10	–20%	1.1	0.9	–17%	5.9	5.7	–5%
Land	0 of 1	1 of 1	No Scope 1 emissions	0.2	N/A	0	0	N/A	0	0	N/A	0.0	0.0	N/A
Totals	**17 of 43**	**19 of 41**	**753**	**356**	**-53%**	**490**	**372**	**-24%**	**400**	**322**	**-19%**	**7.7**	**4.5**	**-42%**

Note: Scope 3 also includes emissions associated with transmission and distribution losses for all landlord-procured electricity.

Absolute and like-for-like Water Consumption

Water consumption at like-for-like assets increased by 3% 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 Water Consumption (m^3)					LfL Water Consumption (m^3)					
Indicator references			Water-Abs; Water-Int					Water-LfL; Water-Int					
Sector	Coverage 2021 (assets)	Coverage 2022 (assets)	2021 (m^3)	2021 Intensity (litres/m²)	2022 (m^3)	2022 Intensity (litres/m²)	Change (%)	Coverage (assets)	2021 (m^3)	2021 Intensity (litres/m²)	2022 (m^3)	2022 Intensity (litres/m²)	Change (%)
Industrial, Business Parks	3 of 5	3 of 5	4,916	45	4,048	37	–18%	3 of 5	4,916	45	4,048	37	–18%
Leisure	2 of 3	2 of 3	642	26	574	23	–11%	2 of 3	642	26	574	23	–11%
Offices	4 of 9	3 of 7	9,985	307	10,089	455	1%	2 of 2	6,568	415	8,343	528	27%
Retail, Warehouses	1 of 6	1 of 5	252	21	0	N/A	N/A	1 of 4	252	N/A	0	—	N/A
Retail, High Street	1 of 2	1 of 1	462	125	202	17	–56%	1 of 1	462	125	202	54	–56%
Totals	**11 of 43**	**10 of 41**	**16,257**	**89**	**14,914**	**83**	**-8%**	**8 of 30**	**12,840**	**84**	**13,167**	**86**	**3%**

Absolute and like-for-like Waste Generation and Treatment

We are responsible for waste management at a number of multi-let assets. Our Waste Management Consultant undertakes regular waste audits and works closely with our Property Manager to implement interventions to improve segregation of materials and ultimately increase recycling rates.

In total across the 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 (Colmore Court).

Sector	Coverage (assets)		Total Waste (tonnes)		Waste to Landfill (tonnes)		Waste Recovered (tonnes)		Waste Recycled (tonnes)	
Indicator reference	Waste-LfL									
	2022		2021	2022	2022		2022		2022	
Leisure	2 of 2		99	153	0%	0	47%	72	53%	81
Offices	2 of 2		54	86	0%	0	58%	50	42%	36
Retail, Warehouse	1 of 3		21	21	0%	0	100%	21	0%	0
Totals	**5 of 30**		**174**	**260**	**0%**	**0**	**55%**	**143**	**45%**	**117**
Indicator reference	Waste-Abs									
	2021	2022	2021	2022	2022		2022		2022	
Leisure	2 of 3	2 of 3	99	153	0%	0	47%	72	53%	81
Offices	3 of 9	4 of 5	94	124	0%	0	57%	75	43%	49
Retail, Warehouse	1 of 7	1 of 3	21	21	0%	0	100%	21	0%	0
Totals	**6 of 43**	**7 of 41**	**213**	**298**	**0%**	**0**	**56%**	**168**	**44%**	**130**

Streamlined Energy and Carbon Reporting (SECR)

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

Percentage change has been provided on a 2022 vs 2021 basis, and 2022 vs 2019 basis. Emissions intensity has decreased over time due to the inclusion of landlord consumption associated with vacant units. It is important to include this data given it forms part of the Company's Scope 1 and 2 emissions but when included in intensity calculations it has the effect of skewing the outcome at the portfolio level.

Data Type	2019	2020	2021	2022	% Change 2022 vs 2021	% Change 2022 vs 2019 (base year)
Total Scope 1/2 Emissions (tCO_2e)	1,603	1,336	1,243	728	–41%	–55%
Emissions intensity ($kgCO_2e/m^2$ Net Lettable Area)	4.5	3.9	5.8	3.1	–47%	–31%
Total Landlord Energy Consumption (kWh)	**6,861,568**	**6,004,638**	**5,645,227**	**3,902,515**	**–31%**	**–43%**

Sustainability Certifications

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

There are currently 8 BREEAM-rated assets in the portfolio, which accounts for 19.2% of the portfolio by gross asset value. These are detailed on the far right:

EPC RATING	% ESTIMATED RENTAL VALUE
A+	1.5%
A	8.7%
B	28.7%
C	36.9%
D	11.4%
E	7.7%
G	2.2%
N/A	2.4%
Unknown	0.4%
Total	100.00%

ASSET	RATING DETAILS
Hannah Close	BREEAM / Refurbishment and Fit-out | Very Good
Regents Circus	BREEAM / New Construction | Very Good
Central Square	BREEAM / New Construction | Excellent
Palletforce	BREEAM / New Construction | Very Good
White Building	BREEAM / New Construction | Excellent
Maldron Hotel	BREEAM / New Construction | Very Good
Sussex Junction, Bolney	BREEAM / New Construction | Very Good
Hill View Place, Glenthorne Road	BREEAM / New Construction | Very Good

Taskforce for Climate Related Financial Disclosures (TCFD)

In support of our clients' own TCFD obligations, core TCFD metrics for the Fund for the 2022 period are disclosed in the below table.

2022	
Total Scope 1 Emissions	356
Total Scope 2 Emissions	372
Total Scope 1 + 2 Emissions	728
Total Floor Area (m^2) with associated Scope 1 and 2 emission	221,407
Total Value of Assets with associated Scope 1 and 2 emissions data (£M)	575.9
Scope 1 and 2 GHG Intensity (tCO_2e/m^2)	0.003
Scope 1 and 2 GHG Intensity (tCO_2e/£M)	1.27
Scope 1 + 2 Emissions Data Coverage	100%

Social Indicators

Health & Safety

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

Community Engagement

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

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

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

Governance Indicators

The Company has a Board comprised of five independent/Non-Executive Directors as detailed on pages 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 McCullagh at nine years and the shortest being Fionnuala Hogan who was appointed in the late summer of 2021.

The Directors bring a broad range of experience to their roles and all members have a keen focus on ESG-related topics and in ensuring that the Company meets its obligations. Alongside the Manager, Margaret Littlejohns, as Chair of the Risk Committee, considers the potential risk posed by environmental factors as part of her role while Chris Fry, as Chair of the Property Valuation Committee, has consideration to the impact of all ESG-related topics to the value of the property portfolio. All Directors are also members of these Committees and collectively contribute to the focus upon environmental and social matters.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the sixteenth Annual General Meeting of UK Commercial Property REIT Limited will be held at FTI Consulting, 200 Aldersgate, Aldersgate Street, London EC1A 4HD, United Kingdom on Wednesday, 21 June 2023 at 10:30am for the following purposes.

Ordinary Resolutions

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

1. To approve and adopt the Report of the Directors and auditor and the financial statements for the year ended 31 December 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 to 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 elect Mr Pereira Gray as a Director of the Company.
7. To re-elect Mr Ayre as a Director of the Company.
8. To re-elect Ms Hogan as a Director of the Company.
9. To re-elect Mr Fry as a Director of the Company.
10. To re-elect Mr McCullagh as a Director of the Company.
11. To re-elect Ms Littlejohns as a Director of the Company.

Special Resolutions

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

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

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

(b) shall be limited to the allotment of equity securities up to an aggregate nominal value of £32,485,312 being approximately 10 per cent of the nominal value of the issued share capital of the Company (including treasury shares), as at 31 March 2023.

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

(a) the maximum number of shares hereby authorised to be acquired shall be equal to 14.99 per cent of the Company's issued share capital on the date on which this resolution is passed;

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

(c) the maximum price (exclusive of expenses) which may be paid for a share shall not be more than the higher of (i) an amount equal to 105 per cent of the average of the middle market quotations for a share taken from the London Stock Exchange's Daily Official List for the five business days immediately preceding the day on which the share is purchased and (ii) the higher of the last independent trade and the highest current independent bid on the London Stock Exchange;

(d) the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or on the expiry of 15 months from the passing of this resolution, whichever is the earlier, unless such authority is renewed prior to such time; and

(e) the Company may make a contract to purchase Shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of Shares pursuant to any such contract.

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

Date: 31 March 2023

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 hard copy forms 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, Bridgwater Road, Bristol BS99 6ZY no later than 10:30 on Monday, 19 June 2023.
5. Completing and returning a form of proxy will not prevent a member from attending in person at the Meeting. If you have appointed a proxy and attend the Meeting in person your proxy appointment will remain valid and you may not vote at the Meeting unless you have provided a hard copy notice to revoke the proxy to Computershare Investor Services (Guernsey) Limited, The Pavilions, Bridgwater Road, Bristol BS99 6ZY no less than 48 hours (excluding any part of a day that is not a working day) prior to the commencement of the Meeting as set out above.
6. To have the right to attend and vote at the Meeting (and also for the purposes of calculating how many votes a member may cast on a poll) a member must first have his or her name entered on the register of members at the close of business on the day which is two days before the date of the Meeting. Changes to entries in the register after that time shall be disregarded in determining the rights of any member to attend and vote at such Meeting.
7. The Directors' letters of appointment will be available for inspection for fifteen minutes prior to the Annual General Meeting and during the Meeting itself.
8. By attending the Meeting a holder of ordinary shares expressly agrees they are requesting and willing to receive any communications made at the Meeting.
9. If you submit more than one valid form of proxy, the form of proxy received last before the latest time for the receipt of proxies will take precedence. If the Company is unable to determine which form of proxy was last validly received, none of them shall be treated as valid in respect of the same.
10. A quorum consisting of one or more Shareholders present in person, or by proxy, and holding five percent or more of the voting rights is required for the Meeting. If, within half an hour 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 at any such adjourned meeting. Those Shareholders present in person or by proxy shall constitute the quorum at any such adjourned meeting.
11. The resolutions to be proposed at the Meeting will be proposed as ordinary and special resolutions which, to be passed, must receive the support of a majority (in the case of the ordinary resolutions) and not less than seventy five percent (in the case of the special resolutions) of the total number of votes cast for, or against, the ordinary and special resolutions respectively.
12. As at 31 March 2023, the latest practicable date prior to publication of this document, the Company had 1,299,412,465 ordinary shares in issue with a total of 1,299,412,465 voting rights.
13. Any person holding 3 per cent of the total voting rights in the Company who appoints a person other than the Chair as his proxy will need to ensure that both he/she and such third party complies with their respective disclosure obligations under the Disclosure and Transparency Rules.

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

The Company has appointed abrdn Fund Managers Limited as its alternative investment fund manager and Citibank UK Limited as its depositary under the AIFMD. AIFMD requires abrdn Fund Managers Limited, as the alternative investment fund manager ("AIFM") of UK Commercial Property REIT Limited, to make available to investors certain information prior to such investors' investment in the Company.

These pre-investment disclosures that are required to be made by the AIFM under AIFMD are included within a pre-investment disclosure document ("PIDD") which can be found on the Company's website at www.ukcpreit.co.uk. There have been no material changes to the disclosures contained within the PIDD since its last publication in June 2022.

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

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

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

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

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

SHARE REGISTER ENQUIRIES

Shareholders who hold their shares in certificated form can check their shareholding with the Registrar.

Notifications of changes of address and all enquiries regarding certificates or dividend cheques should be sent in writing to the Registrar whose details are shown on page 119.

KEEPING YOU INFORMED

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

Details of the Company may also be found on the Company's own dedicated website at: ukcpreit.com.

This provides information on the Company's share price performance, capital structure, stock exchange announcement and an Investment Manager's monthly factsheet. Alternatively, you can call 0808 500 0040 (free when dialling from a UK landline) for Company information.

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

In the event of queries regarding holding of shares, lost certificates, dividend payments, or registered details, shareholders holding their shares in the Company directly should contact the registrars, Computershare Investor Services (Guernsey) Limited on 0370 707 4040 or by writing to the address on page 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 a stockbroker or indirectly through a lawyer, accountant or other professional adviser. Alternatively, for retail clients, shares can be bought directly through abrdn Investment Plan for Children, Investment Trust Share Plan or Investment Trust ISA.

abrdn INVESTMENT PLAN FOR CHILDREN

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

abrdn SHARE PLAN

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

abrdn ISA

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

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

ISA TRANSFER

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

LITERATURE REQUEST SERVICE

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

abrdn Investment Trusts Trust
PO Box 11020
Chelmsford
Essex
CM99 2DB

Telephone: 0808 500 00 40
(free when dialling from a UK landline)

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

ONLINE DEALING DETAILS

Investor Information

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

Online Dealing

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

Discretionary Private Client Stockbrokers

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

Independent Financial Advisers

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

Regulation of Stockbrokers

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

Tel: 0800 111 6768 or at register.fca.org.uk
Email: register@fca.org.uk

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 advising on the acquisition of shares and other securities before acquiring shares. Investors should 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 can be recommended by a financial adviser to ordinary retail investors in accordance with the FCA's rules in relation to non-mainstream pooled investments (NMPIs).

EFFECT OF REIT STATUS ON PAYMENT OF DIVIDENDS

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

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

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

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

RETAIL DISTRIBUTION

On 1 January 2014, the FCA introduced rules relating to the restrictions on the retail distribution of unregulated collective investment schemes and close substitutes (non-mainstream investment products). UK REITs are excluded from these restrictions therefore, the FCA's restrictions on retail distribution do not apply.

NOTE

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

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

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

SHAREHOLDER INFORMATION
Continued

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"). Those disclosures that are required to be made pre-investment are included within a pre-investment disclosure document ("PIDD") which can be found on the Company's website www.ukcpreit.com. There have been no material changes to the disclosures contained within the PIDD since its last publication in 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 illiquid nature.
- The Strategic Report, note 18 to the Financial Statements and the PIDD together set out the risk profile and risk management systems in place. There have been no changes to the risk management systems in place in the period under review and no breaches of any of the risk limits set, with no breach expected.
- There are no new arrangements for managing the liquidity of the Company or any material changes to the liquidity management systems and procedures employed by ASFML.
- All authorised Alternative Investment Fund Managers are required to comply with the AIFMD Remuneration Code. In accordance with the Remuneration Code, the AIFM's remuneration policy is available from 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.

Leverage

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

	Gross Method	Commitment Method
Maximum level of leverage	250%	250%
Actual level at 31 December 2022	128%	128%

There have been no breaches of the maximum level during the period and no changes to the maximum level of leverage employed by the Company. There is no right of re-use of collateral or any guarantees granted under the leveraging arrangement. Changes to the information contained either within this Annual Report or the PIDD in relation to any special arrangements in place, the maximum level of leverage which ASFML may employ on behalf of the Company; the right of use of collateral or any guarantee granted under any leveraging arrangement; or any change to the position in relation to any discharge of liability by the Depositary will be notified via a regulatory news service without undue delay in accordance with the AIFMD.

The information on pages 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.

9 Colmore Row, Birmingham – Sold

FINANCIAL CALENDAR 2023/24

2023

3 April 2023 Announcement of annual results	**May 2023** Payment of 2023 first interim dividend	**21 June 2023** Annual General Meeting
July 2023	**August 2023** Payment of 2023 second interim dividend	**September 2023** Release of 2023 Interim Report
October 2023	**November 2023** Payment of 2023 third interim dividend	**December 2023**

2024

January 2024	**February 2024** Payment of 2023 fourth interim dividend	**March 2024**

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

Registered Number

45387

Administrator and Company Secretary

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

Investment Manager and Alternative Investment Fund Manager

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 4DF

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
139 Fountainbridge
Edinburgh
EH3 9QG

Barings

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

Corporate P.R. Advisor

FTI Consulting Limited
200 Aldersgate
Aldersgate Street
London
EC1A 4HD

Corporate Broker

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

Depositary

Citibank UK Limited
Citigroup Centre
Canada Square
Canary Wharf
London
E14 5LB

GLOSSARY AND ALTERNATIVE PERFORMANCE MEASURES

AIC
Association of Investment Companies. The trade body representing closed-ended investment companies.

Annual rental income
Cash rents passing at the Balance Sheet date.

Average debt maturity
The weighted average amount of time until the maturity of the Group's debt facilities.

Break option
A break option (alternatively called a 'break clause' or 'option to determine') is a clause in a lease which provides the landlord or tenant with a right to terminate the lease before its contractual expiry date, if certain criteria are met.

Contracted rent
The contracted gross rent receivable which becomes payable after all the occupier incentives in the letting have expired.

Covenant strength
This refers to the quality of a tenant's financial status and its ability to perform the covenants in a Lease.

Dividend
A sum of money paid regularly by the company to its shareholders. The Company currently pays dividends to shareholders quarterly.

Dividend cover
The ratio of the company's net profit after tax (excluding capital items) to the dividends paid.

	2022 £'000	2021 £'000
Total comprehensive (loss)/income for the year	(222,329)	236,233
Add back:		
(Losses/(Gains) on investment properties	263,090	(201,753)
Profit for dividend cover	40,761	34,480
Dividend paid in the period	67,180	37,981
Dividend cover	61%	91%
Dividend cover (excluding special dividend / top-up dividend)	97%	111%

Dividend yield
Annual dividend expressed as a percentage of share price.

Earnings per share (EPS)
Profit for the period attributable to shareholders divided by the average number of shares in issue during the period.

EPRA
European Public Real Estate Association. The industry body representing listed companies in the real estate sector. See pages 101 to 104 for further details.

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.

ERV
The estimated rental value of a property, provided by the property valuers.

Fair value
Fair value is defined by IFRS 13 as 'the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date'.

Fair value movement
Fair value movement is the accounting adjustment to change the book value of an asset or liability to its market value, and subsequent changes in market value.

Financial resources
Cash balance less financial commitments plus undrawn amount of revolving credit facility.

Gearing
Calculated under AIC guidance as gross borrowing less cash divided by portfolio valuation.

	2022 £'000	2021 £'000
Gross borrowings	293,000	250,000
Less cash	(30,861)	(42,121)
	262,139	207,879
Portfolio valuation	1,308,025	1,537,450
Gearing	20.0%	13.5%

Group
UK Commercial Property REIT and its subsidiaries.

IFRS
International Financial Reporting Standards.

Index linked
The practice of linking the review of a tenant's payments under a lease to a published index, most commonly the Retail Price Index (RPI), but also the Consumer Price Index (CPI).

MSCI
An independent organisation supplying an expansive range of regional and global indexes, research, performance modelling, data metrics and risk analytics across direct property, listed and unlisted vehicles, joint ventures, separate accounts and debt.

Lease incentive
A payment used to encourage a tenant to take on a new Lease, for example by a landlord paying a tenant a sum of money to contribute to the cost of a tenant's fit-out of a property or by allowing a rent free period.

MSCI benchmark
Benchmark which includes data relevant to all properties held by funds included in the MSCI UK Balanced Portfolios Quarterly Property Index Benchmark.

NAV
Net Asset Value is the equity attributable to shareholders calculated under IFRS.

NAV total return
The return to shareholders, expressed as a percentage of opening NAV, calculated on a per share basis by adding dividends paid in the period to the increase or decrease in NAV. Dividends are assumed to have been reinvested in the quarter they are paid, excluding transaction costs.

	2022	2021
Opening NAV	102.0	86.7
Closing NAV	79.7	102.0
Movement in NAV	(22.3)	15.3
% Movement in NAV	(21.9%)	17.6%
Impact of reinvested dividends	3.8%	3.9%
NAV total return	(18.1%)	21.5%

Net initial yield (NIY)
The net initial yield of a property is the initial net income at the date of purchase, expressed as a percentage of the gross purchase price including the costs of purchase.

Ongoing charges
A measure, expressed as a percentage of NAV, of the regular, recurring costs of running an investment company, calculated in line with AIC ongoing charge methodology.

Over-rented
Space where the passing rent is above the ERV.

Passing rent
The rent payable at a particular point in time.

Portfolio fair value
The market value of the company's property portfolio, which is based on the external valuation provided by CBRE Limited.

Portfolio total return
Combining the Portfolio Capital Return (the change in property value after taking account of property sales, purchases and capital expenditure in the period) and Portfolio Income Return (net property income after deducting direct property expenditure), assuming portfolio income is re-invested.

Portfolio yield
Passing rent as a percentage of gross property value.

Premium/Discount to NAV
The difference between the share price and NAV per share, expressed as a percentage of NAV. Premium representing a higher share price compared to NAV per share, discount the opposite.

Property Income Distribution
UK REITs are required to distribute a minimum of 90% of the income from their qualifying property rental business. This distribution is known as a Property Income Distribution ("PID"). PIDs are taxable as UK property income in the hands of tax-paying shareholders.

Rack-rented
Space where the passing rent is the same as the ERV.

REIT
A Real Estate Investment Trust (REIT) is a single company REIT or a group REIT that owns and manages property on behalf of shareholders. In the UK, a company or group of companies can apply for 'UK-REIT' status, which exempts the company from corporation tax on profits and gains from their UK qualifying property rental businesses.

Rent collection
The percentage of rents paid compared to the rents invoiced over a specified period.

Rent free
A period within a lease (usually from the lease start date on new leases) where the tenant has been granted that they do not have to pay any rent.

Rent review
A rent review is a periodic review (usually five yearly) of rent during the term of a lease. The vast majority of rent review clauses require the assessment of the open market, or rack rental value, at the review date, in accordance with specified terms, but some are geared to other factors, such as the movement in an Index.

Reversionary yield
Estimated rental value as a percentage of the gross property value.

Revolving Credit Facility ("RCF")
A bank loan facility from which funds can be withdrawn, repaid and redrawn again any number of times until the facility expires. As at date of this report UKCM had a RCF facility of £180 million.

RICS
The Royal Institution of Chartered Surveyors, the global professional body promoting and enforcing the highest international standards in the valuation, management and development of land, real estate, construction and infrastructure.

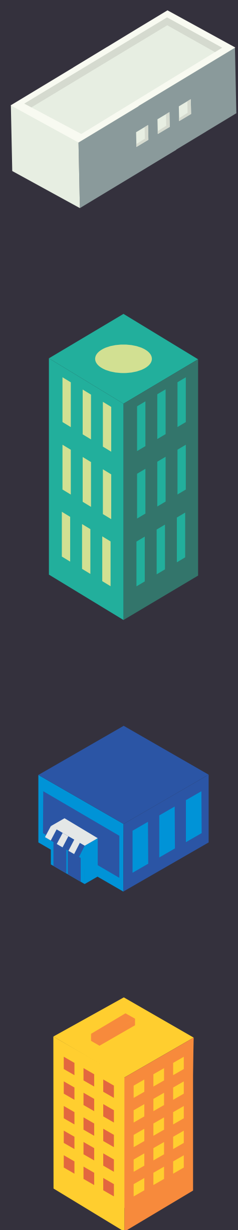
Share price
The value of each of the company's shares at a point in time as quoted on the Main Market of the London Stock Exchange.

Share price total return
The return to shareholders, expressed as a percentage of opening share price, calculated on a per share basis by adding dividends paid in the period to the increase or decrease in share price. Dividends are assumed to have been reinvested in the quarter they are paid, excluding transaction costs.

	2022	2021
Opening share price	74.7	69.0
Closing share price	58.4	74.7
Movement in share price	(16.3)	5.7
% Movement in share price	(21.8%)	8.3%
Impact of reinvested dividends	5.6%	4.2%
Share price total return	(16.2%)	12.5%

Void rate/vacancy rate
The quantum of rent relating to properties which are unlet and generating no rental income. Stated as a percentage of Estimated Rental Value.

UK
Commercial
Property
REIT



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